contents

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

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Legal Advisor

K.M.S. Law Associates

Bankers

Allied Bank Ltd
Bank Alfalah Ltd
Islamic Banking Division
Bank Al Habib Ltd
Bank Al Habib Ltd
Islamic Banking Branch
Bank Islami 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, duly reviewed by the auditors, for the half year ended December 31, 2011.

Overview

There was an 11% increase in the sale of paper bags produced by the company from the corresponding period last year. This compares favorably from 8% growth in domestic sale of cement. During the half year under review, there was an increase in the net sales of the company from same time last year. However, due to high cost of kraft paper and cut throat competition amongst cement bag suppliers, profitability of the company declined from the same time last year. During the second quarter of the year, the Polypropylene (PP) plant of the company commenced commercial operations. During the period, an increase in cement dispatches was witnessed both in Pakistan and Afghanistan.

Polypropylene Project

We are pleased to inform our shareholders that your company has successfully installed and commissioned the Polypropylene Plant for producing cement bags in the second quarter of the year. 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 plant has been commissioned within the scheduled time period and all major quality assessment tests have been satisfactorily carried out. The quality of PP bags produced by the company has been appreciated by all our customers and the plant is already operating at almost 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 will not only allow the company to meet the cement packaging requirements of its customers by providing single window operations but will also diversify its business operations.

Operating performance

Compared to the corresponding period last year, there was an increase of Rs. 278 million in the sales revenue of the company, reflecting a rise of 26%. The increase in turnover was on account of rise in the quantity of paper bags sold by the company and revision in the selling price of paper bags to offset the escalation in production costs. However, the same was not sufficient to cover the increase in input costs, which had gone up due to high cost of kraft paper and increase in freight charges. Another reason for the increase in sales turnover was the commencement of sales of polypropylene bags. With increase in size of business volumes, 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 and acquisition of long term loan for the PP plant. During the period under review, the company continued to receive special relief granted by the State Bank of Pakistan on mark-up to companies operating in the affected areas of Khyber Pakhtunkhwa Province. It also benefited from exemption given by the government on income taxes. The exemption period for the mark up subsidy expired on December 31, 2011 while exemption on income tax is valid until June 30, 2012. The company recorded an after tax profit of Rs. 15.60 million for the half year under review.

Future Prospects

Demand for cement is expected to grow in the country, which shall benefit the company in the form of enhanced sales of paper and PP bags. Also exports to Afghanistan are also expected to rise. 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. We take this opportunity to thank the government on reducing discount rate, which would provide much needed relief to the industry. Further, we would 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.

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 - Mondi Packaging for their understanding and complete support to the company.

On behalf of the Board of Directors

Karachi: February 8, 2012

MOHAMMED FARUQUE
Chairman

auditors' report to the members
on review of interim financial information

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Cherat Packaging Limited (formerly Cherat Papersack Limited)** as at **31 December 2011** and the related condensed interim profit and loss account and condensed interim statement of comprehensive income, cash flow statement and statement of 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.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Audit Engagement Partner: Riaz A. Rehman Chamdia

Karachi: February 8, 2012

condensed interim balance sheet
as at December 31, 2011

	Note	December 31, 2011 (Unaudited)	June 30, 2011 (Audited)
		(Rupees `000)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	962,084	453,600
Intangible asset	5	6,199	6,375
		968,283	459,975
Long-term investments	6	1,595	1,991
Long-term loans		412	550
Long-term deposits		8,833	176
Deferred taxation		65,839	45,863
		1,044,962	508,555
CURRENT ASSETS			
Stores, spare parts and loose tools		38,713	12,882
Stock-in-trade		1,175,210	878,155
Trade debts		364,805	268,224
Loans and advances		1,045	4,749
Trade deposits and short-term prepayments		2,526	3,337
Other receivables		98,650	52,893
Taxation - net		52,252	52,655
Cash and bank balances		22,291	8,770
		1,755,492	1,281,665
TOTAL ASSETS		2,800,454	1,790,220
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
22,500,000 (June 30, 2011: 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		678,118	705,942
		850,243	878,067
NON-CURRENT LIABILITIES			
Long-term financings	7	437,500	56,250
CURRENT LIABILITIES			
Trade and other payables		279,146	115,785
Accrued mark-up		59,221	33,967
Short-term borrowings	8	1,136,844	668,651
Current maturity of long-term financings	7	37,500	37,500
		1,512,711	855,903
CONTINGENCIES AND COMMITMENTS	9		
TOTAL EQUITY AND LIABILITIES		2,800,454	1,790,220

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 half year ended December 31, 2011

	Note	Half year ended December 31, 2011	Half year ended December 31, 2010	Quarter ended December 31, 2011	Quarter ended December 31, 2010
		(Rupees `000)		(Rupees `000)	
Turnover - net		1,360,482	1,082,403	722,475	567,532
Cost of sales		(1,269,862)	(886,606)	(673,561)	(472,401)
Gross profit		90,620	195,797	48,914	95,131
Distribution costs		(16,686)	(11,794)	(8,709)	(6,353)
Administrative expenses		(11,598)	(10,212)	(5,846)	(5,886)
Other operating expenses		(5,413)	(16,415)	(4,554)	(9,585)
		(33,697)	(38,421)	(19,109)	(21,824)
Other operating income		1,290	1,298	693	656
Operating profit		58,213	158,674	30,498	73,963
Finance costs	10	(48,968)	(32,693)	(29,563)	(10,961)
Profit before taxation		9,245	125,981	935	63,002
Taxation					
Current	11	(13,618)	(10,836)	(6,199)	(5,682)
Deferred		19,976	9,959	9,771	3,317
		6,358	(877)	3,572	(2,365)
Profit after taxation		15,603	125,104	4,507	60,637
			(Restated)		(Restated)
Earnings per share - basic	12	Re. 0.91	Rs. 8.04	Re. 0.26	Rs. 3.90

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 half year ended December 31, 2011

	Half year ended		Quarter ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	(Rupees `000)		(Rupees `000)	
Profit after taxation	15,603	125,104	4,507	60,637
Other comprehensive income:				
Unrealized (loss) / gain on available-for-sale securities	(396)	338	(230)	95
Total comprehensive income for the period	15,207	125,442	4,277	60,732

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 cash flow statement (unaudited)

for the half year ended December 31, 2011

	December 31, 2011	December 31, 2010
	(Rupees `000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	9,245	125,981
Adjustments for:		
Depreciation	18,550	15,581
Amortization	369	268
Gain on disposal of operating property, plant and equipment	(11)	(12)
Finance costs	48,968	32,693
	67,876	48,530
	77,121	174,511
Increase in current assets		
Stores, spare parts and loose tools	(25,831)	(7)
Stock-in-trade	(297,055)	(381,173)
Trade debts	(96,581)	19,736
Loans and advances	3,704	(1,099)
Trade deposits and short-term prepayments	811	(64)
Other receivables	(45,757)	6,788
	(460,709)	(355,819)
	(383,588)	(181,308)
Increase in current liabilities		
Trade and other payables	162,777	91,865
Cash used in operations	(220,811)	(89,443)
Income tax (paid) / refunded	(13,215)	1,752
Net cash used in operating activities	(234,026)	(87,691)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to operating property, plant and equipment	(10,921)	(9,207)
Capital work in progress	(516,389)	(1,191)
Proceeds from disposal of operating property, plant and equipment	287	29
Intangible asset acquired	(193)	-
Long term deposits	(8,657)	-
Long-term loans	138	427
Net cash used in investing activities	(535,735)	(9,942)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term financings obtained / (repaid)	381,250	(18,750)
Dividend paid	(42,447)	(17,922)
Short-term borrowings	468,193	163,653
Finance costs paid	(23,714)	(29,575)
Net cash generated from financing activities	783,282	97,406
Net increase / (decrease) in cash and cash equivalents	13,521	(227)
Cash and cash equivalents at the beginning of the period	8,770	7,264
Cash and cash equivalents at the end of the period	22,291	7,037

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 changes in equity (unaudited)
for the half year ended December 31, 2011

	Issued, Subscribed and Paid-up Capital	RESERVES					Total
		Capital reserve - share premium	General reserve	Unapp-ropriated profit	Fair value gain / (loss) on available-for-sale securities	Total reserves	
	(Rupees `000)						
Balance as at July 01, 2010	**91,800**	**6,800**	**180,000**	**197,098**	**(2,057)**	**381,841**	**473,641**
Profit for the period	-	-	-	125,104	-	125,104	125,104
Other comprehensive income	-	-	-	-	338	338	338
Total comprehensive income	-	-	-	125,104	338	125,442	125,442
Cash dividend for the year ended June 30, 2010 @ Rs.2 per share	-	-	-	(18,360)	-	(18,360)	(18,360)
Issue of bonus shares @ 25% i.e. 1 share for every 4 shares	22,950	-	-	(22,950)	-	(22,950)	-
Balance as at December 31, 2010	**114,750**	**6,800**	**180,000**	**280,892**	**(1,719)**	**465,973**	**580,723**
Balance as at July 01, 2011	**172,125**	**184,805**	**180,000**	**343,243**	**(2,106)**	**705,942**	**878,067**
Profit for the period	-	-	-	15,603	-	15,603	15,603
Other comprehensive income	-	-	-	-	(396)	(396)	(396)
Total comprehensive income	-	-	-	15,603	(396)	15,207	15,207
Cash dividend for the year ended June 30, 2011 @ Rs.2.5 per share	-	-	-	(43,031)	-	(43,031)	(43,031)
Balance as at December 31, 2011	**172,125**	**184,805**	**180,000**	**315,815**	**(2,502)**	**678,118**	**850,243**

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

MOHAMMED FARUQUE
Chairman

AMER FARUQUE
Chief Executive

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. During the period, the Company has initiated polypropylene bags manufacturing line. The name of the Company had been changed to Cherat Packaging Limited from Cherat Papersack Limited, with effect from July 01, 2011.

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 but subject to limited scope review by auditors. These are required to be presented to the shareholders under Section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of the International Accounting Standard (IAS) - 34, "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. These 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 Company's annual financial statements for the year ended June 30, 2011.

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, 2011 except as follows:

The Company has adopted the following amended IFRS and IFRIC interpretation which became effective during the period:

IFRS 7 - Financial Instruments: Disclosures

IAS 24 - Related Party Disclosures (Revised)

IFRIC 14 - Prepayments of a Minimum Funding Requirement

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to remove inconsistencies and clarifying wording. These improvements are listed below:

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 effect on the financial statements.

		Note	December 31, 2011 (Unaudited)	June 30, 2011 (Audited)
4.	**PROPERTY, PLANT AND EQUIPMENT**		(Rupees `000)	
	Opening written down value (WDV)		349,788	369,619
	Additions during the period / year	4.1	624,626	12,290
			974,414	381,909
	Disposals during the period / year (WDV) - Vehicles		(276)	(213)
	Depreciation charged during the period / year		(18,550)	(31,908)
			955,588	349,788
	Capital work-in-progress	4.2	6,496	103,812
			962,084	453,600
4.1	**Additions during the period / year**			
	Leasehold land		-	1,167
	Building on leasehold land		35,975	-
	Plant and machinery		531,387	-
	Power and other installations		29,612	146
	Furniture and fittings		638	101
	Vehicles		5,256	10,511
	Equipment		21,010	76
	Computers		748	289
			624,626	12,290
4.2	**Capital work-in-progress**			
	Building on leasehold land		4,829	15,902
	Plant and machinery		891	76,070
	Power and other installations		-	11,840
	Vehicle		776	-
			6,496	103,812
5.	**INTANGIBLE ASSET**			
	Opening balance (WDV)		6,375	5,143
	Additions during the period / year		193	1,862
			6,568	7,005
	Amortization charged during the period / year		(369)	(630)
			6,199	6,375
6.	**LONG-TERM INVESTMENT**			
	Available-for-sale securities - Related party			
	Ordinary shares of a listed company			
	Cherat Cement Company Limited			
	221,239 (June 30, 2011: 221,239) fully paid ordinary shares of Rs.10/- each		1,595	1,991
7.	**LONG TERM FINANCINGS – secured**			
	Long-Term Loan			
	Term Loan-I		75,000	93,750
	Term Loan-II	7.1	400,000	-
			475,000	93,750
	Less: Current maturity		(37,500)	(37,500)
			437,500	56,250

7.1 This represents a long-term loan obtained from a commercial bank under the Diminishing Musharika Scheme for the import of Polypropylene Plant, carrying mark-up at the rate of 6 months KIBOR plus 0.9% per annum. The loan is repayable in 10 equal semi-annual instalments 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	December 31, 2011 (Unaudited)	June 30, 2011 (Audited)
8. SHORT-TERM BORROWINGS - secured		(Rupees `000)	
Running finances utilized under mark-up arrangements	8.1 & 8.2	1,001,844	583,651
Money Market loan	8.1 & 8.3	35,000	35,000
Istisna'a	8.1 & 8.4	100,000	50,000
		1,136,844	668,651

8.1 These facilities are obtained from various commercial banks amounting to Rs. 1,865 million (June 30, 2011: Rs. 1,230 million) out of which Rs. 728.16 million (June 30, 2011: Rs. 561.35 million) remains unutilized at the period end. These facilities are secured against registered pari-passu hypothecation charge over stocks and book debts for Rs. 2,134.66 million and hypothecation charge of Rs. 140 million on all present and future plant and machinery of the Company.

8.2 These facilities carry mark-up of 1 month KIBOR plus spread of 1.25% and 3 months KIBOR plus spread ranging from 0.75% to 1.75% (June 30, 2011: 1 month KIBOR plus 1.25 % and 3 months KIBOR plus spread ranging from 0.75 % to 1.75 %) per annum.

8.3 These are sub facilities of note 8.1 above and carry mark-up of 1 month KIBOR plus spread of 0.8% (June 30, 2011: 1 month KIBOR plus spread of 0.8 %) per annum.

8.4 This is a sub facility of note 8.1 above and carries mark-up of 6 months KIBOR plus 0.75% (June 30, 2011: 6 months KIBOR plus 0.75%) per annum.

	December 31, 2011 (Unaudited)	June 30, 2011 (Audited)
9. CONTINGENCIES AND COMMITMENTS	(Rupees `000)	
Guarantees issued by a commercial bank	2,000	1,000
Letters of credit issued by commercial banks	317,460	865,030
Duties payable on bonded stock	64,908	55,564

10. FINANCE COSTS

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. Accordingly, mark-up charged on long-term financing amounting to Rs. 3.209 million and short-term borrowings amounting to Rs. 23.237 million has been recorded as receivable and finance costs have been reduced accordingly.

11. TAXATION

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 the financial statements.

	Half year ended		Quarter ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
12. EARNINGS PER SHARE - Basic				
Profit after taxation (Rupees '000)	15,603	125,104	4,507	60,637
Weighted average number of ordinary shares in issue during the period	17,212,500	15,558,088	17,212,500	15,558,088
		(Restated)		(Restated)
Earnings per share - basic	Re. 0.91	Rs. 8.04	Re. 0.26	Rs. 3.90

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

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:

		Half year ended		Quarter ended	
Relationship	**Nature of transactions**	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
		(Rupees `000)		(Rupees `000)	
Group companies	Sale of goods	257,105	207,505	128,809	116,504
	Purchase of operating property, plant and equipment	10,440	-	-	-
	Purchase of goods	3,692	-	522	-
	Services received	8,741	6,798	5,321	3,546
	Software Consultancy charges	1,476	1,319	738	738
	Dividend paid	10,696	5,121	10,696	5,121
Director	Remuneration	3,150	2,862	1,575	1,431
Executives	Remuneration	14,832	11,570	6,499	5,562
Other related parties	Contribution to staff provident and gratuity funds	1,055	799	533	403
	Insurance premium	2,919	2,612	1,642	1,223

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

notes to the condensed interim financial statements (unaudited)
for the half year ended December 31, 2011

14. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on February 08, 2012 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

AMER FARUQUE
Chief Executive