

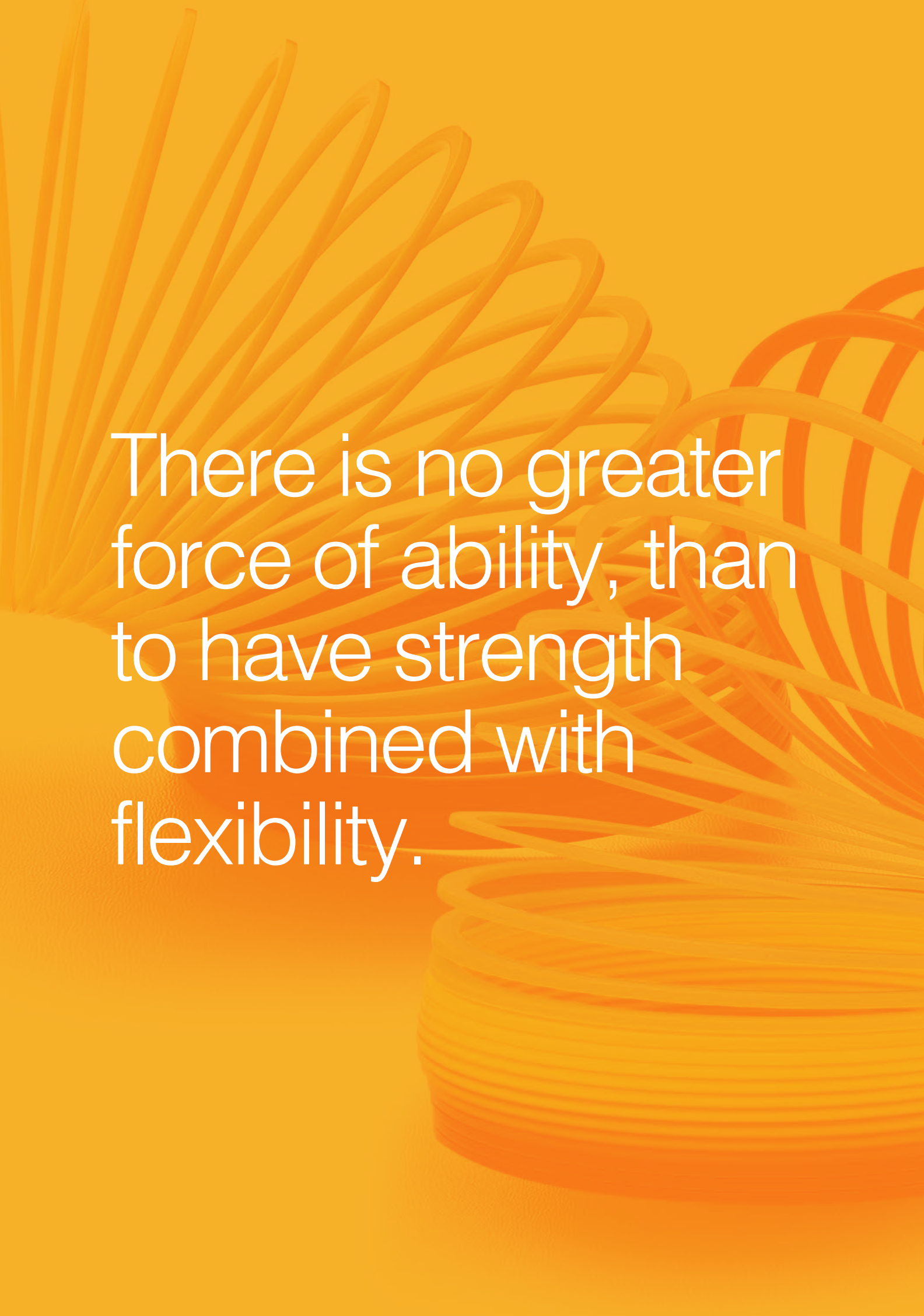


Cherat Packaging Limited
A Ghulam Faruque Group Company

**Tough and sturdy,
goes flexible.**

Annual Report
2018



The background is a vibrant orange color with a complex, abstract pattern of overlapping, semi-transparent lines and circles. The lines are thin and create a sense of depth and movement, resembling a stylized sunburst or a series of concentric, slightly offset rings. The overall effect is dynamic and textured.

There is no greater
force of ability, than
to have strength
combined with
flexibility.

Contents

- | | | | |
|-----|---|-----|---|
| 17. | Adoption and Statement of Adherence with the International Integrated Reporting Framework | 69. | Annual Evaluation of Board Performance |
| 19. | Nature of Business | 70. | Directors' Orientation and Training |
| 21. | Vision & Mission | 70. | Policy on Non-Executive & Independent Directors' Remuneration |
| 23. | Core Values | 70. | Governance Practices Exceeding Legal Requirements |
| 25. | Culture | 70. | Diversity Policy |
| 27. | Ethics | 71. | Related Parties |
| 28. | Code of Conduct | 71. | Approved Policy for Related Party Transactions |
| 30. | Group Structure | 71. | Statement of Management's Responsibility towards the Preparation and Presentation of Financial Statements |
| 33. | Company Information | 71. | Detail of Board Meetings Outside Pakistan |
| 34. | Milestones | 71. | Female Director |
| 36. | Awards and Recognition | 71. | Independent Director |
| 37. | Organizational Structure | 71. | Investors' Grievance Policy |
| 38. | Factory Site Organizational Structure | 73. | Conflict of Interest Policy |
| 40. | Our Locations | 75. | Insider Trading Policy |
| 41. | Geographical Presence | 77. | Safety of Records Policy |
| 43. | Position in the Value Chain | 79. | IT Governance Policy |
| 44. | Significant Factors Affecting the External Environment | 81. | Whistle Blower Policy |
| 46. | Composition of Local and Imported Material & Sensitivity Analysis due to Exchange Fluctuation | 83. | Human Resource Policies |
| 46. | Significant Change from Prior Year | 85. | Social & Environmental Responsibility Policy |
| 48. | Strategic Objectives | 87. | Business Continuity & Disaster Recovery Plan |
| 49. | Resource Allocation Plan | 88. | Independent Auditors' Review Report on the Statement of Compliance Contained in Listed Companies (Code of Corporate Governance) Regulations, 2017 |
| 50. | Liquidity Strategy | 89. | Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017 |
| 50. | Significant Plans and Decisions | | |
| 52. | Risks and Opportunities | | |
| 59. | Notice of Annual General Meeting | | |
| 62. | Directors' Profiles | | |
| 64. | Chairman's Review | | |
| 65. | Directors' Report to the Members | | |
| 69. | Matters Delegated to the Management | | |

- | | |
|--|--|
| 91. Statement of Compliance with the Best Practices of Transfer Pricing | 128. Statement of Cash Flows - Direct Method |
| 92. Role and Responsibilities of the Chairman & the Chief Executive Officer | 129. Key Financial Information - Last Six Years |
| 94. Corporate Governance Additional Information | 130. Segmental View of Business Performance |
| 96. Report of the Audit Committee | 131. Share Price Sensitivity Analysis |
| 98. Stakeholders' Engagement | 132. Calendar of Notable Events |
| 100. Statement of Value Addition and Distribution of Wealth | 133. Major Capital Expenditure |
| 102. Analysis of the Financial and Non-Financial Performance | 135. Forward Looking Statement |
| 104. Key Performance Indicators | 135. Financial Projections |
| 105. Non-Financial Indicators | 136. Sources of Information and Assumptions Used for Forecasts |
| 106. Change in Indicators and Performance Measures | 136. Company Performance Against Last Year's Projections |
| 107. Quarterly Performance Analysis | 136. Status of Projects |
| 108. Comments on Quarterly Performance | 138. Highlights of Various Aspects of Sustainability |
| 109. Ratios | 145. Highlights of Corporate Social Responsibility |
| 110. Comments on Ratios | 147. Statement of Unreserved Compliance of International Financial Reporting Standards (IFRSs) issued by International Accounting Standards Board (IASB) |
| 111. Key Operating Highlights | 148. Glossary of Terms |
| 114. DuPont Chart | 149. Financial Statements |
| 115. DuPont Analysis | 191. Pattern of Shareholding |
| 116. Free Cash Flows | 192. Categories of Shareholding |
| 117. Economic Value Added | 195. Notice of Annual General Meeting (Urdu Version) |
| 118. Horizontal Analysis - Last Six Years | 200. Directors' Report to the Members (Urdu Version) |
| 120. Vertical Analysis - Last Six Years | E-Dividend Mandate Form |
| 122. Comments on Horizontal Analysis | Proxy Form (English and Urdu) |
| 123. Comments on Vertical Analysis | |
| 124. Graphical Presentation of Statement of Financial Position & Statement of Profit or Loss | |
| 126. Summary of Statement of Cash Flows - Last Six Years | |
| 127. Comments on Statement of Cash Flows | |

Flexible to Change

Flexibility is the key to change and adaptation to a changing environment. The inflexible cannot survive in the era of dynamic pace.

Packaging in today's world has become one of the most important parts of a product. As product offerings change so do the demands for packaging.

Cherat Packaging has proved itself to be the front runner when it comes to diversification and change.

Transformation and diversification has been our strength. The Company grew from a humble start back in 1991 by installing one line of Tuber and Bottomer of papersacks to a diversified packaging solution Company.

Cherat Packaging has been the name of quality and commitment. This is possible only by embracing change and becoming more flexible to the needs of market.

Cherat Packaging Limited - quality, change, commitment - packaging solutions under one roof.





Kraft Papersack:

Kraft Paper has been our strength for many years. Keeping in mind the changing requirements of our customers, the Company is providing them the best solution at the lowest cost possible. In the era of dynamism, we source the finest and the best quality raw material available from Mondi as the satisfaction of our customer is our greatest concern.

Polypropylene:

In Polypropylene we offer an array of options and combinations. Cherat Packaging has advance production lines that offer flexible production alternatives in size, coating, colour, grammage and more.

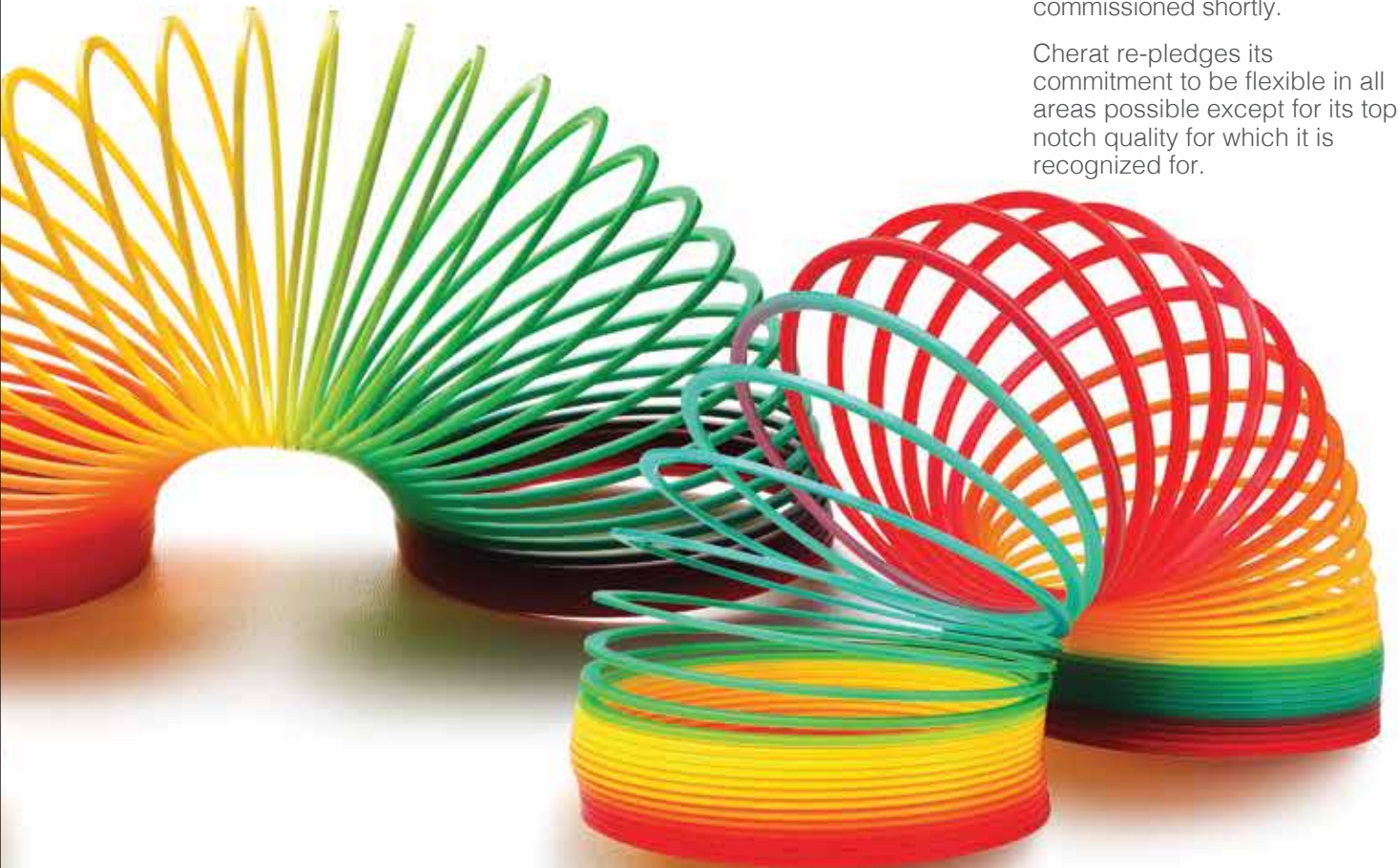
Ask us for what you need and we commit to surpass your expectations.

Flexible Packaging:

Packaging is incomplete without flexible packaging. To deal with forthcoming growth in FMCG and to be the total packaging solutions company, Cherat Packaging stepped into the arena of Flexible Packaging.

With its Rotogravure and Flexo printer, it has already started its operations. Remaining equipment is also expected to be commissioned shortly.

Cherat re-pledges its commitment to be flexible in all areas possible except for its top notch quality for which it is recognized for.



Flexible in size, colour and quantity; not in quality



Cherat Packaging is known for its commitment to quality.

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

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



Papersack Production



Twisted, turned, and tested, flexible to the challenge.



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

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



Polypropylene Production







To be flexible
& allow room
for intuitive
changes



The FMCG market is highly competitive - much depends on how well the products are packaged. This differentiates products from each other.

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

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



Equipped to be Flexible



To carry on the legacy of having top notch equipment, quality and commitment in Flexible Packaging arena also, Cherat Packaging has invested in high class production machines that will provide uncompromising quality and tons of solutions to our customers - from film to final product, Cherat Packaging is ready to serve customers.





Adoption and Statement of Adherence with the International Integrated Reporting Framework

Since its incorporation in 1989, Cherat Packaging Limited has been continuously working towards transparency of the information presented to its stakeholders. It has taken in to account various transformations to adapt to a changing landscape of economic, technological, social, and political drivers to better reflect the standard corporate reporting for information needs of different stakeholders. Over time, frequent changes to the corporate environment led to the need for additional information beyond the basic financial statements, such as management commentary, governance disclosures, and footnotes to the financial statement, so that stakeholders could have a better understanding of the value-creation process. The presented information is an overview of our business and associated activities that lead to the creation of value in the short, medium and long term.

The company is working with a strategy for generating value creation for the organization and its stakeholders. Achieving sustainable corporate value by focusing economic, societal, technological and environmental factors and their impacts is company's core. For users of this information, it is imperative to ensure, that the material is presented in such a way that it enables the stakeholders to better understand these activities. It also assures that the company concisely reports material information depicting how well it is performing in nonfinancial dimensions that affect the quality of the company's formulated strategy and its execution. The company has adopted the Integrated Reporting Framework to give an overview of company's philosophy to explain connection between its financial and non-financial information, which would enhance the user's understanding as to how the company is working to improve its performance keeping in view the stakeholder's interests. The business strategy information is linked directly to business activities and non-financial information, and provides explanations accordingly.

The framework requires a strong commitment by the company management who is ultimately responsible for the message the company is delivering to all of its stakeholders. The Board of Directors has a crucial role to play, since directors are elected by shareholders, and integrated reporting is a mechanism of ensuring long-term value creation and increasing transparency for these shareholders. Therefore, the adoption of integrated reporting requires involvement and support of the board of directors and the CEO. Henceforth, Management of the company provides guidance to achieve company objectives by advising, assessing, and monitoring business strategies; ensuring the execution and

modification of strategies; and evaluating their own effectiveness in these activities. The Management has laid the business foundation built on the principles of ethics and corporate professionalism. The same is being developed by devising and disseminating procedural steps and policies thereby highlighting need of good governance and resource allocation in achieving the desired objectives. Its reporting is being monitored and it is ensured that the relevant information is shared in the most suited way for the stakeholders of the company. Connectivity of the information is another aspect which needs to be addressed properly. Thus, the stakeholders are made aware of the company's philosophy and attitude towards achieving the enhanced stakeholders' value and customer satisfaction. The stakeholders' value is maximized through returns on investment, which management believes can be achieved through revenue maximization and cost control measures.

Adoption of International Integrated Reporting Framework depends on the individual circumstances of an entity and is still considered to be a practice in its early stages. We will continue to improve the information produced to make it even easier to understand, while taking into account the opinion of stakeholders reading this report. Initially, the company has included following content elements for the users of this report:

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



Amer Faruque
Chief Executive

Karachi: August 30, 2018

Organizational Overview and External Environment



Nature of Business

Cherat Packaging Limited – a prominent name in the packaging industry – is a Ghulam Faruque Group (GFG) company. Established almost 29 years ago, CPL has been recognized as the leading manufacturer of premium quality cement sacks. The Company is listed on the Pakistan Stock Exchange. CPL has an ISO 9001 certification and is a recipient of various prestigious awards including Pakistan Stock Exchange, Management Association of Pakistan's Best Company Award and ICAP and ICMAP's Best corporate reporting award. CPL is the only company in the region to have production capability of producing bags from Kraft Paper, Polypropylene and Flexible Packaging products.

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

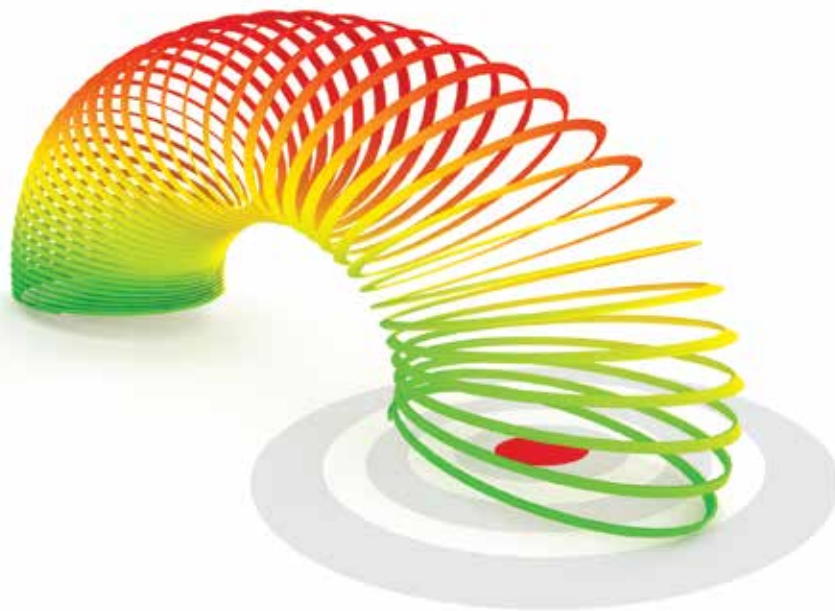
Towards the end of this Financial Year, CPL has achieved a milestone of installing main Roto and Flexo printers and laminator of the Flexible packaging plant with an annual capacity of 7,200 kgs (Flexo and Roto printing combined). This is not all; the Company, currently, is also in the process of installing Extrusion line which will be operational by September 2018. The installation of Flexible Packaging Plant will enable CPL to capitalize on the anticipated growth in FMCG and other industries that require flexible packaging.

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



Vision

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



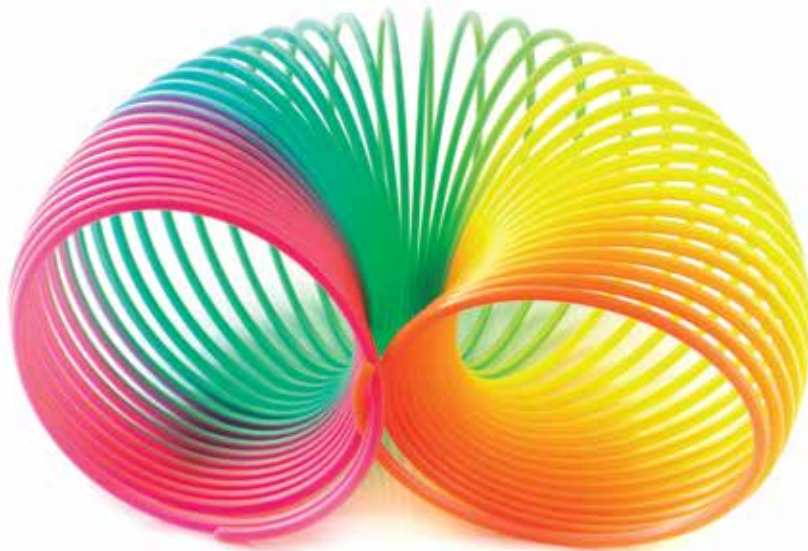
Mission

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



Core Values

- ▶ Achieve excellence in business
- ▶ Explore new markets and keep up with emerging trends
- ▶ Strong commitment to quality
- ▶ Professional development of workforce
- ▶ Compliance to the practices of ISO 9001: 2015



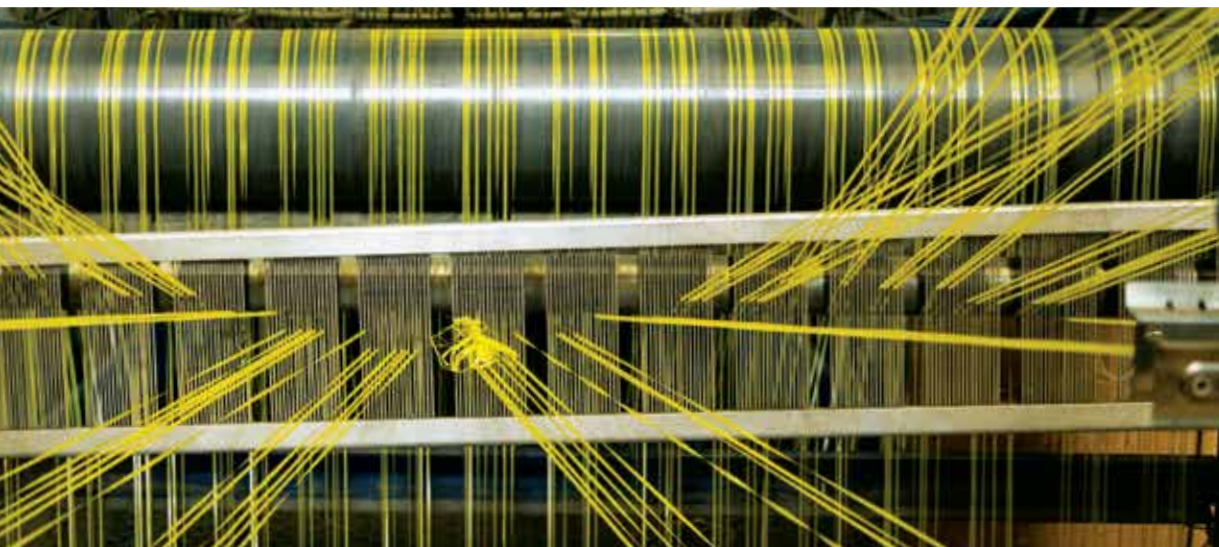


Culture

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

Our Core Values that drive our culture are as follows:

- **Respect**
- **Fairness**
- **Quality**
- **Ownership**





Ethics


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

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

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

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





Code of Conduct

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

Scope

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

Compliance Committee and Reporting of Violations

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

Compliance with the Law

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

Competition and Anti-trust Law

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

Bribery and Corruption

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

Money Laundering

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

Product Quality

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

Books, Records and Financial Reporting

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

Confidentiality

It is our policy that no employee entrusted with confidential information about the Company, its suppliers, customers or other business partners may disclose such information to any third party or use

such information for his or her personal benefit while employed with the Company or thereafter, unless prior written approval is obtained from a duly authorized person, or the disclosure of confidential information is required by mandatory law, any governmental agency, court or other quasi-judicial or regulatory body.

Protection and Information Security

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

Handling and Safeguarding of Cherat Packaging's Property

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

Equal Treatment and Fair Working Conditions

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

Health, Safety and Environmental Protection

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

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

Conflict of Interest

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

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

Group Structure

Faruque (Pvt.) Ltd Parent Company

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

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



Mirpurkhas Sugar Mills Ltd Manufacturer of Cane Sugar

Established in 1964, its principal activity is manufacturing and selling of sugar. It is located about 300 km from the port city of Karachi, in Mirpurkhas and is listed on the Pakistan Stock Exchange Limited. The Company has a crushing capacity of 7,500 tons per day and is one of the most efficient sugar mills in Pakistan. Moreover, it is involved in development of higher yield sugar cane varieties on its 1,700 acre experimental farm.



Cherat Cement Company Ltd Manufacturer of Ordinary Portland Cement

Cherat Cement Company Limited was incorporated in 1981. Its main business activity is manufacturing, marketing and sale of Ordinary Portland Cement. The Company is amongst the pioneers of cement industry in Pakistan and is the number 1 cement in its region. The Company's annual installed capacity is around 2.4 million tons. The plant is located at Village Lakrai, District Nowshera, Khyber Pakhtunkhwa (KPK) province. Due to plant's geographical position, it is ideally located to export cement to Afghanistan as well as cater the local market needs in the KPK, FATA, Punjab and Azad Kashmir. The Company is registered on Pakistan Stock Exchange Limited and is also an ISO 9001 and 14001 certified. CCCL is in the process of installing 3rd Cement line at its current location with annual clinker capacity of 2.1 million tons.



UniEnergy Limited
Joint Venture for Renewable
Wind Energy



ZENSOFT

Zensoft (Pvt.) Ltd

Information Systems Services
Provider Specializing in Business
Software Solutions

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



GREAVES

Greaves Pakistan (Pvt.) Ltd

Providing Specialized Engineering Sales and Services

It was established in 1859 to provide specialized engineering equipment sales and services. However in 1964, the Group acquired a controlling interest in the shares of the Company and by 1981 Greaves became a wholly owned subsidiary of Faruque (Pvt.) Ltd. Greaves has the following divisions namely i) Power Generation, ii) CNG Equipment, iii) Industrial Machinery, iv) Solar Energy, v) LED, vi) Elevator, vii) Earth Moving & Construction Machinery, viii) Air Compressor ix) Fuel Dispenser and x) UPS.

Greaves Airconditioning (Pvt.) Ltd

Equipment Suppliers and HVAC Solution Provider

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

Greaves CNG (Pvt.) Ltd

Retail Sales of CNG to end consumers

Greaves CNG was established in 2001 with a prime motive to install CNG facilities at the retail outlets of Petroleum Companies. It is a preferred third party investor for all major petroleum companies in Pakistan.

Greaves Engineering Services (Pvt.) Ltd

HVAC Contractors

Established in 2003, its principal activity is to provide services associated with Airconditioning, installation and maintenance of central and packaged units.

UNICOL UNICOL LIMITED

Unicol Ltd

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

Incorporated in 2003, Unicol is a joint venture distillery project among Mirpurkhas Sugar Mills Ltd, Faran Sugar Mills Ltd and Mehran Sugar Mills Ltd. It is engaged in the production and marketing of ethanol from molasses and CO₂. Its current production capacity is 200,000 litres per day. It is involved in producing various varieties of ethanol.



Mirpurkhas Energy

Wholly owned subsidiary of
Mirpurkhas Sugar Mills Ltd

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



Madian Hydropower Ltd

Joint Venture for establishing
148 MW Hydro Power Plant.



Company Information

Board of Directors

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

Audit Committee

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

Human Resource and Remuneration Committee

Mr. Abid Naqvi	Chairman
Mr. Amer Faruque	Member
Mr. Aslam Faruque	Member
Mr. Abrar Hasan	Member

Chief Operating Officer & CFO

Mr. Yasir Masood

Executive Director & Company Secretary

Mr. Abid Vazir

Head of Internal Audit

Mr. Aamir Saleem

Auditors

EY Ford Rhodes
Chartered Accountants

Legal Advisor

K.M.S. Law Associates

Bankers

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

Bankers (Islamic)

Al Baraka Bank (Pakistan) Ltd
Askari Bank Ltd
Bank Alfalah Ltd
Bank Al Habib Ltd
Bankislami Pakistan Ltd
Dubai Islamic Bank Pakistan Ltd
Meezan Bank Ltd

Share Registrar

Central Depository Company
of Pakistan Limited (CDC)
CDC House, 99-B, Block 'B', S.M.C.H.S.,
Main Shahrah-e-Faisal, Karachi-74400
Tel: 0800-23275

Contact Us:

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Email: info@gfg.com.pk
Web: www.gfg.com.pk



Registered Office

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Tel: (+9291) 5842285, 5842272
Fax: (+9291) 5840447

Head Office

Modern Motors House, Beaumont Road,
Karachi-75530
Tel: (+9221) 35683566-67, 35688348, 35689538
Fax: (+9221) 35683425

Factory

Plot No. 26, Gadoon Amazai
Industrial Estate, District Swabi,
Khyber Pakhtunkhwa
Tel: (+92938) 270125, 270221
Fax: (+92938) 270126

Regional Office

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

Islamabad Office

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

Milestones

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

Acquired ISO 9001 QMS Certificate.

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

1992

1998

2006

1996

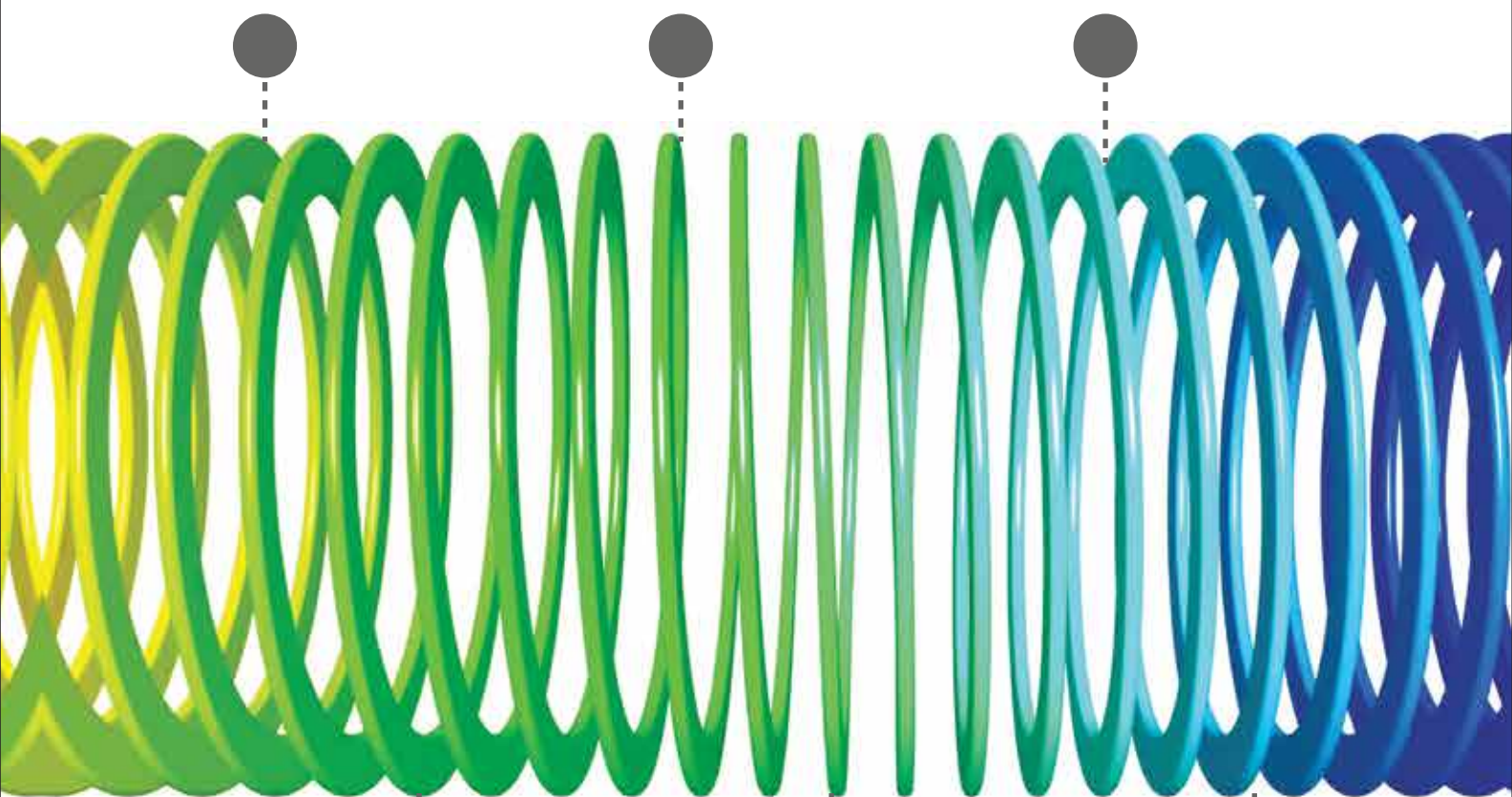
2003

2009

Installed 2nd Bottomer to the production line.

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

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



2012

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

2014

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

2017

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

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

2013

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

2016

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

2018

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

Awards and Recognition

Best Corporate Reporting Award ICAP & ICMAP

For the financial years 2014, 2015, 2016 and 2017 Cherat Packaging participated in Best Corporate Report Awards. The Contest is jointly conducted by Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants of Pakistan (ICMAP). The Company secured the 1st position for four consecutive years in "Others Category". In addition to the aforesaid, for financial year 2017, the Company also secured the overall 1st position nationwide.

South Asian Federation of Accountants (SAFA) Award

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

Pakistan Stock Exchange Top Companies Award

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

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

Corporate Excellence Award

Cherat Packaging's outstanding performance was also recognized by the Management Association of Pakistan on account of Best Management Practices and the Company was awarded Corporate Excellence Certificates and Award in "Paper and Board" Category for the years 2015, 2016 and 2017.

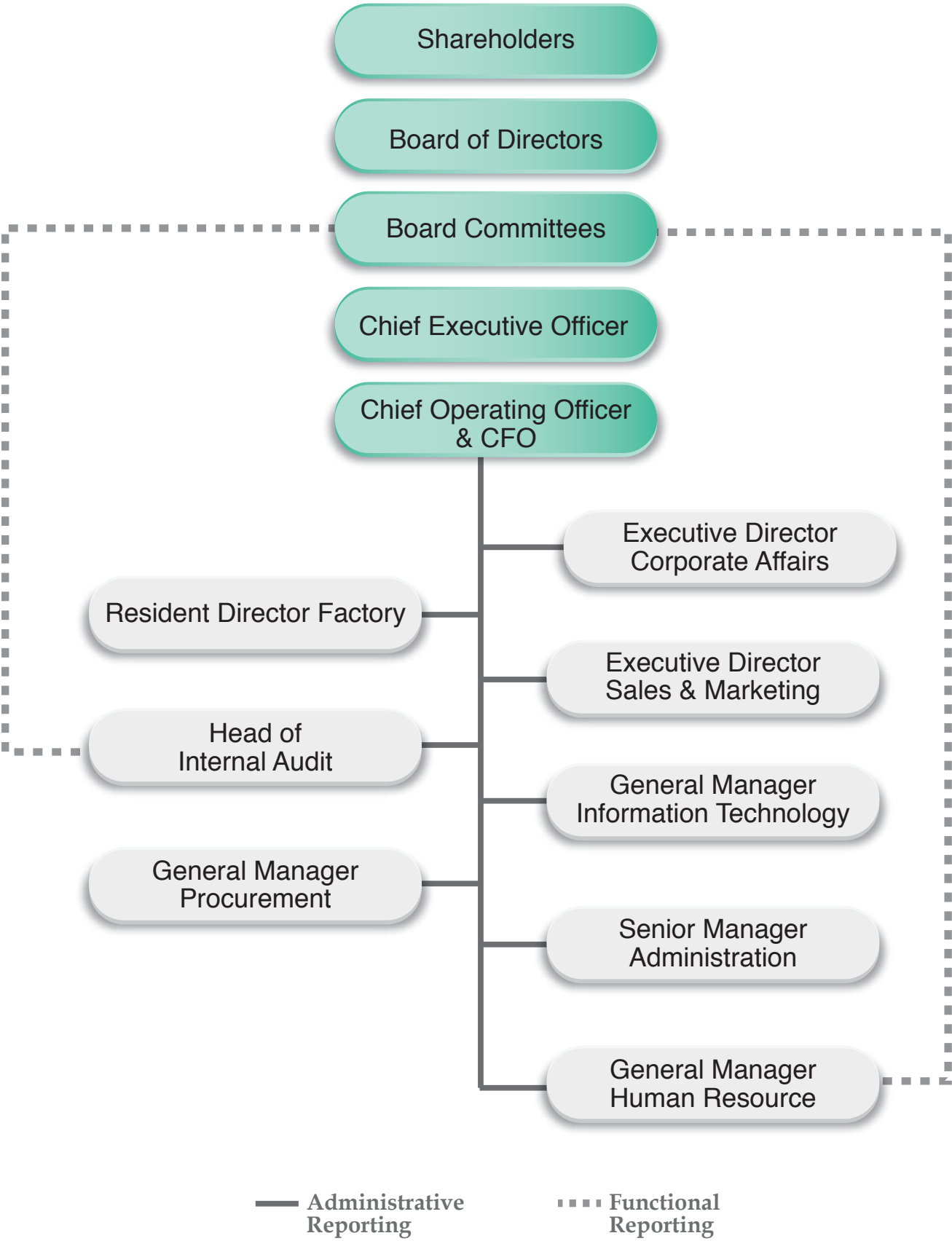
Forbes: Asia's Best Under A Billion Company

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

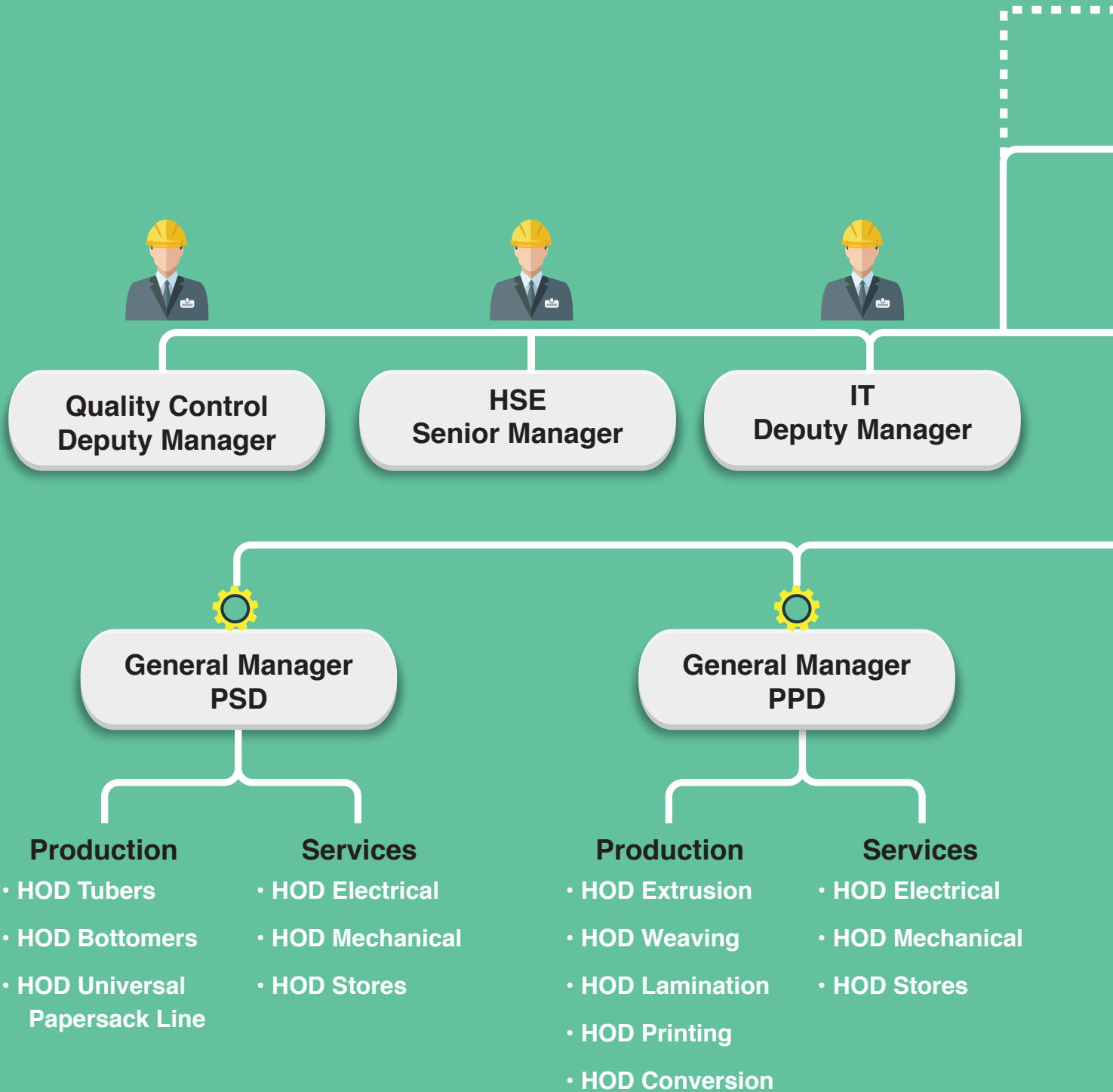


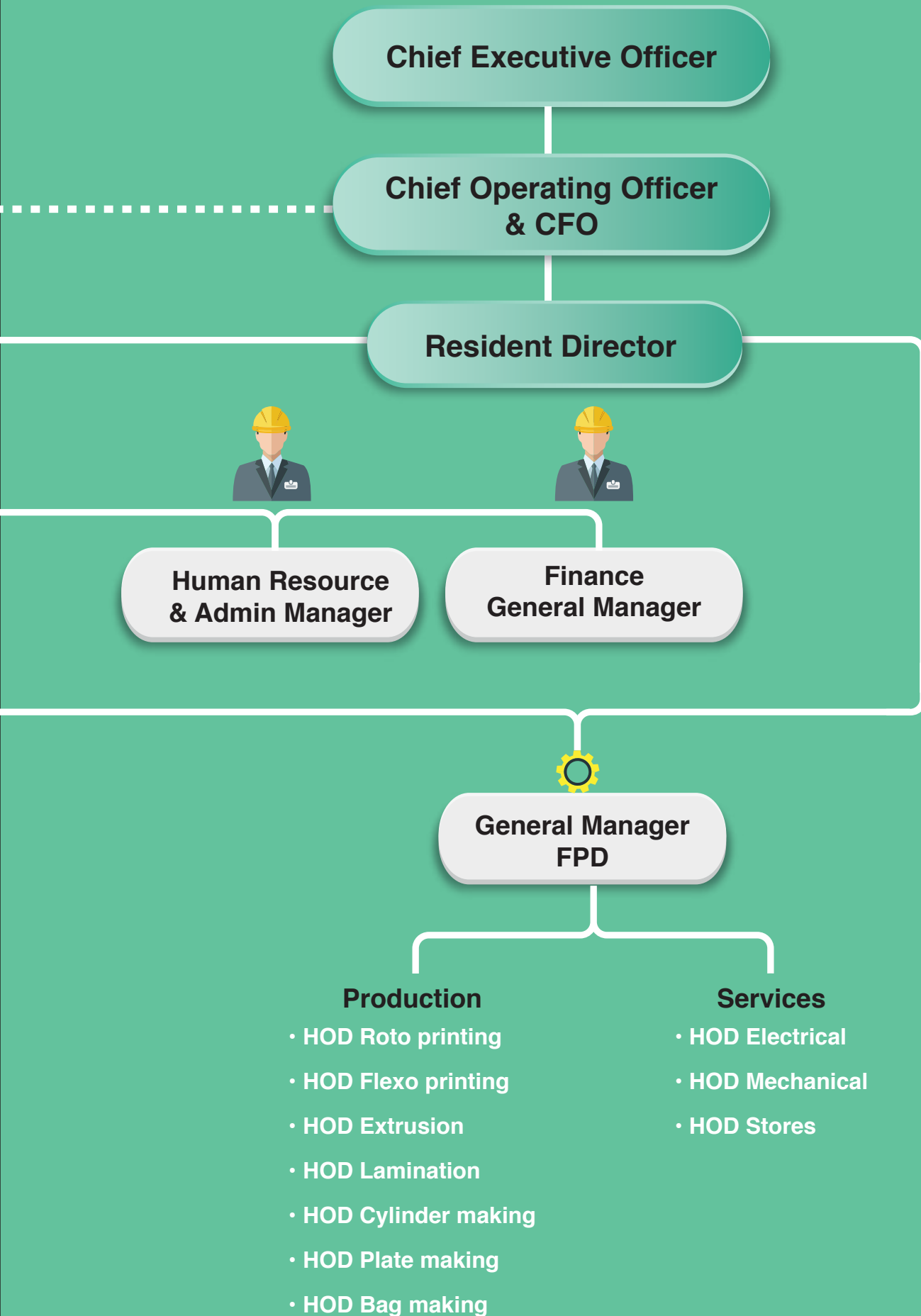
These achievements show that Cherat Packaging is a responsible corporate citizen and believes in transparency in the process of data gathering and timely dissemination of factual information to our valuable stakeholders.

Organizational Structure

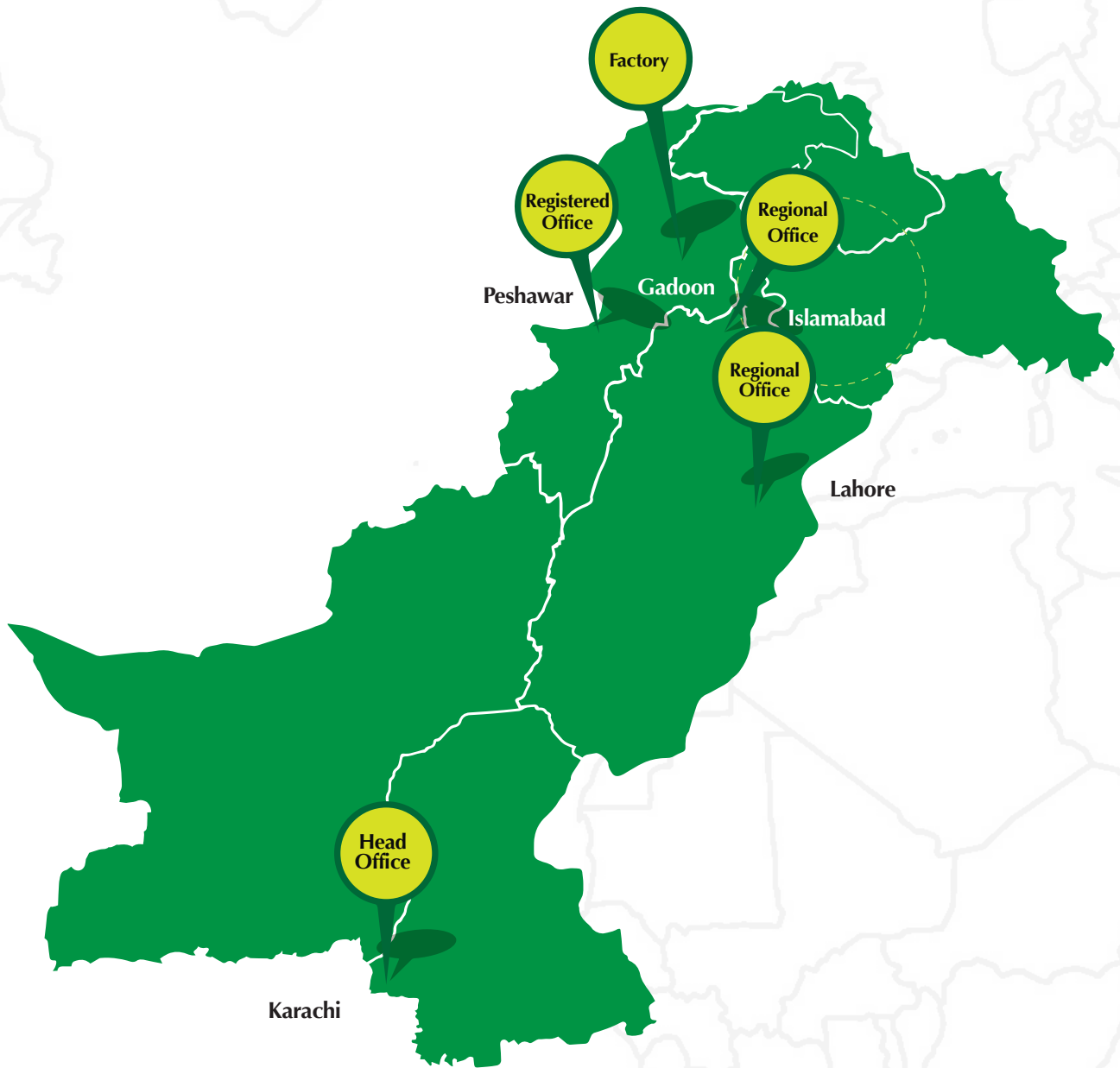


Factory Site Organizational Structure

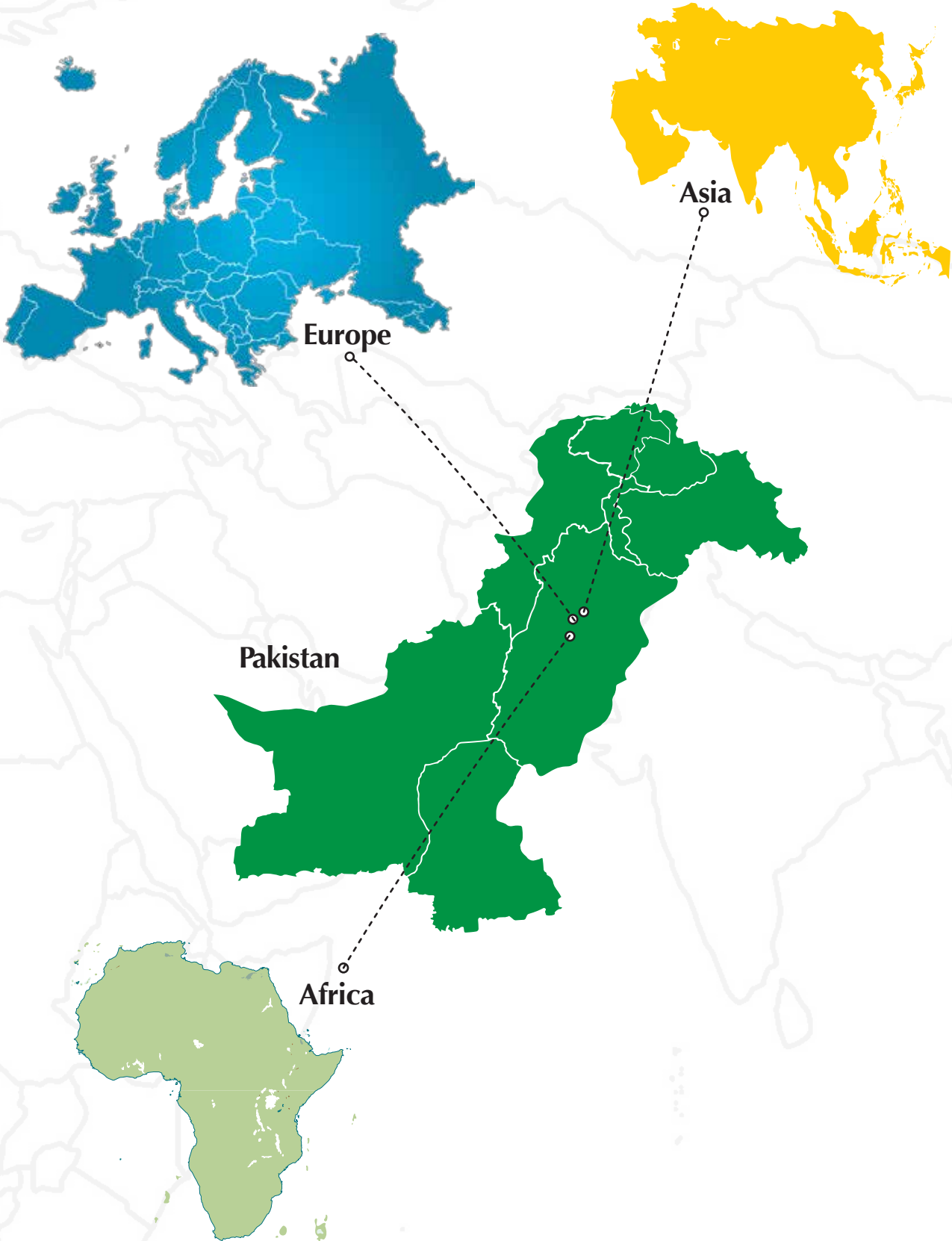




Our Locations



Geographical Presence





Position in Value Chain

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



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

Significant Factors Affecting the External Environment

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

Factor	Description	Significant change from last year	Organization's response
P Political	Political situations impact the business and its profitability. Political turmoil generally impacts organizations negatively.	<ul style="list-style-type: none"> - General elections - Political uncertainties 	Political situation of the country including changes in regulations and business policies are being monitored appropriately to take timely decisions to avoid any unfavourable outcome on the company's business. Further, the Company maintains strong relation with its customers and provide them due credit to facilitate them.
E Economic	Economic conditions of a country generally affect all businesses that exist in that country. High interest costs, high inflation and low economic growth impacts Organization.	<ul style="list-style-type: none"> - Devaluation of PKR - Increase in interest rates - Reduced spending in PSDP by Govt. - Inflation rate. 	Cherat Packaging has diversified its revenue by venturing into different business lines i.e. Kraft papersacks, Polypropylene bags and Flexible packaging. However, decline in general economic conditions may pose adverse effect on the Company performance.
S Social	Social responsibility of a company cannot be ignored. The Company must play its role in betterment of society in which it operates. Health issues, education problems are among the social problems.	<ul style="list-style-type: none"> - Decision to implement OHSAS - Make HSE department more rigorous 	<p>The Company always strives to be a part of social causes and for the betterment of society. For this purpose, the Company donates in various social causes including education programs and health & safety of society.</p> <p>On the business front, the Company has full-fledged HSE department which works for the betterment and welfare of workers at factory. The Company is currently in processes of implementing OHSAS 18001:2017.</p>

Factor	Description	Significant change from last year	Organization's response
T Technological	Technology plays a vital role in success of any company. Technologically primitive companies often end-up being shutdown	<ul style="list-style-type: none"> - State-of-the-art papesack and polypropylene machinery - Top-end machines for flexible division 	Keeping in view the technological advancements, the Company has always given priority to latest development in technology. The Company has hi-tech machinery at its production site. Further, the Company is equipped with the world renowned ERP system-SAP.
L Legal	Companies are required to abide by various laws and regulations. Every responsible company must follow all rules and regulations laid by the Government.	<ul style="list-style-type: none"> - Companies Act, 2017 now fully applicable - Finance Act, 2018 - IFRSs amendments now applicable on Companies. 	The Company abides by all the laws enacted by Government. The Company has employed various professionals of respective fields so that the Company would strongly and strictly follow all the laws that are applicable on the Company.
E Environmental	Almost every manufacturing company has its impact on environment. Climate changes and water shortage is the major area of concern.	<ul style="list-style-type: none"> - Implementation of EMS ISO 14001:2015 	The Company has always strived to work for the betterment of the environment. The Company has worked with an international agency on environment. The Company is fully compliant of NEQS standards. Currently the Company is in the process of implementing EMS ISO 14001:2015 to comply with international rules on environmental protection.

Seasonality of Business

The Company's major business of cement bags is dependent on local cement demand which is higher during summer months.

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

Cherat Packaging Limited is the leading company in Kraft Paper and PP packaging. The Company entered into flexible packaging business with the intention to be the all-round packaging solution company. The Company mainly imports its raw materials for KP and PP bags however some material like ink, IPA, thread etc. are procured from the local market.

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

Keeping all other factors constant, 10% increase or decrease in exchange rate during the year would have an impact of Rs. 500 million on profit before tax of the Company.

Raw Material Composition



Significant Change from Prior Year

The Financial Statements of the Company have been presented according to the requirements of Companies Act, 2017.

The Company, while focusing on the diversification strategy and creating more value for its stakeholders, has installed Flexible packaging unit and Universal paper bags line in the current year. This move has enabled the company to spread its business risk and explore new products, markets and customers. Addition of Flexible packaging machinery has provided the company new opportunities of exploring other affiliated businesses which can be targeted gradually with lower investments thereby opening venue for revenue maximisation. Through addition of Universal paper bags line, the company has now access to smaller bags market. Now the company can produce from various smaller size bags comfortably.

The Company's leverage has increased during the year as it has arranged long-term debt to finance its expansion in Papersack and Flexible Packaging businesses.

Strategy and Resource Allocation



Strategic Objectives

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

Short, Medium and Long-term Objectives

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

Strategies in Place

Our Core Objective

The core objective of our management is to achieve excellence in business where our venture may be regarded as amongst the best blue-chip stocks in the country. To achieve our objectives, the management strategically strives to enhance stakeholders' value and customer satisfaction. The shareholders' value is maximized through return on investment, which management believes can be achieved through revenue maximization and cost control measures.

The Strategic Edge

Cherat Packaging Limited has expanded over time. Eyeing on the demand for flexible packaging based on anticipated growth in FMCG sector, CPL decided to diversify its business further by entering into flexible packaging business. The Company has started its flexible packaging operations in June 2018. Cherat Packaging Limited is the only national company having paper, polypropylene and flexible packaging lines under one roof. Since it creates greater opportunities by providing one window operations to our customers and facilitates them in purchasing their medium of choice with respect to quality packaging material for their valuable products, we are able to bank on this strategic edge.

Sales and Marketing

Marketing targets and budgets are aggressively designed by the management to achieve highest possible returns. Revenue of the Company rose due to increased prices of bags in response to increasing raw material prices and exchange rates. Selling prices were adjusted in line with market conditions which contributed in increased revenue by 10.05% with respect to export sales.

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

Cost Management

Cost is effectively controlled by the addition of the most modern, state-of-the-art machinery, which not only results in energy conservation but also produces quality products in the most efficient and effective manner. In spite of volatility in cost of major inputs, the Company managed to effectively deal with it through strict controls and effective management. Effectiveness of internal controls is ensured through active Internal Audit Department, which independently recommends its suggestions to the Board's Audit Committee. On all constructive suggestions, the management takes timely corrective actions.

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

We aim to develop the long-term sustainability of the organization by grooming and training our employees and providing a congenial work environment, where they are motivated to perform at the highest standards.

We remain committed to the highest ethical and moral business values and to the true spirit of the Code of Corporate Governance.

Resource Allocation Plan



Our Strategy

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

Human Capital

The Company's most important asset is its human capital. Therefore, the Company makes sure to keep their employees update with the market trends and new updates. For this purpose, the Company has planned various trainings and workshops that would assist employees in guiding their efforts for unified goal of the Company. The Company has also circulated production and various other targets to all concerned departmental heads to further delegate it to staff members in order to devise operational plans consistent with this year targets.

Manufactured Capital

The Company has installed both Universal papersack line and flexible packaging equipment including Printers and laminators. The Company intends to use its state-of-the-art Universal papersack line for production of non-cement bags including rice, flour, tile bond bags and grocery bags etc. in addition to cement bags. Further the Company is currently installing extrusion line, cylinder and plate making machines of flexible packaging division. These installations will give an edge by enabling company to produce cylinders and plates, at a lower cost than procurement prices, which are pre-requisite for Flexible packaging division.

Financial Capital

The Company currently has a long-term loan of Rs. 2,820 million. Current short-term finance of the Company stands at Rs. 936.63 million. However, the Company believes that with the increase in pace of sale of flexible packaging products will help reduce short-term loan. The Company has also allocated sizeable amount for marketing purpose of the Company. The budget is being provided to marketing heads to further set their targets of resource allocation in line with the Company's objectives for effective usage of funds so allocated.

Intellectual Capital

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

Social and Relationship Capital

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

Liquidity Strategy

Current Liquidity Position

Liquidity position of the Company is on solid foundation. Available unutilized short-term finance facilities are of more than Rs. 3.41 billion. The management is confident that the Company would not face any liquidity issues in future. Besides, the management has a practice of continuously monitoring cash flows on a daily basis and gradually increasing the short-term financing facilities in line with working capital requirements for optimized Company operations. The Company stands on strong repayment legacy as the Company has never defaulted any payment against financial institutions, vendors, Government agencies etc.

Currently, the Company has short-term borrowings of Rs. 937 million and long-term loan of Rs. 2,820 million. This increase in debt is mainly on account of establishment and installation of Flexible packaging division. Nevertheless, the Company is confident that liquidity position will remain under control and initiation of flexible packaging operations will further help in managing and reducing debts. The Company has a sustainable growth with increased profitability and business stability. Moreover, the gearing of the Company has also been monitored and controlled in line with the business objectives. Strong liquidity of the Company is evidenced by current ratio of 2.21. The Company managed to earn healthy cash flows during the year; however, these were financed to procure stocks for the operations of flexible packaging project. Cash flows are being monitored on a daily basis. Adequate debt and equity ratio is maintained. The Company regularly monitors the debt equity ratio to keep the Company from any excessive debt pressure. In the past 5 years the Company has issued right shares twice to finance the expansion projects.

Financing Arrangements

The Company has cordial business relations with all the reputed banks and financial institutions of the country. Adequate unutilized short-term financing facilities are available at the Company's disposal. In the past the Company has obtained long-term loans to finance expansion projects at attractive mark-up rates.

The Company arranged a long-term loan of Rs. 1,800 million for Flexible Packaging project at a very competitive rate. To maintain optimum mix of debt and equity, CPL ensured adequate debt and equity mix for Flexible Packaging project. Issuance of right shares of Rs. 500 million was also made for this project.

Significant Plans and Decisions

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

Significant Changes in Objectives

In line with our endeavour to diversify business, the Company has revised its vision statement. The Company has aligned its objectives and strategies in line with its vision statement.

Risks and Opportunities



Risks and Opportunities

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

RISKS

CPL is susceptible to various risks. However, through comprehensive planning and an acute business understanding of the management, the Company continues to identify and mitigate actual, potential and perceived risks. The Company maintains an established control framework comprising clear structures, authority limits and accountabilities, well

implemented policies and procedures and budgeting for review processes.

The Board of Directors of the Company establishes corporate strategies and business objectives. Moreover, the Board's Audit Committee is responsible for Internal Control in the Company. The Internal and External Auditors' reports are submitted to the Audit Committee for its review, which after detailed deliberations and suggestions for improvement are submitted to the Board of Directors. Following are the major risks which may affect our business operations and mitigating strategies for controlling these risks.

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

Risk level / Impact	Risk	Area of impact	Source	Key source of uncertainty	Mitigating strategy
Moderate / High	Credit Risk	Financial capital	Internal	The Company extends credit to its customers. There lies a risk factor that the customers may fail to discharge their obligations and cause a financial loss to the Company.	The Company regularly analyses the credit position and credit worthiness of its customers and extends credits based on minimum risk of financial loss. The Company also receives advance against sales or post-dated cheques where the risk factors are higher than the Company's pre-defined standards. Moreover, the Company regularly monitors its outstanding debtors and endeavours to keep days outstanding to allowed number of days.
Low / High	Working Capital Management	Financial capital	External	Any increase in raw material cost or increase in volume of raw material stock or debts may limit the avenues for availability of sufficient working capital.	Management has addressed the risk of shortage of working capital by availing the sufficient credit lines from the diversified financial institutions in order to meet the short-term requirements of the Company.
Low / High	Rise in Energy Costs	Manufactured capital, relationship capital	External	The energy cost component is an important factor of the overall cost of product. Any rise in energy cost would hurt the profitability of the Company.	The Company cannot avoid usage of Government supplied electricity as the cost of self-generated electricity is much higher than current energy cost. Keeping this in mind, the management of the Company strives to keep production wastage to a minimum level and productivity at the highest. Higher productivity helps reduce energy cost per bag and thereby increase profitability of the Company. Moreover, the Company has most modern and most efficient machinery in place.
Low / Moderate	Employee turnover	Human Capital	Internal	Key employees and workers leave the company causing lack of competent workforce	The Company values its workers and employees as essential capital. Therefore, it provides a congenial environment and growth opportunities. Furthermore, the Company has a robust succession plan in place.

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



Risks and Opportunities

Opportunities

Opportunity	Impact Area	Source	Key source Opportunity	Strategy to Materialize
One Window Operations	Manufactured capital	Internal	Production capability to produce bags made of paper and polypropylene	With this great strategic edge, the Company is in tactical position to secure more local market share and enjoy benefits of economies of scale.
Production Capacity	Manufactured capital	Internal	Highest combined production capacity	The Company actively pursues local and international markets to fully utilize its potential capacity and earn higher return for its shareholders.
Modern Equipment	Manufactured capital	External	Most modern and state-of-the-art machinery for both kraft paper and polypropylene bags.	Efficient machinery enables the company to operate with the minimum cost of production, thereby offering its customers low grammage high quality bags in cheap price. This in turn results not only in customer retention but also attracts new customers.
Diversification	Relationship capital, Manufactured capital	Internal	Developed the capability to produce not only Cement bags but also sugar, rice, chemical and BoPP bags.	The Company is committed to search all possible avenues to maximize the pace of growth of the Company and Shareholders wealth.
Efficient and congenial work environment	Human capital	Internal	Provide congenial work environment where employee feels motivated for work.	Provide effective environment without excessive work pressure. Continuous training and development of employees. Benefit aligned with efficient and effective work and team management.
Growth of FMCG market	Relationship capital, Manufactured capital	External	Expected growth in FMCG market owing to CPEC and other developmental projects.	The Company invested in flexible packaging plant with Flexo, Roto and Extrusion machines to materialize potential growth.

Materiality Approach

The Board of Directors of Cherat Packaging has given authority and power to the Company's management for taking day to day decisions. The management, however, observes the approach of materiality in applying power and authority.

Materiality is a matter of judgment and the Company thinks that a matter is material if, individually or in aggregate, they are expected to significantly affect the performance and profitability of the Company. In order to execute day to day operations/ transactions delegation of powers has also been defined clearly and formalized procedures are followed for their execution.

All the matters as required by the Companies Act 2017 (earlier Companies Ordinance, 1984) are referred to the Board of Directors for its approval.





Governance



Notice of Annual General Meeting

Notice is hereby given that the 29th Annual General Meeting of the Company will be held on Wednesday, October 24, 2018 at 11:30 a.m. at the Factory, Plot No. 26, Gadoon Amazai, Industrial Estate, District Swabi, Khyber Pakhtunkhwa to transact the following businesses:

ORDINARY BUSINESS

1. To receive and consider the Audited Accounts of the Company for the year ended June 30, 2018 with the Directors' and the Auditors' Reports thereon.
2. To consider and approve the payment of final cash dividend @50% (Rs. 5.00 per share) and issuance of Bonus Shares in proportion of 15 shares for every 100 shares held i.e. 15%, in addition to interim cash dividend @20% (Rs.2.00 per share) already paid to the shareholders for the financial year ended June 30, 2018 as recommended by the Board of Directors.
3. To appoint Auditors for the year 2018/19 and to fix their remuneration.
4. To transact any other business with the permission of the chair.

SPECIAL BUSINESS

5. To consider and approve increase in the Company's authorized share capital from Rs. 400,000,000 to Rs. 1,000,000,000 by creation of 60,000,000 shares of Rs. 10 each. It is, therefore, proposed that the following resolution be passed as and by way of a Special Resolution

"Resolved that the authorized share capital of the Company be and is hereby increased from Rs.400,000,000 to Rs.1,000,000,000 by creation of 60,000,000 shares of Rs.10/- each; that the new shares shall rank pari passu in all respects with the existing ordinary shares in the Capital of the Company".

"Resolved further that the Memorandum and Articles of Association of the Company be and is hereby amended by substituting "400,000,000" with "1,000,000,000" in Clause no. 5 of the Memorandum of Association and "400,000,000" with "1,000,000,000" in Clause no. 3 of the Articles of Association".

Karachi: August 30, 2018

By Order of
the Board of Directors



Abid Vazir
Executive Director &
Company Secretary

NOTES:

1. The register of members of the Company will be closed from Thursday, October 18, 2018 to Wednesday, October 24, 2018 (both days inclusive) and no transfers will be registered during that time. Shares received in order at the Office of the Registrar of the Company, M/s. Central Depository Company of Pakistan Limited (CDC), CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400 at the close of business on Wednesday, October 17, 2018 will be treated in time for the above entitlement.
2. A member of the Company eligible to attend, speak and vote at the Annual General Meeting may appoint another member as his/her proxy to attend, speak and vote in his/her stead. Proxies to be effective must be in writing and must be received by the Company's Head Office 48 hours before the Meeting.
3. Shareholders of the Company whose shares are registered in their account/sub-account with Central Depository System (CDS) are requested to bring original Computerized National Identity Card along with their account number in CDS and participant's ID number for verification. In case of appointment of proxy by such account holders and sub-account holders, the guidelines as contained in the SECP's circular of 26th January 2000 are to be followed.
4. Shareholders of the Company are requested to immediately notify any change in their addresses to the Share Registrar of the Company.
5. Shareholders who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) are requested to send the same to the Share Registrar of the Company.
6. Section 242 of the Companies Act, 2017 provides that in case of a listed company, any cash dividend declared by the company must be paid electronically directly into the accounts of the shareholders. In order to receive dividends directly into their bank account, shareholders are requested to fill in E-Dividend Mandate Form available on the Company's website i.e. www.gfg.com.pk and send it duly signed along with a copy of CNIC to the Registrar of the Company M/s. Central Depository Company of Pakistan Limited (CDC), CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400 in case of physical shares. In case shares are held in CDC then E-Dividend Mandate Form must be submitted directly to shareholder's broker/participant/CDC account services. Further informed that the next Cash Dividend will be provided through the Centralized Cash Dividend Register (CCDR), therefore shareholders should register themselves with CDC's eServices' portal at <https://eservices.cdcaccess.com.pk>
7. All Shareholders are advised to check their status on Active Taxpayers List (ATL) available on FBR Website and if required take necessary actions for inclusion of their name in ATL to avail the lower rate of tax deduction.
8. In case of joint account, please intimate proportion of shareholding as each account holder is to be treated individually as either filer or non-filer and tax will be deducted on the basis of shareholding provided by the shareholder, otherwise equally.
9. Withholding Tax exemption from the dividend income shall only be allowed if copy of valid tax exemption certificate is made available to Central Depository Company of Pakistan Limited - Share Registrar Department by first day of Book Closure.
10. In compliance of Section 244 of the Companies Act 2017, once the company has completed stipulated formalities, any unclaimed dividend and /or shares that have remained outstanding for a period of three years or more shall be credited to the Federal Government (in case of dividend) or delivered to the SECP (in case of physical shares). Shareholders who could not collect their dividend/physical shares are advised to contact our Share Registrar to collect/inquire about their unclaimed dividend or shares, if any.
11. With reference to S.R.O. 787(I)/2014 dated September 8, 2014 issued by SECP; shareholders have option to receive Annual Audited Financial Statements and Notice of General Meeting through email. Shareholders of the Company are requested to give their consent to the Company's Head Office to update our record if they wish to receive Annual Audited Financial Statements and Notice of General Meeting through email. However, if shareholder, in addition, request for hard copy of Audited Financial Statements the same shall be provided free of cost within seven [7] days of receipt of such request.

12. Members can also avail video conference facility, in this regard, please fill the following and submit to the Head Office of the Company 10 days before holding of the Annual General Meeting. If the Company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior to date of the meeting, the Company will arrange video conference facility in the city subject to availability of such facility in that city.

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

Statement Under Section 134 of the Companies Act, 2017

The statement sets out material facts concerning "Special Business" to be transacted at the Annual General Meeting of the Company to be held on October 24, 2018. The approval of the Members of the Company will be sought for:

Item No. 5: Increase In Authorized Share Capital

The company currently has an authorized share capital of Rs. 400,000,000 divided into 40,000,000 ordinary shares of Rs. 10/- each.

In order to facilitate future increase in the paid-up share capital of the company, the Board of Directors has recommended that the authorized share capital of the company be increased from Rs.400,000,000 to Rs.1,000,000,000 by creation of 60,000,000 shares of Rs.10/- each. For this purpose, the Board of Directors has also recommended that the resolution be passed as a Special Resolution. The Resolution increases the authorized share capital of the company in the manner stated makes the required consequential changes to the Memorandum and Articles of Association of the Company.

Comparative Clauses are as under

Memorandum of Association	
Existing Clause 5	Proposed Clause 5
The Capital of the Company is Rs. 400,000,000 divided into 40,000,000 shares of Rs. 10/- each.	The Authorized Capital of the Company is Rs. 1,000,000,000 divided into 100,000,000 shares of Rs. 10/- each.

Articles of Association	
Existing Clause 3	Proposed Clause 3
The Authorized Capital of the Company is Rs. 400,000,000 divided into 40,000,000 shares of Rs. 10/- each.	The Authorized Capital of the Company is Rs. 1,000,000,000 divided into 100,000,000 shares of Rs. 10/- each.

Statement of Directors pursuant to SRO 423 of 2018 dated April 03, 2018

The Directors have duly given a statement, as required under the aforesaid SRO, that the proposed alterations are in line with the applicable provisions of the law and regulatory framework.

STATUS OF INVESTMENT IN UNIENERGY LIMITED

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

Directors' Profiles

Mr. Akbarali Pesnani Chairman

Mr. Akbarali Pesnani is an MBA and fellow member of both the Institute of Chartered Accountants and Institute of Cost and Management Accountants of Pakistan. He has served as Chairman Gwadar Port and Gwadar Port Implementation Authority from 2004 to 2006. Mr. Pesnani has been associated with the Aga Khan Development Network at senior levels for over 43 years. Presently he is the Chairman of Cherat Packaging Ltd., and Aga Khan Cultural Service Pakistan. He is also a Director on the Boards of Cherat Cement Company Limited and Jubilee General Insurance Co. Ltd. His association with the Ghulam Faruque Group dates back almost 37 years.

Mr. Amer Faruque Chief Executive

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

Mr. Aslam Faruque Director

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

Mr. Shehryar Faruque Director

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



Mr. Arif Faruque
Director

Mr. Arif Faruque is a Swiss - qualified Attorney-at-Law and also holds Masters Degrees in both Law and Business Administration from the USA. He is the Chief Executive of Faruque (Pvt.) Ltd as well as Madian Hydro Power Ltd. He is on the Board of Directors of Mirpurkhas Sugar Mills Ltd, Cherat Cement Company Ltd. and UniEnergy Ltd. Besides the above, he is also a member of the Board of Governors of Lahore University of Management Sciences.

Mr. Tariq Faruque
Director

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

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

Mr. Abid Naqvi
Director

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

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



Chairman's Review

It gives me immense pleasure to share with you the financial results of the company for the year 2017/18. Over the last few years, the growth oriented strategy of the company, based upon identifying potential market opportunities and regular capacity expansions, have helped the company in achieving its objectives of being a market leader. The company has become the largest supplier in Pakistan to provide single window solution for all packaging needs of the cement industry.

The year 2017-2018 was a challenging year. Uncertain political situation and depreciating Pakistani Rupee had a major impact on the costs of production. Additionally, severe shortage in supply of kraft paper worldwide and significant increase in its price had an adverse impact on the costs of production. Despite all of the above, Cherat Packaging has continued its upward growth trend.

The flexible packaging plant is being set up to diversify into new business segments. This would allow the company to target new customers and have a wider presence in potential markets. You will be pleased to know that the company has successfully installed and commissioned Roto Gravure and Flexo graphic printers, laminator and other ancillary equipment. Other equipment like extrusion and cylinder making unit are also in the process of installation. The company is confident of commissioning the new facility by September 2018.

Cherat Packaging has always been maintaining its position as the market leader in the packaging industry. By adding on the flexible packaging plant, that position has been strengthened further. We assure you that we will endeavor to keep pace with changing business environment to meet the demand of our customers thus ensuring greater prosperity and growth of your company.

August 30, 2018



Akbarali Pesnani
Chairman

Directors' Report to the Members

for the year ended June 30, 2018

The Board of Directors is pleased to present to you the annual report of the Company along with the audited financial statements for the year ended June 30, 2018.

BUSINESS REVIEW

In a challenging business environment due to significant escalation in cost of key raw materials like kraft paper and PP granules together with depreciation of Pak Rupee vis-à-vis US Dollar and Euro, the company has continued to maintain its market leadership position. Besides meeting the requirements of the cement industry for high quality paper and PP bags, the company is successfully supplying bags to new markets segments by launching fresh variety of packaging products. The addition of the flexible packaging plant shall ensure greater economies of scale, diversification of business and higher sales volume for the company. A detailed review of the year's performance is given below.

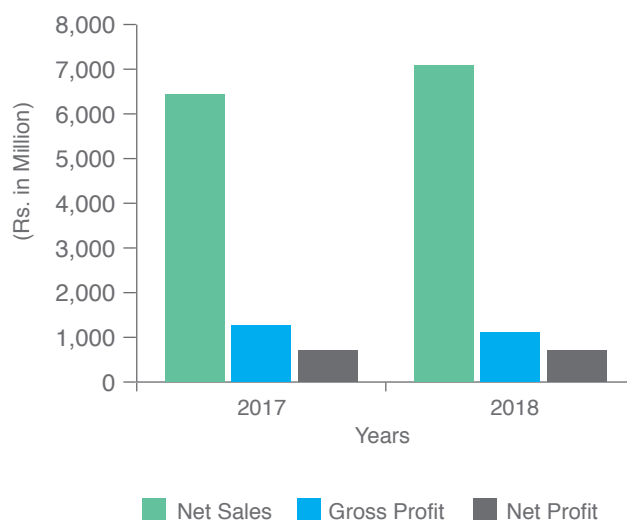
OVERVIEW

In a period of rising demand for cement following the initiation of CPEC projects and greater investment by private sector in construction projects, Cherat Packaging has maintained its position as the market leader in the production and sales of paper and PP bags to the cement industry in Pakistan during the year 2017/18. Not only has the Company been expanding its reach locally but it has also exported to other international markets. It has also ventured into new business avenues by introducing new variety of high quality and low costs products, hence increasing its presence by reaching out to a much larger target market. All this is despite the fact that the socio-economic environment of the country has been challenging in the year gone by. Continued devaluation of Pak rupee has had a significant impact on the costs of key raw materials i.e. kraft paper and PP granules, which has had an adverse impact on cost of production. Additionally, there has been a severe shortage of kraft paper worldwide and significant increase in its costs.

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

	2018	2017
	(Rupees in million)	
• Net sales	7,091.65	6,443.93
• Gross Profit	1,098.33	1,256.48
• Net Profit	711.08	702.05

Financial Highlight



FINANCIAL PERFORMANCE

During the year under review, there has been a 10% increase in the sales revenues of the company from last year. This was mainly due to adjustment in selling prices of bags in line with the market conditions. In a period of rising input costs due to significant increase in price of kraft paper and PP granules together with massive devaluation of Pak rupee, the company tried to optimize and efficiently manage its inventory and other resources to rationalize its production costs. During the year under review, there was an increase in finance cost due to arrangements made by the company to finance its operations together with expansion and diversification projects initiated by it. The company incorporated tax credit under section 65-B of Income Tax Ordinance against the recently commissioned Universal Papersack Line and printers along with other auxiliary equipment for the flexible packaging project. For the year ended June 30, 2018 the company posted an after tax profit of Rs. 711 million.

FLEXIBLE PACKAGING PROJECT

Keeping an eye on the fast evolving consumer market and new trends in packaging industry, the company decided to enter into the field of flexible packaging. We are pleased to report that the company has successfully installed and commissioned Roto Gravure and Flexo graphic printers, laminator and other ancillary equipment.

Remaining equipment like extrusion and cylinder making unit are also in the process of installation. The company is confident of commissioning the entire plant by September 2018.

DIVIDEND

At its meeting held on August 30, 2018 the Board of Directors has proposed a final cash dividend @ 50% (Rs. 5/- per share) and 15% bonus shares for the year ended June 30, 2018. This is in addition to 20% (Rs. 2.00 per share) interim cash dividend declared earlier this year. The approval of members for the cash dividend will be obtained at the Annual General Meeting to be held on October 24, 2018.

CORPORATE SOCIAL RESPONSIBILITY

Your Company has always been very aware of its responsibility towards the people, environment and climate of Pakistan and has strived to ensure the wellbeing of all. In line with its corporate social responsibility policies, the Company has endeavored to improve the overall conditions of the people living around the manufacturing plants and the surrounding areas. Infrastructural development and continuous plantation has gone hand in hand to ensure that both the people and the climate of the area benefit. Your Company has worked with and contributed to the Agha Khan University and The Citizens Foundation over the years and will continue to do so as it envisions a better environment, a better economy and a better Pakistan.

SAFETY, HEALTH AND ENVIRONMENT

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

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- The financial statements prepared by the management of the Company present its state of affairs fairly, the result of its operations, cash flows and changes in equity.

- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed and explained.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no significant doubts on the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Key operating and financial data for last six (6) years in summarized form is annexed.
- The Company has been declaring regular dividends to its shareholders.
- There is nothing outstanding against your Company on account of taxes, duties, levies and charges except for those which are being made in normal course of business.
- The Company maintains Provident and Gratuity Fund accounts for its employees. Stated below are the values of the investments of the fund as on June 30, 2018.

Provident Fund	Rs. 131.23 million
Gratuity Fund	Rs. 61.56 million

BOARD OF DIRECTORS

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

- Male Directors 8
- Female Directors -
- a. Independent Directors 1
 - i. Mr. Abid Naqvi
- b. Non-Executive Directors 6
 - i. Mr. Akbarali Pesnani
 - ii. Mr. Aslam Faruque
 - iii. Mr. Shehryar Faruque
 - iv. Mr. Arif Faruque
 - v. Mr. Tariq Faruque
 - vi. Mr. Abrar Hasan

- c. Executive Director 1
i. Mr. Amer Faruque

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

Name of Director	Meetings Attended
Mr. Akbarali Pesnani	5
Mr. Amer Faruque	5
Mr. Aslam Faruque	4
Mr. Shehryar Faruque	4
Mr. Arif Faruque	4
Mr. Tariq Faruque	5
Mr. Abrar Hasan	3
Mr. Abid Naqvi	4

- During the year, four meetings of the Audit Committee were convened. The attendance record of each member is as follows:

Name of Director	Meetings Attended
Mr. Abid Naqvi	4
Mr. Tariq Faruque	4
Mr. Arif Faruque	4

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

Name of Director	Meetings Attended
Mr. Abrar Hasan	1
Mr. Aslam Faruque	2
Mr. Amer Faruque	2
Mr. Abid Naqvi*	-

*Following the implementation of the CCG Regulations 2017, the Board of Directors inducted Mr. Abid Naqvi as Chairman of the HR&R Committee and appointed him as its Chairman.

- The pattern of shareholding is annexed with the report.
- No trading in the shares of the Company was made by the Chief Executive, Directors, Chief Financial Officer and Company Secretary and their spouses and minor children during the year except for a gift made by Mr. Tariq Faruque to his wife.

DIRECTORS' REMUNERATION

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

CONTRIBUTION TO NATIONAL EXCHEQUER

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

UNIENERGY LIMITED

UniEnergy – a joint venture wind power project, has been granted Letter of Intent and formally allotted land for setting up the project at Jhampir, district Thatta. The JV partners have made initial equity investment in the company to meet the ongoing financial requirements for the project. In this regard, Cherat Packaging has made an equity investment of Rs. 4.62 million following the approval of the shareholders. The government has, so far, not notified the tariff for the project.

RISK AND OPPORTUNITIES

Risk Management

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

Risk Assessment

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

Rising costs of raw materials is the most imminent risk facing the company. Devaluation of Pakistani rupee has made the risk more pronounced. In order to curb the negative impact of this, the company has invested in strategic relationships

with its key international suppliers and ensured timely negotiations, pre-orders and timely delivery. Availability of raw materials is another risk that is faced by the company. In the year under review, the industry as a whole faced a severe shortage of kraft paper which is imported. However due to our strong strategic relationship with M/s. Mondi Packaging, which is our main kraft paper supplier, we were able to procure sufficient quantity of kraft paper to meet the requirements of our valuable customers.

- **Debt Repayment**

The company regularly and efficiently paid all its due debts as was budgeted and planned during the year 2017-2018. This lowered risks of default and improved the financial position of the company.

- **Capital Structure**

The company's current debt to equity percentage is about 45:55. Debt has increased in this year as the company took long term loans worth Rs. 2.2 billion due to the ongoing work on the flexible packaging plant and loans taken for setting up of the universal papersack line. The Universal Papersack line began operations during the year and the Board of Directors and the management are confident that as soon as the flexible packaging plant realizes its full production capacity, the capital structure of the company will improve considerably and a more balanced debt to equity ratio will be maintainable.

FUTURE PROSPECTS

The company has focused on servicing potential market opportunities through regular capacity expansions to align towards its long-term growth objectives of being a leading player in the field of packaging. It has remained the top ranking one-stop solution for all packaging needs for the cement

industry. Being at the forefront of innovation, the company continues to introduce new and cost effective packaging solutions for its loyal customers. Furthermore, it is always exploring new markets including exports for sales of its bags. The cement industry has continued to grow at an impressive pace and indicators suggest that cement demand will continue to grow which would benefit the company. The company has positioned itself to meet the additional demand for cement bags through timely enhancement in production capacities of both Papersack and PP plants, which provide a strategic advantage to the Company in meeting the rising requirement of cement bags. Meanwhile, considering the growing consumer packaging market in Pakistan, addition of flexible packaging division will enable the company to diversify into new market segments to further grow its business.

Following the successful conduct of the national elections, we are confident that macroeconomic indicators will start to improve in the country, which will benefit the company and the industry as a whole. Notwithstanding the above, significant devaluation of Pakistani Rupee and severe shortage of kraft paper, remains a cause of concern and an area of business risk for the company.

AUDITORS

The present auditors M/s. EY Ford Rhodes, Chartered Accountants, retire and being eligible, offer themselves for reappointment.

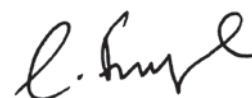
ACKNOWLEDGMENT

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

On behalf of the Board of Directors



Akbarali Pesnani
Chairman



Amer Faruque
Chief Executive

Karachi: August 30, 2018

Matters Delegated to the Management

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

Annual Evaluation of Board Performance

Board Evaluation Mechanism facilitates the Board of Directors to evaluate and assess its performance for providing strategic leadership and oversight to the management. Accordingly, following procedures have been developed based on emerging and leading practices to assist in the self-assessment of individual director and the full Board's performance. On an annual basis questionnaire is circulated to all directors which is formally filled by the directors and is submitted anonymously to the Board. The result is compiled by an independent Chartered Accountant firm. The main criteria for the Board's evaluation is as follows:

Board Composition

The Board is fully aware of its role & responsibilities, demonstrates integrity, credibility, trustworthiness and active participation in its affairs. The Board has the right mix of skills, knowledge and experience and all Non-Executive / Independent Directors are equally involved in important board decisions.

Leadership and Planning

The Board gives ample time to the strategy formulation based on Company's vision and mission and revisits the mission and vision statements from time to time. The Board provides guidance and direction, discusses the adequacy of resources, receives management reports and has a system in place to ensure smooth and effective succession planning.

Board Effectiveness

All Board members understand and fulfill their responsibilities and comply with all relevant laws. Significant issues are placed in front of the Board for consideration. Board ensures a healthy relationship with the stakeholders through adequate disclosures.

Board Accountability

The Board reviews adequacy on internal controls, potential risks and risk management procedure. The Board is cognizant of its fiduciary responsibilities.

Strategy and Performance

The Board reviews the implementation of organization's strategic & financial plans, Board meeting agendas and supporting documents provide sufficient information and time to explore & resolve key issues. Board members demonstrate preparation for meetings through active participation in decision making.

Board Committees

The Board of Directors formed adequate number of Board Committees to streamline delegation of certain key responsibilities. Sub Committees meetings are held regularly and their decisions / recommendations are placed before the Board. The Board has approved and implemented Human Resource policies which imply equitable treatment to all employees irrespective of gender, religion, ethnic background etc. The evaluation of the performance of the Board is essentially an assessment of how the Board has performed on all these parameters.

Directors' Orientation and Training

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

Policy on Non-Executive & Independent Directors' Remuneration

Preamble

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

Scope and Applicability

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

Terms of the Policy

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

Governance Practices Exceeding Legal Requirements

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

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

Diversity Policy

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

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

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

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

- Respectful communication and cooperation between all employees.
- Teamwork and employee participation, permitting the representation of all groups and employee perspectives.

- Work/life balance through flexible work schedules to accommodate employees' varying needs.
- Employer and employee contributions to the communities we serve to promote a greater understanding and respect for the diversity.

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

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

Related Parties

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

Approved Policy for Related Party Transactions

The Board of Directors has approved a policy for Related Party Transactions, which require that the company shall carry out transactions with its related parties on an arm's length basis in the normal course of business. The term 'arm's length' requires conducting business on the same terms and conditions as the business between two unrelated / unconcerned persons. The policy specifies that all transactions entered into with related parties shall require Board's approval.

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

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

Detail of Board Meetings Outside Pakistan

During the year 5 meetings of the Board of Directors were held. As recommended by SECP Guidelines and to keep the costs in control the management conducted all meetings in Pakistan.

Female Director

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

Independent Director

Cherat Packaging Limited has ensured that the composition of its Board of Directors is compliant with all prevailing legal and governance requirements. The new law requires one - third of the Board to be independent and Cherat Packaging Limited shall comply with this requirement at the time of next elections of Directors.

Investors' Grievance Policy

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



Conflict of Interest Policy

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

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

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

Management of Conflict of Interest

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

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





INVESTIG

Insider Trading Policy

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

The general guidelines within the policy state that:

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

The Company's Responsibility to Disclose Inside Information

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



Safety of Records Policy

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

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





IT Governance Policy

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

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

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



Whistle Blower Policy

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

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

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

Fundamental elements of our Whistle Blower Policy are highlighted below:

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

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



Human Resource Policies

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

Industrial Relations

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

Succession Planning

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

The salient features of this policy are detailed as under:

Talent Assessment is conducted based on achievements, Competencies and Group Values.

Gap Analysis are done to determine time period and tools needed to groom / develop them as possible successors.

Put through an outbound Leadership Course to determine areas of development viz a viz leadership.

On-going coaching/ rotation/ training and developmental plans in place to bring out best in class talent for succession.

To deep reach successors at all levels, upward mobility is a pre-requisite in the hiring programme

Other Policies

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



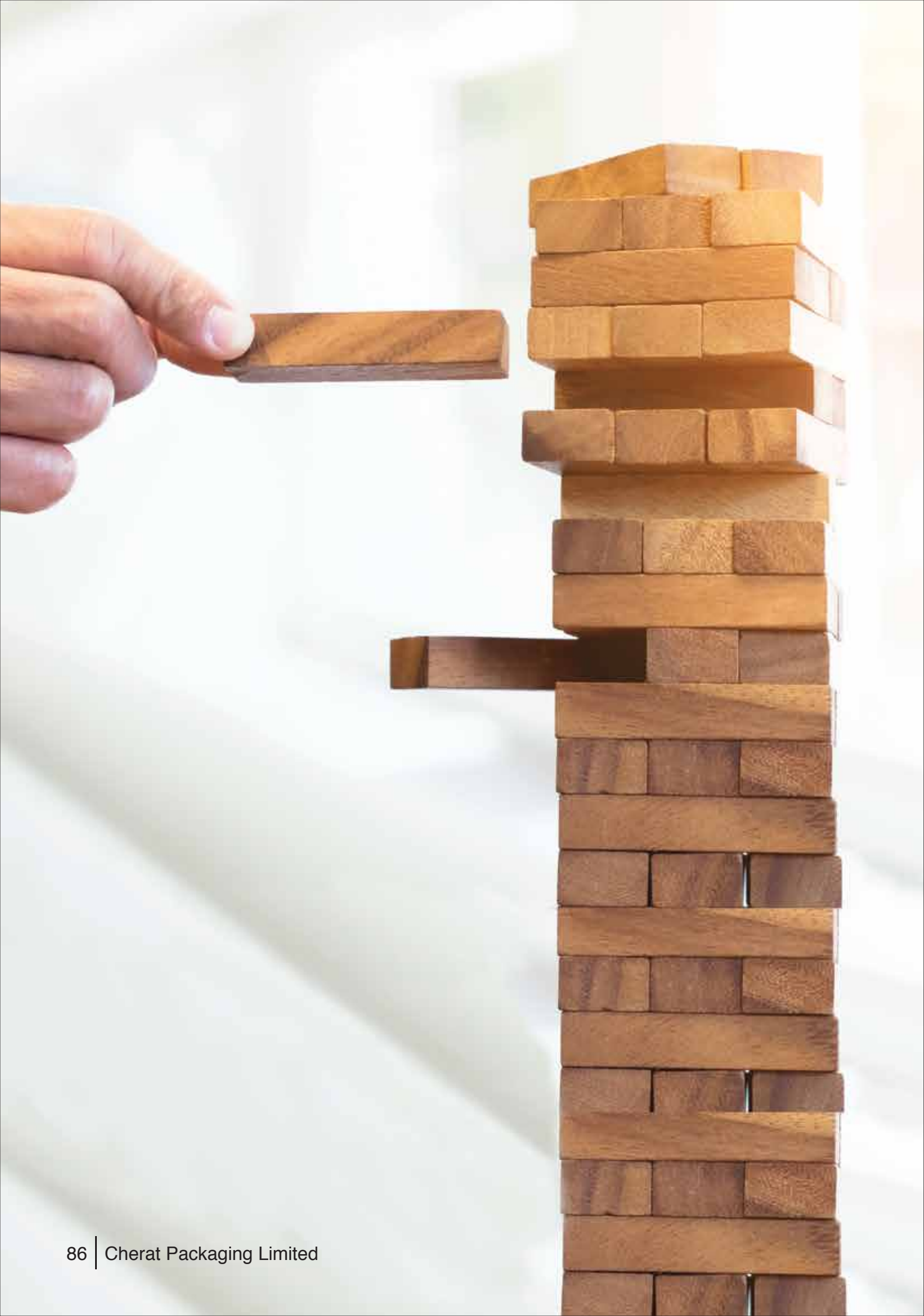
Social & Environmental Responsibility Policy

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

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

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

1. ensures its product and operations comply with relevant environmental legislation and regulations.
2. maintains and continually improves its environmental management systems and complies with requirements as outlayed by specific markets or local regulations.
3. operates in a manner that is committed to continuous improvement in environmental sustainability through recycling, conservation of resources, prevention of pollution, product development and promotion of environmental responsibility amongst its employees.
4. does not produce any hazardous material from its factory.
5. informs suppliers, including contractors, of its environmental expectations and requires them to adopt environmental management practices aligned with these expectations



Business Continuity & Disaster Recovery Plan

Introduction

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

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

Business Continuity Plan

Manufacturing Facilities

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

Identification of Potential Issues and the Plan Update

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

Disaster Recovery Plan and IT Infrastructure

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

Marketing and Other Staff

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

Independent Auditors' Review Report

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



EY

Building a better
working world

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We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Cherat Packaging Limited (the Company) for the year ended 30 June 2018 in accordance with the requirements of regulation 40 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2018.

Chartered Accountants
Date: 03 September, 2018
Place: Karachi

Statement of Compliance

with Listed Companies (Code of Corporate Governance) Regulations, 2017

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

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

a. Male:	8
b. Female:	None

2. The Composition of Board is as follows:

a) Independent Director	1
b) Other Non-Executive Director	6
c) Executive Director	1

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. The directors are well aware of their duties and responsibilities under the Code. The directors of the company meet the criteria of exemption under regulation 20(2) of the Regulations. Further the board has arranged Directors' Training program for the following:

Name of Director

Mr. Tariq Faruque Director

Mr. Abrar Hasan Director

Name of Executive & Designation

Mr. Yasir Masood
Chief Operating Officer & CFO

Mr. Abid Vazir
Executive Director & Company Secretary

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the board.

12. The board has formed committees comprising members given below:

a) Audit Committee

Mr. Abid Naqvi Chairman

Mr. Arif Faruque Member

Mr. Tariq Faruque Member

b) HR and Remuneration Committee

Mr. Abid Naqvi	Chairman
Mr. Amer Faruque	Member
Mr. Aslam Faruque	Member
Mr. Abrar Hasan	Member

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

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

- a) Audit Committee. - Quarterly
- b) HR and Remuneration Committee. - Half Yearly

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

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

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

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

On behalf of the Board of Directors



Akbarali Pesnani
Chairman



Amer Faruque
Chief Executive

Karachi: August 30, 2018

Statement of Compliance with the Best Practices of Transfer Pricing

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

On behalf of the Board of Directors



Akbarali Pesnani
Chairman

Karachi: August 30, 2018



Role and Responsibilities of the Chairman and the Chief Executive Officer

Being a corporate governance compliant company, Cherat Packaging designates separate persons for the positions of the Chairman of the Board of Directors and the office of the Chief Executive Officer with clear division of roles and responsibilities.

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

Chairman

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

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

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

Chief Executive Officer

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

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

Corporate Governance Additional Information

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

AUDIT COMMITTEE

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

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

Meetings of the Audit Committee are held at least once every quarter. The Committee reviews the annual financial statements in presence of external auditors. The recommendations of the Audit Committee are then submitted for approval of financial results of the Company by the Board. During the year 2017-18, the Audit Committee held Four [4] meetings. The minutes of the meetings of the Audit Committee are provided to all the members, Directors and the Chief Financial Officer. The Head of Internal Audit attends the Audit Committee meetings regularly and meets the Audit Committee without the presence of the Management, at least once a year, to point out various risks, their intensity and suggestions for mitigating risks and improvement areas. The business risks identified are then referred to the respective departments and mitigating actions are then implemented.

Terms of reference of Audit Committee

The Code of Corporate Governance 2017 mandates that the Board of Directors of the Company shall determine the Terms of Reference of the Audit Committee via Regulation No 28.(3).

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

The Committee shall:

- a) determine appropriate measures to safeguard the company's assets;
- b) review annual and interim financial statements of the company, prior to their approval by the Board of Directors, focusing on:
 - (i) major judgmental areas;
 - (ii) significant adjustments resulting from the audit;
 - (iii) going concern assumption;
 - (iv) any changes in accounting policies and practices;
 - (v) compliance with applicable accounting standards;
 - (vi) compliance with these regulations and other statutory and regulatory requirements; and
 - (vii) all related party transactions.
- c) review preliminary announcements of results prior to external communication and publication;
- d) facilitate the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
- e) review management letter issued by external auditors and management's response thereto;
- f) ensure coordination between the internal and external auditors of the company;
- g) review the scope and extent of internal audit, audit plan, reporting framework and procedures and ensure that the internal audit function has adequate resources and is appropriately placed within the company;
- h) consider major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
- i) ascertain that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;

- j) review the company's statement on internal control systems prior to endorsement by the board of directors and internal audit reports;
- k) institute special projects, value for money studies or other investigations on any matter specified by the board of directors, in consultation with the chief executive officer and consider remittance of any matter to the external auditors or to any other external body;
- l) determine of compliance with relevant statutory requirements;
- m) monitor compliance with these regulations and identify significant violations thereof;
- n) review arrangement for staff and management to report to audit committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;
- o) recommend to the board of directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements. The board of directors shall give due consideration to the recommendations of the audit committee and where it acts otherwise it shall record the reasons thereof.
- p) consider any other issue or matter as may be assigned by the board of directors.

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Abid Naqvi	Chairman
Mr. Amer Faruque	Member
Mr. Aslam Faruque	Member
Mr. Abrar Hasan	Member

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

Terms of Reference of the Human Resource and Remuneration Committee

The Code of Corporate Governance 2017 mandates that the Board of Directors of the Company shall determine the Terms of Reference of the Human Resource and Remuneration Committee via Regulation No 29.(3).i.

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

The Committee shall;

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

Report of the Audit Committee

AUDIT COMMITTEE

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

The Audit Committee of the Company comprises of two Non-Executive Directors and one Independent Director who is the Chairman of the Committee. The Head of Internal Audit attends Audit Committee meetings. The Chief Executive Officer and Chief Financial Officer attend Audit Committee meetings by invitation. The Audit Committee also separately meets the external auditors at least once in a year without the presence of the Management.

Meetings of the Audit Committee are held at least once every quarter. Four meetings of the Audit Committee were held during the year 2017-2018. Based on reviews and discussions in these meetings, the Audit Committee reports that:

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

INTERNAL AUDIT AND RISK MANAGEMENT

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

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

EXTERNAL AUDIT

1. The external auditors M/s. EY Ford Rhodes, Chartered Accountants were allowed direct access to the Audit Committee and necessary coordination with internal auditors was ensured. Major findings arising from audits and any matters that the external auditors wished to highlight were freely discussed with them.
2. The Audit Committee has reviewed and discussed with the external auditors and management, all the Key Audit Matters and other issues identified during the external audit along with the methods used to address the same.
3. Being eligible for reappointment as Auditors of the Company, the Audit Committee has recommended the appointment of M/s EY Ford Rhodes, Chartered Accountants as External Auditors of the Company for the year ending June 30, 2019 as it is one of the Big Four audit firm and has thorough knowledge of the Company's business and industry due to long association with the Company.
4. The Company also obtains taxation related services from M/s. EY Ford Rhodes, Chartered Accountants as it is one of the reputed firm in provision of said services and has sound professional policies and procedure to ensure compliance of independence.



Abid Naqvi
Chairman

August 28, 2018



Stakeholders' Relationship and Engagement

Stakeholders' Engagement

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

1. SHAREHOLDERS

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

Support of shareholders is critical in achieving the Company objectives.

Investors' Grievance Policy

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

2. CUSTOMERS AND TRANSPORTERS

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

We derive success from the brand loyalty of Cherat and the cooperation from our transporters.

3. SUPPLIERS AND VENDORS

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

strategic alliance with Mondi Packaging, Sabic and Windmoller & Holscher.

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

Cooperation of our suppliers gives us an extra edge over our competitors.

4. BANKS AND OTHER LENDERS

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

Bank and other institutes help us in obtaining loans at attractive rates and advise on strategic issues whenever needed.

5. REGULATORS

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

Active engagement with regulators improves level of compliance.

6. EMPLOYEES

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

Employees engagement improves the level of dedication and hard work.

7. INSTITUTIONAL INVESTORS AND ANALYSTS' BRIEFING

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

Without compromising the confidentiality, business analysts are provided with information and briefings as and when they require. The strong connection with institutional investors and analysts facilitates in avoiding any misconception / rumours in the market.

The company arranges briefing with individual institutional investors from time to time. The company also participated in two analyst briefings during the year. Conference calls with foreign investors were also made to discuss the performance of the company and the cement packaging industry.

8. MEDIA

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

Interaction with media improves the Company's brand image.

9. LOCAL COMMUNITY

The Company actively participates in various social work initiatives as part of its corporate social responsibility. Being a conscientious member of the corporate community, the Company contributes to various social and charitable causes including towards health, education and social sectors. In the past the Company has worked for the rehabilitation of flood affectees and IDPs. Cherat Packaging has worked with many reputable organizations and NGOs. The Company has always stood by the people of Pakistan in their hour of need and shall always continue to do so.

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

MINORITY SHAREHOLDERS

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

INVESTOR RELATIONS SECTION

To keep transparency in the relation between the Company and its shareholders, the website of Cherat Packaging Ltd (<http://gfg.com.pk/cpl>) contains all the major financial information needed for investors' decision making in a separate tab of "Investor Relations".

AGM PROCEEDINGS

The last AGM was conducted at Cherat Packaging registered office in Peshawar on Tuesday, October 24, 2017 at 11:30 a.m. The meeting was properly organized and well attended by the Shareholders. The Shareholders appreciated the untiring efforts made by the management in achieving another remarkable year in terms of production, sales and profitability.

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

Shareholders inquired about the Flexible Packaging Division for which they were informed that as part of the Company's diversification strategy, the Company has decided to establish Flexible packaging project since Flexible packaging is a growing field of business worldwide and offers a great future potential to the Company to further grow its business.

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

Matters raised in the last AGM

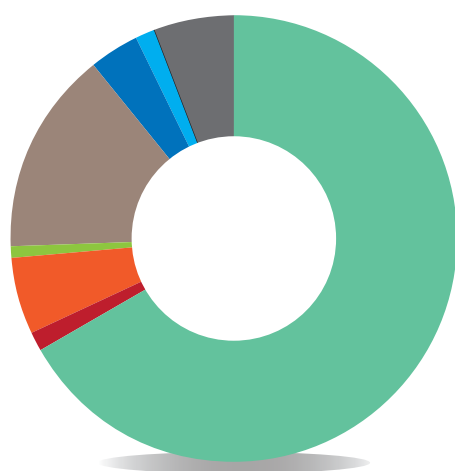
During the proceedings of 28th Annual General Meeting, shareholders eulogized Company's performance and inquired about the expansion / diversification progress.

Replying to a query regarding rising input costs, the management informed that the Company efficiently managed its inventory and appropriately utilized its resources to rationalize the production costs. The Management also informed that the Company has increased selling bags to sectors like sugar, fertilizer, chemical, etc. and was also able to increase its export of Polypropylene bags by entering into new markets. The aforementioned will have a positive impact on the Company's revenue and profitability in future as like in current year.

Statement of Value Addition and Distribution of Wealth

	2018		2017	
	(Rupees in '000)	%	(Rupees in '000)	%
Wealth generated				
Net Sales (including Sales Tax)	8,246,226	99.65	7,464,229	99.73
Other Operating Income	28,971	0.35	20,508	0.27
	<u>8,275,197</u>	<u>100.00</u>	<u>7,484,737</u>	<u>100.00</u>
Distribution of wealth				
Cost of sales (Excluding employees' remuneration)	5,656,915	68.36	4,911,698	65.62
Distribution, Administration and certain other expenses (Excluding employees' remuneration)	121,419	1.47	132,410	1.77
Employees' remuneration	444,169	5.37	376,477	5.03
Government as direct taxes (including Workers' Welfare Fund)	57,926	0.70	276,434	3.69
Government as indirect taxes	1,154,573	13.95	1,020,297	13.63
Dividends*	274,444	3.32	281,254	3.76
To debt providers	128,262	1.55	64,118	0.86
To society as donation	854	0.01	1,254	0.02
Retained	436,635	5.27	420,795	5.62
	<u>8,275,197</u>	<u>100.00</u>	<u>7,484,737</u>	<u>100.00</u>

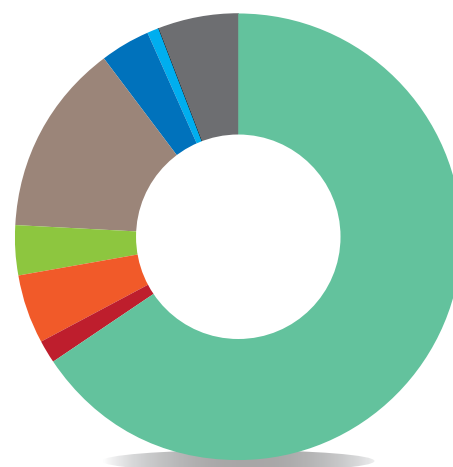
*Subsequent to year ended June 30, 2018, the Board of Directors of the Company in its meeting held on August 30, 2018 has proposed final cash dividend @ Rs. 5 per share amounting to Rs. 168.01 million (2017: Rs 7 per share amounting to Rs. 207.24 million) and bonus shares @ 15% (5,040,336 shares) for approval of the members at the Annual General Meeting.



Distribution of Wealth 2018

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

Distribution of Wealth 2017	
Cost of Sales (Excluding Employees' Remuneration)	65.62%
Distribution, Administration and certain other expenses (Excluding Employees remuneration)	1.77%
Employees' Remuneration	5.03%
Government as direct taxes (including Workers' Welfare Fund)	3.69%
Government as indirect taxes	13.63%
Dividends	3.76%
To debt providers	0.86%
To society as donation	0.02%
Retained	5.62%



Performance and Position



Analysis of the Financial and Non-Financial Performance

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



The Company on an annual basis sets marketing, production and other targets in the form of a budget which is duly approved by the Board of Directors. The Company has met most of the key targets set in last year's budget especially pertaining to profitability. However, production was slightly under par than budgeted due to increased competition and usage of bulk cement in place of packed cement. We have been able to maintain our market share. For liquidity and gearing, cash flows are monitored on a daily basis to achieve the targets. The Company has also met its non-financial targets in the areas of marketing, human resource and growth to a greater extent. The Company has also successfully installed Universal papersack line and Printers & Laminator of Flexible packaging project with in targeted time frame.

Financial Indicators

Actual Results

The year 2017/18 has been challenging for Cherat Packaging Limited. The external market factors created a challenging environment for the business to perform. However, the Company was able to maintain its market leadership position. Despite that the revenue of the Company has increased but the cost impact with respect to international prices of raw material and depreciation of PKR against Euro and USD curtailed to translate such increase into profits. Further, stiff competition due to increased operations of new players have challenged the Company performance. After taking tax adjustments, the Company has posted a profit of Rs. 711.08 million.

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

	2018	2017
	(Rupees in Million)	
Net sales	7,091.65	6,443.93
Cost of sales	5,993.32	5,187.45
Gross Profit	1,098.33	1,256.48
Expenses & taxes	387.25	554.43
Net Profit	711.08	702.05

The Company also benefited from the recognition of tax credit u/s 65B of the Income Tax Ordinance, 2001.

The Company sold 344.78 million bags, further analysis of sales is listed below:

	2018	2017
	(Bags in Million)	
Local sales	326.78	325.09
Export sales	18.00	28.00
Total sales	344.78	352.18
Flexible packaging (KGs)	2.46	-

On the domestic front, the Company was able to maintain its sales position. However, it is not aligned with domestic growth of the cement industry. This was mainly due to increased competition and increase in the use of bulk cement. The Company has also started its operation of Flexible packaging unit during the year.

In Rupee terms, sales analysis is reproduced below:

	2018	2017
	(Rupees in Million)	
Local sales		
Kraft Paper & Polypropylene bags	6,785.88	5,997.81
Flexible packaging	0.87	-
Export sales - Cement packaging	304.90	446.12
Total sales	7,091.65	6,443.93

Budgeted Results:

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

	2017-18 (Actual)	2017-18 (Budget)
	(Rupees in Million)	
Net sales	7,091.65	7,303.75
Cost of sales	5,993.32	6,186.03
Gross Profit	1,098.33	1,117.72
Net Profit	711.08	608.93

The Company has nearly achieved its budget. Future challenges like shortage of Kraft Paper in the international market and rising cost of raw material due to increased prices and exchange rates may impact profitability. Further, the Company is actively exploring new markets internationally to increase its exports. Further, the Company is also investing in development of new products to facilitate customers and reduce production costs.

Key Performance Indicators

FINANCIAL INDICATORS

Sales

7,092

(Rs. Million)

Increased by

10.05

(%)

Gross profit

1,098

(Rs. Million)

Decreased by

12.59

(%)

Market price per share

143.69

(Rs.)

Decreased by

39.57

(%)

Profit before tax

765

(Rs. Million)

Decreased by

21.38

(%)

Profit after tax

711

(Rs. Million)

Increased by

1.29

(%)

Earnings per share

21.79

(Rs.)

Decreased by

8.10

(%)

Breakup value
per share

134.40

(Rs.)

Decreased by

0.95

(%)

Financial leverage

1.17

(Times)

Increased by

9.55

(%)

Working capital

2,240

(Rs. Million)

Increased by

7.31

(%)

Interim & final
cash dividend

235

(Rs. Million)

Decreased by

16.37

(%)

Methods and Assumptions in Compiling Indicators

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

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

Market price is the measure of perception of the Company in the market. The difference between Book Value and Market Value shows investors' confidence on script. Market Price of the Company is higher than its Book Value. Market price of the Company's shares mainly reduced due to issuance of right shares and political turmoil in the Country.

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

Comparing cash flow from operating activities with profit before tax can give insights into how a company finances short-term capital. The Company regularly analyses its cash flows and strives to keep it on positive side. This reduced mainly due to procurement of raw materials for flexible packaging division which has started its production in June 2018.

Non-Financial Indicators

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

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

Change in Indicators and Performance Measures

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

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

Change in important indicators is as follows

Change in Financial Indicators

Financial indicators of the Company remained same as last year except for the following:

Financial Leverage

The Company has included financial leverage as a key performance financial indicator. Long-term debt of the Company increased significantly as compared to last year. It increased mainly due to financing and installation of Universal Papersack line and Flexible packaging project. The Company keeps track on financial leverage of the Company and keep it in acceptable level. The anticipated operations of flexible packaging division will lower the financial leverage of the Company.

Working Capital

Working capital is an essential part of the Company's operations. The Company has been managing its working capital efficiently. As of the end of FY 2018, working capital of the Company increased as compared to last year. The Company has put it in key performance indicators keeping in view its associated risk. Working capital increased mainly due to increased investment in procurement of imported raw material due to expected devaluation of Pak Rupee and increase in raw material prices. Additionally, increased advance tax also contributed in enhanced working capital.

Change in Non-Financial Indicators

The Company inducted non-financial indicators which are as follows:

Human Capital

The Company has recently diversified into flexible packaging, which required employment of new staff for the division. This is the major non-financial indicator as the skilled human capital is essential for success of this new business therefore, the Company invested on skill building through workshops to direct human effort towards the overall objective of the Company.

Relationship Capital

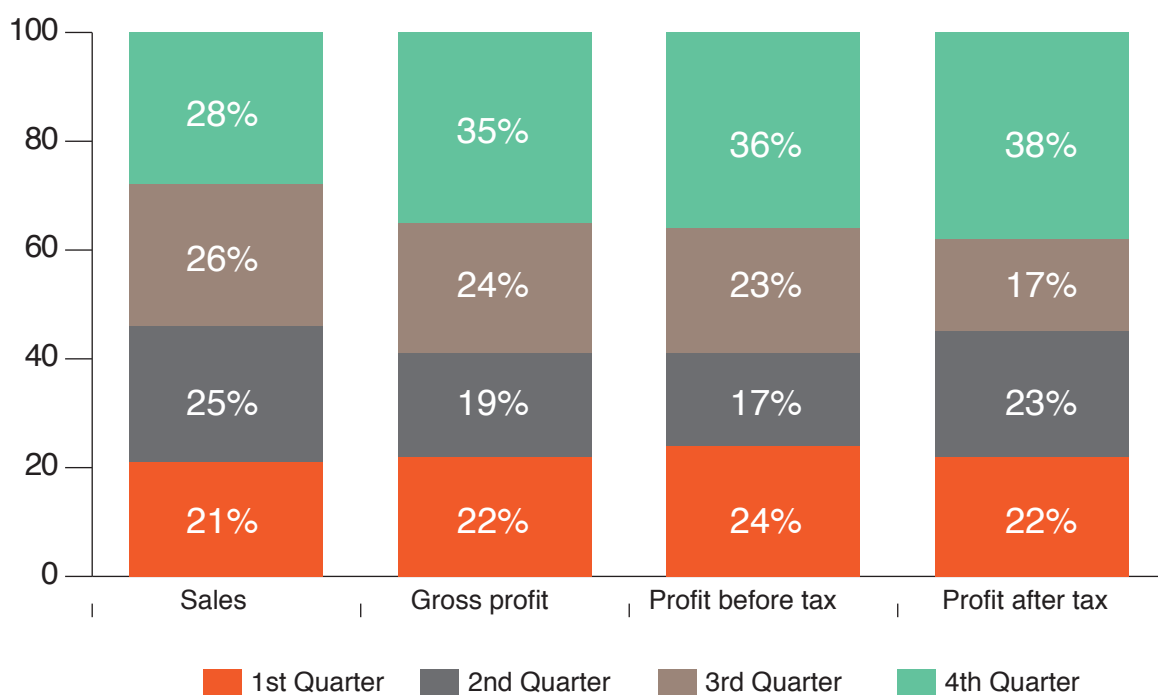
Expansion into new business of flexible packaging made this indicator more vital than before. The Company will ensure to run its new business venture efficiently and effectively to increase shareholders' wealth and stakeholders' value. Moreover, the Company will ensure to keep better relations with suppliers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

Intellectual Capital

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

Quarterly Performance Analysis

	Sep-17	Dec-17	Mar-18	Jun-18	Total
	(Rupees in '000)				
Sales - Net	1,465,870	1,757,880	1,852,104	2,015,799	7,091,653
Cost of Good Sold	(1,220,461)	(1,544,720)	(1,592,358)	(1,635,782)	(5,993,321)
GROSS PROFIT	<u>245,409</u>	<u>213,160</u>	<u>259,746</u>	<u>380,017</u>	<u>1,098,332</u>
Selling Expenses	(22,612)	(28,493)	(26,162)	(20,755)	(98,022)
Administrative Expenses	(17,049)	(19,748)	(19,165)	(19,513)	(75,475)
Other charges	(13,843)	(7,448)	(13,425)	(25,945)	(60,661)
	(53,504)	(55,689)	(58,752)	(66,213)	(234,158)
Other Income	19,421	1,638	6,289	1,623	28,971
OPERATING PROFIT	<u>211,326</u>	<u>159,109</u>	<u>207,282</u>	<u>315,427</u>	<u>893,145</u>
Finance Cost	(22,972)	(30,073)	(32,118)	(43,099)	(128,262)
Profit before taxation	<u>188,354</u>	<u>129,036</u>	<u>175,164</u>	<u>272,328</u>	<u>764,883</u>
Taxation	(31,326)	32,009	(55,338)	850	(53,804)
Profit after taxation	<u><u>157,028</u></u>	<u><u>161,045</u></u>	<u><u>119,827</u></u>	<u><u>273,179</u></u>	<u><u>711,079</u></u>



Comments on Quarterly Performance

Quarter 1

- Sales:** The first quarter sales of financial year 2018 decreased as compared to June quarter of financial year 2017 due to decrease in quantity sold. However, increase in price diluted the impact of reduced sales.
- Cost of sales:** Cost in September quarter increased as compared to June quarter due to increased prices of raw material.
- Operating profit:** Increase in cost of raw material was higher than increase in revenue which caused decrease in operating profit for the quarter. However, dividend income has curtailed the decrease to some extent.
- Net Profit:** Net profit for the quarter ended September 2017 did not reduce at same ratio as of operating profit due to imposition of Super tax by federal government in finance bill of 2017 causing high tax incidence in June 2017 quarter last year.

Quarter 2

- Sales:** Sales increased due to increase in dispatches and upward revaluation of prices.
- Cost of sales:** Cost of sales increased due to increase in dispatches and devaluation of PKR against Euro and USD.
- Operating profit:** Analysing the market situation, the Company did not pass increase in cost fully to customer due to which operating profit reduced as compared to 1st quarter
- Net Profit:** Net profit of the Company remained almost same as of September quarter despite decrease operating profit due to tax credit against capitalization of KP line 5.

Quarter 3

- Sales:** Even though quantity in quarter 3 decreased slightly as compared to 2nd quarter however, sales showed increasing trend due to increase in Paper & PP bags prices.
- Cost of sales:** Increase in cost was mainly due to decline of PKR against EURO and USD.
- Operating profit:** This was mainly due to phase-wise allocation of increment of cost to customers.
- Net Profit:** Net profit decreased despite of increase in operating profit due to tax credit which was recorded in quarter 2 owing to capitalization of KP line 5.

Quarter 4

- Sales:** Keeping in view market conditions and increasing cost, the Company had increased prices of Paper and PP bags causing increase in sales in 4th quarter as compared to quarter 3.
- Cost of sales:** Cost witnessed high increase in this quarter due to enormous decline of PKR against foreign currencies. Further shortage of KP from international market has also pushed cost upwards.
- Operating profit:** It increased due to increase in selling prices as mentioned in sales above.
- Net Profit:** Besides above factors, net profit of CPL has increased due to incorporation of tax credit u/s 65b against installation and commissioning of Printers and Laminator and other auxiliary equipment of Flexible packaging project.

Ratios

Ratio Description	2018	2017	2016	2015	2014	2013
Profitability Ratios:						
Gross Profit ratio	15.49%	19.50%	22.97%	21.00%	11.33%	10.57%
Net Profit to Sales	10.03%	10.89%	13.33%	10.47%	4.70%	2.87%
EBITDA Margin to Sales	15.31%	18.36%	21.71%	19.69%	10.94%	9.65%
Operating leverage ratio	(1.38)	3.85	2.05	7.96	1.65	2.23
Return on Equity	16.67%	19.15%	33.30%	36.35%	19.37%	11.17%
Return on Capital employed	9.69%	15.17%	25.53%	21.87%	11.20%	6.85%
Effective tax rate	7.03%	27.84%	29.80%	29.40%	6.44%	32.40%
Liquidity Ratios:						
Current ratio	2.21	3.69	2.71	2.35	1.40	1.13
Quick / Acid test ratio	1.12	1.76	1.26	1.38	0.72	0.51
Cash to Current Liabilities	0.00	0.02	0.02	0.01	0.01	0.01
Cash flow from Operations to Sales	0.02	0.10	0.19	0.20	0.06	0.06
Investment / Market Ratios:						
Earnings per share (EPS)	21.79	23.71	31.55	23.65	9.13	5.42
Market value per share Closing	143.69	237.78	341.77	188.66	74.25	38.50
Price Earnings ratio	6.59	10.03	10.83	7.98	8.13	7.10
Price to Book ratio	1.07	1.75	3.05	2.36	1.48	0.87
Break up value per share	134.40	135.68	112.02	79.85	50.30	44.00
Break up value per share including all investments*	148.55	165.09	129.30	93.26	50.87	44.48
Dividend Yield ratio	0.05	0.04	0.03	0.04	0.04	0.05
Dividend Payout ratio	0.32	0.40	0.32	0.30	0.33	0.37
Dividend Cover ratio	3.02	2.50	3.12	3.38	3.04	2.15
Dividend (Rs.)	235,212	281,252	296,055	192,780	82,622	55,080
Cash Dividend per share	7.00	9.50	10.00	7.00	3.00	2.00
Stock Dividend (%)	15.00	-	-	-	-	-
Capital Structure Ratios:						
Financial leverage ratio	1.17	1.07	1.06	1.23	1.84	1.89
Weighted average cost of debt	5.03%	7.47%	9.39%	11.10%	10.24%	10.56%
Net borrowing / EBITDA	3.45	0.64	0.27	1.07	3.52	4.29
"Average operating working capital as percentage of sales"	39.23%	31.67%	26.89%	32.90%	34.48%	33.13%
Debt to Equity ratio	38 : 62	13 : 87	8 : 92	26 : 74	38 : 62	30 : 70
Interest Cover ratio	6.96	16.17	19.07	5.39	2.19	2.12
Activity / Turnover Ratios:						
Inventory turnover ratio	3.42	3.66	4.74	4.91	4.17	3.80
No. of Days in Inventory	105.24	98.45	75.93	73.29	86.30	94.68
Debtor turnover ratio	7.26	7.97	8.96	8.41	8.28	7.76
No. of Days in Receivables	49.57	45.16	40.19	43.39	44.08	47.03
Total Assets turnover ratio	1.32	0.86	0.68	0.63	0.71	0.86
Fixed Assets turnover ratio	0.68	0.28	0.24	0.22	0.27	0.33
Creditor turnover ratio	12.65	10.34	18.68	25.64	15.80	17.61
No. of Days in Creditors	28	35	19	14	23	20
Operating Cycle	126	109	97	103	108	121

* Company has all its investments in related parties only.

Comments on Ratios

Profitability

The Company has been performing steadily over the last six years. As a result of effective management and sharp decision making, the Company was able to reap benefits. The performance of the Company enhanced in FY 2014. FY 2015 witnessed giant leap forward with respect to profitability of the Company. In the year 2016 Company made historic achievements in despatches, production and profitability and posted ever highest profits and better profitability ratios. In the year 2017, the Company profitability decreased due to adjustment of selling price in line with market conditions, increased imported raw material prices and foreign currency exchange rates. In the current year, despite of the challenging socio-economic conditions, the Company managed to maintain its profitability.

Liquidity

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

Investment / Market

Investment / Market Ratios are the direct reflection of the performance of the Company. In the year 2018 market price per share and EPS decreased from last year due to decrease in despatches, increase in raw material prices and foreign currency exchange rates.

Capital Structure

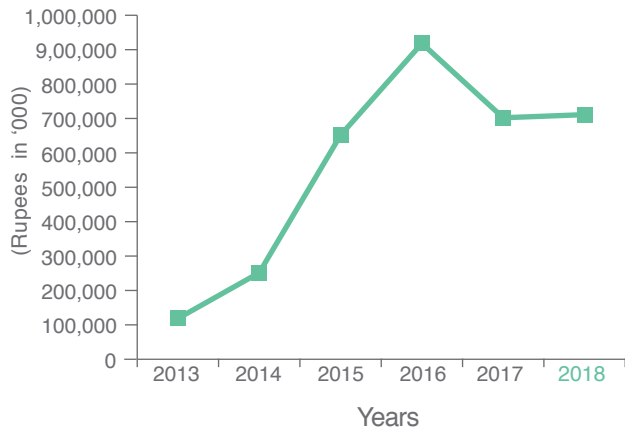
The Company continuously monitors its capital structure and aims to keep it at its optimum level. Financial leverage was highest in the financial year 2013 The ratio went down in later years as the operations grew and Company posted better results. However, the capital structure again increased in current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

Activity / Turnover

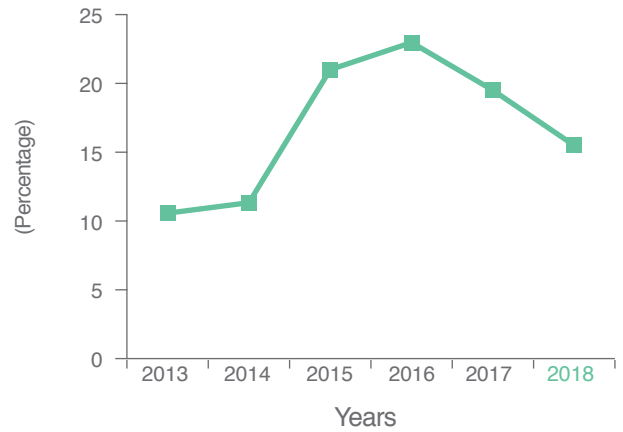
The inventory turnover of the Company witnessed a healthy trend as the Company strives to implement more effective inventory management. As the major raw materials of the Company are imported, the Inventory Turnover of the Company remains on the higher side. To be competitive in the market and to gain market share, the Company extends credit to its customers keeping in view the credit worthiness of the customer. The Company seeks to maintain level up to 45 days credit. The Company believes in strong relations with creditors to ensure smooth supply of goods and services which is why it endeavours to keep the creditors turnover at lower level. Implementation of effective management policies increased inventory turnover ratio and reduced operating cycle of the Company. However, increased raw material prices, exchange rates and stiff market competition have slightly affected our inventory ratios.

Key Operating Highlights

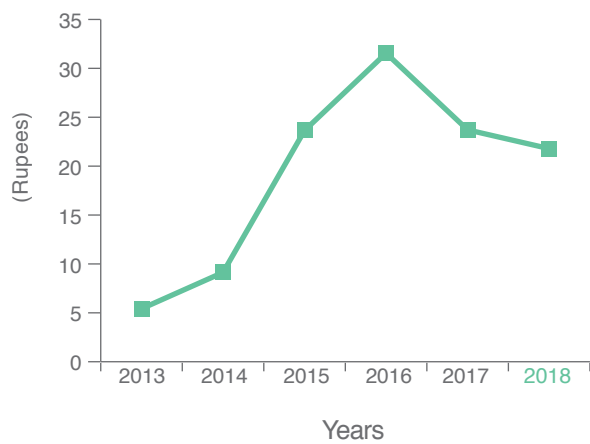
Profit After Tax



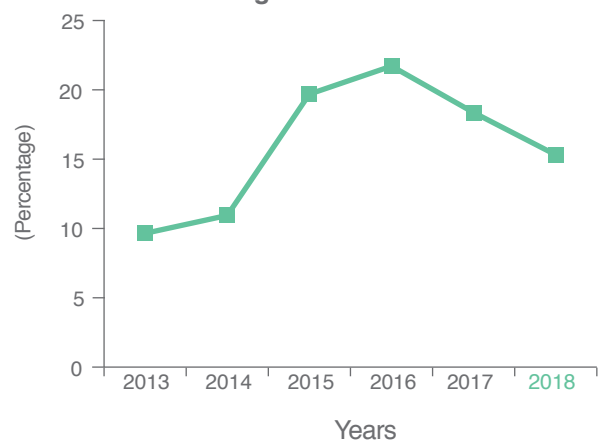
Gross Profit



Earnings Per Share



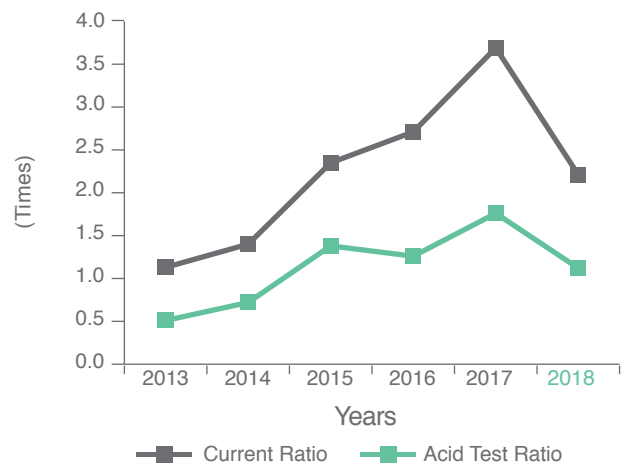
EBITDA Margin to Sales

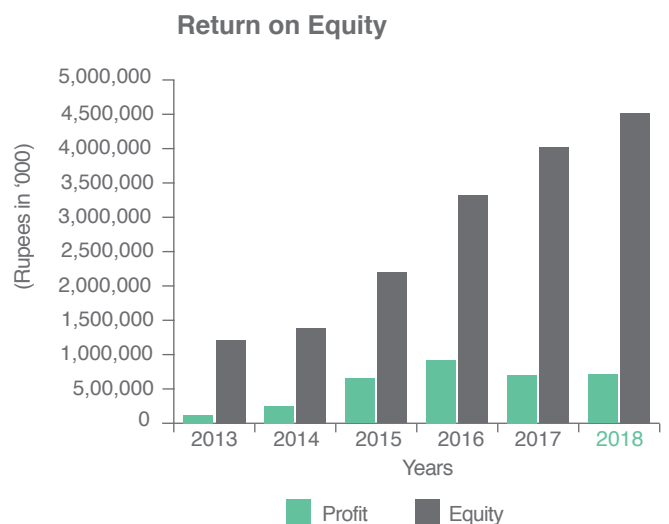
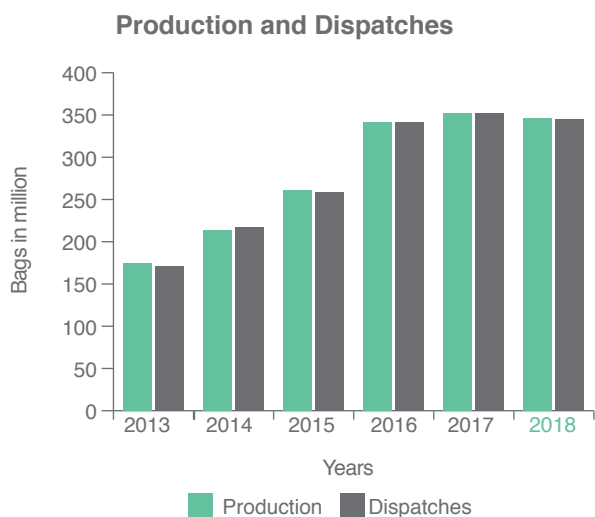
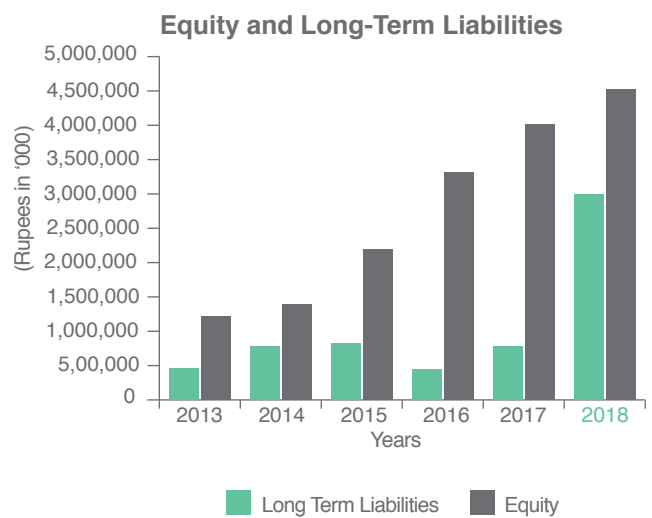
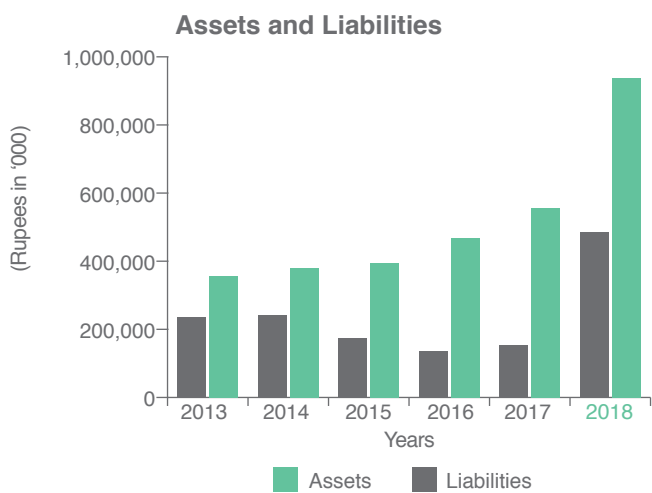
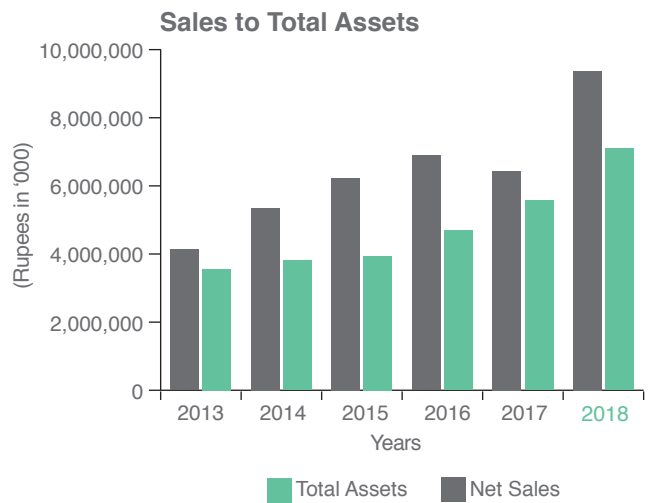
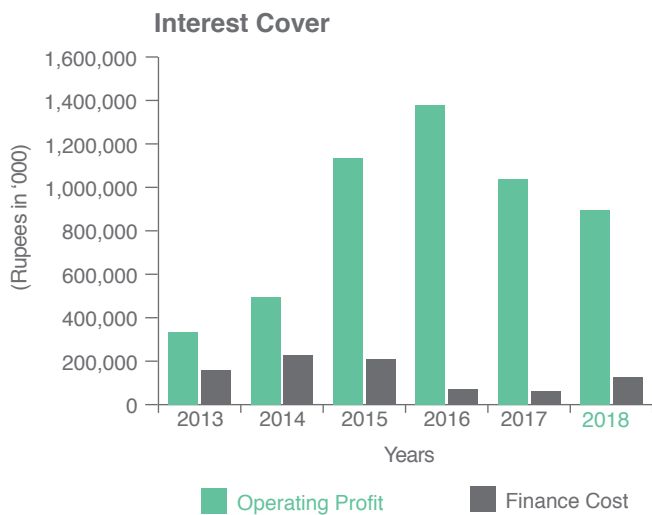


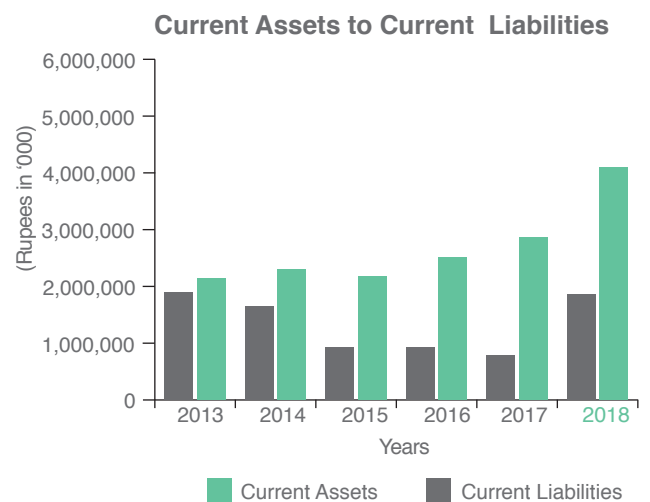
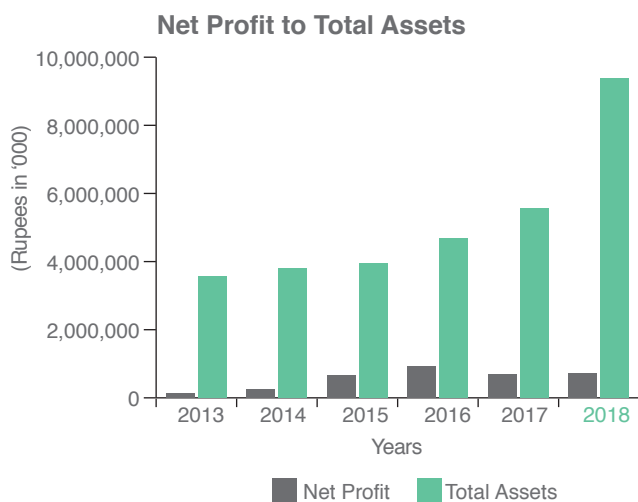
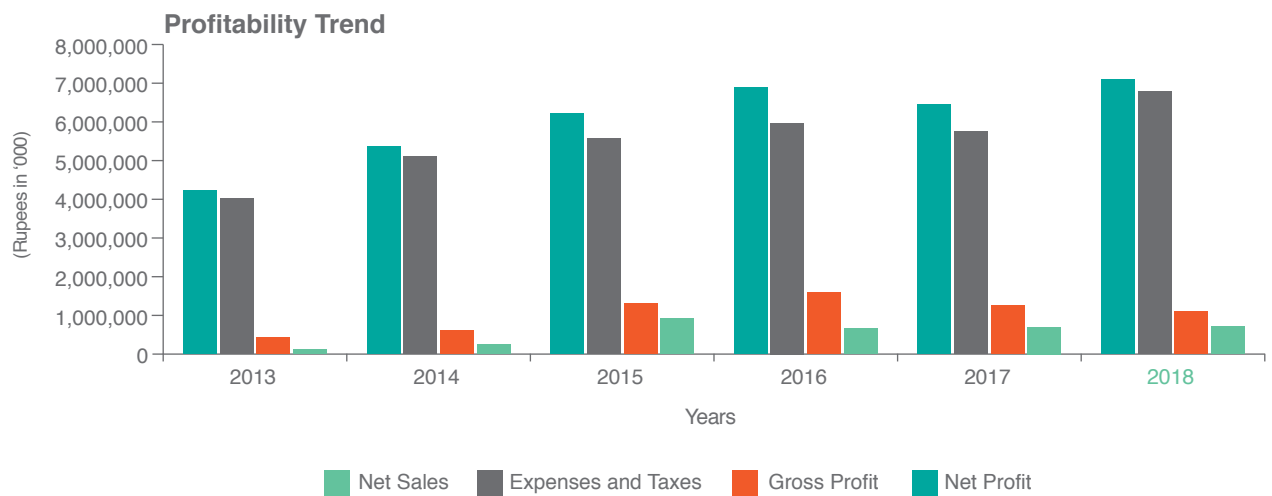
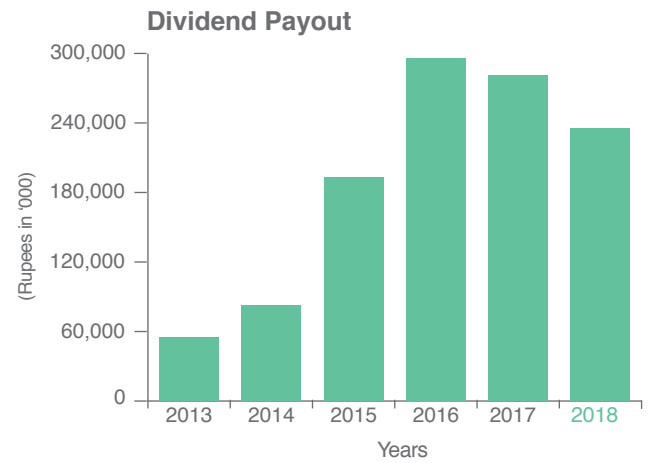
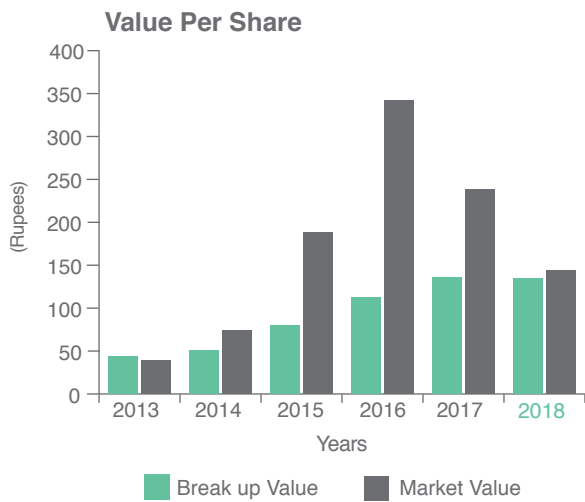
Operating Profit



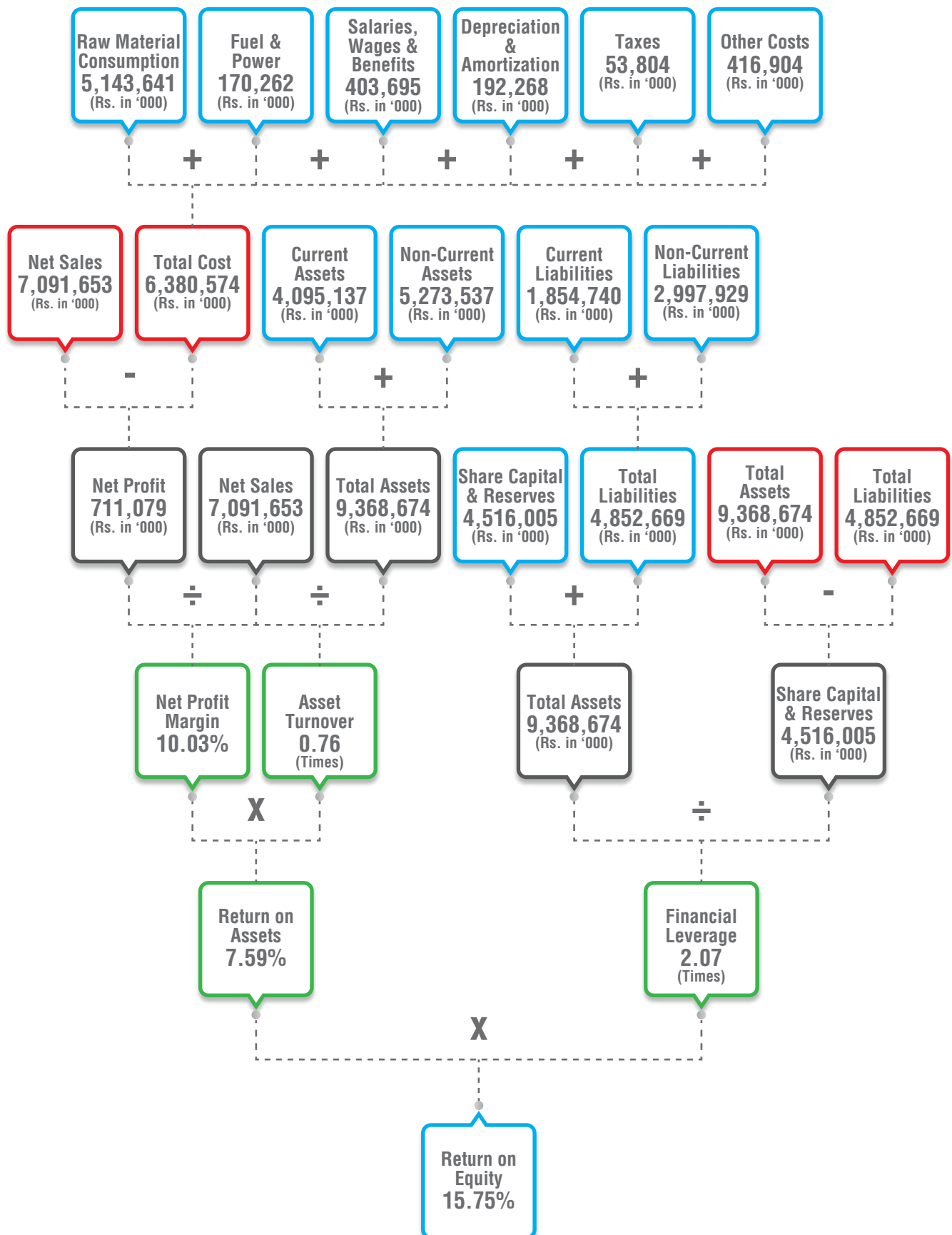
Liquidity Ratio







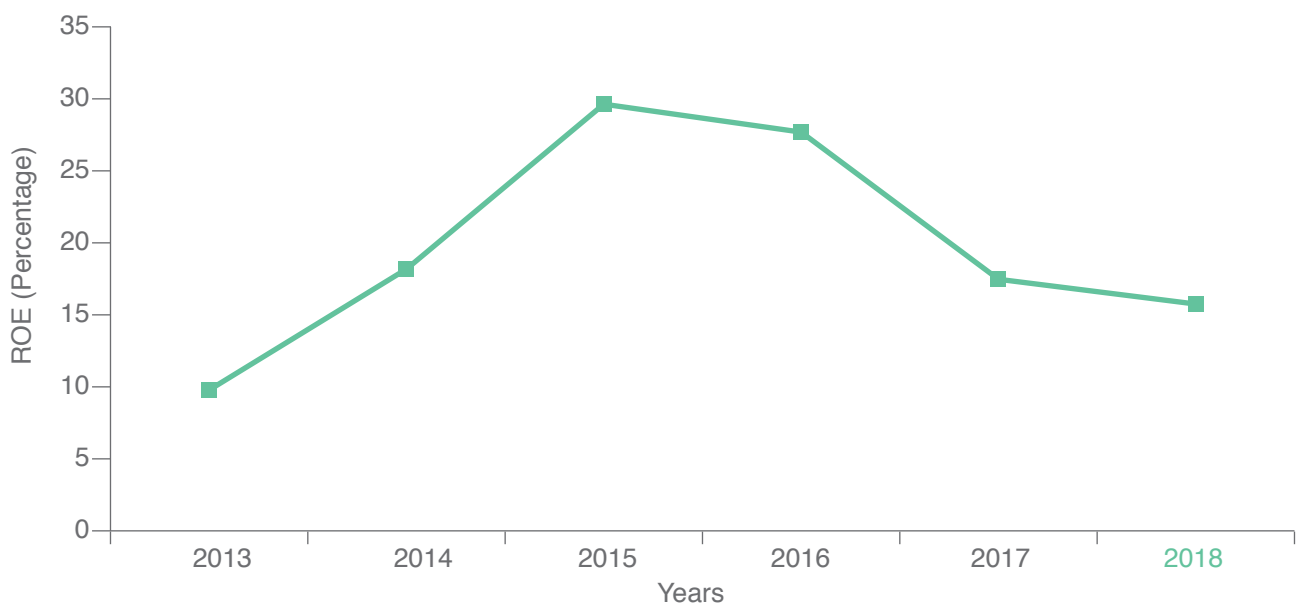
DuPont Chart



DuPont Analysis

Year	Net Profit Margin	Assets Turnover	Financial Leverage	ROE
	Net Profit / Sales	Sales / Total Assets	Total Assets / Total Equity	
	A	B	C	
2013	2.87%	1.16	2.94	9.78%
2014	4.70%	1.41	2.75	18.18%
2015	10.47%	1.58	1.79	29.63%
2016	13.33%	1.47	1.41	27.69%
2017	10.89%	1.16	1.39	17.47%
2018	10.03%	0.76	2.07	15.75%

Graphical Presentation of DuPont Analysis



Comments on DuPont Analysis

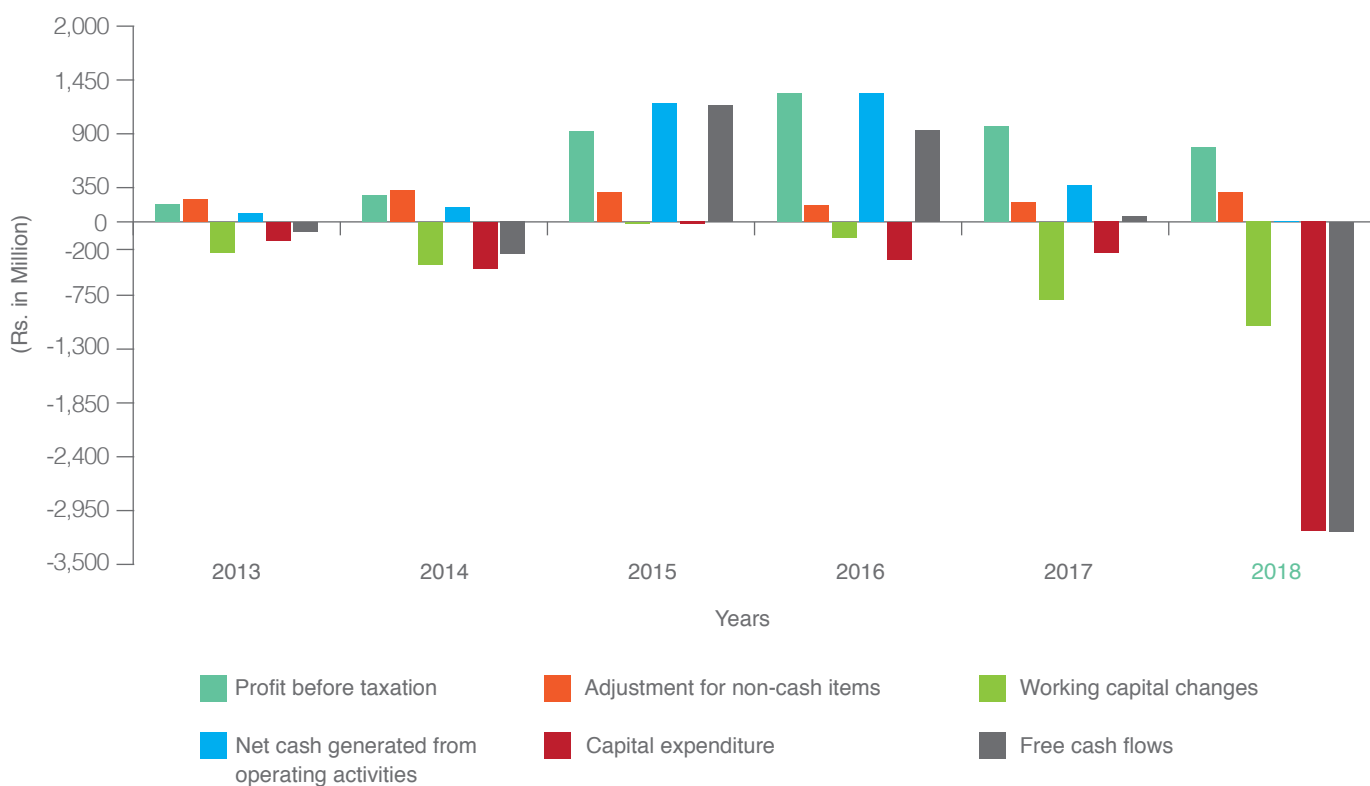
1. Profit margin for the Company declined in the current year on account of increase in raw material prices and exchange rate.
2. The asset base of the Company has improved during the current year mainly on account of investment in Flexible Packaging project.
3. The Financial Leverage ratio of the Company has increased due to long term obtained to finance the expansion projects.

Free Cash Flows

	2018	2017	2016	2015	2014	2013
	(Rupees in '000)					
Profit before taxation	764,883	972,943	1,307,991	922,635	268,801	175,395
Adjustment for non-cash items	298,574	195,588	164,898	301,780	316,570	229,912
Working capital changes	(1,064,481)	(793,190)	(158,836)	(16,921)	(434,234)	(315,560)
Net cash generated from operating activities	(1,024)	375,341	1,314,053	1,207,494	151,137	89,747
Capital expenditure	(3,158,595)	(316,727)	(382,570)	(21,224)	(479,007)	(190,294)
Free cash flows	(3,159,619)	58,614	931,483	1,186,270	(327,870)	(100,547)

Comments

Significant decrease in free cash flows is mainly due to investment in diversification project of Flexible Packaging plant and installation project of Universal Papersack Line.

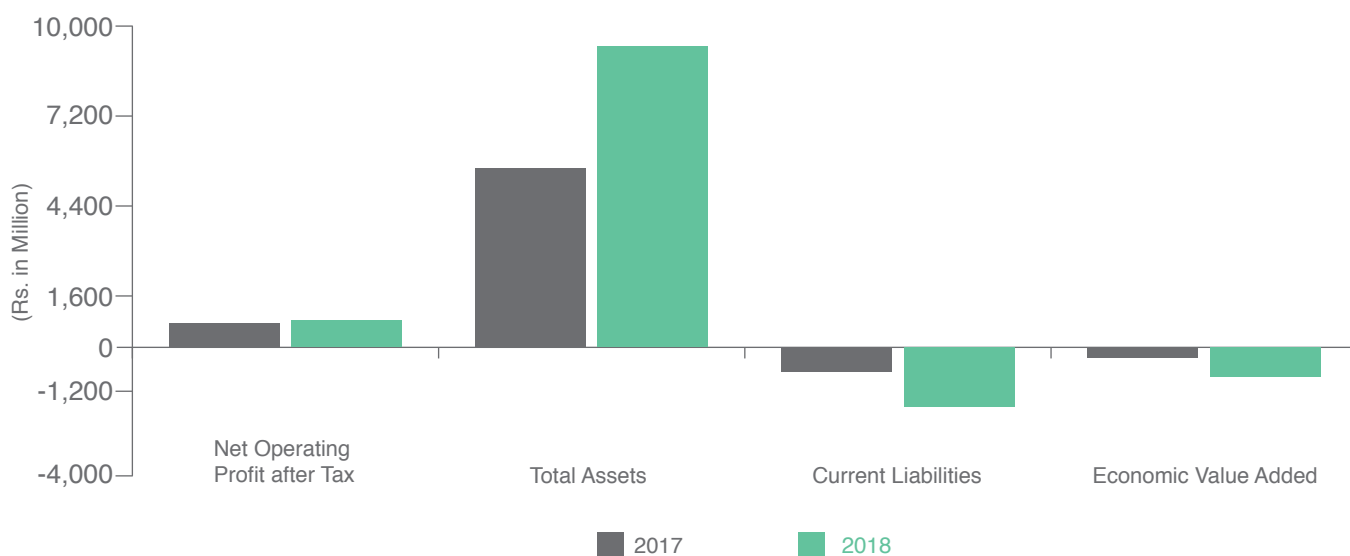


Economic Value Added

	2018	2017
	(Rupees in '000)	
Net Operating Profit after Tax	839,341	766,167
Cost of Capital	(1,164,653)	(1,683,383)
Economic Aalue Added	(325,312)	(917,216)
Total Assets	9,368,674	5,566,394
Current Liabilities	(1,854,740)	(775,432)
Invested Capital	7,513,934	4,790,962
WACC	15.50%	35.14%
Cost of Capital	1,164,653	1,683,383

Comments

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



Horizontal Analysis - Last Six Years

	2018		2017	
	(Rupees in '000)	%	(Rupees in '000)	%
ASSETS				
Non-Current Assets	5,273,537	95	2,703,235	24
Current Assets	4,095,137	43	2,863,159	14
Total Assets	<u>9,368,674</u>	68	<u>5,566,394</u>	19
EQUITY AND LIABILITIES				
Share Capital and Reserves	4,516,005	12	4,016,877	21
Non-Current Liabilities	2,997,929	287	774,085	76
Current Liabilities	1,854,740	139	775,432	-16
Total Equity and Liabilities	<u>9,368,674</u>	68	<u>5,566,394</u>	19
STATEMENT OF PROFIT OR LOSS				
Turnover – net	7,091,653	10	6,443,932	-6
Gross profit	1,098,332	-13	1,256,478	-21
Operating profit	893,145	-14	1,037,061	-25
Profit before taxation	764,883	-21	972,943	-26
Profit after taxation	711,079	1	702,049	-24

2016		2015		2014		2013	
(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
2,174,501	23	1,765,831	17	1,511,414	6	1,426,081	34
2,510,213	15	2,176,458	-5	2,295,302	7	2,135,393	56
<u>4,684,714</u>	19	<u>3,942,289</u>	4	<u>3,806,716</u>	7	<u>3,561,474</u>	46
3,316,291	51	2,198,965	59	1,385,242	14	1,211,844	33
440,975	-46	816,728	5	780,000	70	460,000	10
927,448	0	926,596	-44	1,641,474	-13	1,889,630	71
<u>4,684,714</u>	19	<u>3,942,289</u>	4	<u>3,806,716</u>	7	<u>3,561,474</u>	46
6,888,605	11	6,223,832	16	5,355,792	30	4,129,334	27
1,582,067	21	1,307,251	116	606,600	39	436,533	57
1,380,395	22	1,132,788	129	494,810	49	332,348	60
1,307,991	42	922,635	243	268,801	53	175,395	228
918,239	41	651,411	159	251,486	112	118,569	66

Vertical Analysis - Last Six Years

	2018		2017	
	(Rupees in '000)	%	(Rupees in '000)	%
ASSETS				
Non-Current Assets	5,273,537	56	2,703,235	49
Current Assets	4,095,137	44	2,863,159	51
Total Assets	<u>9,368,674</u>	100	<u>5,566,394</u>	100
EQUITY AND LIABILITIES				
Share Capital and Reserves	4,516,005	48	4,016,877	72
Non-Current Liabilities	2,997,929	32	774,085	14
Current Liabilities	1,854,740	20	775,432	14
Total Equity and Liabilities	<u>9,368,674</u>	100	<u>5,566,394</u>	100
STATEMENT OF PROFIT OR LOSS				
Turnover – net	7,091,653	100	6,443,932	100
Gross profit	1,098,332	15	1,256,478	19
Operating profit	893,145	13	1,037,061	16
Profit before taxation	764,883	11	972,943	15
Profit after taxation	711,079	10	702,049	11

2016		2015		2014		2013	
(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
2,174,501	46	1,765,831	45	1,511,414	40	1,426,081	40
2,510,213	54	2,176,458	55	2,295,302	60	2,135,393	60
<u>4,684,714</u>	100	<u>3,942,289</u>	100	<u>3,806,716</u>	100	<u>3,561,474</u>	100
3,316,291	71	2,198,965	56	1,385,242	36	1,211,844	34
440,975	9	816,728	21	780,000	20	460,000	13
927,448	20	926,596	24	1,641,474	44	1,889,630	53
<u>4,684,714</u>	100	<u>3,942,289</u>	100	<u>3,806,716</u>	100	<u>3,561,474</u>	100
6,888,605	100	6,223,832	100	5,355,792	100	4,129,334	100
1,582,067	23	1,307,251	21	606,600	11	436,533	11
1,380,395	20	1,132,788	18	494,810	9	332,348	8
1,307,991	19	922,635	15	268,801	5	175,395	4
918,239	13	651,411	10	251,486	5	118,569	3

Comments on Horizontal Analysis

BALANCE SHEET

Fixed asset

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

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

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

Taxation

Taxation has been decreasing over the years as the company had adjusted its tax liability for the year against the tax refund. Moreover, the Company had exemption against withholding tax at import stage which kept the Company from piling up excessive refunds. However, it has again increased due to imposition of withholding tax on import of various machines for flexible packaging which were not exempted under Income tax Ordinance.

Share capital and reserves

Share capital and reserves grew over last six years as the company continue to make profits; moreover, issuance of right shares 2013, 2016 and 2018 to finance expansions also resulted in increase in shareholders' equity.

Long-term loans

CPL has always strived to maintain strong debt equity ratio to optimize returns this is why the CPL financed its project as combination of debt and equity. The Company has obtained long-term loans for financing KP line 5 and Flexible packaging project.

Current Liabilities

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

PROFIT AND LOSS ACCOUNT

Turnover

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

Gross profit

Steady increase in gross profit over six years shows prosperous growth of the Company. The growth is mainly due to reasons mentioned above coupled with economies of scale obtained through diversification of operations into Polypropylene bags production, reduction of international raw material prices. However, Gross profit in current year and last year reduced owing to high production cost which increased mainly due to increase in prices of imported raw material and devaluation of PKR against USD and Euro.

Operating profit

Operating profit decreased due to decrease in Gross Profit margin.

Finance Cost

Finance cost of the Company has been reducing steady over past few years however, it has increased in current year due to working capital requirement in flexible packaging division.

Net profit

Net profit of the Company showed positive trend over last few years. FY 2016 was exceptional as the raw material prices decreased. Net profit is also showing positive trend by virtue of reasons mentioned above in addition to recognition of tax credits available against capital expenditures made in financial years 2013 through 2018. The company has also accounted for super tax as imposed by Federal Govt except for current year as the Company claimed initial allowance of depreciation against Flexible packaging project. In the current year net profit increased slightly despite decreased operating profit mainly due to tax credits u/s 65B.

Comments on Vertical Analysis

BALANCE SHEET

Fixed assets

Ratio of fixed asset increased mainly due to installation of Flexible Packaging unit and Universal Papersack line.

Taxation

Taxation mainly increased due to payment of withholding tax on import of various machines for flexible packaging which were not exempted under Income tax Ordinance.

Long-term loan

Company has obtained long-term loan of Rs. 1.65 billion for installation and commissioning of Flexible packaging line. Further earlier this year, the Company had also obtained a loan of Rs. 600 million against installation of Universal Papersack line. Apart from the above, regular repayments of loan have also being made during the year.

PROFIT AND LOSS ACCOUNT

Gross profit

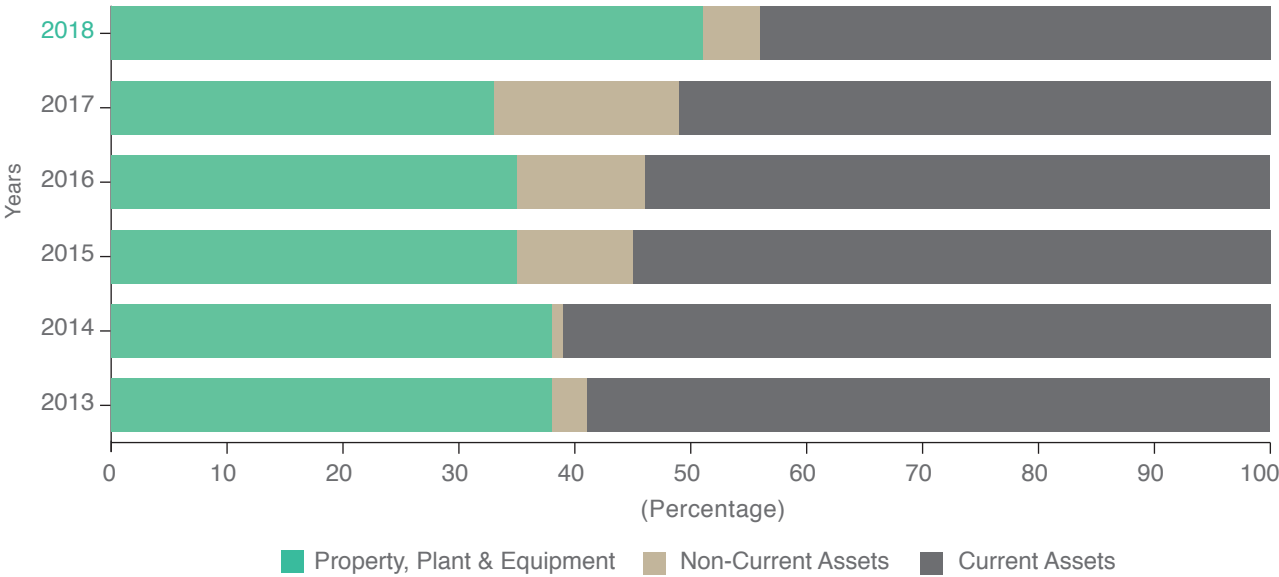
Gross profit of the Company decreased as compared to last year in terms of ratio and amount as well. It was pushed downward due to high production cost owing to PKR parity against USD and Euro and increase in raw material prices internationally.

Net profit

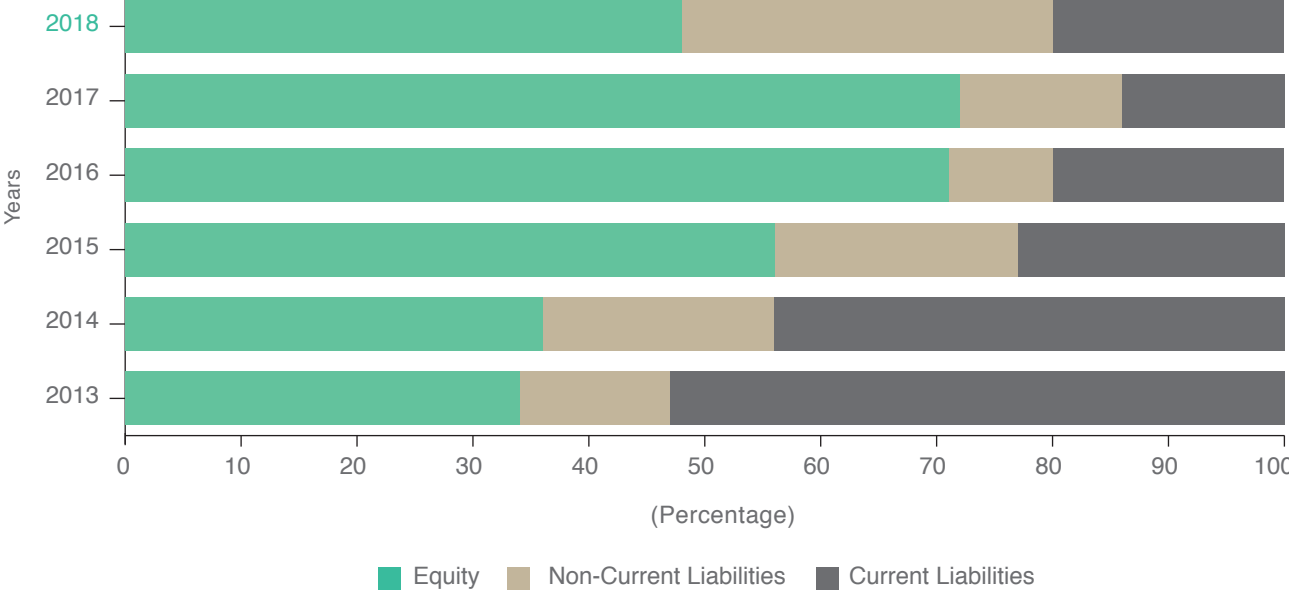
Net profit of the Company remained almost at same level due to recognition of tax credit u/s 65B against capitalizations during the year.

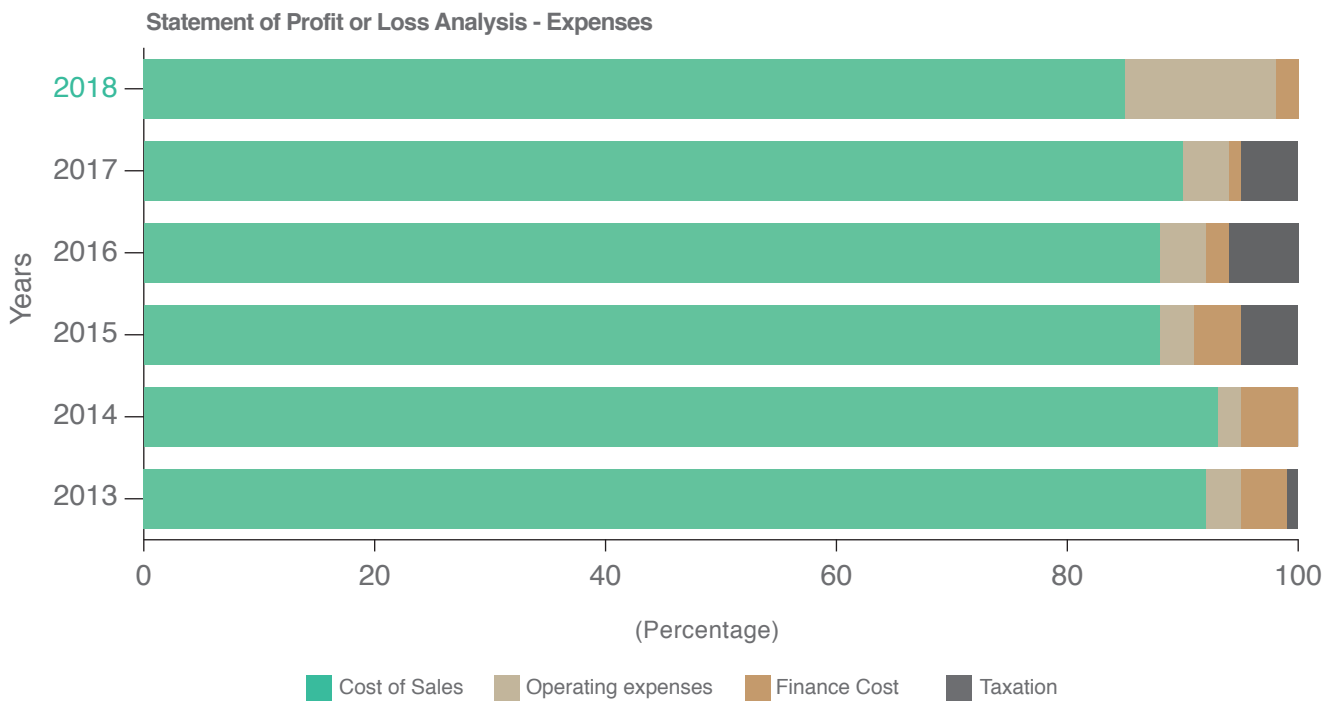
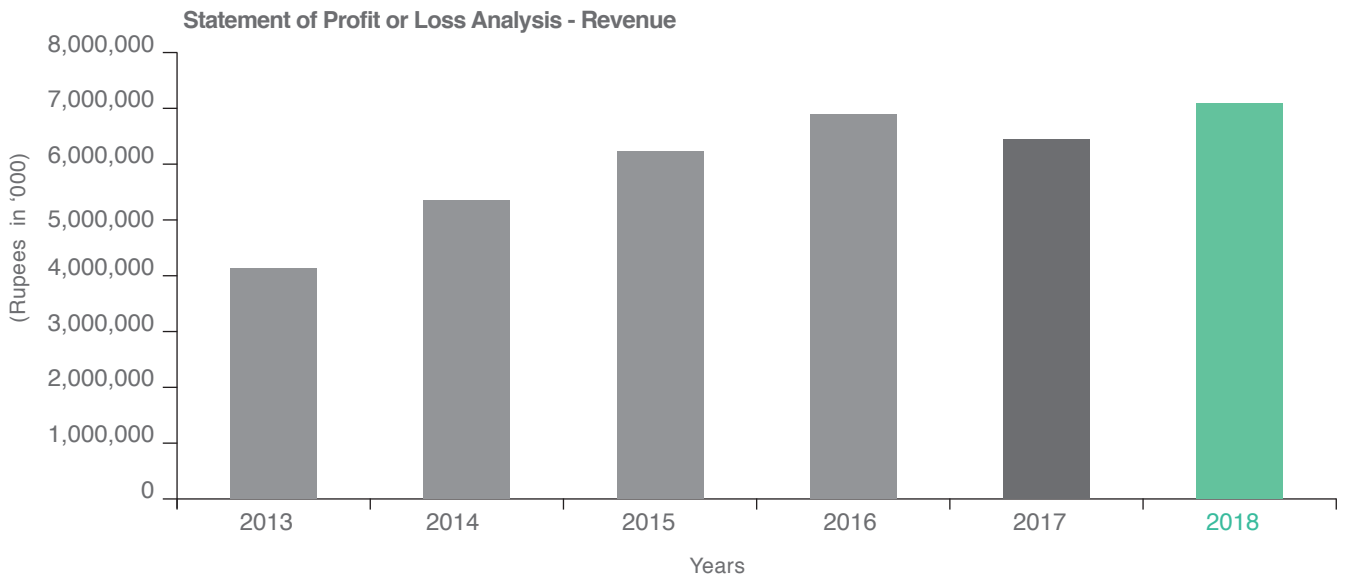
Graphical Presentation of Statement of Financial Position & Statement of Profit or Loss

Statement of Financial Position Analysis - Assets



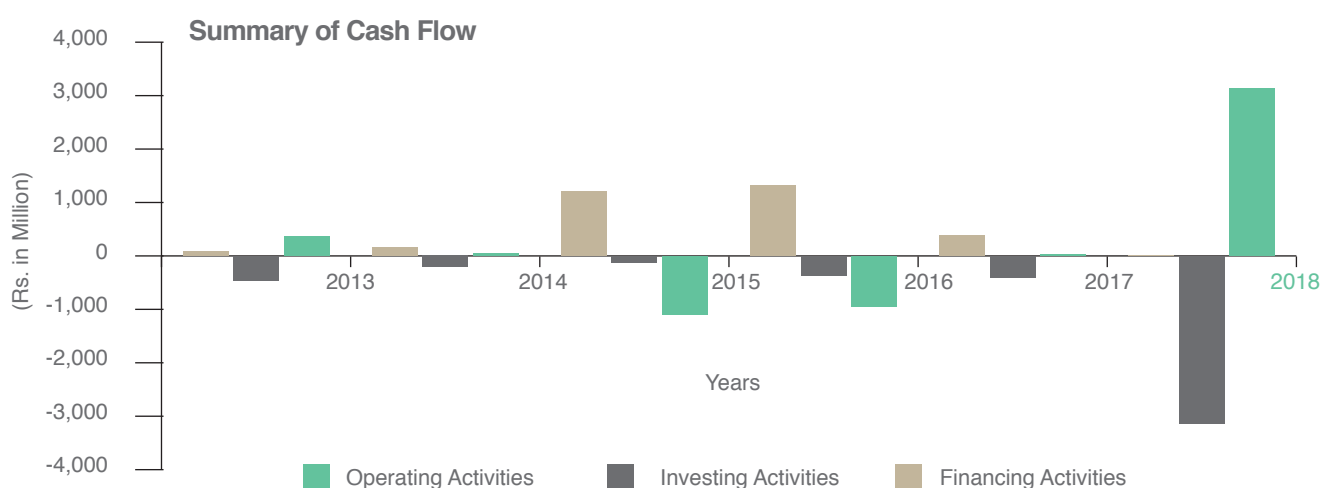
Statement of Financial Position Analysis - Equity and Liabilities (%)





Summary of Statement of Cash Flows-Last Six Years

	2018	2017	2016	2015	2014	2013
	(Rupees in '000)					
Net cash (used in) / generated from operating activities	(1,024)	375,353	1,314,053	1,207,327	151,137	89,747
Net cash used in investing activities	(3,135,215)	(397,814)	(363,085)	(118,915)	(207,460)	(457,486)
Net cash generated from / (used in) financing activities	3,129,449	20,374	(943,937)	(1,096,419)	54,274	356,832
Net (decrease) / increase in cash and cash equivalents	(6,790)	(2,087)	7,031	(8,007)	(2,049)	(10,907)
Cash and cash equivalents as at the beginning of the year	15,428	17,515	10,484	18,491	20,540	31,447
Cash and cash equivalents as at the end of the year	<u>8,638</u>	<u>15,428</u>	<u>17,515</u>	<u>10,484</u>	<u>18,491</u>	<u>20,540</u>



Comments on Statement of Cash Flows

Cash flow from operating activities witnessed great fluctuation during the period from FY 2013 to FY 2017. The major reason was the optimization of stock-in-trade level with respect to new polypropylene bags plant operations. Operating cash flows witnessed high growth in FY 2015 as, the Company has better profitability than 2014. In FY 2016, the ever highest performance of the Company caused cash flows from operating activities to increase further. Decrease in profit in FY 2017 financial year impacted the cash flow negatively. In current year, the operating cash flows fell slightly on negative side mainly on account of decreased profit before tax, increased investment in stock in anticipation of expected operation of flexible packaging project and payments of sales tax and withholding tax on import of various machinery of Flexible packaging.

Cash usage in investing activities in FY 2013, 2014 and 2016 was mainly due to PP bags plant expansions. In 2015, the company has invested Rs. 100 million in Cherat Cement Co. Ltd. by subscribing right shares while in FY 2017, the Company has purchased shares worth Rs. 96 million in Cherat Cement Co. Limited by acquiring shares from open market. In the current year, installation of Universal papersack machinery and erection of flexible packaging project resulted in negative cash flows in investing activities.

Cash generation from financing activities have been high in FY 2013 due to issuance of right shares, increased short term borrowing during FY owing to expansion in operations & financing of new PP plant through long term loans. FY 2015 and 2016 witnessed high cash inflows due to better operations and proceeds from issuance of right shares which led to repayment of short-term borrowings and long-term loans. In 2017, the Company repaid a long term loan of Rs. 100 million and obtained a loan of Rs. 450 million, which kept cash flows from financing activities in a positive zone. In the current year, the Company has issued right shares and obtained long term loan to finance Flexible packaging project. Further a long-term loan was also obtained against Universal papersack line. Additionally, utilization of short-term finance for working capital management also resulted in increased generation of cash under financing activities.

Statement of Cash Flows- Direct Method

	2018	2017
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	7,918,978	7,276,518
Cash paid to suppliers and employees	(7,777,895)	(6,625,042)
Cash generated from operations	141,083	651,476
Net income tax paid	(141,732)	(275,798)
Long-term loans	(375)	(325)
Net cash (used in) / generated from operating activities	(1,024)	375,341
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to operating property, plant and equipment	(3,158,595)	(312,269)
Additions to intangible assets	-	(4,458)
Proceeds from disposal of operating property, plant and equipment	1,585	986
Long-term Investments made	-	(96,452)
Dividend received	21,795	14,391
Long-term deposits	-	(12)
Net cash used in investing activities	(3,135,215)	(397,802)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term financing	2,210,000	330,000
Dividend paid	(271,795)	(279,645)
Proceeds from issuance of right shares	493,281	-
Short-term borrowings	775,256	21,174
Finance costs paid	(77,293)	(51,155)
Net cash generated from financing activities	3,129,449	20,374
Net decrease in cash and cash equivalents	(6,790)	(2,087)
Cash and cash equivalents as at the beginning of the year	15,428	17,515
Cash and cash equivalents as at the end of the year	8,638	15,428

Key Financial Information- Last Six Years

	2018	2017	2016	2015	2014	2013
	(Bags in million)					
Production	346.55	351.97	341.29	289.63	260.54	213.52
Sales	344.78	352.18	341.31	287.74	258.53	216.87

Summary of Statement of Financial Position

	(Rupees in million)					
Assets						
Non-Current Assets	5,274	2,703	2,175	1,766	1,511	1,426
Current Assets	4,095	2,863	2,510	2,176	2,295	2,135
Total Assets	9,369	5,566	4,685	3,942	3,806	3,561

Equity and Liabilities

Shareholders' Equity	4,516	4,017	3,316	2,199	1,385	1,212
Non-Current Liabilities	2,998	774	441	817	780	460
Current Liabilities	1,855	775	928	926	1,641	1,889
Equity and Liabilities	9,369	5,566	4,685	3,942	3,806	3,561

Summary of Statement of Profit or Loss

Turnover-net	7,092	6,444	6,889	6,224	5,356	4,129
Gross Profit	1,098	1,256	1,582	1,307	607	437
Operating Profit	893	1,037	1,380	1,133	495	332
Profit Before Tax	765	973	1,308	923	269	175
Profit After Tax	711	702	918	651	251	119

Segmental View of Business Performance

During a period of high competition and rising costs, the Company held its ground with respect to local market sales. Sales are lower than cement industry growth due to increased competition and new entrants. However, the Company remained the front runner and leader of the cement packaging industry. The Company believes that export market needs to be opened up further as it carries great potential since many venues are still undiscovered.

The Company has also successfully commissioned printers and laminator of Flexible Packaging. The Flexible Packaging has great potential and the Company believes that it will be able to reap the benefits in the days to come.

The Company started Flexible packaging operations near the year end, therefore, no graphical presentation has been given. However, disclosures related to segment reporting in accordance with applicable IFRSs are available in note no. 32 of the Financial Statements.

Market Share

Cherat Packaging is the largest player in the cement packaging business. Introduction of new products have always been the strength of the Company. Its production and sales are increasing every year on the back of introduction of new products for cement industry. Since CPL can produce high quality Kraft paper and Polypropylene (PP) bags, it has been able to attract more customers than its competitors. The Company is the largest producer of cement bags in Pakistan. CPL has introduced low gram high quality bags which were well received by cement companies. These bags are cheaper in price but provide same level of signature strength for which Cherat Packaging is known for. The Company's product of 2 ply paper bags is unmatched due to its low cost-better quality feature. In addition to the cement industry, the Company is also producing PP bags for sugar, chemical and other similar industries.

Local and Export Sales



Share Price Sensitivity Analysis

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

Energy Crisis

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

Law & Order

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

Exchange Fluctuation

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

Plant Operations

The Company has state-of-the-art production facility especially the Polypropylene Plant which leads to higher production and better production efficiency. The Company believes in providing optimum job satisfaction to workers and staff which minimizes issues at production facilities.

Material Price Sensitivity

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

Interest Rates

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

The Cement and Allied Sector

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

Government Policies

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



Source: Pakistan Stock Exchange

Calendar of Notable Events

July 2017 - June 2018

August 14	Independence Day Celebration
August 18	National Tree Plantation Day
August 23	Board of Directors Meeting - Annual 2017
August 25	Received 1st prize in Best Corporate and sustainability Report Award 2016 organized by ICAP & ICMAP
October 24	36th AGM at Registered Office
October 30	Board of Directors Meeting - 1st Quarter 2018
February 08	Board of Directors Meeting - 2nd Quarter 2018
February 11	Inter-Group Companies Cricket Tournament, Islamabad
February 28	Inter-Group Companies Cricket Tournament, Lahore
March 08	Group Table Tennis Tournament
March 23	Inter-Group Companies Cricket Tournament, Karachi
April 26	Board of Directors Meeting- 3rd Quarter 2018
May 01	Labour Day Celebration
May 05	Head Office Staff Picnic
June 09	Employees Annual Dinner & Award Ceremony, Lahore
June 28	Board of Directors Meeting- Budget 2019
June 30	Year End Closing

Major Capital Expenditure

Growth

Cherat Packaging Limited (CPL) has been growing steadily. During the last few years, the Company has expanded and enhanced the production capacities of both its Paper and PP bags plant to position itself to meet the growing demand of cement in the local market.

New Business Venture

The Company ventured into the flexible packaging business keeping in view, the increase in purchasing power of the middle class. The Company spotted the potential growth of flexible packaging nationally and internationally. This is also in line with the diversification strategy of the Company. The Company intends to reap the maximum potential of this fast evolving market therefore, the Company has invested in world leading equipment. CPL is the first Company to enter into the business with the Roto, Flexo, Extrusion and cylinder making machines simultaneously. Printers and Laminator has already been installed and other equipment including Extrusion machine are under installation stage.

Benefits to the Company and Shareholders

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

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

OUTLOOK



Forward Looking Statement

The Company is hopeful of improved macroeconomic indicators as a result of successful conduct of the national elections which will benefit the company and the industry as a whole. Amid the improving economic and security environment in the country and initiation of CPEC, the Government has embarked on constructing several mega infrastructural projects, which will lead to growth in the domestic demand for cement. This will have a positive impact on the sales of the Company. The Company is working towards capitalizing its strategic edge over the existing cement bag suppliers since it can offer both Kraft paper and PP bags to meet the anticipated growth in the cement industry's local demand. Nevertheless, significant devaluation of the Pakistani Rupee, expected increase in interest rate, severe shortage of Kraft Paper, and the volatility of the international economy resulted in adversely affecting commodity prices. This remained a cause of concern and an area of business risk for the Company.

The Company has focused on servicing potential market opportunities through regular capacity expansions to align towards its long-term growth objectives of being a leading player in the field of packaging. It has remained the top ranking one-stop solution for all packaging needs for the cement industry. Additionally, growth of FMCG in the country on account of growth of middle class population provides a promising future to flexible packaging industry, so, in order to reap the future benefits of the growth, the Company has entered into flexible packaging business. The Company is confident to capitalize on anticipated economic growth to increase its market share. Being a single window cement packaging solution company, CPL is well positioned to meet the requirements for both paper and polypropylene bags of its valuable local and export clients. This venture would help in abating business risks of the company as it would result in introduction of new products with different target markets and customers as compared to the existing ones. Moreover, company's investment in Universal paper sack line is expected to introduce new paper sack market as the new paper sack line is capable of producing smaller size bags which are being used by different industries like flour, rice, grocery bags, tile bond bags etc. Allocation of fixed costs on the foregoing would help company to achieve economies of scale which would result in reduced production costs and it would serve as a competitive edge over the company's competitors. The company's policy to stand firm on its challenging quality standards has made it a supplier of choice for its products. The Company is now actively exploring new markets for export of its bags in which it has achieved success and has established its name as a quality packaging supplier in international market. Further, it is also

working towards producing polypropylene bags for use in the packaging of other products like sugar, fertilizer, rice and chemicals. Additionally, Company has introduced low grammage high quality bags which were well received. The Company is confident that these measures will drive the sales of the Company in the future.

The Company is also making concerted efforts to improve its operational efficiencies and optimize the utilization of its available resources. Availability of power at competitive rates is a critical factor for the Company. Other areas of concern are volatility in international commodity pricing and exchange rates.

Interest rates are expected to increase in next financial year due to current economic conditions. Political stability is of grave importance and is stimulus of economic activities. We expect the stability in political situation of the Country. The Company has adopted the reporting of its financial statements as per Companies Act 2017 as per directives of SECP. The Company will continue to follow all regulations as they are imposed in Pakistan. The Company, being the responsible citizen of the Country, has initiated the project to implement various ISOs (International Standards) namely ISO 14001:2015; OHSAS 18001:2007 and FSSC. The Company is already ISO 9001:2015 certified company. Increasing competition may impact the profitability of the Company however, the Company is confident to not only hold but to enhance its market share by innovating its product. On the human resource side, based on the last year's Training Need Analysis (TNA) and performance appraisal of the Company personnel, adequate technical trainings were conducted for the identified employees. The same process is followed on yearly basis. The Company has developed extensive training program for all levels of management. The Company will be conducting these trainings and continue to support its employees in enhancing their professional capabilities in future also which would equip the employees with required technical and management skills in the years to come.

Financial Projections

Keeping in view the foregoing, the Company is positive about future prospects and expects to perform well in the ensuing years. Globally, there is a shortage of Kraft Paper, but we expect to overcome this problem due to our strategic partnership with Mondi, the Kraft Paper supplier. The Company expects to enhance its revenue base through expansion to fulfil the expected increase in the local

cement industry demand on the back of improved economic and law and order situation coupled with construction of different infrastructural projects including CPEC related projects initiated by the Government. Competition in the local bags sales is also expected to increase which may put pressure on profitability of the Company.

However, the Company foresees to minimize its impact through implementation of lean manufacturing concept and introduction of new and improved bag features.

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

	2018/19	2019/20	2020/21
	(Rupees in '000)		
Revenue	10,341,699	13,073,314	14,096,514

Sources of Information and Assumptions Used for Forecasts

The company prepares annual budgets and forecasts to manage business more effectively. The forecasting is done keeping in view the historical data and figures. Marketing team is fully involved in preparing any sales data. Number of customers, average sales made to each customer, any fluctuations due to seasonal impacts and potential customers with expected sales are accounted for while calculating any budgeted sales for following year.

For any new ventures, information is gathered from available market research on the anticipated products. If needed, help of a consultant is also sought to fine tune the data and underlying assumptions before making a formal feasibility. The feasibility is then presented to the Board of Directors.

Thorough discussion on the practicalities of the assumptions and financial viability of the project is conducted and the results and assumptions are approved. Special attention is paid to avoid the wishful thinking and to make the project payback more realistic.

Company Performance Against Last Year's Projections

The Company anticipated growth in local cement demand in last year's forward looking statement which has increased by 14% in FY 2018. The Company anticipated increase in revenue on the back of cement sector growth. The Company was able to increase its revenue base on increased market price. All financial and non-financial targets established during last year were met to a greater extent.

Status of Projects

Last year, the Company had planned to install Universal Papersack line and decided to enter into flexible packaging division. The Company is pleased to inform that Cherat Packaging has successfully installed and currently running Universal Papersack line. Furthermore, the Company has also installed Roto and Felxo printers, laminators and certain ancillary equipment of Flexible Packaging project within stipulated time period. This is one of the major milestones achieved by the Company.

Universal Papersack line can produce various types of non-cement bags therefore, the Company is now in position to capture this untapped area of growth.

With regards to flexible packaging, the Company is now well in position to penetrate into flexible packaging division. Moreover, after installation of extrusion and cylinder making machines, the Company will be all geared up to register its impact more effectively in this market niche

Sustainability and Corporate Social Responsibility



Highlights of Various Aspects of Sustainability

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

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

Certifications acquired / to be acquired and international standards adopted

The production facility remained fully compliant with industry standards and safety requirements. For this purpose, the Company has fully adopted and has obtained certification of Total Quality Management (TQM) system (i.e. ISO 9001: 2015). Further, in order to strive towards the continuous improvement in Health, Safety and Environment aspects, the Company has hired the services of a reputed certification firm in order to obtain certification in respect of Environment Management System (i.e. ISO 14001: 2015), Occupational Health and Safety Management System (i.e. OHSAS 18001:2007) and Food Safety System (i.e. FSSC 22000). Moreover, the Company fully complies with regulatory requirements of National Environmental Quality Standards (NEQS). In addition to the aforesaid, the Company also complies with the requirements of Pakistan Standards & Quality Control Authority's standards.

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

1. ECONOMIC

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

a. Economic Performance

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

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

b. Market Presence

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

c. Indirect Economic Impacts

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

2. ENVIRONMENTAL

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



Moreover, the Company maintains and continually improves its environmental management systems and complies with requirements as outlaid by specific markets or local regulations. Further, the Company operates in a manner that is committed to continuous improvement in environmental sustainability through recycling, conservation of resources, prevention of pollution, product development and promotion of environmental responsibility amongst its employees. Furthermore, as discussed above, the Company fully complies with the regulatory requirements of NEQS.

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

a. Energy

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



For this purpose and being a responsible corporate citizen, the Company initiated a program to conserve energy. In this regard, the Company has installed low power highly efficient Light Emitting Diode (LED) lights at all its locations. Further, the Company has devised a production plan in order to use its production facility efficiently with lesser energy usage. Moreover, the Company is also exploring viability of installing solar panels to produce green energy.

Furthermore, the energy is conserved by the addition of the most modern, state-of-the-art machinery, which also results production of quality products in the most efficient and effective manner. In addition to the above, in order to conserve energy, the management of the Company strives to keep production wastage to a minimum level and productivity at the highest.

Further, the Company intends to carry out its production process through gas as this will further reduce the environmental impact on our society by decreasing the emission of Carbon dioxide gas generated from using electricity generated through furnace oil. In this regard, the Company has already obtained approval for gas connections from Sui Northern Gas Pipelines Limited.

b. Products

The Company is mainly engaged in manufacturing, marketing and sale of products that are reusable and recyclable; and, accordingly, have little or no impact over environment.

c. Emissions

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

d. Effluents and Waste

As a manufacturing concern, this is an important topic as it has an impact not only on our own operations, but also on local communities where waste is generated and disposed of. Accordingly, the Company has invested in a high quality plant technology to avoid industrial waste and to control industrial effluents. Although the industrial effluents are on a very low side in this industry, management is fully aware of its responsibilities in this regard and related policies are already in place. Employees are given proper training to minimize the wastage.

e. Transport

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

f. Quality Management

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



o Quality Management Procedures

Our Quality Management procedures include:

Papersack Division (PSD)

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

- Strength Properties Analysis of Kraft Paper.
- Inspection of Printing Inks to ensure Customer's approved Colour Shades.
- Arrangements and Inspection of Polymer Sterios as per customers approved Artworks.

- Preparation and Inspection of Glue through Mixture of 02 Starches of different grades.
- In-Process inspection at different stages of Tubes & Bags manufacturing.
- Final Inspection of Bags Including Drop Testing and Bales packing Quality Checks and moisture content before packing of bales.
- Hourly sampling and testing at each stage.
- Counting of Bags on Machines / Pallets / Bailing Process and cross checking after packing.



Polypropylene Division (PPD)

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

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

Flexible Packaging Division

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

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



o In-house Quality Control Laboratory

The key to comprehensive quality control is the use of an in-house laboratory. Having an in-house, state-of-the-art laboratory is absolutely necessary to manufacture superior quality products. Our Quality Control laboratory is a primary component to achieve our mission of maintaining strict control over every aspect of manufacture. Quality is an integral part of our ISO 9001:2015 certification.

Our in-house laboratory allows for timely, accurate, cost-effective testing that ensures every product, from raw material to finished goods, meets all quality requirements. Our products are tested before being released for sale. Such stringent attention to quality control is extremely difficult to accomplish without a state-of-the-art, in-house laboratory.

3. SOCIAL

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



a. Employment

The Company has given tremendous employment opportunities through expansion of business / production lines and new projects. With the introduction of Universal Papersack line and Flexible Packaging Division of the Company, new employment opportunities are given to local people at Gadoon Amazai, Peshawar, Lahore, Islamabad and Karachi. This is evident from the fact that number of permanent employees have increased from 104 to 173 during the year. Additionally, a number of workers have been hired from the nearby villages and hamlets thereby creating good employment opportunities for the locals of the vicinity.

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

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

b. Industrial Relations

We maintain excellent relations with our employees & labour and the Company takes every reasonable step for swift and amicable resolution of all their issues. The Company also inducts apprentices in its Apprenticeship Program through which graduates from reputable institutions are regularly inducted. A management trainee program is also in place to meet the future requirements.

c. Occupational Health and Safety

We manage and utilize resources and operations in such a way that the safety and health of our people is ensured. We believe our safety and health responsibilities extend beyond protection and enhancement of our own facilities. We have dedicated safety staff at our plant.



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

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

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

o Health & Safety Training

Our workers are sufficiently trained through fire & safety trainings and are also adequately

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



o Firefighting Equipment

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

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

The aforementioned investment will not only help the Company on continuity of its operations and safety of its materials / equipment but more importantly it will also ensure the safety of its workforce.

o **Safe Working Environment**

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

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

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

o **Two Million Safe Man Hours**

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

o **Certifications to be obtained**

As discussed above, in order to strive towards the continuous improvement in Occupational Health and Safety aspect, the Company has hired the services of a reputed certification firm in order to obtain certification in respect of Occupational Health and Safety Management System (i.e. OHSAS 18001:2007).

d. **Training and Education**

The training, education and development of our people are topics of critical importance to us. The Company hires energetic, talented, and motivated human resources and provides them a congenial and healthy working environment to utilize their capabilities efficiently. The Company believes

that its core strength is its people, who strive every day to meet individual challenges and help the Company achieve its collective targets. The Company has in place a Performance Review Process in order to recognize employees' contribution and reward them according to their performances.



Moreover, Training Need Analysis (TNA) is effectively in place where in-house and external trainings are arranged at all management levels. The Company offers education assistance plan to nurture growth and encourage professional education of employees. The education assistance program not only equips employees with improved academics and technical knowledge but also provides the Company with rightly equipped human resource to face the new challenges offered by expansions, diversifications and business growth. Further, eligible employees receive Service Awards based on their performance and length of service. The management's objective is to recognize and reward employees' contribution to the business. This process helps the availability of high quality workforce which plays a vital role in achieving day-to-day targets and tactical and strategic objectives of the Company.

e. **Equal Opportunity and Non-discrimination**

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

f. Child Labour

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

g. Forced or Compulsory Labour

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

h. Grievance Mechanism

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

The purpose of this policy is to encourage healthy relationship between employees in order to ensure smooth running of the business.

i. Consumer Protection Measures

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



j. Business Ethics and Anti-Corruption Measures

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

k. Local Communities

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



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

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



Highlights of Corporate Social Responsibility



The Company actively participates in various social work initiatives as part of its corporate social responsibility. Being a conscientious member of the corporate community, the Company contributes generously to various social and charitable causes including towards health, education and social sectors. In the past the Company has worked for the rehabilitation of flood affectees and IDPs. Cherat Packaging has worked with many reputable organizations and NGOs. The Company has always stood by the people of Pakistan in their hour of need and shall always continue to do so.

a. Community Investment & Welfare Schemes

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

b. National Cause Donations

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

c. Details of Charity Account

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

d. Educational awareness session at ICAP

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

e. Rural Development Programs & Employment of Special Persons

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

Excellence in Corporate Reporting



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

Cherat Packaging Limited is preparing statutory financial statements in accordance with the IFRS issued by IASB as notified under the Companies Act 2017 including the disclosure requirements of fourth schedule. However, SECP has not notified adoption of following IFRS:

Standards	IASB effective date (annual periods beginning on or after)
IFRS 14 - Regulatory Deferral Accounts	01 January 2016
IFRS 17 - Insurance Contracts	01 January 2021

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

Karachi: August 30, 2018


Amer Faruque
Chief Executive

Glossary of Terms

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

HS&E: Health, Safety and Environment.

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

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

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

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

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

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

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

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

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

IASB: International Accounting Standards Board.

IFRS: International Financial Reporting Standard.

IFRIC: International Financial Reporting Issues Committee.

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

KIBOR: Karachi Inter Bank Offer Rate.

Spread: Rate charged by the bank over KIBOR.

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

Security: A pledge made to secure the performance of a contract or the fulfillment of an obligation.

Term: The maturity or length of time until final repayment on a loan, bond, sale or other contractual obligation.

Principal: In commercial law, the principal is the amount that is received, in the case of a loan, or the amount from which flows the interest.

Debt: An amount owed for funds borrowed.

Debt Service: Amount of payment due regularly to meet a debt agreement; usually a monthly, quarterly or annual obligation.

Net Working Capital: Current assets minus current liabilities.

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

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

HR & RC: Human Resource and Remuneration Committee.

Financial Statements

- 150 Auditors' Report to the Members
- 155 Statement of Financial Position
- 156 Statement of Profit or Loss
- 157 Statement of Comprehensive Income
- 158 Statement of Cash Flows
- 159 Statement of Changes in Equity
- 160 Notes to the Financial Statements

Auditors' Report to the Members



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To the members of **Cherat Packaging Limited**

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Cherat Packaging Limited (the Company), which comprise the statement of financial position as at 30 June 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2018 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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



Following are the Key audit matters:

Key audit matters	How the matter was addressed in our audit
<p>1. Capital expenditure on plant capacity enhancement</p> <p>As disclosed in note 4 to the financial statements, the Company has incurred significant amount of capital expenditure during the year for enhancement of production capacity.</p> <p>We focused on capital expenditure incurred during the year as this represents a significant transaction for the year and involves certain judgemental areas, such as capitalization of elements of eligible components of cost as per the applicable financial reporting standards, therefore, we have identified this as a key audit matter.</p>	<p>We obtained an understanding of the Company's process with respect to capital expenditure and tested controls relevant to such process.</p> <p>We performed substantive audit procedures through inspection of project related contracts and documents supporting various components of the capitalized project costs.</p> <p>We also considered whether the items of cost capitalized, including borrowing costs, meet the recognition criteria of an asset in accordance with the applicable financial reporting standards.</p> <p>Further, we assessed the adequacy of the related disclosures are in accordance with the applicable financial reporting standards.</p>
<p>2. Long term financing for capital expenditure</p> <p>As disclosed in note 18 to the financial statements, the Company has obtained additional long term loans amounting to Rs. 2,250 million to finance the plant expansion project.</p> <p>The Company's key operating / performance indicators including liquidity, gearing and finance costs are directly influenced by the additions to its portfolio of borrowings. Further, financing arrangements entail financial and non-financial covenants that the Company is subject to compliance.</p> <p>The significance of new financings obtained during the year along with the sensitivity of the compliance with underlying loan covenants are considered a key area of focus during the audit and, therefore, we have identified this as a key audit matter.</p>	<p>We obtained and reviewed the financing agreements executed during the year. We inquired from the management with respect to the future compliance of the covenants and tested controls related to such compliance.</p> <p>We circularized confirmations to the financing banks with outstanding loan balances at the year end. We also reviewed the maturity analysis of the financing to ascertain the classification of loans as per their remaining maturities.</p> <p>Further, we assessed the adequacy of the related disclosures are in accordance with the applicable financial reporting standards.</p>

Key audit matters	How the matter was addressed in our audit
<p>3. New Companies Act, 2017 (the Act) and its impact on the financial statements</p> <p>As disclosed in note 1.2 to the financial statements, the Act became applicable for the first time for the preparation of the Company’s financial statements for the year ended 30 June 2018.</p> <p>The Act forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements.</p> <p>In the case of the Company, specific additional disclosures and changes to the existing disclosures have been included in the financial statements as disclosed in note 2.3 to the financial statements.</p> <p>The above changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of the changes in the financial statements resulting from the transition to the new reporting requirements under the Act.</p>	<p>We assessed the procedures applied by the management for identification of the changes required in the financial statements due the application of the Act. We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements. We also evaluated the sources of information used by the management for the preparation of the above referred disclosures and the internal consistency of such disclosures with other elements of the financial statements.</p>

Information Other than the Financial Statements and Auditors’ Report Thereon

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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



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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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



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

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

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditors' report is Khurram Jameel.

Chartered Accountants

Date: 03 September 2018

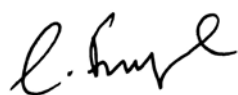
Place: Karachi

Statement of Financial Position

as at June 30, 2018

	Note	2018	2017
(Rupees in '000)			
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	4,782,451	1,816,165
Intangible assets	5	5,940	7,301
		<u>4,788,391</u>	<u>1,823,466</u>
Long-term investments	6	475,518	870,516
Long-term loans	7	250	325
Long-term security deposits	8	9,378	8,928
		<u>5,273,537</u>	<u>2,703,235</u>
CURRENT ASSETS			
Stores, spare parts and loose tools	9	172,085	94,530
Stock-in-trade	10	2,009,317	1,494,637
Trade debts	11	1,054,285	898,551
Loans and advances	12	19,888	4,884
Trade deposits and short-term prepayments	13	24,905	9,166
Other receivables	14	570,036	256,752
Taxation – net		235,983	89,211
Cash and bank balances	15	8,638	15,428
		<u>4,095,137</u>	<u>2,863,159</u>
TOTAL ASSETS		<u>9,368,674</u>	<u>5,566,394</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	16	336,022	296,055
Reserves	17	4,179,983	3,720,822
		<u>4,516,005</u>	<u>4,016,877</u>
NON-CURRENT LIABILITIES			
Long-term financing	18	2,735,000	570,000
Deferred taxation	19	262,929	204,085
		<u>2,997,929</u>	<u>774,085</u>
CURRENT LIABILITIES			
Trade and other payables	20	752,240	546,806
Accrued mark-up		72,715	21,746
Short-term borrowings	21	936,625	161,369
Current maturity of long-term financing	18	85,000	40,000
Unclaimed dividend		8,160	5,511
		<u>1,854,740</u>	<u>775,432</u>
CONTINGENCIES AND COMMITMENTS	22		
TOTAL EQUITY AND LIABILITIES		<u>9,368,674</u>	<u>5,566,394</u>

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



Amer Faruque
Chief Executive



Shehryar Faruque
Director



Yasir Masood
Chief Financial Officer

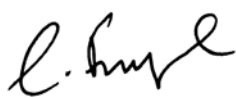
Statement of Profit or Loss

for the year ended June 30, 2018

	Note	2018	2017
(Rupees in '000)			
Turnover – net	23	7,091,653	6,443,932
Cost of sales	24	(5,993,321)	(5,187,454)
Gross profit		1,098,332	1,256,478
Distribution costs	25	(98,022)	(117,198)
Administrative expenses	26	(75,475)	(62,145)
Other expenses	27	(60,661)	(60,582)
		(234,158)	(239,925)
Other income	28	28,971	20,508
Operating profit		893,145	1,037,061
Finance costs	29	(128,262)	(64,118)
Profit before taxation		764,883	972,943
Taxation			
Current		-	(265,069)
Prior		5,040	(22,715)
Deferred		(58,844)	16,890
	30	(53,804)	(270,894)
Net profit for the year		711,079	702,049
Earnings per share – basic and diluted	31	Rs. 21.79	Rs. 22.81

(Restated)

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



Amer Faruque
Chief Executive



Shehryar Faruque
Director



Yasir Masood
Chief Financial Officer

Statement of Comprehensive Income

for the year ended June 30, 2018

	2018	2017
	(Rupees in '000)	
Net profit for the year	711,079	702,049
Other comprehensive income		
Items that may be reclassified subsequently to the statement of profit or loss		
Unrealised (loss) / gain on available-for-sale securities	(394,976)	262,065
Items that may not be reclassified subsequently to the statement of profit or loss		
Actuarial (loss) / gain on defined benefit plan	(35,812)	17,726
	(430,788)	279,791
Total comprehensive income for the year	280,291	981,840

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



Amer Faruque
Chief Executive



Shehryar Faruque
Director



Yasir Masood
Chief Financial Officer

Statement of Cash Flows

for the year ended June 30, 2018

	Note	2018	2017
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		764,883	972,943
Adjustments for:			
Depreciation	4.1.4	190,907	144,899
Amortization	5.1	1,361	1,016
Gain on disposal of operating property, plant and equipment	4.1.5	(183)	(54)
Share of loss from an associate	27	22	-
Dividend income	28	(21,795)	(14,391)
Finance costs	29	128,262	64,118
		298,574	195,588
		1,063,457	1,168,531
(Increase) / decrease in current assets:			
Stores, spare parts and loose tools		(77,555)	(11,621)
Stock-in-trade		(514,680)	(152,155)
Trade debts		(155,734)	(180,289)
Loans and advances		(15,004)	(735)
Trade deposits and short-term prepayments		(15,739)	2,974
Other receivables		(313,284)	(7,467)
		(1,091,996)	(349,293)
Increase / (decrease) in current liabilities:			
Trade and other payables		169,622	(167,762)
Cash generated from operations		141,083	651,476
Income tax paid		(141,732)	(275,798)
Long-term loans and security deposits – net		(375)	(337)
Net cash (used in) / generated from operating activities		(1,024)	375,341
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	4.2	(3,158,595)	(312,269)
Additions to intangible assets		-	(4,458)
Proceeds from disposal of operating property, plant and equipment	4.1.5	1,585	986
Investments made		-	(96,452)
Dividend received		21,795	14,391
Net cash used in investing activities		(3,135,215)	(397,802)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term financing – net		2,210,000	330,000
Short-term borrowings		775,256	21,174
Proceeds from issuance of right shares – net		493,281	-
Finance costs paid		(77,293)	(51,155)
Dividend paid		(271,795)	(279,645)
Net cash generated from financing activities		3,129,449	20,374
Net decrease in cash and cash equivalents		(6,790)	(2,087)
Cash and cash equivalents at the beginning of the year		15,428	17,515
Cash and cash equivalents at the end of the year	15	8,638	15,428

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



Amer Faruque
Chief Executive



Shehryar Faruque
Director



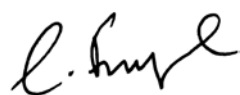
Yasir Masood
Chief Financial Officer

Statement of Changes in Equity

for the year ended June 30, 2018

Issued, Subscribed and Paid-up Capital	RESERVES						Sub-total	TOTAL
	CAPITAL RESERVE	REVENUE RESERVES						
	Share premium	General reserve	Unappropriated profit	Actuarial gain/(loss) on gratuity fund	Unrealized gain/(loss) on available-for-sale securities			
(Rupees in '000)								
Balance as at July 01, 2016	296,055	545,314	180,000	1,866,330	25,310	403,282	3,020,236	3,316,291
Final cash dividend for the year ended June 30, 2016 @ Rs. 7.00 per share	-	-	-	(207,240)	-	-	(207,240)	(207,240)
Interim cash dividend for the year ended June 30, 2017 @ Rs.2.50 per share	-	-	-	(74,014)	-	-	(74,014)	(74,014)
Net profit for the year	-	-	-	702,049	-	-	702,049	702,049
Other comprehensive income	-	-	-	-	17,726	262,065	279,791	279,791
Total comprehensive income for the year	-	-	-	702,049	17,726	262,065	981,840	981,840
Balance as at June 30, 2017	296,055	545,314	180,000	2,287,125	43,036	665,347	3,720,822	4,016,877
Balance as at July 01, 2017	296,055	545,314	180,000	2,287,125	43,036	665,347	3,720,822	4,016,877
Final cash dividend for the year ended June 30, 2017 @ Rs. 7.00 per share	-	-	-	(207,240)	-	-	(207,240)	(207,240)
Issuance of right shares @ 13.5% (i.e. 13.5 shares for every 100 shares held)	39,967	459,625	-	-	-	-	459,625	499,592
Share issuance cost	-	(6,311)	-	-	-	-	(6,311)	(6,311)
Interim cash dividend for the year ended June 30, 2018 @ Rs. 2.00 per share	-	-	-	(67,204)	-	-	(67,204)	(67,204)
Net profit for the year	-	-	-	711,079	-	-	711,079	711,079
Other comprehensive income	-	-	-	-	(35,812)	(394,976)	(430,788)	(430,788)
Total comprehensive income for the year	-	-	-	711,079	(35,812)	(394,976)	280,291	280,291
Balance as at June 30, 2018	336,022	998,628	180,000	2,723,760	7,224	270,371	4,179,983	4,516,005

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



Amer Faruque
Chief Executive



Shehryar Faruque
Director



Yasir Masood
Chief Financial Officer

Notes to the Financial Statements

for the year ended June 30, 2018

1. THE COMPANY AND ITS OPERATIONS

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

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

- 1.2 Summary of significant transactions and events that have affected Company's financial position and performance during the year is as follows:

- During the year Company has installed and commissioned the Rotogravure and Flexo Graphic Printers, Laminator and certain ancillary equipment. It started commercial operations in the month of June 2018. Extrusion line and remaining machinery of the project will be installed subsequent to the year end. Further, the Company has instituted Universal Papersack Line in the month of November 2017. This installation has enhanced total capacity from 460 million to 595 million bags per annum.
- As disclosed in note 18, the Company has obtained long-term finances from conventional banks amounting to Rs. 1,800 million out of which Rs. 1,650 million has been drawn for the purpose of commissioning and capital expenditure incurred against flexible packaging project. Additionally, the Company has also obtained a long-term loan from an Islamic Bank amounting to Rs. 600 million for the installation of Universal Papersack line.
- During the year, the Companies Act, 2017 (the Act) has been promulgated which requires additional disclosures to be included in these financial statements.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

2.2 Accounting convention

These financial statements have been prepared on the basis of historical cost convention except for certain investments that have been measured at fair value.

2.3 New standards and amendments

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

IAS 7 - Statement of Cash Flows - Disclosure Initiative - (Amendments)

IAS 12 - Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

During the year, the Act became applicable. The Act has brought certain changes with regard to the preparation and presentation of these financial statements. These changes, amongst others, include changes in nomenclature of the primary statements. Further, the disclosure requirements under the Act have been revised, resulting in elimination of duplicative disclosures with the IFRS disclosure requirements and incorporation of additional / amended disclosures as amended in notes 1.1, 1.2, 4.3, 6.3, 11.2, 11.3, 16.5, 27.2, 30.1, 34, 35 and 36.

2.4 Standards not yet effective

The following 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.

	Effective date (annual periods beginning on or after)
IFRS - 2 - Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
IFRS - 4 - Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	01 January 2018
IFRS - 9 - Financial Instruments	01 January 2018
IFRS - 9 - Prepayment Features with Negative Compensation – (Amendments)	01 January 2019
IFRS - 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not Yet Finalized
IFRS - 15 - Revenue from Contracts with Customers	01 July 2018
IFRS - 16 - Leases	01 January 2019
IAS - 19 - Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
IAS - 28 - Long-term Interests in Associates and Joint Ventures – (Amendments)	01 January 2019
IAS - 40 - Investment Property: Transfers of Investment Property (Amendments)	01 January 2018
IFRIC - 22 - Foreign Currency Transactions and Advance Consideration	01 January 2018
IFRIC - 23 - Uncertainty over Income Tax Treatments	01 January 2019

The above standards and interpretations are not expected to have any material impact on the Company's financial statements in the period of initial application except for IFRS 15 – Revenue from contracts with customers. The Company is currently evaluating the impact of the said standard.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016 and December 2017. Such improvements are

generally effective for accounting periods beginning on or after 01 January 2018 and 01 January 2019 respectively. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

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

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

	IASB Effective date (annual periods beginning on or after)
IFRS 14 - Regulatory Deferral Accounts	01 January 2016
IFRS 17 - Insurance Contracts	01 January 2021

2.5 Significant accounting estimates and judgments

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

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

2.5.1 Property, plant and equipment

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

2.5.2 Taxation

Current

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

Deferred

Deferred tax is provided in full using the balance sheet liability method on all temporary differences arising at the statement of financial position date, between the tax bases of the assets and the liabilities and their carrying amounts. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that sufficient future taxable profits will be available against which these can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the statement of financial position date. In this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted the statement of profit or loss.

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

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

2.5.4 Staff retirement benefits

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

2.5.5 Contingencies

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

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

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

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

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

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

3.2 Intangible assets

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

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

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

3.3 Investments

3.3.1 Joint Venture

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

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

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

3.3.2 Available-for-sale securities

Available for sale investments are initially recognized at cost, being fair value of the consideration paid including transaction costs. Subsequent to initial recognition, these investments are measured at fair value. Any gain or loss from change in the fair value of the investment is recognized in other comprehensive income as unrealized unless sold, collected or otherwise disposed off, or until the investment is impaired, at which time the cumulative gain or loss previously taken to other comprehensive income is recognized in the statement of profit or loss of that year.

3.3.3 Designated through profit or loss

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

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

3.4 Stores, spare parts and loose tools

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

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

3.5 Stock-in-trade

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

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

Cost signifies in relation to:

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

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

3.6 Trade debts

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

3.7 Cash and cash equivalents

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

3.8 Share capital

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

3.9 Borrowings

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

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

3.10 Trade and other payables

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

3.11 Financial instruments

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 statement of profit or loss for the period in which it arises.

3.12 Off-setting of financial assets and liabilities

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

3.13 Foreign currency transactions

Transactions in foreign currencies are translated into Pakistani Rupees at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at

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

3.14 Revenue recognition

Revenue is 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.

3.14.1 Sale of goods

Revenue from sales is recognized upon passing of title to the customers that generally coincides with physical delivery. It is recorded at net of trade discounts and volume rebates.

3.14.2 Other income

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

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

Other revenues are accounted for on accrual basis.

3.15 Staff retirement benefits

3.15.1 Gratuity fund

The Company operates an approved and funded gratuity scheme for all eligible employees who have completed the minimum qualifying period of service. The scheme is administered by the trustees nominated under the trust deed. The contributions to the scheme are made in accordance with actuarial valuation using Projected Unit Credit method. Actuarial gains and losses are recognized in full in the period in which they occur in the other comprehensive income. All the past service costs are recognised at the earlier of when the amendments or curtailment occurs and when the Company has recognised related restructuring or terminations benefits.

3.15.2 Provident fund

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

3.16 Provisions

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

3.17 Taxation

3.17.1 Current

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

3.17.2 Deferred

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

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

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

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

3.17.3 Sales tax

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

- Where sales tax incurred on a purchase of asset or service is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables or payables that are stated with the amount of sales tax included.
- The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

3.18 Earnings per share

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

3.19 Borrowing costs

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

3.20 Impairment

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

3.21 Dividend and appropriation to reserves

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

3.22 Functional and presentation currency

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

3.23 Segment reporting

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

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

4. PROPERTY, PLANT AND EQUIPMENT

	Note	2018	2017
(Rupees in '000)			
Operating property, plant and equipment	4.1	3,540,801	1,777,012
Capital work-in-progress	4.2	1,241,650	39,153
		<u>4,782,451</u>	<u>1,816,165</u>

4.1 Operating property, plant and equipment

2018 Description	COST				DEPRECIATION				Book Value as at June 30, 2018	Depreciation rate % per annum
	As at July 01, 2017	Additions (Note 4.1.2)	Disposals/write offs*	As at June 30, 2018	As at July 01, 2017	Disposals/write offs*	Charge for the year	As at June 30, 2018		
(Rupees in '000)										
Leasehold land	57,080	-	-	57,080	-	-	-	-	57,080	-
Building on leasehold land	296,274	336,800	(605)*	632,469	90,191	(605)*	23,356	112,942	519,527	5-10
Plant and machinery (Note 4.1.1)	1,941,736	1,455,557	-	3,397,293	561,148	-	145,056	706,204	2,691,089	5-7.5
Power and other Installations	70,757	92,879	-	163,636	22,290	-	5,904	28,194	135,442	7.5-10
Furniture and fittings	9,525	6,947	-	16,472	4,206	-	578	4,784	11,688	5-10
Vehicles	73,784	29,175	(5,473)	97,486	33,529	(4,082)	9,868	39,315	58,171	20
Equipment	55,645	29,646	-	85,291	20,705	-	3,726	24,431	60,860	7.5-10
Computers	12,548	5,094	(55)	17,587	8,268	(44)	2,419	10,643	6,944	33.33
	<u>2,517,349</u>	<u>1,956,098</u>	<u>(605)* (5,528)</u>	<u>4,467,314</u>	<u>740,337</u>	<u>(605)* (4,126)</u>	<u>190,907</u>	<u>926,513</u>	<u>3,540,801</u>	

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

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

- Flexo Graphic printer
- Rotogravure printer
- Laminator

4.1.2 Additions to Flexible Packaging Division include Rs. 331.97 million, Rs. 721.17 million, Rs. 85.92 million and Rs. 49.93 million in respect of building on leasehold land, plant & machinery, power & other installations and other items of property, plant and equipment, respectively. Further, the Company has installed Universal Papersack line amounting to Rs. 734.63 million in the month of November 2017. The Company has maintained separate books for these operations.

Particulars of significant plant and machinery are given below:

Kraft paper bags plant

Tubers – 4 machines
 Bottomers – 4 machines
 Universal Papersack Line (tuber & bottomer)

Polypropylene bags plant

Extrusion line – 3 machines
 Weaving line – 3 machines
 Coating line – 3 machines
 Printing line – 3 machines
 Bags conversion line – 5 machines

Flexible packaging plant

Flexo Graphic printer
 Rotogravure printer
 Laminator

4.1.3 Reconciliation of book value:

	Note	2018	2017
(Rupees in '000)			
Book value as at the beginning of the year		1,777,012	1,616,160
Additions during the year - at cost		1,956,098	306,683
Depreciation for the year		(190,907)	(144,899)
Disposals during the year at book value	4.1.5	(1,402)	(932)
Book value as at the end of the year		<u>3,540,801</u>	<u>1,777,012</u>

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

Cost of sales	24	185,920	141,781
Distribution costs	25	1,295	828
Administrative expenses	26	3,692	2,290
		<u>190,907</u>	<u>144,899</u>

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

Description	Cost	Book value	Sales proceeds	Gain (Note 28)	Mode of disposal	Particulars of buyers and relationship (4.1.5.1)
(Rupees in '000)						
Vehicle						
Suzuki Mehran RC-079	574	138	143	5	Employee car scheme	Mr. Rashid Mahmood –Employee
Suzuki Mehran SZ-659	560	137	140	3	Employee car scheme	Mr. Sheeraz Akhtar –Employee
Honda City LED-4113	1,420	356	356	-	Employee car scheme	Mr. Azeem Anwar –Employee
Honda Civic UA-924	2,111	520	528	8	Employee car scheme	Mr. Anwar Khan –Employee
Suzuki Alto AWM-531	764	199	199	-	Employee car scheme	Mr. Shariq Hussain –Employee
Super Power 70 CC Bike KKR-3083	44	41	44	3	Insurance claim	EFU Insurance
Computers						
Lenovo Xi Carbon Core i5	55	11	55	44	Insurance claim	EFU Insurance
Building						
Write-off	605	-	120	120	Demolished – debris Sold	Mr. Abbas Khan – Swabi
2018	6,133	1,402	1,585	183		
2017	3,910	932	986	54		

4.1.5.1 None of the buyers had any relationship with the Directors of the Company.

4.2 Capital work-in-progress

	Building on leasehold land	Plant and machinery	Power and other installation	Furniture and fittings	Vehicles	Equipment (4.2.2)	Computers	Total
(Rupees in '000)								
Balance as at July 01, 2016	24,703	-	3,884	-	4,980	-	-	33,567
Capital expenditure incurred / advances made during the year	69,504	158,416	26,596	-	2,242	-	-	256,758
Transferred to operating property, plant and equipment	(71,939)	(158,416)	(15,837)	-	(4,980)	-	-	(251,172)
Balance as at June 30, 2017	22,268	-	14,643	-	2,242	-	-	39,153
Capital expenditure incurred / advances made during the year	635,389	2,207,514	100,982	7,779	30,003	171,834	5,094	3,158,595
Transferred to operating property, plant and equipment	(336,800)	(1,455,557)	(92,879)	(6,947)	(29,175)	(29,646)	(5,094)	(1,956,098)
Balance as at June 30, 2018	320,857	751,957	22,746	832	3,070	142,188	-	1,241,650

4.2.1 During the year borrowing costs have been capitalized amounting to Rs. 20.45 million (2017: Nil) in Flexible Packaging Division by using capitalization rate of 6.58% (2017: Nil).

4.2.2 Include advances made to Greaves Airconditioning (Pvt.) Ltd., a related party, amounting to Rs. 84.33 million (2017: Nil) for the procurement and installation of HVAC and Firefighting Equipment to be installed at Flexible Packaging Division. Maximum aggregate amount outstanding at any time during the year was same as mentioned above.

4.3 Fair value of property, plant and equipment

The market value of property, plant and equipment assessed by an independent valuer amounts to Rs. 5.55 billion (2017: Rs. 2.50 billion); however, the same has not been incorporated in these financial statements.

5. INTANGIBLE ASSETS

Description	COST				AMORTIZATION				Book Value as at June 30,	Amortization Rate % per annum
	As at July 01,	Additions during the year	Disposals during the year	As at June 30	As at July 01	Adjustment on disposals	For the year	As at June 30		
(Rupees in '000)										
2018 ERP System/Software	13,619	-	-	13,619	6,318	-	1,361	7,679	5,940	10
2017 ERP System/Software	9,161	4,458	-	13,619	5,302	-	1,016	6,318	7,301	10

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

	Note	2018	2017
(Rupees in '000)			
Cost of sales	24	983	784
Administrative expenses	26	378	232
		<u>1,361</u>	<u>1,016</u>

6. LONG-TERM INVESTMENTS

Investment in associated companies

Available-for-sale securities	6.1	470,920	865,896
Interest in a Joint Venture	6.2	4,598	4,620
		<u>475,518</u>	<u>870,516</u>

6.1 Available-for-sale securities

Cherat Cement Company Limited 4,843,362 (2017: 4,843,362) Ordinary shares of Rs. 10/- each		<u>470,920</u>	<u>865,896</u>
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6.2 Investment in a joint venture

Cost of investment	6.2.1	4,620	4,620
Share of loss - unaudited	27	(22)	-
		<u>4,598</u>	<u>4,620</u>

6.2.1 Represents 462,000 shares @ Rs. 10/- each representing 4.62% interest in UniEnergy Limited (UEL), a public unlisted Company. UEL is formed for the generation and transmission of wind power; however, the company has not yet commenced its commercial operations.

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

7. LONG-TERM LOANS – secured, considered good

	Note	2018	2017
(Rupees in '000)			
Employee	7.1	333	433
Less: Current maturity	12	(83)	(108)
		<u>250</u>	<u>325</u>

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

8. LONG-TERM SECURITY DEPOSITS

Sector wise analysis is as follows:

Government sector – secured
Other sectors – unsecured

Note	2018	2017
	(Rupees in '000)	
8.1	9,228	8,778
	150	150
	<u>9,378</u>	<u>8,928</u>

8.1 These deposits do not carry any interest.

9. STORES, SPARE PARTS AND LOOSE TOOLS

Stores
Spare parts
Loose tools

12,492	9,690
99,642	84,710
166	130
<u>112,300</u>	<u>94,530</u>
59,785	-
<u>172,085</u>	<u>94,530</u>

Stores in transit

10. STOCK-IN-TRADE

Raw material

In hand
In transit

1,359,018	607,953
436,165	746,168
<u>1,795,183</u>	<u>1,354,121</u>

Work-in-process

Finished goods

Polypropylene scrap goods

58,257	35,445
149,521	97,830
6,356	7,241
<u>2,009,317</u>	<u>1,494,637</u>

11. TRADE DEBTS

Considered good

- secured
- unsecured

11.1	3,558	52,641
	1,050,727	845,910
11.2	1,054,285	898,551

Considered doubtful

Less: Provision for doubtful debts

17,966	17,966
17,966	17,966
-	-
<u>1,054,285</u>	<u>898,551</u>

11.1 Represents receivable against exports made in Africa (2017: Africa) for confirmed letter of credit (2017: Cash Against Documents).

11.2 Aging analysis of trade debts is as follows:

Neither past due nor impaired

Past due but not impaired

- Within 45 days

Note	2018	2017
	(Rupees in '000)	
	650,519	496,466
	403,766	402,085
	<u>1,054,285</u>	<u>898,551</u>

12. LOANS AND ADVANCES – considered good

Current portion of long term loans

7 83 108

Advances

Suppliers

Letters of credit

12.1 & 12.2	19,681	4,685
	124	91
	<u>19,805</u>	<u>4,776</u>
	<u>19,888</u>	<u>4,884</u>

12.1 Sector wise analysis is as follow:

Note	2018	2017
	(Rupees in '000)	
Government sector – secured	15,007	-
Other sectors – unsecured	4,674	4,685
	<u>19,681</u>	<u>4,685</u>

12.2 These advances do not carry any interest.

13. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	Note	2018	2017
Trade deposit	13.1	10,925	5,189
Short-term prepayments			
Insurance		10,996	3,648
Rent		1,875	300
Others		1,109	29
		<u>13,980</u>	<u>3,977</u>
		<u>24,905</u>	<u>9,166</u>

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

14. OTHER RECEIVABLES

Note	2018	2017
	(Rupees in '000)	
Gratuity fund	-	41,648
Sales tax adjustable	550,434	214,418
Others	19,602	686
	<u>570,036</u>	<u>256,752</u>

15. CASH AND BANK BALANCES

		2018	2017
Cash in hand		192	272
Bank balances			
Islamic banks			
Current accounts		3,558	5,868
Conventional banks			
Current accounts		3,543	7,121
Saving accounts	15.1	1,345	2,167
		<u>4,888</u>	<u>9,288</u>
		<u>8,638</u>	<u>15,428</u>

15.1 These carry effective profit rate of 4% (2017: 4%) per annum.

16. SHARE CAPITAL

16.1 Authorised capital

2018	2017		2018	2017
Number of shares			(Rupees in '000)	
<u>40,000,000</u>	<u>40,000,000</u>	Ordinary shares of Rs. 10/- each	<u>400,000</u>	<u>400,000</u>

16.2 Issued, subscribed and paid-up capital

2018		2017				2018		2017	
Number of shares						(Rupees in '000)			
				Fully paid ordinary shares of Rs. 10/- each					
22,210,500	22,210,500	-	Issued fully paid in cash	222,105	222,105				
7,395,000	7,395,000	-	Issued as fully paid bonus shares	73,950	73,950				
29,605,500	29,605,500	-	Balance at the beginning of the year	296,055	296,055				
3,996,742	-	-	Right shares issued during the year	39,967	-				
<u>33,602,242</u>	<u>29,605,500</u>			<u>336,022</u>	<u>296,055</u>				

16.3 The Board of Directors of the Company, in its meeting held on August 23, 2017, approved the issue of 3,996,742 ordinary shares by way of right issue at the rate of 13.50 ordinary shares for every 100 existing ordinary shares at issue price of Rs. 125 per share including a premium of Rs. 115 per share. The entire process of allotment of right shares was completed on November 13, 2017.

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

		2018	2017
		(Number of Shares)	
Faruque (Private) Limited		3,444,187	2,952,101
Cherat Cement Company Limited		2,468,406	2,174,808
Mirpurkhas Sugar Mills Limited		1,668,373	1,469,933
Greaves Pakistan (Private) Limited		1,687,774	1,487,026
		<u>9,268,740</u>	<u>8,083,868</u>

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

17. RESERVES

		Note	2018	2017
		(Rupees in '000)		
Capital reserve				
Share premium			998,628	545,314
Revenue reserve				
General reserve			180,000	180,000
Unappropriated profit			2,723,760	2,287,125
Actuarial gain on gratuity fund			7,224	43,036
Unrealised gain on available for sale securities			270,371	665,347
			<u>3,181,355</u>	<u>3,175,508</u>
			<u>4,179,983</u>	<u>3,720,822</u>

18. LONG-TERM FINANCING – secured

Islamic banks

Fixed Assets Refinance Loan – I	18.1	450,000	450,000
Fixed Assets Refinance Loan – II	18.2	600,000	-
		<u>1,050,000</u>	<u>450,000</u>

Conventional banks

Fixed Assets Refinance Loan – III	18.3	120,000	160,000
Fixed Assets Refinance Loan – IV	18.4	1,050,000	-
Fixed Assets Refinance Loan – V	18.5	600,000	-
		<u>1,770,000</u>	<u>160,000</u>
		<u>2,820,000</u>	<u>610,000</u>
Less: Current maturity		<u>(85,000)</u>	<u>(40,000)</u>
		<u>2,735,000</u>	<u>570,000</u>

- 18.1** Represents a long-term loan obtained from an Islamic bank for the import of Polypropylene Plant. The loan carries profit at the rate of 6 months KIBOR plus 0.2% per annum. The loan is repayable in 10 equal semi-annual instalments commencing after a grace period of 24 months from the date of first disbursement i.e. from January 2019. The loan is secured by way of first pari-passu hypothecation charge of Rs. 667 million over specific plant and machinery of the Company.
- 18.2** Represents long-term loan obtained from an Islamic bank for the import of Universal Papersack Line. The loan carries profit at the rate of 6 months KIBOR plus 0.2% per annum. The loan is repayable in 10 equal semi-annual instalments commencing after a grace period of 24 months from the date of first disbursement i.e. from January 2020. It is secured by way of first pari-passu hypothecation charge of Rs. 800 million over plant and machinery of the Company.
- 18.3** Represents a long-term loan obtained from a conventional bank for the import of Polypropylene Plant amounting to Rs. 200 million. The loan carries mark-up at the rate of 6 months KIBOR plus 0.6% per annum. The loan is repayable in 10 equal semi-annual instalments commencing after 24 months from first drawdown of the facility i.e., from July 2016. The loan is secured by way of first pari-passu hypothecation charge of Rs. 267 million over specific plant and machinery of the Company.
- 18.4** Represents long-term loan obtained from a conventional bank for the import of Flexible Packaging Plant. The approved limit of the loan is Rs. 1,200 million out of which is Rs. 150 million remained unutilized till the year end. The loan carries mark-up at the rate of 6 months KIBOR plus 0.15% per annum. The loan is repayable in 10 equal semi-annual instalments commencing after a grace period of 24 months from the date of first disbursement i.e. from August 2020. It is secured by way of first pari-passu hypothecation charge of Rs. 1,600 million over plant and machinery of the Company.
- 18.5** Represents long-term loan obtained from a conventional bank for the import of Flexible Packaging Plant. The loan carries mark-up at the rate of 6 months KIBOR plus 0.15% per annum. The loan is repayable in 10 equal semi-annual instalments commencing after a grace period of 24 months from the date of first disbursement i.e. from December 2020. It is secured by way of first pari-passu hypothecation charge of Rs. 800 million over plant and machinery of the Company.

19. DEFERRED TAXATION

	Note	2018	2017
		(Rupees in '000)	
Accelerated tax depreciation		377,044	204,085
Unused tax credits		(114,115)	-
		<u>262,929</u>	<u>204,085</u>

20. TRADE AND OTHER PAYABLES

Creditors		124,716	44,215
Advance from customers		4,759	-
Gratuity fund	20.1	5,864	-
Bills payable		401,771	365,790
Accrued liabilities		62,171	65,692
Workers' Profits Participation Fund	20.3	40,474	51,499
Workers' Welfare Fund		3,131	16,658
Retention money		109,354	2,952
		<u>752,240</u>	<u>546,806</u>

20.1 Gratuity fund

Defined benefit plan

The Company operates an approved funded gratuity scheme for all eligible employees. Actuarial valuation of the scheme is carried out every year and the latest actuarial valuation was carried out as at June 30, 2018.

Gratuity fund liability / (asset):

	2018	2017
	(Rupees in '000)	
Present value of defined benefit obligations	67,420	50,057
Fair value of plan assets	(61,556)	(91,705)
Liability / (asset) recognized in the statement of financial position	5,864	(41,648)
Current service cost	5,456	3,672
Liability of employees	12,175	-
Interest cost	3,757	3,273
Expected return on plan assets	(7,188)	(5,102)
Expense recognized	14,200	1,843

Movement in the liability / (asset) in the statement of financial position:

Balance as at July 01	(41,648)	(24,765)
Net charge for the year	14,200	1,843
Re-measurement chargeable in other comprehensive income	35,812	(17,726)
Contributions	(2,500)	(1,000)
Balance as at June 30	5,864	(41,648)

Movement in the present value of defined benefit obligation:

Balance as at July 01	50,057	50,363
Current service cost	5,456	3,672
Liability of employee	12,175	-
Interest cost	3,756	3,273
Benefits paid during the year	(6,198)	(10,512)
Actuarial loss	2,174	3,261
Balance as at June 30	67,420	50,057

Movement in the fair value of plan assets:

Balance as at July 01	91,705	75,128
Expected return	7,187	5,102
Contributions	2,500	1,000
Benefits paid during the year	(6,198)	(10,512)
Actuarial gain	(33,638)	20,987
Balance as at June 30	61,556	91,705

Principal actuarial assumptions used are as follows:

	(Percentage)	
Expected rate of increase in salary level – long term	8.50	7.75
Valuation discount rate	9.00	8.00
Rate of return on plan assets	9.00	8.00

Comparisons for past years:

As at June 30	2018	2017	2016	2015	2014
	(Rupees in '000)				
Present value of defined benefit obligations	67,420	(50,057)	(50,363)	(39,830)	(31,226)
Fair value of plan assets	(61,556)	91,705	75,128	59,195	31,015
Surplus / (deficit)	5,864	41,648	24,765	19,365	(211)
Experience adjustment on plan liabilities	2,174	3,261	3,338	2,338	513
Experience adjustment on plan assets	33,638	(20,987)	(8,068)	(21,441)	(6,263)
	35,812	(17,726)	(4,730)	(19,103)	(5,750)

Composition of plan assets are as follows:

	2018	2017
	(Rupees in '000)	
Government Securities	11,864	18,207
Mutual Funds / Shares	47,794	71,506
Bank balances	1,898	1,992
	61,556	91,705

The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the Company, at the beginning of the period, for returns over the entire life of related obligation. The return on plan assets was assumed to equal the discount rate. Actual loss on plan assets during the year amounts to Rs. 26.45 million (2017: Actual return on plan assets Rs. 26.09 million).

Sensitivity analysis

	2018			
	Discount rate		Salary increase	
	+100 bps	-100 bps	+100 bps	-100 bps
	(Rupees in '000)			
Present value of obligations	64,748	70,470	70,632	64,563

20.2 Provident fund

	2018	2017
	(Unaudited)	
	(Rupees in '000)	
Size of the trust	118,796	100,081
Cost of investments made	117,711	97,047
Fair value of investments	131,228	137,162
	(Percentage)	
Percentage of investment made	99.09	96.97

Major categories of investment of provident fund are as follows:

	2018		2017	
	Investment	% of investment	Investment	% of investment
	(Rupees in '000)		(Rupees in '000)	
Government securities	75,343	64	63,373	65
Short-term deposits	990	01	7,990	08
Others	41,378	35	25,684	27
	117,711	100	97,047	100

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

20.3 Workers' Profits Participation Fund

	Note	2018	2017
		(Rupees in '000)	
Opening balance		51,499	70,034
Interest thereon	29	1,842	1,849
		53,341	71,883
Payments during the year		(53,341)	(71,883)
		-	-
Charge for the year	27	40,474	51,499
Closing balance		40,474	51,499

21. SHORT-TERM BORROWINGS – secured

Note	2018	2017
	(Rupees in '000)	
Conventional banks		
Short-term running finance - conventional banks	868,306	161,369
Islamic banks		
Running Musharaka	68,319	-
	<u>936,625</u>	<u>161,369</u>

21.1 Represents facilities obtained from various conventional banks amounting to Rs. 3,150 million (2017: Rs. 2,625 million) out of which Rs. 2,281.69 million (2017: Rs. 2,463.63 million) remains unutilized at the year end. These facilities are secured against registered pari-passu hypothecation charge over stocks and book debts for Rs. 4,200 million. These facilities carry mark-up of 1 and 3 months' KIBOR plus spread ranging from 0.20% to 0.75% (2017: 1 and 3 months' KIBOR plus spread ranging from 0.25% to 1.00%) per annum.

21.2 Represents facilities obtained from various Islamic banks amounting to Rs. 1,200 million (2017: Rs. 900 million) out of which Rs. 1,131.68 million remains unutilized (2017: Rs. Nil) at the year end. These facilities are secured against registered pari-passu hypothecation charge over stocks and book debts for Rs. 1,600 million.

22. CONTINGENCIES AND COMMITMENTS

Note	2018	2017
	(Rupees in '000)	
Outstanding letters of guarantee – conventional bank	141,186	85,515
Outstanding letters of credit – conventional banks	904,422	1,174,309
Capital commitments	142,923	-

22.1 Government of Sindh imposed an infrastructure fee on the goods entering or leaving the province through the Sindh Finance (Amendment) Ordinance, 2007 which was challenged in the High Court of Sindh which granted an interim relief in May 2011, whereby the goods of petitioners will be cleared by the Excise and Taxation Department on payment of 50% of the disputed amount and on furnishing bank guarantee for the balance 50% amount till the final outcome of the case. The Company became a party to the arrangement in February 2014 and issued bank guarantees in favour of the Department. During the year a new law was enacted in this regard with change in rates which was challenged through a fresh petition in the High Court of Sindh and similar type of stay was again obtained. The amount of guarantee issued up to June 30, 2018 is Rs. 110 million. The management is hopeful of a favourable outcome and accordingly, no provision has been made in these financial statements against the levy.

22.2 Includes capital commitment of Rs. 96.31 million extended to Greaves Airconditioning (Pvt.) Ltd., a related party, against installation of fire-fighting and HVAC equipment.

23. TURNOVER – net

	2018	2017
	(Rupees in '000)	
Local sales	7,946,762	7,021,733
Less: Sales tax	1,154,573	1,020,297
	<u>6,792,189</u>	<u>6,001,436</u>
Less: Discounts & volume rebates	5,437	3,627
Net local sales	<u>6,786,752</u>	<u>5,997,809</u>
Export sales	304,901	446,123
	<u>7,091,653</u>	<u>6,443,932</u>

24. COST OF SALES

	Note	2018	2017
(Rupees in '000)			
Raw material consumed			
Opening stock		607,953	701,723
Purchases		5,922,766	4,313,751
		6,530,719	5,015,474
Closing stock	10	(1,359,018)	(607,953)
		5,171,701	4,407,521
Duty drawback on export		(28,060)	(8,881)
		5,143,641	4,398,640
Manufacturing overheads			
Salaries, wages and benefits	24.1	336,406	275,756
Stores, spare parts and loose tools consumed		44,879	42,785
Fuel and power		170,262	179,932
Packing charges		125,053	123,235
Rent, rates and taxes		1,476	1,169
Repairs and maintenance		5,225	4,307
Depreciation	4.1.4	185,920	141,781
Amortization	5.1	983	784
Insurance		34,826	25,305
General office expenses		130	189
Vehicle running expenses		6,991	5,430
Travelling and conveyance		5,244	5,938
Communication expenses		1,894	3,239
Printing and stationery		677	596
Legal and professional charges		8,499	6,595
Freight and cartage		2,960	3,800
Subscription		700	986
Stores and spares parts – written off		565	676
Others		2,376	2,330
		935,066	824,833
		6,078,707	5,223,473
Work-in-process:			
Opening stock		35,445	25,151
Closing stock	10	(58,257)	(35,445)
		(22,812)	(10,294)
Polypropylene scrap goods:			
Opening stock		7,241	868
Closing stock	10	(6,356)	(7,241)
Sales		(11,768)	(42,514)
		(10,883)	(48,887)
Cost of goods manufactured			
Finished goods:			
Opening stock		97,830	120,992
Closing stock	10	(149,521)	(97,830)
		(51,691)	23,162
		5,993,321	5,187,454

24.1 Includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 6.23 million and Rs. 9.60 million (2017: Rs. 4.98 million and Rs. 1.04 million) respectively.

25. DISTRIBUTION COSTS

	Note	2018	2017
(Rupees in '000)			
Salaries and benefits	25.1	17,832	12,930
Travelling and conveyance		3,467	6,404
Vehicle running expenses		1,448	1,448
Repair and maintenance		50	57
Communication expenses		1,123	950
Rent, rates and taxes		132	331
Insurance		2,139	1,651
Printing and stationery		5,500	2,275
Depreciation	4.1.4	1,295	828
Freight and cartage		50,846	68,492
Export expenses		13,718	21,361
Others		472	471
		<u>98,022</u>	<u>117,198</u>

25.1 Includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 0.54 million and Rs. 0.54 million (2017: Rs. 0.41 million and Rs. 0.24 million) respectively.

26. ADMINISTRATIVE EXPENSES

	Note	2018	2017
(Rupees in '000)			
Salaries and benefits	26.1	49,457	36,292
Directors' fee		2,040	2,160
Travelling and conveyance		2,359	2,559
Vehicle running expenses		1,875	1,284
Communication expenses		1,730	2,068
Printing and stationery		1,403	1,674
Rent, rates and taxes		1,523	1,332
Legal and professional charges		4,693	3,817
Insurance		1,703	1,317
Subscription		1,691	1,637
Advertisement		499	536
Depreciation	4.1.4	3,692	2,290
Amortization	5.1	378	232
Repairs and maintenance		1,809	4,323
General office expenses		315	362
Utilities		300	249
Others		8	13
		<u>75,475</u>	<u>62,145</u>

26.1 Includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 1.11 million and Rs. 0.84 million (2017: Rs. 0.57 million and Rs. 0.16 million) respectively.

27. OTHER EXPENSES

	Note	2018	2017
(Rupees in '000)			
Auditors' remuneration	27.1	2,509	2,289
Donations	27.2	854	1,254
Trade debts written-off	27.3	12,680	-
Share of loss from associate	6.2	22	-
Workers' Profits Participation Fund	20.3	40,474	51,499
Workers' Welfare Fund		4,122	5,540
		<u>60,661</u>	<u>60,582</u>

27.1 Auditors' remuneration

	2018	2017
	(Rupees in '000)	
Audit fee	750	700
Half yearly review and CCG certification	395	350
Tax and other corporate services	1,161	1,078
Out of pocket expenses	203	161
	<u>2,509</u>	<u>2,289</u>

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

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

27.3 Represents amount written-off during the year against export sales made in May 2017 to M/s Nyumba Ya. Akiba (Congo-Africa).

28. OTHER INCOME

	Note	2018	2017
		(Rupees in '000)	
Income from financial assets			
Profit on bank accounts - conventional banks		339	387
Dividend income from a related party – Cherat Cement Company Limited		21,795	14,391
		<u>22,134</u>	<u>14,778</u>
Income from non-financial assets			
Gain on sale of operating property, plant and equipment	4.1.5	183	54
Scrap sales		6,654	5,676
		<u>28,971</u>	<u>20,508</u>

29. FINANCE COSTS

Islamic banks

Mark-up on long-term financing		55,181	21,841
Bank charges and duties		603	207
		<u>55,784</u>	<u>22,048</u>

Conventional banks

Mark-up on long-term financing		10,023	15,431
Mark-up on short-term borrowings		58,069	22,838
Guarantee commission		1,644	718
Bank charges and duties		900	1,234
		<u>70,636</u>	<u>40,221</u>
		<u>126,420</u>	<u>62,269</u>

Interest on Workers' Profits Participation Fund	20.3	1,842	1,849
		<u>128,262</u>	<u>64,118</u>

30. TAXATION

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

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

Tax year	Provision for taxation as per accounts (note 30.3)	Tax assessed as per return	Excess/(under) (note 30.4)
(Rupees in '000)			
2017	260,029	232,761	27,268
2016	347,935	347,935	-
2015	91,873	91,873	-

30.3 Provision for taxation as per accounts is the aggregate of current tax expense and prior tax expense recorded in subsequent years.

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

30.5 Reconciliation between tax expense and accounting profit

	2018	2017
(Rupees in '000)		
Accounting profit for the year before taxation	764,883	972,943
Tax at applicable rate of 30% (2017: Rate 31%)	229,465	301,612
Super tax	-	27,268
	229,465	328,880

Tax effects of:

- Income taxed at lower rates	(3,269)	(2,701)
- Income under Final Tax Regime	(164,768)	(137,076)
- Tax credits	(127,819)	(24,925)
- Prior year tax adjustments	(5,040)	22,715
- Expenses that are admissible / inadmissible in determining taxable income	125,235	84,001
	53,804	270,894

31. EARNINGS PER SHARE

Note	2018	2017
Net profit for the year (Rupees '000)	711,079	702,049
Weighted average number of ordinary shares in issue	32,634,939	(Restated) 30,777,716
Basic earnings per share	Rs. 21.79	Rs. 22.81

31.1 Weighted average number of ordinary shares

Issued ordinary shares at the beginning of the year	16.2	29,605,500	29,605,500
Effect of right shares issued during the year		3,029,439	1,172,216
Weighted average number of ordinary shares at the end of the year		32,634,939	30,777,716

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

32. SEGMENT REPORTING

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

Type of Segments	Nature of business
Bags manufacturing division	Kraft paper and polypropylene bags manufacturing
Flexible packaging division	Flexo Graphic and Rotogravure printing

32.1 Segment analysis and reconciliation for the year ended June 30, 2018

	Bags manufactur- ing division		Flexible packaging division		Total	
	2018	2017	2018	2017	2018	2017
(Rupees in '000)						
Sales						
External sales	7,090,777	6,443,932	876	-	7,091,653	6,443,932
Inter-segment sales	-	-	-	-	-	-
Total revenue	7,090,777	6,443,932	876	-	7,091,653	6,443,932
Depreciation and amortization	188,819	145,913	3,449	-	192,268	145,915
Finance cost	64,135	-	1,070	-	65,205	-
Other expenses (debt written-off)	12,680	-	-	-	12,680	-
Operating profit/(loss) before tax and before unallocated expenses	851,520	1,077,135	(4,570)	-	846,950	1,077,135
Unallocated corporate expenses						
Finance cost	-	-	-	-	(63,057)	(64,118)
Other expenses	-	-	-	-	(47,981)	(60,582)
Other income	-	-	-	-	28,971	20,508
Taxation	-	-	-	-	(53,804)	(270,894)
Profit after taxation	-	-	-	-	711,079	702,049
Segment assets	5,240,753	5,545,063	1,377,636	21,331	6,618,389	5,566,394
Unallocated assets	-	-	-	-	2,750,285	-
Total assets	5,240,753	5,545,063	1,377,636	21,331	9,368,674	5,566,394
Segment liabilities	1,170,000	1,549,517	1,650,000	-	2,820,000	1,549,517
Unallocated liabilities	-	-	-	-	2,032,669	-
Total liabilities	1,170,000	1,549,517	1,650,000	-	4,852,669	1,549,517
Segment capital expenditure	736,850	235,427	2,421,745	21,331	3,158,595	256,758

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

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

32.2 Geographical segments

	2018	2017
(Rupees in '000)		
Sales are made by the Company in the following countries:		
Pakistan	6,786,752	5,997,809
Ethiopia	115,813	84,106
Mozambique	66,772	97,963
Congo	65,508	140,148
Other countries	56,808	123,906
	<u>7,091,653</u>	<u>6,443,932</u>

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

32.4 Information about major customers

Sales to three (2017: three) customers of the Company from the bags manufacturing division represent approximately Rs. 3,542.69 million (2017: Rs. 2,936.71 million) of the Company's total revenue. These customers represent 10% or more revenue individually in the total revenue of the Company.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

33.1 Market risk

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

33.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in the market interest rates. The Company's interest rate risk arises from long-term and short-term borrowings obtained with floating rates. Borrowings of the Company are substantially obtained in the functional currency. The following figures demonstrate the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Company's profit before tax:

	(Increase) / decrease in basis points	Effect on profit before tax
		(Rupees in '000)
2018		
KIBOR	+100	(37,557)
KIBOR	-100	37,557
2017		
KIBOR	+100	(7,714)
KIBOR	-100	7,714

33.1.2 Foreign currency risk

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

			2018	2017
			(‘000)	
Bills payable	–	Euro	(2,065)	(2,641)
	–	US Dollar	(1,182)	(361)
Trade debts	–	US Dollar	29.28	622

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

			2018	2017
			(Rupees)	
Exchange rates	–	Euro	141.57	120.14
	–	US Dollar	121.60	105.00

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

		Change in rate (%)	(Rupees in `000)
30 June 2018-Euro		+10	(29,234)
		-10	29,234
30 June 2018-US Dollar		+10	14,017
		-10	(14,017)
30 June 2017-Euro		+10	(31,729)
		-10	31,729
30 June 2017-US Dollar		+10	2,741
		-10	(2,741)

33.1.3 Equity price risk

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

At the date of statement of financial position, the exposure to listed equity securities was Rs. 470.92 million. A decrease of 10% in the share price of these securities would have an impact of approximately Rs. 47.09 million on the statement of comprehensive income or the statement of profit or account depending whether or not the decline is significant and prolonged. An increase of 10% in the share price of the listed security would impact the statement of comprehensive income or statement of profit or loss with the similar amount.

33.2 Credit Risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company’s performance to developments affecting a particular industry.

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

		2018	2017
		(Rupees in ‘000)	
Trade debts		1,054,285	898,551

33.2.1 Credit quality of financial assets

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

	2018	2017
	(Rupees in '000)	
Long-term investment		
A	470,920	865,896
Trade debts		
Customers with no defaults in the past one year	1,054,285	898,551
Bank balances		
A1+	5,480	11,809
A	2,966	3,619
	8,446	15,428

33.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company applies prudent liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

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

	2018					2017				
	INTEREST BEARING			NON-INTEREST BEARING	Total	INTEREST BEARING			NON-INTEREST BEARING	Total
	Less than one year	One to five years	Total			Less than one year	One to five years	Total		
	(Rupees in '000)									
Long-term financing	85,000	2,735,000	2,820,000	-	2,820,000	40,000	570,000	610,000	-	610,000
Trade and other payables	-	-	-	708,635	708,635	-	-	-	478,649	478,649
Unclaimed dividend	-	-	-	8,160	8,160	-	-	-	5,511	5,511
Accrued mark-up	-	-	-	72,715	72,715	-	-	-	21,746	21,746
Short-term borrowings	936,625	-	936,625	-	936,625	161,369	-	161,369	-	161,369
	1,021,625	2,735,000	3,756,625	789,510	4,546,135	201,369	570,000	771,369	505,906	1,277,275

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

33.4 Capital risk management

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

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as total loans and borrowings including any finance cost thereon, less cash and cash equivalents.

The gearing ratios as at June 30, 2018 and 2017 are as follows:

	2018	2017
	(Rupees in '000)	
Long-term financing	2,820,000	610,000
Accrued mark-up	72,715	21,746
Short-term borrowings	936,625	161,369
Total debt	3,829,340	793,115
Cash and cash equivalents	(8,638)	(15,428)
Net debt	3,820,702	777,687
Share capital	336,022	296,055
Reserves	4,179,983	3,720,822
Total capital	4,516,005	4,016,877
Capital and net debt	8,336,707	4,794,564
Gearing ratio	45.83%	16.22%

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

33.5 Fair value measurement

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

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

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

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

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

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

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

	2018			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Listed shares	470,920	-	-	470,920
Property, plant and equipment	-	5,549,156	-	5,549,156
	470,920	5,549,156	-	6,020,076
	2017			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Listed shares	865,896	-	-	865,896
Property, plant and equipment	-	2,496,259	-	2,496,259
	865,896	2,496,259	-	3,362,155

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

- 33.5.1** Financial instruments which are tradable in an open market are revalued at the market prices prevailing on the statement of financial position date.
- 33.5.2** Fair value of property, plant and equipment is based upon the present market values for similar plant, machinery, equipment and building including land, which is based upon similar sized plots in the vicinity of land and replacement values of similar type of assets based upon present cost. However, the Company is following cost model for valuation of its property, plant and equipment.

34. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	2018	2017
	Executives / Key Employees	Executives / Key Employees (Restated)
	(Rupees in '000)	
Managerial remuneration	49,212	35,812
Bonus	21,407	16,900
Housing allowance	18,646	13,354
Retirement benefits	4,378	2,819
Utilities	4,116	2,951
Leave fare assistance	4,281	3,380
	<u>102,040</u>	<u>75,216</u>
Number	<u>14</u>	<u>11</u>

- 34.1** No remuneration was paid to the Chief Executive Officer and any of the directors. However, Chief Executive Officer is provided with the Company maintained cars. In addition, certain executives are provided with the Company maintained cars, telephone facility, utilities and some other facilities, which are reimbursed at actual to the extent of their entitlements.
- 34.2** The aggregate amount charged in the financial statements for meeting fee to 8 Directors (including 7 non – executive Directors) amounted to Rs. 2.04 million (2017: 8 directors - Rs. 2.16 million).

35. TRANSACTIONS WITH RELATED PARTIES

- 35.1** Related parties comprise of associates, directors, executives and retirement funds. Transactions with related parties other than those disclosed elsewhere in the financial statements are as follows:

Relationship	Nature of transactions	2018	2017
		(Rupees in '000)	
Associates	Sale of goods	1,144,914	673,173
	Purchase of goods	67,950	11,029
	Purchase of fixed asset	89,508	-
	Issue of right shares	167,611	-
	Services received	40,264	30,769
	IT support charges	11,064	8,400
	Dividends paid	75,124	76,797
	Dividends received	21,795	14,391

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

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

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

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

36. NUMBER OF EMPLOYEES

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

	2018		2017	
	(Number)			
	Total	Factory	Total	Factory
Total number of employees as at June 30,	173	148	104	81
Average number of employees during the year	138	115	92	69

37. CAPACITY

	2018		2017	
	Bags manufacturing division Bags'000	Flexible packaging division KGs '000	Bags manufacturing division Bags'000	Flexible packaging division KGs '000
Annual installed capacity as of June 30,	595,000	7,200	460,000	-
Actual production for the year	346,547	2.46	351,968	-

Capacity utilization is in line with the market demand during the year. Flexible packaging division has started its production in the month of June 2018.

38. DATE OF AUTHORISATION

These financial statements were authorised for issue on August 30, 2018 by the Board of Directors of the Company.

39. DIVIDEND AND APPROPRIATIONS

Subsequent to year ended June 30, 2018, the Board of Director in its meeting held on August 30, 2018 has proposed final cash dividend @ Rs. 5 per share amounting to Rs. 168.01 million (2017: Rs. 7/- per share amounting to Rs. 207.24 million) and bonus shares @ 15% (5,040,336 shares) for approval of the members at the Annual General Meeting. This is in addition to the interim cash dividend @ 2/- per share amounting to Rs. 67.20 million (2017: Rs. 2.5/- per share amounting to Rs. 74.01 million) approved by the Board of Directors for the year ended June 30, 2018.

40. GENERAL

- 40.1 Corresponding figures have been changed wherever necessary in line with changes enacted through the Act.
- 40.2 Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.



Amer Faruque
Chief Executive



Shehryar Faruque
Director



Yasir Masood
Chief Financial Officer

Pattern of Shareholding

as at June 30, 2018

No. of Shareholders	Shareholding		Shares Held
	From	To	
326	1	100	18,005
514	101	500	162,169
294	501	1000	234,948
527	1001	5000	1,246,962
115	5001	10000	834,639
44	10001	15000	536,539
29	15001	20000	505,361
24	20001	25000	541,135
15	25001	30000	409,109
9	30001	35000	297,514
5	35001	40000	179,818
5	40001	45000	210,536
3	45001	50000	144,557
6	50001	55000	310,282
9	55001	60000	527,804
5	60001	65000	312,113
7	65001	70000	480,498
2	70001	75000	143,096
2	75001	80000	154,971
1	80001	85000	83,404
2	85001	90000	179,801
1	95001	100000	100,000
2	100001	105000	205,464
2	115001	120000	236,323
2	120001	125000	247,350
1	140001	145000	144,100
1	145001	150000	146,301
2	160001	165000	324,902
1	165001	170000	167,126
1	200001	205000	201,930
2	205001	210000	419,622
1	225001	230000	226,687
1	230001	235000	230,683
1	235001	240000	235,274
1	245001	250000	246,551
1	260001	265000	261,316
2	265001	270000	535,772
1	270001	275000	270,086
1	285001	290000	286,556
1	290001	295000	292,262
1	300001	305000	300,274
1	310001	315000	312,097
1	320001	325000	322,541
1	325001	330000	330,000
1	340001	345000	344,813
2	345001	350000	696,678
1	385001	390000	386,006
1	465001	470000	467,733
1	505001	510000	508,733
1	515001	520000	518,326
1	590001	595000	592,697
1	610001	615000	610,251
1	660001	665000	665,000
1	775001	780000	776,154
1	955001	960000	956,440
1	1160001	1165000	1,161,587
1	1665001	1670000	1,668,373
1	1685001	1690000	1,687,774
1	2465001	2470000	2,468,406
1	3090001	3095000	3,092,606
1	3440001	3445000	3,444,187
<u>1991</u>			<u>33,602,242</u>

Categories of Shareholding

as at June 30, 2018

Shareholders' Category	No. of Shareholders	Shares Held	Percentage
Directors, Chief Executive and their spouse(s) and minor children			
MR. AKBARALI PESNANI	1	89,801	0.27
MR. AMER FARUQUE	1	164,867	0.49
MR. ASLAM FARUQUE	1	300,274	0.89
MR. SHEHRYAR FARUQUE	1	235,274	0.70
MR. TARIQ FARUQUE	1	113	0.00
MR. ARIF DINO FARUQUE	1	518,326	1.54
MR. ABRAR HASAN	1	2,928	0.01
MR. ABID NAQVI	1	113	0.00
MRS. SAKINA PESNANI W/o MR. AKBARALI PESNANI	1	9,761	0.03
MRS. AMINA FARUQUE W/o MR. AMER FARUQUE	1	261,316	0.78
MRS. SEHAR BANO RIZVI W/o MR. TARIQ FARUQUE	1	386,006	1.15
Associated Companies, undertakings and related parties			
FARUQUE (PRIVATE) LIMITED	1	3,444,187	10.25
CHERAT CEMENT COMPANY LIMITED	1	2,468,406	7.35
MIRPURKHAS SUGAR MILLS LIMITED	1	1,668,373	4.97
GREAVES PAKISTAN (PRIVATE) LIMITED	1	1,687,774	5.02
Executives		69,368	0.21
Public Sector Companies and Corporations	3	1,106,551	3.29
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	17	6,196,463	18.44
Mutual Funds			
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	1	146,301	0.44
CDC - TRUSTEE MEEZAN ISLAMIC FUND	1	344,813	1.03
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1	618	0.00
CDC - TRUSTEE NAFA STOCK FUND	1	467,733	1.39
CDC-TRUSTEE NAFA ASSET ALLOCATION FUND	1	4,054	0.01
CDC - TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND	1	322,541	0.96
CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND	1	11,350	0.03
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	1	48	0.00
CDC - TRUSTEE NAFA ISLAMIC STOCK FUND	1	246,551	0.73
M C F S L-TRUSTEE ASKARI ISLAMIC ASSET ALLOCATION FUND	1	8,000	0.02
CDC - TRUSTEE ASKARI EQUITY FUND	1	7,500	0.02
MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND	1	4,900	0.01
MCBFSL - TRUSTEE PAK OMAN ISLAMIC ASSET ALLOCATION FUND	1	11,000	0.03
CDC-TRUSTEE FIRST HABIB ISLAMIC STOCK FUND	1	5,000	0.01
CDC - TRUSTEE NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND	1	52,210	0.16
General Public			
a. Local	1870	10,796,785	32.13
b. Foreign	3	359,687	1.07
Foreign Companies	2	176,850	0.53
OTHERS	63	2,026,400	6.03
Total	1988	33,602,242	100.00
Shareholders holding 5% or more		Shares Held	Percentage
FARUQUE (PRIVATE) LIMITED		3,444,187	10.25
ATLAS INSURANCE LIMITED		3,092,606	9.20
CHERAT CEMENT COMPANY LIMITED		2,468,406	7.35
GREAVES PAKISTAN (PRIVATE) LIMITED		1,687,774	5.02

1. کمپنی کے ممبران کا رجسٹر جمعرات 18 اکتوبر 2018 تا بدھ 24 اکتوبر 2018 (بشمول دونوں ایام) بند رہے گا اور اس مدت کے دوران میں کوئی ٹرانسفر رجسٹر نہیں کئے جائیں گے۔ تاہم کمپنی کے رجسٹرار کے دفتر میسرز سینٹریل ڈپازٹری کمپنی آف پاکستان لمیٹڈ (CDC)، سی ڈی سی ہاؤس، B-99 بلاک، ایس۔سی۔ایچ۔ایس، مین شارع فیصل کراچی۔ 74400 میں بدھ 17 اکتوبر 2018 کو کاروباری اوقات کے اختتام تک موصول ہونے والے درست شیئرز درج بالا اہلیت کیلئے بروقت تصور کئے جائیں گے۔
2. کمپنی کا کوئی ممبر جو سالانہ اجلاس عام میں شرکت کرنے، بولنے اور ووٹ دینے کا اہل ہے، وہ اپنی جگہ کسی دوسرے ممبر کو شرکت کرنے بولنے اور ووٹ دینے کیلئے اپنا پراکسی مقرر کر سکتا/سکتی ہے۔ پراکسی کے موثر ہونے کیلئے لازمی ہے کہ اس کی تحریری اطلاع، اجلاس کے شروع ہونے سے کم از کم 48 گھنٹے پہلے کمپنی کے صدر دفتر میں موصول ہو جانی چاہئے۔
3. کمپنی کے وہ شیئرز ہولڈرز جن کے شیئرز سینٹریل ڈپازٹری سسٹم (CDS) میں ان کے اکاؤنٹ اسب اکاؤنٹ میں رجسٹرڈ ہیں، ان کو مطلع کیا جاتا ہے کہ وہ تصدیق کے لئے اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ مع CDS میں اپنے اکاؤنٹ نمبر اور شناختی کارڈ کی ڈی نمبر ہمراہ لائیں۔
4. کمپنی کے شیئرز ہولڈرز سے درخواست ہے کہ وہ اپنے پتے میں کسی تبدیلی کی صورت میں فوری طور پر کمپنی کے شیئرز رجسٹرار کو مطلع کریں
5. وہ شیئرز ہولڈرز جنہوں نے ابھی تک اپنے کارآمد کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) کی فوٹو کاپی جمع نہیں کروائی ہے، ان سے درخواست ہے کہ وہ یہ فوٹو کاپی کمپنی کے شیئرز رجسٹرار کو فوری طور پر ارسال کریں۔
6. کمپنیز ایکٹ 2017 کے سیکشن 242 کے مطابق لسٹڈ کمپنیوں کو یہ ہدایت ہے کہ کمپنی کی جانب سے اعلان کردہ کسی بھی نقد منافع منقسمہ کی رقم صرف الیکٹرونک ذریعہ سے شیئرز ہولڈرز کے اکاؤنٹ میں براہ راست جمع کرائی جائے۔ کمپنی کے شیئرز ہولڈرز سے درخواست ہے کہ وہ کمپنی کی ویب سائٹ: www.gfg.com.pk پر دستیاب ای ڈیویڈنڈ مینڈیٹ فارم پر اور دستخط کر کے شناختی کارڈ کی کاپی کے ہمراہ، فزیکل شیئرز ہونے کی صورت میں کمپنی کے رجسٹرار میسرز سینٹریل ڈپازٹری کمپنی آف پاکستان لمیٹڈ (CDC)، سی ڈی سی ہاؤس، B-99 بلاک، ایس۔سی۔ایچ۔ایس، شارع فیصل کراچی-74400 میں پہنچادیں۔ اور اگر شیئرز سی ڈی سی میں ہیں تو ای ڈیویڈنڈ مینڈیٹ فارم براہ راست شیئرز ہولڈرز کے بروکر/شریک ای سی ڈی سی اکاؤنٹ سروسز کے پاس جمع کرائیں۔ مزید مطلع کیا جاتا ہے کہ آئندہ نقد منافع منقسمہ سینٹریل ڈپازٹری کمپنی (CCDR) کے ذریعہ فراہم کیا جائے گا۔ اس لئے شیئرز ہولڈرز کو چاہئے کہ وہ سی ڈی سی کے سروسز پورٹل <https://eservices.cdcaccess.com.pk> پر خود کو رجسٹر کروالیں۔
7. تمام شیئرز ہولڈرز کو مشورہ دیا جاتا ہے کہ ایف بی آر کی ویب سائٹ پر موجود فعال ٹیکس گزاروں کی فہرست (ATL) میں اپنی حیثیت چیک کر لیں اور ٹیکس کی کٹوتی کی کم شرح کے حصول کے لئے، اگر ضرورت ہو تو ATL میں اپنا نام شامل کروانے کیلئے کارروائی کریں۔
8. جوائنٹ اکاؤنٹ ہونے کی صورت میں، برائے مہربانی شیئرز ہولڈنگ کے تناسب سے آگاہ کریں کیونکہ ہر اکاؤنٹ ہولڈر کو انفرادی طور پر تسلیم کیا جائے گا کہ وہ فائلر ہے یا نان فائلر اور شیئرز ہولڈر کی فراہم کردہ شیئرز ہولڈنگ کی بنیاد پر ٹیکس کی کٹوتی کی جائے گی۔ ورنہ دونوں کا برابر ٹیکس منہا کر لیا جائے گا۔
9. ڈیویڈنڈ کی آمدنی پر وہ ہولڈنگ ٹیکس سے استثنیٰ صرف اسی صورت میں دیا جائے گا جب ٹیکس سے استثنیٰ کا کارآمد حقیقت کتب کی بندش کے پہلے روز سینٹریل ڈپازٹری کمپنی آف پاکستان لمیٹڈ کے پاس دستیاب ہوگا۔
10. کمپنیز ایکٹ 2017 کے سیکشن 244 کی رو سے جب کمپنی ایک مرتبہ مقررہ کارروائی مکمل کر لے گی تو کوئی بھی غیر کلیم شدہ ڈیویڈنڈ اور ایڈیشنل جو واجب ہونے اور قابل ادائیگی ہونے کی تاریخ سے تین سال کی مدت تک واجب رہنے کی صورت میں وفاقی حکومت (ڈیویڈنڈ کی صورت میں) کے پاس جمع کر دیا جائے گا یا (فزیکل شیئرز ہونے کی صورت میں) ایس ای سی پی کو پہنچا دیا جائے گا۔ جو شیئرز ہولڈرز اپنے ڈیویڈنڈز / فزیکل شیئرز ابھی تک حاصل نہیں کر سکے ہیں ان سے درخواست ہے کہ وہ اپنے غیر کلیم شدہ ڈیویڈنڈ یا شیئرز، اگر کوئی ہیں، حاصل کرنے کے بارے میں معلومات کیلئے ہمارے شیئرز رجسٹرار (سی ڈی سی) سے رابطہ کریں۔
11. بحوالہ SECP کے جاری کردہ SRO 787(1)/2014 مورخہ 8 ستمبر 2014 شیئرز ہولڈرز کو یہ اختیار حاصل ہے کہ وہ سالانہ آڈٹ شدہ فنانشل اسٹیٹمنٹ اور اجلاس عام کی اطلاع بذریعہ ای میل منگوا سکتے ہیں۔ کمپنی کے شیئرز ہولڈرز سے درخواست ہے کہ وہ اپنی رضامندی کا اظہار کمپنی کے صدر دفتر کو پہنچادیں کہ آیا وہ آڈٹ شدہ فنانشل اسٹیٹمنٹ اور اجلاس عام کی اطلاع بذریعہ ای میل منگوانے کے خواہشمند ہیں۔ تاہم اگر اس کے علاوہ شیئرز ہولڈرز چاہیں تو ان کی درخواست پر آڈٹ شدہ فنانشل اسٹیٹمنٹ کی ہارڈ کاپی ان کی درخواست وصول ہونے کے سات (7) دن کے اندر بلا معاوضہ فراہم کر دی جائے گی۔

اطلاع برائے سالانہ اجلاس عام

بذریعہ ہذا مطلع کیا جاتا ہے کہ کمپنی کا 29 واں سالانہ اجلاس عام بروز بدھ 24 اکتوبر 2018 دن 11:30 بجے، درج ذیل امور کی انجام دہی کیلئے فیکٹری، واقع پلاٹ نمبر 26 گدون امانی انڈسٹریل اسٹیٹ، ضلع صوابی، خیبر پختونخوا میں منعقد ہوگا۔

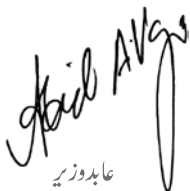
عمومی امور:

- 1- کمپنی کے آڈٹ شدہ اکاؤنٹس برائے سال مختتمہ 30 جون 2018 اور ڈائریکٹرز اور آڈیٹرز کی رپورٹس کی وصولی اور ان پر غور کرنا۔
- 2- بورڈ آف ڈائریکٹرز کی سفارشات کے مطابق مالی سال مختتمہ 30 جون 2018 کے لئے شیئر ہولڈرز کو حتمی نقد منافع بحساب %50 (5.00 روپے فی شیئر) کی ادائیگی اور بونس شیئر بحساب 15 شیئرز برائے ہر 100 شیئرز کے اجراء پر غور کرنا اور منظوری دینا جو پہلے سے ادا شدہ عبوری نقد منافع بحساب %20 (2.00 روپے فی شیئر) کے علاوہ ہے۔
- 3- سال 2018/19 کے لئے آڈیٹرز کا تقرر اور ان کے مشاہرے کا تعین کرنا۔
- 4- چیئرمین کی اجازت سے کسی اور امور کی انجام دہی۔

خصوصی امور:

- 5- کمپنی کے منظور شدہ شیئر کیپٹل کو 400,000,000 روپے سے بڑھا کر 1,000,000,000 روپے کرنا جس کے لئے 10 روپے فی شیئر کے حساب سے 60,000,000 شیئرز تخلیق کئے جائیں گے۔ لہذا تجویز دی جاتی ہے کہ درج ذیل قرارداد کو بطور خصوصی قرارداد پاس کیا جائے۔
- "طے پایا کہ کمپنی کے منظور شدہ شیئر کیپٹل 400,000,000 روپے کو 10 روپے فی شیئر کے حساب سے 60,000,000 شیئرز تخلیق کر کے 1,000,000,000 روپے تک بڑھا یا جائے؛ کمپنی کے کیپٹل میں ان نئے شیئرز کی حیثیت ہر لحاظ سے موجودہ عمومی شیئرز کے برابر ہوگی۔"
- "یہ بھی طے پایا کہ کمپنی کے میمورنڈم اینڈ آرٹیکلز آف ایسوسی ایشن میں ترمیم کی جائے اور کی جاتی ہے بذریعہ میمورنڈم آف ایسوسی ایشن کی شق 5 میں "400,000,000" کی جگہ "1,000,000,000" کر دیا جائے اور آرٹیکلز آف ایسوسی ایشن کی شق 3 میں بھی "400,000,000" کی جگہ "1,000,000,000" درج کر دیا جائے۔"

بحکم بورڈ آف ڈائریکٹرز



عابدوزیر

ایگزیکٹو ڈائریکٹر اور کمپنی سیکرٹری

کراچی 30 اگست 2018



CHERAT
CP
PACKAGING

کیلئے نت نئے اور باکفایت پیکیجنگ سلوشن متعارف کراتی رہتی ہے۔ اس کے علاوہ ہم ہمیشہ نئی مارکیٹس دریافت کرنے اور اپنے بیگز فروخت کرنے کیلئے برآمد کرتے ہیں۔ سیمنٹ کی صنعت تیزی سے ترقی کر رہی ہے اور حالات سے ظاہر ہو رہا ہے کہ سیمنٹ کی طلب میں مزید اضافہ ہوگا جو کمپنی کیلئے فائدہ مند ہے۔

کمپنی نے اپنی پیپرسیک اور پی پی پلائس، دونوں کی پیداواری گنجائش میں بروقت اضافہ کر کے سیمنٹ کی اضافی طلب کو پورا کرنے کی حیثیت حاصل کر لی ہے۔ اس سے کمپنی کو سیمنٹ بیگز کی بڑھتی ہوئی طلب کو پورا کرنے کا بھی فائدہ حاصل ہوگا۔ اس دوران میں پاکستان میں صارف کی پیکیجنگ مارکیٹ میں اضافہ کے پیش نظر لگداری پیکیجنگ ڈویژن کی شمولیت سے کمپنی کو اپنے کاروبار کی توسیع کیلئے نئی مارکیٹ کے شعبہ جات میں مختلف انواع کی پروڈکٹس پیش کرنے کا موقع ملے گا۔

قومی انتخابات کے کامیاب انعقاد کے بعد، ہمیں اعتماد ہے کہ ملک میں میکرو اکنامکس کے اشارت میں بہتری آئے گی جس کا کمپنی کو اور وسیع معنی میں صنعت کو فائدہ حاصل ہوگا۔ پاکستانی روپے کی قدر میں کمی اور کرافٹ پیپر کی شدید کمی کمپنی کے لئے تشویش کا باعث اور کاروباری خدشات کا سامنا ہوگا۔

آڈیٹرز

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

اعتراف

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



عامر فاروق
چیف ایگزیکٹو

مال کی دستیابی کا مسئلہ پیش آیا تھا اور مجموعی طور پر کرافٹ پیپر کی شدید کمی کا سامنا تھا جو درآمد کیا جاتا ہے۔ تاہم ہمارے میسرز موڈی پیکیجنگ کے ساتھ بنیادی رابطوں کے باعث، جو کرافٹ پیپر کیلئے ہمارے بڑے سپلائرز ہیں، ہم اتنی مقدار میں کرافٹ پیپر خریدنے کے قابل ہو گئے جو ہمارے معزز صارفین کی ضروریات پورا کرنے کیلئے کافی تھی۔

قرضہ جات کی ادائیگی

کمپنی نے اپنے تمام واجب قرضہ جات باقاعدگی کے ساتھ اور بروقت ادا کر دیے جس کیلئے 2017-2018 کے دوران میں پہلے سے بجٹ تیار کر لیا گیا تھا اور پلاننگ کر لی گئی تھی۔ اس سے ناہندہ ہونے کا خدشہ بہت کم ہو گیا اور کمپنی کی مالی حیثیت میں بہتری آئی۔

کمپنل اسٹریکچر

کمپنی کے قرضہ اور ایکویٹی کی نسبت 45:55 کے قریب ہے اس سال قرضہ میں اضافہ ہوا کیونکہ کمپنی نے لگداری پیکیجنگ پلانٹ کیلئے 2.2 بلین روپے کا طویل المدت قرضہ حاصل کیا اور یونیورسل پیپرسیک لائن کیلئے حاصل کردہ قرضہ جات کی ادائیگی کی۔ یونیورسل پیپرسیک لائن کا آغاز اس سال کے دوران میں ہوا اور بورڈ آف ڈائریکٹرز اور انتظامیہ کو بھروسہ ہے کہ جیسے ہی لگداری پیکیجنگ پلانٹ اپنی پوری گنجائش کے ساتھ پیداوار شروع کر دے گا، کمپنی کا کمپنل اسٹریکچر نمایاں طور پر بہتر ہو جائے گا اور قرضہ اور ایکویٹی کا بہتر توازن قائم ہوگا۔

مستقبل کی توقعات

کمپنی نے پیکیجنگ کے شعبہ میں قائدانہ حیثیت کے لحاظ سے ترقی کے طویل المدت اہداف کے سلسلے میں گنجائش میں باقاعدگی سے توسیع کے ذریعہ مارکیٹ میں متوقع مواقع حاصل کرنے پر توجہ مرکوز رکھی ہے۔ ہم سیمنٹ کی صنعت کی تمام ضروریات کے دن اسٹاپ حل پیش کرنے میں سرفہرست ہیں۔ جدت کے پیش رو ہونے کی حیثیت سے کمپنی اپنے مخلص صارفین

مجاہد بورڈ آف ڈائریکٹرز



اکبر علی پنانی
چیئرمین

کراچی 30 اگست 2018

- c- ایگزیکٹو ڈائریکٹر
- 1
- جناب عامر فاروق
- سال کے دوران میں بورڈ آف ڈائریکٹرز کی 5 میٹنگز ہوئیں۔ ہر ڈائریکٹر کی حاضری کارڈ کا رج ذیل ہے:

ڈائریکٹر کا نام	میٹنگ میں حاضری
• جناب اکبر علی پسنانی	5
• جناب عامر فاروق	5
• جناب اسلم فاروق	4
• جناب شہریار فاروق	4
• جناب عارف فاروق	4
• جناب طارق فاروق	5
• جناب ابرار حسن	3
• جناب عابد نقوی	4

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

ڈائریکٹر کا نام	میٹنگ میں حاضری
• جناب عابد نقوی	4
• جناب طارق فاروق	4
• جناب عارف فاروق	4

سال کے دوران میں ہیومن ریسورس اینڈ ریمویشن کمیٹی کی دو میٹنگ ہوئیں۔ ڈائریکٹرز کی حاضری کی تعداد درج ذیل ہے۔

ڈائریکٹر کا نام	میٹنگ میں حاضری
• جناب ابرار حسن	1
• جناب اسلم فاروق	2
• جناب عامر فاروق	2
• جناب عابد نقوی	-

"سی سی جی ریگولیشنز 2017 کے نفاذ کے بعد، بورڈ آف ڈائریکٹرز نے جناب عابد نقوی کو ایچ آر اینڈ آر کمیٹی کا چیئر مین مقرر کیا ہے اور ان کا تقرر بطور چیئر مین کیا گیا ہے۔"

- شیئر ہولڈنگ کا طرز رپورٹ کے ساتھ منسلک ہے۔
- چیف ایگزیکٹو، ڈائریکٹرز، چیف فنانشل افسر اور کمپنی سیکرٹری اور ان کے شریک حیات اور چھوٹے بچوں میں سے کسی نے سال کے دوران میں شیئرز کی کوئی تجارت نہیں کی سوائے ایک تحفہ کے جو جناب طارق فاروق نے اپنی اہلیہ کو دیا۔

ڈائریکٹرز کا مشاہرہ

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

قومی خزانہ میں حصہ

کمپنی نے ڈیپوٹ اور سیکسز کی شکل میں حکومت کے خزانے میں تقریباً 2 بلین روپے جمع کرائے ہیں۔

یونی انرجی لمیٹڈ

یونی انرجی - ایک جوائنٹ ونچر ونڈ پاور پروجیکٹ کو لیٹر آف انٹنٹ (Letter of intent) حاصل ہو گیا ہے اور جھمپیر، ضلع ٹھٹھہ میں پروجیکٹ قائم کرنے کیلئے رسمی طور پر بزمین الاٹ کردی گئی ہے۔ جے وی پارٹنرز نے پروجیکٹ کے جاری اخراجات کیلئے کمپنی میں ابتدائی ایکویٹی کی سرمایہ کاری کی ہے۔ چیراٹ پیکیجنگ نے شیئر ہولڈرز کی منظوری سے مبلغ 4.62 بلین روپے کی سرمایہ کاری کی ہے۔ تاہم حکومت نے اس پروجیکٹ کیلئے اب تک ٹریف کے بارے میں مطلع نہیں کیا ہے۔

رسک منجمنٹ

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

رسک کا جائزہ

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

خام مال کی بڑھتی ہوئی قیمتیں کمپنی کیلئے بڑے خدشات کا سبب ہیں۔ پاکستانی روپے کی قدر میں کمی نے اس خدشہ کو اور بھی شدید کر دیا ہے۔ اس کے منفی اثر کے تدارک کیلئے کمپنی نے بنیادی بین الاقوامی سپلائرز سے تعلقات استوار کرنے اور بروقت گفت و شنید کرنے، پیشگی آرڈر دینے اور بروقت ڈیلوری کی حکمت عملی اپنائی ہے۔ زیر تجزیہ سال میں بھی کمپنی کو خام

ڈیویڈنڈ

- مالیاتی اسٹیٹمنٹس، پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات کی بنیاد پر تیار کئے گئے ہیں اور ضرورت کے تحت ان سے گریز کو اطمینان بخش طور پر ظاہر اور واضح کیا گیا ہے۔
- اندرونی کنٹرول کے نظام کا طریقہ کار نہایت مضبوط ہے اور اس کے نفاذ اور نگرانی کا کام موثر طریقے سے کیا گیا ہے۔
- کمپنی کے موجودہ صلاحیت میں کام جاری رکھنے میں کسی رکاوٹ کا شبہ نہیں ہے۔
- اصول و ضوابط کی فہرست میں درج کارپوریٹ گورننس کے بہترین طریقوں میں سے کوئی بات حذف نہیں کی گئی ہے۔
- گزشتہ چھ سال کی بنیادی آپریٹنگ اور مالیاتی معلومات مختصر طور پر منسلک کی گئی ہیں۔
- کمپنی اپنے شیئر ہولڈرز کیلئے ڈیویڈنڈ کا باقاعدگی سے اعلان کرتی ہے۔
- آپ کی کمپنی کے ذمہ ٹیکس، ڈیویڈنڈ، محصولات اور چارجز کی مد میں کوئی رقم واجب الادا نہیں ہے سوائے ان کے جو عام کاروباری طریقہ کار کے مطابق ادا کئے جاتے ہیں۔
- کمپنی اپنے ملازمین کے پراویڈنٹ اور گریجویٹ فنڈز کے حسابات مکمل رکھتی ہے۔
- فنڈز کی سرمایہ کاری کی تفصیلات بمطابق 30 جون 2018 درج ذیل ہے:

پراویڈنٹ فنڈ	131.23 ملین روپے
گریجویٹ فنڈ	61.56 ملین روپے

بورڈ آف ڈائریکٹرز

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

8	• مرد ڈائریکٹرز
-	• خواتین ڈائریکٹرز
1	-a خود مختار ڈائریکٹرز
-i	جناب عبدالنقوی
6	-b نان ایگزیکٹو ڈائریکٹرز
-i	جناب اکبر علی پستانانی
-ii	جناب اسلم فاروق
-iii	جناب شہر یار فاروق
-iv	جناب عارف فاروق
-v	جناب طارق فاروق
-vi	جناب ابرار حسن

بورڈ آف ڈائریکٹرز نے اپنی میننگ منعقدہ 30 اگست 2018 میں 30 جون 2018 کو ختم ہونے والے سال کیلئے حتمی نقد ڈیویڈنڈ بحساب 50% (-/5 روپے فی شیئر) اور 15% بونس شیئرز کی تجویز پیش کی ہے۔ یہ 20% (2.00 روپے فی شیئر) عبوری نقد ڈیویڈنڈ کے علاوہ ہے جو اس سال پہلے ہی ادا کیا جا چکا ہے۔ نقد ڈیویڈنڈ کیلئے ممبران کی منظوری 24 اکتوبر 2018 کو منعقد ہونے والے سالانہ اجلاس عام میں حاصل کی جائے گی۔

کارپوریٹ سماجی ذمہ داری

آپ کی کمپنی ہمیشہ پاکستان کے لوگوں، ماحولیات اور آب و ہوا کے بارے میں اپنی ذمہ داریوں سے آگاہ رہتی ہے اور ان سب کی بہتری کو یقینی بنانے کیلئے کوشاں رہتی ہے۔ اپنی کارپوریٹ سماجی ذمہ داریوں کی پالیسیز کے مطابق کمپنی مینوفیکچرنگ پلانٹس کے قرب و جوار میں رہائش پذیر لوگوں کی مجموعی حالت کو بہتر بنانے کیلئے پرعزم رہی۔ آپ کی کمپنی نے گزشتہ سالوں کے دوران میں آغا خان یونیورسٹی اور دی سٹیٹرن فاؤنڈیشن کے ساتھ تعاون جاری رکھا ہے اور ایک بہتر ماحول، بہتر معیشت اور ایک بہتر پاکستان کیلئے اپنا تعاون جاری رکھے گی۔

تحفظ، صحت اور ماحولیات

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

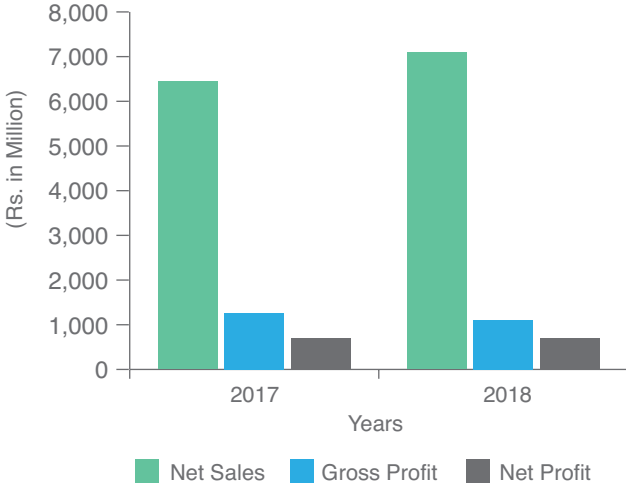
کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

- کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالیاتی اسٹیٹمنٹس میں کمپنی کے معاملات، آپریشنز کے نتائج، نقد قومات کے بہاؤ اور ایکویٹی میں تبدیلیوں کو شفاف طور پر پیش کیا گیا ہے۔
- کمپنی کے حسابات کے کھاتوں کو بہتر طور پر مرتب کیا گیا ہے۔
- مالیاتی اسٹیٹمنٹس کی تیاری میں ہر جگہ حسابات کی پالیسی کو بہتر طور پر استعمال کیا گیا ہے اور حسابات کے تخمینے کے سلسلے میں مناسب ترین اور دانشمندانہ فیصلے کئے گئے ہیں۔

ڈائریکٹرز کی رپورٹ

برائے ممبران برائے سال مختتمہ 30 جون 2018

مالیاتی جھلکیاں



بورڈ آف ڈائریکٹرز آپ کے سامنے کمپنی کی سالانہ رپورٹ مع آڈٹ شدہ مالیات گوشوارے برائے سال مختتمہ 30 جون 2018 پیش کرتے ہوئے خوشی محسوس کرتا ہے۔

کاروبار کا جائزہ

سال میں کاروبار میں کئی چیلنجز جیسے بنیادی خام مال جیسے کرافٹ پیپر اور پی پی گرائیولز کی قیمتوں میں نمایاں اضافہ پھر یو ایس ڈالر اور یورو کے مقابلے میں پاکستانی روپے کی قدر میں کمی کے باوجود کمپنی نے اپنی مارکیٹ لیڈرشپ کی حیثیت برقرار رکھی۔ سیمنٹ کی صنعت میں اعلیٰ معیار کے پیپر اور پی پی ٹیکسٹ کی مانگ پوری کرنے کے علاوہ کمپنی پیکیجنگ پروڈکٹس کی نئی ورائٹی کے ساتھ کامیابی سے نئی مارکیٹس کو بھی بیگ فراہم کر رہی ہے۔ چکدار پیکیجنگ پلانٹ کے اضافہ سے اسکیل کی زیادہ معیشت، کاروبار میں تنوع اور کمپنی کی سیلز کے حجم میں بھی یقیناً اضافہ ہوگا۔ کمپنی کی کارکردگی کا تفصیلی جائزہ درج ذیل ہے۔

مالیاتی کارکردگی

زیر جائزہ سال میں کمپنی کی سیلز کی آمدنی میں گزشتہ سال کے مقابلے میں 10% اضافہ ہوا۔ اس کی وجہ بیگز کی قیمت فروخت کو مارکیٹ کی صورتحال کی مناسبت سے ایڈجسٹمنٹ کرنا تھا۔ کرافٹ پیپر اور پی پی گرائیولز کی قیمتوں میں نمایاں اضافے اور اس کے ساتھ روپے کی قدر میں بہت زیادہ کمی کے باعث لاگت بھی بہت بڑھ گئی تو اس عرصہ میں کمپنی نے بہتری کی امید کے ساتھ پروڈکشن کی لاگت کو مناسب سطح تک لانے میں اپنی انوشری اور دیگر ذرائع کا بہتر انتظام کرنے کی کوشش کی۔ زیر جائزہ سال کے دوران میں مالیاتی لاگت میں بھی اضافہ ہوا جو کمپنی کی طرف سے اپنے آپریشنز اور اپنے شروع کئے گئے توسیعی اور مختلف انواع کے پروڈکٹس کو فنانس کرنے کے سبب ہوا۔ کمپنی نے حال ہی میں یونیورسل پیپرسٹک لائن کے کام شروع کرنے اور پرنٹرز کے ساتھ ساتھ چکدار پیکیجنگ پروڈکٹ کیلئے دیگر متعلقہ آلات کے سلسلے میں انکم ٹیکس آرڈیننس B-65 کے تحت ٹیکس کریڈٹ حاصل کیا۔ سال مختتمہ 30 جون 2018 کیلئے کمپنی نے بعد از ٹیکس منافع 711 ملین روپے حاصل کیا۔

چکدار پیکیجنگ پروڈکٹ

تیزی سے بدلتی ہوئی صارفین کی مارکیٹ اور پیکیجنگ کی صنعت کے نئے رجحانات کے پیش نظر، کمپنی نے چکدار پیکیجنگ کے شعبہ کو اختیار کرنے کا فیصلہ کیا۔ ہمیں یہ بتاتے ہوئے خوشی محسوس ہو رہی ہے کہ کمپنی نے Roto Gravure اور Flexo گرافک پرنٹرز، لمینیشن اور دیگر متعلقہ آلات کو کامیابی کے ساتھ نصب کر لیا ہے اور چلانا شروع کر دیا ہے۔ بقیہ آلات جیسے ایکسٹروڈر اور سلنڈر بنانے کا یونٹ بھی تنصیب کے مراحل میں ہے۔ کمپنی کو یقین ہے کہ پورے پلانٹ کی تنصیب ستمبر 2018 میں مکمل ہو جائے گی۔

عمومی جائزہ

سی پیک پروڈیکٹس کے آغاز کے بعد سیمنٹ کی طلب میں بے حد اضافہ ہوا اور نجی شعبہ نے تعمیراتی منصوبوں میں بڑھ چڑھ کر سرمایہ کاری کی۔ چیراٹ پیکیجنگ نے سال 2017/18 کے دوران میں پاکستان میں پیپر اور پی پی ٹیکسٹ کی پروڈکشن اور سیمنٹ کی صنعت کو سیلز میں اپنی مارکیٹ لیڈرشپ برقرار رکھی۔ کمپنی نے نہ صرف مقامی سطح پر اپنی پہنچ کو توسیع دی بلکہ دیگر بین الاقوامی مارکیٹس کو بھی اپنی پروڈکٹس برآمد کیں۔ کمپنی نے اعلیٰ معیار اور کم قیمت کی نئی ورائٹی متعارف کروا کر نئے کاروباری راستے تلاش کئے ہیں اور اس طرح اپنی ٹارگٹ مارکیٹ کو بھی مزید وسیع کیا ہے۔ یہ سب گزرے سال میں ملک کے چیلنجز والے سماجی و معاشی ماحول کے دوران میں ہوا۔ روپے کی قدر میں مسلسل کمی سے بنیادی خام مال جیسے کرافٹ پیپر اور پی پی گرائیولز کی قیمتوں پر بھی نمایاں اثر پڑا جس کے نتیجے میں پروڈکشن کی لاگت بھی بڑھ گئی۔ مزید برآں دنیا بھر میں کرافٹ پیپر کی شدید قلت اور قیمتوں میں نمایاں اضافہ ہوا۔

موجودہ اور گزشتہ سال کی مالیاتی جھلکیاں درج ذیل ہیں:

	2017	2018	
	پاک روپے ملین میں		
خالص سیلز	6,443.93	7,091.65	•
مجموعی منافع	1,256.48	1,098.33	•
خالص منافع	702.05	711.08	•

Proxy Form

29th Annual
General Meeting 2018



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 29th Annual General meeting of the Company to be held on Wednesday, 24th October, 2018 at 11:30 a.m. and at any adjournment thereof.

WITNESSES:

1. Signature: _____

Name: _____

Address: _____

CNIC or _____

Passport No. _____

Signature of
Shareholder

Revenue
Stamp

2. Signature: _____

Name: _____

Address: _____

CNIC or _____

Passport No. _____

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

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

اہم نوٹ

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

رجسٹرڈ فولیو نمبر / پارٹنرسپنٹ شناخت نمبر
اکاؤنٹ نمبر
مجموعی شیئرز

میں مسمیٰ / مسماة _____ سکنہ _____
 ضلع _____ بحیثیت ممبر چیراٹ پیکیجنگ لمیٹڈ، مسمیٰ / مسماة _____
 سکنہ _____ کو بطور مختار (پراکسی) مقرر کرتا / کرتی ہوں تاکہ وہ میری جگہ
 اور میری طرف سے کمپنی کے 29 واں سالانہ اجلاس عام بروز بدھ 24 اکتوبر 2018، صبح 11:30 بجے، منعقد ہو رہا ہے، اس میں اور
 اس کے کسی ملتوی شدہ اجلاس میں شرکت کرے اور ووٹ ڈالے۔



دستخط شیر ہولڈر

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

گواہان

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

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



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

Islamabad, January 26, 2000

Circular No. 1 of 2000

Sub: Guidelines for Attending General Meeting and Appointment of Proxies

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

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

- (1) The company shall obtain list of beneficial owners from the CDC as per Regulation # 12.3.5 of the CDC Regulations.
- (2) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are up-loaded as per the Regulations, shall authenticate his identity by showing his original National Identity Card (NIC) or original passport at the time of attending the meeting.
- (3) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.

B. Appointment of Proxies

- (1) In case of individual, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per requirement notified by the company.
- (2) The proxy form shall be witnessed by the two persons whose names, addresses and NIC numbers shall be mentioned on the form.
- (3) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- (4) The proxy shall produce his original NIC or original passport at the time of the meeting.
- (5) In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted along with proxy form to the company.

sd
(M. Javed Panni)
Chief (Coordination)



Cherat Packaging Limited

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

