



Cherat Packaging Limited

A Ghulam Faruque Group Company

**building on
our legacy**

annual report 2020

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responding to the world around us

We look at all the trends in the market place to remain one step ahead of our competition. These factors inspire us to refresh and realign our approach, every step of the way.



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packaging you can trust

When one thinks about how many products one uses today, one would have never thought these would be packaged or branded.

Today our buying habits seek convenience, making trusted brands reign in the marketplace.

Packaging that is safe and strong is a top priority for CPL. We are consistently developing new packaging solutions for our customers. It is our aim to give our customers the upper hand in terms of quality and trust.





adding value

To merely add aesthetics to a classic is simply not innovation. However, to take a classic and add to its functions, is.

At Cherat Packaging, we add value to everyday products. CPL also adds longevity, freshness and convenience. In short we add trust to the brands you buy.





innovation is the key

Innovation is consistent, as are we. Our goal is to consistently strive, adapt and excel with the means of maintaining a forward approach. These factors have inspired us to refresh and realign our methods to create the ultimate packaging experience for our customers.





sustainability - a priority

As the world increasingly faces environmental challenges, packaging today must not only be sustainable, but also strive to make a positive impact on the environment.

Economic and environmental sustainability are at the heart of our operation. The critical role of packaging is to keep the product safe and secure for extended periods of time without making severe environmental impacts.

Consumer behaviour and trends evolve with changing lifestyles; consumers expect transformation. Packaging must keep pace with lifestyle changes as supply chains become more dynamic.





nature of business

Cherat Packaging Limited - a prominent name in the packaging industry - is a Ghulam Faruque Group (GFG) company. Established almost 31 years ago, CPL started its journey by producing quality cement sacks and became the leading manufacturer of cement sacks. Since 2011, the Company entered and soon became the leading manufacturer of Polypropylene bags. During 2018, the Company yet again achieved a milestone by launching its Flexible Packaging Division. The Company acquired state-of-the-art Plant and Machinery from the top manufacturers around the globe.

The Company is listed on the Pakistan Stock Exchange. CPL has a number of certifications and is a recipient of various prestigious awards including the Pakistan Stock Exchange's Top Companies Award, Management Association of Pakistan's Best Company Award and ICAP & ICMAP's Best Corporate Reporting Award. CPL is the leading Company in the region to have production capability of producing bags from Kraftpaper, Polypropylene and Flexible Packaging products.

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

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

Our Certifications





vision

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

mission

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





our values



RESPECT
is our way of life



OWNERSHIP
is our way to success



QUALITY
is our legacy



FAIRNESS
is our way of work



culture

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







ethics

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

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

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

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





code of conduct

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

Scope

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

Compliance Committee and Reporting of Violations

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

Compliance with the Law

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

Competition and Anti-trust Law

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

Bribery and Corruption

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

Money Laundering

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

Product Quality

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

Books, Records and Financial Reporting

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

Confidentiality

It is our policy that no employee entrusted with confidential information about the Company, its suppliers, customers or

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

Protection and Information Security

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

Handling and Safeguarding of Cherat Packaging's Property

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

Equal Treatment and Fair Working Conditions

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

Health, Safety and Environmental Protection

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

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

Conflict of Interest

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

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

group structure

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

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.



Mirpurkhas Sugar Mills Ltd
Manufacturer of Cane Sugar

Established in 1964, its principal activity is manufacturing and selling of sugar. It is located about 230 kms from the port city of Karachi, in Mirpurkhas and is listed on the Pakistan Stock Exchange Limited. The Company has a crushing capacity of 12,500 tons per day and is one of the most efficient sugar mills in Pakistan. Moreover, it is involved in development of higher yield sugar cane varieties on its experimental farm.



Cherat Cement Company Ltd
Manufacturer of Ordinary Portland Cement

Cherat Cement Company Limited was incorporated in 1981. Its main business activity is manufacturing, marketing and sale of Ordinary Portland Cement. The Company is amongst the pioneers of the cement industry in Pakistan and is the number 1 cement in its region. The Company's annual installed capacity is around of 4.5 million tons. The plant is located at Village Lakrai, District Nowshera, Khyber Pakhtunkhwa (KPK) province. Due to plant's geographical position, it is ideally located to export cement to Afghanistan as well as cater the local market needs in the KPK, FATA, Punjab and Azad Kashmir. The Company is registered on Pakistan Stock Exchange Limited and is also an ISO 9001 and 14001 certified.



UniEnergy Limited
Joint Venture for Renewable
Wind Energy



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

ZENSOFT

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

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



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

It was established in 1859 to provide specialized engineering equipment sales and services. However in 1964, the Group acquired a controlling interest in the shares of the Company and by 1981 Greaves became a wholly owned subsidiary of 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 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. Unicol is the proud recipient of the FPCCI Prime Minister of Pakistan Award and the FPCCI Best Export Performance Award for 2017-18



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



company information

Board of Directors

Mr. Akbarali Pesnani	Chairman
Mr. Amer Faruque	Chief Executive
Mr. Aslam Faruque	Director
Mr. Shehryar Faruque	Director
Mr. Arif Faruque	Director
Mr. Abid Naqvi	Director
Mr. Ali H. Shirazi	Director
Mr. Abid Vazir	Director

Audit Committee

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

Human Resource and Remuneration Committee

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

Chief Operating Officer & CFO

Mr. Yasir Masood

Director & Company Secretary

Mr. Abid Vazir

Head of Internal Audit

Mr. Aamir Saleem

Auditors

EY Ford Rhodes
Chartered Accountants

Legal Advisor

K.M.S. Law Associates

Bankers

Allied Bank Ltd
Bank Al Habib Ltd
Faysal Bank Ltd
Habib Bank Ltd
Habib Metropolitan Bank Ltd
Industrial & Commercial Bank of China 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
MCB Islamic Bank Ltd
Meezan Bank Ltd

Share Registrar

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

Contact Us

UAN: 111-000-009
Email: info@gfg.com.pk
Web: www.gfg.com.pk



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Fax: (+9221) 35683425

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Fax: (+92938) 270126

Regional Offices

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Tel: (+9242) 36286249-50, 36308259
Fax: (+9242) 36286204

Islamabad

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

journey at a glance

1992

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

1996

Installed 2nd Bottomer to the production line.

1998

Acquired ISO 9001 QMS Certificate.

2003

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

2006

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

2009

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

2012

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

2013

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

2014

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

2016

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

2017

- Arrival of Universal Papersack line with an 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 & Holscher and other suppliers.

2018

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

2019

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

hall of fame



Best Corporate Reporting Award ICAP & ICMAP

For the financial years from 2014 to 2019 Cherat Packaging participated in Best Corporate Report Awards. The Contest is jointly conducted by Institute of Chartered Accountants of Pakistan (ICAP) and The Institute of Cost and Management Accountants of Pakistan (ICMAP). The Company secured the 1st position for five consecutive years in “Others Category”. In addition to the aforesaid, for financial year 2017, the Company also secured 1st position nationwide overall.



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 2017. The event was held in Bangladesh and the Company was awarded Certificate of Merit for Improvement in Transparency, Accountability & Governance in Corporate Governance Disclosures in Annual Report 2015.



Corporate Excellence Award
 Cherat Packaging's outstanding performance was also recognized by the Management Association of Pakistan on account of Best Management Practices and the Company was awarded Corporate Excellence Certificate and Award in "Paper and Board" Category for the years 2015, 2016, 2017, 2018 and 2019.

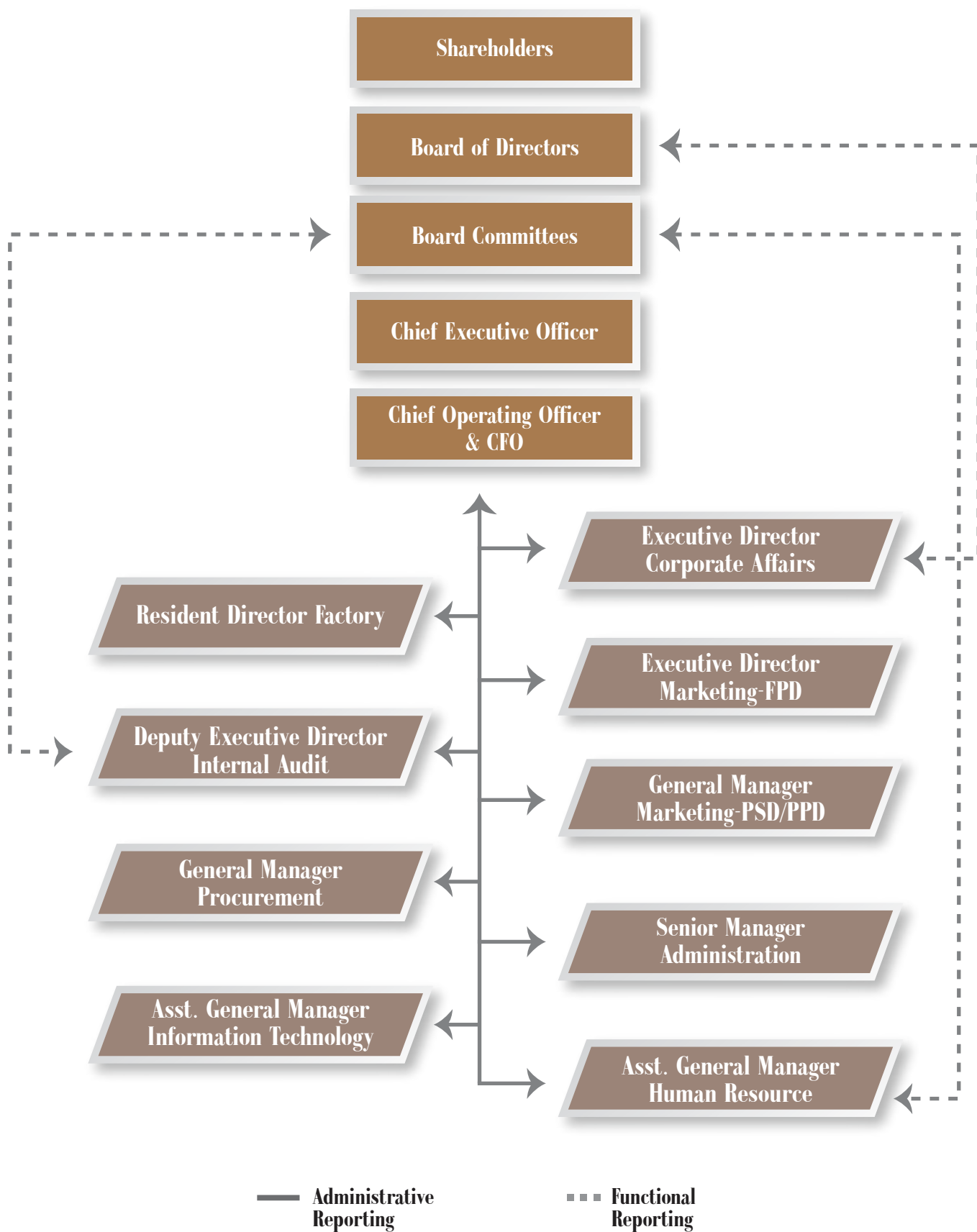
Pakistan Stock Exchange Top Companies Award
 Every year, Pakistan Stock Exchange acknowledges the performance of the Top Companies on the basis of comprehensive criteria, which includes Dividend Payout, Capital Efficiency, Profitability, Free-float of shares, Transparency, Corporate Governance & Investors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

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

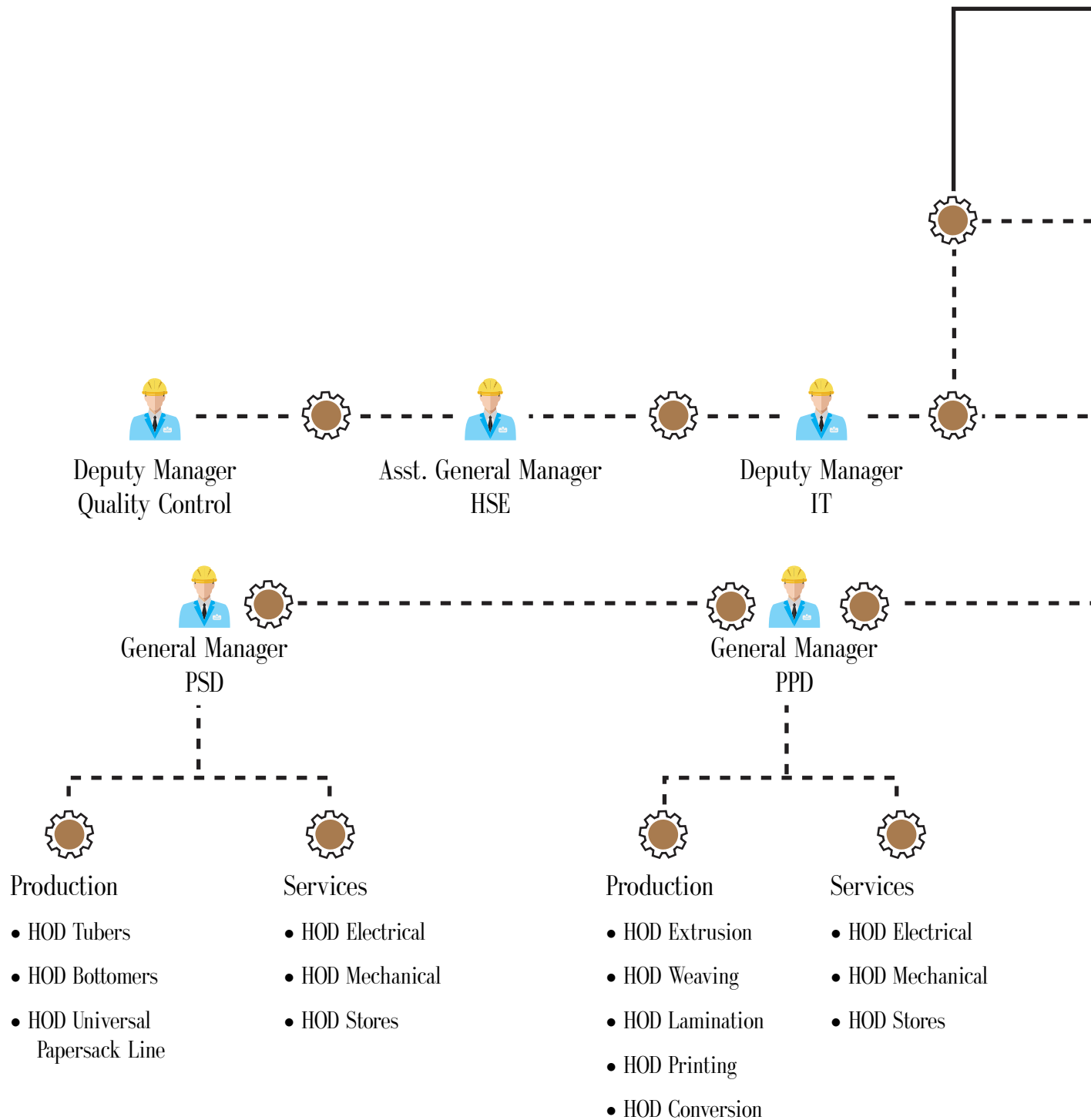
Forbes: Asia's Best Under A Billion Company
 In 2018, Cherat Packaging was also nominated for the Forbes- Asia's Best Under A Billion Company. Forbes annual Best Under A Billion list highlights 200 Asia-Pacific public companies with less than \$1 billion in revenue and consistent top and bottom-line growth. In 2018, candidates came from 13 countries and averaged 55% growth in sales, a 24% profit margin, and 113% growth in earnings per share.

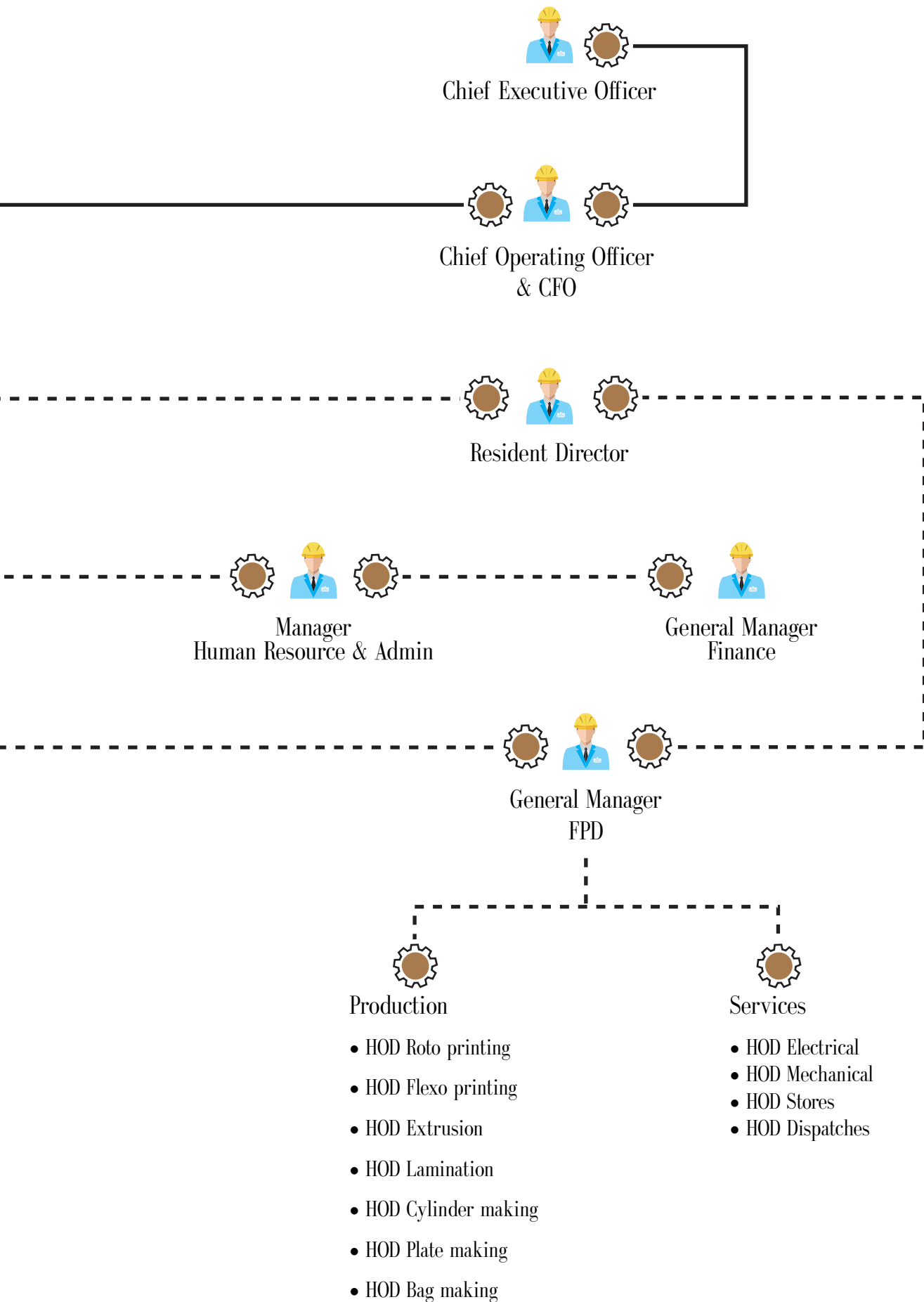


organizational structure

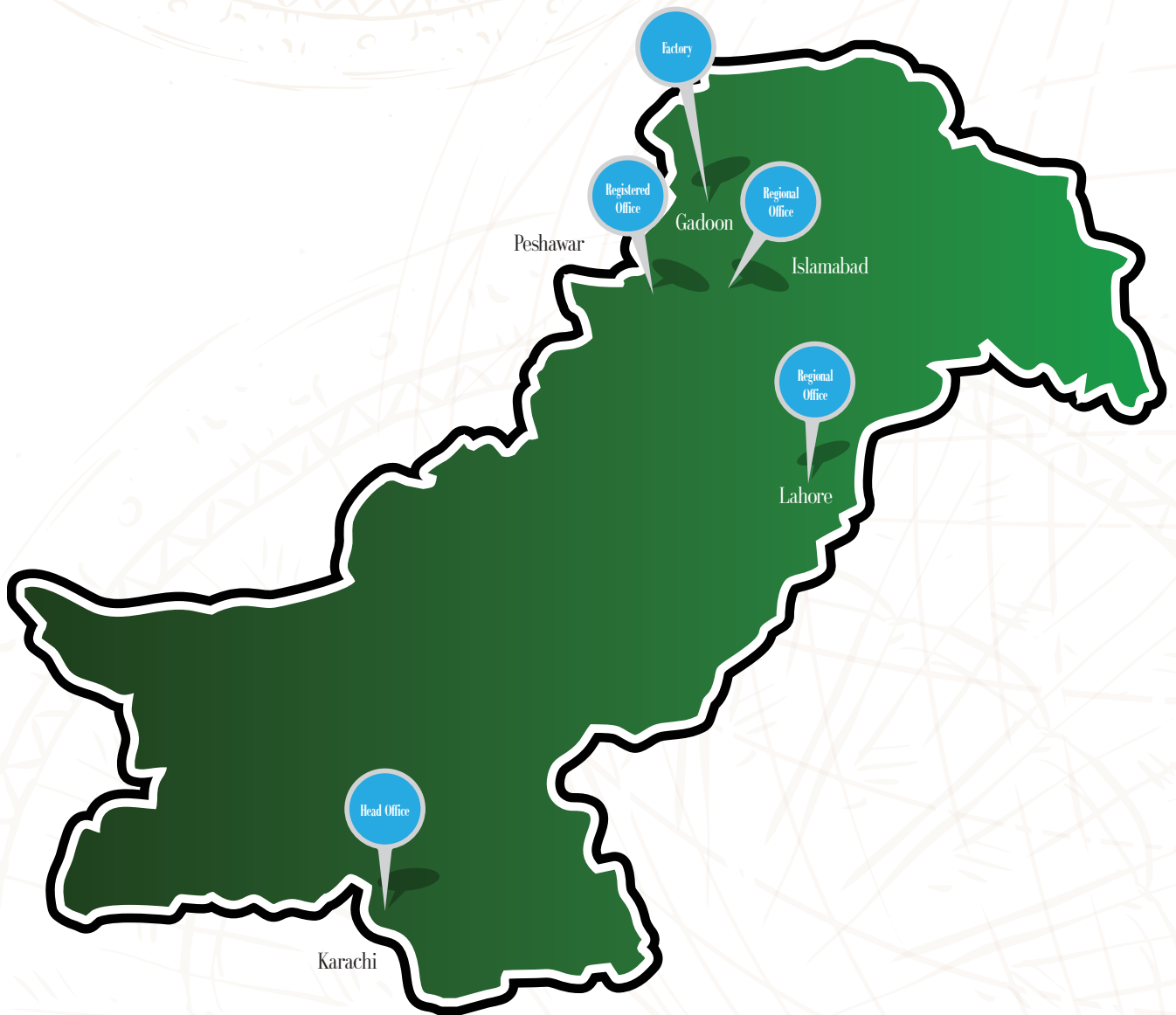


factory site organizational structure

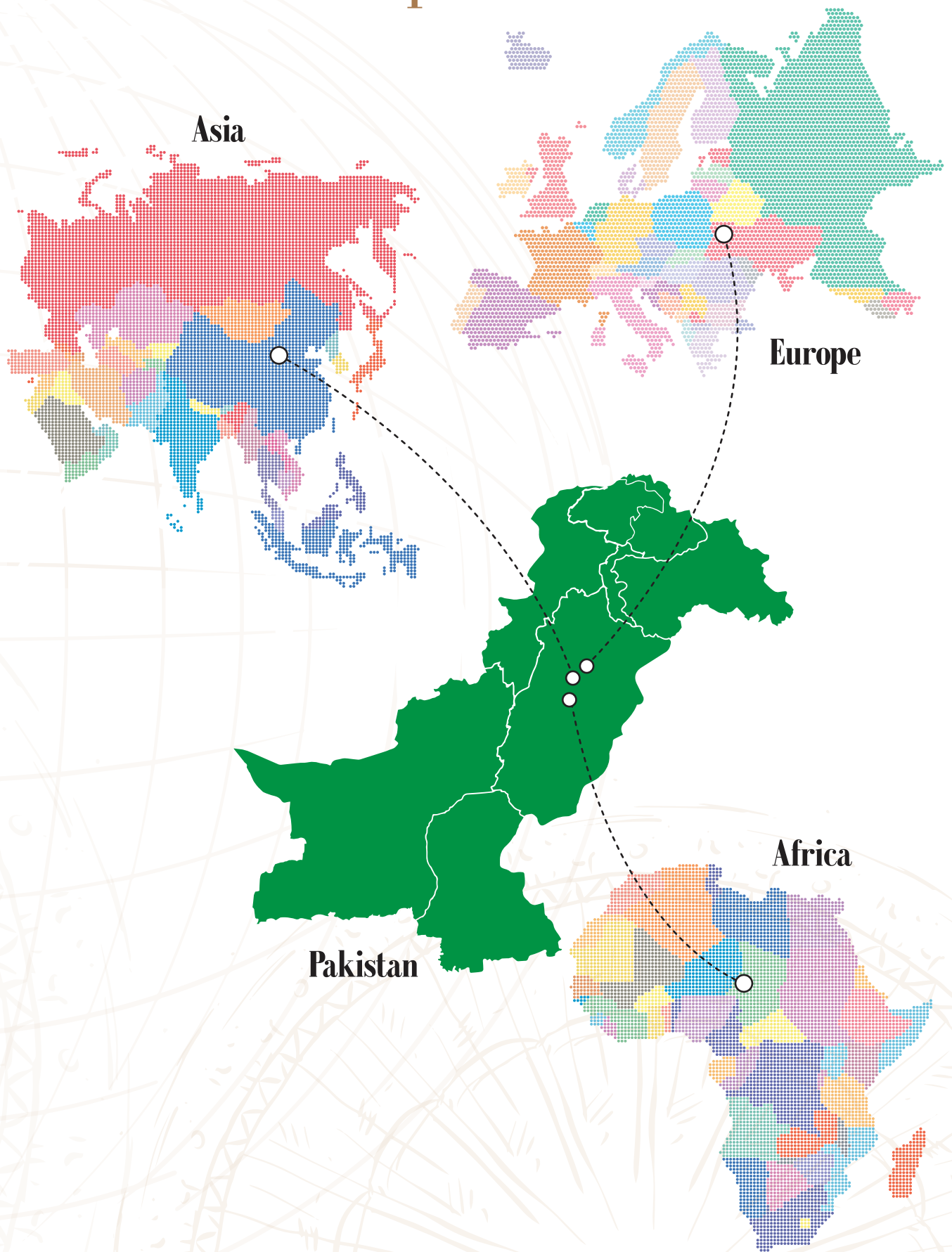




local presence



international presence



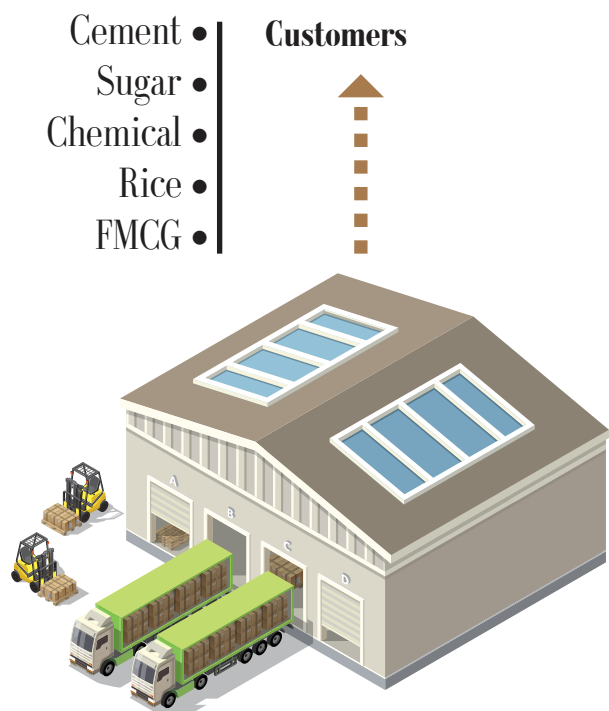
position in the value chain

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



Raw Material

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

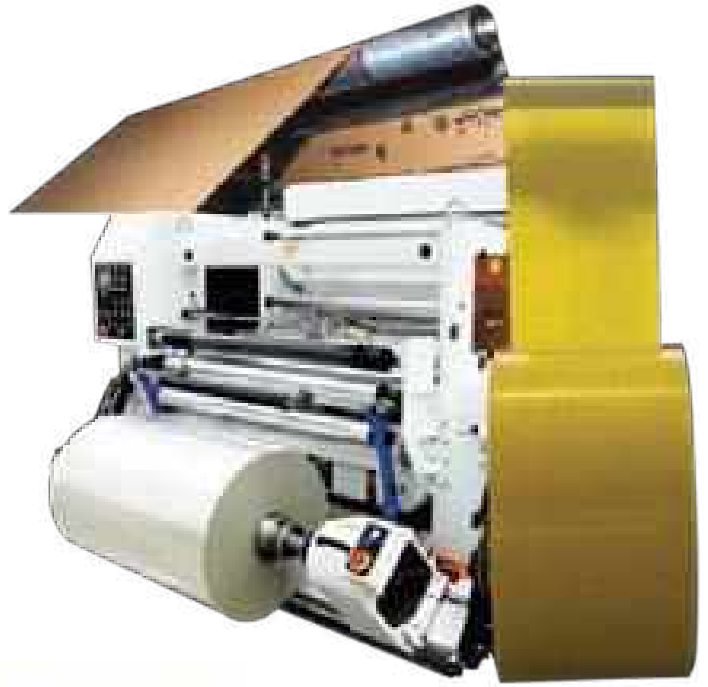


The Company procures the finest quality raw material from world renowned suppliers and converts it to bags based on customer demand and specifications. The Flexible Packaging business is also conducted on the same norms so as to maintain a high product quality.



**Conversion,
Manufacturing
& Printing**

- Paper bags
- Polypropylene bags
- Printed films






Final Products



significant factors affecting the external environment

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

	P	E	S
Factor	Political 	Economic 	Social 
Description	Political factors determine the extent to which a government may influence the economy or a certain industry. Political uncertainty trembles the business environment.	Economic factors refer to the financial state of the country. A strong economy invigorates business and vice versa.	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.
Significant change from last year	<ul style="list-style-type: none"> - Political uncertainties - Rifts among political parties 	<ul style="list-style-type: none"> - Free fall of PKR against USD and EURO - Unstable discount rate - Decelerated economy - Increased inflation - Loss of business due to pandemic - Business lock-downs 	<ul style="list-style-type: none"> - Make HSE department more rigorous - COVID-19 Pandemic affecting Pakistan
Organization's response	The Company continuously analyzes and monitors the political situation of the country including changes in duty structures, taxes and other levies to mitigate any unwarranted affect.	<p>Cherat Packaging Limited has been on strong financial standing. The company keeps optimal Debt:Equity ratio. Furthermore, it has negotiated competitive rates with various banks for its financing needs. Additionally, healthy relation with suppliers ensures timely supply of material at competitive rates.</p> <p>Responding to lock-down situation developed due to COVID-19, the Company implemented IT support solution facilitating work-from-home. The timely response prevented work loss.</p> <p>The Company benefited from SBP's loan for repayment of Wages and Salaries.</p> <p>The Company also availed SBP's loan deferment option to further strengthen its cash flows.</p>	<p>The Company always strives to be a part of social causes and for the betterment of society. For this purpose, the Company donates in various social causes including education programs and health & safety of society.</p> <p>On the business front, the Company has full-fledged HSE department which works for the betterment and welfare of workers at factory.</p> <p>The Company implemented ISO 45001 to comply with HSE international standards.</p> <p>The Company implemented SOPs vigorously to prevent its workplace from COVID-19.</p>

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

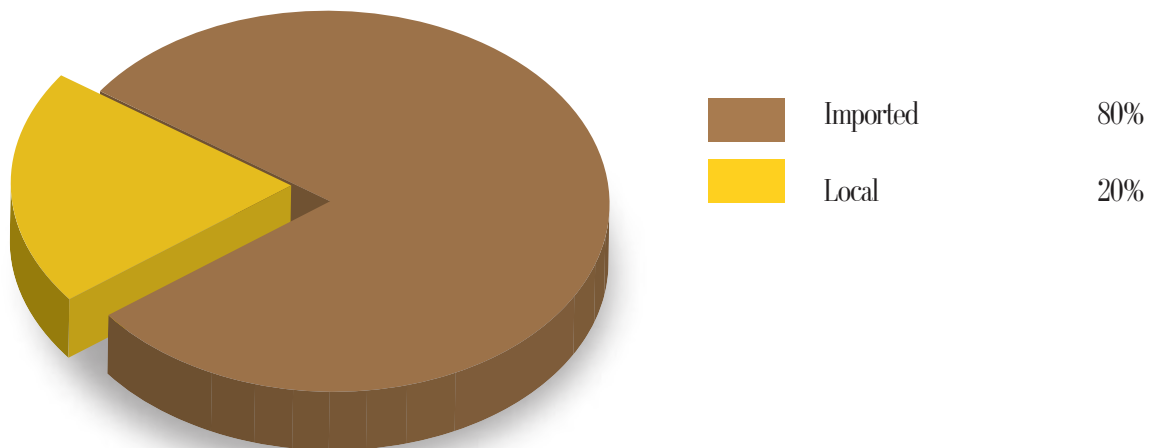
composition of local and imported material and sensitivity analysis due to exchange fluctuation

Cherat Packaging Limited is the leading company in Pakistan producing Kraftpaper, Polypropylene bags and Flexible Packaging material. The Company mainly imports its raw materials for Kraftpaper and Polypropylene bags, however, some material like films, inks and solvents 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. 343 million on profit before tax of the Company.

raw material composition



Significant Change from Prior Year

This year marked as first full year of operations of Flexible Packaging Division. Revenue of the Flexible Packaging Division rose to Rs.1.66 billion. The Company maintained its sales in Bags Manufacturing Division this year due to increased competition and unprecedented Pandemic COVID-19 and dwindling economic situation. However, managing these challenging situations, the Company closed this year in a positive zone.



competitive landscape and market positioning

Cherat Packaging Limited is a diversified packaging company - with Paper, Polypropylene and Flexible Packaging segments. Cement, sugar, fertilizer, and chemical companies require both Paper and Polypropylene bags based on market acceptability and type of material to be packed and sold (industrial products) while FMCG companies demand Flexible Packaging. The Company's major revenue is derived from Bags Manufacturing Division (Paper bags and Polypropylene bags). Cherat Packaging is the leader in cement packaging while it is setting foot in Flexible Packaging industry. CPL gained a rich experience of thousands of man-hours during its journey of more than 31 years. With promising outlook on the back of construction package and resultant growth of Cement sector, the Company is focusing on expanding its market share while for Flexible Packaging, the Company is focusing to intrude deeper into FMCG packaging industry in the years to come.

POWER OF SUPPLIERS

Cherat Packaging values its suppliers as business partners. CPL has developed strategic partnership with top international raw material suppliers like Mondi Packaging and SABIC. Various raw materials are being procured locally like inks, solvents and various films for Flexible Packaging Division. The Company identifies finest suppliers and nurture strategic partnership with them. By virtue of these partnerships, the Company has preferred supply of raw material without unnecessary delays that helped Company continuing its production during recent pandemic.

POWER OF CUSTOMERS

Cherat Packaging has a legacy of putting customers first. The Company is reputed for catering customer demands including development of cost effective solutions. The Company has a customer base with its reputation being a hallmark of quality.

COMPETITION

The packaging industry has seen a rise in competition. New plants have been installed not only in Kraftpaper and Polypropylene bags but also for Flexible Packaging material in the past few years. However, Cherat Packaging has a strategic edge over the others. With new entrants in paper bags industry, CPL's market share has reduced however, recent expansion in the cement industry and an anticipated rise in the consumption of cement in various projects will turn the table around. The Company is positioned well to cater large orders because of its state-of-the-art production facility, large production capacity, superior quality and top quality input materials.

THREAT OF NEW ENTRANTS

Large number of producers in Flexible Packaging industry makes it one of the most competitive industry however, most of the suppliers are either small or disorganized that leaves a great potential for organized sector like Cherat Packaging. The Company already has Rotogravure and Flexographic printers, and Extrusion line all procured from top European suppliers. In support, the Company installed bag making, spout insertion machine, cylinder making machine, lamination machines and other auxiliary equipment that give boost to its unmatched production ability.

THREAT OF SUBSTITUTE PRODUCTS

Cement Packaging is done in Paper and Polypropylene hence makes them substitute to each other; however, CPL possess both Paper and PP production facility making it immune to any substitution between products.

The Company has well positioned itself to cater future demands and growth. Revival of economy and increase in construction activity will benefit Company in the days to come.

competitive edge

The journey of Cherat Packaging is marked with **HI TORQUE** that defined its competitive edge it has developed over the years.

HUMAN CAPITAL

CPL's success is on the back of great human potential. Cherat Packaging believes in efficient HR management, training and development, performance measurement and talent recognition. Cherat Packaging has diversified employee base with hundreds of man-hour experience.

INNOVATION

Cherat Packaging has always been front runner in product innovation and product development. CPL's 2ply bags and lowest gram PP bags are unmatched with respect to price and quality.

TOP SUPPLIERS

Cherat Packaging believes in procuring best quality raw material from top suppliers. The Company sources its core raw material from Mondi Packaging and SABIC while local material are sourced from various local suppliers after robust quality checks at our state-of-the-art lab.

OUTSTANDING CUSTOMER SUPPORT

Cherat Packaging values its customers as business partners. The Company envisages its success in the success of its customers. Cherat Packaging regularly holds meetings with its customers for their specific requirements and helps them in development of new product packaging.

REGULAR EXPANSIONS

CPL has been expanding exponentially over the last decade. With a humble start of 1 tuber and 1 bottomer in 1992, the Company is now a leading packaging company with a combined capacity of 595 million bags and 12.6 million KGs of Flexible Packaging material.

QUALITY

Cherat Packaging pledges not to compromise on quality. Today, quality and CPL are synonymous in packaging industry.

UNMATCHED PRODUCTION FACILITY

CPL's production facility includes state-of-the-art latest machinery procured from top European companies. This facility enables the Company to produce finest quality packaging material for its customers.

ECONOMIES OF SCALE

Being the leading Company to contain facility of Kraftpaper bags, Polypropylene bags and Flexible Packaging Material, the Company enjoys economies of scale. Many functions of the Company fall under common umbrella significantly reducing its redundant costs.

our business model

Today's packaging industry is fast paced. The Company's success depends on understanding customer requirements, anticipation of future trends, challenges and opportunities, and partnering with suppliers and human capital to discover long-term and sustainable solution to all our stakeholders.

Key Resources

HUMAN CAPITAL

- 229 employees

MANUFACTURED CAPITAL

- 5 Paper lines
- 3 PP lines
- Flexible Packaging Division (FPD)
 - o Flexo
 - o Roto
 - o Extrusion
 - o Cylinder making
 - o Auxiliary machines
- Raw material procured: Rs. 6.5 billion

FINANCIAL CAPITAL

- From net assets of Rs. 4.47 billion to Rs. 4.77 billion.
- Strong credit rating - A (PACRA)

INTELLECTUAL CAPITAL

- Lowest grammage PP bag
- 2Ply bags
- Conversion of Roto jobs into Flexo
- End-to-end solution from product designing to actual supply
- Quality certifications.

SOCIAL AND RELATIONSHIP CAPITAL

- Largest international suppliers
 - o Mondi Packaging
 - o SABIC
- Strong customer base in Bags Manufacturing Division (BMD)
- Evolving customer base in FPD
- Best raw material procurement

NATURAL CAPITAL

- Adherence to EMS
- Conventional to green energy

Our Integrated Value Chain

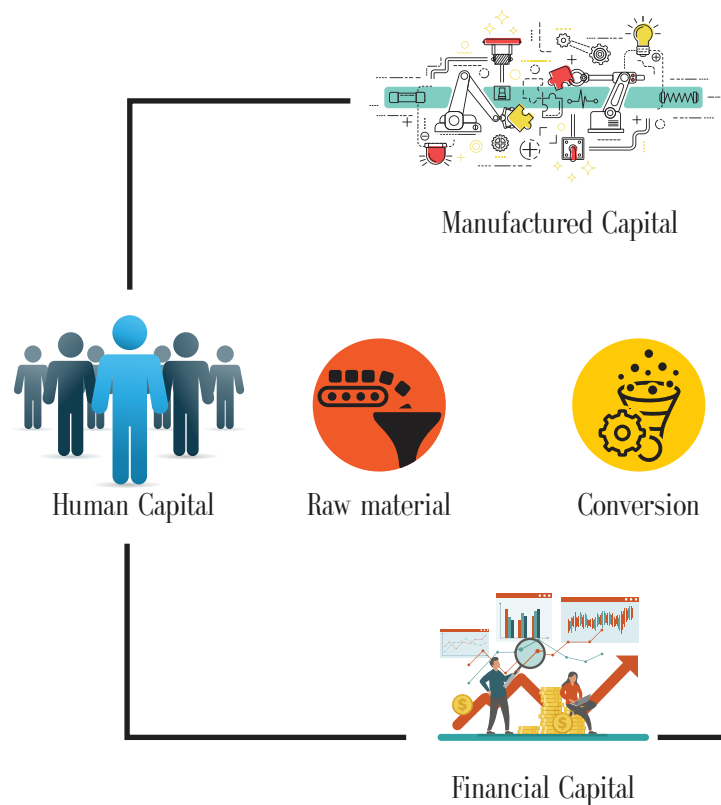
INPUTS:

Cherat Packaging sources best quality raw material both imported and local from top suppliers. Our key inputs are Kraftpaper (100% procured from Mondi); Polypropylene granules (majorly from SABIC); and various printing films from renowned suppliers.

With low employee-turnover, the Company accumulates human skills.

CONVERSION

Cherat Packaging takes pride of possessing state-of-the-art machinery. The Company possess 595 million bags capacity in BMD and 12.6 million KGs capacity in FPD. Human Skill plays key role in converting raw material to innovative products.



CPL's business model is interwoven with its vision, mission and values. The business model consists of employing resources, enhanced by competitive edge and human capital to transform inputs such as raw material into innovative packaging solutions to our customers with a focus to contribute towards local community, surrounding environment and stakeholders.

OUTPUT:

CPL blends input material with machinery together with hundreds of man-hours experience to produce finest quality output of:

- Paper bags
- PP bags
- Flexible Packaging printed material

CPL produces low cost solutions to its customers.

OUTCOME:

During the year, CPL's revenue increased from Rs 8.09 billion to Rs. 9.44 billion.

The Company conducted various online trainings for human capital developments.

COVID-19 Pandemic Plan charted out and implemented.

Despite challenging situations, the Company finished in positive zone with healthy capital appreciation at stock market.

Key Outputs

HUMAN CAPITAL

- Training and development
- Promotions
- New hirings
- 254 employees

MANUFACTURED CAPITAL

- Turnover increased by Rs. 1.343 billion
- Investment in new support machines

FINANCIAL CAPITAL

- Net profit Rs. 70.24 million
- Market price appreciation to Rs. 117.15 in June 2020 from Rs. 80.64 in June 2019.
- Operating cash flows generated Rs. 1.57 billion

INTELLECTUAL CAPITAL

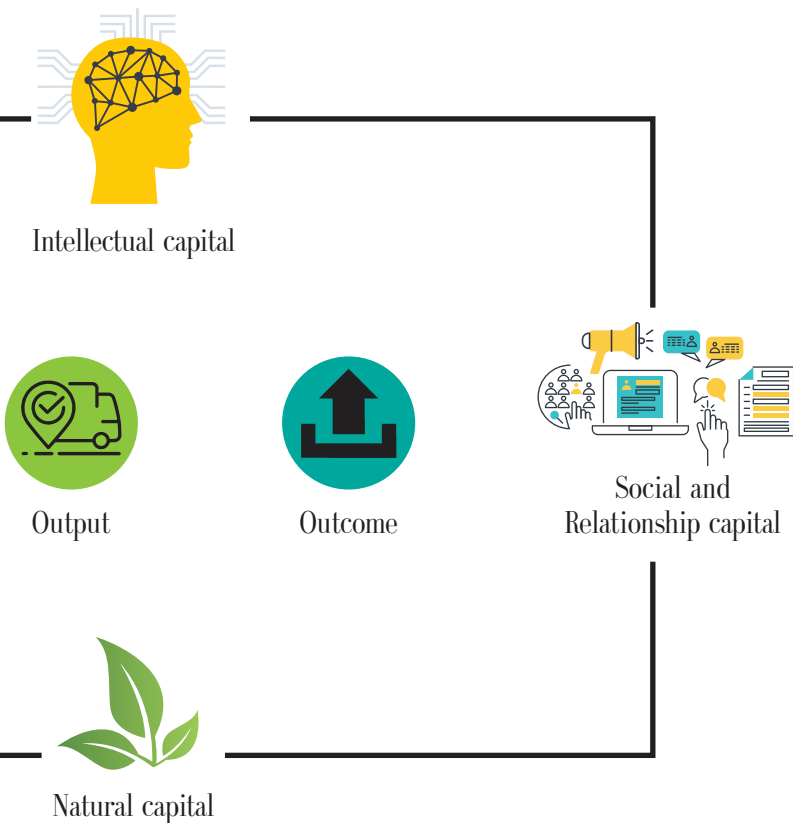
- Improvement in network security
- Secured Remote Working Facility

SOCIAL AND RELATIONSHIP CAPITAL

- Preferred supply of raw material
- Uninterrupted production
- New customers in FPD
- Increased exports
- Charity and donation
- Dividend to shareholders

NATURAL CAPITAL

- Adherence to EMS
- Conversion to Hydel Power through PEDO
- Initiation of Solar Power project







Strategy and Resource Allocation

- 50 Strategic Objectives
- 51 Resource Allocation Plan
- 52 Liquidity Strategy
- 52 Significant Plans and Decision
- 52 Significant Change in Objective and Strategies

strategic objectives

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

Short, Medium and Long-term Objectives

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

Strategies in Place

Our Core Objective

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

The Strategic Edge

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

Sales and Marketing

Marketing targets and budgets are aggressively designed by the management to achieve highest possible returns. Revenue of the Company rose due to increased prices of bags in response to increasing raw material

prices increased FPD sales and exchange rates. Selling prices were adjusted in line with market conditions which contributed in increased revenue by 16.59%.

Due to high anomaly in custom duty rates between Kraftpaper and PP granules causing paper prices higher than PP, Cement Companies switched from paper bags to PP bags. However, this trend is now stopped after reduced custom duty of imported Kraftpaper. Overall volumetric sales of the Company reduced due to deceleration of economy thereby impacting construction activities in the country which in turn affected cement industry however, increased exports kept the momentum going in Bags Manufacturing Division.

Cost Management

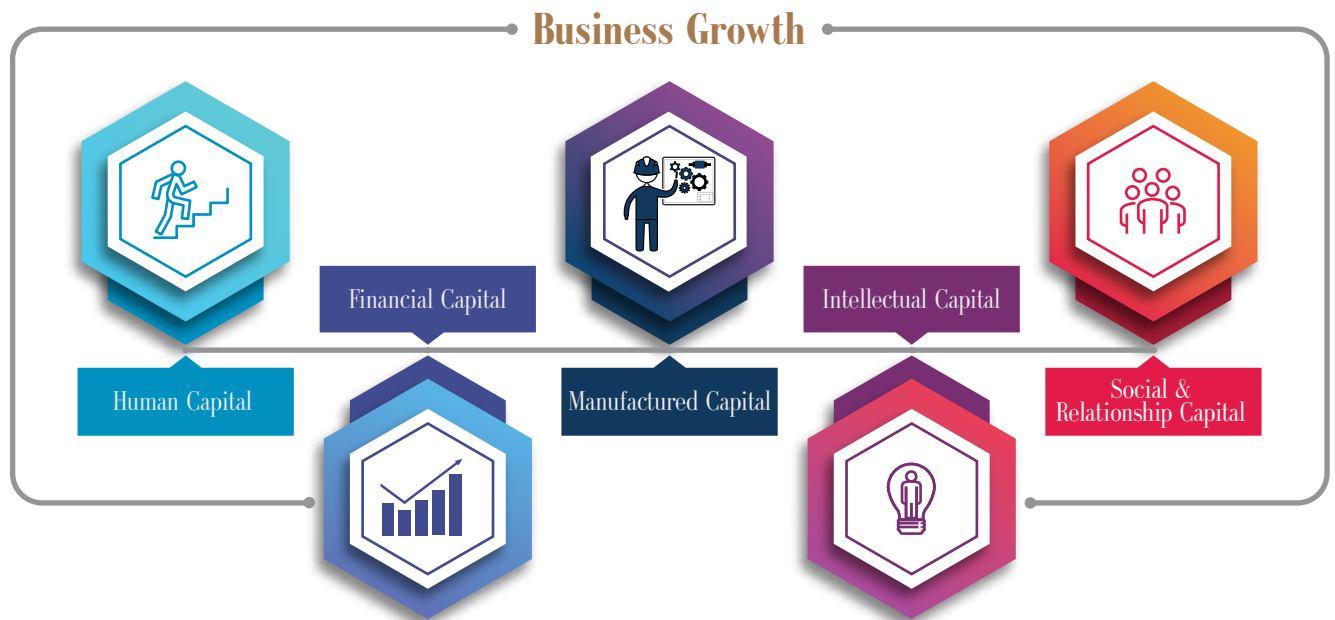
Cost is effectively controlled by the addition of the most modern, state-of-the-art machinery, which not only results in energy conservation but also produces quality products in the most efficient and effective manner. In spite of volatility in cost of major inputs, the Company managed to effectively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

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

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

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

resource allocation plan



Our Strategy

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

Human Capital

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

Manufactured Capital

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

Financial Capital

The Company has a long-term loan of Rs. 2.81 billion (including long-term loan for the payment of Wages and Salaries) and short-term loan of Rs. 2.63 billion. Short-term loan of the Company reduced due to efficient management of working capital despite increase in business activity. The Company had procured extra stock last year which benefited the Company in current financial year. The annual target has been disseminated to operational departments according to budget targets. The Company is confident that it will manage to reduce its short-term loan to a reasonable level.

Intellectual Capital

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

Social and Relationship Capital

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

liquidity strategy

Current Liquidity Position

Cherat Packaging Limited has always been settling its liabilities well in time without any unnecessary delays. The Company has financing arrangements with all leading banks of Pakistan at competitive rates amounting to Rs. 6.45 billion. The Company regularly monitors its debtors and keeps outstanding days in-line with industry norms. Additionally, the Company reviews its bank position on daily basis to ensure its liquidity.

Currently, the Company has short-term borrowings of Rs. 2,630 million and long-term loan of Rs. 2,806 million. The Company managed to reduce its short-term borrowings by Rs. 320 million through effective inventory management. Moreover the Company also availed SBP's loan deferment option through which an amount of Rs 480 Million relating to current maturity for the year under review is deferred till last year of the loan maturity. The Company has a sustainable growth with increased profitability and business stability. Moreover, the gearing of the Company has also been monitored and controlled in line with the business objectives. Strong liquidity of the Company is evidenced by current ratio of 1.59. The Company has decent credit ratings of 'A' in long-term and 'A1' in short term. The Company managed to earn healthy cash flows during the year; however, these were financed to procure stocks for the operations of Flexible Packaging project. Cash flows are being monitored on a daily basis. Adequate debt equity ratio is maintained. The Company regularly monitors the debt equity ratio to keep the Company from any excessive debt pressure.

Financing Arrangements

The Company has cordial business relations with all the reputed banks and financial institutions of the Country. Adequate unutilized short-term financing facilities are available at the Company's disposal. In the past the Company has obtained long-term loans to finance expansion projects at attractive mark-up rates. During the year, the Company also availed relief offered by SBP against salaries and wages at a discounted rate.

Significant Plans and Decisions

History of Cherat Packaging is marked with expansions and growth. The Company has been performing above par in Bags Manufacturing Division since its inception. The Company strives to introduce cost-effective, yet durable products to its customers. Over the years, the Company has proved itself to be a superior quality supplier that has never compromised on quality. Promising on its legacy of superior quality, the Company ventured into Flexible Packaging. The Company successfully increased its revenue base significantly as compared to last year. The Company plans to expand its production capacity based on market demand and future outlook. The Company is partnering with various FMCG customers to produce product of their choice.

Significant Change in Objectives and Strategies

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

A close-up photograph of a hand placing a wooden block on a tall, narrow tower of Jenga blocks. The tower is composed of many layers of blocks, with some blocks protruding from the sides. The background is blurred, showing a window with light coming through. The overall scene is well-lit and focused on the hand and the tower.

Risks and Opportunities

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risks and opportunities

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

RISKS

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

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

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

Risk Level / Impact	Risk	Area of Impact	Source	Key Source of Uncertainty	Mitigating Strategy
High / High	Rising cost of imported raw material	Financial capital	External	Raw material cost component is a substantial part of the overall cost of production of the Company. Suppliers increase the cost of products supplied in view of international economic conditions including rising costs of international fuel prices.	The Company analyses raw material prices offered by various suppliers on a regular basis to compare and control its purchasing cost. Moreover, it has strategic relationships with key international raw material suppliers which benefit the Company in price negotiation and prompt material delivery.
High / High	Exchange Rate Fluctuation	Financial capital	External	It becomes challenging for the Company to compete in the market due to frequent fluctuation of PKR parity against USD and Euro.	The Company regularly scrutinizes the parity fluctuations and whenever needed, enters into hedging arrangements.
Moderate / High	Operations risk	Financial capital	External	Pandemic like COVID-19 induced lockdown affected supply of raw material, and reduced production and sales.	The Company developed SOPs for workplace allowing the Company to continue its work under controlled environment. Further, the Company maintains reasonable stock that leverages the Company to continue its production in case of disrupted supply. Moreover, the Company maintains strategic partnership with key suppliers to avail preferred supply of raw material.

Risk Level / Impact	Risk	Area of Impact	Source	Key Source of Uncertainty	Mitigating Strategy
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 forthcoming production plan to determine safety stock level and reordering of raw materials.
Moderate / High	Credit Risk	Financial Capital	Internal	The Company extends credit to its customers. There lies a risk factor that the customers may fail to discharge their obligations and cause a financial loss to the Company.	The Company regularly analyses the credit position and credit worthiness of its customers and extends credits based on minimum risk of financial loss. The Company also receives advance against sales, local LC or post-dated cheques where the risk factors are higher than the Company's pre-defined standards. Moreover, the Company regularly monitors its outstanding debtors and endeavours to keep days outstanding to allowed number of days.
Low / High	Working Capital Management	Financial Capital	External	Any increase in raw material cost or increase in volume of raw material stock or debts may limit the avenues for availability of sufficient working capital.	Management has addressed the risk of shortage of working capital by availing the sufficient credit lines from the diversified financial institutions in order to meet the short-term requirements of the Company.
Low / High	Rise in Energy Costs	Manufactured Capital, Relationship Capital	External	The energy cost component is an important factor of the overall cost of product. Any rise in energy cost would hurt the profitability of the Company.	The Company cannot avoid usage of Government supplied electricity as the cost of self-generated electricity is much higher than current energy cost. Keeping this in mind, the management of the Company strives to keep production wastage to a minimum level and productivity at the highest. Higher productivity helps reduce energy cost per bag and thereby increase profitability of the Company. Moreover, the Company has most modern and most efficient machinery in place. The Company is also installing IMW solar power plant that would reduce energy cost. Further, arrangement with PEDO Khyber Pakhtunkhwa will yield reduction in energy cost.

Risk Level / Impact	Risk	Area of Impact	Source	Key Source of Uncertainty	Mitigating Strategy
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.
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 a 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 Kraftpaper, Polypropylene and Flexible Packaging material.	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 Kraftpaper and Polypropylene bags and Flexible Packaging material.	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 Flexible Packaging laminated and LDPE bags.	The Company is committed to explore all possible avenues to maximize the pace of growth of the Company and Shareholders wealth.
Efficient and congenial work environment	Human capital	Internal	Provide congenial work environment where employee feels motivated for work.	Provide effective environment without excessive work pressure. Continuous training and development of employees. Benefit aligned with efficient and effective work and team management.
Growth of FMCG market	Relationship capital, Manufactured capital	External	Expected growth in FMCG market owing to CPEC and other developmental projects.	The Company invested in flexible packaging plant with Flexo, Roto and Extrusion machines to materialize potential growth.

Materiality Approach

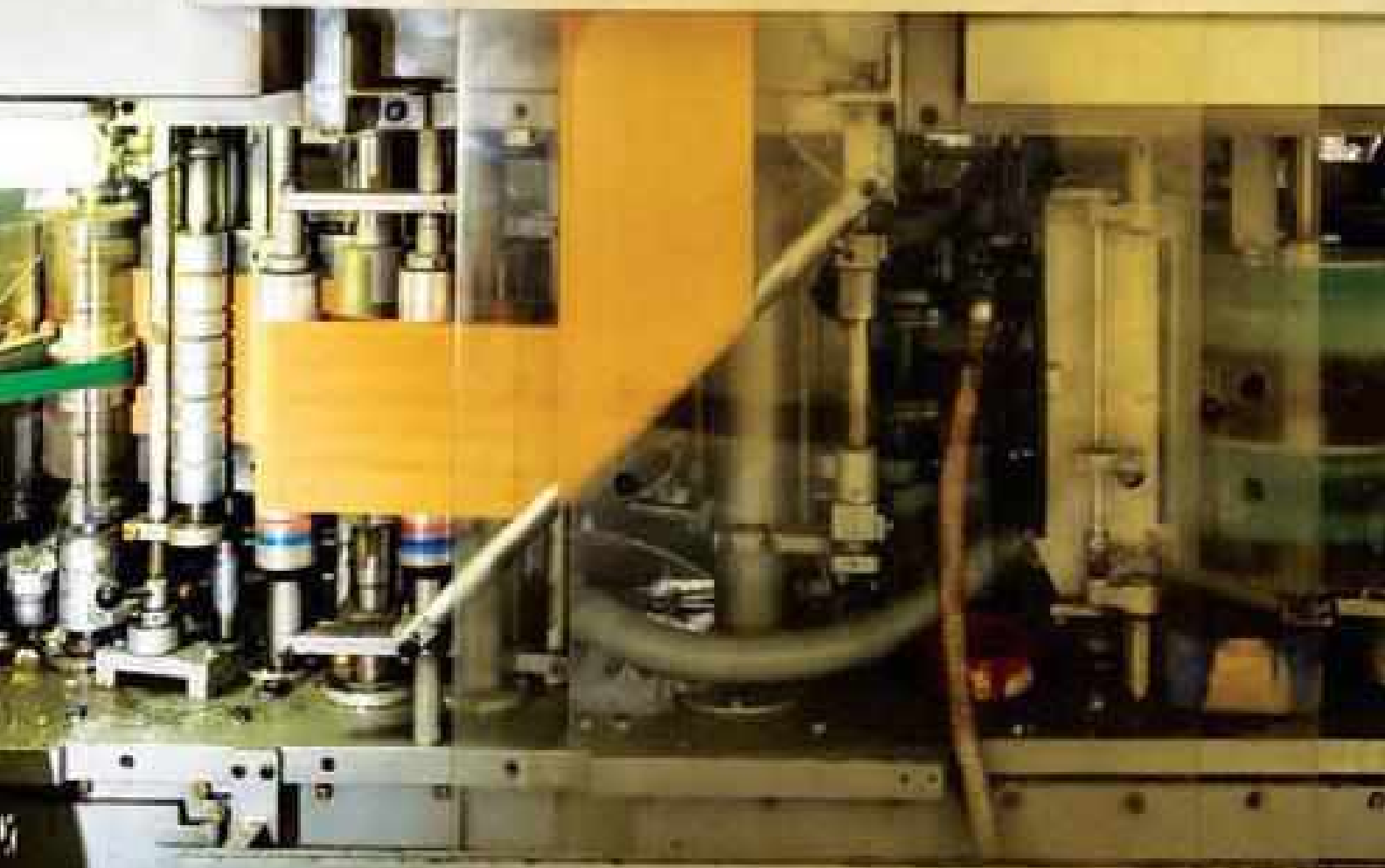
The Board of Directors of Cherat Packaging reposes authority and power to the Company's management for taking day to day decisions. The management however, observes the approach of materiality in applying power and authority.

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.



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notice of annual general meeting

Notice is hereby given that the 31st Annual General Meeting of the Company will be held on Monday, October 26, 2020 at 11:00 a.m. at the Registered Office of the Company at Betani Arcade, Jamrud Road, Peshawar, to transact the following businesses:

ORDINARY BUSINESS

1. To receive and consider the Audited Accounts of the Company for the year ended June 30, 2020 with the Directors' and the Auditors' Reports thereon.
2. To consider and approve the payment of cash dividend @ 10% (Re.1/- per share) to the shareholders for the financial year ended June 30, 2020 as recommended by the Board of Directors.
3. To appoint Auditors for the year 2020/21 and to fix their remuneration.
4. To elect nine (9) Directors of the Company as fixed by the Board of Directors u/s 159(1) of the Companies Act, 2017. The names of retiring Directors are (1) Mr. Akbarali Pesnani (2) Mr. Amer Faruque (3) Mr. Aslam Faruque (4) Mr. Shehryar Faruque (5) Mr. Arif Faruque (6) Mr. Abid Naqvi (7) Mr. Ali H. Shirazi (8) Mr. Abid Vazir.
5. To transact any other business with the permission of the chair.

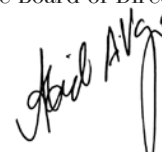
SPECIAL BUSINESS

6. To consider and approve the following resolution as Special Resolution:
 - a) "RESOLVED that the transactions carried out in the normal course of business with related parties and associated companies as disclosed in Note 37 of the Financial Statements during the year ended June 30, 2020, be and are hereby ratified and approved."
 - b) "FURTHER RESOLVED that the Board of Directors of the Company be and is hereby authorized to approve all transactions to be carried out in the normal course of business with related parties and associated companies during the ensuing year ending June 30, 2021."

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

Karachi: August 27, 2020

By Order of
the Board of Directors



Abid Vazir
Director & Company
Secretary

NOTES:

1. The register of members of the Company will be closed from Tuesday, October 20, 2020 to Monday, October 26, 2020 (both days inclusive) and no transfers will be registered during that time. Shares received in order at the Office of the Share Registrar of the Company, M/s. CDC Share Registrar Services Limited (CDCSRSL), CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400 at the close of business on Monday, October 19, 2020 will be treated in time for the above entitlement.
2. A member of the Company eligible to attend, speak and vote at the Annual General Meeting may appoint another member as his/her proxy to attend, speak and vote in his/her stead. Proxies to be effective must be in writing and must be received by the Company's Head Office 48 hours before the Meeting.
3. Shareholders of the Company whose shares are registered in their account/sub-account with Central Depository System (CDS) are requested to bring original Computerized National Identity Card along with their account number in CDS and participant's ID number for verification.
4. Shareholders of the Company are requested to immediately notify any change in their addresses to the Share Registrar of the Company.
5. Shareholders who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) are requested to send the same to the Share Registrar of the Company.
6. Section 242 of the Companies Act, 2017 provides that in case of a listed company, any cash dividend declared by the company must be paid electronically directly into the bank accounts of the shareholders. In order to receive dividends directly into their bank account, shareholders are requested to fill in E-Dividend Mandate Form available on the Company's website i.e. www.gfg.com.pk and send it duly signed along with a copy of CNIC to the Registrar of the Company M/s. CDC Share Registrar Services Limited in case of physical shares. In case shares are held in CDC, then E-Dividend Mandate Form must be submitted directly to shareholder's broker / participant/CDC investor account services. In-case of non-submission of IBAN, the Company will withhold the payment of dividends under the Companies (Distribution of Dividends) Regulations, 2017. Further, the information regarding gross dividend, tax/zakat deduction and net amount of dividend will be provided through the Centralized Cash Dividend Register (CCDR), therefore, shareholders should register themselves to CDC's eServices Portal at <https://eservices.cdcaccess.com.pk>.
7. All Shareholders are advised to check their status on Active Taxpayers List (ATL) available on FBR Website and if required take necessary actions for inclusion of their name in ATL. In case a person's name does not appear in the ATL the applicable tax rate will be increased by hundred percent.
8. In case of joint account, please intimate proportion of shareholding of each account holder along with their individual status on the ATL.
9. Withholding Tax exemption from the dividend income shall only be allowed if copy of valid tax exemption certificate is made available to CDC Share Registrar Services Limited by first day of Book Closure.
10. With reference to S.R.O. 787(I)/2014 dated September 8, 2014 issued by SECP; shareholders have option to receive Annual Audited Financial Statements and Notice of General Meeting through email. Shareholders of the Company are requested to give their consent to the Company's Head Office to update our record if they wish to receive Annual Audited Financial Statements and Notice of General Meeting through email. However, if shareholder, in addition, request for hard copy of Audited Financial Statements, the same shall be provided free of cost within seven [7] days of receipt of such written request.
11. Members may exercise their right to vote by means of postal ballot i.e. by post or through electronic mode subject to the requirements of section 143-145 of the Companies Act, 2017 and applicable clauses of Companies (Postal Ballot) Regulations, 2018.
12. Members can also avail video conference facility, in this regard, please fill the following and submit to Head Office of the Company seven (7) days before holding of the Annual General Meeting. If the Company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least seven (7) days prior to date of the meeting, the Company will arrange video conference facility in the city subject to availability of such facility in that city.

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

13. Any person who intends to contest the election for the office of the Directors or otherwise, shall file with the Company at its Head Office not later than fourteen (14) days before the date of the Annual General Meeting, a notice of his/her intention to offer himself/herself for election as Director in terms of Section 159(3) of the Companies Act, 2017 along with (a) consent to act as director on Form 28, duly completed and signed by the candidate; (b) a detailed profile along with office address for placement on the Company's website seven days prior to the date of the AGM, in terms of SRO 1196(I) of 3rd October 2019; and (c) declarations in respect of being compliant with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 and the eligibility criteria as set out in the Companies Act, 2017.

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 26, 2020. The approval of the Members of the Company will be sought for:

During the financial year ended June 30, 2020 the Company carried out transactions with its associated companies and related parties in accordance with its policies and applicable laws and regulations. Related party transactions require shareholders' approval under sections 207 and 208 of the Companies Act, 2017. Such transactions are being placed before the shareholders for their approval through special resolution proposed to be passed in the Annual General Meeting.

The shareholders are requested to ratify the transactions which have been disclosed in Note no. 37 of the Financial Statements for the year ended June 30, 2020 and further to authorize the Board of Directors to conduct transactions with related parties or associated companies for the year ending June 30, 2021.

Party wise breakup of transactions as disclosed in Note no. 37 of the Financial Statements for the year ended June 30, 2020 is given below:

Name of Related Party	Nature of Transaction	Amount (Rs'000)
Cherat Cement Company Limited	Sale of Packing Material	2,102,903
Cherat Cement Company Limited	Dividend Paid	7,097
Cherat Cement Company Limited	Dividend Received	4,843
Cherat Cement Company Limited	Purchase of Goods	356
Employees Provident & Gratuity Funds	Contribution To Fund	26,918
Faruque (Private) Limited	Services Received	24,637
Faruque (Private) Limited	Dividend Paid	9,902
Greaves Airconditioning (Private) Limited	Services Received	17,992
Greaves Airconditioning (Private) Limited	Purchase of Fixed Assets	53,196
Greaves Pakistan (Private) Limited	Services Received	17
Greaves Pakistan (Private) Limited	Dividend Paid	4,852
Greaves Pakistan (Private) Limited	Purchase of Goods	1,968
Jubilee General Insurance Company Limited	Insurance Premium	15,977
Key Management Personnel	Remuneration	147,596
Mirpurkhas Sugar Mills Limited	Sale of Packing Material	539
Mirpurkhas Sugar Mills Limited	Dividend Paid	4,797
Zensoft (Private) Limited	Software Consultancy Charges	13,749



directors' profile

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 44 years. Presently he is the Chairman of Cherat Packaging Ltd., and Aga Khan Cultural Service Pakistan and a Director on the Board of Cherat Cement Company Ltd., Jubilee General Insurance Co. Ltd., Agha Steel Ltd. and Pakistan Cables Ltd. His association with the Ghulam Faruque Group dates back almost 39 years.

Mr. Amer Faruque - Chief Executive

Mr. Amer Faruque is the Chief Executive of the Company. He is a Bachelor of Science (BS) graduate in Business Administration majoring in Management / Marketing from Drake University, Des Moines, Iowa, USA. He serves as a member of the Board of Directors of Mirpurkhas Sugar Mills Ltd., Faruque (Pvt.) Ltd., Greaves Pakistan (Pvt.) Ltd., Greaves CNG (Pvt.) Ltd., Greaves Modaraba Management Company (Pvt.) Ltd. and Executive Director Marketing of Cherat Cement Co. Ltd. In the past he has served as a member of the Board of Governors of Ghulam Ishaq Khan (GIK) Institute of Engineering Sciences and Technology 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 and Greaves Engineering Services (Pvt.) Ltd. Currently he is serving as Chairman of Pakistan Sugar Mills Association - Center.

In the past, he has also served as the Chairman of Pakistan Sugar Mills Association - Sindh Zone, and Director of Sui Southern Gas Company Ltd, State Life Insurance Corporation of Pakistan and Pakistan Industrial Development Corporation.

Mr. Shehryar Faruque - Director

Mr. Shehryar Faruque is a graduate from Davis & Elkins College, Elkins, WV, USA. He serves on the Board of Directors of Faruque (Private) Limited, Zensoft (Private) Limited, Mirpurkhas Energy Limited and Greaves Modaraba Management Company (Private) Limited.

Mr. Arif Faruque - Director

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

Mr. Ali H. Shirazi - Director

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

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

Mr. Abid Naqvi - Director

Mr. Abid Naqvi is the CEO of ACL Capital (Pvt.) Limited, a business development company affiliated with Associated Constructors Ltd. (ACL). Both companies are family owned private entities, and leading players in the construction industry and building materials market.

Mr. Naqvi serves on the Boards of Alfalah GHP Investment Management Limited, Atlas Honda Ltd. and Pakistan Mortgage Refinance Co. (PMRC). He is the Chairperson of the Board Audit Committees of Alfalah GHP Investment Management Ltd., Atlas Honda Ltd. and PMRC. He is also the Chairperson of the Board HR Committee of Atlas Honda Ltd.

Mr. Naqvi has worked in the field of Commercial and Development Banking and Stock Brokerage for a period of 35 years. He served as CEO of Taurus Securities Limited, a renowned name in the Stock Brokerage industry.

Mr. Naqvi is a graduate in Economics and Finance from University College London (University of London).

Mr. Abid Vazir - Director

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

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



chairman's review

I am pleased to share with you the financial results of the Company for the year 2019/2020. The emergence of the COVID-19 pandemic has caused a major catastrophe worldwide resulting in major disruptions of industrial activities. This has affected Pakistan as well because of lockdown imposed by the Government to contain the spread of the virus. COVID-19 also moderately affected the operations of Cherat Packaging (CPL) as demand for the cement and FMCG sectors was down during the last quarter of the year i.e. April-June 2020.

CPL has continued to follow a growth-oriented strategy based on capacity enhancements of existing businesses and diversification into new lines of business. By virtue of its recent investment in the field of flexible packaging, the company has become one of the most diversified suppliers and a leader of the packaging industry. The company is receiving an encouraging response from the market and is supplying flexible packaging materials to a number of reputable customers in Pakistan. With its state-of-the-art equipment and highly qualified personnel, the company is living up to its reputation of delivering top quality products to its customers. The management is confident that economic conditions in the country will stabilize and demand for packaging materials will witness an upward trend this year.

As mentioned, the year 2019/20 proved to be an extremely challenging year due to COVID-19. Reduction in discount rates and loan deferment facility provided by the SBP are expected to help the industry in overcoming some of the financial difficulties. Furthermore, the announcement of Construction Package by the Government is expected to provide boost to the construction industry resulting in increased requirement for cement, which in turn would generate the demand for cement bags produced by the company.

During the year, the Board of Directors has performed its duties and responsibilities diligently and has contributed effectively in guiding the company in strategic matters and developing a long-term vision. In today's volatile environment, it has focused on major risk areas and continued to be engaged in strategic planning processes of the company, especially during the COVID-19 pandemic. The Board recognizes that well defined corporate governance processes are important to preserve and enhance stakeholder's value. All Directors including Independent Directors, fully participated and contributed in the decision-making process of the Board. The Board carried out its annual self-evaluation in line with the requirements of the Code of Corporate Governance.

Cherat Packaging is a reputable name in the industry and is synonymous with a commitment to delivering quality products. It is the intention of the company to keep pace with the changing business environment to meet the demand of its customers thus ensuring growth, profitability, and sustainability of the company.

I would like to extend my thanks and appreciation to all the staff members, customers, suppliers, bankers, shareholders and the Board of Directors for their commitment and hard work.

On behalf of the
Board of Directors



Akbarali Pesnani
Chairman

Karachi: August 27, 2020



directors' report to the members

for the year ended June 30, 2020

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, 2020.

OVERVIEW

The outbreak of COVID-19 pandemic has caused an unprecedented global economic crisis. It has impacted businesses and industries in Pakistan and your company also was affected in the last quarter due to slowdown of the construction industry and the FMCG sector. In order to help local industries overcome this crisis, the government and State Bank of Pakistan introduced various relief measures including reduction in discount rates, deferment of long-term loan facility and announcement of Construction Package. These measures are starting to have a very positive impact and are expected to help revive the national economy.

BUSINESS REVIEW

Cherat Packaging has become the most diversified and one of the leading packaging solution providers in Pakistan. Besides producing and supplying conventional cement bags made from Kraftpaper and polypropylene granules, the company also supplied packaging material

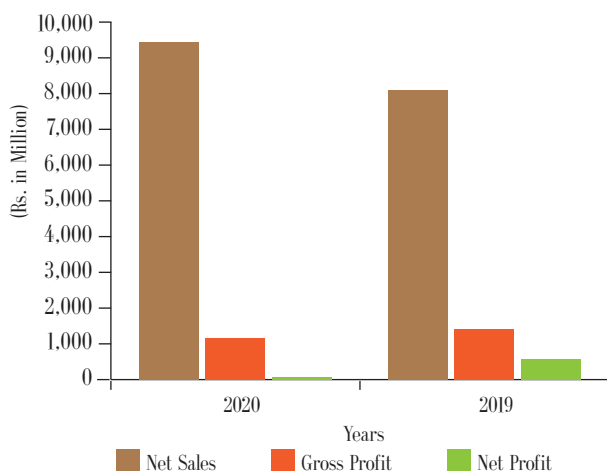
to sugar, chemicals and other allied sectors. Its diversification strategy of establishing a Flexible Packaging division in 2018 has allowed the company to target a new customer base, including FMCG sector, and has enabled it to enhance avenues for future growth of the business.

Since the time of its establishment in the year 2018/19, the company's Flexible Packaging division has made a name for itself and has received positive response from the market. Reputable customers have placed their requirements for flexible packaging material with the company. During the year under review, the company has successfully gone through the certification process and also supplied samples to potential customers. Although, the project incurred fixed costs during the period, this usually happens with such projects at this stage; however, going forward, increases in sales volumes and ongoing improvements in operational efficiencies are expected to have a positive impact on the overall operational results of the Company.

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

	2020	2019
	(Rupees in million)	
• Net sales	9,436.19	8,093.41
• Gross Profit	1,173.73	1,400.65
• Net Profit	70.24	562.87

Financial Highlights



FINANCIAL PERFORMANCE

There has been a 17% increase in the sales revenues of the company from last year. Adjustment in price of bags to offset the impact of increased costs, and higher sales of flexible packaging material has resulted in enhanced sales revenues of the company. During the year, there was increase in costs of production because of devaluation of Pak rupee vis-à-vis US dollar and Euro. There was also an increase in finance cost due to long term loans obtained for new projects like Flexible Packaging division, enhanced working capital requirement and higher mark up rates. In a highly challenging business environment due to Covid - 19 pandemic, the company posted an after-tax profit of Rs. 70 million for the year ended June 30, 2020.

DIVIDEND

Taking into consideration the challenging business condition and outlook of the industry and the country in general due to COVID-19, the Board of Directors at its meeting held on August 27, 2020 has proposed to declare a 10% cash dividend for the year 2019/20. The approval of members for the cash dividend will be obtained at the Annual General Meeting to be held on October 26, 2020.

CORPORATE SOCIAL RESPONSIBILITY

The Company has always strived to play its due role in the society and is aware of its responsibility towards people, environment and climate of Pakistan. In line with its corporate social responsibility policies, the company has endeavored to improve the overall conditions of the people living around the manufacturing plant and the surrounding areas. Following the outbreak of Covid - 19, the company reached out to the poor segments of society and provided necessary support. Furthermore, it contributed to various reputable charitable institutes and will continue to do so as it envisions a better environment, a better economy and a better Pakistan.

SAFETY, HEALTH AND ENVIRONMENT

Consequent to the outbreak of the disease, appropriate measures have been taken by your company, including strict implementation of protocols on health and employee safety to ensure all staff members remain as safe as possible from this virus, as it is of paramount importance. Safety of workers remains a top priority for the company. The company has a firm policy on the health and safety of its staff because it understands that people are the most important asset it has. Personal protection equipment was provided to all levels of staff and steps like social distancing, contact tracing, random testing etc. were introduced by the company to ensure the wellbeing of employees and continuity of business. The company also conducts Covid tests of its staff at its cost and allowed them to work from home.

CONTRIBUTION TO NATIONAL EXCHEQUER

During the year, the company contributed over Rs. 3 billion to the Government treasury in the form of duties and taxes.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- The financial statements prepared by the management of the Company present its state of affairs fairly, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed and explained.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no significant doubts on the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, 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 funds as on June 30, 2020.

Provident Fund	Rs. 177.56 million
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Gratuity Fund	Rs. 77.10 million
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BOARD OF DIRECTORS

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

- Male Directors 8
- Female Directors -
- a. Independent Directors 2
 - i. Mr: Abid Naqvi
 - ii. Mr: Ali H. Shirazi
- b. Non-Executive Directors 4
 - i. Mr: Akbarali Pesnani
 - ii. Mr: Aslam Faruque
 - iii. Mr: Shehryar Faruque
 - iv. Mr: Arif Faruque

- c. Executive Directors 2
 - i. Mr: Amer Faruque
 - ii. Mr: Abid Vazir

- Female director will be inducted on the expiry of the current term of the Board of Directors.
- 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	3
• Mr: Shehryar Faruque	3
• Mr: Arif Faruque	5
• Mr: Abid Naqvi	5
• Mr: Ali H. Shirazi	5
• Mr: Abid Vazir	5

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

Name of Director	Meetings Attended
• Mr: Abid Naqvi	4
• Mr: Arif Faruque	4
• Mr: Shehryar Faruque	2

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

Name of Director	Meetings Attended
• Mr: Ali H. Shirazi	2
• Mr: Aslam Faruque	1
• Mr: Amer Faruque	2

- The pattern of shareholding is annexed with the report.
- Earnings per share (EPS) during the year was Rs. 1.65 compared to Rs. 13.24 last year.

DIRECTORS' REMUNERATION

Through the Articles of the Company, the Board of Directors is authorized to fix remuneration of Non-Executive and Independent Directors from time to time. In this regard, the Board of Directors has developed a comprehensive Remuneration policy for Non-executive and Independent Directors of the company. The detail of Directors' remuneration is disclosed in Note 36 of the Financial Statements for the year ended June 30, 2020.

ANNUAL EVALUATION OF PERFORMANCE

As part of the Code of Corporate Governance, the annual evaluation of the Board of Directors, Committees and Individual Directors is carried out by the company. In this regard, the company has engaged M/s. Grant Thornton Anjum Rahman, Chartered Accountants to ensure transparency of the process.

RELATED PARTIES TRANSACTIONS

All transactions with related parties have been executed at agreed terms as approved by the Board of Directors and have been properly disclosed in the financial statement of the Company.

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The Company has fully complied with requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019. Statement of Compliance is provided under the relevant section of the report.

UNIENERGY LIMITED

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

RISK AND OPPORTUNITIES

• Risk Management

As part of its responsibilities, the members of the Board of Directors keeps 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 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 risks to the business. These strategies were monitored throughout the hierarchy of the Company through the Audit Committee.

• 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 assessments 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.

• Debt Repayment

The Company has always paid of all its due debts on time. During the year 2019/20, the State Bank of Pakistan allowed companies the defer payment of their long term loans falling due within a year to help them overcome the financial impact of COVID-19 without spoiling their credit history. The Company has availed this facility and has deferred its long term loan amounting to Rs. 480 million falling due during the year. Furthermore, the Company has also obtained wage financing scheme offered by State Bank of Pakistan at extremely low interest rates.

• Capital Structure

The Company's current debt to equity percentage is about 37:63. 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

COVID-19 pandemic has caused major volatility for businesses worldwide. Although your company has so far been less impacted by COVID-19, there remains uncertainty over the future market scenario and business environment. Because of the measures taken by the government and other regulatory authorities to handle the pandemic, the number of positive cases of COVID-19 has now started to decline. Announcement of the construction package, decline in discount rates along with long term loan deferment and low rate wage financing schemes introduced by the government have helped industries in the country to mitigate the financial crisis caused by COVID-19. We would also like to appreciate the measures taken by the government in the recent Federal Budget to promote business activities in the country.

As part of its business strategy, the company has over the years made consistent investments in not only enhancing the production capacities of its existing businesses but also has ventured into new areas of packaging. It has positioned itself to not only meet the demand for packaging materials from the cement sector but also from other industries including the FMCG sector. This has allowed the company to align with its long-term objective of being a leading player in the field of packaging and become a one-stop solution provider. During the year, the company also introduced ZeroFly bags in Pakistan that are used for packaging of rice and other similar food products.

The current situation arising out of COVID-19 presents a major challenge due to its ability to impact the

demand of local industries and consumers. As explained above, your Company has taken appropriate measures including strict implementation of protocols on health and employee safety following the outbreak of the disease. This is to ensure that all staff members remain as safe as possible and impact on business operations is kept as minimal as possible.

In order to reduce its electricity costs, the Company is installing 1 MW solar panels at its flexible packaging division. Furthermore, the Company has also started receiving around 1MW electricity under Wheeling Regime Energy Purchase Agreement from Pakhtunkhwa Energy Development Organization (PEDO) at a reduced rate since June 2020. In these highly uncertain times, your Company is closely monitoring the situation and will continue to take appropriate measures to safeguard the interests of stakeholders.

APPOINTMENT OF AUDITORS

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

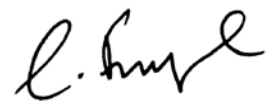
ACKNOWLEDGMENT

The management would like to express its gratitude to all customers, financial institutions, staff members, suppliers and shareholders who have been associated with the Company for their continued support and cooperation. It would like to particularly thank Mondri 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 27, 2020

Chairman's Significant Commitments and any Changes Thereto

Mr. Akberali Pesnani is serving Cherat Packaging Limited as the Chairman of the Board. Apart from his associations as mentioned in Directors' profile, he does not have any significant commitment.

How the Board Operates and the Matters Delegated to the Management

At the time of appointment of director; the Chairman of the Board communicates a complete set of document of roles, responsibilities and powers as director of the Company. These roles, responsibilities and powers (which includes decision making powers) are in accordance with the provisions of applicable and relevant laws.

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 supervision 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, Chief Executive Officer (CEO), Committees and Individual Members

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

Questionnaires have been developed based on relevant criteria such as effectiveness, accountability, planning, leadership and strategy formulation by the Board and also its committees. Directors are also asked to fill out a self-evaluation questionnaire which focuses on their participation and satisfaction with the different proceedings of the Board and their individual role as a member. In addition, a separate evaluation questionnaire for Chief Executive Officer has also been developed for his performance. The performance evaluation of the CEO is carried out by all the Directors.

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

The Company has engaged M/s. Grant Thornton Anjum Rahman, Chartered Accountants to ensure transparency of the process.

Directors' Orientation and Training

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

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. **Integrated Reporting Framework:** The management reports various other essential information in this annual report which is not required by law. We are trying to adapt integrated reporting framework.
- b. **Implementations of HSE:** The Company has developed and implemented aggressive HSE strategies at its Plants to ensure 100% safety of its people and equipment.
- c. **Dissemination 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.

Related Parties

As required under fourth schedule of the Companies Act, 2017, detailed disclosures regarding related party transactions have been presented in note 37 to the Financial Statements. Such disclosure is in line with the requirements of the 4th Schedule to the Companies Act, 2017 and applicable International Financial Reporting Standards.

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

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

Directors are kept informed and updated: To keep update to the Directors with major amendments and changes in applicable relevant laws.

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.

Keeping in view of the COVID-19 pandemic, some Board Meetings were conducted through video conference.

Induction of Female Director

Female Director will be inducted on the expiry of the current term of the Board. The forthcoming election will be held on October 26, 2020.

Independent Director

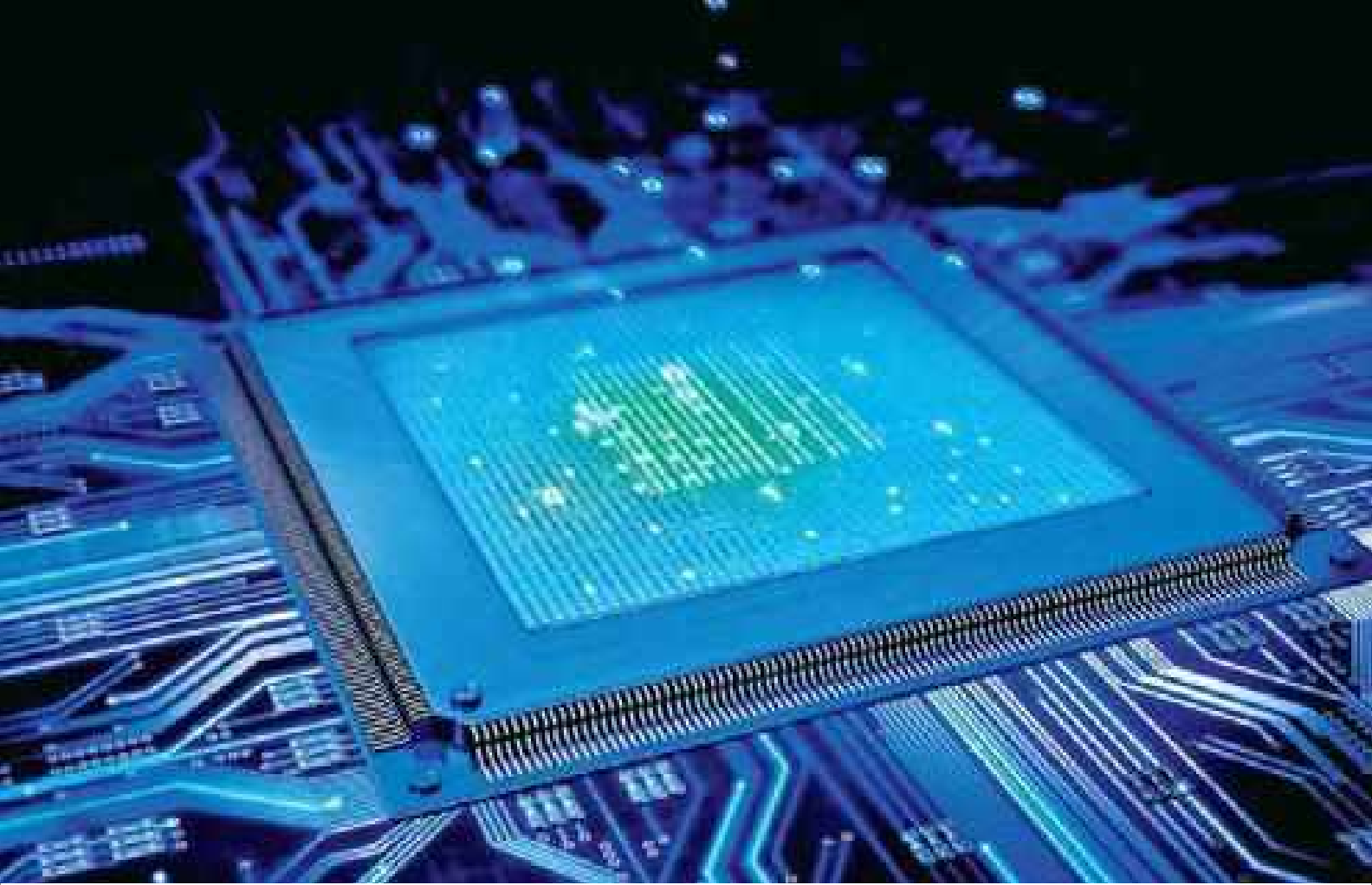
Cherat Packaging Limited has ensured that the composition of its Board of Directors is compliant with all prevailing legal and governance requirements. The new law requires one - third of the Board to be independent and Cherat Packaging Limited will comply with this requirement after the next elections.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

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

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



AM 81 5



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.



social & environmental responsibility policy

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

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

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

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





human resource policies

At Cherat Packaging Limited we attribute our continued success to our people. Our employees are our enduring advantage and it is our ability to create high performance teams in a culture of inclusiveness, professionalism and excellence that drives our growth. To maintain our HR competitiveness, we remain focused on areas of talent management, learning & development; succession planning, and the development of a robust Management Trainee Program.

Attracting the Best Talent

To support the Company's objective of acquiring the best talent, we have recalibrated our Trainee Engineer Program as "Future Leaders Program" to make it dynamic in its offerings to students allowing them to challenge their potential. By providing graduating students with an exhilarating route to enter our Graduate Trainee Engineering programs, we undertook several campus recruitment drives at leading Engineering educational institutions with an aim to find the best talent that would build the company-wide pipeline of emerging leaders and also to be part of our enterprising organizational culture.

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 is 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 are 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.

Core Values

Values are what support the vision, shape the culture and reflect what an organization values. They are the essence of the organization's identity - the principles, beliefs or philosophy of values.

Our Core Values (Respect, Fairness, Quality, Ownership) are imbedded in our recruitment process, performance appraisals and recognition initiatives.



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.



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 confidential 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 the conflict of interest and, if necessary, from the Board meeting, or applicable part thereof.



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 dependent 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 incidence was reported under the mentioned procedure.





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 relevant laws, 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.





information system security policy

Objective

The objective of Information Security is to ensure continuity of business of the Company and to minimize business damage by preventing and limiting the impact of security incidents.

Policy

1. The purpose of the Policy is to protect Company information assets from all threats, whether internal or external, deliberate or accidental. These assets relate to information stored and processed electronically.
2. It is the Policy of the Company to ensure that:
 - a. Information will be protected against unauthorized access.
 - b. Confidentiality of information will be assured, by protection from unauthorized disclosure or intelligible interruption.
 - c. Integrity of information (its accuracy and completeness) will be maintained by protecting against unauthorized modification.
 - d. Regulatory and legislative requirements will be met, including record keeping, according to Information Security Management System standard.
 - e. Disaster Recovery plans will be produced, maintained and tested, to ensure that information and vital services are available to the Company when needed.
 - f. Information on security matters will be made available to all staff.
 - g. All breaches of information security, actual or suspected, will be reported to and investigated by the Information Security Officer / Internal Audit.
3. Standards will be produced to support the policy. These standards will include regulations, guidelines and procedures covering matters such as (not limited to) data security, backup, virus control and passwords.
4. Business requirements for the available of information and information system will be met.
5. The role and responsibility for managing information security will be assigned to a designated Information Security Officer / Internal Audit.
6. The information Security Officer / Internal Audit will be responsible for maintaining the Policy and providing advice and guidance on its implementation.
7. All managers are responsible for implementing the Policy within their business areas, and for adherence by their staff.
8. It is responsibility of each employee to adhere to the Policy.

Non-Executive & Independent Directors' Remuneration Policy

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.

Policy on Related Party Transactions

Preamble

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

Scope of the Policy

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

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

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

Definitions

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

(ii) **Office of profit** means any office:

- a) where such office is held by a director; if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director; by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.
- b) where such office is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

(iii) **Related party** includes

- a) a director or his relative;
- b) a key managerial personnel or his relative;
a **key managerial personnel** shall mean the following;
 - the Chief Executive Officer of the Company;
 - the Company Secretary of the Company;
 - the whole time Directors on the Board of the Company; and
 - the Chief Financial Officer of the Company.
- c) a firm, in which a director, manager or his relative is a partner;
- d) a private company in which a director or manager is a member or director;
- e) a public company in which a director or manager is a director or holds along with his relatives, any shares of its paid up share capital;
- f) any body corporate whose chief executive or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- g) any person on whose advice, directions or instructions a director or manager is accustomed to act;
- h) any company which is:
 - a holding, subsidiary or an associated company of such company; or
 - a subsidiary of a holding company to which it is also a subsidiary
- i) such other person as may be specified.
- j) **relative** means spouse, siblings and lineal ascendants and descendants of a person.

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

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

Types of related party transactions

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

- i. sale, purchase or supply of any goods or materials;
- ii. selling or otherwise disposing of, or buying, property of any kind;

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

Disclosure and Approval of Related Party Transactions

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

- (i) name of related party;
- (ii) names of the interested or concerned persons or directors;
- (iii) nature of relationship, interest or concern along with complete information of financial or other interest or concern of directors, managers or key managerial personnel in the related party;
- (iv) detail, description, terms and conditions of transactions;
- (v) amount of transactions;
- (vi) timeframe or duration of the transactions or contracts or arrangements;
- (vii) pricing policy;
- (viii) recommendations of the Audit Committee, where applicable; and
- (ix) any other relevant and material information that is necessary for the board to make a well informed decision regarding the approval of related party transactions.

Identification of Related Party Transactions

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

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

Terms of the policy

The terms of reference for the Policy are as follows:

- i. The management shall obtain approval of the policy by the Board;
- ii. The management may enter into any contract or arrangement with a Related Party only in accordance with the policy approved by the Board, subject to such conditions as may be specified;
- iii. The management shall obtain approval of the Board for contracts that are not on arm's length basis or not in the ordinary course of business;
- iv. The management shall present all Related Party transactions to the Audit Committee for their recommendation to the Board for approval;
- v. Every contract or arrangement entered into with a Related Party shall be referred to in the Board's report to the shareholders along with justifications;
- vi. Management shall maintain records of the transactions undertaken with Related Parties;
- vii. If a director or any other employee enters into any contract or arrangement with a Related Party without obtaining the consent of the Board or approval by a special resolution in the general meeting, and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within 90 days from the date of the contract, such contract or arrangement shall be voidable at the discretion of the Board.

Maintenance of Record

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

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

Pricing Methodology

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

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

Scope of Limitation

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

Investor's Grievance Policy

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

Business Continuity and Disaster Recovery Policy

The Board of Directors has approved and continuously reviews the IT Policy and Business Continuity Plan of the Company. The management has arranged offsite data storage facilities. All the key records are being maintained at different locations. Employees are aware of the steps required to be taken in case of any emergency. For further details kindly refer business continuity and disaster recovery plan.

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.



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business continuity and disaster recovery plan

Introduction

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

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

Business Continuity Plan

Manufacturing Facilities

Manufacturing facility of the Company is in Gadoon Amazai, KPK Province of Pakistan. The Company's manufacturing facility is a state of the art construction and the structure is earthquake proof. The building is fire resilient and is fully equipped with 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. During lockdowns imposed by Government in view of COVID-19, Company employees worked from home smoothly via VPN clients.

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

to the members of Cherat Packaging Limited (the Company)
Review Report on the Statement of Compliance contained in
Listed Companies (Code of Corporate Governance) Regulations, 2019



**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, 2019 (the Regulations) prepared by the Board of Directors of Cherat Packaging Limited for the year ended 30 June 2020 in accordance with the requirements of regulation 36 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. 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.

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 2020.

EY Ford Rhodes

Chartered Accountants
Date: 07 September 2020
Place: Karachi

statement of compliance

with Listed Companies (Code of Corporate Governance) Regulations, 2019

For the year ended June 30, 2020

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:

Category	Names
Independent Directors	Mr. Ali H. Shirazi Mr. Abid Naqvi
Non-executive Directors	Mr. Aslam Faruque Mr. Shehryar Faruque Mr. Arif Faruque Mr. Akbarali Pesnani
Executive Directors	Mr. Amer Faruque Mr. Abid Vazir

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
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. The Board has ensured that complete record of particulars of significant policies along with the date of approval or updating is maintained by the company.
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 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. Further following Directors and Executives attended Directors' Training program till June 30, 2020:

Name of Director:

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

Name of Executive & Designation:

Mr. Yasir Masood	Chief Operating Officer & Chief Financial Officer
Mr. Abid Vazir	Director & Company Secretary

10. The Board has approved appointment of Chief Financial Officer; 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. Chief Executive Officer and Chief Financial Officer duly endorsed the financial statements before approval of the Board.
12. The board has formed committees comprising of members given below:

a) Audit Committee

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

b) HR and Remuneration Committee

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

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:
 - a) Audit Committee. - Quarterly
 - b) HR and Remuneration Committee. - Half Yearly
15. The Board has set up an effective internal audit function supervised by a qualified Head of Internal Audit who is considered suitably experienced for the purpose and is conversant with the policies and procedures of the company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of

Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and partners of the firm involved in the audit are not a close relatives (spouse, parent, dependent and non-dependent children) of chief executive officer; chief financial officer; head of internal audit, company secretary or director of the company;

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

On behalf of the Board of Directors



Akbarali Pesnani
Chairman



Amer Faruque
Chief Executive

Karachi: August 27, 2020

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 herein below:

Chairman

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

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

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

Chief Executive Officer

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

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

salient features of terms of reference of the audit committee and the human resource & remuneration committee

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

AUDIT COMMITTEE

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

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

Meetings of the Audit Committee are held at least once every quarter. The Committee reviews the annual financial statements in presence of external auditors. The recommendations of the Audit Committee are then submitted for approval of financial results of the Company by the Board. During the year 2019-20, 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 mandates that the Board of Directors of the Company shall determine the Terms of Reference of the Audit Committee.

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

The Committee shall:

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

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

HUMAN RESOURCE & REMUNERATION COMMITTEE

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

The Human Resource & Remuneration Committee (HR & RC) comprises of three members. The Chairman is an Independent Director whereas the other two members are

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

Terms of Reference of the Human Resource and Remuneration Committee

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

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

The Committee shall:

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

report of the audit committee

Audit Committee

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

The Audit Committee of the Company comprises of two Non-Executive Directors and one Independent Non-Executive 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 2019-2020. 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 Audit Committee has reviewed and approved all related party transactions.
4. The Audit Committee takes into account any feedback from the Board of Directors and incorporates for improvement.

INTERNAL AUDIT AND RISK MANAGEMENT

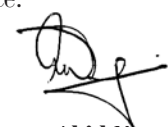
1. For appraisal of internal controls and monitoring compliance, the Company has in place an appropriately staffed, Internal Audit department. The Audit Committee reviewed the resources and performance of the Internal Audit department to ensure that they were adequate for the planned scope of the Internal 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, 2021 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.

August 25, 2020



Abid Naqvi
Chairman

A hand is pointing at the letters 'KPI' on a wooden surface. The letter 'K' is yellow, while 'P' and 'I' are white. The background is a warm, light brown color.

Performance and Position

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analysis of the financial and non-financial performance



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

The Company produces annual budget based on the inputs from all of its departments like marketing, production, procurement, IT, HSE etc. These inputs are assimilated into a master budget which is presented to Board of Directors. The BoD, after deliberations, approves the master budget. The Company was not able to achieve its key targets in the last year's budget, mainly due to weakening of PKR parity against USD and Euro and hike in discount rates. Further, increased competition hampered the achievements. The Company continuously monitors cash flows, gearing and liquidity to evaluate the deviation and take corrective measures to keep all indicators within the target range. The Company also met its non-financial targets in the areas of marketing, human resources and growth to a greater extent.

Financial Indicators

Actual Results

Year 2019-20 has been a challenging one for the Company. Various external factors made business environment extremely difficult for business. In the midst of challenging circumstances, the Company maintained its market leadership. Increased sales price primarily contributed in increased revenue; while Flexible Packaging contributed Rs. 1,271 million in increased revenue. This increase in revenue was not translated into increased profits due to reasons beyond the Company's control like abrupt decrease in PKR parity against Euro and USD causing production cost to increase and consistent increase in discount rates till the third quarter altering Company's finance costs. Furthermore, Flexible Packaging Division, being in the initial stages of its full operations, the Company's investment in client relationship and brand exposure, sustained a loss. Nevertheless, in these conditions, the Company registered a net profit after tax of Rs. 70 million.

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

	2020	2019
	(Rupees in Million)	
Net sales	9,436.19	8,093.41
Cost of sales	8,262.47	6,692.76
Gross Profit	1,173.72	1,400.65
Expenses & taxes	1,103.48	837.78
Net Profit	70.24	562.87

The Company sold 271.13 million bags, further analysis of sales is listed below:

	2020	2019
	(Figures in Million)	
Local sales (Bags)	261.272	264.231
Export sales (Bags)	9.856	6.296
Total sales (Bags)	271.128	270.527
Flexible packaging (Kgs)	4.344	1.171

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

In Rupee terms, sales analysis is reproduced below:

	2020	2019
	(Rupees in Million)	
Local sales		
Kraft Paper & Polypropylene bags	7,529.65	7,556.28
Flexible packaging	1,662.23	391.24
Export sales - Cement packaging	244.31	145.89
Total sales	9,436.19	8,093.41

Budgeted Results

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

	2020 (Actual)	2020 (Budget)
	(Rupees in Million)	
Net sales	9,436.19	13,223.97
Cost of sales	8,262.47	11,559.86
Gross Profit	1,173.72	1,664.11
Expenses & taxes	1,103.48	1,303.18
Net Profit	70.24	360.93

Despite the challenges the Company was anticipating, the Company kept high targets to achieve. Although sales of the Company increased by Rs. 1,342.78 million, however, due to challenges mentioned in foregoing discussion, the Company fell short of its targets. The Company may continue to face challenges like weakening of PKR against USD and Euro but the Company expects that the discount rates will remain same in months to come. The Company is currently exploring new export avenues and investing in the development of new products to facilitate customers and reduce production costs.

Dividend

The Company has a legacy of paying dividend. The company announced 10% cash dividend for FY 2020.

Payment on Account of Duties, Taxes, Levies etc.

The Company fulfills its obligations well in time whether it involves vendors or Government. The Company has no outstanding or overdue duties, taxes or levies during the period.

key performance indicators

Financial Indicators

Sales
9,436
(Rs. Million)

Increased by
16.59(%)

Gross profit
1,174
(Rs. Million)

Decreased by
16.20(%)

Market price per share
117.15
(Rs.)

Increased by
45.28(%)

Profit before tax
99
(Rs. Million)

Decreased by
85.05(%)

Profit after tax
70
(Rs. Million)

Decreased by
87.52(%)

Earnings per share
1.65
(Rs.)

Decreased by
87.52(%)

Breakup value per share
112.32
(Rs.)

Decreased by
2.82(%)

Financial leverage
1.14
(Times)

Decreased by
13.05(%)

Working capital
2,068.93
(Rs. Million)

Decreased by
4.70(%)

Cash dividend
42.51
(Rs. Million)

Decreased by
78(%)

Methods and Assumptions in Compiling Indicators

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




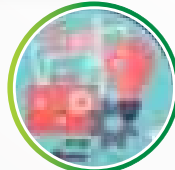
The Company analyse its market positioning, competitors and general market conditions while compiling its indicators. The Company analyses sales, gross profit, profit after tax and EPS on regular basis to gauge its performance. These are basic indicators of Company's financial performance and profitability.

Market price is the measure of perception of the Company in the market. Market price of the Company's shares mainly increased due to the fact that the Company performed well against the expectations of the share holders.

The Company manages its dividend policy with the purpose of increasing shareholders' wealth. Dividend is the amount allocated out of profit for the payment to shareholders. 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 improved mainly due to effective working capital management.

non-financial indicators

Capital forms	Objective	KPI Monitored	Future relevance
 Manufactured Capital	 Product Development & Innovation	 Produce high quality and low cost bags for various industries. Conversion of Roto Printing jobs to Flexo Printing to offer economical solutions to the customers.	 The Company believes in innovation and introducing new varieties for cement, FMCG and other industries in Pakistan.
	Business Diversification	Analyze various prospects of investments in packaging industry and invest in the most promising venture.	Business diversification is our long-term objective. Leadership is our continuous endeavour and has to be maintained today and invest in operational efficiency, staff training and economies of scale to maintain it in the years to come.
	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.	
Human Capital	Sustainability	Keep a close eye on Current Ratio, Gearing and Interest Cover.	
	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.
Relationship Capital	Training and Education	Continuous training of employees and workers. Monitor training need analysis with special focus on health and safety at work.	
	Shareholder Value	EPS, ROE, Asset Turnover and DPS	We value our relationship with all our stakeholders therefore, we will continue to strive to improve shareholders' value. Improve our customer services and maintain timely payments.
Intellectual capital	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.	
	Highest product strength at lowest cost in industry	Regularly monitor avenues to increase product strength. Produce low gram bags for better yield to facilitate our customers.	We shall continue to innovate products and provide best possible packaging solutions.
	Maintain industry leadership		

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

change in indicators and performance measures

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

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

Change in important indicators is as follows

Change in Financial Indicators

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

Financial Leverage

Long term loan of the Company is currently at Rs. 2.81 billion. These loans mainly consist of Rs. 1.80 billion related to Flexible Packaging Project; while other Rs. 1.01 billion is related to previous expansion in PP, installation of Universal Papersack Line and loan obtained to finance payment of Wages and Salaries under SBP's scheme. The Company analyzes its financial health and ensures that the Company remains at optimum financial position.

Working Capital

Working capital is an essential part of the Company's operations. The Company has been managing its working capital efficiently. As of the end of FY 2020, working capital of the Company decreased as compared to last year. Working capital decreased mainly due to optimized inventory management. Additionally, efficient inventory management also resulted in reduction of adjustable sales tax. Further, decreased advance tax also contributed in reduced working capital.

Change in Non-Financial Indicators

Non-financial indicators of the Company remained same as last year. However; following indicators are of utmost importance.

Human Capital

The Company keeps on working to elevate the human capital potential so that the Company can reduce its cost. The Company believes that the enhancement in human capital skills elevates the profitability of the Company.

Relationship Capital

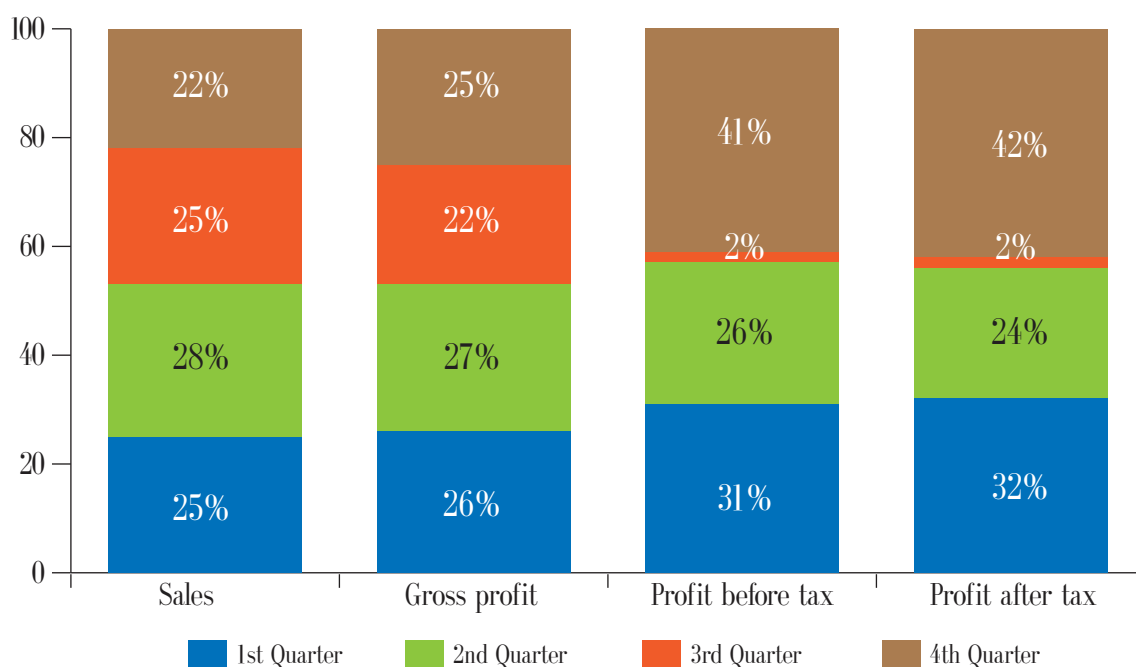
Expansion into new business of flexible packaging made this indicator more vital than before. The Company will ensure to run its new business venture efficiently and effectively to increase shareholders' wealth and stakeholders' value. Moreover; the Company will ensure to keep better relations with suppliers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

Intellectual Capital

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

quarterly performance analysis

	Sep-19	Dec-19	Mar-20	Jun-20	Total
	(Rupees in '000)				
Sales - Net	2,376,562	2,598,058	2,327,756	2,133,817	9,436,193
Cost of Good Sold	(2,074,821)	(2,282,103)	(2,068,089)	(1,837,451)	(8,262,464)
GROSS PROFIT	301,741	315,955	259,667	296,366	1,173,729
Selling Expenses	(45,986)	(46,918)	(36,430)	(35,447)	(164,781)
Administrative Expenses	(21,672)	(28,019)	(23,552)	(21,766)	(95,009)
Other Charges	(3,210)	(1,842)	(11,655)	(36,682)	(53,389)
	(70,868)	(76,779)	(71,637)	(93,895)	(313,179)
Other Income	2,134	9,916	4,514	5,067	21,631
OPERATING PROFIT	233,007	249,092	192,544	207,538	882,181
Finance Cost	(202,628)	(223,693)	(190,901)	(166,281)	(783,503)
PROFIT BEFORE TAXATION	30,379	25,399	1,643	41,257	98,678
Taxation	(7,990)	(8,702)	(429)	(11,322)	(28,443)
PROFIT AFTER TAXATION	22,389	16,697	1,214	29,935	70,235



quarterly results analysis

Quarter 1

Sales:	The first quarter sales of financial year 2020 increased as compared to June quarter of financial year 2019 due to increase in quantity sold of Flexible Packaging Division and increase in unit prices of Bags Manufacturing Division. However, the said increase was offsetted by decrease in dispatches of Bags Manufacturing Division.
Cost of sales:	Cost in September quarter increased as compared to June quarter due to increase in quantity sold of Flexible Packaging Division. However, the said increase was offsetted by decrease in dispatches of Bags Manufacturing Division.
Operating profit:	Increase in Sales price of Bags Manufacturing Division were higher than the increase in per bag cost of production. As a result of which, the operating profit of the Company increased as compared to last quarter.
Net Profit:	Net profit of the Company reduced due to increase in finance cost. Finance cost mainly increased due to increase in discount rates.

Quarter 2

Sales:	Sales increased due to increase in dispatches of Bags Manufacturing Division and Flexible Packaging Division.
Cost of sales:	Cost of sales increased due to increase in dispatches.
Operating profit:	Increase in operating profit is inline with the increase in gross profit due to the reasons specified above.
Net Profit:	Apart from the above reasons, net profit of the Company reduced due to increase in finance cost. Finance cost mainly increased due to increase in discount rates.

Quarter 3

Sales:	Revenue of quarter 3 declined on account of reduced quantity sold however, the reduction was partially rescued by increase in unit prices of Bags Manufacturing Division.
Cost of sales:	Cost of sales decreased due to decrease in dispatches.
Operating profit:	Operating profit of the Company reduced significantly in 3rd quarter due to decline in quantity sold and lesser margins in FPD.
Net Profit:	Due to the reasons defined above, net profit of the Company reduced by Rs. 15 million

Quarter 4

Sales:	Revenue in quarter 4 decreased on account of decrease in quantity sold due to lockdowns in view of COVID-19 and unit prices of Bags Manufacturing Division.
Cost of sales:	Cost witnessed decrease in this quarter due to decline in raw material prices as compared to Quarter 3.
Operating profit:	Decrease in raw material prices mainly caused the increase in operating profit. However, during this quarter, the Company booked an allowance for expected credit loss of Rs. 25.7 million because of which the above decrease in raw material prices was not completely translated into operating profit.
Net Profit:	Besides above factors, net profit of the Company increased due to reduction in Finance cost. In this quarter, finance cost mainly decreased because of reduction in discount rate, reduction in utilization of short-term borrowings and repayment of long-term loans.

ratios

Ratio Description	Unit	2020	2019	2018	2017	2016	2015
Profitability Ratios:							
Gross Profit ratio	%	12.44	17.31	15.49	19.50	22.97	21.00
Net Profit to Sales	%	0.74	6.95	10.03	10.89	13.33	10.47
EBITDA Margin to Sales	%	12.97	18.10	15.31	18.36	21.71	19.69
Operating leverage ratio	%	(1.47)	2.17	(1.38)	3.85	2.05	7.96
Return on Equity	%	1.52	12.53	16.67	19.15	33.30	36.35
Return on Capital employed	%	0.93	7.66	9.69	15.17	25.53	21.87
Effective tax rate	%	28.82	14.73	7.03	27.84	29.80	29.40
Liquidity Ratios:							
Current ratio	Times	1.59	1.56	2.21	3.69	2.71	2.35
Quick / Acid test ratio	Times	0.84	0.75	1.12	1.76	1.26	1.38
Cash to Current Liabilities	Times	0.00	0.00	0.00	0.02	0.02	0.01
Cash flow from Operations to Sales	%	0.17	(0.10)	(0.00)	0.06	0.19	0.19
Investment / Market Ratios:							
Earnings per share (EPS)	Rs.	1.65	13.24	18.87	23.71	31.55	23.65
Price to book ratio	Times	1.04	0.70	1.07	1.75	3.05	2.36
Market Value Per Share							
at the end of the year	Rs.	117.15	80.64	143.69	237.78	341.77	188.66
Low during the year	Rs.	49.16	80.00	132.40	237.78	191.97	64.50
High during the year	Rs.	138.49	192.45	279.01	415.00	347.36	214.23
Price Earnings ratio	Times	70.90	6.09	7.61	10.03	10.83	7.98
Break up value per share*	Rs.	112.32	115.58	134.40	135.68	112.02	79.85
Dividend Yield ratio	%	0.01	0.06	0.05	0.04	0.03	0.04
Dividend Payout ratio	%	0.61	0.38	0.37	0.40	0.32	0.30
Dividend Cover ratio	Times	1.65	2.91	3.02	2.50	3.10	3.38
Cash Dividend	Rs.(000')	42,507	193,220	235,212	281,252	296,055	192,780
Cash Dividend per share	Rs.	1.00	5.00	7.00	9.50	10.00	7.00
Stock Dividend %	%	-	10.00	15.00	-	-	-
Capital Structure Ratios:							
Financial leverage ratio	Times	1.14	1.31	0.83	0.19	0.13	0.60
Weighted average cost of debt	%	14.20	9.18	4.18	4.00	9.39	11.10
Net borrowing / EBITDA		4.42	3.97	3.45	0.64	0.27	1.07
Average operating working capital as % of sales	%	53.98	53.07	39.23	31.67	26.89	32.90
Debt to Equity ratio	%	37 : 63	39 : 61	38 : 62	13 : 87	8 : 92	26 : 74
Interest Cover ratio	Times	1.13	2.30	6.96	16.17	19.07	5.39
Activity / Turnover Ratios:							
Inventory turnover ratio	Times	2.87	2.61	3.42	3.66	4.74	4.91
No. of Days in Inventory	Days	125	138	105	98	76	73
Debtor turnover ratio	Times	5.34	6.17	7.26	7.97	8.96	8.41
No. of Days in Receivables	Days	67	58	50	45	40	43
Total Assets turnover ratio	Times	0.85	0.71	0.76	1.16	1.47	1.58
Fixed Assets turnover ratio	Times	1.85	1.57	1.48	3.53	4.17	4.49
Creditor turnover ratio	Times	18.25	19.16	10.34	18.68	25.64	15.80
No. of Days in Creditors	Days	20	19	35	19	14	23
Operating Cycle	Days	172	177	120	124	102	93

* This includes all investments made at fair value. Company has all its investments in related parties only.

comments on ratios

Profitability

The Company performed well in last few years. Financial years 2015 and 2016 was extraordinary as the Company posted growth in Profit. In the year 2016, the Company sold ever highest quantity and hence produced a profit of Rs. 918 million. In the years 2017 and 2018, Profit of the Company remained almost at the same level however; the quantity decreased in both the years along with prices due to increase in competition. Moreover; increased raw material prices, weakening of PKR parity against USD and EURO and shortage of Kraftpaper put extra pressure on Company's profit however; the Company remained industry leader and maintained its profitability ratios in better position. In the year 2019 and current year; various events like, dwindling PKR parity against USD and EURO, increase in discount rates, decelerated economic activity impacted Company's profit. Even in the midst of such a challenging environment, the Company posted reasonable profitability ratios.

Liquidity

Long-term and short term loan of the Company increased as compared to previous years on account of expansions in recent years. However; the Company ensures that it has sufficient credit lines at its disposal to keep itself liquid and maintain its ability to pay its creditors and banks. Moreover, due to effective working capital management, the Company was able to post better liquidity ratios as compared to last year.

Investment / Market

Investment / Market Ratios are the direct reflection of the performance of the Company. In the year 2020, EPS decreased from last year due to increase in raw material prices, increase in discount rates and foreign currency exchange rates.

Capital Structure

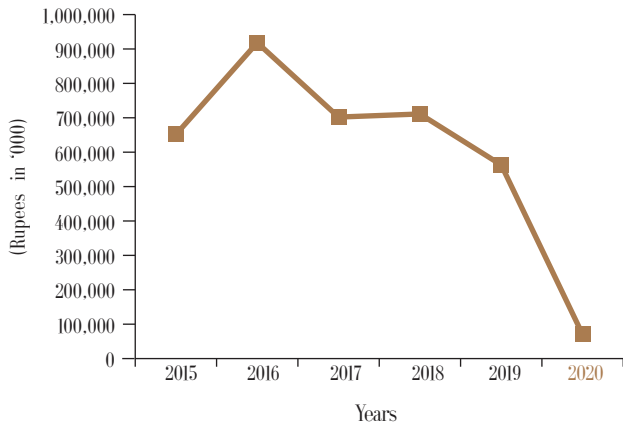
The Company continuously monitors its Capital structure and aims to keep it at its optimum level. In the current year also, the Company reported high Capital structure ratios because of increased discount rates and decrease in operating profit margins. Operating profit margins reduced due to increase in raw material prices and dwindling PKR parity against USD and EURO.

Activity / Turnover

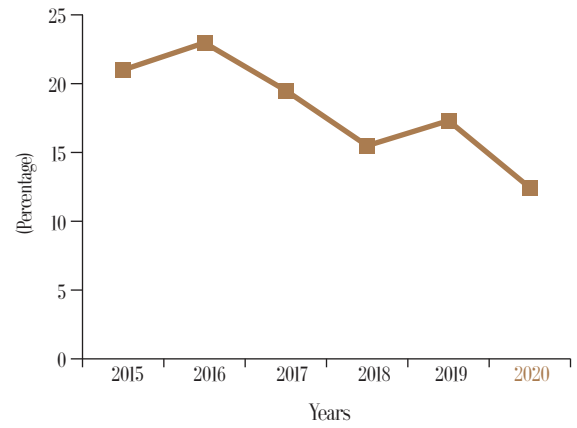
The inventory turnover of the Company witnessed a healthy trend as the Company strived to implement more effective inventory management. As the major raw materials of the Company are imported, the inventory turnover of the Company remains on the higher side. To be competitive in the market and to gain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

graphical presentation of analysis of financial statements

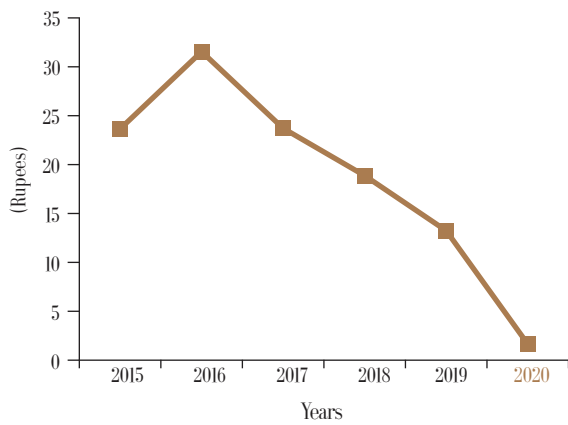
Profit After Tax



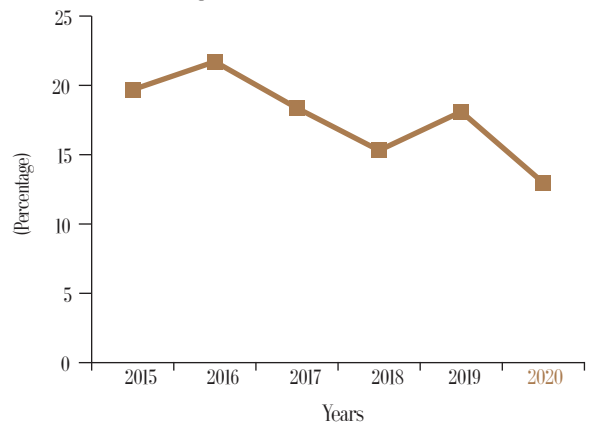
Gross Profit



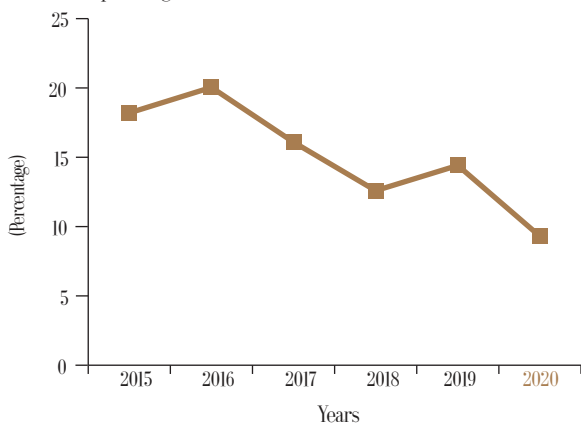
Earnings Per Share



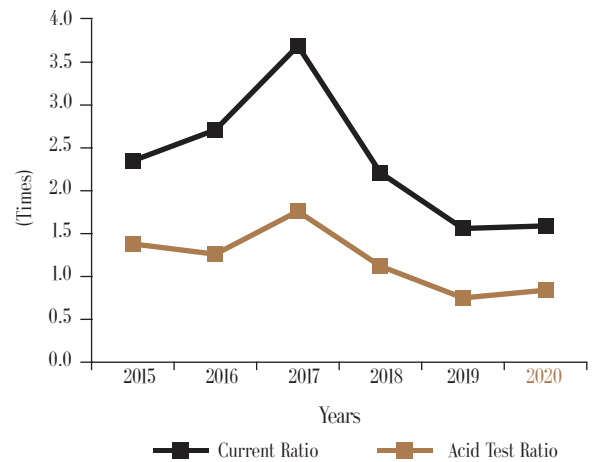
EBITDA Margin to Sales

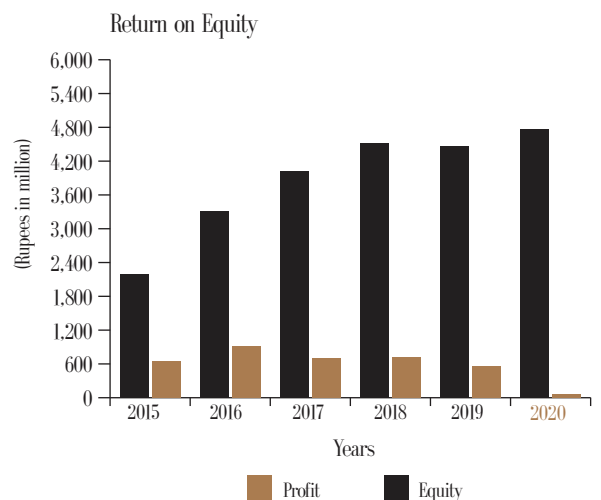
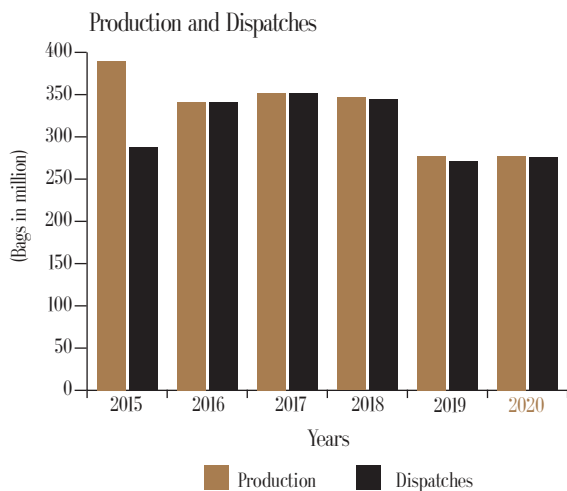
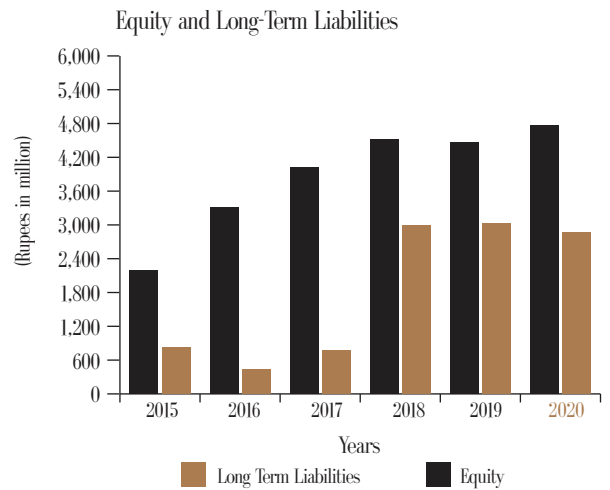
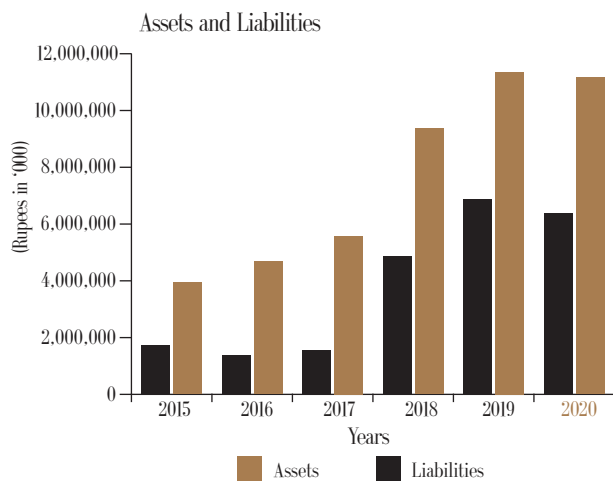
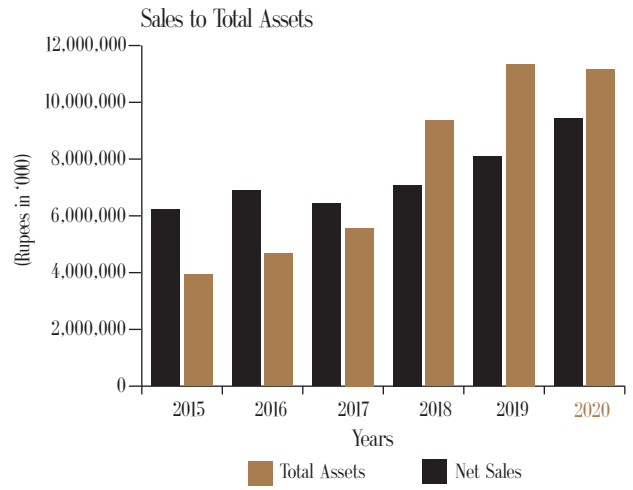
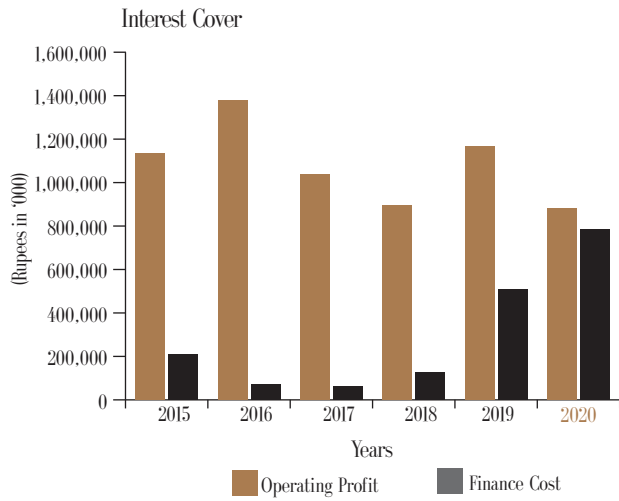


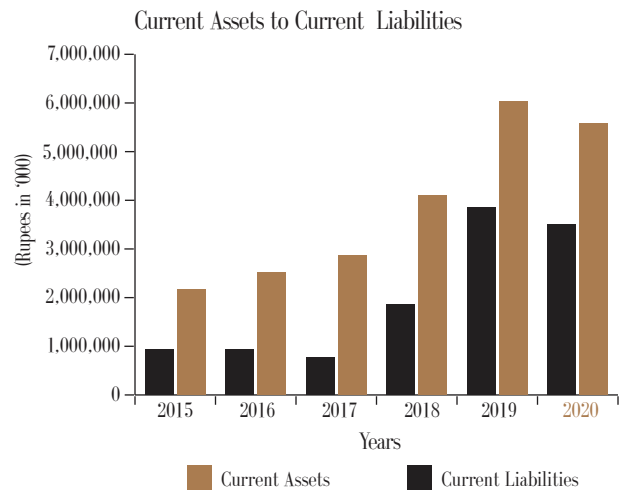
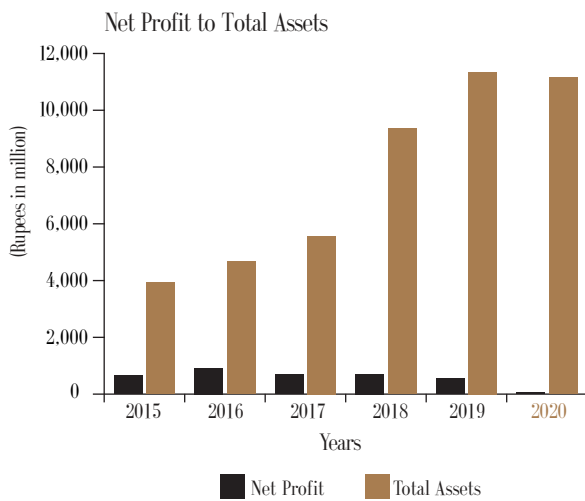
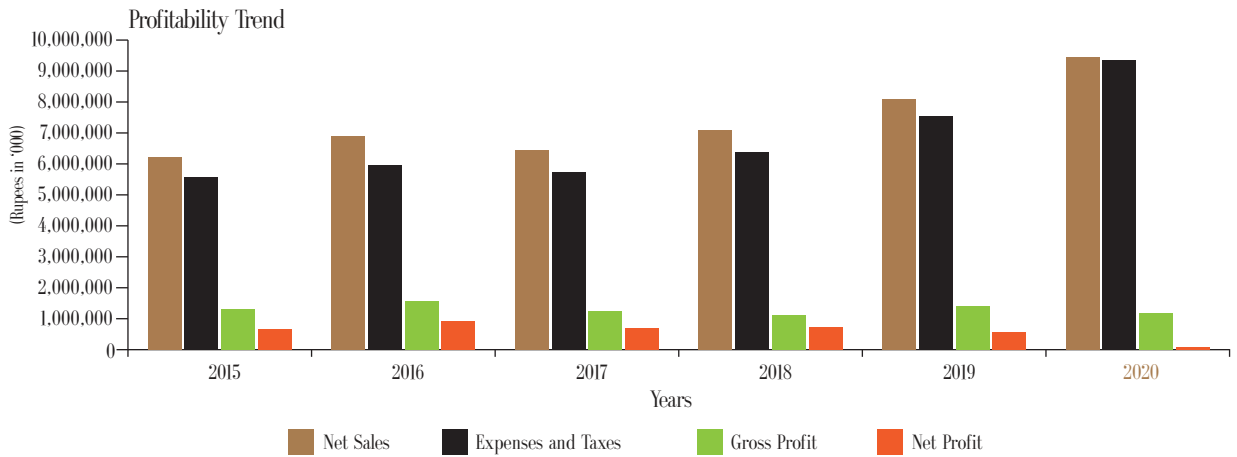
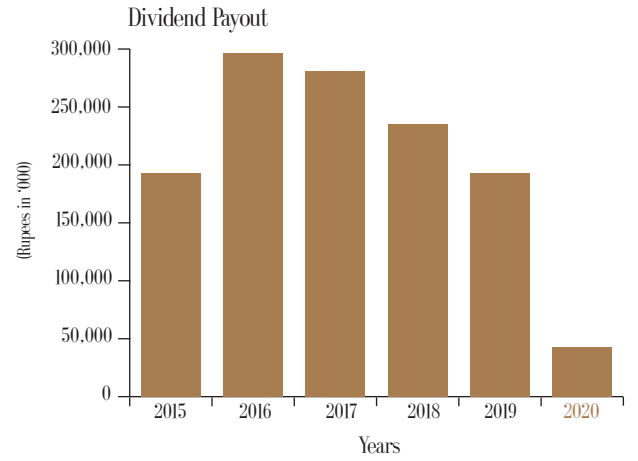
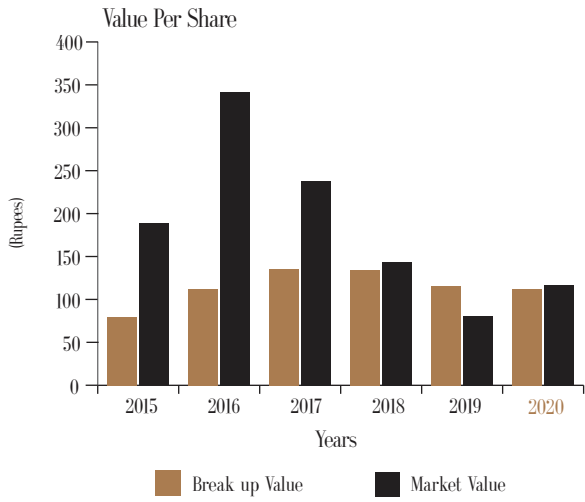
Operating Profit



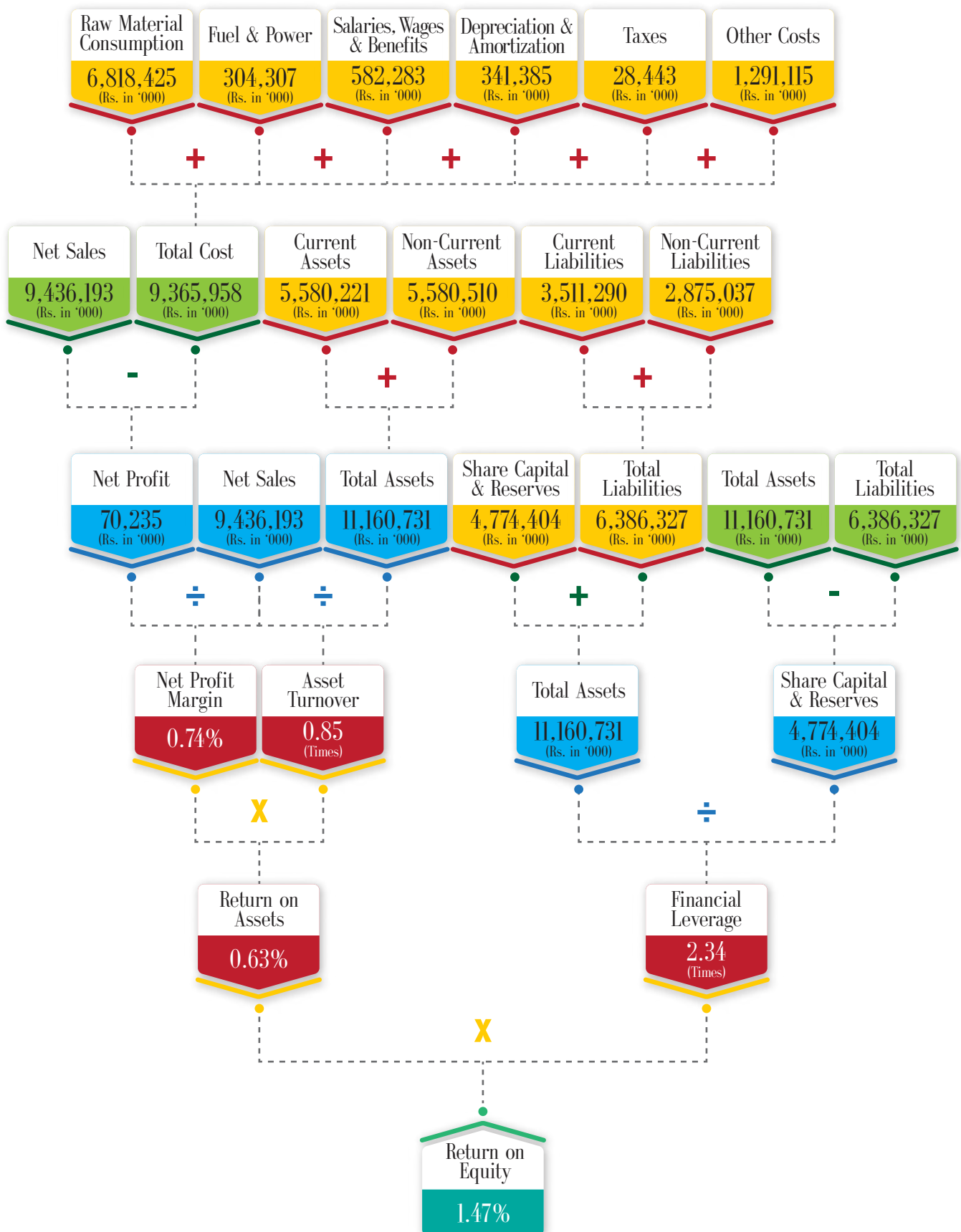
Liquidity Ratio







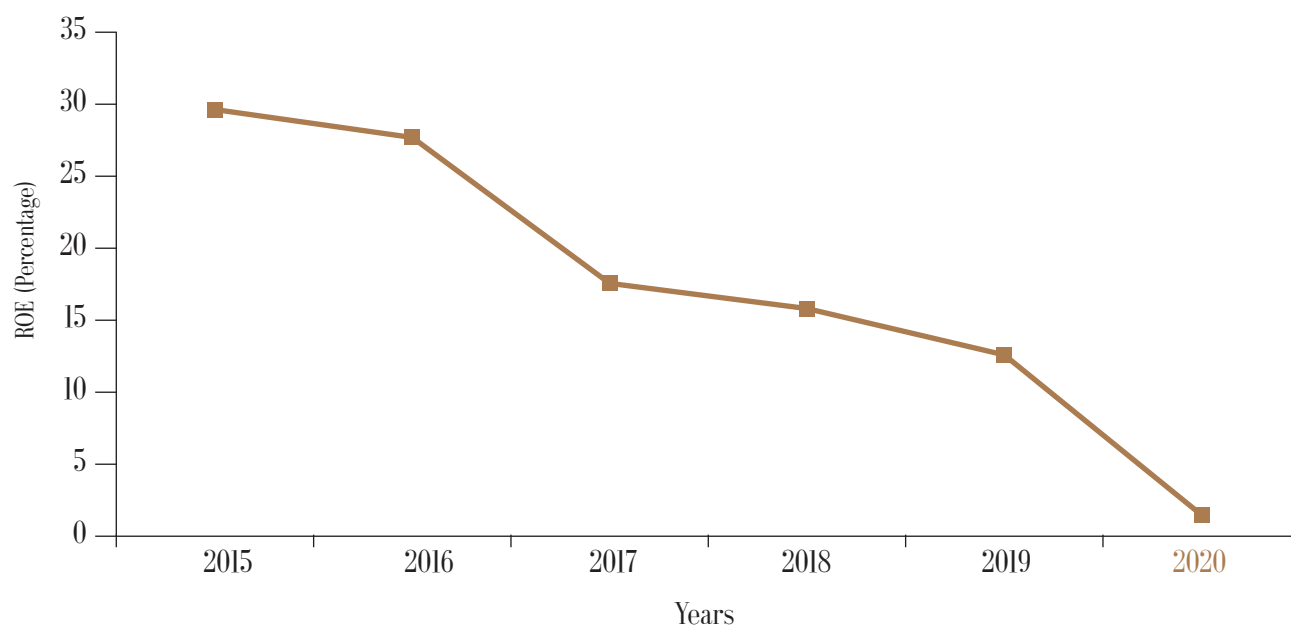
dupont chart



dupont analysis

Year	Net Profit Margin	Assets Turnover	Financial Leverage	ROE
	Net Profit / Sales	Sales / Total Assets	Total Assets / Total Equity	
	A	B	C	
2015	10.47%	1.58	1.79	29.63%
2016	13.33%	1.47	1.41	27.69%
2017	10.89%	1.16	1.39	17.56%
2018	10.03%	0.76	2.07	15.81%
2019	6.95%	0.71	2.54	12.60%
2020	0.74%	0.85	2.34	1.47%

graphical presentation of dupont analysis



Comments on DuPont Analysis

1. Profit margin of the Company declined in the current year on account of increase in raw material prices, exchange rate, economic conditions and political turmoil.
2. Assets turnover mainly increased due to increase in revenue. Assets base of the Company almost remained at the same level as compared to last year.
3. The Financial Leverage ratio of the Company has decreased due to regular repayment of previous loans.
4. The ratio reduced significantly due to reduced profit because of various economic factors like increase in interest rates and weakening of PKR although the Company posted improvement in Assets turnover and financial leverage.

free cash flows

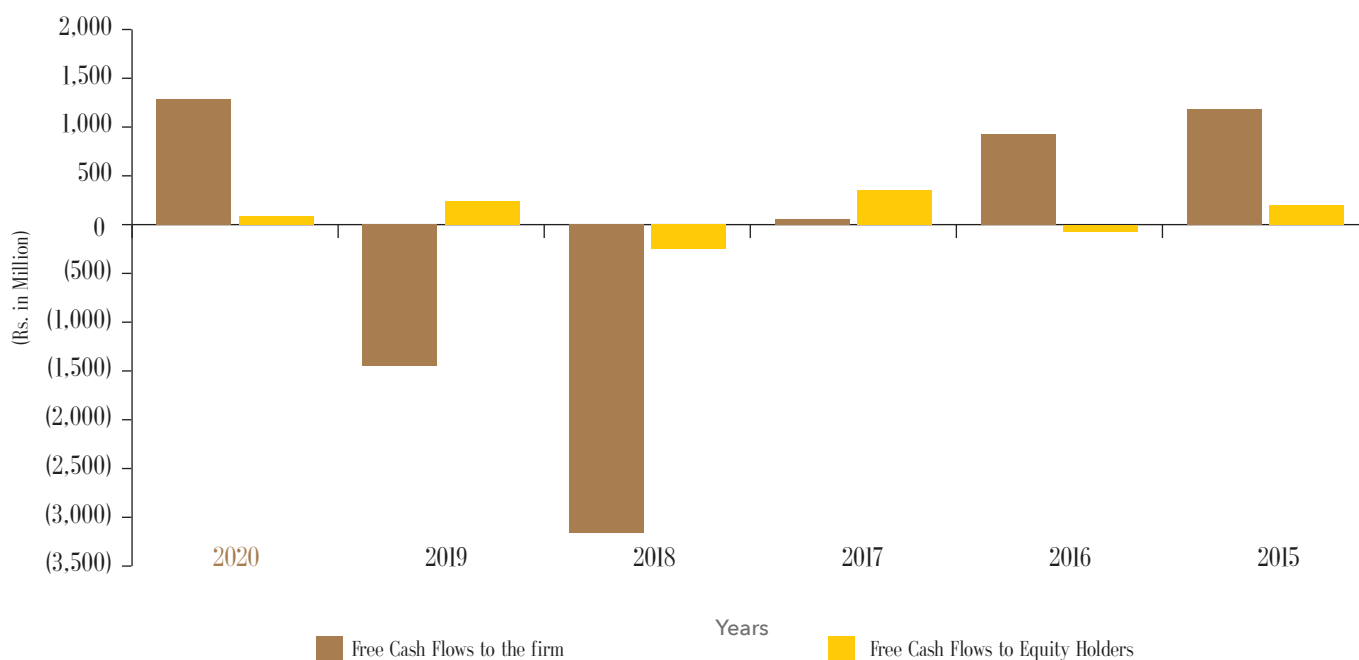
Free Cash Flows to the Firm	2020	2019	2018	2017	2016	2015
	(Rupees in '000)					
Earning before interest and taxes	882,181	1,166,634	893,145	1,037,061	1,380,395	1,132,788
Adjustment for non-cash items	378,367	276,404	107,312	131,740	92,494	91,627
Working capital changes	311,532	(2,219,521)	(1,064,481)	(793,190)	(158,836)	(16,921)
Net cash generated from operating activities	1,572,080	(776,483)	(1,024)	375,341	1,314,053	1,207,494
Capital expenditure	(283,154)	(673,827)	(3,158,595)	(316,727)	(382,570)	(21,224)
Free cash flows to the firm	1,288,926	(1,450,310)	(3,159,619)	58,614	931,483	1,186,270
Free Cash Flows to the Equity Holders						
Free cash flow to the firm	1,288,926	(1,450,310)	(3,159,619)	58,614	931,483	1,186,270
Net borrowings	(398,811)	2,078,720	2,985,256	351,174	(905,016)	(756,539)
Finance cost paid	(801,027)	(383,380)	(77,293)	(51,155)	(96,419)	(230,266)
Free cash flow to the equity holders	89,088	245,030	(251,656)	358,633	(69,952)	199,465

Comments

Free cash flow to the firm improved as compared to last year mainly due to effective working capital management. Whereas, free cash flow to the equity holders declined as compared to last year due to the fact that the company made certain repayments of debts. Further, this also decreased because of increase in finance cost due to increase in discount rates.

Graphical presentation of free cash flow analysis

Free cash flows to the firm and equity holders

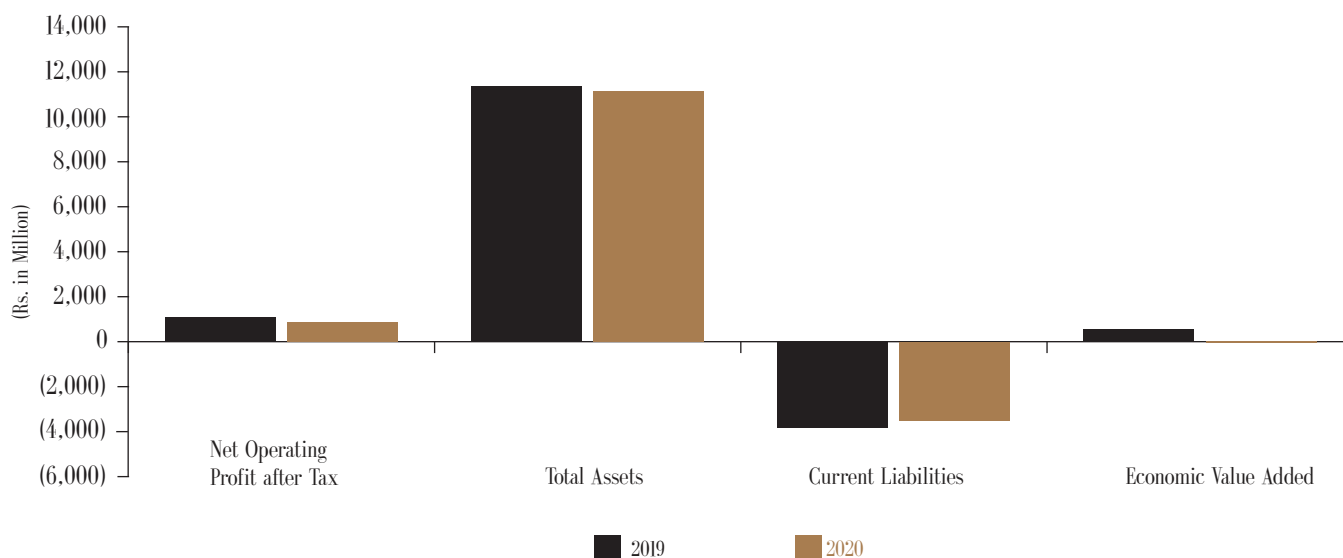


economic value added

	2020	2019
	(Rupees in '000)	
Net Operating Profit After Tax	853,738	1,069,427
Cost of capital	(909,274)	(530,843)
Economic value added	(55,536)	538,584
Total Assets	11,160,751	11,351,443
Current Liabilities	(3,511,290)	(3,851,719)
Invested Capital	7,649,461	7,499,724
WACC	11.89%	7.08%
Cost of capital	909,274	530,843

Comments

As compared to last year, the economic value addition of the Company deteriorated due to decline in operating profit after tax of the company and increase in WACC. Operating profit after tax of the company mainly declined due to abrupt decrease in PKR parity against Euro and USD causing production cost to increase. WACC of the Company mainly increased due to increase in discount rates during the year.



horizontal analysis - last six years

	2020		2019	
	(Rupees in '000)	%	(Rupees in '000)	%
Statement of Financial Position				
ASSETS				
Non-Current Assets	5,580,510	5%	5,328,751	1%
Current Assets	5,580,221	-7%	6,022,692	47%
Total Assets	<u>11,160,731</u>	-2%	<u>11,351,443</u>	21%
EQUITY AND LIABILITIES				
Share Capital and Reserves	4,774,404	7%	4,466,238	-1%
Non-Current Liabilities	2,875,037	-5%	3,033,486	1%
Current Liabilities	3,511,290	-9%	3,851,719	108%
Total Equity and Liabilities	<u>11,160,731</u>	-2%	<u>11,351,443</u>	21%
Statement of Profit or Loss				
Turnover - net	9,436,193	17%	8,093,407	14%
Gross profit	1,173,729	-16%	1,400,649	28%
Operating profit	882,181	-24%	1,166,634	31%
Profit before taxation	98,678	-85%	660,080	-14%
Profit after taxation	70,235	-88%	562,873	-21%

2018		2017		2016		2015	
(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
5,273,537	95%	2,703,235	24%	2,174,501	23%	1,765,831	17%
4,095,137	43%	2,863,159	14%	2,510,213	15%	2,176,458	-5%
<u>9,368,674</u>	68%	<u>5,566,394</u>	19%	<u>4,684,714</u>	19%	<u>3,942,289</u>	4%
4,516,005	12%	4,016,877	21%	3,316,291	51%	2,198,965	59%
2,997,929	287%	774,085	76%	440,975	-46%	816,728	5%
1,854,740	139%	775,432	-16%	927,448	0%	926,596	-44%
<u>9,368,674</u>	68%	<u>5,566,394</u>	19%	<u>4,684,714</u>	19%	<u>3,942,289</u>	4%
7,091,653	10%	6,443,932	-6%	6,888,605	11%	6,223,832	16%
1,098,332	-13%	1,256,478	-21%	1,582,067	21%	1,307,251	116%
893,145	-14%	1,037,061	-25%	1,380,395	22%	1,132,788	129%
764,883	-21%	972,943	-26%	1,307,991	42%	922,635	243%
711,079	1%	702,049	-24%	918,239	41%	651,411	159%

vertical analysis - last six years

	2020		2019	
	(Rupees in '000)	%	(Rupees in '000)	%
Statement of Financial Position				
ASSETS				
Non-Current Assets	5,580,510	50%	5,328,751	47%
Current Assets	5,580,221	50%	6,022,692	53%
Total Assets	11,160,731	100%	11,351,443	100%
EQUITY AND LIABILITIES				
Share Capital and Reserves	4,774,404	43%	4,466,238	39%
Non-Current Liabilities	2,875,037	26%	3,033,486	27%
Current Liabilities	3,511,290	31%	3,851,719	34%
Total Equity and Liabilities	11,160,731	100%	11,351,443	100%
Statement of Profit or Loss				
Turnover - net	9,436,193	100%	8,093,407	100%
Gross profit	1,173,729	12%	1,400,649	17%
Operating profit	882,181	9%	1,166,634	14%
Profit before taxation	98,678	1%	660,080	8%
Profit after taxation	70,235	1%	562,873	7%

2018		2017		2016		2015	
(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
5,273,537	56%	2,703,235	49%	2,174,501	46%	1,765,831	45%
4,095,137	44%	2,863,159	51%	2,510,213	54%	2,176,458	55%
<u>9,368,674</u>	100%	<u>5,566,394</u>	100%	<u>4,684,714</u>	100%	<u>3,942,289</u>	100%
4,516,005	48%	4,016,877	72%	3,316,291	71%	2,198,965	56%
2,997,929	32%	774,085	14%	440,975	9%	816,728	21%
1,854,740	20%	775,432	14%	927,448	20%	926,596	24%
<u>9,368,674</u>	100%	<u>5,566,394</u>	100%	<u>4,684,714</u>	100%	<u>3,942,289</u>	100%
7,091,653	100%	6,443,932	100%	6,888,605	100%	6,223,832	100%
1,098,332	15%	1,256,478	19%	1,582,067	23%	1,307,251	21%
893,145	13%	1,037,061	16%	1,380,395	20%	1,132,788	18%
764,883	11%	972,943	15%	1,307,991	19%	922,635	15%
711,079	10%	702,049	11%	918,239	13%	651,411	10%

comments on horizontal analysis

STATEMENT OF FINANCIAL POSITION

Fixed asset

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

Investments

Stronger market price of Cherat Cement Company Limited provided unrealized capital gain of approximately Rs. 314 million in current year while cumulative unrealized gain reached approximately Rs. 264 million.

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

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

Taxation

Taxation has been decreasing over the years as the company had adjusted its tax liability for the year against the tax refund. Moreover, the Company had exemption against withholding tax at import stage which kept the Company from piling up excessive refunds. However, in the years 2018 and 2019, it unusually 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 made in 2016 and 2018 to finance expansions also resulted in increase in shareholders' equity.

Long-term loans

The Company has always strived to maintain strong debt equity ratio to optimize returns this is why the Company financed its project as combination of debt and equity. During the year, the Company has obtained a refinance scheme for payment of wages and salaries amounting to Rs. III million.

Current Liabilities

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

STATEMENT OF PROFIT OR LOSS

Turnover

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

Gross profit

Gross profit in recent years reduced due to high production cost, which increased mainly due to increase in prices of imported raw material and devaluation of PKR against USD and Euro.

Operating profit

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

Finance Cost

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

Net profit

Net profit of the Company showed positive trend over last few years. FY 2016 was exceptional as the raw material prices decreased. Net profit is also showing positive trend by virtue of reasons mentioned above in addition to recognition of tax credits available against capital expenditures made in financial years 2013 through 2018. In 2018, net profit increased slightly despite decreased operating profit mainly due to tax credits u/s 65B. Further, in the year 2019, slash on 65B in Finance Act 2019 caused increase in tax incidence by Rs. 55 million. However, in current year, net profit decreased due to reduction in gross profit and increase in finance cost, as specified above.

comments on vertical analysis

STATEMENT OF FINANCIAL POSITION

Non-Current Assets

Non-Current Assets primarily increased because of increase in long-term investment. Long-term investment increased because of stronger market price of Cherat Cement Company Limited which provided unrealized capital gain of approximately Rs. 314 million in current year.

Current Assets

Current Assets of the Company reduced mainly because of decrease in stock in trade. Due to effective working capital management, the Company was able to reduce its stock in trade.

Long-term loan

During the year, the Company has obtained a refinance scheme for payment of wages and salaries amounting to Rs. 111 million. Apart from the above, regular repayments of previous loans have also been made during the year.

STATEMENT OF PROFIT OR LOSS

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 around the globe.

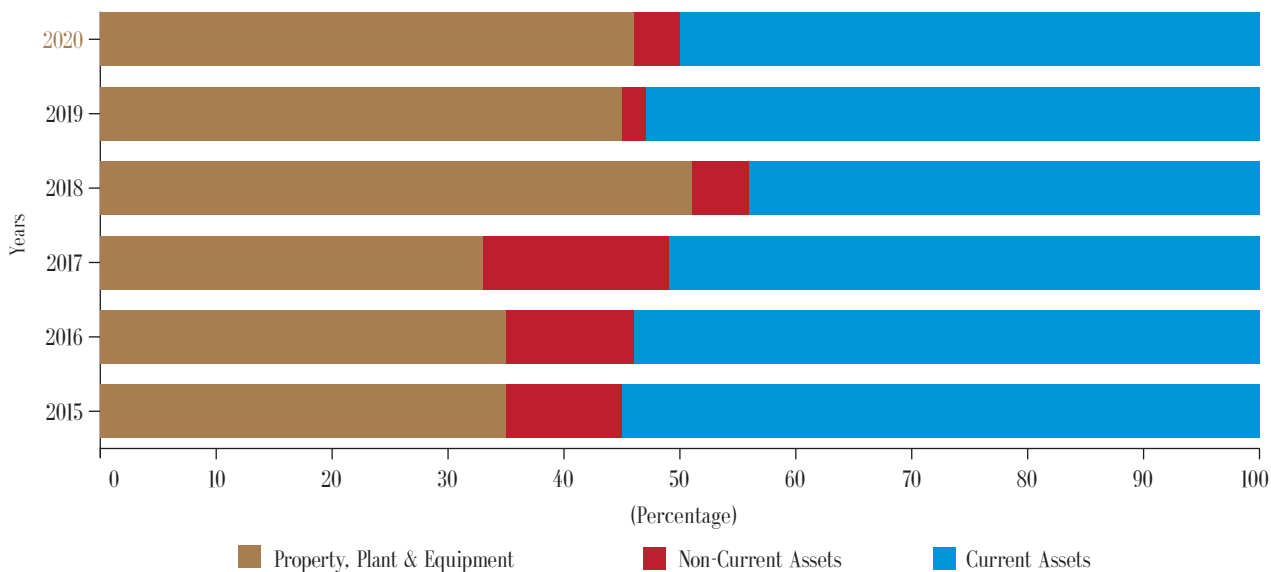
Net profit

As compared to last year, net profit of the Company decreased due to reduction in gross profit (as specified above) and increase in finance cost.

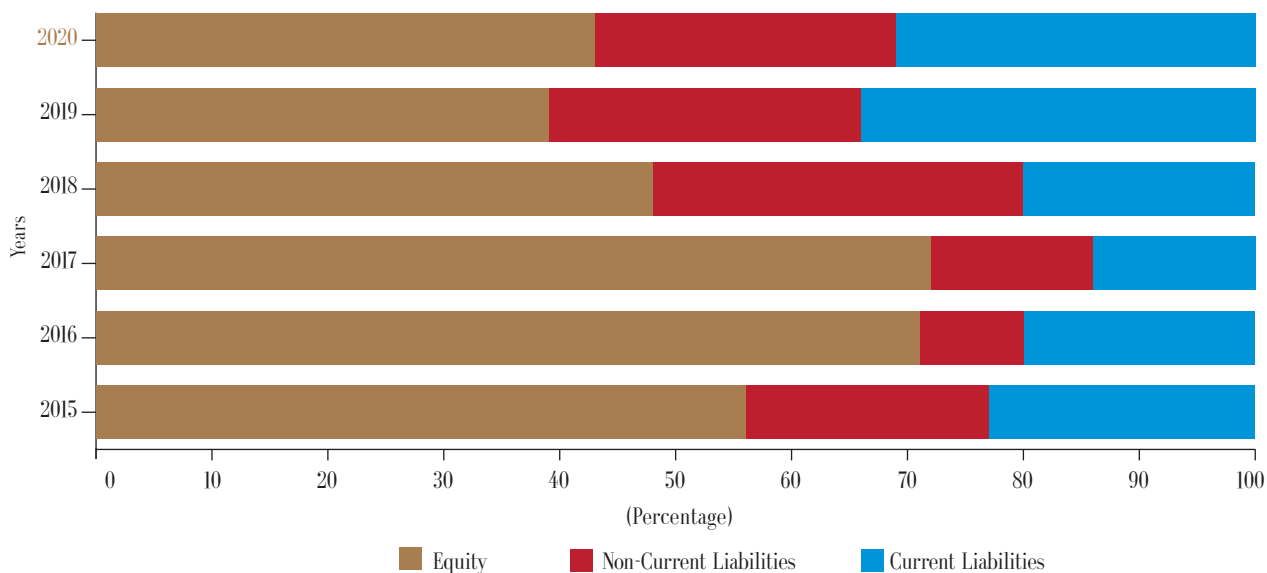


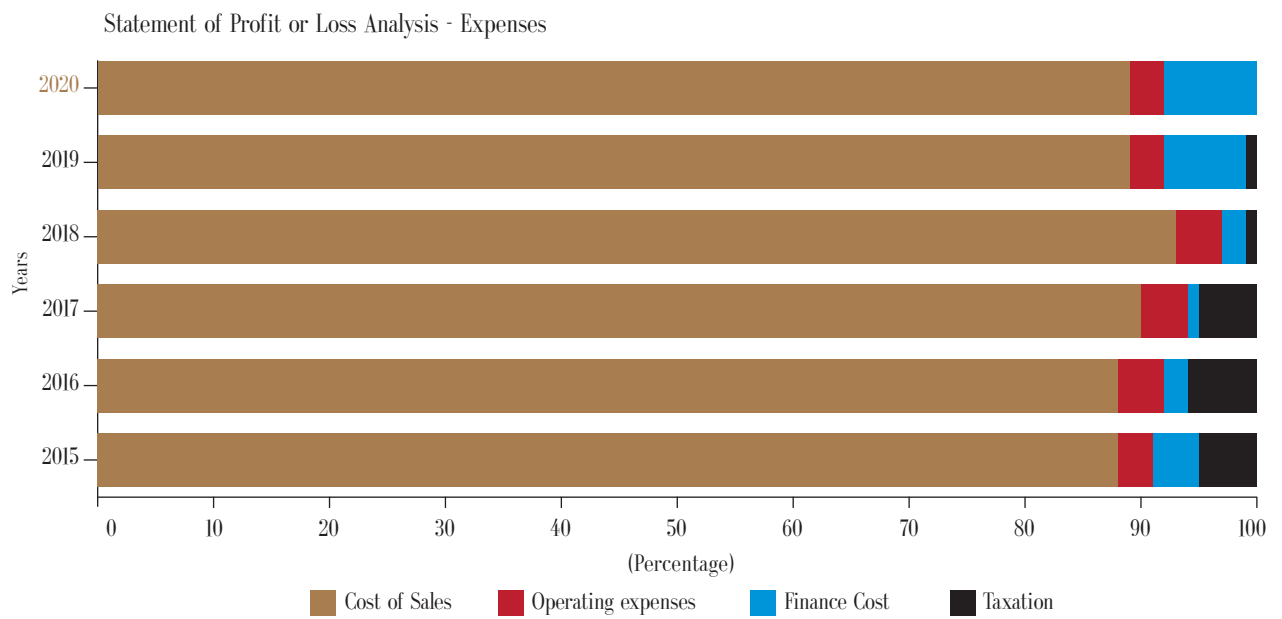
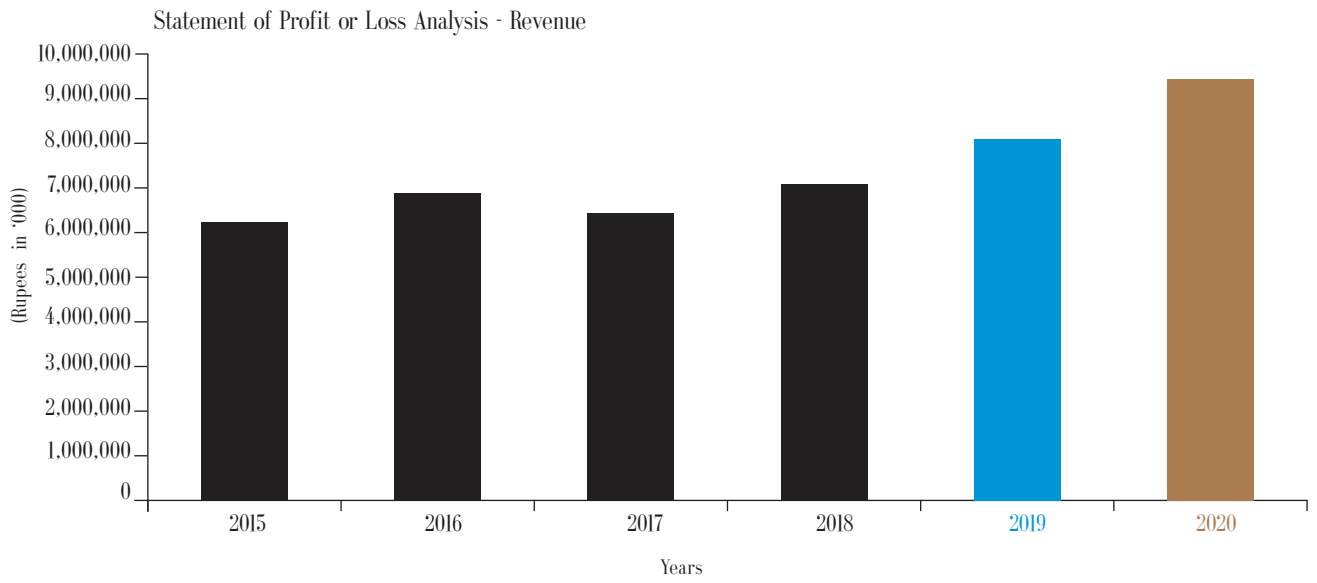
graphical presentation of statement of financial position & statement of profit or Loss

Statement of Financial Position Analysis - Assets



Statement of Financial Position Analysis - Equity and Liabilities





summary of statement of cash flows-last six years

	2020	2019	2018	2017	2016	2015
	(Rupees in '000)					
Net cash generated from / (used in) operating activities	1,572,080	(776,483)	(1,024)	375,353	1,314,053	1,207,327
Net cash (used in) investing activities	(274,392)	(650,862)	(3,135,215)	(397,814)	(363,085)	(118,915)
Net cash (used in) / generated from financing activities	(1,295,805)	1,431,846	3,129,449	20,374	(943,937)	(1,096,419)
Net increase / (decrease) in cash and cash equivalents	1,883	4,501	(6,790)	(2,087)	7,031	(8,007)
Cash and cash equivalents as at the beginning of the year	13,139	8,638	15,428	17,515	10,484	18,491
Cash and cash equivalents as at the end of the year	<u>15,022</u>	<u>13,139</u>	<u>8,638</u>	<u>15,428</u>	<u>17,515</u>	<u>10,484</u>



comments on statement of cash flows

Cash flow from operating activities witness great fluctuation during the period from FY 2015 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, the Company had better profitability than 2014. In FY 2016, the best ever performance of the Company caused cash flows from operating activities increase further. Decrease in profit in FY 2017 impacted the cash flow negatively. Further, the operating cash flows fell slightly mainly on account of decreased profit before tax, increased investment in stock in anticipation of expected operation of Flexible Packaging project and payments of sales tax and withholding tax on import of various machinery of Flexible Packaging. In FY 2019, full-fledge operations of FPD, increased discount rate and dwindling PKR parity caused the operating cash flow to decrease further. However, during the current year, the Company witnessed the highest operating cash flows due to effective working capital management.

Cash used in investing activities has been on the higher side as the Company has been in continuous expansions. From FY 2014 to FY 2017, the Company installed two PP lines enhancing its production capacity to 195 million bags per annum. In FY 2018, the Company installed Universal Papersack line enhancing its production capacity to 400 million KP bags per annum. Correspondingly, the Company also initiated Flexible packaging line. Last year, the Company installed remaining machineries of Flexible Packaging Division. In current year, the Company installed certain other machineries for value addition in products of Flexible Packaging Division.

Cash flows from financing activities are direct reflection of the above two. The Company had thriving operations from FY 2015 to FY 2017. The Company had repaid its loans and reduced its running finance utilization significantly, however, the Company had obtained various loans and issued right shares to finance its PP bags capacity. During the FY 2018, the Company again issued right shares and obtained loans to finance its new venture into Flexible Packaging and enhancing its production capacity of KP bags by installing Universal Papersack line. Last year, tough business conditions and higher operation costs compelled the Company to utilize its running finance facility. In the current year, the Company, due to its effective working capital management, was able to reduce its running finance utilisation.



statement of cash flows

direct method

for the year ended June 30, 2020

	2020	2019
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	9,069,704	6,323,931
Cash paid to suppliers and employees	(7,397,377)	(6,939,742)
Cash generated from / (used in) operations	1,672,327	(615,811)
Net income tax paid	(102,122)	(158,947)
Long-term loans and security deposits	1,875	(1,725)
Net cash generated from / (used in) operating activities	1,572,080	(776,483)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to operating property, plant and equipment	(283,154)	(673,827)
Additions to intangible assets	(689)	(1,850)
Proceeds from sale of operating property, plant and equipment	4,608	5,441
Dividend received	4,843	19,374
Net cash used in investing activities	(274,392)	(650,862)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term financing	(79,246)	65,000
Dividend paid	(95,967)	(263,494)
Short-term borrowings	(319,565)	2,013,720
Finance costs paid	(801,027)	(383,380)
Net cash (used in) / generated from financing activities	(1,295,805)	1,431,846
Net increase in cash and cash equivalents	1,883	4,501
Cash and cash equivalents as at the beginning of the year	13,139	8,638
Cash and cash equivalents as at the end of the year	15,022	13,139

key financial information - last six years

Summary of Statement of Financial Position

	2020	2019	2018	2017	2016	2015
	(Quantity in million)					
Production - BMD (Bags)	273.17	276.18	346.55	351.97	341.29	289.63
Production - FPD (KGs)	4.429	1.261	0.003	-	-	-
Sales - BMD (Bags)	271.13	270.53	344.78	352.18	341.13	287.74
Sales - FPD (KGs)	4.344	1.171	0.003	-	-	-

Assets

	(Rupees in million)					
Non-Current Assets	5,580	5,329	5,274	2,703	2,175	1,766
Current Assets	5,580	6,023	4,095	2,863	2,510	2,176
Total Assets	11,160	11,352	9,369	5,566	4,685	3,942

Equity and Liabilities

Shareholders Equity	4,774	4,466	4,516	4,017	3,316	2,199
Non-current Liabilities	2,875	3,034	2,998	774	441	817
Current Liabilities	3,511	3,852	1,855	775	928	926
Equity and Liabilities	11,160	11,352	9,369	5,566	4,685	3,942

Summary of Statement of Profit or Loss

Turnover Net	9,436	8,093	7,092	6,444	6,889	6,224
Gross profit	1,174	1,401	1,098	1,256	1,582	1,307
Operating profit / (loss)	882	1,167	893	1,037	1,380	1,133
Profit / (loss) before tax	99	660	765	973	1,308	923
Profit / (loss) after tax	70	563	711	702	918	651

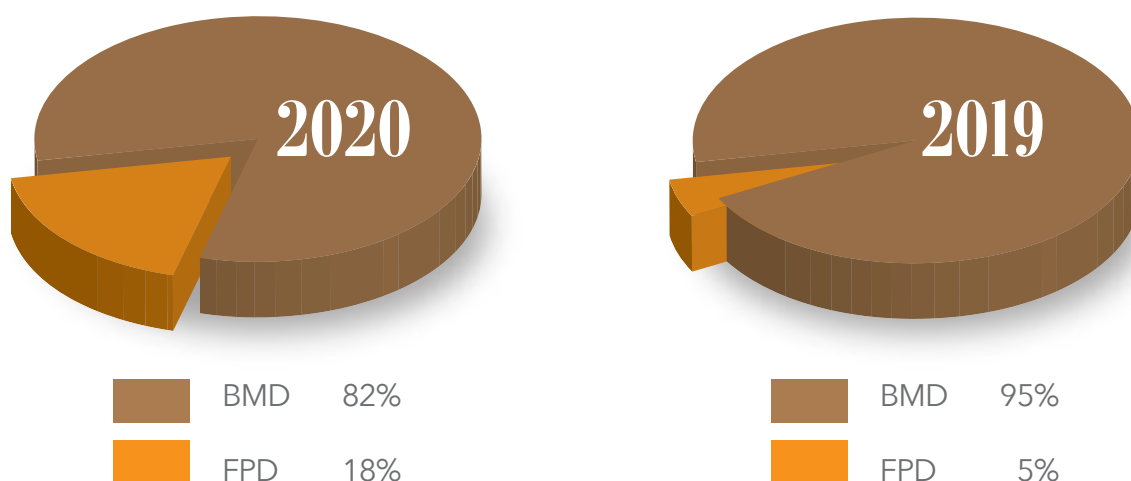
BMD = Bags Manufacturing Division
FPD = Flexible Packaging Division

segmental view of business performance

In a year of turbulence with many sudden changes like the outbreak of COVID-19, disturbed the exchange rate parity of PKR, increased discount rates, slump in the overall economy, new entrants and political turmoil, the Company managed to be the market leader in cement bags supply. Even due to the factors mentioned above, production and sale of the Company increased as compared to last year. Exports of the Company increased despite of high production cost. Recent depreciation of PKR against USD made exports viable. The Company is actively pursuing to increase its exports.

Segmental View

The Company is investing in various clients (especially FMCGs) in shape of samples and test products. Various clients are testing our products and the Company is receiving positive response. The Company expects that FPD sales will witness exponential increase in coming years. It has already increased to 18% of the total sales as compared to 5% last year.



Market Share

Cherat Packaging is the largest producer of Cement bags in Pakistan. The Company is the gateway to innovation in cement packaging as it has introduced various groundbreaking innovations which not only benefited customers but also lead the Company to be the leader of the cement packaging industry. The Company enjoys prominent edge over its competitors regarding market share by virtue of its diversified investment in KP and PP bags. Moreover, the Company entered into Flexible Packaging Division in 2018 and through penetration strategy, the Company is gaining market acceptance and increasing its market share gradually.

Explanation of Negative Changes in Performance over the Period

Main reason is the economic slowdown because of COVID-19 pandemic which badly affected the general economic activities. PKR depreciation, higher inputs and finance costs also affected the performance. The appropriate explanation pertaining to the negative changes in performance against prior year is provided in the relevant sections of the analysis of financial statements and the vertical and horizontal analysis of Statement of Financial Position, Statement of Profit or Loss, Quarterly performance and Statement of Cash Flows.

Debt Repayment

As reported in Directors' Report, no default occurred during the year.

share price sensitivity analysis

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

Energy Crisis

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

Law & Order

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

Exchange Fluctuation

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

Plant Operations

The Company has state-of-the-art production facility especially the Polypropylene Plant and Flexible Packaging 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, Flexible Packaging and machinery were financed by long-term loans. Due to these reasons, the Company is directly affected by any change in interest rates. Any increase in base points by SBP would negatively impact the financial performance of the Company and vice versa.

The Cement and Allied Sector

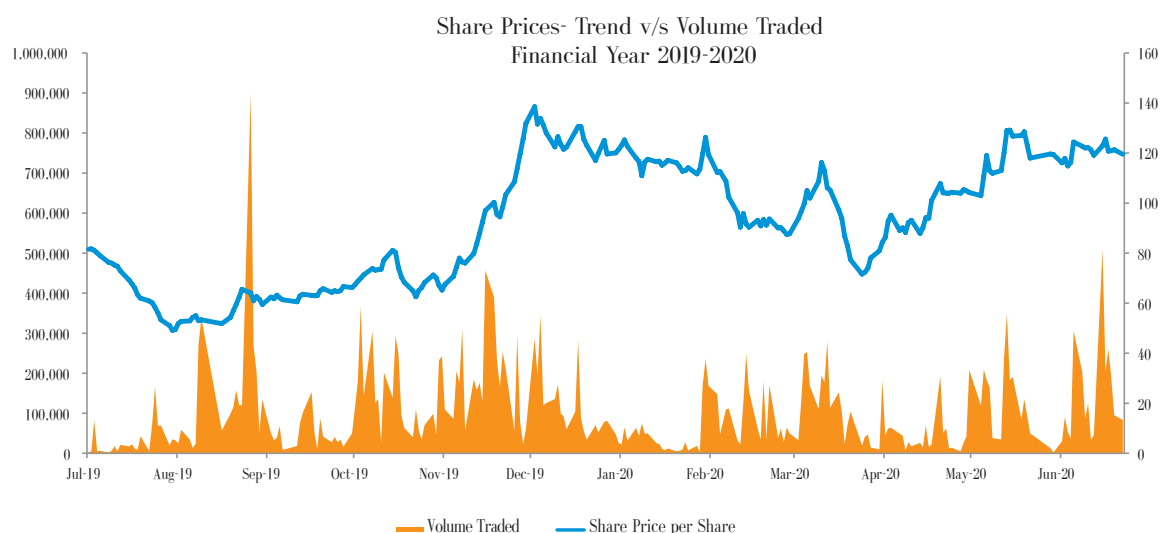
Although the Company is diversifying its operations, nonetheless, the Company's main business is the production and sale of cement sacks which links it directly to cement sector. Any positive growth in cement industry would directly impact the financial performance of the Company.

Government Policies

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

Sensitivity Analysis of Change in Market Capitalization

Share Price as of 30.06.2020	Rs. 117.15
Market Capitalization as of 30.06.2020	Rs. 4,979,675,720
Change in Share Price by	Change in Market Capitalization
+10%	Rs. 497,967,572
-10%	Rs. (497,967,572)



calendar of notable events

July 2019 - June 2020

08

AUGUST 2019

- 08th Board of Directors Meeting -Annual 2019
- 14th Independence Day Celebration
- 20th Received 1st prize in Best Corporate and Sustainability Report Award 2018 organized by ICAP & ICMAP
- 22nd National Tree Plantation Day
- 22nd Inter-Group Companies Cricket Tournament, Lahore

09

SEPTEMBER 2019

- 12th Corporate Briefing Session at Pakistan Stock Exchange Auditorium

10

OCTOBER 2019

- 05th Management and staff picnic-Head Office
- 25th 30th AGM at Registered Office
- 30th Board of Directors Meeting -1st Quarter 2020

12

DECEMBER 2019

- 19th Secured 4th Position in National Finance Olympiad organized by ICAP

02

FEBRUARY 2020

- 06th Issuance of first Group newsletter
- 10th Board of Directors Meeting - 2nd Quarter 2020
- 15th Inter-Group Companies Cricket Tournament, Islamabad

03

MARCH 2020

- 08th International Women Day 2020

04

APRIL 2020

- 29th Board of Directors Meeting - 3rd Quarter 2020

06

JUNE 2020

- 21st Board of Directors Meeting -Budget 2020/21
- 30th Year End Closing



National Finance Olympiad (NFO)

National Finance Olympiad (NFO) is a unique competition organized by ICAP, to bring to limelight the talent of Finance and Accounting professionals in Pakistan. Cherat Packaging Limited participated in NFO and made it to the finals of NFO and ended up by earning certificate of appreciation.



Annual Picnic

Cherat Packaging Limited organized Annual Picnic at Hawke's Bay for head office staff.





GFG Champions League

To develop cohesion and healthy competition among different locations of the group organized an inter-city cricket tournament named 'Champions League'. The winner and runner up of this tournament were GFG Gadoon and GFG Karachi respectively.



business rationale of major capital expenditure

Growth

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

Current Year Expansion

To reap further benefits of vertical integration the Company entered into the business with the Roto, Flexo, Extrusion and Cylinder making equipment. In current year; the Company moreover added Bag making, Spout insertion and Slitting machines to further augment its operations and target new market segments.

With these expansions CPL is well in position to serve the FMCG market and tap a much larger customer-base. CPL and its shareholders will benefit alike from additional revenues together with growth in profitability from new Flexible Packaging Division.

Projects planned for next year

No major projects are in place at the moment. However, in order to promote green energy and reduce electricity costs, the Company has already signed an agreement to install 1 MW solar power project. Moreover, the Company continuously invests on development of new products based on changing market trends and consumption patterns. Keeping in view the same, certain smaller scale developments which includes enhancement in Flexible Packaging machinery (including Diaper making machine) to expand the already installed plant are underway. These developments will enable the Company capture other markets of Flexible Packaging business.



Outlook

139 Forward Looking Statement



forward looking statement

The world is currently facing one of the most challenging medical and economic situation. The outbreak of COVID-19 pandemic, due to critical health issues, has caused a rampant global economic crisis. Pakistan is no exception, hence, it has impacted businesses and industries in Pakistan as well. The company operations were also affected due to slowdown of the construction industry and the FMCG sector in the second half of the financial year under review due to lock down imposed by the Government. Uncertainty over the future market scenario and business environment is still there. However, measures taken by the Government and other regulatory authorities to handle the pandemic have resulted in reduction in the number of positive cases of COVID-19 and it has now started to decline.

To surmount this financial emergency caused by COVID-19, the Government and State Bank of Pakistan have taken certain measures to help local industries by introducing various relief measures including reduction in discount rates, deferment of long-term loan facility, low rate wage financing scheme and announcement of Construction Package. These measures are starting to have a very positive impact and are expected to help revive various industries and hence the national economy.

The Company also has benefited from the above explained measures taken by the government and expects positive outcome out of it. Moreover, recent rationalization in import duty of Kraftpaper is also expected to boost company revenues.

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.

The Company believes in business growth by remaining on top of the things going on in its industry. Consistent investments in enhancement of production capacities by adding latest available machinery, allow the Company to have efficient production facility which makes the products financially viable both for the Company and the customers. Simultaneously, the Company always strives to explore new products through in-house research and discovering new, improved and cheaper solutions in association with clients and their feedback. Previously, the Company had successfully introduced 2ply Kraftpaper bags and lowest grammage PP bags for cement industry. Likewise, the Company successfully converted few Roto based high cost products into Flexo based

low cost products with same quality. The Company is expecting that the FMCG companies will gain benefit from this update. Continuous product development and introduction of new products in different target markets not only helps the company to meet the customer demand for packaging but also helps maintain the company status as the leading supplier of the quality packaging solution for local and international markets.

The Company is also making strenuous 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. In order to reduce its electricity costs, the company is installing 1 MW solar panels at its flexible packaging division. Furthermore, the company has also started receiving around 1 MW electricity under Wheeling Regime Energy Purchase Agreement from Pakhtunkhwa Energy Development Organization (PEDO) at a reduced rate than conventional electricity cost since June 2020.

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

As explained earlier, situation arising out of COVID-19 presents a major challenge due to its ability to impact the demand of local industries and consumers. On the human resource side, the Company has taken appropriate measures including strict implementation of protocols on health and employee safety following the outbreak of the disease. This is to ensure that all staff members remain as safe as possible and impact on business operations is kept as minimal as possible. The Company conducted adequate technical trainings for the identified employees based on the last year's Training Need Analysis (TNA) and performance appraisal of the Company personnel. The same process is followed on yearly basis. The Company has developed extensive online 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.

The company management is closely monitoring the ever-demanding business needs and is taking all appropriate measures to safeguard the interests of stakeholders.

Organisation's Response to Critical Challenges and Uncertainties

Today's business environment is uncertain more than ever: The recent Pandemic has profoundly disrupted the whole world and changed the norms of business management. Responding to such changing environment is critical for organizations in order to survive and thrive in future as the uncertainty and challenges are on the rise. In order to respond to uncertainty, embracing the uncertain environment is critical otherwise the Company would be ignorant of its surrounding and such changes may catch the Company off-guard during impact. In order to respond to such critical challenges and uncertain environment, the Company regularly reassesses its risk and opportunity profile to identify any disruption. The Company has effective business continuity plan and has recently developed Pandemic Recovery Plan to ensure smooth, effective and efficient response.

Financial Projections

Keeping in view the foregoing, the Company is positive about future prospects and expects to perform well in the ensuing years. The recent reduction in discount rate by SBP towards the end of this financial year will have positive impact on Company's profitability. The Company anticipates pressure on local and export markets in view of the ongoing COVID-19 crises, which will affect us also. Competition in the local bags sales is also likely to increase, which may put pressure on the profitability of the Company. However, the Company foresees to minimize its impact through implementation of lean manufacturing concept and introduction of new and improved bag features. We expect that the mark-up rates prevailing at the end of the year will maintain its level during the coming financial year. The Company anticipates higher revenue from the Flexible Packaging Division as an increase in the expected capacity utilization. Furthermore, the Company hopes to achieve higher exports due to the devaluation of PKR. Future revenue projections based on management's best judgement and estimates are as follows:

	2020/21	2021/22	2022/23
	(Rupees in '000)		
Revenue	11,630,576	12,573,623	14,296,309

Sources of Information and Assumptions Used for Forecasts

The Company produces master budget based on a comprehensive budget drive annually and updates forecast keeping in view market conditions, historical results and

outlook. Each department including marketing, production, HR etc. gives input while producing budget and forecast. Information like Customer sales, average sale price, seasonal fluctuations, economic outlook are taken into account while preparing budget for the following year:

For any new ventures, information is gathered from available market research on the anticipated products. If needed, professional services of a consultant is also sought to fine tune the data and underlying assumptions before making a formal feasibility. The feasibility is then presented to the Board of Directors. Detailed 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 wishful thinking and to make the project payback more realistic.

Company Performance Against Last Year Projections

The Company anticipated modest growth however, sudden overturn in economic conditions caused by outbreak of COVID-19, resulted in decrease in overall company revenues by around 25%. This downturn resulted in decreased demand due to lock down imposed by the Government. Further, high interest rates and huge decline in PKR parity further absorbed Company's profit. However, the measures taken by the Government to help the businesses, benefited the Company as well and resulted in reduced financial cost in last quarter of the current financial year. The Company also availed relief offered by SBP for the payment of wages and salaries. The Company also managed to maintain its KP and PP bags sales in terms of quantity on the back of intense market follow up for finished products. Apart from the above, all financial and nonfinancial targets established during last year were met to a greater extent.

Status of Projects

No major projects are in place at the moment. However, keeping in view the importance of technological changes and its strategic edge, certain smaller scale developments including enhancement in Flexible Packaging machinery to augment the already installed plant are underway. These developments will enable the Company capture other annexed markets of Flexible Packaging. The Company is now well-positioned and already registering its impact in this market niche. Furthermore, The Company has already signed an agreement to install 1 MW solar power project to manage its power needs.



Stakeholders' Relationship and Engagement

142 Stakeholders' Engagement

144 Statement of Value Addition and
Distribution of Wealth

stakeholders' engagement

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

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

1. SHAREHOLDERS

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

Support of shareholders is critical in achieving the Company objectives.

Investors' Grievance Policy

The Company has 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 CDC Share Registrar Services Limited (CDCSRSL) which is a leading name in the field. The Company has many old and loyal shareholders, which shows the trust of the Shareholders in the management of the Company.

2. CUSTOMERS AND TRANSPORTERS

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

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

3. SUPPLIERS AND VENDORS

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

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

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

4. BANKS AND OTHER LENDERS

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

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

5. REGULATORS

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

Active engagement with regulators improves level of compliance.

6. EMPLOYEES

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

Employees engagement improves the level of dedication and hard work.

7. INSTITUTIONAL INVESTORS AND ANALYSTS' BRIEFING

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

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

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

8. CORPORATE BRIEFING SESSIONS

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



9. MEDIA

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

Interaction with media improves the Company's brand image.

10. LOCAL COMMUNITY

The Company actively participates in various social work initiatives as part of its corporate social responsibility. Being a conscientious member of the corporate community, the Company contributes to various social and charitable causes including health, education and social sectors. During the year the company contributed for health and Safety of the people in its vicinity by joining hands with the Khyber Pakhtunkhwa authority against COVID-19. 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 relationship 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 the registered office of the Company at Betani Arcade Jamrud Road Peshawar on Friday October 25, 2019 at 9:30 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 and sales despite of tough economic conditions.

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 detail by the management after which the Financial Statements were approved by the Shareholders.

The Chairman answered the questions of Shareholders. Shareholders accorded their satisfaction on company's forward looking approach to meet anticipated customer demands. Shareholder also discussed companies approach with respect to innovative products. They were informed that the company has been able to successfully penetrate in Flexible Packaging market and has made its name as a quality product supplier.

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

Matters raised in the last AGM

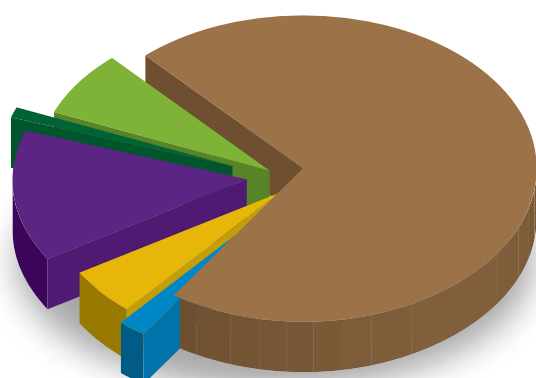
Shareholders praised the Company's performance over the many year. They also asked regarding the future strategies to overcome increased competition.

Replying to a query regarding increase in distribution cost and administrative expenses as compared to last year; the management informed that both increased in view of increase in business operations due to Flexible Packaging project. The Company added a new location for Flexible Packaging products manufacturing and strengthened the company's marketing team to capture flexible sector customers. With the efforts of the marketing team Company was able to expand its sales revenue and Customer base.

statement of value addition and distribution of wealth

	2020		2019	
	(Rupees in '000)	%	(Rupees in '000)	%
Wealth generated				
Net Sales (including Sales Tax)	11,002,598	99.80%	9,299,471	99.68%
Other operating Income	21,631	0.20%	29,978	0.32%
	<u>11,024,229</u>	<u>100.00%</u>	<u>9,329,449</u>	<u>100.00%</u>
Distribution of wealth				
Cost of sales (Excluding employees' remuneration)	7,791,188	70.67%	6,231,376	66.79%
Distribution, Administration and certain other expenses (Excluding employees' remuneration)	193,896	1.76%	127,139	1.36%
Employees' remuneration	587,477	5.33%	561,504	6.02%
Government as direct taxes (including Workers' Welfare Fund)	29,071	0.26%	25,579	0.27%
Government as indirect taxes	1,566,405	14.21%	1,350,970	14.48%
Dividends*	42,507	0.39%	193,213	2.07%
To debt providers	783,503	7.11%	506,554	5.43%
To society as donation	2,454	0.02%	1,942	0.02%
Retained	27,728	0.25%	331,172	3.55%
	<u>11,024,229</u>	<u>100.00%</u>	<u>9,329,449</u>	<u>100.00%</u>

*Subsequent to year ended June 30, 2020, the Board of Directors in its meeting held on August 27, 2020 has proposed final cash dividend @ Rs. 1 per share amounting to Rs. 42.507 million (2019: Rs. 2.5/- per share amounting to Rs. 96.61 million and bonus shares @ 10%) for approval of the members at the Annual General Meeting.

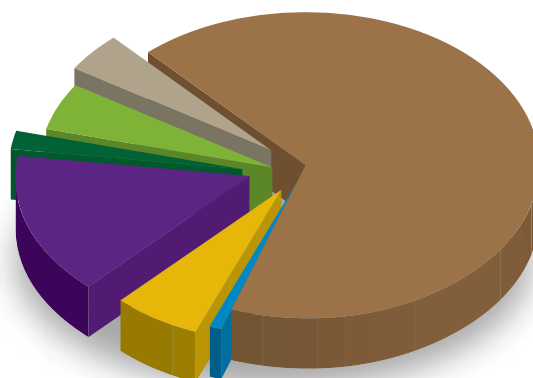


Distribution of Wealth 2020

Cost of sales (Excluding employees' remuneration)	71%
Distribution, Administration and certain other expenses (Excluding employees' remuneration)	2%
Employees' remuneration	5%
Government as direct taxes (including Workers' Welfare Fund)	0%
Government as indirect taxes	14%
Dividends*	1%
To debt providers	7%
To society as donation	0%
Retained	0%

Distribution of Wealth 2019

Cost of sales (Excluding employees' remuneration)	67%
Distribution, Administration and certain other expenses (Excluding employees' remuneration)	1%
Employees' remuneration	6%
Government as direct taxes (including Workers' Welfare Fund)	0%
Government as indirect taxes	15%
Dividends*	2%
To debt providers	5%
To society as donation	0%
Retained	4%



A close-up photograph of a pair of hands gently cupping a small, vibrant green seedling with three leaves and a mound of dark, rich soil. The background is softly blurred, showing more soil and the lower legs of a person, suggesting an outdoor setting like a garden or farm. The overall tone is one of care and growth.

Sustainability and Corporate Social Responsibility

146 Highlights of Various Aspects of Sustainability

152 Pandemic Recovery Plan

154 Highlights of Corporate Social Responsibility

highlights of various aspects of sustainability

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

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

Certifications acquired / to be acquired and international standards adopted

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

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 outlined 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 powered 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 has signed an agreement for installation of solar panels to produce green energy.



In addition to this, the Company has also acquired energy from Pakhtunkhwa Energy Development Organization (PEDO) in order to obtain hydro power which will also help us in usage of green energy. Furthermore, the energy is conserved by the addition of the most modern, state-of-the-art machinery, which also results production of quality products in the most efficient and effective manner. In addition to the above, in order to conserve energy, the management of the Company strives to keep production wastage to a minimum level and productivity at the highest level.



b. Products

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



c. Emissions

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

d. Effluents and Waste

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

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

e. Transport

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



f. Quality Management

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

o Quality Management Procedures

Our Quality Management procedures include:

Papersack Division (PSD)

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

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



Polypropylene Division (PPD)

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

- Different Quality Tests of Films at printing and lamination stage Tape at Extrusion line including Denier, Tenacity, and Elongation etc.
- Inspection of Fabric Rolls for size, density and strength while running on Looms in weaving Section.
- Inspection of Lamination Process on Coating Line for GSM.
- Arrangements and Inspection of cylinders and plates as per customers' approved Artworks.

Flexible Packaging Division

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

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



o In-house Quality Control Laboratory

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

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

3. SOCIAL

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



a. Employment

The Company has given tremendous employment opportunities through expansion of business / production lines and new projects. With the introduction of universal papersack line and flexible packaging division of the Company, new employment opportunities are given to local people from Gadoon Amazai, Peshawar, Lahore, Islamabad and Karachi. This is evident from the fact that the number of permanent employees has increased from 229 to 254 during the year. Additionally, a number of workers have been hired from nearby villages and hamlets, thereby creating good employment opportunities for the locals.

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

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

b. Industrial Relations

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

c. Occupational Health and Safety

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



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

Hundred percent compliance with policy programmes resulted in the conclusion of the year with no reportable

occupational illness. These programmes include the regular testing of plant equipment and sites from a health perspective, as well as monitoring of employee health. Additionally, health awareness sessions on basic lifesaving techniques, medical emergency handling and first aid were conducted during the year:

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

o Health & Safety training

Our workers are sufficiently trained through fire & safety trainings and are also adequately equipped with Personal Protection Equipments which is monitored at regular intervals. Workers are also trained by theoretical explanations and practical drills to handle unforeseen emergencies. Regular mock drills are also carried out to familiarize everyone with the steps and procedure to follow in emergency situations. Mock drills of chemical spillage, 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 equipments. These equipments include state of the art fire detection system, CO₂ Suppression System and General fire system (including fire pump, fire sprinklers & valves, hydrant valves, portable fire extinguisher, fire hose, etc.).



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

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

o Safe working environment

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



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

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

o Safe Men Hours

Due to adherence of strict policies and procedures on health and safety.

Production facilities ensure safety of employees. A proper record of safe men-hours is maintained. Any minor issues are handled by in-house dispensary.

o Certifications to be obtained

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

d. Training and Education

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

energetic, talented, and motivated human resources and provides them a congenial and healthy working environment to utilize their capabilities efficiently. The Company believes that its core strength is its people, who strive every day to meet individual challenges and help the Company achieve its collective targets. The Company has in place a Performance Review Process in order to recognize employees' contribution and reward them according to their performances.

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



e. Equal Opportunity and Non-discrimination

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

f. Child Labour

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

g. Forced or Compulsory Labour

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

h. Grievance Mechanism

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

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

i. Consumer Protection Measures

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

j. Business Ethics and Anti-Corruption Measures

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

k. Local Communities

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

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

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

pandemic recovery plan



COVID-19 is a global pandemic, which has affected the whole world and Pakistan is not an exception. Business and economic environment are severely adversely affected due to lockdown since March 2020. In response to these challenging situation, the Company developed Pandemic Recovery Plan to cater COVID-19 and any other pandemic that may hit in future.

Pandemic Recovery Plan (PRP) is different to some extent from traditional disaster recovery and business continuity plans. The latter plans are more focused on technology while the former one is more concerned with human capital. The PRP more focuses on identifying critical business operations and identify needed human capital for smooth operations.

The Company developed PRP by focusing preventive measures and response measures. Key elements of these measures are mentioned hereunder; which aim at restoring economic viability under stress situation.

PREVENTIVE MEASURES

A. AWARENESS

One of the most essential element of pandemic preparedness is ensuring that employees are educated on the fact, and safety measures that are required to be followed to prevent local transmission. Employees must also be aware of the Company's response, SOPs and strategies during pandemic period to mitigate any adverse effect on the Company's critical operations.

B. SPECIFIC PREVENTIVE MEASURES

Every possible step was taken for the health and safety of our employees at Head Office, Sales Offices and factory Site. The identified Basic Protective Measures effective against Pandemic. The Company implemented these measures during COVID-19 response:



- Ensuring sick employee to work from home;
- Develop other flexible policies for scheduling and telework and adjust leave policies to allow employees to stay home;
- Provide disinfectant at business premises;
- Ensure checking of visitors and employees at all entry and exit points of all workplaces;
- Intensify e-meetings and teleworking;
- Install disinfectant dispensers in the workplace;
- Post accessible signage to discourage employees/clients who are ill from entering the workplace/business setting;
- Reinforce general practices to maintain social distancing, such as avoiding greetings like handshakes;
- Restrict number of employees at workplace to practice social distancing;
- Restricting travelling within Head Office, Sales Offices and Factory Site;
- Promote and facilitate 'respiratory hygiene';
- Oblige the clean desk policy.

RESPONSE MEASURES

C. FORMATION OF PANDEMIC ACTION TEAM (PAT)

The Company formed a separate Covid Response Team. The team includes key management personnels from all departments. Key function of the team is to develop organization response, provide guidance, and monitor pandemic response implementation.

D. CROSS TRAINING

The Company fosters cross training of employees to ensure that business functions can be performed in the absence of essential personnel for the successful continuance of operations. Cross training processes protects against single points of failure in knowledge in the event that the only person trained to perform a task is unavailable.

E. REMOTE CAPABILITIES

Planning for personnel to work from home can be an option during a pandemic episode. However, it is important that this recovery solution is thoroughly tested to ensure its viability. Several measures are integrated and implemented with respect to employees working environment including appropriate tools for users to work successfully from home and enough bandwidth to adequately support the number of remote users that may be necessary during different situations.

F. CRITICAL SUPPLIERS AND VENDORS

It is also important to remember that a pandemic outbreak could be widespread and not just affect a single business - third party providers on which the Company depends on for goods and services could also be affected. Therefore, incorporating backup plans for key suppliers and vendors must be a part of planning.

G. COMMUNICATION

It is necessary to ensure that critical information can be exchanged so employees are kept abreast of any developments or changes in requirements as the situation progresses. We ensure that our organization has incorporated these focus areas into its planning and it assist in preparedness to respond to a pandemic.

highlights of corporate social responsibility



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

a. Community Investment & Welfare Schemes

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

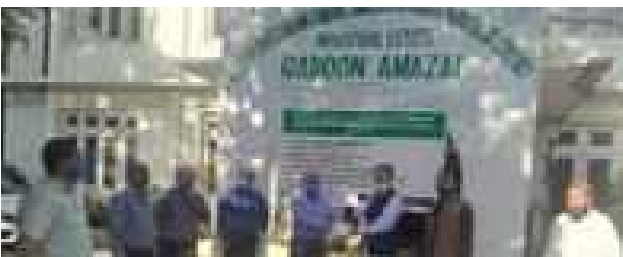
b. Ambulance Service

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

c. National Cause Donations

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

During COVID-19, the Company distributed ration supply to local community in collaboration with KPK authorities.



d. Details of Charity Account

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

e. Educational awareness session at ICAP

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

f. Rural Development Programs & Employment of Special Persons

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

g. Ration Drive

The Company has a legacy of donating ration for flood, earthquake victims & IDPs. Similarly during COVID-19, The Company distributed ration to the needy people of its locality and its staff.



A hand is shown in the foreground, holding a large, glowing white arrow that points upwards. The background is a deep blue with several other white arrows of varying heights and positions, some pointing upwards and some slightly angled. The overall scene conveys a sense of growth, progress, and upward movement.

Excellence in Corporate Reporting

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

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

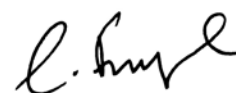
Cherat Packaging Limited is preparing statutory financial statements in accordance with the IFRS issued by IASB as notified under the Companies Act 2017 including the disclosure requirements of fourth schedule.

However, SECP has not notified adoption of following IFRS:

Standards	IASB effective date (annual periods beginning on or after)
IFRS 1 - First Time Adoption of IFRSs	01 January 2004
IFRS 17 - Insurance Contracts	01 January 2023

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 27, 2020



Amer Faruque
Chief Executive

Adoption of Islamic Financial Accounting Standards (IFAS)

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

adoption and statement of adherence with the international integrated reporting framework

Overview:

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

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

Business operations:

The Company is engaged in manufacturing, marketing and sale of cement bags and flexible packaging material since 1991. The data and information presented in this report pertains to its plants, marketing offices and head office.

Objectives and Contents:

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

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

Methodologies:

In compilation of data basic scientific measurements, mathematical calculation methods, accounting principles,

actual basis and other different logical methodologies used. The Company makes every effort to ensure the accuracy of the sustainability as well as the information being provided.

Role of the Board:

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

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

Role of Management:

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

Financial and Non-Financial Information:

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

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

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

Connectivity, Monitoring and Control:

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

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

Other factors:

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

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

Users:

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

Materiality:

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

Reporting period:

This report of the Company is published annually and covers period beginning from July 01, 2019 till June 30, 2020.

Our Report:

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

- Organizational overview and external environment

- Strategy and resource allocation

- Risks and opportunities

- Governance

- Performance and position

- Stakeholders' relationship and engagement

- Sustainability and corporate social responsibility

- Striving for Excellence in corporate reporting

Karachi: August 27, 2020


Amer Faruque
Chief Executive



glossary of terms

Annual General Meeting (AGM): A mandatory, yearly gathering of a publicly traded company's executives, directors and interested shareholders.

Acid Test Ratio: The ratio of liquid assets to 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.

BRC: British Retail Consortium

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

COVID-19: is a disease caused by a new strain of coronavirus. 'CO' stands for corona, 'VI' for virus, and 'D' for disease.

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).

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.

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

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

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

HS&E: Health, Safety and Environment.

IASB: International Accounting Standards Board.

IFRS: International Financial Reporting Standards.

IFRIC: International Financial Reporting Interpretation Committee

KIBOR: Karachi Inter Bank Offer Rate.

KPK: Khyber Pakhtunkhwa

Net Working Capital: Current assets minus current liabilities.

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

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).

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.

PRP: Pandemic Recovery Plan

Spread: Rate charged by the bank over KIBOR.

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

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).

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.

Sedex: Supplier Ethical Data Exchange

Financial Statements

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independent auditors' report



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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 2020, and the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2020 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 is the Key audit matter:

Key audit matter	How the matter was addressed in our audit
<p>I. Valuation of stock-in-trade</p> <p>As of the date of statement of financial position, the Company held stock-in-trade balances of Rs. 2,622.464 million which constitutes 23.49% of total assets, as disclosed in note 10 to the financial statements.</p> <p>We focused on stock-in-trade as it is a significant portion of Company’s total assets and it requires management judgement in determining an appropriate costing basis and assessing its valuation. Therefore, we have considered this matter as key audit matter.</p>	<p>Our key audit procedures in this area amongst others included:</p> <ul style="list-style-type: none"> - Obtained an understanding of the Company’s process with respect to valuation of stock-in-trade and tested controls relevant to such process. - Tested the calculations of per unit cost of finished goods and assessed the appropriateness of management’s basis for the allocation of cost and production overheads. - Observed physical stock counts to ascertain the condition and existence of stock-in-trade, performing testing on a sample of items to assess the NRV of the stock-in-trade held and evaluating the adequacy of write down of stock-in-trade to NRV as at the year end. - Assessed the adequacy of the related disclosures in accordance with the applicable financial reporting standards.

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX

of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error:

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

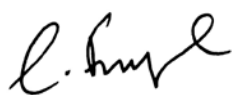
EY Ford Rhodes
Chartered Accountants
Place: Karachi
Date: 07 September 2020

statement of financial position

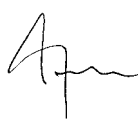
as at June 30, 2020

Note	2020	2019	
	(Rupees in '000)		
ASSETS			
NON-CURRENT ASSETS			
	Fixed assets		
4	Property, plant and equipment	5,096,317	5,156,510
5	Intangible assets	5,635	6,321
		5,101,952	5,162,831
6	Long-term investments	469,080	154,567
7	Long-term loan	100	175
8	Long-term security deposits	9,378	11,178
		5,580,510	5,328,751
CURRENT ASSETS			
9	Stores, spare parts and loose tools	322,853	306,095
10	Stock-in-trade	2,622,464	3,128,554
11	Trade debts	1,966,580	1,569,135
12	Loans and advances	776	1,769
13	Trade deposits and short-term prepayments	40,334	43,333
14	Other receivables	277,050	587,387
	Taxation - net	335,142	373,280
15	Cash and bank balances	15,022	13,139
		5,580,221	6,022,692
	TOTAL ASSETS	11,160,731	11,351,443
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
16	Share capital	425,069	386,426
17	Reserves	4,349,335	4,079,812
		4,774,404	4,466,238
NON-CURRENT LIABILITIES			
18	Long-term financing	2,638,802	2,695,000
19	Deferred taxation	226,669	338,486
20	Government grant	9,566	-
		2,875,037	3,033,486
CURRENT LIABILITIES			
21	Trade and other payables	534,434	506,202
	Accrued mark-up	178,365	195,889
22	Short-term borrowings	2,630,780	2,950,345
18	Current maturity of long-term financing	154,600	190,000
20	Current portion of Government grant	3,189	-
23	Unclaimed dividend	9,922	9,283
		3,511,290	3,851,719
24	CONTINGENCIES AND COMMITMENTS		
	TOTAL EQUITY AND LIABILITIES	11,160,731	11,351,443

The annexed notes from 1 to 42 form an integral part of these financial statements.



Amer Faruque
Chief Executive



Aslam Faruque
Director



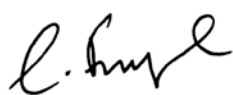
Yasir Masood
Chief Financial Officer

statement of profit or loss

for the year ended June 30, 2020

	Note	2020	2019
(Rupees in '000)			
Turnover - net	25	9,436,193	8,093,407
Cost of sales	26	(8,262,464)	(6,692,758)
Gross profit		<u>1,173,729</u>	<u>1,400,649</u>
Distribution costs	27	(164,781)	(129,294)
Administrative expenses	28	(95,009)	(93,958)
Other expenses	29	(53,389)	(40,741)
		(313,179)	(263,993)
Other income	30	21,631	29,978
Operating profit		<u>882,181</u>	<u>1,166,634</u>
Finance costs	31	(783,503)	(506,554)
Profit before taxation		<u>98,678</u>	<u>660,080</u>
Taxation			
Current		(141,498)	(24,624)
Prior		1,238	2,974
Deferred		111,817	(75,557)
	32	(28,443)	(97,207)
Net profit for the year		<u>70,235</u>	<u>562,873</u>
Earnings per share - basic and diluted	33	Rs. 1.65	(Restated) Rs. 13.24

The annexed notes from 1 to 42 form an integral part of these financial statements.



Amer Faruque
Chief Executive



Aslam Faruque
Director



Yasir Masood
Chief Financial Officer

statement of comprehensive income

for the year ended June 30, 2020

	2020	2019
	(Rupees in '000)	
Net profit for the year	70,235	562,873
Other comprehensive income		
Items that may not be reclassified subsequently to the statement of profit or loss		
Unrealised gain / (loss) on remeasurement of equity investment at fair value through other comprehensive income	314,465	(320,969)
Actuarial gain / (loss) on defined benefit plan	20,072	(27,054)
	334,537	(348,023)
Total comprehensive income for the year	404,772	214,850

The annexed notes from 1 to 42 form an integral part of these financial statements.



Amer Faruque
Chief Executive



Aslam Faruque
Director



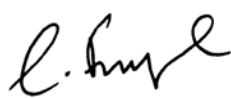
Yasir Masood
Chief Financial Officer

statement of cash flows

for the year ended June 30, 2020

Note	2020		2019	
	(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES				
		98,678		660,080
Profit before taxation				
Adjustments for:				
	4.1.4	340,010		296,656
	5.1	1,375		1,469
		(1,271)		(2,329)
	11.3	25,704		-
	29	17,037		-
	20	403		-
	30	(48)		(18)
	30	(4,843)		(19,374)
	31	783,503		506,554
		1,161,870		782,958
		1,260,548		1,443,038
Decrease / (increase) in current assets:				
		(16,758)		(134,010)
		506,090		(1,119,237)
		(423,149)		(514,850)
		993		18,119
		2,999		(18,428)
		310,337		(17,351)
		380,512		(1,785,757)
Increase / (decrease) in current liabilities:				
		31,267		(273,092)
Cash generated from / (used in) operations				
		1,672,327		(615,811)
		(102,122)		(158,947)
		1,875		(1,725)
Net cash generated from / (used in) operating activities				
		1,572,080		(776,483)
CASH FLOWS FROM INVESTING ACTIVITIES				
	4.2	(283,154)		(673,827)
	5	(689)		(1,850)
		4,608		5,441
		4,843		19,374
Net cash used in investing activities				
		(274,392)		(650,862)
CASH FLOWS FROM FINANCING ACTIVITIES				
		(79,246)		65,000
		(319,565)		2,013,720
		(801,027)		(383,380)
		(95,967)		(263,494)
Net cash (used in) / generated from financing activities				
		(1,295,805)		1,431,846
Net increase in cash and cash equivalents				
		1,883		4,501
Cash and cash equivalents at the beginning of the year				
		13,139		8,638
Cash and cash equivalents at the end of the year				
	15	15,022		13,139

The annexed notes from 1 to 42 form an integral part of these financial statements.



Amer Faruque
Chief Executive



Aslam Faruque
Director



Yasir Masood
Chief Financial Officer

statement of changes in equity

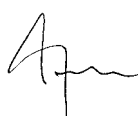
for the year ended June 30, 2020

	Reserves						Sub-total	TOTAL
	Capital Reserve	Revenue Reserves		OTHER COMPONENTS OF EQUITY				
	Share premium	General reserve	Unappropriated profit	Actuarial (loss) / gain on gratuity fund	Unrealized (loss) / gain on equity investment			
	(Rupees in '000)							
Balance as at July 01, 2018	336,022	998,628	180,000	2,723,760	7,224	270,371	4,179,983	4,516,005
Final cash dividend for the year ended June 30, 2018 @ Rs. 5 per share	-	-	-	(168,011)	-	-	(168,011)	(168,011)
Bonus shares issued in the ratio of 15 shares for every 100 shares held	50,404	-	-	(50,404)	-	-	(50,404)	-
Interim cash dividend for the year ended June 30, 2019 @ Rs. 2.5 per share	-	-	-	(96,606)	-	-	(96,606)	(96,606)
Net profit for the year	-	-	-	562,873	-	-	562,873	562,873
Other comprehensive income for the year	-	-	-	-	(27,054)	(320,969)	(348,023)	(348,023)
Total comprehensive income for the year	-	-	-	562,873	(27,054)	(320,969)	214,850	214,850
Balance as at June 30, 2019	386,426	998,628	180,000	2,971,612	(19,830)	(50,598)	4,079,812	4,466,238
Balance as at July 01, 2019	386,426	998,628	180,000	2,971,612	(19,830)	(50,598)	4,079,812	4,466,238
Final cash dividend for the year ended June 30, 2019 @ Rs. 2.5 per share	-	-	-	(96,606)	-	-	(96,606)	(96,606)
Bonus shares issued in the ratio of 10 shares for every 100 shares held	38,643	-	-	(38,643)	-	-	(38,643)	-
Net profit for the year	-	-	-	70,235	-	-	70,235	70,235
Other comprehensive income for the year	-	-	-	-	20,072	314,465	334,537	334,537
Total comprehensive income for the year	-	-	-	70,235	20,072	314,465	404,772	404,772
Balance as at June 30, 2020	425,069	998,628	180,000	2,906,598	242	263,867	4,349,335	4,774,404

The annexed notes from 1 to 42 form an integral part of these financial statements.



Amer Faruque
Chief Executive



Aslam Faruque
Director



Yasir Masood
Chief Financial Officer

notes to and forming part of the financial statements

for the year ended June 30, 2020

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 & 27-C Gadoon Amazai Industrial Estate, District Swabi. (Land measuring area - 12 acres and 1 acre respectively)
Flexible packaging division (immovable assets)	Plot # 4, Gadoon Amazai Industrial Estate, District Swabi. (Land measuring area - 8.09 acres)

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

1.2.1 Impact of COVID-19 on the financial Statements

COVID-19 is a global pandemic which has affected the whole world and Pakistan is not an exception. Businesses are badly affected due to lockdowns to fight COVID-19 since March 2020. Construction and FMCG sectors were fortunate to be moderately affected in this situation. Consequently, our sales were moderately affected. The situation, however, has now improved on the back of steps taken by the Government. The Company has taken all necessary measures for the health and safety of its employees. Employees were also allowed to work from their homes during COVID-19. The Company also availed Government's schemes for financing wages & salaries and deferment of principal repayments and made required disclosures. There is no significant accounting impact of COVID-19 in these financial statements.

- 1.2.2 Overall, the finance cost of the Company significantly increased primarily due to the increase in discount rate by the State Bank of Pakistan (SBP). The Company benefited in the fourth quarter where the discount rate was reduced from 13.25% to 7% per annum.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan (ICAP) as are notified under Companies Act, 2017 (the Act); and
- Provisions of and directives issued under the Companies Act, 2017.

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

2.2 Accounting convention

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

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

New standards, amendments, interpretations and improvements effective during the year

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

Standards, amendments or interpretation

- IFRS 9 - Prepayment Features with Negative Compensation (Amendments);
- IFRS 14 - Regulatory Deferral Accounts;
- IFRS 16 - Leases;
- IFRS 16 - COVID 19 Related Rent Concessions (Amendments);
- IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments);
- IAS 28 - Long-term Interest in Associates and Joint Ventures (Amendments); and
- IFRIC 23 - Uncertainty Over Income Tax Treatments.

Improvements to Accounting Standards issued by the IASB (2015 - 2017 Cycle)

- IFRS 3 - Business Combinations - Previously Held Interest in a Joint Operation;
- IFRS 11 - Joint Arrangements - Previously Held Interest in a Joint Operation;
- IAS 12 - Income Taxes - Income Tax Consequences of Payment on Financial Instruments Classified as Equity; and
- IAS 23 - Borrowing Costs - Borrowing Costs Eligible for Capitalization.

The adoption of the above standards, amendments, interpretations and improvements to accounting standards did not have any material effect on the financial statements. However, the impacts of adoption of IFRS 16 are described below:

IFRS 16 'Leases'

IFRS 16 'Leases' - IFRS 16 replaces the previous lease standard IAS 17 Leases. It resulted in almost all leases being recognized on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use lease item) and a lease liability to pay rentals are required to be recognized. The only exceptions are short term and low value leases.

The Company has assessed the impact of IFRS-16 and concluded that all leases are short-term. Accordingly, the Company has not recognized the right to use asset and accounted for lease expense on straight line basis over the lease term. Based on above, no impact of adoption of IFRS 16 on opening equity has been recognised as per modified retrospective approach permitted under IFRS-16.

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

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

Standards or Amendments	Effective date (annual periods beginning on or after)
IFRS - 3 - Definition of Business (Amendments)	01 January 2020
IFRS - 3 - Reference to the Conceptual Framework (Amendments)	01 January 2022
IFRS - 9 / IAS - 39 - Interest Rate Benchmark Reform (Amendments)	01 January 2020
IFRS - 7 / IFRS - 10 / IAS- 28 - Sale or Contribution of assets Between an Investor and its Associate or Joint Venture (Amendments)	Not Yet Finalised
IAS - 1 / IAS- 8 - Definition of Material (Amendments)	01 January 2020
IAS - 1 - Classification of Liabilities as Current or Non-Current (Amendments)	01 January 2022*
IAS - 16 - Proceeds Before Intended Use (Amendments)	01 January 2022
IAS - 37 - Onerous Contracts - Costs of Fulfilling Contracts (Amendments)	01 January 2022

* The IASB has issued an exposure draft proposing to defer the effective date of the amendments to IAS 1 to 01 January 2023.

Improvements to accounting standards issued by the IASB (2018 - 2020 cycle)

	IASB effective date (annual periods beginning on or after)
IFRS 9 - Financial Instruments - Fees in the '10 percent' test for the derecognition of financial liabilities	01 January 2022
IAS 41 - Agriculture - Taxation in the fair value measurement	01 January 2022

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 01 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 1 - First Time Adoption of IFRSs	01 January 2004
IFRS 17 - Insurance Contracts	01 January 2023

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 judgements 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 judgements 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 in the statement of profit or loss.

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

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

2.5.4 Staff retirement benefits

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

2.5.5 Contingencies

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

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

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

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

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

The carrying values of property, plant and equipment are reviewed for impairment 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 Company and the cost of such assets can also be measured reliably.

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

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

3.3 Investments

3.3.1 Joint Venture

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

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

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

3.3.2 At fair value through other comprehensive income

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

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

3.3.3 At fair value through statement of 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.

3.3.4 Impairment of financial assets

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

The company assesses on a forward-looking basis, the expected credit losses ('ECL') associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The company applies the standard's simplified approach for trade debts and calculates ECL based on lifetime ECL.

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

The company recognises an impairment gain or loss in the statement of profit or loss for financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

3.4 Stores, spare parts and loose tools

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

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

3.5 Stock-in-trade

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

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

Cost signifies in relation to:

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

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

3.6 Trade debts, loans and other receivables

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

3.7 Cash and cash equivalents

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

3.8 Share capital

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

3.9 Borrowings

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

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

3.10 Government Grant

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to expense, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed out.

3.11 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.

3.12 Financial instruments

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

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instruments. The Company derecognizes a financial asset or a portion of financial asset when, and only when, the Company loses control of the contractual rights that comprise the financial asset or a portion of financial assets. While a financial liability or

part of financial liability is derecognized from the statement of financial position when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on the recognition or derecognition of the financial assets and liabilities is taken to statement of profit or loss or other comprehensive income.

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

3.13 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.

3.14 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.

3.15 Revenue recognition

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

3.15.1 Sale of goods

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

3.15.2 Other income

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

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

Other revenues are accounted when performance obligations are met.

3.16 Staff retirement benefits

3.16.1 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.

3.16.2 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.

3.17 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.

3.18 Taxation

3.18.1 Current

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

3.18.2 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.

3.18.3 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.

3.19 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.

3.20 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.

3.21 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.

3.22 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.

3.23 Functional and presentation currency

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

3.24 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 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.

3.25 Short-term leases

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on such leases are recognised as expense on a straight-line basis over the lease term.

4. PROPERTY, PLANT AND EQUIPMENT

Note	2020	2019
	(Rupees in '000)	
4.1	4,953,165	5,022,828
4.2	143,152	133,682
	<u>5,096,317</u>	<u>5,156,510</u>

4.1 Operating property, plant and equipment

2020 Description	COST			DEPRECIATION				Book Value as at June 30, 2020	Depreciation rate % per annum	
	As at July 01, 2019	Additions* (Note 4.2)	Disposals	As at June 30, 2020	As at July 01, 2019	Disposals	Charge for the year (Note 4.14)			As at June 30, 2020
(Rupees in '000)										
Leasehold land	57,080	15,337	-	72,417	-	-	-	-	72,417	-
Building on leasehold land	1,210,390	81,426	-	1,291,816	187,049	-	86,992	274,041	1,017,775	5-10
Plant and machinery (Note 4.1.1)	4,239,435	69,528	-	4,308,963	876,058	-	181,655	1,057,713	3,251,250	5-7.5
Power and other Installations	189,154	-	-	189,154	40,729	-	12,258	52,987	136,167	7.5-10
Furniture and fittings	33,728	21,568	(67)	55,229	6,578	(9)	3,854	10,423	44,806	5-10
Vehicles	149,485	18,856	(9,419)	158,922	55,613	(6,257)	20,206	69,562	89,360	20
Equipment	325,651	54,001	-	379,652	36,936	-	23,916	60,852	318,800	7.5-10
Computers	38,554	12,968	(145)	51,377	17,686	(28)	11,129	28,787	22,590	33.33
	<u>6,243,477</u>	<u>273,684</u>	<u>(9,631)</u>	<u>6,507,530</u>	<u>1,220,649</u>	<u>(6,294)</u>	<u>340,010</u>	<u>1,554,365</u>	<u>4,953,165</u>	

2019 Description	COST			DEPRECIATION				Book Value as at June 30, 2019	Depreciation rate % per annum	
	As at July 01, 2018	Additions* (Note 4.2)	Disposals	As at June 30, 2019	As at July 01, 2018	Disposals	Charge for the year (Note 4.1A)			As at June 30, 2019
(Rupees in '000)										
Leasehold land	57,080	-	-	57,080	-	-	-	-	57,080	-
Building on leasehold land	632,469	577,921	-	1,210,390	112,942	-	74,107	187,049	1,023,341	5-10
Plant and machinery (Note 4.1.1)	3,397,293	842,142	-	4,239,435	706,204	-	169,854	876,058	3,363,377	5-7.5
Power and other Installations	163,636	25,518	-	189,154	28,194	-	12,535	40,729	148,425	7.5-10
Furniture and fittings	16,472	17,256	-	33,728	4,784	-	1,794	6,578	27,150	5-10
Vehicles	97,486	57,631	(5,632)	149,485	39,315	(2,520)	18,818	55,613	93,872	20
Equipment	85,291	240,360	-	325,651	24,431	-	12,505	36,936	288,715	7.5-10
Computers	17,587	20,967	-	38,554	10,643	-	7,043	17,686	20,868	33.33
	4,467,314	1,781,795	(5,632)	6,243,477	926,513	(2,520)	296,656	1,220,649	5,022,828	

*Represents transfers from CWIP.

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

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

4.1.2 Particulars of significant plant and machinery are given below:

Kraft paper bags plant

Tuber - 4 machines

Bottomer - 4 machines

Universal Papersack Line (tuber & bottomer)

Polypropylene bags plant

Extrusion line - 3 machines

Weaving line - 3 machines

Coating line - 3 machines

Printing line - 3 machines

Bags conversion line - 5 machines

Flexible packaging plant

Flexo Graphic printer

Rotogravure printer

Extrusion Line

Laminator - 2 machines

Bag making machine

4.1.3 **Reconciliation of book value:**

Book value as at the beginning of the year
Additions during the year - at cost
Depreciation for the year
Disposals during the year at book value
Book value as at the end of the year

	2020	2019
(Rupees in '000)		
	5,022,828	3,540,801
	273,684	1,781,795
	(340,010)	(296,656)
	(3,337)	(3,112)
	4,953,165	5,022,828

4.14	The depreciation charge for the year has been allocated to:	Note	2020	2019
			(Rupees in '000)	
	Cost of sales	26	330,075	285,842
	Distribution costs	27	7,142	7,118
	Administrative expenses	28	2,793	3,696
			<u>340,010</u>	<u>296,656</u>

4.2 Capital work-in-progress

	Leasehold land	Building on leasehold land	Plant and machinery	Power and other installations	Furniture and fittings	Vehicles	Equipment	Computers	Total
	(Rupees in '000)								
Balance as at June 30, 2018	-	320,857	751,957	22,746	832	3,070	142,188	-	1,241,650
Capital expenditure incurred / advances made during the year	-	338,282	129,621	2,772	17,543	54,561	109,212	21,836	673,827
Transferred to operating property, plant and equipment	-	(577,921)	(842,142)	(25,518)	(17,256)	(57,631)	(240,360)	(20,967)	(1,781,795)
Balance as at June 30, 2019	-	81,218	39,436	-	1,119	-	11,040	869	133,682
Capital expenditure incurred / advances made during the year	15,337	10,370	111,078	21,560	20,578	20,916	71,216	12,099	283,154
Transferred to operating property, plant and equipment	(15,337)	(81,426)	(69,528)	-	(21,568)	(18,856)	(54,001)	(12,968)	(273,684)
Balance as at June 30, 2020	-	10,162	80,986	21,560	129	2,060	28,255	-	143,152

4.2.1 During the year borrowing costs have been capitalized amounting to Rs. Nil (2019: Rs. 8.84 million) in Flexible Packaging Division by using capitalization rate of Nil (2019: 7.17%) per annum.

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. 5.57 billion (2019: Rs. 6.00 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)									
2020 ERP System/Software	15,469	689	-	16,158	9,148	-	1,375	10,523	5,635	10
2019 ERP System/Software	13,619	1,850	-	15,469	7,679	-	1,469	9,148	6,321	10

5.1	The amortization charge for the year has been allocated to:	Note	2020	2019
			(Rupees in '000)	
	Cost of sales	26	1,064	1,091
	Administrative expenses	28	311	378
			<u>1,375</u>	<u>1,469</u>

6. LONG-TERM INVESTMENTS

Investment in associated companies

At fair value through other comprehensive income	6.1	464,416	149,951
Joint Venture			
Investment in a Joint Venture	6.2	4,664	4,616
		<u>469,080</u>	<u>154,567</u>

6.1	At fair value through other comprehensive income	Note	2020	2019
			(Rupees in '000)	
	Cherat Cement Company Limited 5,327,698 (2019: 4,843,362) Ordinary shares of Rs. 10/- each		464,416	149,951
6.2	Investment in a joint venture			
	Carrying value of investment	6.2.1	4,616	4,598
	Share of profit - unaudited	30	48	18
			4,664	4,616
6.2.1	Represents 462,000 shares @ Rs. 10/- each representing 4.62% interest in UniEnergy Limited (UEL), a public unlisted Company. UEL is formed for the generation and transmission of wind power; however, the company has not yet commenced its commercial operations.			
6.3	Investments in associated companies and undertakings have been made in accordance with the requirements of the Companies Act, 2017.			
7.	LONG-TERM LOAN - secured, considered good	Note	2020	2019
			(Rupees in '000)	
	Employees	7.1	133	233
	Less: Current maturity	12	(33)	(58)
			100	175
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 4 years. The loan is secured against the provident fund balance of the employee.			
8.	LONG-TERM SECURITY DEPOSITS	Note	2020	2019
			(Rupees in '000)	
	Sector wise analysis is as follows:			
	Government sector - secured		9,228	11,028
	Other sectors - unsecured		150	150
		8.1	9,378	11,178
8.1	These deposits do not carry any interest.			
9.	STORES, SPARE PARTS AND LOOSE TOOLS			
	Stores		43,101	33,760
	Spare parts		277,481	260,202
	Loose tools		541	409
			321,123	294,371
	Stores in transit		1,730	11,724
			322,853	306,095
10.	STOCK-IN-TRADE			
	Raw material			
	In hand		957,086	2,181,600
	In bonded warehouse		590,786	-
	In transit		504,044	442,509
			2,051,916	2,624,109
	Work-in-process		207,436	175,331
	Finished goods		344,330	318,322
	Scrap goods / reworkable material		18,782	10,792
			2,622,464	3,128,554

II. TRADE DEBTS	Note	2020	2019
(Rupees in '000)			
Considered good			
- secured	11.1	33,854	79,646
- unsecured		1,976,396	1,507,455
		2,010,250	1,587,101
Less: Allowance for expected credit loss	11.3	43,670	17,966
	11.2	1,966,580	1,569,135

11.1 Represents local and export sales made under letter of credit. Export sales were made to Africa (2019: Africa) under Letter of Credit (2019: Letter of Credit).

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

	2020	2019
(Rupees in '000)		
Neither past due nor impaired	1,002,166	997,375
Past due but not impaired		
- Within 270 days	964,414	571,760
	1,966,580	1,569,135

11.3 During the year, the Company made allowance for expected credit loss amounting to Rs. 25.70 million.

12. LOANS AND ADVANCES - considered good

	Note	2020	2019
(Rupees in '000)			
Current portion of long-term loans	7	33	58
Advances			
Suppliers	12.1 & 12.2	743	1,588
Letters of credit		-	123
		743	1,711
		776	1,769

12.1 Sector wise analysis is as follow:

Non-Governmental sectors - unsecured	743	1,588
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12.2 These advances do not carry any interest.

13. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Trade deposits	13.1	35,470	34,417
Short-term prepayments			
Insurance		2,719	7,598
Rent		376	1,164
Others		1,769	154
		4,864	8,916
		40,334	43,333

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

14. OTHER RECEIVABLES

	2020	2019
(Rupees in '000)		
Sales tax adjustable	273,868	573,180
Others	3,182	14,207
	277,050	587,387

15. CASH AND BANK BALANCES

2020	2019
(Rupees in '000)	
Cash in hand	295
Bank balances	
Islamic banks	
Current accounts	3,488
Conventional banks	
Current accounts	5,012
Saving accounts	4,344
	9,356
	13,139

15.1 These carry effective profit rate of 10.31% (2019: 8%) per annum.

16. SHARE CAPITAL

16.1 Authorised capital

2020	2019
Number of shares	
100,000,000	100,000,000

Ordinary shares of Rs. 10/- each

2020	2019
(Rupees in '000)	
1,000,000	1,000,000

16.2 Issued, subscribed and paid-up capital

2020	2019
Number of shares	
26,207,242	26,207,242
16,299,593	12,435,336
42,506,835	38,642,578

Fully paid ordinary shares of Rs. 10/- each

- Issued as fully paid in cash
- Issued as bonus shares

2020	2019
(Rupees in '000)	
262,072	262,072
162,997	124,354
425,069	386,426

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

2020	2019
(Number of shares)	
Faruque (Private) Limited	3,960,815
Cherat Cement Company Limited	2,838,666
Mirpurkhas Sugar Mills Limited	1,918,628
Greaves Pakistan (Private) Limited	1,940,940
	10,659,049

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

17. RESERVES

Capital reserve

Share premium

998,628	998,628
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Revenue reserves

General reserve

180,000	180,000
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Unappropriated profit

2,906,598	2,971,612
3,086,598	3,151,612

Other components of equity

Actuarial gain / (loss) on gratuity fund

242	(19,830)
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Unrealised gain / (loss) on equity instruments

263,867	(50,598)
264,109	(70,428)

3,350,707	3,081,184
4,349,335	4,079,812

18. LONG-TERM FINANCING

	Note	2020	2019
(Rupees in '000)			
Islamic banks			
Fixed Assets Refinance Loan - I	18.1	315,000	405,000
Fixed Assets Refinance Loan - II	18.2	540,000	600,000
		855,000	1,005,000
Conventional banks			
Fixed Assets Refinance Loan - III	18.3	40,000	80,000
Fixed Assets Refinance Loan - IV	18.4	1,200,000	1,200,000
Fixed Assets Refinance Loan - V	18.5	600,000	600,000
		1,840,000	1,880,000
Refinance Scheme for Payment of Wages and Salaries	18.6 & 19	98,402	-
		2,793,402	2,885,000
Less: Current maturity of long-term financing		(154,600)	(190,000)
		2,638,802	2,695,000

- 18.1** Represents long-term financing obtained from an Islamic bank under Diminishing Musharika for the import of Polypropylene Plant. It carries profit at the rate of 6 months' KIBOR + 0.2% per annum. The financing is repayable in 10 equal semi-annual installments which commenced after 30 months from the date of first draw down i.e. from January 2019. The financing is secured against first pari-passu hypothecation charge of Rs. 667 million over specific plant and machinery of the Company.
- 18.2** Represents long-term financing obtained from an Islamic bank under Diminishing Musharika for the import of Universal Papersack Line. The loan carries a profit rate of 6 months' KIBOR + 0.2% per annum. The financing is repayable in 10 equal semi-annual installments which commenced after 30 months from the date of first drawdown i.e. from January 2020. It is secured against first pari-passu hypothecation charge of Rs. 800 million on plant and machinery of the Company. During the year, the Company has availed the principal deferment facility, as mentioned in Note 18.7 of these financial statements.
- 18.3** Represents long-term financing obtained from a conventional bank for the import of Polypropylene Plant. It carries mark-up at the rate of 6 months' KIBOR+ 0.6% per annum. The financing is repayable in 10 equal semi-annual installments which commenced after 30 months from the date of first draw down i.e. from July 2016. The financing is secured against first pari-passu hypothecation charge of Rs. 267 million over specific plant and machinery of the Company.
- 18.4** Represents long-term financing obtained from a conventional bank for the import of Flexible Packaging Plant. It carries mark-up at the rate of 6 months' KIBOR+ 0.15% per annum. The financing is repayable in 10 equal semi-annual installments commencing after 30 months from first draw down i.e. from August 2020. The financing is secured against first pari-passu hypothecation charge of Rs. 1,600 million on plant and machinery of the Company. During the year, the Company has availed the principal deferment facility, as mentioned in Note 18.7 of these financial statements.
- 18.5** Represents long-term financing obtained from a conventional bank for the import of Flexible Packaging Plant. It carries mark-up at the rate of 6 months' KIBOR+ 0.15% per annum. The financing is repayable in 10 equal semi-annual installments commencing after 30 months from first draw down i.e. from December 2020. The financing is secured against first pari-passu hypothecation charge of Rs. 800 million on plant and machinery of the Company. During the year, the Company has availed the principal deferment facility, as mentioned in Note 18.7 of these financial statements.
- 18.6** Represents long-term financing obtained from a conventional bank under the Refinance Scheme for Payment of Wages and Salaries by State Bank of Pakistan. It carries a flat mark-up at the rate of 1% per annum. The SBP allowed rate as per the scheme is up to 3% per annum. However, the effective interest rate is calculated as 8.26% per annum and the loan has been recognised at the present value. The loan is repayable in 8 equal quarterly installments commencing from January 2021 discounted at the effective rate of interest. The differential markup has been recognised as government grant (as mentioned in note 20) which will be amortised to other income over the period of the facility. The financing is secured against first pari-passu hypothecation charge over current assets of the Company.
- 18.7** The Company has availed the principal deferment facility for fixed assets refinance loan-II, fixed assets refinance loan-IV and fixed assets refinance loan-V offered by the State Bank of Pakistan through BPRD circular no. 13 of 2020 to dampen adverse effects of the COVID-19 and to provide relief to the businesses. Under this facility, the principal repayments of these loans falling due in the financial year 2020-21 have been deferred for one year and repayments will be restarted from financial year 2021-22 amounting to Rs. 480 million in total. However, servicing of the markup / profit will not be affected. Such deferment will not affect the credit history of the Company and accordingly will not be reported in the Electronic Credit Information Bureau (eCIB) as restructuring.

19. DEFERRED TAXATION	Note	2020	2019
		(Rupees in '000)	
Accelerated tax depreciation		559,842	517,194
Unused tax losses		(18,624)	-
Unadjusted Minimum Tax		(138,328)	-
Unadjusted Alternate Corporate Tax		(176,221)	(178,708)
		<u>226,669</u>	<u>338,486</u>

20. GOVERNMENT GRANT		2020	2019
As at 01 June		-	-
Recognized during the year		13,158	-
Amortized during the period	30	(403)	-
		<u>12,755</u>	<u>-</u>
Current portion		(3,189)	-
Non-current portion		<u>9,566</u>	<u>-</u>

As aforementioned in note 18.6, the purpose of the government grant is to facilitate the Company in making timely payments of salaries and wages to its employees in light of the COVID-19 pandemic. The grant is conditional upon the fact that the Company would not terminate any employee, due / owing to cash flow limitations, for a period of three months from the date of receipt of the first tranche.

21. TRADE AND OTHER PAYABLES	Note	2020	2019
(Rupees in '000)			
Creditors		228,537	93,722
Advance from customers	21.1	708	1,671
Gratuity fund	21.2	18,329	33,689
Bills payable		106,305	184,531
Accrued liabilities	21.3	167,353	131,281
Workers' Profits Participation Fund	21.4	5,194	34,790
Workers' Welfare Fund		-	955
Retention money		8,008	25,563
		<u>534,434</u>	<u>506,202</u>

21.1 These advances are unsecured and received under normal course of business.

21.2 Gratuity fund

Defined benefit plan

The Company operates an approved funded gratuity scheme for all eligible employees. Actuarial valuation of the scheme is carried out every year and the latest actuarial valuation was carried out as at June 30, 2020.

Gratuity fund liability:

	2020	2019
(Rupees in '000)		
Present value of defined benefit obligations	95,427	80,268
Fair value of plan assets	(77,098)	(46,579)
Liability recognized in the statement of financial position	<u>18,329</u>	<u>33,689</u>
Current service cost	12,936	12,783
Interest cost	10,650	5,830
Expected return on plan assets	(6,874)	(5,842)
Expense recognized	<u>16,712</u>	<u>12,771</u>

Movement in the liability in the statement of financial position:	Note	2020	2019
		(Rupees in '000)	
Balance as at July 01		33,689	5,864
Net charge for the year		16,712	12,771
Re-measurement chargeable in other comprehensive income		(20,072)	27,054
Contributions		(12,000)	(12,000)
Balance as at June 30		18,329	33,689

Movement in the present value of defined benefit obligation:

Balance as at July 01	80,268	67,420
Current service cost	12,936	12,783
Interest cost	10,650	5,830
Benefits paid during the year	(8,686)	(5,292)
Actuarial loss / (gain)	259	(473)
Balance as at June 30	95,427	80,268

Movement in the fair value of plan assets:

Balance as at July 01	46,579	61,556
Expected return	6,874	5,842
Contributions	12,000	12,000
Benefits paid during the year	(8,686)	(5,292)
Actuarial gain / (loss)	20,331	(27,527)
Balance as at June 30	77,098	46,579

Principal actuarial assumptions used are as follows:

Expected rate of increase in salary level - long term		7.50	12.25
Valuation discount rate	21.2.1	8.50	14.25
Rate of return on plan assets		8.50	14.25

21.2.1 The discount rate of 8.5 % is representative of yields on long-term Government Bonds.

21.2.2 Expected contributions to the plan for the year ending June 30, 2021 is Rs. 16.12 million.

Comparisons for past years:

As at June 30	2020	2019	2018	2017	2016
	(Rupees in '000)				
Present value of defined benefit obligations	95,427	80,268	67,420	(50,057)	(50,363)
Fair value of plan assets	(77,098)	(46,579)	(61,556)	91,705	75,128
Surplus	18,329	33,689	5,864	41,648	24,765
Experience adjustment on plan liabilities	259	(473)	2,174	3,261	3,338
Experience adjustment on plan assets	(20,331)	27,527	33,638	(20,987)	(8,068)
	(20,072)	27,054	35,812	(17,726)	(4,730)

Composition of plan assets are as follows:

	2020	2019
	(Rupees in '000)	
Government Securities	46,986	23,663
Mutual Funds / Shares	22,871	20,586
Bank balances	7,241	2,330
	77,098	46,579

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 gain / (loss) on plan assets during the year amounts to Rs. 27.21 million (2019: Rs. (21.69) million).

Sensitivity analysis	2020			
	Discount rate		Salary increase	
	+100 bps	-100 bps	+100 bps	-100 bps
	(Rupees in million)			
Present value of obligations	90.86	(100.70)	101.16	(90.36)

21.3 Includes payable to an associated company amounting to Rs. 2.50 million (2019: Nil).

21.4 Workers' Profits Participation Fund	Note	2020	2019
		(Rupees in '000)	
Opening balance		34,790	40,474
Interest thereon	31	620	880
		35,410	41,354
Payments during the year		(35,410)	(41,354)
		-	-
Charge for the year	29	5,194	34,790
Closing balance		5,194	34,790

22. SHORT-TERM BORROWINGS

Conventional banks

Short-term running finance - conventional banks 22.1 1,663,497 2,592,627

Islamic banks

Running Musharaka 22.2 967,283 357,718

2,630,780 2,950,345

22.1 Represents facilities obtained from various conventional banks amounting to Rs. 4,850 million (2019: Rs. 4,250 million) out of which Rs. 3,186.50 million (2019: Rs. 1,657.37 million) remains unutilized at the year end. These facilities are secured against registered pari-passu hypothecation / ranking charge over stocks and book debts for Rs. 6,466.67 million. These facilities carry mark-up of 1 and 3 months' KIBOR plus spread ranging from 0.20% to 1.00% (2019: 1 and 3 months' KIBOR plus spread ranging from 0.20% to 1.00%) per annum.

22.2 Represents facilities obtained from various Islamic banks amounting to Rs. 1,600 million (2019: Rs. 1,200 million) out of which Rs. 632.72 million remains unutilized (2019: Rs. 842.28 million) at the year end. These facilities are secured against registered pari-passu hypothecation charge over stocks and book debts for Rs. 2,133.33 million. These facilities carry profit rate of 1 and 3 months' KIBOR plus spread ranging from 0.20% to 0.75% (2019: 1 and 3 months KIBOR plus spread ranging from 0.20% to 1.00%) per annum.

23. UNCLAIMED DIVIDEND

Subsequent to the year end, a separate bank account has been opened and amount has been transferred as required under section 244 of the Companies Act, 2017.

24. CONTINGENCIES AND COMMITMENTS

	Note	2020	2019
		(Rupees in '000)	
Outstanding letters of guarantee - conventional bank	24.1	156,910	282,663
Outstanding letters of credit - conventional banks		509,546	923,996
Duties payable against bonded stock		29,437	-
Capital commitments	24.2	38,851	10,364

- 24.1 Government of Sindh imposed an infrastructure fee on the goods entering or leaving the province through the Sindh Finance (Amendment) Ordinance, 2007 which was challenged in the Honourable Sindh High Court (SHSC). The SHSC granted an interim relief in May 2011, whereby the goods of petitioners will be cleared by the Excise and Taxation Department on payment of 50% of the disputed amount and by furnishing bank guarantee for the balance 50% amount till the final outcome of the case. The Company became a party to the arrangement in February 2014 and issued bank guarantees in favour of the Department. During 2018, a new law was enacted in this regard with change in rates which was challenged through a fresh petition in the SHSC and similar type of stay was again obtained. The amount of guarantee issued up to June 30, 2020 is Rs. 150 million. The management has made a provision of Rs. 55.95 million (2019: 29.41 million) against this levy, based on its best estimate.
- 24.2 Represents capital commitment of Rs. 38.85 million (2019: Rs. Nil) extended to a related party.
- 24.3 Khyber Pakhtunkhwa Economic Zones Development and Management Company (KPEZDMC) was established in KPK with an aim to develop and manage industrial zones in KPK. The KPEZDMC offered various incentives on development projects within KPK from the financial year 2016 to December 2019. The Company has applied for the incentive against its PP line and other expansions up till June 30, 2017. The total amount of incentive claimed is Rs. 93.41 million. This case is now in final stage of approval. The management of the Company is hopeful that the said amount will be realized, however, as a matter of prudence, no income has yet been recorded in these financial statements.

25. TURNOVER - net	Note	2020	2019
		(Rupees in '000)	
Local sales		10,761,299	9,299,471
Less: Sales tax		1,566,405	1,350,970
		<u>9,194,894</u>	<u>7,948,501</u>
Less: Discounts and rebates		3,015	989
Net local sales		<u>9,191,879</u>	<u>7,947,512</u>
Export sales		244,314	145,895
		<u>9,436,193</u>	<u>8,093,407</u>
26. COST OF SALES			
Raw material consumed			
Opening stock		2,181,600	1,359,018
Purchases		5,593,977	6,594,582
		<u>7,775,577</u>	<u>7,953,600</u>
Closing stock	10	(957,086)	(2,181,600)
		<u>6,818,491</u>	<u>5,772,000</u>
Duty drawback on export		(66)	(12,005)
		<u>6,818,425</u>	<u>5,759,995</u>
Manufacturing overheads			
Salaries, wages and benefits	26.1	471,276	461,382
Stores, spare parts and loose tools consumed		139,402	82,475
Fuel and power		304,307	175,296
Packing charges		155,425	116,843
Rent, rates and taxes		4,219	6,196
Repairs and maintenance		17,256	7,599
Depreciation	4.1.4	330,075	285,842
Amortization	5.1	1,064	1,091
Insurance		51,668	46,013
General office expenses		1,821	357
Vehicle running expenses		12,562	11,568
Travelling and conveyance		9,018	8,365
Communication expenses		4,817	2,954
Printing and stationery		2,416	1,529
Legal and professional charges		11,994	12,406
Freight and cartage		1,510	2,502
Subscription		2,264	2,888
Stores and spares parts - written off		58	288
Others		4,476	3,642
		<u>1,525,628</u>	<u>1,229,236</u>
		<u>8,344,053</u>	<u>6,989,231</u>

	Note	2020	2019
		(Rupees in '000)	
Work-in-process:			
Opening stock		175,331	58,257
Closing stock	10	(207,436)	(175,331)
		(32,105)	(117,074)
Scrap goods / reworkable material:			
Opening stock		10,792	6,356
Closing stock	10	(18,782)	(10,792)
Sales		(15,486)	(6,162)
		(23,476)	(10,598)
Cost of goods manufactured		8,288,472	6,861,559
Finished goods			
Opening stock		318,322	149,521
Closing stock	10	(344,330)	(318,322)
		(26,008)	(168,801)
		8,262,464	6,692,758

26.1 Includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 11.15 million and Rs. 13.01 million (2019: Rs. 9.22 million and Rs. 9.58 million) respectively.

27. DISTRIBUTION COSTS

	Note	2020	2019
		(Rupees in '000)	
Salaries and benefits	27.1	50,017	43,584
Travelling and conveyance		9,317	5,877
Vehicle running expenses		3,171	2,686
Repair and maintenance		352	2,627
Communication expenses		1,752	1,694
Rent, rates and taxes		1,241	572
Insurance		5,006	3,491
Printing and stationery		4,327	6,693
Depreciation	4.1.4	7,142	7,118
Freight and cartage		75,147	51,612
Export expenses		7,049	3,193
Others		260	147
		164,781	129,294

27.1 Includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 1.97 million and Rs. 2.01 million (2019: Rs. 1.38 million and Rs. 1.74 million) respectively.

28. ADMINISTRATIVE EXPENSES

	Note	2020	2019
		(Rupees in '000)	
Salaries and benefits	28.1	60,990	56,538
Directors' meeting fee		2,040	2,160
Travelling and conveyance		2,271	3,441
Vehicle running expenses		2,764	2,054
Communication expenses		5,246	2,730
Printing and stationery		1,906	1,622
Rent, rates and taxes		900	3,884
Legal and professional charges		7,060	5,925
Insurance		4,000	2,835
Subscription		2,998	2,858
Advertisement		820	790
Depreciation	4.1.4	2,793	3,696
Amortization	5.1	311	378
Repairs and maintenance		454	3,984
General office expenses		193	770
Utilities		241	277
Others		22	16
		95,009	93,958

28.1 Includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 1.43 million and Rs. 1.69 million (2019: Rs. 1.18 million and Rs. 1.45 million) respectively.

29. OTHER EXPENSES	Note	2020	2019
		(Rupees in '000)	
Auditors' remuneration	29.1	2,372	3,054
Donations	29.2	2,454	1,942
Allowance for expected credit loss	11.3	25,704	-
Workers' Profits Participation Fund	21.4	5,194	34,790
Workers' Welfare Fund		628	955
Exchange loss realized		17,037	-
		<u>53,389</u>	<u>40,741</u>

29.1 Auditors' remuneration

Audit fee	935	850
Half yearly review and CCG certification	484	440
Tax and other corporate services	586	1,382
Out of pocket expenses	367	382
	<u>2,372</u>	<u>3,054</u>

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

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

30. OTHER INCOME	Note	2020	2019
		(Rupees in '000)	
Income from financial assets			
Profit on bank accounts - conventional banks		562	97
Government grant amortized	20	403	-
Dividend income from a related party - Cherat Cement Company Limited		4,843	19,374
		<u>5,808</u>	<u>19,471</u>
Income from non-financial assets			
Gain on sale of operating property, plant and equipment		1,271	2,329
Share of profit from joint venture	6.2	48	18
Scrap sales		14,504	8,160
		<u>21,631</u>	<u>29,978</u>

31. FINANCE COSTS

Islamic banks

Mark-up on long-term financing	122,478	92,028
Bank charges and duties	302	128
	<u>122,780</u>	<u>92,156</u>

Conventional banks

Mark-up on long-term financing	251,358	162,667	
Mark-up on short-term borrowings	404,962	247,273	
Mark-up on Refinance Scheme for Payment of Wages and Salaries	90	-	
Guarantee commission	1,761	2,130	
Bank charges and duties	1,932	1,448	
	<u>660,103</u>	<u>413,518</u>	
	<u>782,883</u>	<u>505,674</u>	
Interest on Workers' Profits Participation Fund	21.4	620	880
	<u>783,503</u>	<u>506,554</u>	

32. TAXATION

Provision for tax in these financial statements is calculated on the basis of Minimum Tax under section 113 of the Income Tax Ordinance, 2001, therefore, no reconciliation has been given.

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

Tax year	Note	Provision for taxation as per account	Tax assessed as per return of income	Excess/(under) provision
(Rupees in '000)				
2019	32.2	24,624	-	24,624
2018		-	-	-
2017	32.3	260,029	232,761	27,268

32.2 During last financial year, the Company had recorded tax credit under section 65B of ITO, 2001 @ 10% on commissioning and installation of plant and machinery as per law. Through Finance Act, 2019, the government has reduced tax credit under section 65B of ITO, 2001 from 10% to 5% retrospectively for the tax year 2019 and abolished for subsequent years. However, the management is hopeful that retrospective change may not be maintainable in the eyes of law and had challenged the amendment in Honourable Peshawar High Court and obtained a stay order. However, the Company has claimed full tax credit in the income tax return for the tax year 2019.

32.3 Excess provision 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.

32.4 During the year, the Deputy Commissioner Inland Revenue, Regional Tax Office, Peshawar issued Order under section 161/205 of the Income Tax Ordinance 2001 raising the demand of Rs. 56.88 million with respect to the Tax Year 2014 without giving opportunity of being heard to the Company. The management has filed Appeal before the Commissioner (Appeals), Peshawar to remand back the aforesaid Order. Based on the above facts, the Company believes that the Commissioner (Appeals), Peshawar will concur on the said grounds and will remand back the Order. Therefore, the Company has not provided any provision in these financial statements.

33. EARNINGS PER SHARE

Net profit for the year (Rupees in '000)

Note	2020	2019
	70,235	562,873

Weighted average number of ordinary shares in issue

		(Restated)
33.1	42,506,835	42,506,835

Basic earnings per share

33.2	Rs. 1.65	Rs. 13.24
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33.1 Weighted average number of ordinary shares

Issued ordinary shares at the beginning of the year

38,642,578

38,642,578

Effect of bonus shares

3,864,257

3,864,257

Weighted average number of ordinary shares at the end of the year

42,506,835

42,506,835

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

34. 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	Kraftpaper and Polypropylene bags manufacturing
Flexible packaging division	Extrusion, Flexo Graphic and Rotogravure printing

34.1 Segment analysis and reconciliation for the year ended June 30, 2020

	Bags Manufacturing Division		Flexible Packaging Division		Total	
	2020	2019	2020	2019	2020	2019
	(Rupees in '000)					
Sales						
External sales	7,773,968	7,702,166	1,662,225	391,241	9,436,193	8,093,407
Inter-segment sales	-	-	-	-	-	-
Total revenue	7,773,968	7,702,166	1,662,225	391,241	9,436,193	8,093,407
Depreciation and amortization	188,406	195,349	152,979	102,776	341,385	298,125
Finance costs	129,898	100,896	243,938	153,799	373,836	254,695
Operating profit / (loss) before tax and before unallocated expenses	1,147,060	1,402,254	(606,957)	(479,552)	540,103	922,702
Unallocated corporate expenses						
Finance costs	-	-	-	-	(409,667)	(251,859)
Other expenses	-	-	-	-	(53,389)	(40,741)
Other income	-	-	-	-	21,631	29,978
Taxation	-	-	-	-	(28,443)	(97,207)
Profit after taxation	-	-	-	-	70,235	562,873
Segment assets	6,059,876	6,442,969	3,950,535	3,704,655	10,010,411	10,147,624
Unallocated assets	-	-	-	-	1,150,320	1,203,819
Total assets	6,059,876	6,442,969	3,950,535	3,704,655	11,160,731	11,351,443
Segment liabilities	895,000	1,085,000	1,800,000	1,800,000	2,695,000	2,885,000
Unallocated liabilities	-	-	-	-	3,691,327	4,000,205
Total liabilities	895,000	1,085,000	1,800,000	1,800,000	6,386,327	6,885,205
Segment capital expenditure	92,054	138,730	191,100	535,097	283,154	673,827

34.1.1 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.

34.2 Reconciliation of Segment Assets and Liabilities to total assets and liabilities

	2020	2019
	(Rupees in '000)	
34.2.1 Segment assets		
Allocated segment assets	10,010,411	10,147,624
Long-term investments	469,080	154,567
Other receivables	277,050	587,387
Taxation - net	335,142	373,280
Other unallocated assets	69,048	88,585
	<u>11,160,731</u>	<u>11,351,443</u>
34.2.2 Segment liabilities		
Allocated liabilities	2,695,000	2,885,000
Deferred taxation	226,669	338,486
Trade and other payables	534,434	506,202
Accrued mark-up	178,365	195,889
Short-term borrowings - secured	2,630,780	2,950,345
Other unallocated liabilities	121,079	9,283
	<u>6,386,327</u>	<u>6,885,205</u>

34.3 Geographical segments

Sales are made by the Company in the following countries:

Pakistan

African countries

Other countries

2020	2019
(Rupees in '000)	
9,191,879	7,947,512
214,748	120,551
29,566	25,344
<u>9,436,193</u>	<u>8,093,407</u>

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

34.5 Information about major customers

Sales to two (2019: four) customers of the Company from the bags manufacturing division represent approximately Rs. 2,768.20 million (2019: Rs. 4,239.78 million) of the Company's total revenue. These customers represent 10% or more revenue individually in the total revenue of the Company.

35. 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:

35.1 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.

35.1.1 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)
2020		
KIBOR	+100	(53,258)
KIBOR	-100	<u>53,258</u>
2019		
KIBOR	+100	(58,353)
KIBOR	-100	<u>58,353</u>

35.1.2 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).

		2020	2019
		(‘000)	
Bills payable	- Euro	(190)	(2,133)
	- US Dollar	(709)	(265)
Trade debts	- US Dollar	219	463

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

		2020	2019
		(Rupees)	
Exchange rates	- Euro	189.73	186.99
	- US Dollar	168.75	164.50

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)
June 30, 2020 - Euro	+10	(3,605)
	- 10	3,605
June 30, 2020 - US Dollar	+10	(8,269)
	- 10	8,269
June 30, 2019 - Euro	+10	(39,885)
	- 10	39,885
June 30, 2019 - US Dollar	+10	3,250
	- 10	(3,250)

35.1.3 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. 464.42 million. A decrease of 10% in the share price of these securities would have an impact of approximately Rs. 46.44 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 with the similar amount.

35.2 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:

	2020	2019
	(Rupees in ‘000)	
Trade debts	1,966,580	1,569,135

35.2.1 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:

	2020	2019
	(Rupees in '000)	
Long-term investment		
A	464,416	149,951
Trade debts		
Customers with no defaults in the past one year	1,966,580	1,569,135
Bank balances		
A1+	12,147	8,108
A	2,478	4,736
	14,625	12,844

35.3 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.

	2020					2019				
	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	154,600	2,638,802	2,793,402	-	2,793,402	190,000	2,695,000	2,885,000	-	2,885,000
Trade and other payables	-	-	-	529,240	529,240	-	-	-	470,457	470,457
Unclaimed dividend	-	-	-	9,922	9,922	-	-	-	9,283	9,283
Accrued mark-up	-	-	-	178,365	178,365	-	-	-	195,889	195,889
Short-term borrowings	2,630,780	-	2,630,780	-	2,630,780	2,950,345	-	2,950,345	-	2,950,345
	2,785,380	2,638,802	5,424,182	717,527	6,141,709	3,140,345	2,695,000	5,835,345	675,629	6,510,974

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

35.4 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, 2020 and 2019 are as follows:

	2020	2019
	(Rupees in '000)	
Long-term financing	2,793,402	2,885,000
Accrued mark-up	178,365	195,889
Short-term borrowings	2,630,780	2,950,345
Total debt	5,602,547	6,031,234
Cash and cash equivalents	(15,022)	(13,139)
Net debt	5,587,525	6,018,095
Share capital	425,069	386,426
Reserves	4,349,335	4,079,812
Total capital	4,774,404	4,466,238
Capital and net debt	10,361,929	10,484,333
Gearing ratio	53.92%	57.40%

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.

35.5 Fair value measurement

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

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

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

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

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

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

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

	2020			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Listed shares	464,416	-	-	464,416

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

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.

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

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2020	2019
	Executives / Key Employees	Executives / Key Employees
(Rupees in '000)		
Managerial remuneration	78,513	68,359
Bonus	13,333	27,670
Housing allowance	33,910	29,357
Retirement benefits	9,222	7,678
Utilities	7,462	6,460
Leave fare assistance	5,155	3,344
	<u>147,595</u>	<u>142,868</u>
Number	<u>27</u>	<u>23</u>

36.1 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.

36.2 The aggregate amount charged in the financial statements for meeting fee to 8 Directors (including 6 non - executive Directors) amounted to Rs. 2.04 million (2019: 8 directors - Rs. 2.16 million).

37. TRANSACTIONS WITH RELATED PARTIES

37.1 The related parties of the Company comprise of associated companies, directors, executives, retirement funds, companies with common directorship and key management personnel of the Company. Amounts due from / to related parties are disclosed in respective notes to these financial statements. The Company enters into transactions with related parties on agreed terms as approved by the Board of Directors. Transactions with related parties other than those disclosed elsewhere in the financial statements, are as follows:

Relationship	Nature of transactions	2020	2019
		(Rupees in '000)	
Associates	Sale of goods	2,103,442	1,629,468
	Purchase of goods	2,324	11,606
	Purchase of fixed asset	53,196	128,998
	Services received	58,623	57,532
	IT support charges	13,749	12,717
	Dividends paid	26,648	72,991
	Dividends received	4,843	19,374

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

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

S.No.	Company name	Basis of association	Aggregate % of shareholding by related party
1.	Faruque (Private) Limited	Common directorship	10.25
2.	Cherat Cement Company Limited	Common directorship	7.35
3.	Mirpurkhas Sugar Mills Limited	Common directorship	4.97
4.	Greaves Pakistan (Private) Limited	Common directorship	5.02
5.	Greaves Airconditioning (Private) Limited	Common directorship	-
6.	Zensoft (Private) Limited	Common directorship	-
7.	UniEnergy Limited	Common directorship	-
8.	Jubilee General Insurance Company Limited	Common directorship	-
9.	Cherat Packaging Limited - Employees' Provident fund	Retirement benefit fund	0.17
10.	Cherat Packaging Limited - Employees' Gratuity fund	Retirement benefit fund	-

- 37.3 None of the key management personnel had any arrangement with the Company other than the employment contract.
- 37.4 Investment out of provident fund has been made in accordance with the provisions of section 218 of the companies Act, 2017 and the rules formulated for this purpose.

38. NUMBER OF EMPLOYEES

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

	2020		2019	
	Total	Factory	Total	Factory
Total number of employees as at June 30,	254	211	229	201
Average number of employees during the year	242	206	201	175

39. CAPACITY

	2020		2019	
	Bags manufacturing division Bags '000	Flexible packaging division KGs '000	Bags manufacturing division Bags '000	Flexible packaging division KGs '000
Annual installed capacity as of June 30,	595,000	12,600	595,000	12,600
Actual production for the year	273,171	6,040	276,178	1,909

Capacity utilization is in line with the market demand during the year.

40. DATE OF AUTHORISATION

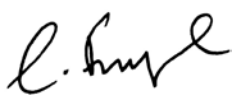
These financial statements were authorised for issue on August 27, 2020 by the Board of Directors of the Company.

41. DIVIDEND AND APPROPRIATIONS

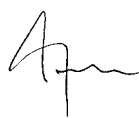
Subsequent to year ended June 30, 2020, the Board of Directors in its meeting held on August 27, 2020 has proposed final cash dividend @ Re. 1/- per share amounting Rs. 42.507 million (2019: Rs. 2.5/- per share amounting to Rs. 96.61 million and bonus shares @ 10%) for approval of the members at the Annual General Meeting. This is in addition to the interim cash dividend @ Rs. Nil per share amounting to Rs. Nil (2019: Rs. 2.5/- per share amounting to Rs. 96.61 million) approved by the Board of Directors for the year ended June 30, 2020.

42. GENERAL

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



Amer Faruque
Chief Executive



Aslam Faruque
Director



Yasir Masood
Chief Financial Officer

pattern of shareholding

as at June 30, 2020

No. of Shareholders	Shareholding			Shares Held
	From		To	
319	1	to	100	12,967
501	101	to	500	146,156
320	501	to	1000	244,086
601	1001	to	5000	1,405,695
154	5001	to	10000	1,104,021
61	10001	to	15000	756,065
34	15001	to	20000	607,391
26	20001	to	25000	586,222
17	25001	to	30000	463,294
18	30001	to	35000	579,826
10	35001	to	40000	374,108
5	40001	to	45000	215,165
2	45001	to	50000	93,750
3	50001	to	55000	157,064
8	55001	to	60000	460,494
9	60001	to	65000	564,297
4	65001	to	70000	273,253
5	70001	to	75000	361,549
7	75001	to	80000	545,368
1	80001	to	85000	80,500
3	85001	to	90000	264,300
2	90001	to	95000	185,696
4	95001	to	100000	396,200
2	100001	to	105000	207,500
2	105001	to	110000	211,505
1	110001	to	115000	113,598
2	125001	to	130000	254,864
1	130001	to	135000	130,225
1	140001	to	145000	143,577
2	150001	to	155000	301,493
2	160001	to	165000	327,563
1	170001	to	175000	172,000
1	175001	to	180000	175,900
1	180001	to	185000	182,200
1	195001	to	200000	200,000
1	205001	to	210000	208,556
1	210001	to	215000	211,413
1	255001	to	260000	255,440
1	265001	to	270000	265,171
1	275001	to	280000	276,847
1	285001	to	290000	286,759
2	290001	to	295000	586,814
2	295001	to	300000	592,715
1	330001	to	335000	330,564
2	340001	to	345000	682,760
1	360001	to	365000	362,492
1	365001	to	370000	369,711
2	375001	to	380000	758,341
1	390001	to	395000	394,802
2	420001	to	425000	847,000
1	425001	to	430000	429,624
1	435001	to	440000	438,546
1	485001	to	490000	488,296
1	495001	to	500000	500,000
1	640001	to	645000	643,546
1	655001	to	660000	655,681
1	745001	to	750000	749,761
1	770001	to	775000	771,966
1	980001	to	985000	981,834
1	1010001	to	1015000	1,013,800
1	1465001	to	1470000	1,469,407
1	2110001	to	2115000	2,110,490
1	2135001	to	2140000	2,135,034
1	3120001	to	3125000	3,122,532
1	3910001	to	3915000	3,912,145
1	4355001	to	4360000	4,356,896
<u>2167</u>				<u>42,506,835</u>

categories of shareholding

as at June 30, 2020

Shareholders' Category	No. of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer and their spouse(s) and minor children			
MR. AKBARALI PESNANI	1	113,598	0.27
MRS. SAKINA PESNANI W/O. MR. AKBARALI PESNANI	1	12,347	0.03
MR. AMER FARUQUE	1	208,556	0.49
MRS. AMINA FARUQUE W/O. MR. AMER FARUQUE	1	330,564	0.78
MR. ASLAM FARUQUE	1	379,846	0.89
MR. SHEHRYAR FARUQUE	1	297,621	0.70
MR. ARIF DINO FARUQUE	1	655,681	1.54
MR. ABID NAQVI	1	141	0.00
MR. ALI H.SHIRAZI	1	1,518	0.00
MR. ABID VAZIR	1	110	0.00
Associated Companies, undertakings and related parties			
FARUQUE (PRIVATE) LIMITED	1	4,356,896	10.25
CHERAT CEMENT COMPANY LIMITED	1	3,122,532	7.35
MIRPURKHAS SUGAR MILLS LIMITED	1	2,110,490	4.97
GREAVES PAKISTAN (PRIVATE) LIMITED	1	2,135,034	5.02
Executives		7,071	0.02
Public Sector Companies and Corporations	3	1,399,785	3.29
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	16	6,286,379	14.79
Mutual Funds			
MCBFSL - TRUSTEE JS VALUE FUND	1	57,700	0.14
CDC - TRUSTEE JS LARGE CAP. FUND	1	58,200	0.14
CDC - TRUSTEE MEEZAN BALANCED FUND	1	31,240	0.07
CDC - TRUSTEE UNIT TRUST OF PAKISTAN	1	75,000	0.18
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	1	125,180	0.29
CDC - TRUSTEE MEEZAN ISLAMIC FUND	1	276,847	0.65
CDC - TRUSTEE NBP STOCK FUND	1	378,495	0.89
CDC - TRUSTEE NBP BALANCED FUND	1	87,010	0.20
CDC - TRUSTEE NBP ISLAMIC SARMAYA IZAFI FUND	1	151,250	0.36
MC FSL - TRUSTEE JS GROWTH FUND	1	64,000	0.15
CDC - TRUSTEE NBP SARMAYA IZAFI FUND	1	75,388	0.18
CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	1	30,700	0.07
CDC - TRUSTEE NBP ISLAMIC STOCK FUND	1	60,713	0.14
CDC - TRUSTEE NBP ISLAMIC ACTIVE ALLOCATION EQUITY FUND	1	34,626	0.08
CDC - TRUSTEE UBL DEDICATED EQUITY FUND	1	3,000	0.01
General Public			
a. Local	2,043	15,546,862	36.57
b. Foreign	7	597,086	1.40
Foreign Companies	-	-	-
Others	69	3,435,369	8.08
TOTAL	2,167	42,506,835	100.00
Shareholders holding 10% or more		Shares Held	Percentage
FARUQUE (PRIVATE) LIMITED		4,356,896	10.25

۱۳۔ کوئی شخص جو ڈائریکٹر کے عہدے کیلئے انتخاب میں حصہ لینے کا ارادہ رکھتا ہو، اس کو کمپنیز ایکٹ 2017 کے سیکشن (3) 159 کی رو سے سالانہ اجلاس عام سے زیادہ سے زیادہ چودہ (14) دن پہلے کمپنی کے صدر دفتر میں اپنے ارادے یعنی بطور ڈائریکٹر انتخاب میں حصہ لینے کے خواہشمند کی کانٹریکٹ مع (a) بطور ڈائریکٹر کام کرنے کی رضامندی کا فارم 28، مکمل شدہ امیدوار کے دستخط کے ساتھ (b) کمپنی کی ویب سائٹ پر اجراء کیلئے (I) SRO 1196 مورخہ 13 اکتوبر 2019 کی شرائط کے مطابق AGM کی تاریخ سے سات روز قبل اپنا تفصیلی پروفائل مع دفتر کا پتہ اور (c) لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کی شرائط کی پیروی اور کمپنیز ایکٹ 2017 میں درج اہلیت کے معیار کے بارے میں ڈیکلریشن جمع کرانا ہوگا۔

کمپنیز ایکٹ 2017 کے سیکشن 134 کے تحت اسٹیٹمنٹ

اس اسٹیٹمنٹ میں "خصوصی امور" سے متعلق مادی حقائق کو بیان کیا گیا ہے جس کی کارروائی 26 اکتوبر 2020 کو منعقد ہونے والے کمپنی کے سالانہ اجلاس عام میں انجام دی جائے گی۔ کمپنی کے ممبران کی منظوری حاصل کی جائے گی۔

مالی سال مختتمہ 30 جون 2020 کے دوران کمپنی نے اپنی ایسوسی ایٹڈ کمپنیز اور متعلقہ پارٹنرز کے ساتھ لین دین کے امور اپنی پالیسیز اور لاگو قوانین اور ضابطوں کے مطابق انجام دیئے متعلقہ پارٹنرز سے لین دین کیلئے کمپنیز ایکٹ 2017 کے سیکشن 207 اور 208 کی رو سے ممبران کی منظوری حاصل کرنا لازمی ہے۔ لہذا سالانہ اجلاس عام میں ایک خصوصی قرارداد کے ذریعہ اس لین دین کی معلومات منظوری کیلئے ممبران کے سامنے پیش کرنے کی تجویز ہے۔

شیر ہولڈرز سے درخواست ہے کہ وہ اس لین دین کی توثیق کریں جو سال مختتمہ 30 جون 2020 کے مالیاتی اسٹیٹمنٹس کے نوٹ نمبر 37 میں درج ہے نیز بورڈ آف ڈائریکٹرز کو سال مختتمہ 30 جون 2021 کیلئے متعلقہ پارٹنرز یا ایسوسی ایٹڈ کمپنیز کے ساتھ لین دین کا مجاز قرار دیں۔

پارٹنرز کے لحاظ سے لین دین کی معلومات جو سال مختتمہ 30 جون 2020 کے مالیاتی اسٹیٹمنٹس کے نوٹ نمبر 37 میں ہیں، درج ذیل ہیں

رقم (روپے '000)	لین دین کی نوعیت	متعلقہ کمپنی کا نام
2,102,903	پیکنگ میٹریل کی فروخت	چیراٹ سینٹ کمپنی لمیٹڈ
7,097	ادا شدہ ڈیویڈنڈ	چیراٹ سینٹ کمپنی لمیٹڈ
4,843	وصول شدہ ڈیویڈنڈ	چیراٹ سینٹ کمپنی لمیٹڈ
356	سامان کی خریداری	چیراٹ سینٹ کمپنی لمیٹڈ
26,918	فنڈز میں کنٹری بیوشن	ایمپلائز پراویڈنٹ اینڈ گریجویٹ فنڈ
24,637	وصول شدہ خدمات	فاروق (پرائیویٹ) لمیٹڈ
9,902	ادا شدہ ڈیویڈنڈ	فاروق (پرائیویٹ) لمیٹڈ
17,992	وصول شدہ خدمات	گریوز انڈرکنڈیشننگ (پرائیویٹ) لمیٹڈ
53,196	فلسفہ ایسیٹس کی خریداری	گریوز انڈرکنڈیشننگ (پرائیویٹ) لمیٹڈ
17	وصول شدہ خدمات	گریوز پاکستان (پرائیویٹ) لمیٹڈ
4,852	ادا شدہ ڈیویڈنڈ	گریوز پاکستان (پرائیویٹ) لمیٹڈ
1,968	سامان کی خریداری	گریوز پاکستان (پرائیویٹ) لمیٹڈ
15,977	انسورنس پریمیم	جوبلی جنرل انسورنس کمپنی لمیٹڈ
147,596	مشاہرے	کی (Key) مینجمنٹ پرسنل
539	پیکنگ میٹریل کی فروخت	میر پور خاص شوگر ملز لمیٹڈ
4,797	ادا شدہ ڈیویڈنڈ	میر پور خاص شوگر ملز لمیٹڈ
13,749	سافٹ ویئر کنسلٹنگ چارجز	زین سوفٹ (پرائیویٹ) لمیٹڈ

اطلاع برائے سالانہ اجلاس عام

بذریعہ ہذا مطلع کیا جاتا ہے کہ کمپنی کا 31 واں سالانہ اجلاس عام بروز پیر 26 اکتوبر 2020 صبح 11:00 بجے، درج ذیل امور کی انجام دہی کیلئے کمپنی کے رجسٹرڈ دفتر واقع بیٹانی آرکیڈ، جمرو روڈ، پشاور میں منعقد ہوگا۔

عمومی امور:

۱۔ کمپنی کے آڈٹ شدہ اکاؤنٹس برائے سال ختمہ 30 جون 2020 اور ڈائریکٹرز اور آڈیٹرز کی رپورٹس کی وصولی اور ان پر غور کرنا۔

۲۔ بورڈ آف ڈائریکٹرز کی سفارشات کے مطابق مالی سال ختمہ 30 جون 2020 کے لئے شیئر ہولڈرز کو نقد منافع بحساب % 10 (1.00 روپیہ فی شیئر) کی ادائیگی پر غور کرنا اور منظوری دینا۔

۳۔ سال 2020/21 کے لئے آڈیٹرز کا تقرر اور ان کے مشاہرے کا تعین کرنا۔

۴۔ کمپنی ایکٹ 2017 کے سیکشن (1) 159 کے تحت بورڈ آف ڈائریکٹرز کی جانب سے مقرر کردہ تعداد کے مطابق کمپنی کے نو (9) ڈائریکٹرز کا انتخاب کرنا۔ ریٹائر ہونے والے ڈائریکٹرز کے نام ہیں: (1) جناب اکبر علی پسنانی (2) جناب عامر فاروق (3) جناب اسلم فاروق (4) جناب شہریار فاروق (5) جناب عارف فاروق (6) جناب عابد نقوی (7) جناب علی ایچ شیرازی (8) جناب عابد وزیر

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

خصوصی امور:

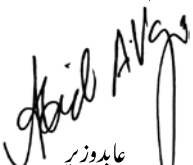
۶۔ درج ذیل قرارداد پر بطور خصوصی قرارداد غور کرنا اور اس کی منظوری دینا:

(a) "طے پایا کہ متعلقہ پارٹیز اور ایسوسی ایٹڈ کمپنیز کے ساتھ کاروبار کے عام طریقے کے مطابق کئے گئے تمام لین دین کی جو سال ختمہ 30 جون 2020 کے مالیاتی اسٹیٹمنٹس کے نوٹ 37 میں ظاہر کیا گیا ہے، توثیق کی جاتی ہے اور منظوری دی جاتی ہے۔"

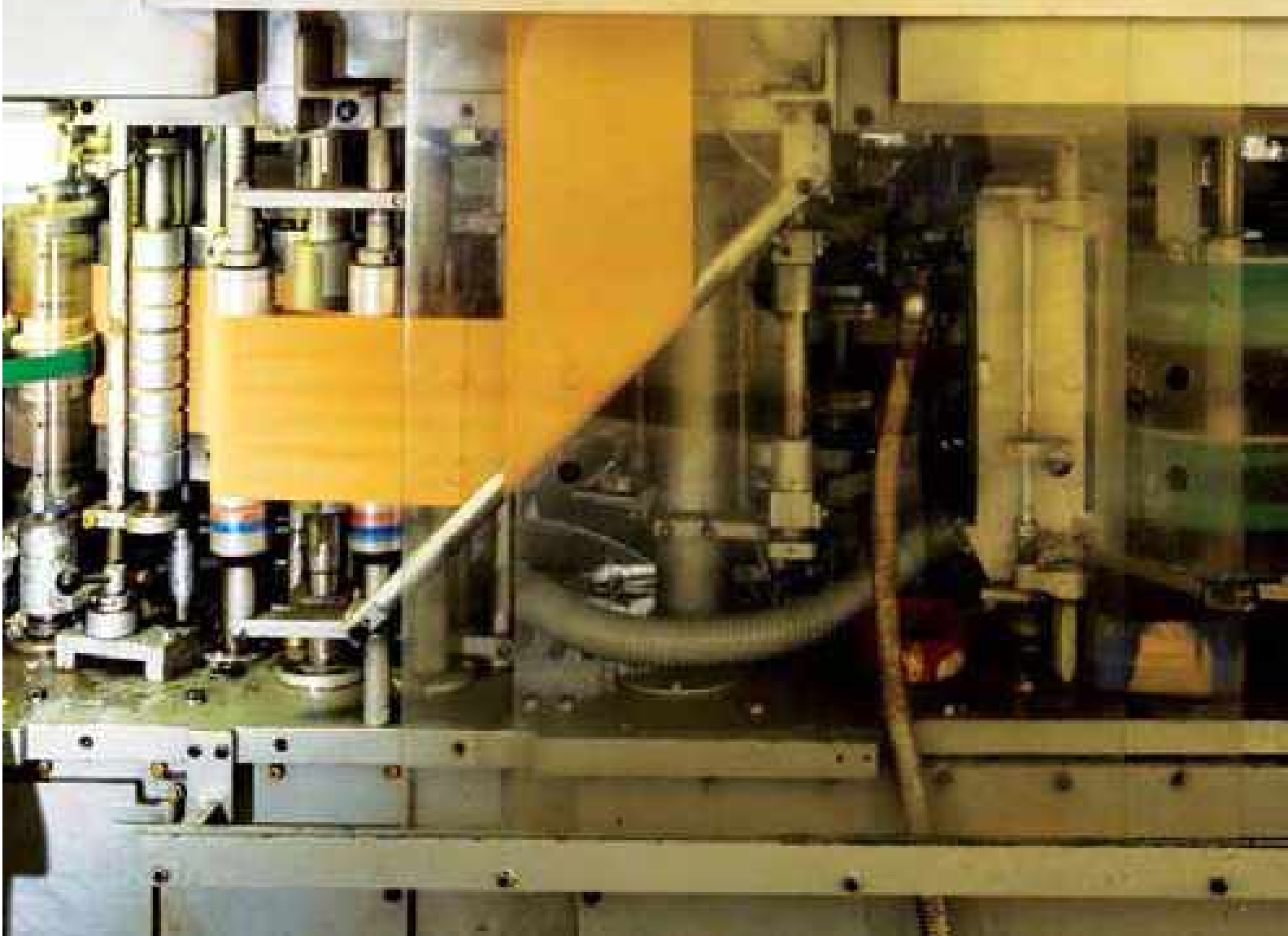
(b) "یہ بھی طے پایا کہ کمپنی کا بورڈ آف ڈائریکٹرز اس بات کا مجاز ہے کہ آنے والے سال ختمہ 30 جون 2021 کے دوران متعلقہ پارٹیز اور ایسوسی ایٹڈ کمپنیز کے ساتھ کاروبار کے عام طریقے کے مطابق کئے جانے والے تمام لین دین کی منظوری دیں"

کمپنی ایکٹ 2017 کے سیکشن 134 کے تحت درج بالا خصوصی امور سے متعلق اسٹیٹمنٹ اس نوٹس کے ساتھ منسلک ہے۔

بحکم بورڈ آف ڈائریکٹرز


عابد وزیر
ڈائریکٹر اور کمپنی سیکرٹری

کراچی 27 اگست 2020



خداشات اور مواقع

• رسک منجمنٹ

بورڈ آف ڈائریکٹرز کے ممبران نے اپنی ذمہ داریوں کے تحت ہمیشہ سماجی اور معاشی ماحولیات اور ان کے سلسلے میں اندرونی اور بیرونی خداشات پر گہری نظر رکھی ہے جو تحفظ جاری آپریشن اور کمپنی کی کارکردگی پر اثر انداز ہو سکتے ہیں۔ تمام اسٹیک ہولڈرز کے مفاد کا خیال کرنے والے ڈائریکٹرز سال کے دوران میں خداشات کی نشاندہی کرنے اور ان کو ختم کرنے کیلئے چوکس رہے۔ بورڈ آف ڈائریکٹرز نے متوقع خداشات کی نشاندہی کی، کمپنی پر ان کے اثرات کا اندازہ کیا اور کاروبار کو درپیش تمام خداشات کو ختم کرنے کیلئے حکمت عملی تشکیل دی۔ آڈٹ کمیٹی نے کمپنی کے تمام شعبہ جات میں ان کی نگرانی کی۔

• رسک کا جائزہ

کاروبار کو متعدد غیر یقینی مواقع کا سامنا کرنا پڑتا ہے جو اس کے مقاصد کیلئے خطرہ ہو سکتے ہیں اور اگر ان کی تدارک نہ کیا جائے تو یہ ناقابل تلافی نقصان کا سبب ہو سکتے ہیں۔ بورڈ آف ڈائریکٹرز نے اندرونی اور بیرونی دونوں طرح کے خداشات کی جانچ کی ہے جو کمپنی کو پیش آ سکتے ہیں۔

خام مال کی بڑھتی ہوئی قیمتیں بھی کمپنی کیلئے سب سے بڑے خدشے کا سبب ہو سکتی ہیں۔ پاکستانی روپے کی قدر میں کمی نے اس کو زیادہ خطرناک بنا دیا ہے۔ اس کے منفی اثر کو زائل کرنے کیلئے، کمپنی نے اپنے بین الاقوامی سپلائرز کے ساتھ حکمت عملی کے تعلقات میں روابط مرتب کئے ہیں اور بروقت گفت و شنید، پیشگی آرڈرز اور بروقت ڈیلیوری کو یقینی بنایا ہے۔ خام مال کی دستیابی بھی کمپنی کیلئے خدشہ ہے۔

• قرضہ جات کی ادائیگی

کمپنی نے اپنے قرضے ہمیشہ وقت پر ادا کئے ہیں۔ سال 2019/20 کے دوران میں اسٹیٹ بینک آف پاکستان نے پمپیز کو سال کے دوران میں واجب الادا ہونے والے طویل المدتی قرضوں کی ادائیگی کو موخر کرنے کی اجازت دی تاکہ ان پر COVID-19 کے مالیاتی اثرات پر قابو پایا جاسکے اور ان کی کریڈٹ ہسٹری بھی خراب نہ ہو۔ کمپنی نے یہ سہولت حاصل کی ہے اور اپنے 480 ملین روپے کے طویل المدتی قرضہ جات کی ادائیگی کو موخر کر دیا ہے جو اس سال کے دوران میں واجب الادا تھے۔ اس کے علاوہ کمپنی نے اسٹیٹ بینک آف پاکستان کی جانب سے انتہائی کم شرح سود پر پیش کی جانے والی ویج فنڈنگ اسکیم بھی حاصل کی ہے۔

• کپٹل اسٹرکچر

کمپنی کے قرضہ اور ایکویٹی کی نسبت 37:63 کے قریب ہے۔ بورڈ آف ڈائریکٹرز اور انتظامیہ کو بھروسہ ہے کہ جیسے ہی فلیکس ایبل پیکیجنگ پلانٹ سے اس کی پوری گنجائش کے ساتھ کمپنی کو پیداوار حاصل ہوگی، کپٹل کا اسٹرکچر نمایاں طور پر بہتر ہو جائے گا اور قرضہ اور ایکویٹی کا بہتر توازن قائم ہوگا۔

• مستقبل کی توقعات

COVID-19 کی وبا نے دنیا بھر میں کاروباری دنیا میں ہلچل مچادی ہے۔ اگرچہ آپ کی کمپنی پر اب تک COVID-19 کے کم اثرات مرتب ہوئے ہیں، مگر مستقبل کے منظر نامے

منجانب بورڈ آف ڈائریکٹرز



اکبر علی پستانی

چیئرمین

کراچی 27 اگست 2020

اور کاروباری ماحول کے بارے میں غیر یقینی کیفیت باقی ہے۔ حکومت اور دیگر ریگولیٹری اتھارٹیز کی جانب سے اس وبا کے تدارک کیلئے کئے جانے والے اقدامات سے COVID-19 کے مثبت کیسز کی تعداد میں کمی آنا شروع ہوگئی ہے۔

حکومت کی جانب سے متعارف کردہ تعمیرات کے پیکیج، ڈسکاؤنٹ ریٹ میں کمی مع طویل المدتی قرضہ جات کو موخر کرنے اور کم شرح پروتیج فنڈنگ اسکیم سے ملک میں صنعتوں کو COVID-19 کے بحران سے نمٹنے میں مدد دی ہے۔ ہم حالیہ وفاقی بجٹ میں ملک میں کاروباری سرگرمیوں کو فروغ دینے کے اقدامات پر حکومت کے شکر گزار ہیں۔

کاروباری حکمت عملی کے تحت، کمپنی کی جانب سے کی گئی مستقل سرمایہ کاری سے نہ صرف اس کے موجودہ کاروباری پروڈکشن کی گنجائش میں اضافہ ہوا ہے بلکہ یہ پیکیجنگ کے نئے شعبہ جات میں داخل ہونے میں مدد ملی ہے۔ اس طرح کمپنی نہ صرف سینٹ کے شعبہ سے پیکیجنگ میٹریل کی طلب بلکہ دیگر صنعتوں بشمول FMCG کے شعبوں کی طلب پورا کرنے کی صلاحیت رکھتی ہے۔ یہ صورتحال کمپنی کے طویل المدتی مقصد یعنی پیکیجنگ کے شعبہ میں قائدانہ مقام اور ون اسٹاپ سلوشن پرووائیڈر کی حیثیت کے حصول کی منزل تک پہنچنے کا راستہ ہے۔ سال کے دوران میں کمپنی نے پاکستان میں زیرو فلائی (ZeroFly) بیگ متعارف کروائے ہیں جو چاول اور اسی قسم کی دیگر غذائی اجناس کی پیکیجنگ میں استعمال ہوتے ہیں۔

COVID-19 کے مقامی صنعتوں اور صارفین کی طلب پر اثرات سے پیدا ہونے والی موجودہ صورتحال ایک بڑا چیلنج ہے۔ جیسا کہ اوپر تفصیل سے بیان کیا گیا ہے، آپ کی کمپنی نے مناسب اقدامات کئے ہیں جن میں وبا کے پھیلنے پر صحت اور ایمپلائز کی حفاظت کیلئے حفاظتی طرز عمل کا نفاذ شامل ہے۔ اس کا مقصد ہے کہ تمام اسٹاف ممبرز ممکنہ حد تک محفوظ رہیں اور جہاں تک ہو سکے کاروباری آپریشنز پر کم سے کم اثر پڑے۔

بجلی کی قیمت کو کم کرنے کیلئے کمپنی نے اپنے فلیکس ایبل پیکیجنگ ڈویژن میں 1 MW کا سٹی ٹوانائی کا پینل نصب کیا ہے۔ اس کے علاوہ کمپنی نے Wheeling Regimet Energy Purchase Agreement کے تحت جون 2020 سے پختونخوا انرجی ڈیولپمنٹ آرگنائزیشن (PEDO) سے کم ریٹ پر تقریباً 1 MW بجلی حاصل کر رہی ہے۔ اس شدید غیر یقینی کیفیت میں، آپ کی کمپنی صورتحال کا گہرائی سے جائزہ لے رہی ہے اور اسٹیک ہولڈرز کے تحفظ اور ان کے مفاد کیلئے مناسب اقدامات کر رہی ہے۔

آڈیٹرز کا تقرر

موجودہ آڈیٹرز میسرز ای وائی فورڈ روڈس، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بنیاد پر انہوں نے خود کو دوبارہ تقرر کیلئے پیش کیا ہے۔

اعتراف

انتظامیہ اپنے تمام صارفین، مالیاتی اداروں، اسٹاف ممبرز، سپلائرز اور شیئرز کی کمپنی سے وابستگی اور ان کی مدد اور تعاون پر شکر یہ ادا کرتی ہے۔ ہم خصوصی طور پر مونڈی پیکیجنگ اور ونڈمولر اینڈ ہولسچر (Mondi Packaging and Windmoller & Holscher) کے تعاون اور کمپنی کو مدد فراہم کرنے پر شکر یہ ادا کرتے ہیں۔



عامر فاروق

چیف ایگزیکٹو

فنڈز کی سرمایہ کاری کی تفصیلات بمطابق 30 جون 2020 درج ذیل ہے:

پراویڈنٹ فنڈ	177.56 ملین روپے
گربچو بیٹی فنڈ	77.10 ملین روپے

بورڈ آف ڈائریکٹرز

بورڈ میں ڈائریکٹرز کی کل تعداد 8 ہے جن کی ترتیب حسب ذیل ہے:

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

خاتون ڈائریکٹر کو موجودہ بورڈ آف ڈائریکٹرز کی موجودہ معیاد کے اختتام پر شامل کیا جائے گا۔
رواں سال بورڈ آف ڈائریکٹرز کے پانچ اجلاس منعقد ہوئے تھے۔ حاضری کا انفرادی ریکارڈ حسب ذیل ہے:

ڈائریکٹر کا نام	مینگ میں حاضری
• جناب اکبر علی پستانی	5
• جناب عارف فاروق	5
• جناب اسلم فاروق	5
• جناب شہریار فاروق	4
• جناب عارف فاروق	4
• جناب عابد نقوی	5
• جناب علی ایچ شیرازی	3
• جناب عابد وزیر	5

رواں سال آڈٹ کمیٹی کے چار اجلاس منعقد ہوئے تھے۔ حاضری کا انفرادی ریکارڈ حسب ذیل ہے:

ڈائریکٹر کا نام	مینگ میں حاضری
• جناب عابد نقوی	4
• جناب عارف فاروق	4
• جناب شہریار فاروق	2

• رواں سال انفرادی قوت اور اجرتی کمیٹی کے دو اجلاس منعقد ہوئے۔ حاضری کا انفرادی ریکارڈ حسب ذیل ہے:

ڈائریکٹر کا نام	مینگ میں حاضری
• جناب علی ایچ شیرازی	2
• جناب اسلم فاروق	1
• جناب عارف فاروق	2

• شیئر ہولڈنگ کا طریقہ کار رپورٹ کے ساتھ منسلک ہے۔

• سال کے دوران فی شیئر آمدنی (ای پی ایس) 1.65 روپے ہوئی جب کہ گزشتہ سال 13.24 روپے تھی۔

ڈائریکٹرز کا مشاہرہ

آریٹیکلز آف کمپنی کے ذریعہ، بورڈ آف ڈائریکٹرز اس بات کے مجاز ہیں کہ وقتاً فوقتاً نان ایگزیکٹو اور خود مختار ڈائریکٹرز کے مشاہرے کا تعین کریں۔ اس سلسلے میں بورڈ آف ڈائریکٹرز نے ایک جامع ریمونڈیشن کمیٹی تشکیل دی ہے۔ ڈائریکٹرز کے مشاہرے کی تفصیلات مالی سال ختمہ 30 جون 2020 کے مالیاتی اسٹیٹمنٹ کے نوٹ 36 میں درج ہیں۔

کارکردگی کی سالانہ جانچ

کوڈ آف کارپوریٹ گورننس کے تحت کمپنی نے بورڈ آف ڈائریکٹرز، کمیٹیوں اور انفرادی ڈائریکٹرز کی سالانہ جانچ کی ہے۔ اس سلسلے میں طریقہ کار کو یقینی طور پر شفاف بنانے کیلئے کمپنی نے میسرز گرانٹ تھورنٹن انجم رحمن، چارٹرڈ اکاؤنٹنٹس کی خدمات حاصل کیں۔

متعلقہ پارٹیز کے ساتھ لین دین

متعلقہ پارٹیز کے ساتھ تمام لین دین غیر جانبدارانہ طور پر کئے گئے ہیں اور باقاعدہ طور پر کمپنی کے فنانشل اسٹیٹمنٹس میں ظاہر کیا گیا ہے۔

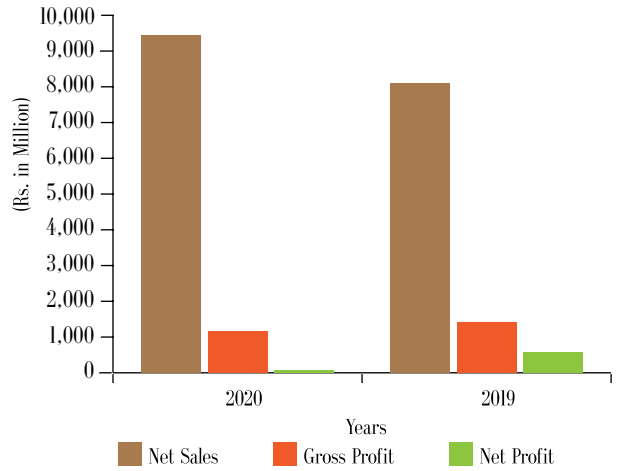
کوڈ آف کارپوریٹ گورننس پر عمل درآمد کا اسٹیٹمنٹ

کمپنی، لسڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کی شرائط کی مکمل پابندی کرتی ہے۔ عمل درآمد سے متعلق اسٹیٹمنٹ رپورٹ کے متعلقہ سیکشن میں درج ہے۔

یونی انرجی لمیٹڈ

یونی انرجی - ایک جوائنٹ وینچر ونڈ پاور پروجیکٹ کو لیٹر آف انٹنٹ (Letter of intent) حاصل ہو گیا ہے اور جھمپیر، ضلع ٹھٹھہ میں پروجیکٹ قائم کرنے کیلئے باقاعدہ زمین الاٹ کردی گئی ہے۔ بے وی پارٹنرز نے پروجیکٹ کے جاری اخراجات کیلئے کمپنی میں ابتدائی ایکویٹی کی سرمایہ کاری کی ہے۔ چیراٹ پیکیجنگ نے شیئر ہولڈرز کی منظوری کے بعد مبلغ 4.62 ملین روپے کی ایکویٹی سرمایہ کاری کی ہے۔ تاہم حکومت نے ابھی تک پروجیکٹ کیلئے کسی ترخنامہ کے بارے میں مطلع نہیں کیا ہے۔

موجودہ اور گزشتہ سال کی مالیاتی جھلکیاں درج ذیل ہیں:



تحفظ، صحت اور ماحولیات

وبا کے پھوٹ پڑنے کے باعث آپ کی کمپنی نے مناسب اقدامات اٹھائے ہیں جن میں صحت اور ایسپلائز کی حفاظت کے پروڈکٹوں کا سختی سے نفاذ کیا ہے تاکہ تمام اسٹاف ممبرز جتنا ممکن ہو اس وائرس سے محفوظ رہیں جو سب سے زیادہ اہم ہے۔ ورکرز کی حفاظت کمپنی کی ہمیشہ اولین ترجیح رہی ہے۔ اپنے اسٹاف کی صحت اور حفاظت کیلئے کمپنی کی ایک باقاعدہ پالیسی ہے کیونکہ ہم سمجھتے ہیں کہ یہ لوگ ہمارا سب سے اہم اثاثہ ہیں۔ کمپنی کی جانب سے ہر سطح کے اسٹاف کو ذاتی حفاظت کا سامان بہم پہنچایا گیا اور دیگر اقدامات جیسے سماجی فاصلے، رابطے کی ٹریٹنگ، اچانک ٹیسٹنگ وغیرہ متعارف کروائے گئے تاکہ ایسپلائز کی اچھی صحت اور کاروبار کے جاری رہنے کو یقینی بنایا جائے۔ کمپنی نے اپنے خرچ پر پورے اسٹاف کیلئے کوویڈ ٹیسٹ منعقد کئے اور ان کو گھر سے کام کرنے کی اجازت دی۔

قومی خزانے میں حصہ

سال کے دوران میں کمپنی نے ڈیویڈنڈ اور ڈیویڈنڈ کی صورت میں حکومت کے خزانے میں 3 بلین روپے سے زیادہ رقم جمع کروائی۔

اجتماعی اور مالیاتی رپورٹنگ فریم ورک

- کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالیاتی اسٹیٹمنٹس میں کمپنی کے معاملات، آپریشنز کے نتائج، نقد قومات کے بہاؤ اور ایکیویٹی میں تبدیلیوں کو شفاف طور پر پیش کیا گیا ہے۔
- کمپنی کے حسابات کے کھاتوں کو بہتر طور پر مرتب کیا گیا ہے۔
- مالیاتی اسٹیٹمنٹس کی تیاری میں ہر جگہ حسابات کی پالیسی کو بہتر طور پر استعمال کیا گیا ہے اور حسابات کے تخمینے کے سلسلے میں مناسب ترین اور دانشمندانہ فیصلے کئے گئے ہیں۔
- مالیاتی اسٹیٹمنٹس، پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات کی بنیاد پر تیار کئے گئے ہیں اور ضرورت کے تحت ان سے گریز کو اطمینان بخش طور پر ظاہر اور واضح کیا گیا ہے۔
- اندرونی کنٹرول کے نظام کا طریقہ کار نہایت مضبوط ہے اور اس کے نفاذ اور نگرانی کا کام موثر طریقے سے کیا گیا ہے۔
- کمپنی کے موجودہ صلاحیت میں کام جاری رکھنے میں کسی رکاوٹ کا شائبہ 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 شیئرز ہولڈرز کیلئے ڈیویڈنڈ کا باقاعدگی سے اعلان کرتی ہے۔
- آپ کی کمپنی کے ذمہ ٹیکس، ڈیویڈنڈ، محصولات اور چارجز کی مدد میں کوئی رقم واجب الادا نہیں ہے سوائے ان کے جو عام کاروبار یا طریقہ کار کے مطابق ادا کئے جاتے ہیں۔
- کمپنی اپنے ملازمین کے پراویڈنڈ اور گریجویٹ فنڈز کے حسابات مکمل رکھتی ہے۔

مالیاتی کارکردگی

کمپنی کی سیلز کی آمدنی گزشتہ سال سے 17% زیادہ ہوئی۔ لاگت میں اضافے اثر کو دور کرنے کیلئے بیگز کی قیمت میں ایڈجسٹمنٹ اور فلکس ایبل پیکیجنگ میٹریل کی زیادہ سیلز کے نتیجے میں کمپنی کو سیلز کی آمدنی میں اضافہ ہوا۔ سال کے دوران میں یو ایس ڈالر اور یورو کے مقابلے میں پاکستانی روپے کی قدر میں کمی کی وجہ سے پروڈکشن کی لاگت بڑھ گئی۔ نیز نئے پروڈکٹس جیسے فلکس ایبل پیکیجنگ ڈویژن کیلئے حاصل کردہ طویل مدت کے قرضہ جات، جاری سرمایہ کاری کی اضافی ضروریات اور زیادہ مارک اپ ریٹس کے سبب مالی قیمت میں بھی اضافہ ہوا۔ COVID-19 کی وبا کے سبب انتہائی چیلنجنگ کاروباری ماحول میں کمپنی نے مالی سال مختتمہ 30 جون 2020 کیلئے 70 بلین روپے کا بعد از ٹیکس منافع پوسٹ کیا۔

ڈیویڈنڈ

کاروبار کے چیلنج والے حالات اور COVID-19 کے باعث صنعت کے نیز ملک کے منظر نامے کے مدنظر، بورڈ آف ڈائریکٹرز نے اپنی میٹنگ منعقدہ 27 اگست 2020 میں سال 2019/20 کیلئے 10% نقد ڈیویڈنڈ کے اعلان کی تجویز دی ہے۔ نقد ڈیویڈنڈ کیلئے ممبرز کی منظوری 26 اکتوبر 2020 کو ہونے والے سالانہ اجلاس عام میں حاصل کی جائے گی۔

اجتماعی سماجی ذمہ داری

کمپنی نے ہمیشہ معاشرے میں اپنا واجب کردار ادا کرنے کی کوشش کی ہے اور یہ لوگوں، ماحول اور پاکستان کی آب و ہوا کے لئے اپنی ذمہ داری سے آگاہ ہے۔

اجتماعی سماجی ذمہ داری کی پالیسیوں کے مطابق کمپنی نے مینوفیکچرنگ پلانٹ کے اطراف اور اردگرد کے علاقوں کی مجموعی حالت بہتر بنانے میں کوشاں ہے۔ COVID-19 کے پھیلنے کے بعد کمپنی نے معاشرے کے غریب و نادار طبقے تک پہنچ کر ضروری تعاون پیش کیا۔ اس کے علاوہ کمپنی نے مختلف معروف فلاحی اداروں کو بھی امداد دی ہے اور بہتر ماحول، بہتر معیشت اور بہتر پاکستان کے تصور کے تحت اپنا یہ عمل جاری رکھیں گے۔



ڈائریکٹرز کی رپورٹ برائے ممبران برائے سال مختتمہ 30 جون 2020

اسیبل پیکیجنگ ڈویژن کی بناء پر کمپنی کو نئے صارفین کی بنیاد، بشمول FMCG سیکشن کو ہدف بنانے اور کاروبار کے مستقبل میں بڑھنے کیلئے نئے مواقع حاصل ہوں گے۔

2018/19 میں اپنے قیام کے وقت سے ہی کمپنی کے فلیکس ایبل پیکیجنگ ڈویژن نے نام پیدا کر لیا ہے اور مارکیٹ سے مثبت ردعمل ملا ہے۔ معروف صارفین نے فلیکس ایبل پیکیجنگ میٹریل کیلئے کمپنی کو اپنی ضروریات سے آگاہ کیا ہے۔ زیر جائزہ سال کے دوران میں کمپنی کامیابی کے ساتھ سٹریٹجک ٹیکنالوجی کے عمل سے گزری ہے اور متوقع صارفین کو نمونے فراہم کر دیئے گئے ہیں۔ اگرچہ پروجیکٹ کو اس عرصے میں مقررہ اخراجات کرنے ہوں گے، لیکن یہ عموماً ایسے پروجیکٹس میں ہوتا ہے، تاہم سیلز کے حجم میں اضافے اور آپریشنل کی استعداد میں بہتری کے باعث توقع ہے کہ کمپنی کے مجموعی آپریشنل نتائج پر مثبت اثرات مرتب ہوں گے۔

2019	2020
8,093.41	9,436.19
1,400.65	1,173.73
562.87	70.24

• خاص سیلز
• مجموعی منافع
• خاص منافع

بورڈ آف ڈائریکٹرز ہمسرت کمپنی کی سالانہ رپورٹ مع آڈٹ شدہ مالیاتی اسٹیٹمنٹس برائے سال مختتمہ 30 جون 2020 پیش کرتا ہے۔

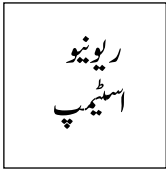
عمومی جائزہ

COVID-19 کی وبا چھوٹ پڑنے سے غیر معمولی عالمی معاشی بحران پیدا ہو گیا۔ اس نے پاکستان میں بھی کاروبار اور صنعتوں کو متاثر کیا اور تعمیرات کی صنعت اور FMCG کے شعبہ میں سست روی سے گزشتہ ماہی میں آپ کی کمپنی پر بھی اثر پڑا۔ مقامی صنعتوں کی مدد کرنے اور اس بحران پر قابو پانے کیلئے، حکومت اور اسٹیٹ بینک آف پاکستان نے مختلف ریلیف اقدامات کئے جن میں ڈسکاؤنٹ ریٹس میں کمی، طویل مدت کے قرضہ جات کو ملٹوی کرنے کی سہولت اور تعمیرات کے لئے پیکیج کا اعلان شامل ہے۔ ان اقدامات سے مثبت اثرات آنے شروع ہو گئے ہیں اور توقع ہے کہ قومی معیشت کی بحالی میں مدد ملے گی۔

کاروبار کا جائزہ

چیراٹ پیکیجنگ پاکستان میں سب سے زیادہ متنوع اور صرف اول کے پیکیجنگ کی سہولت فراہم کنندگان میں شمار ہوتی ہے۔ کمپنی کرافٹ پیپر اور پولی پروپیلین سے روایتی سینٹ بیگز تیار کرنے اور فراہم کرنے کے علاوہ چینی، کیمیکلز اور دیگر متعلقہ شعبہ جات کو بھی پیکیجنگ میٹریل فراہم کرتی ہے۔ اس کی متنوع کی حکمت عملی کے تحت 2018 میں قائم شدہ فلیکس

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 31 واں سالانہ اجلاس عام بروز پیر 26 اکتوبر 2020، صبح 11:00 بجے، منعقد ہوگا، اس میں اور اس کے
 کسی ملتی شدہ اجلاس میں شرکت کرے اور ووٹ ڈالے۔



رپوینو
اسٹیٹپ

دستخط شیر ہولڈر

گواہان

1 دستخط _____

نام _____

پتہ _____

_____ / CNIC پاسپورٹ نمبر

(دستخط کمپنی میں درج نمونہ
کے مطابق ہونے چاہئے)

2 دستخط _____

نام _____

پتہ _____

_____ / CNIC پاسپورٹ نمبر

اہم نوٹ

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

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

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

مجموعی شیرز

سی ڈی سی اکاؤنٹ نمبر		رجسٹرڈ فولیو نمبر
اکاؤنٹ نمبر	شراکتی نمبر	

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر _____



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