

Un-Audited Accounts
September 30, 2013

Two Facets



GHULAM FARUQUE
GROUP

Cherat Packaging Limited

Head Office

Modern Motors House
Beaumont Road
Karachi 75530 Pakistan
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Cherat Packaging Limited

A Ghulam Faruque Group Company

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Company Information

Board of Directors

Mr. Mohammed Faruque	Chairman
Mr. Amer Faruque	Chief Executive
Mr. Mahmood Faruque	Director
Mr. Akbarali Pesnani	Director
Mr. Aslam Faruque	Director
Mr. Shehryar Faruque	Director
Mr. Arif Faruque	Director
Mr. Tariq 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. Aslam Faruque	Member
Mr. Tariq Faruque	Member

Human Resource and Remuneration Committee

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

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

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.
MCB Bank Ltd.
Meezan Bank Ltd.
National Bank of Pakistan
NIB Bank Ltd.
Samba Bank Ltd.
Soneri Bank Ltd.
Standard Chartered Bank (Pakistan) Ltd.
United Bank Ltd.

Regional Office

3, Sunder Das Road
Lahore

Islamabad Office

Mezzanine Floor
Razia Sharif Plaza
91-Blue Area

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

Directors' Review

The Board of Directors presents the un-audited financial results of the company for the first quarter ended September 30, 2013.

Overview

On the back of positive domestic demand for cement, sale of both paper and polypropylene bags produced by your company increased. This resulted in a rise in the company's turnover and the profitability for the first quarter of the year 2013/14. The availability of enhanced production capacity for polypropylene bags, following the commencement of the second polypropylene bag making line during the quarter under review, also helped in achieving greater sales levels as the company continued to consolidate its position as the market leader in providing quality packaging solutions.

Operating performance

There was an increase of Rs. 248 million in the sales revenue of the company from the corresponding period last year, reflecting a rise of 30%. The increase in turnover was on account of rise in the quantity of bags sold by the company and adjustment in selling price of bags necessitated by increase in costs of production. During the period under review, the company faced the challenge of increase in costs of raw materials, devaluation of Pak rupee vis-à-vis major international currencies and sharp rise in transportation charges, which had adverse impact on its production costs. However, through aggressive marketing and efficient production management, the company was able to overcome these challenges. Furthermore, export of PP bags also helped in exploring new markets for the company and contributed to its profitability. 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. After taking into consideration above-mentioned factors, the company recorded an after tax profit of Rs. 33.45 million for the first quarter of the year 2013/14.

Future Prospects

Growth in the demand for cement and diversification into new markets for PP bags 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. The next phase of polypropylene expansion project is expected to be implemented by the third quarter of the financial year, which will enhance the overall production capacity to 145 million bags per annum. Because of its superior quality, Cherat Packaging has received an overwhelming response from its clients as it has become a supplier of choice for supply of both paper and polypropylene bags. The company is actively working towards producing polypropylene bags for use in other products like sugar, rice, chemicals and is also exploring new markets for export of its bags in which it has achieved success.

Acknowledgment

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

On behalf of the Board of Directors


Mohammed Faruque
Chairman

Karachi: October 28, 2013

Condensed Interim Balance Sheet
as at September 30, 2013

Note	September 30, 2013 (Unaudited)	June 30, 2013 (Audited)
----- (Rupees '000) -----		
ASSETS		
NON-CURRENT ASSETS		
	Property, plant and equipment	
4	1,348,354	1,336,465
	Intangible assets	
5	6,378	6,607
	1,354,732	1,343,072
	Long-term investment	
6	10,942	12,874
	Long-term loans	
	229	250
	Long-term deposits	
	8,833	8,833
	Deferred taxation	
	56,628	61,052
	1,431,364	1,426,081
CURRENT ASSETS		
	Stores, spare parts and loose tools	
	48,014	48,492
	Stock-in-trade	
	1,349,556	1,171,125
	Trade debts	
	553,015	633,907
	Loans and advances	
	9,617	4,613
	Trade deposits and short-term prepayments	
	12,687	8,469
	Other receivables	
	72,449	64,394
	Taxation - net	
	214,717	183,853
	Cash and bank balances	
	6,231	20,540
	2,266,286	2,135,393
	3,697,650	3,561,474
TOTAL ASSETS		
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
	Authorised capital	
	40,000,000 (June 30, 2013: 40,000,000) Ordinary shares	
	of Rs. 10/- each	
	400,000	400,000
	Issued, subscribed and paid-up capital	
	(Fully paid ordinary shares of Rs. 10/- each)	
	275,400	275,400
	Reserves	
	967,959	936,444
	1,243,359	1,211,844
NON-CURRENT LIABILITIES		
	Long-term financings	
7	620,000	460,000
CURRENT LIABILITIES		
	Trade and other payables	
	265,046	577,535
	Accrued mark-up	
	46,557	42,775
	Short-term borrowings - secured	
	1,423,938	1,210,570
	Current maturity of long-term financings	
	98,750	58,750
	1,834,291	1,889,630
CONTINGENCIES AND COMMITMENTS		
8		
TOTAL EQUITY AND LIABILITIES		
	3,697,650	3,561,474

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.


Mohammed Faruque
Chairman


Amer Faruque
Chief Executive

Condensed Interim Profit and Loss Account (Unaudited)
for the period ended September 30, 2013

Note	September 30, 2013	September 30, 2012
----- (Rupees '000) -----		
Turnover - net		
9	1,085,646	837,633
Cost of sales		
	(960,394)	(745,724)
Gross profit		
	125,252	91,909
Distribution costs		
	(12,946)	(11,780)
Administrative expenses		
	(8,214)	(7,323)
Other operating expenses		
	(4,214)	(2,748)
	(25,374)	(21,851)
Other operating income		
	776	546
Operating profit		
	100,654	70,604
Finance costs		
	(51,909)	(39,485)
Profit before taxation		
	48,745	31,119
Taxation		
	Current	
	(10,874)	(4,195)
	Deferred	
10	(4,424)	(6,696)
	(15,298)	(10,891)
Profit after taxation		
	33,447	20,228
Earnings per share - basic		
11	Rs. 1.21	(Restated) Re. 0.96

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.


Mohammed Faruque
Chairman


Amer Faruque
Chief Executive

Condensed Interim Statement of Comprehensive Income (Unaudited)

for the period ended September 30, 2013

	September 30, 2013	September 30, 2012
	----- (Rupees `000) -----	
Profit after taxation	33,447	20,228
Other comprehensive income		
Unrealized (loss) / gain on available-for-sale securities	(1,932)	2,133
Total comprehensive income for the period	<u>31,515</u>	<u>22,361</u>

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

Condensed Interim Cash Flow Statement (Unaudited)

for the period ended September 30, 2013

	September 30, 2013	September 30, 2012
	----- (Rupees `000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	48,745	31,119
Adjustments for:		
Depreciation	21,089	15,975
Amortization	229	229
Finance costs	51,909	39,485
Exchange loss	189	767
	73,416	56,456
	122,161	87,575
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	478	1,382
Stock-in-trade	(178,431)	(47,465)
Trade debts	80,892	(34,914)
Loans and advances	(5,004)	(2,623)
Trade deposits and short-term prepayments	(4,218)	(784)
Other receivables	(8,055)	47,798
	(114,338)	(36,606)
(Decrease) / Increase in current liabilities		
Trade and other payables	(312,489)	103,032
Cash (used in) / generated from operations	<u>(304,666)</u>	<u>154,001</u>
Income tax paid	(41,738)	(17,696)
Net cash (used in) / generated from operating activities	<u>(346,404)</u>	<u>136,305</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to operating property, plant and equipment	(271,143)	(459)
Capital work-in-progress	238,165	(1,862)
Long-term loans	21	31
Net cash used in investing activities	<u>(32,957)</u>	<u>(2,290)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term financing	200,000	-
Dividend paid	-	(7)
Short-term borrowings	213,368	(88,380)
Finance costs paid	(48,316)	(61,844)
Net cash generated from / (used in) financing activities	<u>365,052</u>	<u>(150,231)</u>
Net decrease in cash and cash equivalents	<u>(14,309)</u>	<u>(16,216)</u>
Cash and cash equivalents at the beginning of the period	20,540	31,447
Cash and cash equivalents at the end of the period	<u>6,231</u>	<u>15,231</u>

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.


Mohammed Faruque
 Chairman


Ameer Faruque
 Chief Executive


Mohammed Faruque
 Chairman


Ameer Faruque
 Chief Executive

Condensed Interim Statement of Changes in Equity (Unaudited)

for the period ended September 30, 2013

	Issued, Subscribed and Paid-up Capital	Reserves					Total reserves	Total
		Capital Reserve	Revenue Reserve			Unrealized gain / (loss) on available-for-sale securities		
			Share premium	General reserve	Unappropriated profit			
[Rupees '000]								
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
Balance as at July 01, 2013	275,400	283,174	180,000	464,493	644,493	8,777	936,444	1,211,844
Profit for the period	-	-	-	33,447	33,447	-	33,447	33,447
Other comprehensive income	-	-	-	-	-	(1,932)	(1,932)	(1,932)
Total comprehensive income	-	-	-	33,447	33,447	(1,932)	31,515	31,515
Balance as at September 30, 2013	275,400	283,174	180,000	497,940	677,940	6,845	967,959	1,243,359

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.


Mohammed Faruque
 Chairman


Ameer Faruque
 Chief Executive

Notes to The Condensed Interim Financial Statements (Unaudited)

for the period ended September 30, 2013

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, 2013.

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, 2013.

4. PROPERTY, PLANT AND EQUIPMENT

Opening written down value (WDV)
 Additions during the period / year

Disposals during the period / year (WDV) - vehicles
 Depreciation charged during the period / year

Capital work-in-progress

4.1 Additions during the period / year

Leasehold land
 Building on leasehold land
 Plant and machinery
 Power and other installations
 Furniture and fittings
 Vehicles
 Equipment
 Computers

4.2 Capital work-in-progress

Civil works
 Plant and machinery
 Power and other installations
 Furniture and fittings
 Factory equipment

Note	September 30, 2013 (Unaudited)	June 30, 2013 (Audited)
----- (Rupees '000) -----		
	1,065,150	940,867
4.1	271,143	190,294
	1,336,293	1,131,161
	-	[679]
	(21,089)	[65,332]
	1,315,204	1,065,150
4.2	33,150	271,315
	1,348,354	1,336,465
	-	11,503
	-	49,089
	271,143	112,115
	-	12,572
	-	384
	-	2,107
	-	2,032
	-	492
	271,143	190,294
	3,550	840
	27,493	269,539
	663	-
	227	-
	1,217	936
	33,150	271,315

	September 30, 2013 (Unaudited)	June 30, 2013 (Audited)
	----- (Rupees '000) -----	
5. INTANGIBLE ASSETS		
Opening balance (WDV)	6,607	7,523
Amortization charged during the period / year	(229)	(916)
	<u>6,378</u>	<u>6,607</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, 2013: 221,239) fully paid ordinary shares of Rs.10/- each	10,942	12,874
7. LONG TERM FINANCINGS - secured		
Long Term Loans		
Term Loan - I	18,750	18,750
Term Loan - II	400,000	400,000
Term Loan - III		
Tranche - I	100,000	100,000
Tranche - II	200,000	-
	<u>300,000</u>	<u>100,000</u>
	718,750	518,750
Less: Current maturity	(98,750)	(58,750)
	<u>620,000</u>	<u>460,000</u>
8. CONTINGENCIES AND COMMITMENTS		
Guarantees issued by a commercial bank	2,000	2,000
Letters of credit issued by commercial banks	214,374	520,851
Duties payable on bonded stock	70,495	33,125

9. TURNOVER - net

Included herein are (a) local sales amounting to Rs. 1,032.15 million (September 30, 2012: Rs. 828.56 million) and (b) export sales amounting to Rs.53.5 million (September 30, 2012: Rs. 9.07 million).

10. TAXATION

In view of tax losses, provision for current taxation is based on 1 % of turnover under section 113 of the Income Tax Ordinance, 2001.

11. EARNINGS PER SHARE - BASIC

	Period ended	
	September 30, 2013	September 30, 2012
Profit after taxation (Rupees '000)	33,447	20,228
Weighted average number of ordinary shares in issue	27,540,000	21,097,895
Basic earnings per share	Rs. 1.21	(Restated) Re. 0.96

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

12. 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, 2013	September 30, 2012
----- (Rupees '000) -----			
Group companies	Sale of goods	143,569	118,468
	Purchase of goods	-	39
	Services received	6,273	3,650
	Software consultancy charges	1,338	935
Director	Remuneration	-	1,733
Executives	Remuneration	13,062	10,917
Other related parties	Insurance premium	2,198	1,802
	Contribution to staff provident and gratuity funds	1,013	1,962

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

13. DIVIDEND AND APPROPRIATIONS

Subsequent to year ended June 30, 2013, the Board of Directors has proposed the following in its meeting held on August 19, 2013 for approval of the members at the Annual General Meeting:

	June 30, 2013	June 30, 2012
	----- (Rupees '000) -----	
Proposed final cash dividend @ Rs. 2.00 per share (2012: Rs. 1.50 per share)	55,080	25,819

14. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on October 28, 2013 by the Board of Directors of the Company.

15. GENERAL

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


Mohammed Faruque
Chairman


Amir Faruque
Chief Executive