Contents

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. 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

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, duly reviewed by the auditors, for the half year ended December 31, 2012.

Overview

During the half year under review, the company has benefitted from rise in the quantity of bags produced and sold as compared to the same time last year. The increase in the quantity of bags dispatched is attributable to the commencement of the polypropylene bag plant operations and increase in the off take of cement in the country, thus having a positive impact on paper bag sales. The increased volume 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

On the back of increase in the quantity of bags sold by the company, there has been a rise of over Rs. 457 million in the sales revenue of the company from the corresponding period last year, reflecting an increase of 34%. 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 and increase in paper bag dispatches. During the half year under review, there was a rise in the international prices of kraft paper and polypropylene granules, which had an adverse impact on the production costs. Devaluation of Pak rupee and sharp rise in input costs further compounded the pressure on the production costs. However, through aggressive marketing of 2ply bags and efficient inventory management, 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 year 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 following the expiry of the 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. Taking into consideration the factors explained above, the company recorded an impressive increase in the after tax profit, which rose to Rs. 52.82 million.

Expansion of Polypropylene (PP) Plant

In the year 2011, the company had diversified its operations by installing a Polypropylene (PP) bag making plant, which provided strategic depth to the company. By virtue of this diversification, the company was able to create synergies between its paper bag and PP bag operations and provided its customers with a single window operation. Today, the company has captured a significant market share and is acknowledged for the quality of its bags as it has become a supplier of choice. To cater to a wider customer base, the company besides cement has also started producing bags for packing sugar, chemicals and other similar products. Further, it is also exporting bags abroad in large quantity.

Considering the company is already operating at near full capacity and there is a growing demand for the PP bags, the company now intends to further enhance its production capacity by installing another Polypropylene plant for manufacturing woven bags at the existing location. The company plans to acquire a European plant from M/s. BSW - Windmoller & Holscher having a capacity of approximately 32.5 million bags per annum in the first phase. Another 32.5 million bag capacity will be added in the second phase next year. It will be the most advanced and efficient plant of its kind in Pakistan, which is expected to be commissioned by August 2013.

By utilizing its available financial and operational leverage, the company shall be able to gain further market share and establish itself as a true market leader in cement packaging. Additionally, by virtue of this expansion, the company will be able to better allocate its fixed costs. The future strategy of the company is based on producing best quality bags for various product categories and capitalizing on its strong relationship with the existing clientele. Further, cement exports by sea and to Afghanistan offer a great potential. Additionally, export of empty PP bags and manufacturing of PP bags for packing other products like sugar, chemicals, rice, fertilizer and other similar products shall further improve the position of the company.

Right Issue

The Board of Directors in its meeting held on February 20, 2013 declared 60% Right Shares (in proportion of 60 shares for every 100 shares held) at a price of Rs. 20 per share i.e. a premium of Rs. 10 per share over the par value of Rs. 10/-

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 there are growth opportunities for exports. The company is taking steps to diversify its target markets by producing PP bags for packing sugar, chemicals and other similar products. The installation of another 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. Export of empty PP bags abroad shall also improve the position of the company and create new markets for the product. We take this opportunity to thank the government on reducing discount rate, which would provide much needed relief 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 - Mondi Packaging for their understanding and complete support to the company.

On behalf of the Board of Directors

Karachi: February 20, 2013

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** as at **31 December 2012** and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six months period then ended (here-in-after referred to as "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed 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 condensed 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 20, 2013

Condensed Interim Balance Sheet
as at December 31, 2012

	Note	December 31, 2012 (Unaudited)	June 30, 2012 (Audited)
		(Rupees `000)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	931,398	943,213
Intangible asset	5	7,065	7,523
		938,463	950,736
Long-term investment	6	10,785	6,553
Long-term loans		293	348
Long-term deposits		8,833	8,833
Deferred taxation		77,270	96,584
		1,035,644	1,063,054
CURRENT ASSETS			
Stores, spare parts and loose tools		29,802	32,277
Stock-in-trade		982,173	771,357
Trade debts		460,902	430,164
Loans and advances		4,012	1,376
Trade deposits and short-term prepayments		3,719	4,303
Other receivables		2,454	58,646
Taxation - net		78,212	40,314
Cash and bank balances		7,441	31,447
		1,568,715	1,369,884
TOTAL ASSETS		2,604,359	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		770,234	739,004
		942,359	911,129
NON-CURRENT LIABILITIES			
Long-term financing	7	400,000	418,750
CURRENT LIABILITIES			
Trade and other payables		229,862	95,167
Accrued mark-up		44,885	53,974
Short-term borrowings	8	949,753	916,418
Current maturity of long-term financing		37,500	37,500
		1,262,000	1,103,059
CONTINGENCIES AND COMMITMENTS	9		
TOTAL EQUITY AND LIABILITIES		2,604,359	2,432,938

The annexed notes from 1 to 16 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, 2012

	Note	Half year ended December 31, 2012	Half year ended December 31, 2011	Quarter ended December 31, 2012	Quarter ended December 31, 2011
		(Rupees in '000)			
Turnover - net	10	1,817,799	1,360,482	980,166	722,475
Cost of sales		(1,606,532)	(1,269,862)	(860,808)	(673,561)
Gross profit		211,267	90,620	119,358	48,914
Distribution costs		(25,661)	(16,686)	(13,881)	(8,709)
Administrative expenses		(15,716)	(11,598)	(8,393)	(5,846)
Other operating expenses		(8,353)	(5,413)	(5,605)	(4,554)
		(49,730)	(33,697)	(27,879)	(19,109)
Other operating income		2,020	1,290	1,474	693
Operating profit		163,557	58,213	92,953	30,498
Finance costs	11	(82,303)	(48,968)	(42,818)	(29,563)
Profit before taxation		81,254	9,245	50,135	935
Taxation					
Current	12	(9,123)	(13,618)	(4,928)	(6,199)
Deferred		(19,314)	19,976	(12,618)	9,771
		(28,437)	6,358	(17,546)	3,572
Profit after taxation		52,817	15,603	32,589	4,507
Earnings per share - basic	13	Rs. 3.07	Re. 0.91	Rs. 1.89	Re. 0.26

The annexed notes from 1 to 16 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, 2012

	Half year ended		Quarter ended	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
	(Rupees in '000)			
Profit after taxation	52,817	15,603	32,589	4,507
Other comprehensive income:				
Unrealized gain / (loss) on available-for-sale securities	4,232	(396)	2,099	(230)
Total comprehensive income for the period	57,049	15,207	34,688	4,277

The annexed notes from 1 to 16 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, 2012

	December 31, 2012	December 31, 2011
	(Rupees `000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	81,254	9,245
Adjustments for:		
Depreciation	32,045	18,550
Amortization	458	369
Gain on disposal of operating property, plant and equipment	-	(11)
Finance costs	82,303	48,968
Dividend income	(442)	-
	114,364	67,876
	195,618	77,121
Increase in current assets		
Stores, spare parts and loose tools	2,475	(25,831)
Stock-in-trade	(210,816)	(297,055)
Trade debts	(30,738)	(96,581)
Loans and advances	(2,636)	3,704
Trade deposits and short-term prepayments	584	811
Other receivables	56,192	(45,757)
	(184,939)	(460,709)
	10,679	(383,588)
Increase in current liabilities		
Trade and other payables	134,182	162,777
Cash generated from / (used in) operations	144,861	(220,811)
Income tax paid	(47,021)	(13,215)
Net cash generated from / (used in) operating activities	97,840	(234,026)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to operating property, plant and equipment	(6,202)	(10,921)
Capital work in progress	(14,028)	(516,389)
Proceeds from disposal of operating property, plant and equipment	-	287
Intangible assets acquired	-	(193)
Long-term loans	55	138
Long term deposits	-	(8,657)
Dividend received	442	-
Net cash used in investing activities	(19,733)	(535,735)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term financing (repaid) / obtained	(18,750)	381,250
Dividend paid	(25,306)	(42,447)
Short-term borrowings	33,335	468,193
Finance costs paid	(91,392)	(23,714)
Net cash (used in) / generated from financing activities	(102,113)	783,282
Net (decrease) / increase in cash and cash equivalents	(24,006)	13,521
Cash and cash equivalents at the beginning of the period	31,447	8,770
Cash and cash equivalents at the end of the period	7,441	22,291

The annexed notes from 1 to 16 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, 2012

	Issued, Subscribed and Paid-up Capital	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**	**(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**
Balance as at July 01, 2012	**172,125**	**184,805**	**180,000**	**371,743**	**2,456**	**739,004**		**911,129**
Profit for the period	-	-	-	52,817	-	52,817		52,817
Other comprehensive income	-	-	-	-	4,232	4,232		4,232
Total comprehensive income	-	-	-	52,817	4,232	57,049		57,049
Cash dividend for the year ended June 30, 2012 @ Rs.1.5 per share	-	-	-	(25,819)	-	(25,819)		(25,819)
Balance as at December 31, 2012	**172,125**	**184,805**	**180,000**	**398,741**	**6,688**	**770,234**		**942,359**

The annexed notes from 1 to 16 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 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 but subject to limited scope review by auditors, except for the figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2012 and December 31, 2011. 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, 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 except as follows:

The Company has adopted the following amendments to IFRSs which became effective during the period:

IAS 1 - Presentation of Financial Statements - Presentation of items of other comprehensive income (Amendment)
IAS 12 - Income Taxes - Recovery of Underlying Assets (Amendment)

The adoption of the above amendments did not have any effect on these condensed interim financial statements.

	Note	December 31, 2012 (Unaudited)	June 30, 2012 (Audited)
		(Rupees `000)	
4. PROPERTY, PLANT AND EQUIPMENT			
Opening written down value (WDV)		940,867	349,788
Additions during the period / year	4.1	6,202	644,024
		947,069	993,812
Disposals during the period / year (WDV)		-	(793)
Depreciation charged during the period / year		(32,045)	(52,152)
		915,024	940,867
Capital work-in-progress	4.2	16,374	2,346
		931,398	943,213
4.1 Additions during the period / year			
Building on leasehold land		91	47,386
Plant and machinery		3,885	536,846
Power and other installations		-	29,612
Furniture and fittings		66	1,850
Vehicles		2,000	6,031
Equipment		60	21,408
Computers		100	891
		6,202	644,024

4.2 Capital work-in-progress	Note	December 31, 2012 (Unaudited)	June 30, 2012 (Audited)
		(Rupees `000)	
Leasehold land		3,605	-
Civil works		11,382	1,608
Plant and machinery		150	-
Power and other installations		1,237	738
		16,374	2,346

5. INTANGIBLE ASSET

Opening written down value		7,523	6,375
Additions during the period / year		-	1,932
		7,523	8,307
Amortization charged during the period / year		(458)	(784)
		7,065	7,523

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		10,785	6,553

7. LONG TERM FINANCING - secured

Long-Term Loans			
Term Loan-I		37,500	56,250
Term Loan-II	7.1	400,000	400,000
		437,500	456,250
Less: Current maturity - Term Loan-I		(37,500)	(37,500)
		400,000	418,750

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.

8. SHORT-TERM BORROWINGS - secured	Note	December 31, 2012 (Unaudited)	June 30, 2012 (Audited)
		(Rupees `000)	
Running finances utilized under mark-up Arrangements	8.1 & 8.2	500,839	536,840
Money market loans		-	195,000
Foreign currency term finance	8.1 & 8.3	113,181	25,942
		614,020	757,782
Istisna'a and Murabaha	8.4	335,733	158,636
		949,753	916,418

8.1 These facilities are obtained from various commercial banks amounting to Rs. 1,465 million (June 30, 2012: Rs. 1,465 million) out of which Rs. 850.98 million (June 30, 2012: Rs. 707.22 million) remains unutilized as at the period / 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.

8.2 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% (June 30, 2012: 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 6 months LIBOR plus spread ranging from 2.25% to 6.5% (June 30, 2012: 6 months LIBOR plus 4.93%) per annum.

8.4 These facilities are obtained from various commercial Islamic banks amounting to Rs. 450 million (June 30, 2012: Rs. 450 million) out of which Rs. 114.27 million (June 30, 2012: Rs. 291.36 million) remains unutilized at the period / year end. These facilities are secured against registered pari-passu hypothecation charge over stocks and book debts for Rs. 600.33 million.

	December 31, 2012 (Unaudited)	June 30, 2012 (Audited)
9. CONTINGENCIES AND COMMITMENTS	(Rupees `000)	
Guarantees issued by a commercial bank	2,000	2,000
Letters of credit issued by commercial banks	515,078	449,782
Duties payable on bonded stock	63,197	-

10. TURNOVER - net

Included herein are (a) local sales amounting to Rs. 1,781.04 million (December 31, 2011: Rs. 1,360.48 million) and (b) export sales amounting to Rs. 36.76 million (December 31, 2011: Rs. Nil).

11. FINANCE COSTS

Last year, 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. The said scheme expired on December 31, 2011.

12. TAXATION

The income of the Company was 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. For the current period, 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. Income subject to Final Tax Regime has been taxed accordingly.

	Half year ended		Quarter ended	
13. EARNINGS PER SHARE - basic	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Profit after taxation (Rupees '000)	52,817	15,603	32,589	4,507
Weighted average number of ordinary shares in issue during the period	17,212,500	17,212,500	17,212,500	17,212,500
Earnings per share - basic	Rs. 3.07	Re. 0.91	Rs. 1.89	Re. 0.26

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

14. RELATED PARTY TRANSACTIONS

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. Material transactions with related parties are given below:

Relationship	Nature of transactions	Half year ended December 31, 2012	Half year ended December 31, 2011	Quarter ended December 31, 2012	Quarter ended December 31, 2011
		(Rupees in '000)			
Group companies	Sale of goods	224,682	257,105	106,214	128,809
	Purchase of operating property, plant and equipment	-	10,440	-	-
	Purchase of goods	595	3,692	556	522
	Services received	9,294	8,741	5,644	5,321
	Software consultancy charges	2,381	1,476	1,446	738
	Dividend paid	6,004	10,696	6,004	10,696
	Dividend received	442	-	442	-
Director	Remuneration	3,465	3,150	1,732	1,575
Executives	Remuneration	21,837	14,832	10,920	6,499
Other related parties	Contribution to staff provident and gratuity funds	3,929	1,055	1,967	533
	Insurance premium	3,602	2,919	1,800	1,642

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

15. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on February 20, 2013 by thee Board of Directors of the Company.

16. GENERAL

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

Mohammed Faruque
Chairman

Amer Faruque
Chief Executive