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Company Information

Board of Directors

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

Executive Director & Chief Financial Officer

Mr. Yasir Masood

Executive Director & Company Secretary

Mr. Abid A. Vazir

Audit Committee

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

Human Resource and Remuneration Committee

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

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Legal Advisor

K.M.S. Law Associates

Bankers

Allied Bank Ltd.
Bank Alfalah Ltd.
Bank Al Habib Ltd.
Bankislami Pakistan Ltd.
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

Directors' Review

The Board of Directors presents the un-audited financial results of the company for the first quarter ended September 30, 2012.

Overview

Following the commencement of the polypropylene bag plant operations, there has been an increase in the quantity of bags produced and sold by the company during the quarter under review as compared to the same time last year. The increased sales volume also had a positive impact on the sales turnover and the overall profitability of the company. The installation of the PP plant has further consolidated the position of the company as the market leader in providing quality packaging solutions to cement manufacturers.

Operating performance

There was an increase of almost Rs. 200 million in the sales revenue of the company from the corresponding period last year, reflecting a rise of 31%. The increase in turnover was on account of rise in the quantity of bags sold by the company following the addition of polypropylene bag plant. During the period under review, an upward trend was witnessed in the international prices of kraft paper and polypropylene granules, which had an impact on the production costs. Devaluation of Pak rupee and sharp rise in transportation charges and other input costs further compounded the pressure on the production costs. However, through aggressive marketing of 2ply bags, efficient inventory management and strong relationship with kraft paper supplier - M/s. Mondi Packaging, the company was able to overcome the challenge. With business volumes on the rise following the addition of PP plant, the company continued to effectively monitor its trade debts to manage its working capital requirements. During the period under review, there was an increase in finance cost due to higher working capital requirements owing to increased volume of operations and acquisition of long term loan for the PP plant. The financial charges also rose due to expiry of mark up subsidy facility provided by State Bank of Pakistan till December 31, 2011. However, the company benefitted from reduction in discount rate by State Bank of Pakistan. Unlike last year, the company did not get the benefit from exemption given by the government on income taxes for companies operating in the Khyber Pakhtunkhwa province following its expiry on June 30, 2012. After taking into consideration the factors above, the company recorded an after tax profit of Rs. 20.23 million.

Future Prospects

Growth in the demand for cement is having a positive impact on the sales of the company. It is expected that this development pattern shall continue, which would help further boost the sale of bags produced by the company. The company is well positioned to meet the requirements for both paper and polypropylene bags of its clients. Because of its superior quality, Cherat Packaging received an overwhelming response from its clients as it has become a supplier of choice for supply of both paper and polypropylene bags. In order to provide cost effective packaging solutions to its clients without compromising on the quality, the company had earlier successfully launched 2ply 80 gsm bags. The company is now actively working towards producing polypropylene bags for use in other products like sugar etc. Further, it is also looking at various markets for export of its bags in which it has achieved some success. We take this opportunity to welcome the initiative of State Bank of Pakistan to reduce discount rate, which would provide much required stimulus to the industry.

Acknowledgment

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

Karachi: October 19, 2012

On behalf of the Board of Directors



Mohammed Faruque
Chairman

SEPTEMBER 30, 2012

03

Condensed Interim Balance Sheet

as at September 30, 2012

| | Note | September 30, 2012 (Unaudited) | June 30, 2012 (Audited) |
|---|------|--------------------------------------|-------------------------------|
| (Rupees `000) | | | |
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 4 | 929,559 | 943,213 |
| Intangible assets | 5 | 7,294 | 7,523 |
| | | 936,853 | 950,736 |
| Long-term investment | 6 | 8,686 | 6,553 |
| Long-term loans | | 317 | 348 |
| Long-term deposits | | 8,833 | 8,833 |
| Deferred taxation | | 89,888 | 96,584 |
| | | 1,044,577 | 1,063,054 |
| CURRENT ASSETS | | | |
| Stores, spare parts and loose tools | | 30,895 | 32,277 |
| Stock-in-trade | | 818,822 | 771,357 |
| Trade debts | | 465,078 | 430,164 |
| Loans and advances | | 3,999 | 1,376 |
| Trade deposits and short-term prepayments | | 5,087 | 4,303 |
| Other receivables | | 10,848 | 58,646 |
| Taxation - net | | 53,815 | 40,314 |
| Cash and bank balances | | 15,231 | 31,447 |
| | | 1,403,775 | 1,369,884 |
| TOTAL ASSETS | | 2,448,352 | 2,432,938 |
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorised capital 22,500,000 (June 30, 2012: 22,500,000) Ordinary shares of Rs.10/- each | | 225,000 | 225,000 |
| Issued, subscribed and paid-up capital (Fully paid ordinary shares of Rs. 10/- each) | | 172,125 | 172,125 |
| Reserves | | 761,365 | 739,004 |
| | | 933,490 | 911,129 |
| NON-CURRENT LIABILITIES | | | |
| Long-term financings | | 418,750 | 418,750 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 198,192 | 95,167 |
| Accrued mark-up | | 32,382 | 53,974 |
| Short-term borrowings - secured | | 828,038 | 916,418 |
| Current maturity of long-term financing | | 37,500 | 37,500 |
| | | 1,096,112 | 1,103,059 |
| CONTINGENCIES AND COMMITMENTS | 7 | | |
| TOTAL EQUITY AND LIABILITIES | | 2,448,352 | 2,432,938 |

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.


AMER FARUQUE
Chief Executive


IQBAL FARUQUE
Director

04

Cherat Packaging Limited

Condensed Interim Profit and Loss Account (Unaudited)

for the period ended September 30, 2012

| | Note | September 30, 2012 | September 30, 2011 |
|-----------------------------------|------|-----------------------|-----------------------|
| (Rupees `000) | | | |
| Turnover - net | | 837,633 | 638,007 |
| Cost of sales | | (745,724) | (596,301) |
| Gross profit | | 91,909 | 41,706 |
| Distribution costs | | (11,780) | (7,977) |
| Administrative expenses | | (7,323) | (5,752) |
| Other operating expenses | | (2,748) | (859) |
| | | (21,851) | (14,588) |
| Other operating income | | 546 | 597 |
| Operating profit | | 70,604 | 27,715 |
| Finance costs | 8 | (39,485) | (19,405) |
| Profit before taxation | | 31,119 | 8,310 |
| Taxation | | | |
| Current | 9 | (4,195) | (7,419) |
| Deferred | | (6,696) | 10,205 |
| | | (10,891) | 2,786 |
| Profit after taxation | | 20,228 | 11,096 |
| Earnings per share - basic | 10 | Rs. 1.18 | Re. 0.64 |

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.


AMER FARUQUE
 Chief Executive


IQBAL FARUQUE
 Director

SEPTEMBER 30, 2012

05

Condensed Interim Statement of Comprehensive Income (Unaudited)

for the period ended September 30, 2012

| | September 30, 2012 | September 30, 2011 |
|---|-----------------------|-----------------------|
| | (Rupees `000) | |
| Profit after taxation | 20,228 | 11,096 |
| Other comprehensive income | | |
| Unrealized gain / (loss) on available-for-sale securities | 2,133 | (166) |
| Total comprehensive income for the period | <u>22,361</u> | <u>10,930</u> |

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.


AMER FARUQUE
Chief Executive


IQBAL FARUQUE
Director

Condensed Interim Cash Flow Statement (Unaudited)

for the period ended September 30, 2012

| | September 30, 2012 | September 30, 2011 |
|---|-----------------------|-----------------------|
| | (Rupees `000) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 31,119 | 8,310 |
| Adjustments for: | | |
| Depreciation | 15,975 | 7,596 |
| Amortization | 229 | 184 |
| Finance costs | 39,485 | 19,405 |
| Exchange loss | 767 | - |
| | 56,456 | 27,185 |
| | 87,575 | 35,495 |
| (Increase) / decrease in current assets | | |
| Stores, spare parts and loose tools | 1,382 | (1,924) |
| Stock-in-trade | (47,465) | (130,877) |
| Trade debts | (34,914) | (9,041) |
| Loans and advances | (2,623) | 1,424 |
| Trade deposits and short-term prepayments | (784) | (3,557) |
| Other receivables | 47,798 | (768) |
| | (36,606) | (144,743) |
| Increase in current liabilities | | |
| Trade and other payables | 103,032 | 40,011 |
| Cash generated from / (used in) operations | 154,001 | (69,237) |
| Income tax paid | (17,696) | (2,548) |
| Net cash generated from/ (used in) operating activities | 136,305 | (71,785) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Additions to operating property, plant and equipment | (459) | (9,429) |
| Capital work-in-progress | (1,862) | (460,779) |
| Intangible assets | - | (194) |
| Long-term loans | 31 | 77 |
| Net cash used in investing activities | (2,290) | (470,325) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Long-term financing | - | 400,000 |
| Dividend paid | (7) | (61) |
| Short-term borrowings | (88,380) | 147,818 |
| Finance costs paid | (61,844) | (9,251) |
| Net cash (used in) / generated from financing activities | (150,231) | 538,506 |
| Net decrease in cash and cash equivalents | (16,216) | (3,604) |
| Cash and cash equivalents at the beginning of the period | 31,447 | 8,770 |
| Cash and cash equivalents at the end of the period | 15,231 | 5,166 |

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements


AMER FARUQUE
 Chief Executive


IQBAL FARUQUE
 Director

SEPTEMBER 30, 2012

07

Condensed Interim Statement of Changes in Equity (Unaudited)

for the period ended September 30, 2012

| | Reserves | | | | | | | Total |
|---|-----------------|------------------|-----------------|-----------------------|---|----------------|----------------|----------------|
| | Capital Reserve | Revenue Reserves | | | Unrealized (loss) / gain on available-for-sale securities | Total Reserves | | |
| | | Share premium | General Reserve | Unappropriated profit | | | | |
| | | | | | | | | |
| | (Rupees ` 000) | | | | | | | |
| Balance as at July 01, 2011 | 172,125 | 184,805 | 180,000 | 343,243 | 523,243 | (2,106) | 705,942 | 878,067 |
| Profit for the period | - | - | - | 11,096 | 11,096 | - | 11,096 | 11,096 |
| Other comprehensive income | - | - | - | - | - | (166) | (166) | (166) |
| Total comprehensive income | - | - | - | 11,096 | 11,096 | (166) | 10,930 | 10,930 |
| Balance as at September 30, 2011 | 172,125 | 184,805 | 180,000 | 354,339 | 534,339 | (2,272) | 716,872 | 888,997 |
| Balance as at July 01, 2012 | 172,125 | 184,805 | 180,000 | 371,743 | 551,743 | 2,456 | 739,004 | 911,129 |
| Profit for the period | - | - | - | 20,228 | 20,228 | - | 20,228 | 20,228 |
| Other comprehensive income | - | - | - | - | - | 2,133 | 2,133 | 2,133 |
| Total comprehensive income | - | - | - | 20,228 | 20,228 | 2,133 | 22,361 | 22,361 |
| Balance as at September 30, 2012 | 172,125 | 184,805 | 180,000 | 391,971 | 571,971 | 4,589 | 761,365 | 933,490 |

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.


AMER FARUQUE
 Chief Executive


IQBAL FARUQUE
 Director

Notes to the Condensed Interim Financial Statements (Unaudited)

for the period ended September 30, 2012

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 started commercial production on December 15, 1991 and is listed on Karachi and Lahore Stock Exchanges.

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

2. BASIS OF PREPARATION

These condensed interim financial statements are unaudited and are being submitted to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984 and International Accounting Standard (IAS) 34, "Interim Financial Reporting". The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended June 30, 2012.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended June 30, 2012.

| | | September 30, 2012 (Unaudited) | June 30, 2012 (Audited) |
|---|------|--------------------------------------|-------------------------------|
| | Note | (Rupees ` 000) | |
| 4. PROPERTY, PLANT AND EQUIPMENT | | | |
| Opening written down value (WDV) | | 940,867 | 349,788 |
| Additions during the period / year | 4.1 | 459 | 644,024 |
| | | 941,326 | 993,812 |
| Disposals during the period / year (WDV) - vehicles | | - | (793) |
| Depreciation charged during the period / year | | (15,975) | (52,152) |
| | | 925,351 | 940,867 |
| Capital work-in-progress | 4.2 | 4,208 | 2,346 |
| | | 929,559 | 943,213 |
| 4.1 Additions during the period / year | | | |
| Building on leasehold land | | - | 47,386 |
| Plant and machinery | | - | 536,846 |
| Power and other installations | | - | 29,612 |
| Furniture and fittings | | 459 | 1,850 |
| Vehicles | | - | 6,031 |
| Equipment | | - | 21,408 |
| Computers | | - | 891 |
| | | 459 | 644,024 |
| 4.2 Capital work-in-progress | | | |
| Leasehold land | | 800 | - |
| Civil works | | 2,616 | 1,608 |
| Power and other installations | | 792 | 738 |
| | | 4,208 | 2,346 |

| | September 30, 2012 (Unaudited) | June 30, 2012 (Audited) |
|---|---|--|
| 5. INTANGIBLE ASSETS | (Rupees `000) | |
| Opening balance (WDV) | 7,523 | 7,229 |
| Additions during the period / year | - | 1,932 |
| | <u>7,523</u> | <u>9,161</u> |
| Amortization charged during the period / year | (229) | (1,638) |
| | <u>7,294</u> | <u>7,523</u> |
| 6. LONG-TERM INVESTMENT | | |
| Available-for-sale securities - related party | | |
| Ordinary shares of a listed company | | |
| Cherat Cement Company Limited | | |
| 221,239 (June 30, 2012: 221,239) fully paid ordinary shares of Rs.10/- each | <u>8,686</u> | <u>6,553</u> |
| 7. CONTINGENCIES AND COMMITMENTS | | |
| Guarantees issued by a commercial bank | <u>2,000</u> | <u>2,000</u> |
| Letters of credit issued by commercial banks | <u>413,673</u> | <u>449,782</u> |
| Duties payable on bonded stock | <u>30,596</u> | <u>-</u> |

8. FINANCE COSTS

The Company was availing the subsidized markup facility under the State Bank of Pakistan's scheme for companies operating in the affected areas of Khyber Pakhtunkhwa province. This scheme has lapsed on December 31, 2011.

9. TAXATION

The income of the Company was exempted from income tax for the tax years 2010, 2011 and 2012 under clause 126 F of part I of second schedule to the Income Tax Ordinance, 2001. For the current quarter, this exemption was no more available. However, in view of tax losses, provision for current taxation is based on 0.5 % of turnover under section 113 of the Income Tax Ordinance, 2001.

| | Period ended | |
|---|-------------------------------|-------------------------------|
| | September 30, 2012 | September 30, 2011 |
| 10. EARNINGS PER SHARE - BASIC | | |
| Profit after taxation (Rupees '000) | <u>20,228</u> | <u>11,096</u> |
| Weighted average number of ordinary shares in issue | <u>17,212,500</u> | <u>17,212,500</u> |
| Basic earnings per share | <u>Rs. 1.18</u> | <u>Re. 0.64</u> |

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

11. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of group companies, staff benefit funds, directors and executives. The Company in the normal course of business carries out transactions with various related parties.

| Relationship | Nature of transactions | Period ended | |
|-----------------------|---|--------------------|--------------------|
| | | September 30, 2012 | September 30, 2011 |
| | | (Rupees ` 000) | |
| Group Companies | Sale of goods | 118,468 | 128,296 |
| | Purchase of goods | 39 | 3,170 |
| | Purchase of operating property, plant and equipment | - | 10,440 |
| | Services received | 3,650 | 3,420 |
| | Software consultancy charges | 935 | 738 |
| Director | Remuneration | 1,733 | 1,575 |
| Executives | Remuneration | 10,917 | 8,333 |
| Other related parties | Insurance premium | 1,802 | 1,277 |
| | Contribution to staff provident and gratuity funds | 1,962 | 522 |

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

12. DIVIDEND AND APPROPRIATIONS

Subsequent to 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:

| | June 30, 2012 | June 30, 2011 |
|--|----------------|---------------|
| | (Rupees ` 000) | |
| Proposed final cash dividend @ Rs. 1.50 per share (2011: Rs. 2.50 per share) | 25,819 | 43,031 |

13. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on October 19, 2012 by the Board of Directors of the Company.

14. GENERAL

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


AMER FARUQUE
Chief Executive


IQBAL FARUQUE
Director

SEPTEMBER 30, 2012

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