



# PACKAGING WITH A PURPOSE

ANNUAL REPORT 2012



**Cherat Packaging Limited**  
A Ghulam Faruque Group Company



# INTRODUCTION

Established in 1991, Cherat Packaging Limited (CPL) is the largest producer and supplier of paper bags to the cement industry in Pakistan. It has an ISO 9001:2008 certification and is a recipient of many prestigious awards including Karachi Stock Exchange and Management Association of Pakistan's Best Company Award.

CPL has an annual production capacity of 265 million paper bags. Based on the specific requirements of its customers, CPL produces various varieties of superior quality cement bags using kraft paper.

During this financial year, CPL started operation of the polypropylene bag plant acquired from M/s. BSW Windmoller & Holscher. This most advanced and efficient plant has an annual production capacity of 65 million bags.

With the addition of the polypropylene bag plant, CPL is now in a position to meet the cement packaging requirements of its valuable customers by providing single window operation. CPL is the only company in Pakistan, and in the region, to produce and supply both varieties of cement bags i.e. bags made from kraft paper and polypropylene granules.



## **Cherat Packaging Limited**

A Ghulam Faruque Group Company



# CONTENTS

09	Vision	29	Code of Conduct
11	Mission	30	Progress Graphs
13	Strategic Objectives	32	Year-wise Statistical Summary
15	Core Values	33	Ratio Analysis
16	Company Information	34	Auditors' Report to the Members
18	Notice of Annual General Meeting	35	Balance Sheet
20	The Board of Directors	36	Profit & Loss Account
22	Directors' Report to the Members	37	Statement of Comprehensive Income
26	Statement of Compliance with the Code of Corporate Governance	38	Cash Flow Statement
27	Statement of Compliance with the Best Practices of Transfer Pricing	39	Statement of Changes In Equity
28	Review Report to the Members on Statement of Compliance with the Code of Corporate Governance	40	Notes to the Financial Statements
		65	Pattern of Shareholding
			Proxy Form



## PACKAGING PROTECTS

Peanut shells are used in the manufacture of plastic, wallboard, abrasives, fuel, cellulose (used in rayon and paper) and mucilage (glue).

Packaging is an important factor in any environment, be it in nature or manufacture. Packaging has function, form and aesthetics. The material must enhance, preserve and enable packaging.



A stack of five oyster shells is shown against a dark background. The top shell is open, revealing a single, large, lustrous pearl. The shells are stacked vertically, with the top one slightly offset to the right. The lighting is dramatic, highlighting the textures of the shells and the smooth surface of the pearl.

## PACKAGING ENABLES

A pearl is but a grain of sand nestled within the oyster, which over time, creates a thing of beauty.

As deliverable distances increase, often a product which is not quite ready is shipped so that it may reach its prime upon reaching its destination.

Packaging protects and creates an environment whereby its contents, upon reaching the consumer, are perfect.



# PACKAGING MATERIALS

The chicken eggshell is 95-97% calcium carbonate crystals, which are stabilized by a protein matrix. The structure and composition of the avian eggshell serves to protect the egg against damage and microbial contamination.





Consumers react immediately to packaging shapes and materials. They are influenced by them when making buying decisions. Products are recognized by their characteristic form.

The difference in selecting one product over another similar one can be influenced by packaging.







## VISION

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





## MISSION

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





## STRATEGIC OBJECTIVES

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

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







## CORE VALUES

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

# COMPANY INFORMATION



## Board of Directors

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

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## Executive Director & Chief Financial Officer

Mr. Yasir Masood

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## Executive Director & Company Secretary

Mr. Abid A. Vazir

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## Audit Committee

Mr. Mohammed Faruque	Chairman
Mr. Iqbal Faruque	Member
Mr. Aslam Faruque	Member

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## Human Resource and Remuneration Committee

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

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## Auditors

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

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## Legal Advisor

K.M.S. Law Associates

## Bankers

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

## Share Registrar

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

## Registered Office

1st Floor, Betani Arcade  
Jamrud Road  
Peshawar

## Factory

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

## Head Office

Modern Motors House  
Beaumont Road  
Karachi-75530

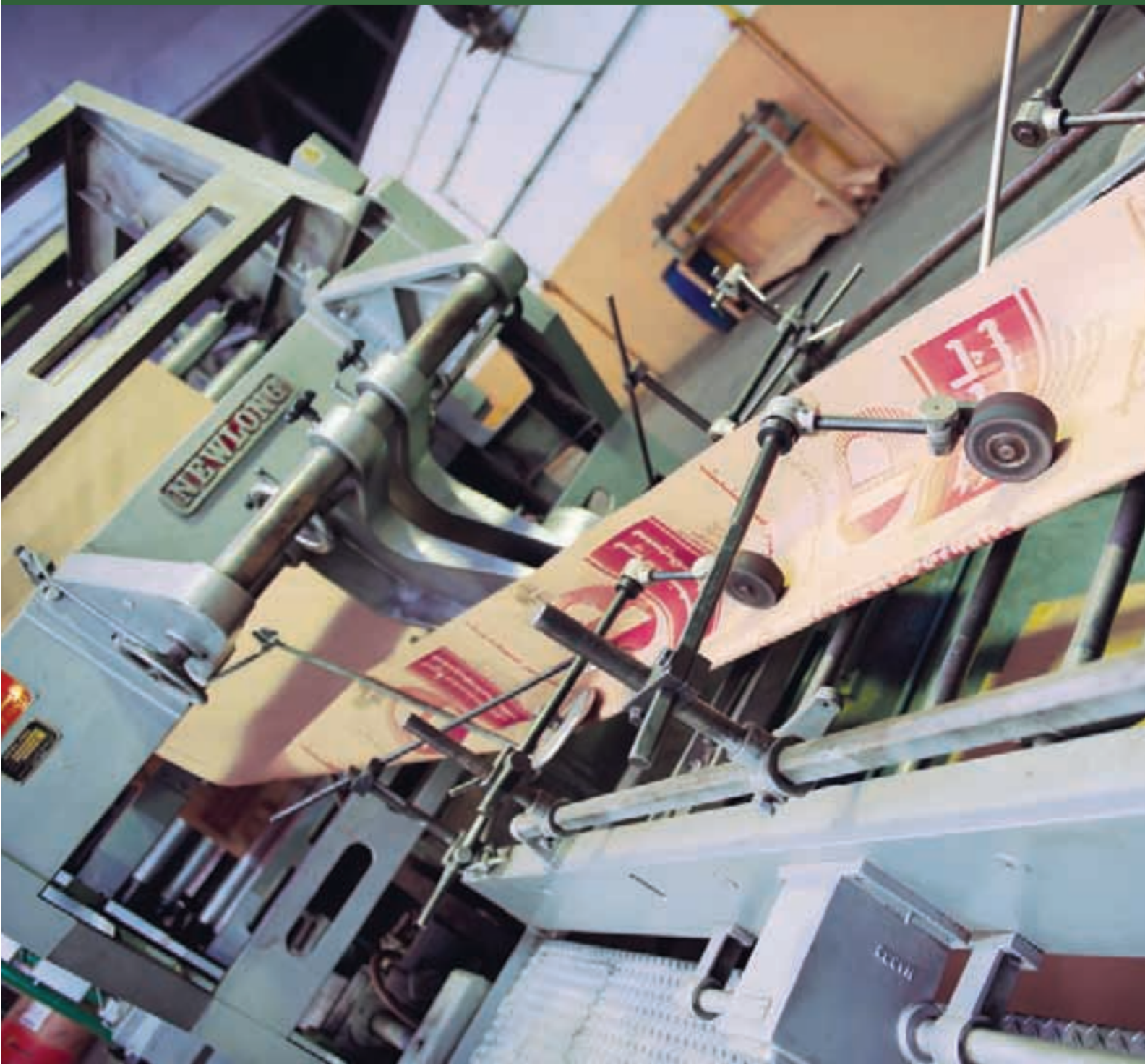
## Regional Office

3, Sunder Das Road  
Lahore

## Islamabad Office

Mezzanine Floor  
Razia Sharif Plaza  
91-Blue Area







# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 23rd Annual General Meeting of the Company will be held on Wednesday, October 31, 2012 at 11:00 a.m. at the Registered Office of the Company at Betani Arcade, Jamrud Road, Peshawar, to transact the following business:

## **ORDINARY BUSINESS**

1. To receive and consider the Audited Accounts of the Company for the year ended June 30, 2012 and the Reports of the Directors and the Auditors thereon.
2. To approve the payment of final cash dividend @ 15% (Rs.1.50 per share) as recommended by the Board of Directors for the financial year ended June 30, 2012.
3. To appoint the Auditors for the year 2012/13 and to fix their remuneration.
4. To transact any other business with the permission of the Chair.

**By Order of the Board**

**Abid A. Vazir**

Executive Director &  
Company Secretary

Karachi: August 13, 2012

## **NOTES:**

1. The register of members of the Company will be closed from Wednesday, October 24, 2012 to Wednesday, October 31, 2012 (both days inclusive) and no transfers will be registered during that time. Shares received in order at the office of the Registrar of the Company- M/s. Central Depository Company of Pakistan Limited (CDC), CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400 at the close of business on Tuesday, October 23, 2012 will be treated in time for the entitlement of 15% final cash dividend.
2. A member of the Company eligible to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend and vote in his/her stead. Proxies to be effective must be in writing and must be received by the Company 48 hours before the Meeting.
3. Shareholders of the Company whose shares are registered in their account/sub-account with Central Depository System (CDS) are requested to bring original National Identity Card along with their account number in CDS and participant's ID number for verification. In case of appointment of proxy by such account holders and sub-account holders the guidelines as contained in SECP's circular of January 26, 2000 are to be followed.
4. The shareholders of the Company are requested to immediately notify the Shares Registrar of the Company of any change in their addresses.

# THE BOARD OF DIRECTORS

## Mr. Mohammed Faruque

Chairman

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

## Mr. Amer Faruque

Chief Executive

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

## Mr. Iqbal Faruque

Director

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

## Mr. Mahmood Faruque

Director

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

## Mr. Akbarali Pesnani

Director

Mr. Akbarali Pesnani is an MBA and a fellow member of both the Institute of Chartered Accountants and Institute of Cost and Management Accountants of Pakistan. He has served as Chairman Gwadar Port and Gwadar Port Implementation Authority from 2004 to 2006. Mr. Pesnani has been associated with the Aga Khan Development Network at senior level for over 35 years. Presently, he is the Chairman of First Micro Finance Bank Ltd and Aga Khan Cultural Service Pakistan and is a Director on the Board of Jubilee General Insurance Co. Ltd. His association with the Ghulam Faruque Group goes back almost 31 years. He currently serves on the Board of Directors of Cherat Cement Co. Ltd, Mirpurkhas Sugar Mills Ltd, Greaves Pakistan (Pvt.) Ltd and Greaves CNG (Pvt.) Ltd.

### **Mr. Aslam Faruque**

Director

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

### **Mr. Shehryar Faruque**

Director

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

### **Mr. Arif Faruque**

Director

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

### **Mr. Abrar Hasan**

Director

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



## DIRECTORS' REPORT TO THE MEMBERS

The Board of Directors is pleased to present the Annual Report of the Company along with the audited accounts for the year ended June 30, 2012.

### COMPANY OVERVIEW

Rise in cement dispatches in the country contributed to an increase in the sales of cement bags produced by your Company. During its first year of operation, the Polypropylene (PP) plant also operated at near full capacity level to produce high quality cement bags to augment the sales volume. Due to rise in dispatch volume, there was an increase in the net sales of the Company from same time last year. However, because of high cost of kraft paper and severe competition amongst cement bag suppliers, profitability of the Company declined from last year.

During the year under review, an upward trend was witnessed in the international prices of kraft paper, which had an impact on the production costs. Devaluation of Pak rupee and sharp rise in transportation and other input costs further compounded the pressure on the production costs. However, through efficient inventory management and strong relationship with kraft paper supplier – M/s. Mondi Packaging, the Company was able to overcome such challenges. The Company also successfully launched 2ply 80 gsm bags during the year and was able to convert a significant portion of the market to use of these bags.





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

	2011/12	2010/11
	(Rupees in million)	
▶ Net Sales	3,256.88	2,471.96
▶ Gross Profit	278.23	303.72
▶ Net Profit	71.53	187.46
▶ Earnings per share	4.18	10.89

### FINANCIAL PERFORMANCE

On the back of rise in sales volumes of cement bags, the net revenue of the Company rose by 32% from last year, reflecting an increase of Rs.785 million. The increase in turnover was also on account of necessary

adjustment in the selling price of cement bags to partly cover the escalation in production costs, which had gone up due to high cost of kraft paper

and increase in freight charges. With business volumes on the rise following the addition of new PP plant and increase in sale of paper bags, the Company continued to effectively monitor its trade debts to manage its working capital requirements. During the year under review, there was an increase in finance cost due to higher working capital requirements and acquisition of long-term loan for the PP plant. As is the case with all new expansion projects, there was an increase in the financial charges and depreciation expenses in the year due to capitalization of the new PP plant. However, this is a strategic investment, which will be beneficial for the Company. The financial charges also rose due to expiry of the mark up subsidy facility provided by State Bank of Pakistan till December 31, 2011. However, during the year, the Company benefited from exemption given by the government on income taxes for companies operating in the Khyber Pakhtunkhwa province. The facility expired on June 30, 2012. During the year under review, the Company recorded an after tax profit of Rs.71.53 million.

### **POLYPROPYLENE PROJECT**

During the year, your Company successfully installed and commissioned the Polypropylene Plant for producing cement bags. The polypropylene cement bag manufacturing plant, acquired from a leading European supplier namely M/s. BSW – Windmoller & Holscher, is the most advanced and efficient plant of its kind in Pakistan. It has a production capacity of approximately 65 million bags per annum. The quality of PP bags produced by the Company is being appreciated by all our customers and the plant is already operating at a near full production capacity. By virtue of this project, Cherat Packaging is now the only packaging company in Pakistan to produce and supply cement bags produced from kraft paper and polypropylene granules. The addition of the polypropylene plant has not only allowed the Company to meet the cement packaging requirements of its customers by providing single window operations but has also diversified its business operations.

### **DIVIDEND**

At its meeting held on August 13, 2012 the Board of Directors has proposed a cash dividend @ 15% (Rs. 1.50 per share) for the year ended June 30, 2012. The approval of members for cash dividend will be obtained at the Annual General Meeting to be held on October 31, 2012.

### **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 and education sectors. In this

regard, it has worked with many reputable organizations and NGOs in Pakistan.

The Company also participated in the relief effort when the Sindh province was hit by unprecedented floods, which caused wide spread devastation to the lives and properties of the people. The employees of the Company also contributed their one day salary to the cause. The Company has always stood by the people of Pakistan in their hour of need and shall always continue to do so.

### **SAFETY, HEALTH AND ENVIRONMENT**

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

### **STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK**

- The financial statements prepared by the 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 upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Key operating and financial data for last six (6) years in summarized form is annexed.
- The Company has been declaring regular dividends to its shareholders.
- There is nothing outstanding against your Company on account of taxes, duties, levies and charges except for those which are being made in normal course of business.
- The Company maintains Provident and Gratuity Fund accounts for its employees. Stated below are the values of the investments of the fund as on June 30, 2012.

Provident Fund	Rs. 40,127,337
Gratuity Fund	Rs. 16,838,575

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

Name of Director	Meetings Attended
Mr. Mohammed Faruque	3
Mr. Iqbal Faruque	2
Mr. Mahmood Faruque	1
Mr. Akbarali Pesnani	4
Mr. Aslam Faruque	2
Mr. Shehryar Faruque	3
Mr. Amer Faruque	4
Mr. Arif Faruque	3
Mr. Abrar Hasan	4

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

Name of Director	Meetings Attended
Mr. Mohammed Faruque	4
Mr. Iqbal Faruque	3
Mr. Aslam Faruque	3

- Pattern of shareholding is annexed with the report.
- No trading in the shares of the Company was made by the Chief Executive, Directors, Chief Financial Officer and Company Secretary and their spouses and minor children during the year except for 21,892 shares purchased by Mr. Arif Faruque and sale of 10,000 shares by Mr. Akbarali Pesnani.
- Earnings per share (EPS) during the year was Rs.4.18 compared to Rs.10.89 last year.

#### CONTRIBUTION TO NATIONAL EXCHEQUER

The Company contributed almost Rs.900 million to the Government treasury in shape of taxes, excise duty, income tax and sales tax.

Karachi: August 13, 2012

#### FUTURE PROSPECTS

There has been a growth in the domestic demand for cement, driven mainly by private sector consumption. This has had a positive impact on the sales of the Company. It is expected that this development pattern shall continue, which would help further boost the cement demand and consequently increase the sale of cement bags. Sustained rise in export of cement shall also benefit the Company as it is well positioned to meet the requirements for both paper and PP bags. The installation of new PP plant shall help boost the sales of the Company and contribute to its profitability. It will also consolidate the position of the Company as the market leader in providing quality packaging solutions to cement manufacturers. However, rise in cost of input items like kraft paper, energy cost and depreciation of Pak rupee vis-à-vis US dollar has put pressure of production costs. In order to effectively face such challenges, the Company is making concerted efforts to not only improve its costs and operational efficiencies, which can be seen by successful launch of 2ply 80gsm bags but also optimize the utilization of its available resources. The Company is looking at producing PP bags for use in other products also.

We take this opportunity to request the government to further extend the period for providing special relief in mark up and income tax to the companies operating in the affected areas of Khyber Pakhtunkhwa province to allow the local industry to recover.

#### AUDITORS

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

#### ACKNOWLEDGMENT

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

On behalf of the Board of Directors



**Mohammed Faruque**  
Chairman

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

The Company has applied the principles contained in the Code of Corporate Governance in the following manner:

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

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

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

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the Board during the year.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.
8. The meetings of the board were presided over by the chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Directors of Cherat Packaging Ltd. are professionally qualified and experienced persons and are well aware of their duties and their responsibilities. Further, an orientation course for Directors was arranged by the Company to apprise Directors of their duties and responsibilities. A Director of the company is also certified under the Board Development Series Program offered by Pakistan Institute of Corporate Governance (PICG).
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the board.
13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.
15. The board has formed an Audit Committee. It comprises of three members of whom two are Non-Executive Directors.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed a Human Resource and Remuneration Committee. It comprises three members of whom two are non-executive directors and the chairman of the committee is a Non Executive Director.
18. The board has set up an effective internal audit function.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The "closed period", prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. The Related Party transactions have been placed before the Audit Committee and approved by the Board of Directors alongwith pricing methods for such transactions.
24. We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with.

**On behalf of the Board of Directors**



**Mohammed Faruque**  
Chairman

Karachi: August 13, 2012

## STATEMENT OF COMPLIANCE

WITH THE BEST PRACTICES  
OF TRANSFER PRICING

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

**On behalf of the Board of Directors**



**Mohammed Faruque**  
Chairman

Karachi: August 13, 2012

# REVIEW REPORT TO THE MEMBERS

## ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE



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

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

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 30 June 2012, prepared by the Board of Directors of **Cherat Packaging Limited** (the Company) to comply with the Regulations of the respective Stock Exchanges, where the Company is listed.

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

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control systems to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code for the year ended **30 June 2012**.

*Ernst & Young Ford Rhodes Sidat Hyder*

**Chartered Accountants**  
Karachi: August 13, 2012

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

## **Product Quality**

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

## **Dealing with Employees**

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

## **Responsibility to Interested Parties**

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

## **Financial Reporting & Internal Controls**

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

## **Procurement of Goods & Services**

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

## **Conflict of Interest**

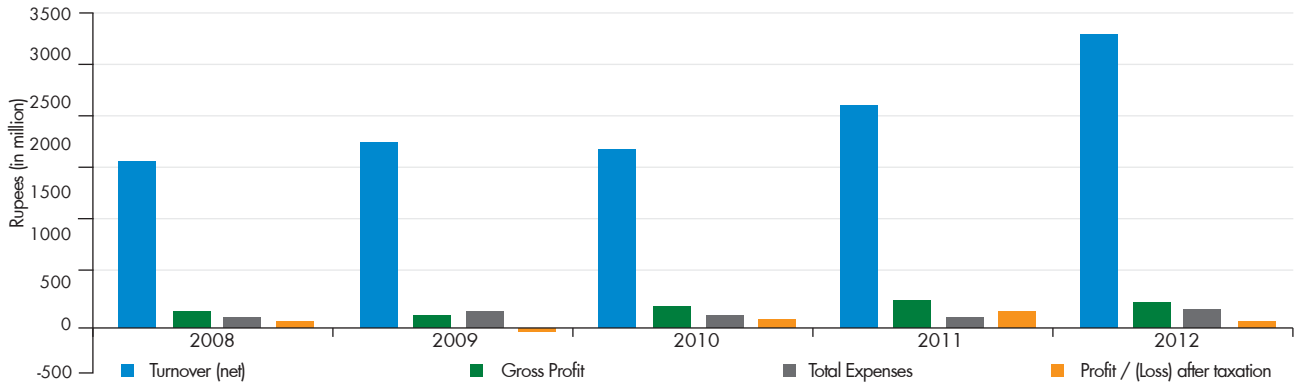
All the acts and decisions of the management be motivated by the interest of the Company and activities and involvements of the directors and employees in no way conflict with the interest of the Company.

## **Adherence to Laws of the Land**

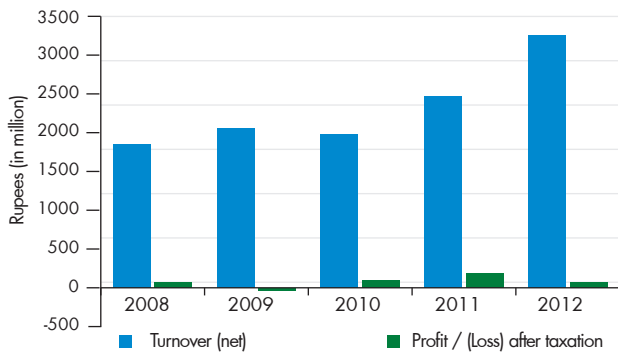
To fulfill all statutory requirements of the Government and its regulatory bodies and follow relevant and applicable laws of the country.

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

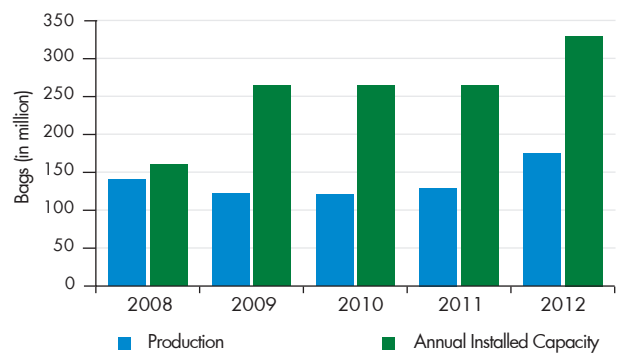
## Profit trends



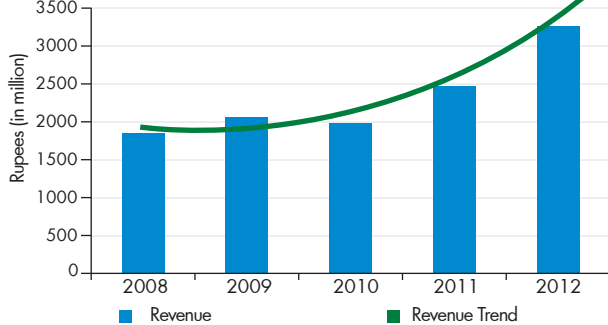
## Profit after taxation and net sales



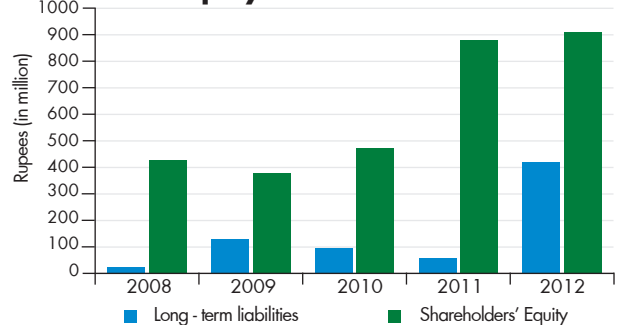
## Installed capacity and utilization



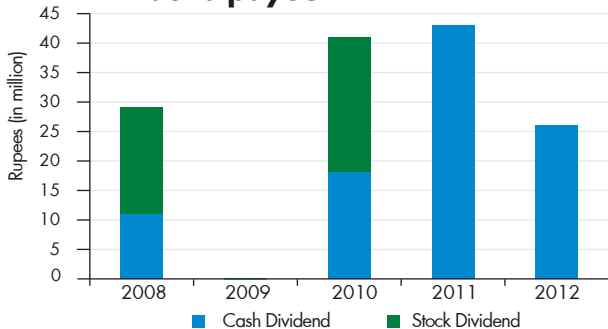
## Sales revenue



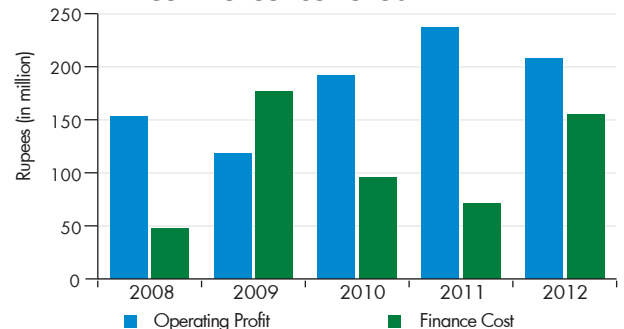
## Debt equity



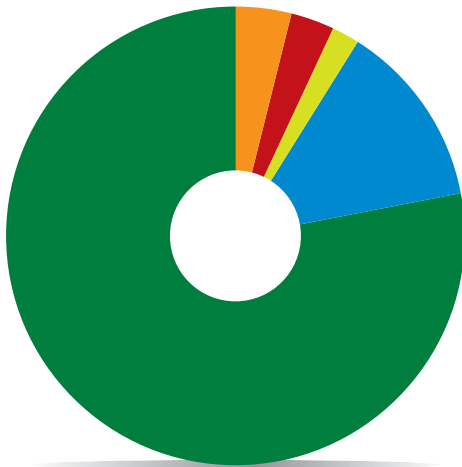
## Dividend payout



## Times interest covered





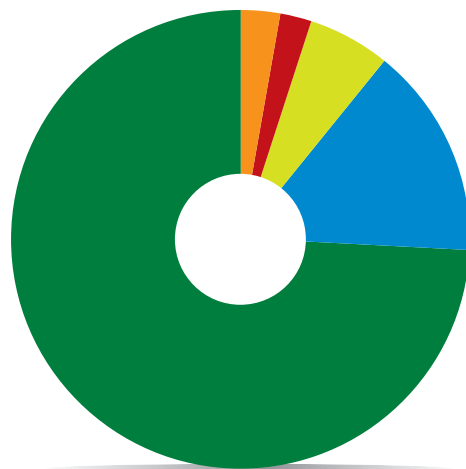


### Wealth and its distribution during 2011-12

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

### Wealth and its distribution during 2010-11

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



# YEAR-WISE STATISTICAL SUMMARY

	2012	2011	2010	2009	2008	2007	2006
	(Bags in million)						
Production	174.80	129.44	121.24	122.44	140.48	114.99	92.15
Dispatches	170.47	128.57	122.82	122.40	140.58	114.27	90.52
	(Rupees '000')						
<b>ASSETS EMPLOYED</b>							
Fixed Assets - Tangible	943,213	453,600	369,619	393,807	196,061	152,484	165,461
Fixed Assets - Intangible	7,523	6,375	5,143	541	-	-	-
Long-term Investments, Loans and Deposits	112,318	48,580	3,344	4,168	51,775	51,271	45,348
Current Assets	1,369,884	1,281,665	742,856	1,117,554	1,293,114	666,526	488,588
<b>TOTAL ASSETS EMPLOYED</b>	<b>2,432,938</b>	<b>1,790,220</b>	<b>1,120,962</b>	<b>1,516,070</b>	<b>1,540,950</b>	<b>870,281</b>	<b>699,397</b>
<b>EQUITY AND LIABILITIES</b>							
Shareholders' Equity	911,129	878,067	473,641	378,276	427,502	374,593	303,835
Long-term Liabilities	418,750	56,250	93,750	131,250	25,000	50,000	75,000
Deferred Liabilities	-	-	1,818	12,632	35,772	26,449	3,753
Current Liabilities	1,103,059	855,903	551,753	993,912	1,052,676	419,239	316,809
<b>TOTAL FUND INVESTED</b>	<b>2,432,938</b>	<b>1,790,220</b>	<b>1,120,962</b>	<b>1,516,070</b>	<b>1,540,950</b>	<b>870,281</b>	<b>699,397</b>
<b>TURNOVER &amp; PROFIT</b>							
Turnover (net)	3,256,878	2,471,964	1,985,235	2,060,614	1,851,416	1,175,404	795,584
Operating Profit	208,144	237,032	192,315	118,397	152,817	144,015	25,113
Profit Before Taxation	53,491	165,811	95,442	(58,351)	104,426	116,207	9,910
Profit After Taxation	71,531	187,455	96,319	(35,211)	71,166	79,576	8,306
Cash Dividend	25,818	43,031	18,360	-	11,016	11,750	8,813
Issue of Bonus Shares	-	-	22,950	-	18,360	14,688	-

# RATIO ANALYSIS

	2012	2011
<b>Profitability</b>		
1 Gross Profit (percentage)	8.54	12.29
2 Operating Profit (percentage)	6.39	9.59
3 Profit Before Tax (percentage)	1.64	6.71
4 Profit After Tax (percentage)	2.20	7.58
5 Profit to Average Shareholders' Equity (percentage)	8.00	27.74
6 Earnings per Share - Before Tax	3.11	9.63
7 Earnings per Share - After Tax	4.16	10.89
8 Profit to Total Assets (Average after tax) (percentage)	5.32	7.93
9 Increase in Sales (Net percentage)	31.75	24.52
10 Raw Material % of Net Sales	87.09	83.50
11 Labour % of Net Sales	2.44	2.01
12 Other Cost of Sales Expenses % of Net Sales	1.93	2.20
13 Raw Material % of Cost of Sales	95.23	95.19
14 Administrative Expenses % of Net Sales	0.77	0.86
15 Distribution Cost % of Net Sales	1.21	1.20
16 Tax % of Net Sales	(0.55)	(0.88)
17 Finance Cost % of Net Sales	4.75	2.88
<b>Short Term Solvency</b>		
1 Working Capital Ratio	1.24	1.50
2 Acid Test Ratio	0.54	0.47
3 Working Capital Turnover (Net Sales) times	12.21	5.81
4 Inventory Turnover - Times	3.61	3.43
<b>Overall Valuation and Assessment</b>		
1 Number of Times Interest Covered	1.35	3.33
2 Return on Equity After Tax (Average in percentage)	8.00	27.74
3 Book Value per Share	52.93	51.01
4 Long-term Debts to Capital Employed Ratio (percentage)	33.37	9.65

# auditors' report to the members



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

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

We have audited the annexed balance sheet of **Cherat Packaging Limited** (the Company) as at **30 June 2012** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the change as stated in note 2.3 to the financial statements, with which we concur;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at **30 June 2012** and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

*Ernst & Young Ford Rhodes Sidat Hyder*  
Chartered Accountants

**Audit Engagement Partner:** Riaz A. Rehman Chamdia

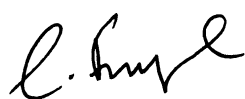
KARACHI: August 13, 2012

# balance sheet

as at June 30, 2012

	Note	2012	2011
		(Rupees '000)	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets			
Property, plant and equipment	4	943,213	453,600
Intangible asset	5	7,523	6,375
		950,736	459,975
Long-term investment	6	6,553	1,991
Long-term loans	7	348	550
Long-term deposits		8,833	176
Deferred taxation	8	96,584	45,863
		1,063,054	508,555
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	9	32,277	12,882
Stock-in-trade	10	771,357	878,155
Trade debts	11	430,164	268,224
Loans and advances	12	1,376	4,749
Trade deposits and short-term prepayments	13	4,303	3,337
Other receivables	14	58,646	52,893
Taxation - net	29	40,314	52,655
Cash and bank balances	15	31,447	8,770
		1,369,884	1,281,665
<b>TOTAL ASSETS</b>		<b>2,432,938</b>	<b>1,790,220</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	16	172,125	172,125
Reserves	17	739,004	705,942
		911,129	878,067
<b>NON-CURRENT LIABILITIES</b>			
Long-term financings	18	418,750	56,250
<b>CURRENT LIABILITIES</b>			
Trade and other payables	19	95,167	115,785
Accrued mark-up		53,974	33,967
Short-term borrowings	20	916,418	668,651
Current maturity of long-term financing	18	37,500	37,500
		1,103,059	855,903
<b>CONTINGENCIES AND COMMITMENTS</b>			
	21		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,432,938</b>	<b>1,790,220</b>

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

  
**AMER FARUQUE**  
 Chief Executive

  
**IQBAL FARUQUE**  
 Director

# profit and loss account

for the year ended June 30, 2012

	Note	2012	2011
		(Rupees '000)	
<b>Turnover - net</b>	22	3,256,878	2,471,964
Cost of sales	23	(2,978,650)	(2,168,243)
<b>Gross profit</b>		278,228	303,721
Distribution costs	24	(39,401)	(29,639)
Administrative expenses	25	(24,959)	(21,181)
Other operating expenses	26	(9,984)	(18,833)
		(74,344)	(69,653)
Other operating income	27	4,260	2,964
<b>Operating profit</b>		208,144	237,032
Finance costs	28	(154,653)	(71,221)
<b>Profit before taxation</b>		53,491	165,811
<b>Taxation</b>			
Current		(32,681)	(26,037)
Deferred		50,721	47,681
	29	18,040	21,644
<b>Profit for the year</b>		71,531	187,455
<b>Earnings per share - basic and diluted</b>	30	Rs. 4.16	Restated Rs. 10.89

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

  
**AMER FARUQUE**  
 Chief Executive

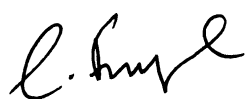
  
**IQBAL FARUQUE**  
 Director

# statement of comprehensive income

for the year ended June 30, 2012

	2012	2011
	(Rupees '000)	
<b>Profit for the year</b>	71,531	187,455
<b>Other comprehensive income</b>		
Unrealized gain / (loss) on available-for-sale securities	4,562	(49)
<b>Total comprehensive income for the year</b>	<u>76,093</u>	<u>187,406</u>

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

  
**AMER FARUQUE**  
 Chief Executive

  
**IQBAL FARUQUE**  
 Director

# cash flow statement

for the year ended June 30, 2012

	Note	2012	2011
		(Rupees '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit before taxation</b>		53,491	165,811
<b>Adjustments for:</b>			
Depreciation	4.1.3	52,152	31,908
Amortization	5.1	784	630
Gain on disposal of operating property, plant and equipment	27	(1,033)	(12)
Exchange loss	26	5,007	6,050
Finance costs	28	154,653	71,221
		211,563	109,797
		265,054	275,608
<b>Increase in current assets:</b>			
Stores, spare parts and loose tools		(19,395)	190
Stock-in-trade		106,798	(492,020)
Trade debts		(161,940)	(38,916)
Loans and advances		3,373	(3,731)
Trade deposits and short-term prepayments		(966)	(893)
Other receivables		(5,753)	(28,297)
		(77,883)	(563,667)
<b>(Decrease) / increase in current liabilities:</b>			
Trade and other payables		(20,849)	935
Cash generated from / (used in) operations		166,322	(287,124)
Net income tax (paid) / refunded		(20,340)	327
<b>Net cash generated from / (used in) operating activities</b>		145,982	(286,797)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to operating property, plant and equipment	4.1.1	(644,024)	(12,290)
Capital work in progress		101,466	(103,812)
Proceeds from sale of operating property, plant and equipment		1,826	225
Intangible asset acquired	5	(1,932)	(1,862)
Long-term loans		202	578
Long-term deposits		(8,657)	-
<b>Net cash used in investing activities</b>		(551,119)	(117,161)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long-term financing obtained / (repaid)		362,500	(37,500)
Dividend paid		(42,800)	(18,125)
Shares issued at premium		-	235,380
Short-term borrowings		247,767	287,956
Finance costs paid		(139,653)	(62,247)
<b>Net cash generated from financing activities</b>		427,814	405,464
<b>Net increase in cash and cash equivalents</b>		22,677	1,506
<b>Cash and cash equivalents at the beginning of the year</b>		8,770	7,264
<b>Cash and cash equivalents at the end of the year</b>	15	31,447	8,770

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



AMER FARUQUE  
Chief Executive



IQBAL FARUQUE  
Director



# statement of changes in equity

for the year ended June 30, 2012

	RESERVES							TOTAL
	ISSUED, SUBSCRIBED AND PAID- UP CAPITAL	CAPITAL RESERVE	REVENUE RESERVES			Unrealized (loss) / gain on available- for-sale securities	Total reserves	
			Share Premium	General Reserve	Unappro- priated profit			
<b>(Rupees '000)</b>								
<b>Balance as at July 01, 2010</b>	91,800	6,800	180,000	197,098	377,098	(2,057)	381,841	473,641
Cash dividend for the year ended June 30, 2010 @ Rs. 2/- per share	-	-	-	(18,360)	(18,360)	-	(18,360)	(18,360)
Issue of bonus shares in the ratio of 1 : 4	22,950	-	-	(22,950)	(22,950)	-	(22,950)	-
Issue of right shares	57,375	183,600	-	-	-	-	183,600	240,975
Right shares issue expenses	-	(5,595)	-	-	-	-	(5,595)	(5,595)
Profit for the year	-	-	-	187,455	187,455	-	187,455	187,455
Other comprehensive income	-	-	-	-	-	(49)	(49)	(49)
Total comprehensive income	-	-	-	187,455	187,455	(49)	187,406	187,406
<b>Balance as at June 30, 2011</b>	<b>172,125</b>	<b>184,805</b>	<b>180,000</b>	<b>343,243</b>	<b>523,243</b>	<b>(2,106)</b>	<b>705,942</b>	<b>878,067</b>
<b>Balance as at July 01, 2011</b>	172,125	184,805	180,000	343,243	523,243	(2,106)	705,942	878,067
Cash dividend for the year ended June 30, 2011 @ Rs. 2.5/- per share	-	-	-	(43,031)	(43,031)	-	(43,031)	(43,031)
Profit for the year	-	-	-	71,531	71,531	-	71,531	71,531
Other comprehensive income	-	-	-	-	-	4,562	4,562	4,562
Total comprehensive income	-	-	-	71,531	71,531	4,562	76,093	76,093
<b>Balance as at June 30, 2012</b>	<b>172,125</b>	<b>184,805</b>	<b>180,000</b>	<b>371,743</b>	<b>551,743</b>	<b>2,456</b>	<b>739,004</b>	<b>911,129</b>

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

  
AMER FARUQUE  
Chief Executive

  
IQBAL FARUQUE  
Director

## 1. THE COMPANY AND ITS OPERATIONS

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

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

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

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

### 2.2 Accounting convention

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

### 2.3 New and amended standards and interpretations

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

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

IFRS 7	-	Financial Instruments: Disclosures (Amendment)
IAS 24	-	Related Party Disclosures (Revised)
IFRIC 14	-	Prepayments of a Minimum Funding Requirement (Amendment) Issued in May 2010
IFRS 7	-	Financial Instruments: Disclosures - Clarification of disclosures
IAS 1	-	Presentation of Financial Statements - Clarification of statement of changes in equity
IAS 34	-	Interim Financial Reporting - Significant events and transactions
IFRIC 13	-	Customer Loyalty Programmes - Fair value of award credits

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

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

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

Standards or interpretation	Effective date (annual periods beginning on or after)
IFRS 7 - Financial Instruments : Disclosures - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	01 January 2013
IAS 1 - Presentation of Financial Statements - Presentation of items of comprehensive income	01 July 2012
IAS 12 - Income Taxes (Amendment) - Recovery of Underlying Assets	01 January 2012
IAS 19 - Employee Benefits -(Amendment)	01 January 2013
IAS 32 - Offsetting Financial Assets and Financial liabilities - (Amendment)	01 January 2014
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	01 January 2013

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Company's financial statements in the period of initial application except for the following:

- IAS19 - Employee Benefits (Revised) requires actuarial gains and losses to be recognized in other comprehensive income as they occur. Further, amounts recorded in profit and loss account are limited to current and past service costs, gains or losses on settlements and net interest income (expense). Furthermore, all other charges in the net defined benefit asset (liability) are recognized in other comprehensive income with no subsequent recycling to profit and loss account.

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

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

## **2.5 Significant accounting judgments, estimates and assumptions**

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

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

### **2.5.1 Staff retirement benefits**

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

### **2.5.2 Property, plant and equipment and intangible asset**

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

### **2.5.3 Taxation**

#### **Current**

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

#### **Deferred tax**

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

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

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

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **3.1 Property, plant and equipment**

#### **Owned assets**

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

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

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

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

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

### **3.2 Intangible assets**

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

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

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

### **3.3 Investments**

#### **Available-for-sale securities**

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

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

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

### **3.4 Stores, spare parts and loose tools**

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

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

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

### **3.5 Stock-in-trade**

#### **3.5.1 Raw materials**

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

Cost signifies purchase cost and other direct expenses.

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

#### **3.5.2 Finished goods**

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

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

### **3.6 Trade debts**

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

### **3.7 Trade and other payables**

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

### **3.8 Financial instruments**

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

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

### **3.9 Foreign currency translations**

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

### **3.10 Cash and cash equivalents**

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

### **3.11 Revenue recognition**

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

### **3.11.1 Sale of goods**

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

### **3.11.2 Other operating income**

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

Other revenues are accounted for on accrual basis.

## **3.12 Staff retirement benefits**

### **3.12.1 Gratuity scheme**

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

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

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

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

### **3.12.2 Provident fund**

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

## **3.13 Provisions**

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

## **3.14 Taxation**

### **3.14.1 Current**

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

### **3.14.2 Deferred**

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

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

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

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

### **3.14.3 Sales tax**

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

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

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

### **3.15 Offsetting of financial assets and liabilities**

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

### **3.16 Borrowing costs**

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

### **3.17 Impairment**

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

### **3.18 Related party transactions**

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



### 3.19 Dividend and appropriation to reserves

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

### 3.20 Functional and presentation currency

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

	Note	2012	2011
		(Rupees '000)	
<b>4. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating property, plant and equipment	4.1	940,867	349,788
Capital work-in-progress	4.2	2,346	103,812
		<u>943,213</u>	<u>453,600</u>

#### 4.1 Operating property, plant and equipment

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

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

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

	Note	2012	2011
(Rupees '000)			
<b>4.1.2 Reconciliation of book value:</b>			
Book value as at the beginning of the year		349,788	369,619
Additions during the year		644,024	12,290
Depreciation for the year		(52,152)	(31,908)
Disposals during the year at book value		(793)	(213)
Book value as at the end of the year		940,867	349,788

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

Cost of sales	23	50,458	30,685
Distribution costs	24	843	632
Administrative expenses	25	851	591
		52,152	31,908

**4.1.4** During the year borrowing cost has been capitalized amounting to Rs. 20.46 million (2011: Nil) by using capitalization rate of 14.71% (2011: Nil).

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

Description	Cost	Book value	Sales proceeds	Gain	Mode of disposal	Particulars of buyer
(Rupees '000)						
<b>VEHICLES</b>						
Honda Civic VII	KA-925	1,148	276	287	11	Employee car scheme
Suzuki Alto	ARK-378	615	307	500	193	Insurance Claim
Honda Civic VII	AGR-270	1,225	210	1,039	829	Tender
						Mr. Anwar Khan Employee EFU General Insurance Limited Mr. Rashid Khan (Karachi) - Outside party
	<b>2012</b>	<b>2,988</b>	<b>793</b>	<b>1,826</b>	<b>1,033</b>	
	<b>2011</b>	<b>558</b>	<b>213</b>	<b>225</b>	<b>12</b>	

**4.2 Movement of capital-work-in-progress**

	Civil works	Power and other installations	Advances for purchase of plant and machinery	Total
(Rupees '000)				
<b>Balance as at June 30, 2010</b>	-	-	-	-
Capital expenditure incurred / advances made during the year	15,902	11,840	76,070	103,812
<b>Balance as at June 30, 2011</b>	15,902	11,840	76,070	103,812
Capital expenditure incurred / advances made during the year	33,092	18,510	460,776	512,378
Transferred to operating property, plant & equipment	(47,386)	(29,612)	(536,846)	(613,844)
<b>Balance as at June 30, 2012</b>	1,608	738	-	2,346

## 5. INTANGIBLE ASSET

Description	Cost				Amortisation				Book value as at June 30,	Amortisation rate % per annum
	As at July 01,	Additions during the year	Disposals during the year	As at June 30,	As at July 01,	Adjustment on disposal	For the year	As at June 30,		
(Rupees '000)										
2012 ERP System	7,229	1,932	-	9,161	854	-	784	1,638	7,523	10
2011 ERP System	5,367	1,862	-	7,229	224	-	630	854	6,375	10

	Note	2012	2011
(Rupees '000)			
5.1	The amortization charge for the year has been allocated to:		
	Cost of sales	23	469
	Administrative expenses	25	161
			630

## 6. LONG-TERM INVESTMENT

Available-for-sale securities - related party

Ordinary shares of a listed company

Cherat Cement Company Limited

221,239 (2011: 221,239) fully paid ordinary shares of Rs.10/- each

6,553	1,991
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## 7. LONG-TERM LOANS - secured, considered good

Loans to employees

7.1 464 733

Less: Due within one year shown under current portion of loans

12 116 183

348	550
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7.1 Represent car and other loans provided as per the Company's employee loan policy. These loans carry mark-up up to 15% per annum (2011: up to 15% per annum) and are repayable within 3 to 6 years. These loans are secured against the provident fund balances of the respective employees.

	Note	2012	2011
(Rupees '000)			
8.	<b>DEFERRED TAXATION</b>		
	Deferred tax liability on taxable temporary difference:		
	Accelerated tax depreciation on operating property, plant and equipment	(34,521)	(52,561)
	Deferred tax asset on deductible temporary differences:		
	Taxable loss	62,659	62,659
	Minimum tax	68,446	35,765
		96,584	45,863

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

	2012	2011
(Rupees '000)		
9.	<b>STORES, SPAREPARTS AND LOOSE TOOLS</b>	
	Stores	2,073
	Spare parts	10,694
	Loose tools	115
		12,882

	Note	2012	2011
		(Rupees '000)	
<b>10. STOCK-IN-TRADE</b>			
Raw material			
In hand		476,000	387,178
In bonded warehouse		-	353,196
In transit		150,969	77,369
		<u>626,969</u>	<u>817,743</u>
Work-in-process		28,167	-
Finished goods		115,591	60,412
Polypropylene scrap goods		630	-
		<u>771,357</u>	<u>878,155</u>
<b>11. TRADEDEBITS - unsecured</b>			
Considered good	11.1	430,164	268,224
Considered doubtful		17,966	17,966
		<u>448,130</u>	<u>286,190</u>
Less: Provision for doubtful debts		17,966	17,966
		<u>430,164</u>	<u>268,224</u>
<b>11.1</b>	Trade receivables are non-interest bearing and are generally on 30 days term. Aging analysis of trade debts is as follows:		
Neither past due nor impaired		392,657	268,015
Past due but not impaired			
- Within 60 days		37,507	209
		<u>430,164</u>	<u>268,224</u>
<b>12. LOANS AND ADVANCES - considered good</b>			
Current portion of loans due from:			
Employees	7	116	183
Advances - unsecured:			
Suppliers		822	4,129
Letters of credit		438	437
		<u>1,260</u>	<u>4,566</u>
		<u>1,376</u>	<u>4,749</u>
<b>13. TRADEDEPOSITS AND SHORT-TERM PREPAYMENTS</b>			
Trade deposit - earnest money		570	210
Short-term prepayments			
Insurance		1,935	2,841
Rent		1,216	241
Others		582	45
		<u>3,733</u>	<u>3,127</u>
		<u>4,303</u>	<u>3,337</u>
<b>14. OTHER RECEIVABLES</b>			
Excise duty claim		169	169
Warehousing surcharge claim		517	517
Markup subsidy receivable	28.1	-	25,806
Sales tax receivable		51,496	26,309
Claim receivable		4,911	-
Others		1,553	92
		<u>58,646</u>	<u>52,893</u>

		Note	2012	2011
			(Rupees '000)	
<b>15.</b>	<b>CASH AND BANK BALANCES</b>			
	With banks:			
	Current accounts		29,986	7,550
	Saving accounts	15.1	1,365	1,015
			31,351	8,565
	Cash in hand		96	205
			31,447	8,770

**15.1** Effective profit rate in respect of saving accounts is 6% per annum (2011: 5% per annum).

## 16. SHARE CAPITAL

### 16.1 Authorized capital

2012	2011		2012	2011
(Number of Shares)			(Rupees '000)	
22,500,000	22,500,000	Ordinary shares of Rs. 10/- each	225,000	225,000

### 16.2 Issued, subscribed and paid-up capital

		Issued fully paid in cash		
9,817,500	4,080,000	Opening balance	98,175	40,800
-	5,737,500	Issued during the year as right shares	-	57,375
9,817,500	9,817,500	Closing balance	98,175	98,175
		Issued as fully paid bonus shares		
7,395,000	5,100,000	Opening balance	73,950	51,000
-	2,295,000	Issued during the year	-	22,950
7,395,000	7,395,000	Closing balance	73,950	73,950
17,212,500	17,212,500		172,125	172,125

		2012	2011
		(Number of Shares)	
<b>16.3</b>	<b>Following is the detail of shares held by the related parties</b>		
	Faruque (Private) Limited	1,175,625	1,175,625
	Cherat Cement Company Limited	1,107,738	1,107,738
	Mirpurkhas Sugar Mills Limited	854,613	854,613
	Greaves Pakistan (Private) Limited	864,550	1,111,442

## 17. RESERVES

### 17.1 Capital reserve

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

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

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

	Note	2012	2011
		(Rupees '000)	
<b>18. LONG-TERM FINANCINGS - secured</b>			
Long-term loan			
Term Loan-I	18.1	56,250	93,750
Term Loan-II	18.2	400,000	-
		456,250	93,750
Less: Current maturity		(37,500)	(37,500)
		418,750	56,250

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

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

	Note	2012	2011
		(Rupees '000)	
<b>19. TRADE AND OTHER PAYABLES</b>			
Creditors		11,113	13,047
Bills payable		61,130	77,369
Accrued liabilities		14,236	12,919
Unclaimed and unpaid dividends		1,390	1,159
Payable to gratuity fund	19.1	3,006	2,146
Workers' Profits Participation Fund	19.2	2,815	8,727
Retention money		1,477	-
Special excise duty payable		-	418
		95,167	115,785

**19.1 Staff retirement benefits**

**Defined benefit plan**

As mentioned in note 3.12.1, the Company operates an approved funded gratuity scheme for all eligible employees. Actuarial valuation of the scheme is carried out every year and the latest actuarial valuation was carried out as at June 30, 2012.

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

	2012	2011	
		(Rupees '000)	
<b>Staff gratuity fund liability:</b>			
Present value of defined benefit obligation	24,934	21,307	
Fair value of plan assets	(16,839)	(13,125)	
Unrecognized actuarial losses	(5,089)	(6,036)	
Liability recognized in the balance sheet	3,006	2,146	
<b>Amounts charged to profit and loss account:</b>			
Current service cost	813	1,064	
Interest cost	2,926	2,334	
Expected return on plan assets	(2,437)	(1,306)	
Actuarial losses recognized	558	506	
	1,860	2,598	

	2012	2011
	(Rupees '000)	
<b>Movement in the balance recognized in the balance sheet:</b>		
Balance as at July 01	2,146	1,548
Net charge for the year	1,860	2,598
Contribution to the fund	(1,000)	(2,000)
Balance as at June 30	3,006	2,146

**Movement in the present value of defined benefit obligation:**

Balance as at July 01	21,307	19,157
Current service cost	813	1,064
Interest cost	2,926	2,334
Benefits paid during the year	(541)	(1,540)
Actuarial losses	429	292
Balance as at June 30	24,934	21,307

**Movement in the fair value of plan assets:**

Balance as at July 01	13,125	11,643
Expected return	2,437	1,306
Contributions	1,000	2,000
Benefits paid during the year	(541)	(1,540)
Actuarial gain / (loss)	818	(284)
Balance as at June 30	16,839	13,125

**Principal actuarial assumptions used are as follows:**

Expected rate of increase in salary level	10.5%	11%
Valuation discount rate	12.5%	14%
Rate of return on plan assets	12.5%	14%

**Comparisons for past years:**

As at June 30	2012	2011	2010	2009	2008
	(Rupees '000)				
Present value of defined benefit obligation	24,934	21,307	19,157	13,317	10,685
Fair value of plan assets	(16,839)	(13,125)	(11,643)	(10,358)	(9,093)
Deficit	8,095	8,182	7,514	2,959	1,592
Experience adjustment on plan liabilities	429	292	3,109	442	2
Experience adjustment on plan assets	(818)	284	1,018	576	225
	(389)	576	4,127	1,018	227

	2012	2011
	(Rupees '000)	
<b>Composition of plan assets are as follows:</b>		
Special Saving Certificates and Term Finance Certificates	1,409	6,949
Mutual Funds / Shares	13,065	2,941
Amount in banks	2,365	3,235
	16,839	13,125

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

The return on plan assets was assumed to equal the discount rate. Actual return on plan assets during the year 2012 was Rs. 3.25 million (2011: Rs. 1.02 million).

		2012	2011
		(Rupees '000)	
<b>19.2</b>	<b>Workers' Profits Participation Fund</b>		
	Balance as at July 01,	8,727	5,126
	Interest thereon	37	67
		8,764	5,193
	Payments during the year	(8,764)	(5,193)
		-	-
	Charge for the year	2,815	8,727
		2,815	8,727
<b>20.</b>	<b>SHORT-TERM BORROWINGS - secured</b>		
	Running finances utilized under mark-up arrangements	536,840	583,651
	Money market loans	195,000	35,000
	Foreign currency term finance	25,942	-
		757,782	618,651
	Istisna'a and Murabaha	158,636	50,000
		916,418	668,651

**20.1** These facilities are obtained from various commercial banks amounting to Rs. 1,465 million (2011: Rs. 1,130 million) out of which Rs. 707.22 million (2011: Rs. 511.35 million) remains unutilized at the year end. These facilities are secured against registered pari-passu hypothecation charge over stocks and book debts for Rs. 1,868.33 million and hypothecation charge of Rs. 140 million on all present and future plant and machinery of the Company.

**20.2** These facilities carry mark-up of 1 month KIBOR plus 1.25% and 3 months KIBOR plus spread ranging from 0.75% to 1.75% (2011: 1 month KIBOR plus 1.25% and 3 months KIBOR plus spread ranging from 0.75% to 1.75%) per annum.

**20.3** These are sub facilities of note 20.1 above and carry mark-up of 1 month KIBOR plus spread ranging from 0.70% to 0.80% (2011: 1 month KIBOR plus spread of 0.80%) and 3 months KIBOR plus 0.65% (2011: Nil) per annum.

**20.4** This is a sub-facility of note 20.1 above and carries mark-up of 6 months LIBOR plus 4.93% (2011: Nil) per annum.

**20.5** These facilities are obtained from various commercial Islamic banks amounting to Rs. 450 million (2011: Rs. 100 million) out of which Rs. 291.36 million (2011: Rs. 50 million) remains unutilized at the year end. These facilities are secured against registered pari-passu hypothecation charge over stocks and book debts for Rs. 600.33 million.

		2012	2011
		(Rupees '000)	
<b>21.</b>	<b>CONTINGENCIES AND COMMITMENTS</b>		
<b>21.1</b>	Guarantees issued by a commercial bank	2,000	1,000
<b>21.2</b>	Letters of credit issued by commercial banks	449,782	865,030
<b>21.3</b>	Duties payable on bonded stock	-	55,564



	Note	2012	2011
(Rupees '000)			
<b>22. TURNOVER - NET</b>			
<b>Local</b>		3,778,641	2,930,408
Less: Sales tax		521,763	420,731
Special excise duty		-	37,713
		521,763	458,444
		<u>3,256,878</u>	<u>2,471,964</u>
<b>23. COST OF SALES</b>			
Raw material consumed			
Opening stock		387,178	85,830
Purchases		2,925,256	2,365,384
		3,312,434	2,451,214
Closing stock		(476,000)	(387,178)
		2,836,434	2,064,036
Manufacturing overheads			
Salaries, wages and benefits	23.1	79,413	49,740
Stores, spare parts and loose tools consumed		15,472	5,459
Fuel and power		32,008	5,555
Packing charges		28,101	20,577
Rent, rates and taxes		171	101
Repairs and maintenance		456	939
Depreciation	4.1.3	50,458	30,685
Amortization	5.1	633	469
Insurance		17,410	14,916
General office expenses		96	63
Vehicle running expenses		3,035	1,486
Traveling and conveyance		1,668	469
Communication expenses		1,407	1,182
Printing and stationery		339	118
Legal and professional charges		2,131	2,144
Freight and cartage		729	185
Subscription		138	-
Stores and spares parts - written off		94	100
Others		466	309
		234,225	134,497
		3,070,659	2,198,533
Work-in-process - closing		(28,167)	-
Polypropylene scrap sales		(8,033)	-
Polypropylene scrap goods - closing stock		(630)	-
		(8,663)	-
Cost of goods manufactured		3,033,829	2,198,533
Finished goods			
Opening stock		60,412	30,122
Closing stock		(115,591)	(60,412)
		(55,179)	(30,290)
		<u>2,978,650</u>	<u>2,168,243</u>

**23.1** This includes expenditure in respect of provident fund and gratuity fund amounting to Rs 2.22 million and Rs 0.91 million, respectively (2011: Rs. 1.3 million and Rs 2.14 million, respectively).

	Note	2012	2011
(Rupees '000)			
<b>24. DISTRIBUTION COSTS</b>			
Salaries and benefits	24.1	12,664	7,879
Traveling and conveyance		1,503	2,446
Vehicle running expenses		864	344
Repair and maintenance		5	76
Communication expenses		131	75
Rent, rates and taxes		27	27
Insurance		1,076	732
Printing and stationery		743	298
Depreciation	4.1.3	843	632
Freight and cartage		21,257	16,956
Others		288	174
		<u>39,401</u>	<u>29,639</u>

**24.1** This includes expenditure in respect of provident fund and gratuity fund amounting to Rs 0.14 million and Rs 0.48 million, respectively (2011: Nil)

	Note	2012	2011
(Rupees '000)			
<b>25. ADMINISTRATIVE EXPENSES</b>			
Salaries and benefits	25.1	13,165	10,625
Directors' fee		600	540
Traveling and conveyance		540	723
Vehicle running expenses		710	431
Communication expenses		1,883	1,618
Printing and stationery		876	720
Rent, rates and taxes		1,046	1,299
Legal and professional charges		1,410	2,011
Insurance		848	694
Subscription		1,213	984
Advertisement		412	344
Depreciation	4.1.3	851	591
Amortization	5.1	151	161
Repairs and maintenance		821	152
General office expenses		270	159
Utilities		161	123
Others		2	6
		<u>24,959</u>	<u>21,181</u>

**25.1** This includes expenditure in respect of provident fund and gratuity fund amounting to Rs 0.33 million and Rs 0.47 million, respectively (2011: Rs 0.28 million and Rs 0.46 million, respectively).

	Note	2012	2011
		(Rupees '000)	
<b>26. OTHER OPERATING EXPENSES</b>			
Auditors' remuneration	26.1	1,416	1,321
Donations	26.2	746	2,735
Workers' Profits Participation Fund	19.2	2,815	8,727
Exchange loss		5,007	6,050
		<u>9,984</u>	<u>18,833</u>

#### 26.1 Auditors' remuneration

Audit fee		440	385
Tax, corporate and other services		846	721
Out of pocket expenses		130	215
		<u>1,416</u>	<u>1,321</u>

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

	Note	2012	2011
		(Rupees '000)	
<b>27. OTHER OPERATING INCOME</b>			
Income from financial assets			
Return on saving accounts		28	344
Income from non-financial assets			
Gain on disposal of operating property, plant and equipment	4.1.5	1,033	12
Scrap sales		3,199	2,608
		<u>4,260</u>	<u>2,964</u>

#### 28. FINANCE COSTS

Mark-up on:			
Long-term financing	28.1	38,971	8,485
Short-term borrowings	28.1	115,316	62,235
		<u>154,287</u>	<u>70,720</u>
Others:			
Guarantee commission		16	24
Bank charges and duties		313	410
Interest on Workers' Profits Participation Fund	19.2	37	67
		<u>154,653</u>	<u>71,221</u>

28.1 State Bank of Pakistan (SBP) has granted special relief on mark-up to companies operating in the affected areas of Khyber Pakhtunkhwa province vide SMEFD Circular No. 11 of 2010 dated July 01, 2010. As per the circular, mark-up will be charged @ 7.5 % per annum to such companies with effect from January 01, 2010 till December 31, 2011. Accordingly, mark-up charged on long-term financing amounting to Rs. 2.958 million and short-term borrowings amounting to Rs. 23.237 million has been received and finance costs have been reduced accordingly. However, mark-up has been charged at actual rates from January 01, 2012.

## 29. TAXATION

- 29.1** The assessments of the Company for and up to the tax year 2011 have been completed or deemed to be assessed.
- 29.2** The income of the Company has been exempted from income tax for the tax years 2010, 2011 and 2012 under clause 126F of Part I of Second Schedule to the Income Tax Ordinance, 2001. However, provision for minimum turnover tax u/s 113 of the Income Tax Ordinance, 2001, has been made in these financial statements.
- 29.3** Since the Company is only liable to pay minimum tax, therefore, no numerical tax reconciliation is given.

	Note	2012	2011
<b>30. EARNINGS PER SHARE</b>			
Profit after taxation (Rupees '000)		71,531	187,455
Weighted average number of ordinary shares in issue		17,212,500	17,212,500
Basic earnings per share	30.1	Rs. 4.16	Restated Rs. 10.89

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

## 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

### 31.1 Market risk

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

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

#### 31.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in the market interest rates. The Company's interest rate risk arises from long-term and

short-term borrowings obtained with floating rates. Borrowings of the Company are substantially obtained in the functional currency. In line with SBP SMEFD circular No.11 of 2010 dated July 01, 2010 (refer note 28.1) certain portions of the borrowings of the Company are at a fixed rate of 7.5 % from January 01, 2010 to December 31, 2011. However, mark-up has been charged at actual rates from January 01, 2012 i.e., for a period of six months.

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

### Sensitivity Analysis:

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

	Increase / decrease in basis points	Effect on profit before tax (Rupees '000)
2012		
KIBOR	+200	(17,830)
KIBOR	-200	17,830

### 31.1.2 Foreign currency risk

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

	2012	2011
	('000)	
Foreign currency term finance - Euro	219	-
Bills payable- Euro	304	620
US Dollar	271	-

	2012	2011
	(Rupees)	
The following significant exchange rates have been applied at reporting dates:		
Exchange rates- Euro	118.50	124.89
US Dollar	94.20	-

At present, comprehensive hedging is not allowed against US Dollar. For other currencies, management keeps on evaluating different options available.

## Sensitivity Analysis:

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

	Change in Euro rate	Effect of translation of foreign currency liabilities on profit or (loss)	Effect on equity
	(%)	(Rupees '000)	
30 June 2012-Euro	+10	(6,198)	(6,198)
	-10	6,198	6,198
30 June 2012-US Dollar	+10	(2,553)	(2,553)
	-10	2,553	2,553
30 June 2011-Euro	+10	(7,737)	(7,737)
	-10	7,737	7,737
30 June 2011-US Dollar	+10	-	-
	-10	-	-

### 31.1.3 Equity risk

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

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

At the balance sheet date, the exposure to listed equity securities at fair value was Rs. 6.55 million. A decrease of 10% in the share price of the listed security would have an impact of approximately Rs. 0.65 million on the equity or income depending whether or not the decline is significant and prolonged. An increase of 10% in the share price of the listed security would impact equity with the similar amount.

### 31.2 Credit Risk

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

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

### 31.2.1 Credit quality of financial assets

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

	2012	2011
	(Rupees '000)	
<b>Long-term investment</b>		
Counter party without credit rating	6,553	1,991
<b>Trade debts</b>		
Customers with no defaults in the past one year	430,164	268,224
<b>Cash at bank and short-term deposits</b>		
A1+	31,351	8,565

### 31.3 Liquidity risk

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

The Company applies prudent liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At the balance sheet date the Company has unavailed credit facility of Rs. 998.58 million (2011: Rs. 561.35 million).

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

	2012					2011				
	Interest Bearing			Non Interest Bearing	Total	Interest Bearing			Non Interest Bearing	Total
	Less than one year	One to five years	Total			Less than one year	One to five years	Total		
(Rupees '000)					(Rupees '000)					
Long-term financing	37,500	418,750	456,250	-	456,250	37,500	56,250	93,750	-	93,750
Trade and other payables	-	-	-	92,352	92,352	-	-	-	106,640	106,640
Accrued mark-up	-	-	-	53,974	53,974	-	-	-	33,967	33,967
Short-term borrowings	916,418	-	916,418	-	916,418	668,651	-	668,651	-	668,651
	953,918	418,750	1,372,668	146,326	1,518,994	706,151	56,250	762,401	140,607	903,008

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

### 31.4 Capital risk management

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

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the year ended June 30, 2012.

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, 2012 and 2011 were as follows:

	2012	2011
	(Rupees '000)	
Long-term financing including current portion	456,250	93,750
Accrued mark-up	53,974	33,967
Short-term borrowings	916,418	668,651
<b>Total debt</b>	1,426,642	796,368
Cash and cash equivalents	(31,447)	(8,770)
<b>Net debt</b>	1,395,195	787,598
Share capital	172,125	172,125
Reserves	739,004	705,942
<b>Total capital</b>	911,129	878,067
<b>Capital and net debt</b>	2,306,324	1,665,665
<b>Gearing ratio</b>	60.49%	47.28%

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

### 31.5 Fair value of financial instruments

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

#### Fair value hierarchy

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

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

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

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



As at 30 June 2012, the Company has only a available-for-sale securities measured at fair value using level 1 valuation techniques.

During the year ended June 30, 2012, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurement.

### 32. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	2012		2011	
	Director	Executives / Key Employees	Director	Executives / Key Employees
	(Rupees '000)			
Managerial remuneration	4,064	21,875	3,693	15,628
Housing allowance	1,829	6,815	1,662	4,737
Retirement benefits	-	2,530	-	1,707
Utilities	407	1,490	369	1,039
Leave fare	-	1,263	-	877
	6,300	33,973	5,724	23,988
Number	1	12	1	9

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

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

32.3 The aggregate amount paid to the Directors as a fee for attending the Board of Director's meetings amount to Rs. 0.6 million (2011: Rs. 0.54 million).

### 33. TRANSACTIONS WITH RELATED PARTIES

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

Relationship	Nature of transactions	2012	2011
		(Rupees '000)	
Group companies	Sale of goods	486,693	438,149
	Purchase of goods	4,434	2,291
	Purchase of operating property, plant and equipment	10,440	-
	Services received	16,526	16,648
	Software consultancy charges	2,952	2,795
	Dividends paid	10,696	5,121
Other related parties	Insurance premium	6,688	5,229

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

	2012	2011
	(Bags '000)	
<b>34. CAPACITY</b>		
Annual installed capacity as of June 30,	330,000	265,000
Actual production for the year	174,795	129,436

Actual production is in line with the industry demand and the fact that the new polypropylene bag plant started commercial production from December 2011.

### 35. DATE OF AUTHORISATION

These financial statements were authorised for issue on August 13, 2012 by the Board of Directors of the Company.

### 36. DIVIDEND AND APPROPRIATIONS

Subsequent to the year ended June 30, 2012, the Board of Directors has proposed the following in their meeting held on August 13, 2012 for approval of the members at the Annual General Meeting:


	2012	2011
	(Rupees '000)	
Proposed final cash dividend @ Rs. 1.50 per share (2011: Rs. 2.50 per share)	25,819	43,031

### 37. CORRESPONDING FIGURES

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

### 38. GENERAL

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

  
AMER FARUQUE  
Chief Executive

  
IQBAL FARUQUE  
Director

# pattern of shareholding

as at June 30, 2012

No. of Shareholders	Shareholding			Shares held
	From		To	
162	1	to	100	5,967
269	101	to	500	84,872
192	501	to	1000	162,193
412	1001	to	5000	1,037,652
90	5001	to	10000	660,938
53	10001	to	15000	640,951
28	15001	to	20000	494,688
15	20001	to	25000	330,494
9	25001	to	30000	255,319
5	30001	to	35000	161,134
7	35001	to	40000	266,848
3	45001	to	50000	142,875
5	50001	to	55000	257,616
3	55001	to	60000	170,308
1	65001	to	70000	68,828
1	70001	to	75000	73,471
1	75001	to	80000	75,628
7	80001	to	85000	583,062
3	85001	to	90000	258,463
1	90001	to	95000	90,959
2	100001	to	105000	203,609
2	115001	to	120000	234,003
2	130001	to	135000	262,705
1	145001	to	150000	148,486
2	155001	to	160000	314,541
1	165001	to	170000	168,761
1	185001	to	190000	188,167
1	190001	to	195000	190,903
1	195001	to	200000	197,788
1	220001	to	225000	225,000
1	255001	to	260000	256,117
1	260001	to	265000	264,492
1	295001	to	300000	299,343
1	425001	to	430000	428,500
1	635001	to	640000	636,128
1	805001	to	810000	810,000
1	850001	to	855000	854,613
1	860001	to	865000	864,550
1	970001	to	975000	975,000
1	1105001	to	1110000	1,107,738
1	1175001	to	1180000	1,175,625
1	1580001	to	1585000	1,584,165
1,293				17,212,500

## categories of shareholders

as at June 30, 2012

Shareholders' Category	No. of Shareholders	Shares held
<b>Directors, Chief Executive Officer, their spouses and minor children</b>		
Mr. Mohammed Faruque	1	1
Mr. Amer Faruque	1	68,828
Mrs. Amina Faruque W/o Mr. Amer Faruque	1	131,195
Mr. Iqbal Faruque	1	10,546
Mr. Mahmood Faruque	1	188,167
Mrs. Chaman Faruque W/o Mr. Mahmood Faruque	1	115,003
Mr. Akbarali Pesnani	1	46,000
Mrs. Sakina Pesnani W/o Mr. Akbarali Pesnani	1	5,000
Mr. Aslam Faruque	1	148,486
Mr. Shehryar Faruque	1	57,796
Mr. Arif Faruque	1	278,009
Mr. Abrar Hasan	1	1,500
<b>Associated Companies, undertakings and related parties</b>		
Faruque (Private) Limited	1	1,175,625
Cherat Cement Company Limited	1	1,107,738
Mirpurkhas Sugar Mills Limited	1	854,613
Greaves Pakistan (Private) Limited	1	864,550
<b>Executives</b>	5	79,348
<b>Public Sector Company and Corporation</b>	1	636,128
<b>Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies</b>	4	2,628,184
<b>Mutual Funds</b>		
Golden Arrow Selected Stocks Fund Limited	1	38,437
CDC - Trustee NAFA Stock Fund	1	264,492
<b>General Public</b>	1,242	7,731,470
<b>Others</b>	23	781,384
<b>Total</b>	1,293	17,212,500

## shareholders' holding 5% or more

as at June 30, 2012

	Shares held	Percentage
Faruque (Private) Limited	1,175,625	6.83%
Cherat Cement Company Limited	1,107,738	6.44%
Greaves Pakistan (Private) Limited	864,550	5.02%
EFU General Insurance Limited	975,000	5.66%
Atlas Insurance Limited	1,584,165	9.20%

# proxy form

## 23rd Annual General Meeting 2012

### IMPORTANT

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

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

Number of shares held: \_\_\_\_\_

I/ We \_\_\_\_\_

of \_\_\_\_\_

being a member of CHERAT PACKAGING LIMITED, hereby appoint \_\_\_\_\_  
\_\_\_\_\_ of \_\_\_\_\_ another member of the company  
as my/ our proxy to attend & vote for me/ us and on my/ our behalf at the 23rd Annual General Meeting  
of the Company to be held on Wednesday, October 31, 2012 at 11:00 a.m. and at any adjournment  
thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2012.

### WITNESSES:

1. Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

NIC or \_\_\_\_\_

Passport No. \_\_\_\_\_

Signature

Please affix  
Revenue  
Stamp

2. Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

NIC or \_\_\_\_\_

Passport No. \_\_\_\_\_

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

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

# circular

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

Islamabad, January 26, 2000.

### Circular No. 1 of 2000

sub: GUIDELINES FOR ATTENDING GENERAL MEETING AND APPOINTMENT OF PROXIES

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

- A. Attending of meeting in person by account holders and/or sub-account holders and persons whose securities are in group account and their registration details are uploaded to CDS:
- (1) The company shall obtain list of beneficial owners from the CDC as per regulation # 12.3.5 of the CDC Regulations.
  - (2) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are up loaded as per the regulation, shall authenticate his identity by showing his original National Identity Card (NIC) or original passport at the time of attending the meeting.
  - (3) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.
- B. Appointment of Proxies:
- (1) In case of individual, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulation, shall submit the proxy form as per requirement notified by the company.
  - (2) The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.
  - (3) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
  - (4) The proxy shall produce his original NIC or original passport at the time of the meeting.
  - (5) in case of corporate entity, the Board of Directors' resolution/ power of attorney with specimen signature shall be submitted alongwith proxy form to the company.

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



GHULAM FARUQUE  
GROUP

**Cherat Packaging Limited  
Head Office**

Modern Motors House  
Beaumont Road  
Karachi 75530 Pakistan  
UAN: (9221) 111-000-009  
Fax: (9221) 35683425  
Web: [www.gfg.com.pk](http://www.gfg.com.pk)

