

Un-audited Accounts
March 31, 2010



Cherat Papersack Limited
A Ghulam Faruque Group Company





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Cherat Papersack Ltd
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Company Information

Board of Directors

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

Chairman
Chief Executive
Director
Director
Director
Director
Director
Director
Director

Chief Financial Officer

Mr. Yasir Masood

Company Secretary

Mr. Abid A. Vazir

Audit Committee

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

Chairman
Member
Member

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Legal Advisor

K.M.S. Law Associates

Registered Office

1st Floor, Betani Arcade
Jamrud Road
Peshawar

Bankers

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

Factory

Plot No. 26
Gadoon Amazai Industrial Estate
District Swabi
Khyber Pakhtunkhwa

Head Office

Modern Motors House
Beaumont Road
Karachi-75530

Regional Office

3, Sunder Das Road
Lahore

Share Registrar

Central Depository Company
of Pakistan Limited, (CDC)
CDC House, 99-B, Block "B"
S.M.C.H.S., Main Shahrah-e-Faisal,
Karachi. 74400

Islamabad Office

Mezzanine Floor
Razia Sharif Plaza
91-Blue Area

Directors' Review

The Board of Directors is pleased to place before you the un-audited financial results of the Company for the nine months period ended March 31, 2010.

Production & Sales

During the period under review, despite depressed economic conditions affecting the sales of cement in the country, the Company managed to reasonably increase the production and dispatches as against the corresponding period last year.

Operating Performance

The increase in sales volume could not generate higher revenues due to decline in the average selling price of paper bags. Devaluation of Pak Rupee and imposition of 5% regulatory duty on import of kraft paper also had a negative impact on the financial results as they affected the cost of production. The financial results of the Company also reflect additional depreciation and financial expenses for the new line. However, with better controls and sustained management efforts the Company made a reasonable profit during the third quarter (January - March 2010) and reported an after tax profit of Rs. 1.24 million for the nine months of the year 2009/10.

Future Prospects

The performance of the papersack industry is directly dependent on the demand for cement in the country. Although the domestic cement demand remained stagnant due to lack of initiation of new construction projects in the country, the Company was able to increase its sales volume. The management is hopeful that with efficient management of inventory, better credit controls and intense marketing efforts, the financial indicators of the Company will improve during the subsequent period. We will also start benefiting from the newly implemented ERP system - SAP in the days to come. However, rising prices of kraft paper is a cause of great concern for the Company.

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

Acknowledgment

The management of the Company would like to express its gratitude to all the financial institutions, individuals, staff members, suppliers and shareholders who have been associated with the Company for their continued support and cooperation. The management would like to particularly thank its supplier of kraft paper - M/s. Mondi Packaging for their continuing support to the Company.

On behalf of the Board of Directors

Karachi: April 26, 2010


MOHAMMED FARUQUE
Chairman

Condensed Interim Balance Sheet

as at March 31, 2010

ASSETS	Note	March 31, 2010 (Unaudited)	June 30, 2009 (Audited)
NON-CURRENT ASSETS			
(Rupees ` 000)			
Fixed Assets			
Property, plant and equipment	4	374,992	393,807
Intangible asset	5	5,278	541
		380,270	394,348
Long-term investments	6	2,610	2,994
Long-term loans		977	998
Long-term deposits		176	176
		384,033	398,516
CURRENT ASSETS			
Stores, spare parts and loose tools		14,078	14,220
Stock-in-trade		468,246	700,688
Trade debts - unsecured, considered good		289,803	245,388
Loans and advances		3,366	2,003
Trade deposits and short-term prepayments		3,972	2,710
Other receivables		3,910	45,511
Current portion of long-term investments		-	52,500
Tax refunds due from Government		69,501	46,629
Cash and bank balances		4,325	7,905
		857,201	1,117,554
TOTAL ASSETS		1,241,234	1,516,070
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
15,000,000 (June 30, 2009: 15,000,000) Ordinary shares of Rs. 10/- each		150,000	150,000
Share capital (Fully paid ordinary shares of Rs. 10/- each)		91,800	91,800
Reserves		287,335	286,476
		379,135	378,276
NON-CURRENT LIABILITIES			
Long-term financing - secured		112,500	131,250
Deferred taxation	7	6,158	12,632
		118,658	143,882
CURRENT LIABILITIES			
Trade and other payables		164,588	74,825
Accrued mark-up		31,624	35,890
Short-term borrowings - secured	8	497,229	839,447
Current maturity of long-term financing		50,000	43,750
		743,441	993,912
CONTINGENCIES AND COMMITMENTS			
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TOTAL EQUITY AND LIABILITIES		1,241,234	1,516,070

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 Nine Months Period Ended March 31, 2010

Note	Nine months period ended		Quarter ended	
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
	(Rupees `000)			
Turnover - net	1,473,567	1,514,513	573,542	613,682
Cost of sales	10 (1,342,612)	(1,379,467)	(499,773)	(555,484)
Gross profit	130,955	135,046	73,769	58,198
Distribution costs	(18,796)	(14,535)	(7,602)	(4,666)
Administrative expenses	(11,371)	(9,039)	(3,620)	(2,670)
Other operating expenses	(926)	(1,041)	(490)	(429)
	(31,093)	(24,615)	(11,712)	(7,765)
Other operating income	2,356	7,669	682	2,720
Operating profit	102,218	118,100	62,739	53,153
Finance costs	(100,073)	(132,288)	(30,780)	(43,000)
Profit / (loss) before taxation	2,145	(14,188)	31,959	10,153
Taxation				
Current	11 (7,376)	-	(2,870)	-
Deferred	6,474	6,981	(8,330)	(2,852)
	(902)	6,981	(11,200)	(2,852)
Profit / (loss) after taxation	1,243	(7,207)	20,759	7,301
Earning / (loss) per share - basic and diluted	12 Re. 0.14	Re. (0.79)	Rs. 2.26	Re. 0.80

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


MOHAMMED FARUQUE
 Chairman


AMER FARUQUE
 Chief Executive
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Condensed Interim Statement of Comprehensive Income (Unaudited)

For the Nine Months Period Ended March 31, 2010

	Nine months period ended		Quarter ended	
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
	(Rupees `000)			
Profit / (loss) after taxation	1,243	(7,207)	20,759	7,301
Other comprehensive income				
Unrealized (loss) / gain on available-for-sale securities	(384)	(2,769)	(167)	700
Total comprehensive income for the period	<u>859</u>	<u>(9,976)</u>	<u>20,592</u>	<u>8,001</u>

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 Nine Months Period Ended March 31, 2010

	March 31, 2010	March 31, 2009
	(Rupees `000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	2,145	(14,188)
Adjustments for:		
Depreciation	24,224	12,986
Amortization of intangible asset	89	-
Gain on disposal of operating property, plant and equipment	(588)	-
Finance costs	100,073	132,288
Return on short-term investments	-	(6,016)
	123,798	139,258
	125,943	125,070
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	142	311
Stock-in-trade	232,442	(30,898)
Trade debts	(44,415)	(111,778)
Loans and advances	(1,363)	(20)
Trade deposits and short-term prepayments	(1,262)	69,144
Other receivables	41,601	9,099
	227,145	(64,142)
	353,088	60,928
Increase / (decrease) in current liabilities		
Trade and other payables	89,763	(151,201)
Cash generated from / (used in) operations	442,851	(90,273)
Income tax paid	(30,248)	(30,989)
Net cash generated from / (used in) operating activities	412,603	(121,262)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(6,141)	(210,148)
Intangible asset	(4,826)	-
Sale proceeds from disposal of operating property, plant and equipment	1,320	-
Proceeds from disposal of Investments	52,500	-
Long-term loans	21	248
Net cash generated from / (used in) investing activities	42,874	(209,900)
CASH FLOWS FROM FINANCING ACTIVITIES		
Finance costs paid	(104,339)	(91,258)
Dividends paid	-	(10,945)
Short-term borrowings	(342,218)	291,809
Long-term financing (repaid) / obtained	(12,500)	137,500
Net cash (used in) / generated from financing activities	(459,057)	327,106
Net decrease in cash and cash equivalents	(3,580)	(4,056)
Cash and cash equivalents at the beginning of the period	7,905	9,829
Cash and cash equivalents at the end of the period	4,325	5,773

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


MOHAMMED FARUQUE
 Chairman


AMER FARUQUE
 Chief Executive
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Condensed Interim Statement of Changes in Equity (Unaudited)

For the Nine Months Period Ended March 31, 2010

	RESERVES					Total reserves	Total
	Capital reserve - share premium	General reserve	Unappropriated profit	Fair value gain / (loss) on available-for-sale securities			
	(Rupees '000)						
Balance as at July 01, 2008	73,440	6,800	180,000	165,366	1,896	354,062	427,502
Loss for the period	-	-	-	(7,207)	-	(7,207)	(7,207)
Other comprehensive income	-	-	-	-	(2,769)	(2,769)	(2,769)
Total comprehensive income	-	-	-	(7,207)	(2,769)	(9,976)	(9,976)
Cash dividend for the year ended June 30, 2008 @ Rs. 1.5 per share	-	-	-	(11,016)	-	(11,016)	(11,016)
Issue of bonus shares @ 25% i.e. 1 share for every 4 shares	18,360	-	-	(18,360)	-	(18,360)	-
Balance as at March 31, 2009	91,800	6,800	180,000	128,783	(873)	314,710	406,510
Balance as at July 01, 2009	91,800	6,800	180,000	100,779	(1,103)	286,476	378,276
Profit for the period	-	-	-	1,243	-	1,243	1,243
Other comprehensive income	-	-	-	-	(384)	(384)	(384)
Total comprehensive income	-	-	-	1,243	(384)	859	859
Balance as at March 31, 2010	91,800	6,800	180,000	102,022	(1,487)	287,335	379,135

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


MOHAMMED FARUQUE
 Chairman



Cherat Papersack
 Limited

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AMER FARUQUE
 Chief Executive

Notes to the Condensed Interim Financial Statements (Unaudited)

For the Nine Months Period Ended March 31, 2010

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan as a public company limited by shares in the year 1989. Its main business activity is manufacturing, marketing and sale of paper bags and sacks. The Company started commercial production on December 15, 1991 and is listed on Karachi and Lahore Stock Exchanges. The registered office of the Company is situated at 1st Floor, Betani Arcade, Jamrud Road, Peshawar, Pakistan.

2. BASIS OF PREPARATION

These condensed interim financial statements are unaudited and are being submitted to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984 and International Accounting Standard (IAS) 34 'Interim Financial Reporting'. The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended June 30, 2009.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

	Note	March 31, 2010 (Unaudited)	June 30, 2009 (Audited)
4. PROPERTY, PLANT AND EQUIPMENT			
(Rupees `000)			
Opening written down value (WDV)		389,641	196,061
Additions during the period / year	4.1	9,454	213,660
		399,095	409,721
Disposals during the period / year (WDV) - vehicles		(732)	-
Depreciation charged during the period / year		(24,224)	(20,080)
		374,139	389,641
Capital work-in-progress	4.2	853	4,166
		374,992	393,807
4.1 Additions during the period / year			
Leasehold land		3,560	-
Plant and machinery		-	205,413
Power and other installation		58	-
Furniture and fittings		110	57
Vehicles		3,780	4,261
Equipment		398	3,823
Computers		1,548	106
		9,454	213,660
4.2 Capital work-in-progress			
Civil works		853	3,206
Computers		-	960
		853	4,166

Notes to the Condensed Interim Financial Statements (Unaudited)

For the Nine Months Period Ended March 31, 2010

	March 31, 2010 (Unaudited)	June 30, 2009 (Audited)
(Rupees `000)		
5. INTANGIBLE ASSET		
Opening balance	541	-
Additions during the period / year	4,826	541
Less: Amortization of intangible asset	(89)	-
	5,278	541

This represents licences and implementation cost of the ERP system.

6. LONG-TERM INVESTMENTS

Available-for-sale securities - Related party

Ordinary shares of listed company
Cherat Cement Company Limited
221,239 (June 30, 2009: 221,239) fully paid ordinary
shares of Rs.10/- each

2,610	2,994
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Held-to-maturity investment

Defence Saving Certificates
Less: current portion

-	52,500
-	52,500

2,610	2,994
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7. DEFERRED TAXATION

Deferred tax liability on taxable temporary difference:

Accelerated tax depreciation on operating property,
plant and equipment

74,207	75,294
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Deferred tax asset:

- Unabsorbed tax losses
- Turnover tax

(60,673)	(62,662)
(7,376)	-

6,158	12,632
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8. SHORT-TERM BORROWINGS - Secured

Running finances utilized under mark-up arrangements
Money market loans

367,229	699,447
130,000	140,000
497,229	839,447

These facilities are obtained from various commercial banks amounting to Rs. 1,230 million (June 30, 2009: Rs. 1,230 million), out of which, Rs. 732.77 million (June 30, 2009: Rs. 390.55 million) remains unutilized at the nine months period end. These facilities are secured against registered pari-passu hypothecation charge over stocks and book debts for Rs. 1,555.33 million and hypothecation charge of Rs. 140 million on all present and future plant and machinery of the Company.

These facilities carry mark-up of 1 month KIBOR plus spread ranging from 1.25% to 2% and 3 months KIBOR plus spread ranging from 1% to 2% (June 30, 2009: 1 month KIBOR plus spread ranging from 1.5% to 2% and 3 months KIBOR plus spread ranging from 1% to 2.75%) per annum. The balance includes cheques in hand amounting to Rs. 94.15 million (June 30, 2009: Rs. 88.19 million).

Notes to the Condensed Interim Financial Statements (Unaudited)

For the Nine Months Period Ended March 31, 2010

9. CONTINGENCIES AND COMMITMENTS

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

	March 31, 2010 (Unaudited)	June 30, 2009 (Audited)
	(Rupees `000)	
Guarantee issued by commercial bank	2,000	-
Letters of credit issued by commercial banks	105,298	191,867
Duties payable on bonded stock and stock in transit	66,496	48,725

10. COST OF SALES

	Nine months period ended		Quarter ended	
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
	(Rupees `000)			
Opening stock - finished goods	51,507	49,161	53,471	34,029
Cost of goods manufactured	1,305,035	1,346,836	460,232	537,985
	1,356,542	1,395,997	513,703	572,014
Closing stock - finished goods	(13,930)	(16,530)	(13,930)	(16,530)
	1,342,612	1,379,467	499,773	555,484

11. TAXATION

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

12. EARNINGS / (LOSS) PER SHARE Basic and diluted

	Nine months period ended		Quarter ended	
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
Profit / (loss) after taxation (Rupees `000)	1,243	(7,207)	20,759	7,301
Weighted average number of ordinary shares in issue during the period	9,180,000	9,180,000	9,180,000	9,180,000
Earnings / (loss) per share - basic	Re. 0.14	Re. (0.79)	Rs. 2.26	Re. 0.80

There is no dilutive effect on earnings / (loss) per share of the Company.

Notes to the Condensed Interim Financial Statements (Unaudited)

For the Nine Months Period Ended March 31, 2010

13. RELATED PARTY TRANSACTIONS

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

Relationship	Nature of transaction	Nine months period ended		Quarter ended	
		March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
(Rupees `000)					
Group companies	Sale of goods	287,969	335,061	89,196	90,775
	Purchase of goods	400	647	-	284
	Services received	4,915	6,356	1,571	1,902
	Software consultancy charges	1,937	1,572	580	524
	Dividend paid	-	3,073	-	-
Director	Remuneration	4,050	3,600	1,350	1,200
Executives	Remuneration	16,034	12,607	5,350	4,202
Other related parties	Contribution to staff provident and gratuity funds	1,047	858	358	289
	Insurance premium	3,583	3,906	1,087	1,138

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

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

14. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on April 26, 2010 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