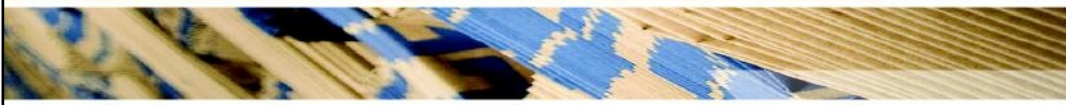


Half Yearly Accounts
December 31, 2009

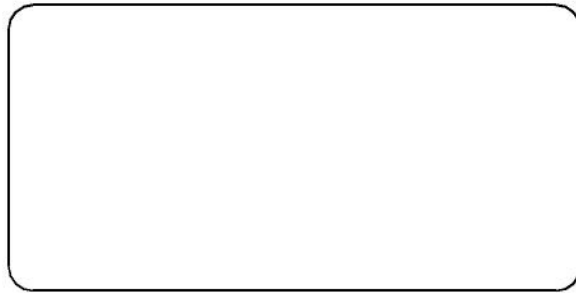


Cherat Papersack Limited
A Ghulam Faruque Group Company





BOOK-POST
PRINTED MATTER
Under Postal Certificate



Cherat Papersack Ltd
Head Office: Modern Motors House
Beaumont Road, Karachi-75530 Pakistan
UAN: (9221) 111-000-009 Fax: (9221) 35683425
Web: www.gfg.com.pk

rkprinterspk@gmail.com

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Company Information

Board of Directors

Mr. Mohammed Faruque
Mr. Amer Faruque
Mr. Iqbal Faruque
Mr. Mahmood Faruque
Mr. Akbarali Pesnani
Mr. Aslam Faruque
Mr. Shehryar Faruque
Mr. Arif Faruque
Mr. Saquib H. Shirazi

Chairman
Chief Executive
Director
Director
Director
Director
Director
Director
Director

Chief Financial Officer

Mr. Yasir Masood

Company Secretary

Mr. Abid A. Vazir

Audit Committee

Mr. Mohammed Faruque
Mr. Iqbal Faruque
Mr. Aslam Faruque

Chairman
Member
Member

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Legal Advisor

K.M.S. Law Associates

Registered Office

1st Floor, Betani Arcade
Jamrud Road
Peshawar

Bankers

Allied Bank Ltd.
Bank Al-Habib Ltd.
Habib Bank Ltd.
HSBC Bank Middle East Ltd. Pakistan
MCB Bank Ltd.
National Bank of Pakistan
NIB Bank Ltd.
Soneri Bank Ltd.
Standard Chartered Bank (Pakistan) Ltd.
The Royal Bank of Scotland
United Bank Ltd.

Factory

Plot No. 26
Gadoon Amazai Industrial Estate
District Swabi
N.W.F.P.

Head Office

Modern Motors House
Beaumont Road
Karachi-75530

Regional Office

3, Sunder Das Road
Lahore

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

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, duly reviewed by the auditors, for the half year ended December 31, 2009.

Production & Sales

During the half year under review, despite difficult economic circumstances affecting the sales of cement in the country, the production and dispatches of the Company witnessed a reasonable increase from the corresponding period last year.

Operating Performance

The impact of increase in sales volume could not be translated into higher revenues due to decline in the average selling price of paper bags. Continuing devaluation of Pak Rupee also had its impact on the financial results, which affected the cost of production and so was the imposition of 5% regulatory duty on import of kraft paper. The financial results of the company were also adversely affected due to additional depreciation and financial expenses for the new line. Accounting for the reasons mentioned, the company incurred an after tax loss of Rs. 19.52 million during the first six months of the year 2009/10.

Future Prospects

The performance of the papersack industry is directly linked with the demand for cement in Pakistan. Although the domestic cement demand remained stagnant due to lack of initiation of new construction projects in the country, the company was able to increase its sales volume. The management is hopeful that with efficient management of inventory, better credit controls and intense marketing efforts, the financial indicators of the company will improve during the subsequent period.

We are pleased to report that the implementation of the new ERP system SAP has successfully been completed which will assist us a lot in better controlling in the days to come.

We take this opportunity to urge the government to withdraw the levy of 5% regulatory duty and reduce import duty on kraft paper from 15% to provide a level playing field to all cement bag manufacturers to ensure healthy competition and save the papersack industry from collapse.

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 continuing support to the company.

On behalf of the Board of Directors


MOHAMMED FARUQUE
Chairman

Karachi: February 22, 2010

Report to the Members on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Cherat Papersack Limited** as at 31 December 2009 and the related condensed interim profit and loss account and condensed interim statements of comprehensive income, cash flows and changes in equity, together with the notes forming part thereof (here-in-after referred to as "interim financial information") for the six-months period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Karachi: February 22, 2010

Ernst & Young Ford Rhodes Sidat Hyder
Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Condensed Interim Balance Sheet
as at December 31, 2009

	Note	December 31, 2009 (Unaudited)	June 30, 2009 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets			
Property, plant and equipment	4	382,459	393,807
Intangible asset	5	4,710	541
		387,169	394,348
Long-term investments	6	2,777	2,994
Long-term loans		1,031	998
Long-term deposits		176	176
Deferred taxation	7	2,172	-
		393,325	398,516
CURRENT ASSETS			
Stores, spare parts and loose tools		13,295	14,220
Stock-in-trade		574,966	700,688
Trade debts - unsecured, considered good		257,783	245,388
Loans and advances		3,940	2,003
Trade deposits and short-term prepayments		5,489	2,710
Other receivables		7,093	45,511
Current portion of long-term investments		-	52,500
Tax refunds due from Government		61,715	46,629
Cash and bank balances		5,022	7,905
		929,303	1,117,554
TOTAL ASSETS		1,322,628	1,516,070
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
15,000,000 (June 2009: 15,000,000) ordinary shares of Rs. 10/- each		150,000	150,000
Share Capital (Fully paid ordinary shares of Rs. 10/- each)		91,800	91,800
Reserves		266,743	286,476
		358,543	378,276
NON-CURRENT LIABILITIES			
Long-term financing - secured		112,500	131,250
Deferred taxation	7	-	12,632
		112,500	143,882
CURRENT LIABILITIES			
Trade and other payables		51,524	74,825
Accrued mark-up		27,627	35,890
Short-term borrowings - secured	8	722,434	839,447
Current maturity of long-term financing		50,000	43,750
		851,585	993,912
CONTINGENCIES AND COMMITMENTS			
	9		
TOTAL EQUITY AND LIABILITIES		1,322,628	1,516,070

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


AMER FARUQUE
Chief Executive


IQBAL FARUQUE
Director

Condensed Interim Profit and Loss Account (Unaudited)

For the Six Months Period Ended December 31, 2009

	Note	Six months period ended		Quarter ended	
		December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
		(Rupees `000)		(Rupees `000)	
Turnover - net		900,025	900,831	417,650	449,411
Cost of sales	10	(842,839)	(823,983)	(388,028)	(409,653)
Gross profit		57,186	76,848	29,622	39,758
Distribution costs		(11,194)	(9,869)	(6,181)	(4,942)
Administrative expenses		(7,751)	(6,369)	(4,293)	(3,647)
Other operating expenses		(436)	(612)	(97)	(288)
		(19,381)	(16,850)	(10,571)	(8,877)
Other operating income		1,674	4,949	1,351	2,510
Operating profit		39,479	64,947	20,402	33,391
Finance costs		(69,293)	(89,288)	(35,097)	(58,846)
Loss before taxation		(29,814)	(24,341)	(14,695)	(25,455)
Taxation					
Current	11	(4,506)	-	(2,093)	147
Deferred		14,804	9,833	7,099	9,374
		10,298	9,833	5,006	9,521
Loss after taxation		(19,516)	(14,508)	(9,689)	(15,934)
Loss per share - basic and diluted	12	Rs. (2.13)	Rs. (1.58)	Rs. (1.06)	Rs. (1.74)

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


AMER FARUQUE
 Chief Executive


IQBAL FARUQUE
 Director

Condensed Interim Statement of Comprehensive Income (Unaudited)
For the Six Months Period Ended December 31, 2009

	Six months period ended		Quarter ended	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
	(Rupees `000)		(Rupees `000)	
Loss after taxation	(19,516)	(14,508)	(9,689)	(15,934)
Other comprehensive loss				
Unrealized loss on available-for-sale securities	(217)	(3,469)	(597)	(994)
Total comprehensive loss for the period	<u>(19,733)</u>	<u>(17,977)</u>	<u>(10,286)</u>	<u>(16,928)</u>

The annexed notes from 1 to 15 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 Six Months Period Ended December 31, 2009

	December 31, 2009	December 31, 2008
	(Rupees ` 000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(29,814)	(24,341)
Adjustments for:		
Depreciation	15,979	8,543
Gain on disposal of operating property, plant and equipment	(588)	-
Finance costs	69,293	89,288
Return on short-term investments	-	(4,011)
	84,684	93,820
	54,870	69,479
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	925	522
Stock-in-trade	125,722	(241,562)
Trade debts	(12,395)	(46,625)
Loans and advances	(1,937)	2,405
Trade deposits and short-term prepayments	(2,779)	67,226
Other receivables	38,418	42,488
	147,954	(175,546)
	202,824	(106,067)
Decrease in current liabilities		
Trade and other payables	(23,301)	(64,357)
Cash generated from / (used in) operations	179,523	(170,424)
Long-term loans	(33)	274
Income tax paid	(19,592)	(16,098)
Net cash generated from / (used in) operating activities	159,898	(186,248)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(5,363)	(201,458)
Intangible asset	(4,169)	-
Sale proceeds from disposal of operating property, plant and equipment	1,320	-
Proceeds from disposal of Investments	52,500	-
Net cash generated from / (used in) investing activities	44,288	(201,458)
CASH FLOWS FROM FINANCING ACTIVITIES		
Finance costs paid	(77,556)	(58,194)
Dividends paid	-	(10,851)
Short-term borrowings	(117,013)	314,275
Long-term financing (repaid) / obtained	(12,500)	137,500
Net cash (used in) / generated from financing activities	(207,069)	382,730
Net decrease in cash and cash equivalents	(2,883)	(4,976)
Cash and cash equivalents at the beginning of the period	7,905	9,829
Cash and cash equivalents at the end of the period	5,022	4,853

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


AMER FARUQUE
 Chief Executive


IQBAL FARUQUE
 Director

Condensed Interim Statement of Changes in Equity (Unaudited)
For the Six Months Period Ended December 31, 2009

Issued, subscribed and paid-up capital	RESERVES					Total reserves	Total
	Capital reserve share premium	General reserve	Unappropriated profit	Fair value gain / (loss) on available-for-sale securities			

(Rupees '000)

Balance as at July 01, 2008	73,440	6,800	180,000	165,366	1,896	354,062	427,502
Loss for the period	-	-	-	(14,508)	-	(14,508)	(14,508)
Other comprehensive loss	-	-	-	-	(3,469)	(3,469)	(3,469)
Total comprehensive loss	-	-	-	(14,508)	(3,469)	(17,977)	(17,977)
Cash dividend for the year ended June 30, 2008 @ Rs. 1.5 per share	-	-	-	(11,016)	-	(11,016)	(11,016)
Issue of bonus shares @ 25% i.e. 1 share for every 4 shares	18,360	-	-	(18,360)	-	(18,360)	-
Balance as at December 31, 2008	<u>91,800</u>	<u>6,800</u>	<u>180,000</u>	<u>121,482</u>	<u>(1,573)</u>	<u>306,709</u>	<u>398,509</u>
Balance as at July 01, 2009	91,800	6,800	180,000	100,779	(1,103)	286,476	378,276
Loss for the period	-	-	-	(19,516)	-	(19,516)	(19,516)
Other comprehensive loss	-	-	-	-	(217)	(217)	(217)
Total comprehensive loss	-	-	-	(19,516)	(217)	(19,733)	(19,733)
Balance as at December 31, 2009	<u>91,800</u>	<u>6,800</u>	<u>180,000</u>	<u>81,263</u>	<u>(1,320)</u>	<u>266,743</u>	<u>358,543</u>

The annexed notes from 1 to 15 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 Six Months Period Ended December 31, 2009

1. THE COMPANY AND ITS OPERATIONS

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 bags and sacks. 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

2.1 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, 2009.

2.2 The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2008 and 2009 and notes forming part thereof have not been reviewed by the auditors of the Company as they have reviewed the cumulative figures for the half-year ended December 31, 2008 and 2009.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the preceding annual published financial statements of the Company for the year ended June 30, 2009, except for the presentation changes resulting from the adoption of IAS-1 "Presentation of Financial Statements (Revised)" as described below:

IAS-1 "Presentation of Financial Statements (Revised)"

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Company has elected to present two statements.

	Note	December 31, 2009 (Unaudited)	June 30, 2009 (Audited)
(Rupees ` 000)			
4. PROPERTY, PLANT AND EQUIPMENT			
Opening written down value (WDV)		389,641	196,061
Additions during the period / year	4.1	7,465	213,660
		397,106	409,721
Disposals during the period / year (WDV)	4.2	(732)	-
Depreciation charged during the period / year		(15,979)	(20,080)
		380,395	389,641
Capital work-in-progress	4.3	2,064	4,166
		382,459	393,807
4.1 Additions during the period / year			
Leasehold land		3,560	-
Plant and machinery		-	205,413
Vehicles		3,715	4,261
Furniture and fittings		110	57
Equipment		-	3,823
Computers		80	106
		7,465	213,660

Notes to the Condensed Interim Financial Statements (Unaudited)
For the Six Months Period Ended December 31, 2009

	December 31, 2009 (Unaudited)	June 30, 2009 (Audited)
4.2 Disposal during the period / year (WDV)	(Rupees ` 000)	
Vehicles	732	-
4.3 Capital work-in-progress		
Civil works	845	3,206
Computers	1,211	960
Furniture and fittings	8	-
	2,064	4,166
5. INTANGIBLE ASSET		
Opening balance	541	-
Additions during the period / year	4,169	541
	4,710	541
5.1 This represents licences and implementation cost of the ERP system under development. Accordingly, no amortization has been charged for the period / year.		
6. LONG-TERM INVESTMENTS		
Available-for-sale securities - Related party		
Ordinary shares of listed company Cherat Cement Company Limited 221,239 (June 30, 2009: 221,239) fully paid ordinary shares of Rs.10/- each	2,777	2,994
Held-to-maturity investment		
Defence Saving Certificates	-	52,500
Less: current portion	-	52,500
	2,777	2,994
7. DEFERRED TAXATION		
Deferred tax liability on taxable temporary difference:		
Accelerated tax depreciation on operating property, plant and equipment	(74,454)	(75,294)
Deferred tax asset:		
- Unabsorbed tax losses	72,120	62,662
- Turnover tax	4,506	-
	2,172	(12,632)
8. SHORT-TERM BORROWINGS - Secured		
Running finances utilized under mark-up arrangements	592,434	699,447
Money market loans	130,000	140,000
	722,434	839,447

These facilities are obtained from various commercial banks amounting to Rs. 1,230 million (June 30, 2009: Rs. 1,230 million) out of which Rs. 507.57 million (June 30, 2009: Rs. 390.55 million) remains unutilized at the half-year end. These facilities are secured against registered pari-passu hypothecation charge over stocks and book debts for Rs. 1,555.33 million and hypothecation charge of Rs. 140 million on all present and future plant and machinery of the Company.

These facilities carry mark-up of 1 month KIBOR plus spread ranging from 1.5% to 2% and 3 months KIBOR plus spread ranging from 1% to 2% (June 30, 2009: 1 month KIBOR plus spread ranging from 1.5% to 2% and 3 months KIBOR plus spread ranging from 1% to 2.75%) per annum. The balance includes cheques in hand amounting to Rs. 41.55 million (June 30, 2009: Rs. 88.19 million).

Notes to the Condensed Interim Financial Statements (Unaudited)

For the Six Months Period Ended December 31, 2009

9. CONTINGENCIES AND COMMITMENTS

There are no major changes in the status of contingencies and commitments as reported in the financial statements for the year ended June 30, 2009, except for the following:

	December 31, 2009 (Unaudited)	June 30, 2009 (Audited)
	(Rupees ` 000)	
Letters of credit issued by commercial banks	75,536	191,867
Duties payable on bonded stock and stock in transit	61,506	48,725

10. COST OF SALES

	Six months period ended		Quarter ended	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
	(Rupees ` 000)		(Rupees ` 000)	
Opening stock - finished goods	51,507	49,161	41,330	25,216
Cost of goods manufactured	844,803	808,851	400,169	418,466
	896,310	858,012	441,499	443,682
Closing stock - finished goods	(53,471)	(34,029)	(53,471)	(34,029)
	842,839	823,983	388,028	409,653

11. TAXATION

In view of tax loss, provision for current taxation is based on 0.5% of turnover under section 113 of the Income Tax Ordinance, 2001.

12. LOSS PER SHARE - Basic and diluted

	Six months period ended		Quarter ended	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
Loss after taxation (Rupees `000)	(19,516)	(14,508)	(9,689)	(15,934)
Weighted average number of ordinary shares in issue during the period	9,180,000	9,180,000	9,180,000	9,180,000
Loss per share - basic	Rs. (2.13)	Rs. (1.58)	Rs. (1.06)	Rs. (1.74)

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

Notes to the Condensed Interim Financial Statements (Unaudited)
For the Six Months Period Ended December 31, 2009

13. RELATED PARTY TRANSACTIONS

Related parties comprise of group companies, directors and executives. The Company in the normal course of business carries out transactions with various related parties. Material transactions with related parties are given below:

Relationship	Nature of transaction	Six months period ended		Quarter ended	
		December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
		(Rupees `000)		(Rupees `000)	
Group companies	Sale of goods	198,773	244,286	89,192	118,794
	Purchase of goods	400	363	78	202
	Services received	3,344	4,454	2,230	971
	Software consultancy charges	1,357	1,048	630	524
	Dividend paid	-	3,073	-	3,073
Director	Remuneration	2,700	2,400	1,350	1,200
Executives	Remuneration	10,684	8,405	5,342	4,203
Other related parties	Contribution to staff provident and gratuity funds	689	569	345	285
	Insurance premium	2,496	2,768	1,252	1,607

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

Transactions with related parties are carried out at arm's length prices determined using the admissible valuation methods.

14. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on February 22, 2010 by the Board of Directors of the Company.

15. GENERAL

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


AMER FARUQUE
Chief Executive


IQBAL FARUQUE
Director