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Company Information

Board of Directors

Mr. Mahmood Faruque
Mr. Amer Faruque
Mr. Akbarali Pesnani
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
Director

Executive Director & Chief Financial Officer

Mr. Yasir Masood

Executive Director & Company Secretary

Mr. Abid A. Vazir

Audit Committee

Mr. Shehryar Faruque
Mr. Aslam Faruque
Mr. Tariq Faruque

Chairman
Member
Member

Human Resource and Remuneration Committee

Mr. Arif Faruque
Mr. Amer Faruque
Mr. Aslam Faruque

Chairman
Member
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.
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.
United Bank Ltd.

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

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

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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, 2013.

Overview

Higher production and sale of bags, during the half year under review as compared to the corresponding period last year, benefitted the company in the form of enhanced sales turnover. Enhancement of polypropylene bag plant operations and increase in the off take of cement in the country were the main factors behind the growth in the quantity of bags dispatched by the company. Higher sales volume had a positive impact on the overall profitability of the company and consolidated the position of the company as the market leader in providing quality packaging solutions to cement manufacturers.

Operating performance

There has been a rise of over Rs. 613 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 enhancement of polypropylene bag plant operations and increase in paper bag dispatches. Devaluation of Pak rupee and sharp rise in input costs had an adverse impact on the production costs. However, through aggressive marketing of both paper and PP bags coupled with efficient inventory management, the company was able to overcome the challenge. Furthermore, export of PP bags and foray into sugar sector also helped in exploring new markets for the company and contributed to its profitability. During the period under review, there was an increase in finance cost due to higher working capital requirements owing to increased volume of operations and acquisition of long term loan for the PP plant. Taxation has been recorded in line with the prevailing law and after accounting for the available tax credits. After taking into consideration above-mentioned factors, the company recorded an after tax profit of Rs. 120.09 million for the six months under review.

Future Prospects

Expected growth in the demand for cement and diversification into new markets for PP bags is having a positive impact on the sales of the company. With this development pattern expected to continue, which would help further boost the sale of bags, the company is well positioned to meet the requirements for both paper and polypropylene bags of its clients. The next phase of polypropylene expansion project is expected to be implemented by February 2014, which will enhance the overall production capacity to 145 million bags per annum. Because of its superior quality, your company has received an overwhelming response from its clients as it has become a supplier of choice for supply of both paper and polypropylene bags. The company is actively working towards producing polypropylene bags for use in other products like sugar, rice, chemicals and is also exploring new markets for export of its bags in which it has achieved success.

Acknowledgment

The management would like to express its gratitude to all 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



Mahmood Faruque
Chairman

Karachi: February 06, 2014

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 2013**, 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.

Eint & Young Fore Pkls. Nizt Hseer

Chartered Accountants

Review Engagement Partner: Riaz A. Rehman Chamdia

Karachi: February 06, 2014:

Condensed Interim Balance Sheet
as at December 31, 2013

	Note	December 31, 2013 (Unaudited)	June 30, 2013 (Audited)
ASSETS			
(Rupees `000)			
NON-CURRENT ASSETS			
Property, plant and equipment	4	1,340,989	1,336,465
Intangible asset		6,149	6,607
		<u>1,347,138</u>	<u>1,343,072</u>
Long-term investment		14,002	12,874
Long-term loans		208	250
Long-term deposits		8,833	8,833
Deferred taxation		47,232	61,052
		<u>1,417,413</u>	<u>1,426,081</u>
CURRENT ASSET			
Stores, spare parts and loose tools		56,920	48,492
Stock-in-trade	5	1,216,047	1,171,125
Trade debts		694,157	633,907
Loans and advances		12,784	4,613
Trade deposits and short-term prepayments		5,204	8,469
Other receivables		65,723	64,394
Taxation - net		284,645	183,853
Cash and bank balances		8,859	20,540
		<u>2,344,339</u>	<u>2,135,393</u>
TOTAL ASSETS		<u>3,761,752</u>	<u>3,561,474</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital		400,000	400,000
Issues, subscribed and paid-up capital		275,400	275,400
Reserves		1,002,579	936,444
		<u>1,277,979</u>	<u>1,211,844</u>
NON-CURRENT LIABILITIES			
Long-term financing	6	620,000	460,000
CURRENT LIABILITIES			
Trade and other payables		218,568	577,535
Accrued mark-up		50,761	42,775
Short-term borrowings	7	1,514,444	1,210,570
Current maturity of long-term financing		80,000	58,750
		<u>1,863,773</u>	<u>1,889,630</u>
CONTINGENCIES AND COMMITMENTS			
TOTAL EQUITY AND LIABILITIES		<u>3,761,752</u>	<u>3,561,474</u>

The annexed notes from 1 to 15 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, 2013

	Note	Half year ended		Quarter ended	
		December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
(Rupees 000)					
Turnover - net	9	2,431,202	1,817,799	1,345,556	980,166
Cost of sales		(2,159,881)	(1,606,532)	(1,199,487)	(860,808)
Gross profit		271,321	211,267	146,069	119,358
Distribution costs		(26,923)	(25,661)	(13,977)	(13,881)
Administrative expenses		(18,411)	(15,716)	(10,197)	(8,393)
Other operating expenses		(9,255)	(8,353)	(5,041)	(5,605)
		(54,589)	(49,730)	(29,215)	(27,879)
Other operating income		2,264	2,020	1,488	1,474
Operating profit		218,996	163,557	118,342	92,953
Finance costs	10	(106,375)	(82,303)	(54,466)	(42,818)
Profit before taxation		112,621	81,254	63,876	50,135
Taxation					
Current	11	21,286	(9,123)	32,160	(4,928)
Deferred		(13,820)	(19,314)	(9,396)	(12,618)
		7,466	(28,437)	22,764	(17,546)
Profit after taxation		120,087	52,817	86,640	32,589
			(Restated)		(Restated)
Earnings per share - basic	12	Rs. 4.36	Rs. 2.50	Rs. 3.15	Rs. 1.54

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


Amer Faruque
Chief Executive


Aslam Faruque
Director

Condensed Interim Statement of Comprehensive Income (Unaudited)

for the half year ended December 31, 2013

	Half year ended		Quarter ended	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	(Rupees 000)			
Profit after taxation	120,087	52,817	86,640	32,589
Other comprehensive income to be reclassified to profit and loss account in subsequent periods:				
Unrealized gain on available-for-sale investments	1,128	4,232	3,060	2,099
Total comprehensive income for the period	<u>121,215</u>	<u>57,049</u>	<u>89,700</u>	<u>34,688</u>

The annexed notes from 1 to 15 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, 2013

	December 31, 2013	December 31, 2012
	(Rupees `000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	112,621	81,254
Adjustments for:		
Depreciation	42,563	32,045
Amortization	458	458
Finance costs	106,375	82,303
Dividend income	(332)	(442)
	149,064	114,364
	261,685	195,618
Increase in current assets		
Stores, spare parts and loose tools	(8,428)	2,475
Stock-in-trade	(44,922)	(210,816)
Trade debts	(60,250)	(30,738)
Loans and advances	(8,171)	(2,636)
Trade deposits and short-term prepayments	3,265	584
Other receivables	(1,329)	56,192
	(119,835)	(184,939)
	141,850	10,679
(Decrease) / increase in current liabilities		
Trade and other payables	(359,769)	134,182
Cash (used in) / generated from operations	(217,919)	144,861
Income tax paid	(79,506)	(47,021)
Long-term loans	42	55
Net cash (used in) / generated from operating activities	(297,383)	97,895
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(47,087)	(20,230)
Dividend received	332	442
Net cash used in investing activities	(46,755)	(19,788)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term financing obtained / (repaid)	181,250	(18,750)
Dividend paid	(54,278)	(25,306)
Short-term borrowings obtained	303,874	33,335
Finance costs paid	(98,389)	(91,392)
Net cash generated from / (used in) financing activities	332,457	(102,113)
Net decrease in cash and cash equivalents	(11,681)	(24,006)
Cash and cash equivalents as at the beginning of the period	20,540	31,447
Cash and cash equivalents as at the end of the period	8,859	7,441

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


Amer Faruque
 Chief Executive


Aslam Faruque
 Director

Condensed Interim Statement of Changes in Equity (Unaudited)
for the half year ended December 31, 2013

	Reserves					Total reserves	Total
	Capital Reserve	Revenue Reserves		Unrealized gain on available-for-sale investments			
	Share premium	General reserve	Unappropriated profit				
(Rupees `000)							
Balance as at July 01, 2012	172,125	184,805	180,000	371,743	2,456	739,004	911,129
Net profit for the period	-	-	-	52,817	-	52,817	52,817
Other comprehensive income	-	-	-	-	4,232	4,232	4,232
Total comprehensive income for the period	-	-	-	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
Balance as at July 01, 2013	275,400	283,174	180,000	464,493	8,777	936,444	1,211,844
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)
Balance as at December 31, 2013	275,400	283,174	180,000	529,500	9,905	1,002,579	1,277,979

The annexed notes from 1 to 15 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, 2013

1. THE COMPANY AND ITS OPERATIONS

Cherat Packaging Limited (the Company) was incorporated in Pakistan as a public company limited by shares in the year 1989. Its main business activity is manufacturing, marketing and sale of paper sacks and polypropylene bags. The Company 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, 2013 and December 31, 2012. 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, 2013.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended June 30, 2013 except as follows:

New, Amended and Revised Standards and Interpretations of IFRSs

The Company has adopted the following revised standard, amendments and interpretation of IFRSs which became effective during the period:

IAS 19	-	Employee Benefits - (Revised)
IFRS 7	-	Financial Instruments: Disclosures - (Amendment)
		Amendments enhancing disclosures about offsetting of financial assets and financial liabilities
IFRIC 20	-	Stripping Costs in the Production Phase of a Surface Mine

Improvement to Accounting Standards issued by the IASB

IAS - 1	-	Presentation of Financial Statements - Clarification of the requirements for comparative information
IAS - 16	-	Property, Plant and Equipment - Classification of Servicing Equipment
IAS - 32	-	Financial Instruments: Presentation - Tax effects of Distribution to Holders of Equity Equipment
IAS - 34	-	Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations did not have any effect on these condensed interim financial statements except for IAS-19 which has resulted in a change in accounting policy during the period as described below:

Amendments to IAS-19 range from fundamental changes to simple clarification and rewording. The significant changes to IAS-19 include the following:

- For defined benefit plans, the option to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, actuarial gains and losses are recognised in other comprehensive income when they occur. Amounts recorded in the profit and loss account are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit obligation are recognised directly in other comprehensive income with no subsequent recycling through the profit and loss account.
- The distinction between short-term and long-term employee benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits.
- The revised standard has new or revised disclosure requirements. The disclosures now include quantitative information regarding the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

The Company considers that the financial impact of the above changes in revised IAS-19 are not material in context to the condensed interim financial statements for the period ended December 31, 2013 and December 31, 2012.

	Note	December 31, 2013 (Unaudited)	June 30, 2013 (Audited)
(Rupees `000)			
4. PROPERTY, PLANT AND EQUIPMENT			
Opening written down value (WDV)		1,065,150	940,867
Additions during the period / year	4.1	313,335	190,294
		1,378,485	1,131,161
Disposals during the period / year (WDV)		-	(679)
Depreciation charged during the period / year		(42,563)	(65,332)
Closing WDV		1,335,922	1,065,150
Capital work-in-progress	4.2	5,067	271,315
		1,340,989	1,336,465
4.1 Additions during the period / year			
Leasehold land		-	11,503
Building on leasehold land		4,833	49,089
Plant and machinery		299,517	112,115
Power and other installations		1,313	12,572
Furniture and fittings		272	384
Vehicles		4,711	2,107
Equipment		1,718	2,032
Computers		971	492
		313,335	190,294
4.2 Capital work-in-progress			
Civil works		900	840
Plant and machinery		4,167	269,539
Equipment		-	936
		5,067	271,315
5. STOCK-IN-TRADE			
Raw material			
In hand		478,702	544,111
In bonded warehouse		299,734	227,274
In transit		223,582	278,347
		1,002,018	1,049,732
Work-in-process		43,124	48,892
Finished goods		161,991	70,187
Polypropylene scrap goods		8,914	2,314
		1,216,047	1,171,125
6. LONG-TERM FINANCING - secured			
Term Loan-I		-	18,750
Term Loan-II		400,000	400,000
Term Loan-III			
Tranch I		100,000	100,000
Tranch II		200,000	-
		700,000	518,750
Less: Current maturity - Term Loan-II		(80,000)	(58,750)
		620,000	460,000

7. SHORT-TERM BORROWINGS - secured

These facilities are obtained from various commercial / Islamic banks amounting to Rs. 2,665 million (June 30, 2013: Rs. 2,115 million) out of which Rs. 1,150.56 million (June 30, 2013: Rs. 904.43 million) remains unutilized at the period end.

8. CONTINGENCIES AND COMMITMENTS

Guarantees issued by a commercial bank

Letters of credit issued by commercial banks

Duties payable on bonded stock

December 31, 2013 (Unaudited)	June 30, 2013 (Audited)
(Rupees `000)	
2,000	2,000
317,597	520,851
44,588	33,125

9. TURNOVER - net

Included herein are (a) local sales amounting to Rs. 2,362.48 million (December 31, 2012: Rs. 1,781.04 million) and (b) export sales amounting to Rs. 68.72 million (December 31, 2012: Rs. 36.76 million).

10. FINANCE COSTS

Represents mark-up on long-term financing amounting to Rs. 33.28 million (December 31, 2012: Rs. 28.39 million) and mark-up on short-term borrowings amounting to Rs. 73.10 million (December 31, 2012: Rs. 53.91 million).

11. TAXATION

Provision for current taxation is based on 1% of turnover u/s 113 of the Income Tax Ordinance 2001, after taking into account tax credits. Income subject to final tax has been taxed accordingly.

12. EARNINGS PER SHARE - basic

Profit after taxation (Rupees '000)

Weighted average number of ordinary shares in issue during the period

Earnings per share - basic

	Half year ended		Quarter ended	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Profit after taxation (Rupees '000)	120,087	52,817	86,640	32,589
Weighted average number of ordinary shares in issue during the period	27,540,000	(Restated) 21,097,895	27,540,000	(Restated) 21,097,895
Earnings per share - basic	Rs. 4.36	Rs. 2.50	Rs. 3.15	Rs. 1.54

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

13. 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		Quarter ended	
		December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
		(Rupees `000)			
Group companies	Sale of goods	270,585	224,682	127,016	106,214
	Purchase of goods	114	595	114	556
	Services received	12,560	9,294	6,287	5,644
	Software consultancy charges	2,676	2,381	1,338	1,446
	Dividend paid	14,494	6,004	14,494	6,004
	Dividend received	332	442	332	442
	Director	Remuneration	-	3,465	-
Executives	Remuneration	26,277	21,837	13,215	10,920
Other related parties	Contribution to staff provident and gratuity funds	2,064	3,929	1,051	1,967
	Insurance premium	4,789	3,602	2,591	1,800

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

14. INTERIM DIVIDEND AND DATE OF AUTHORISATION

14.1 Interim dividend

The Board of Directors in its meeting held on February 06, 2014 declared an interim cash dividend of 10% (Re. 1.00 per share).

14.2 Date of authorisation

These condensed interim financial statements were authorised for issue on February 06, 2014 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


Aslam Faruque
Director

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