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## Company Information

### Board of Directors

Mr. Akbarali Pesnani  
Mr. Amer Faruque  
Mr. Aslam Faruque  
Mr. Shehryar Faruque  
Mr. Arif Faruque  
Mr. Tariq Faruque  
Mr. Abrar Hasan  
Mr. Abid Naqvi

Chairman  
Chief Executive  
Director  
Director  
Director  
Director  
Director

### 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.  
Dubai Islamic Bank 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.  
The Bank of Punjab.  
United Bank Ltd.

### Executive Director & Chief Financial Officer

Mr. Yasir Masood

### Executive Director & Company Secretary

Mr. Abid A. Vazir

### Audit Committee

Mr. Abid Naqvi  
Mr. Arif Faruque  
Mr. Tariq Faruque

Chairman  
Member  
Member

### Human Resource and Remuneration Committee

Mr. Abrar Hassan  
Mr. Amer Faruque  
Mr. Aslam Faruque

Chairman  
Member  
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

### Regional Office

3, Sunder Das Road  
Lahore

### Islamabad Office

1st Floor,  
Razia Sharif Plaza  
Jinnah Avenue, 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 is pleased to present the un-audited financial results of the company, duly reviewed by the auditors, for the half year ended December 31, 2014.

### Overview

Rising demand for cement and successful entry into new markets and segments is having a positive impact on the company as sales of both paper and polypropylene bags increased during the half year under review. Enhanced production capacity for polypropylene bags helped in achieving higher sales levels and led to improved performance and financial results during the half year under review. Because of its premium quality, your company has become the leading supplier of bags to the cement industry.

### Operating performance

On the back of increase in the quantity of bags dispatched, the sales revenue of the company rose by around Rs. 590 million from the corresponding period last year, reflecting an increase of 24%. During the six months under review, although there was an increase in cost of various input items like electricity tariff, however, through efficient management of resources and pursuance of aggressive marketing policies, the company was able to overcome the challenge and increase its sales volume. Higher working capital requirement owing to increased business volumes and acquisition of long term loan for the new PP line led to increase in finance cost during the period. After accounting for the above, the company was able to achieve an after tax profit of Rs. 260.27 million for the six month under review.

### New segments

During the period under review, the company enhanced its exports of PP bags. The company is now successfully exporting its PP bags to Middle East, Africa and Afghanistan and has made a name for itself in the overseas markets. Furthermore, the company has also made inroads in to new segments of PP bag market like sugar, wheat, chemicals etc.

### Dividend

The Board of Directors in its meeting held on 13th February 2015 has declared an interim cash dividend of Rs. 2 per share i.e. 20%. Share transfer books will remain closed from Tuesday, 3rd March 2015 to Tuesday, 10th March 2015.

### Future Prospects

Continuing growth in the demand for cement and diversification into new markets for PP bags is expected to result in enhanced sales volumes of the company. Being a single window cement packaging solution provider, CPL is well positioned to meet the requirements for both paper and polypropylene bags of its valuable clients. Your company has now become a supplier of choice for supply of both paper and polypropylene bags. The company is continuing to explore new markets for export of its PP bags and towards producing polypropylene bags for use in packaging of other products like sugar, wheat, and chemicals etc. We are confident that these measures will drive the sales of the company in the coming days.

### 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 Mondi Packaging and BSW - Windmoller & Holscher for their cooperation and support to the company.

On behalf of the Board of Directors



**Akbarali Pesnani**  
Chairman

Karachi: February 13, 2015

## 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 (the Company) as at 31 December 2014, the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, and condensed interim statement of changes in equity and notes to the accounts for the six-month period then ended (here-in-after referred to as "interim financial information"). 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.

**Date:** February 13, 2015

**Place:** Karachi

*Omar Mustafa Ansari*

**Chartered Accountants  
Review Engagement Partner**

Omar Mustafa Ansari

## Condensed Interim Balance Sheet

As at December 31, 2014

	Note	December 31, 2014 (Unaudited)	June 30, 2014 (Audited)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
		(Rupees `000)	
Property, plant and equipment	5	1,418,466	1,454,469
Intangible asset		5,233	5,691
		1,423,699	1,460,160
Long-term investment	6	291,434	15,931
Long-term loans		123	167
Long-term deposits		8,916	8,916
Deferred taxation	8	-	26,240
		1,724,172	1,511,414
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		61,448	59,948
Stock-in-trade	7	1,040,289	1,105,924
Trade debts		918,876	659,748
Loans and advances		4,093	7,199
Trade deposits and short-term prepayments		5,524	7,836
Other receivables		26,762	64,258
Taxation - net		371,015	371,898
Cash and bank balances		61,047	18,491
		2,489,054	2,295,302
<b>TOTAL ASSETS</b>		<b>4,213,226</b>	<b>3,806,716</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital		400,000	400,000
Issued, subscribed and paid-up capital		275,400	275,400
Reserves		1,490,534	1,109,842
		1,765,934	1,385,242
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing		730,000	780,000
Deferred taxation	8	31,018	-
		761,018	780,000
<b>CURRENT LIABILITIES</b>			
Trade and other payables		137,141	286,813
Accrued mark-up		58,084	52,911
Short-term borrowings	9	1,401,049	1,221,750
Current maturity of long-term financing		90,000	80,000
		1,686,274	1,641,474
<b>CONTINGENCIES AND COMMITMENTS</b>			
<b>TOTAL EQUITY AND LIABILITIES</b>	10	<b>4,213,226</b>	<b>3,806,716</b>

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.



**Amer Faruque**  
Chief Executive



**Aslam Faruque**  
Director

**Condensed Interim Profit and Loss Account (Unaudited)**  
for the Half Year ended December 31, 2014

	Note	Half-year ended		Quarter ended	
		December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
(Rupees ` 000)					
<b>Turnover - net</b>	11	3,021,253	2,431,202	1,695,880	1,345,556
Cost of sales		(2,474,422)	(2,159,881)	(1,359,653)	(1,199,487)
<b>Gross profit</b>		546,831	271,321	336,227	146,069
Distribution costs		(34,115)	(26,923)	(19,582)	(13,977)
Administrative expenses		(20,179)	(18,411)	(9,434)	(10,197)
Other expenses		(24,251)	(9,255)	(15,009)	(5,041)
		(78,545)	(54,589)	(44,025)	(29,215)
Other income		3,034	2,264	1,641	1,488
<b>Operating profit</b>		471,320	218,996	293,843	118,342
Finance costs	12	(123,636)	(106,375)	(65,880)	(54,466)
<b>Profit before taxation</b>		347,684	112,621	227,963	63,876
<b>Taxation</b>					
Current	13	(30,157)	21,286	(30,157)	32,160
Deferred		(57,258)	(13,820)	(35,113)	(9,396)
		(87,415)	7,466	(65,270)	22,764
<b>Profit for the period</b>		<u>260,269</u>	<u>120,087</u>	<u>162,693</u>	<u>86,640</u>
<b>Earnings per share - basic</b>	14	<u>Rs. 9.45</u>	<u>Rs. 4.36</u>	<u>Rs. 5.91</u>	<u>Rs. 3.15</u>

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

  
**Amer Faruque**  
Chief Executive

  
**Aslam Faruque**  
Director


December 31, 2014

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Condensed Interim Statement of Comprehensive Income (Unaudited)  
for the Half Year ended December 31, 2014

	Half-year ended		Quarter ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	(Rupees `000)			
<b>Profit for the period</b>	260,269	120,087	162,693	86,640
<b>Other comprehensive income to be reclassified to profit and loss account in subsequent periods:</b>				
Unrealized gain on available-for-sale securities	175,503	1,128	178,687	3,060
<b>Total comprehensive income for the period</b>	<u>435,772</u>	<u>121,215</u>	<u>341,380</u>	<u>89,700</u>

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.



**Amer Faruque**  
Chief Executive



**Aslam Faruque**  
Director



Condensed Interim Cash Flow Statement (Unaudited)  
for the Half Year ended December 31, 2014

	December 31, 2014	December 31, 2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>(Rupees `000)</b>	
<b>Profit before taxation</b>	347,684	112,621
<b>Adjustments for:</b>		
Depreciation	45,715	42,563
Amortization	458	458
Dividend income	(487)	(332)
Finance costs	123,636	106,375
	169,322	149,064
	517,006	261,685
<b>(Increase ) / decrease in current assets</b>		
Stores, spare parts and loose tools	(1,500)	(8,428)
Stock-in-trade	65,635	(44,922)
Trade debts	(259,128)	(60,250)
Loans and advances	3,106	(8,171)
Trade deposits and short-term prepayments	2,312	3,265
Other receivables	37,496	(1,329)
	(152,079)	(119,835)
	364,927	141,850
<b>Decrease in current liabilities</b>		
Trade and other payables	(150,022)	(359,769)
Cash generated from / (used in) operations	214,905	(217,919)
Income tax paid	(29,274)	(79,506)
<b>Net cash generated from / (used in) operating activities</b>	185,631	(297,425)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(9,712)	(47,087)
Long-term investments	(100,000)	-
Dividend received	487	332
Long-term loans	44	42
<b>Net cash used in investing activities</b>	(109,181)	(46,713)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long-term financing	(40,000)	181,250
Dividend paid	(54,730)	(54,278)
Short-term borrowings	179,299	303,874
Finance costs paid	(118,463)	(98,389)
<b>Net cash (used in) / generated from financing activities</b>	(33,894)	332,457
<b>Net increase / (decrease) in cash and cash equivalents</b>	42,556	(11,681)
<b>Cash and cash equivalents as at the beginning of the period</b>	18,491	20,540
<b>Cash and cash equivalents as at the end of the period</b>	61,047	8,859

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

  
**Amer Faruque**  
Chief Executive

  
**Aslam Faruque**  
Director

December 31, 2014

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Condensed Interim Statement of Changes in Equity (Unaudited)  
for the Half Year ended December 31, 2014

	Reserves						Total	
	Capital Reserve	Revenue Reserves			Unrealized gain on available-for-sale securities	Total reserves		
		Share premium	General reserve	Unappropriated profit				Remeasurement gains on defined benefit plan
	(Rupees `000)							
<b>Balance as at July 01, 2013</b>	<b>275,400</b>	<b>283,174</b>	<b>180,000</b>	<b>464,493</b>	<b>-</b>	<b>8,777</b>	<b>936,444</b>	<b>1,211,844</b>
Net profit for the period	-	-	-	120,087	-	-	120,087	120,087
Other comprehensive income	-	-	-	-	-	1,128	1,128	1,128
Total comprehensive income for the period	-	-	-	120,087	-	1,128	121,215	121,215
Cash dividend for the year ended June 30, 2013 @ Rs. 2 per share	-	-	-	(55,080)	-	-	(55,080)	(55,080)
<b>Balance as at December 31, 2013</b>	<b>275,400</b>	<b>283,174</b>	<b>180,000</b>	<b>529,500</b>	<b>-</b>	<b>9,905</b>	<b>1,002,579</b>	<b>1,277,979</b>
<b>Balance as at July 01, 2014</b>	<b>275,400</b>	<b>283,174</b>	<b>180,000</b>	<b>633,357</b>	<b>1,477</b>	<b>11,834</b>	<b>1,109,842</b>	<b>1,385,242</b>
Net profit for the period	-	-	-	260,269	-	-	260,269	260,269
Other comprehensive income	-	-	-	-	-	175,503	175,503	175,503
Total comprehensive income for the period	-	-	-	260,269	-	175,503	435,772	435,772
Cash dividend for the year ended June 30, 2014 @ Rs. 2 per share	-	-	-	(55,080)	-	-	(55,080)	(55,080)
<b>Balance as at December 31, 2014</b>	<b>275,400</b>	<b>283,174</b>	<b>180,000</b>	<b>838,546</b>	<b>1,477</b>	<b>187,337</b>	<b>1,490,534</b>	<b>1,765,934</b>

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

  
**Amer Faruque**  
Chief Executive

  
**Aslam Faruque**  
Director

## Notes to the Condensed Interim Financial Statements (Unaudited)

for the Half Year ended December 31, 2014

### 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. STATEMENT OF COMPLIANCE

These condensed interim financial statements of the Company for the six months period ended December 31, 2014 have been prepared in accordance with the requirements of the International Accounting Standard 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.

### 3. BASIS OF PREPARATION

- 3.1 These condensed interim financial statements are unaudited but subject to limited scope review by the auditors and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984. 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 financial statements of the Company for the year ended June 30, 2014.
- 3.2 The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2014 and December 31, 2013 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 years ended December 31, 2014 and December 31, 2013.

### 4. 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, 2014 except as follows:

#### **New, Amended and Revised Standards and Interpretations of IFRSs**

The Company has adopted the following amendments and interpretation of IFRSs which became effective for the current period:

- IAS 19 - Employee Benefits (Amendment) - Defined Benefit Plans: Employee Contributions
- IAS 32 - Financial Instruments: Presentation (Amendment)  
Offsetting Financial Assets and Financial Liabilities
- IAS 36 - Impairment of Assets (Amendment) -  
Recoverable Amount Disclosures for Non-Financial Assets
- IAS 39 - Financial Instruments: Recognition and Measurement (Amendment) -  
Novation of Derivatives and Continuation of Hedge Accounting
- IFRIC 21 - Levies

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

In addition to the above standards and interpretations, improvements to various accounting standards have also been issued by the IASB and are generally effective for current period. The Company expects that such improvements to the standards do not have any material impact on the Company's financial statements for the period.

	Note	December 31, 2014 (Unaudited)	June 30, 2014 (Audited)
(Rupees `000)			
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>			
Opening written down value (WDV)		1,454,148	1,065,150
Additions during the period / year	5.1	9,856	479,007
		1,464,004	1,544,157
Depreciation charged during the period / year		(45,715)	(90,009)
Closing WDV		1,418,289	1,454,148
Capital work-in-progress	5.2	177	321
		1,418,466	1,454,469
<b>5.1 Additions during the period / year</b>			
Building on leasehold land		-	6,881
Plant and machinery		5,588	448,930
Power and other installations		-	4,674
Furniture and fittings		333	487
Vehicles		3,526	9,148
Equipment		-	7,685
Computers		409	1,202
		9,856	479,007
<b>5.2 Capital work-in-progress</b>			
Power and other installations		177	321
<b>6. LONG-TERM INVESTMENT</b>			
Available-for-sale securities - related party			
Ordinary shares of a listed company			
Cherat Cement Company Limited			
4,243,362 (June 30, 2014: 243,362) fully paid ordinary shares of Rs.10/- each		291,434	15,931
<b>7. STOCK-IN-TRADE</b>			
Raw material			
In hand		422,869	544,439
In bonded warehouse		326,300	144,350
In transit		111,117	257,243
		860,286	946,032
Work-in-process		28,748	48,167
Finished goods		150,480	111,157
Polypropylene scrap goods		775	568
		1,040,289	1,105,924
<b>8. DEFERRED TAXATION</b>			
Deferred tax liability on taxable temporary difference:			
Accelerated tax depreciation on operating property, plant and equipment		144,341	145,973
Deferred tax asset on deductible temporary differences:			
Taxable loss		-	(30,793)
Minimum tax		(113,323)	(141,420)
		31,018	(26,240)

	December 31, 2014 (Unaudited)	June 30, 2014 (Audited)
	(Rupees `000)	
<b>9. SHORT-TERM BORROWINGS - Secured</b>		
Running finances utilized under mark-up arrangements	258,881	368,679
Money market loans	678,000	578,000
Export refinance scheme	54,143	48,142
	991,024	994,821
Istisna'a and Murabaha	410,025	226,929
	<u>1,401,049</u>	<u>1,221,750</u>

These facilities are obtained from various commercial / Islamic banks amounting to Rs. 2,780 million (June 30, 2014: Rs. 2,680 million) out of which Rs.1,378.95 million (June 30, 2014: Rs. 1,458.25 million) remains unutilized at the period end.

**10. CONTINGENCIES AND COMMITMENTS**

Guarantees issued by a commercial bank	21,600	11,600
Letters of credit issued by commercial banks	310,799	529,202
Duties payable on bonded stock	44,541	21,884

**11. TURNOVER - net**

Included herein are (a) local sales amounting to Rs. 2,820.50 million (December 31, 2013: Rs. 2,362.48 million) and (b) export sales amounting to Rs. 200.75 million (December 31, 2013: Rs. 68.72 million).

**12. FINANCE COSTS**

Represents mark-up on long-term financing amounting to Rs. 45.26 million (December 31, 2013: Rs 33.28 million) and mark-up on short-term borrowings amounting to Rs. 78.38 million (December 31, 2013: Rs. 73.10 million).

**13. TAXATION**

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits. Income subject to final tax has been taxed accordingly.

	Half-year ended		Quarter ended	
	December 31, 2014 (Unaudited)	December 31, 2013 (Unaudited)	December 31, 2014 (Unaudited)	December 31, 2013 (Unaudited)
<b>14. EARNINGS PER SHARE - basic</b>				
Profit for the period (Rupees '000)	260,269	120,087	162,693	86,640
Weighted average number of ordinary shares in issue during the period	27,540,000	27,540,000	27,540,000	27,540,000
Earnings per share - basic	Rs. 9.45	Rs. 4.36	Rs. 5.91	Rs. 3.15

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

#### 15. 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. Other transactions are disclosed in the relevant notes to the condensed interim financial statements. Material transactions with related parties are given below:

Relationship	Nature of transactions	Half-year ended		Quarter ended	
		December 31, 2014 (Unaudited)	December 31, 2013 (Unaudited)	December 31, 2014 (Unaudited)	December 31, 2013 (Unaudited)
		(Rupees `000)			
Group companies	Sale of goods	284,479	270,585	170,272	127,016
	Purchase of goods	317	114	294	114
	Services received	14,055	12,560	7,112	6,287
	Software consultancy charges	3,186	2,676	1,593	1,338
	Dividend paid	14,494	14,494	14,494	14,494
	Dividend received	487	332	487	332
	Executives	Remuneration	32,544	26,277	16,324
Other related parties	Contribution to staff provident and gratuity funds	3,309	2,064	2,153	1,051
	Insurance premium	3,651	4,789	1,828	2,591

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

**16. INTERIM DIVIDEND AND DATE OF AUTHORISATION FOR ISSUE**

**16.1** The Board of Directors in its meeting held on February 13, 2015 declared interim cash dividend of 20 % (Rs. 2.00 per share).

**16.2** These condensed interim financial statements were authorised for issue on February 13, 2015 by the Board of Directors of the Company.

**17. GENERAL**

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

  
**Amer Faruque**  
Chief Executive

  
**Aslam Faruque**  
Director

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