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## 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  
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.

### 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 for the nine months period ended March 31, 2012.

### Overview

There has been a reasonable increase in the sale of paper bags produced by the company from the corresponding period last year. During its first full quarter of operation, the Polypropylene (PP) plant also operated at almost full capacity to produce high quality cement bags to augment the sales volume. Due to rise in sales volume, there was an increase in the net sales of the company from same time last year. However, because of high cost of kraft paper and cut throat competition amongst cement bag suppliers, profitability of the company declined from the same time last year.

### Operating performance

On the back of rise in sales volumes of cement bags, the net revenue of the company rose by 28% from the corresponding period last year, reflecting an increase of Rs. 496 million. The increase in turnover was also on account of upward revision in the selling price of paper bags to offset the escalation in production costs. However, the same was not in line with increase in input costs, which had gone up due to high cost of kraft paper and increase in freight charges. With business volumes on the rise following the addition of new PP plant and increase in sale of paper bags, 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. As is the case with all new expansion projects, there was an increase in the financial charges and depreciation expenses in the third quarter of the year due to capitalization of the new PP plant. However, this is a strategic investment, which will be beneficial for the company. The financial charges also rose due to expiry of the mark up subsidy facility given by State Bank of Pakistan on December 31, 2011. However, during the period under review, the company continued to benefit from exemption given by the government on income taxes for companies operating in the Khyber Pakhtunkhwa region, which is valid until June 30, 2012. The company recorded an after tax profit of Rs. 30.90 million for the nine months under review.

### Future Prospects

With demand for cement on the rise both domestically and for export sales to Afghanistan, the company is well positioned to meet the requirements for both paper and PP bags. 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: April 25, 2012

  
**AMER FARUQUE**  
Chief Executive

March 31, 2012 05

condensed interim balance sheet  
as at March 31, 2012

	Note	March 31, 2012 (Unaudited)	June 30, 2011 (Audited)
<b>ASSETS</b>			
<b>(Rupees `000)</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	949,577	453,600
Intangible asset	5	6,013	6,375
		955,590	459,975
Long-term investment	6	4,361	1,991
Long-term loans		360	550
Long-term deposits		8,833	176
Deferred taxation		81,559	45,863
		1,050,703	508,555
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		41,835	12,882
Stock-in-trade		1,023,194	878,155
Trade debts		454,636	268,224
Loans and advances		2,564	4,749
Trade deposits and short-term prepayments		4,655	3,337
Other receivables		118,533	52,893
Taxation - net		52,275	52,655
Cash and bank balances		5,232	8,770
		1,702,924	1,281,665
<b>TOTAL ASSETS</b>		<b>2,753,627</b>	<b>1,790,220</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
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		696,184	705,942
		868,309	878,067
<b>NON-CURRENT LIABILITIES</b>			
Long-term financings	7	437,500	56,250
<b>CURRENT LIABILITIES</b>			
Trade and other payables		223,495	115,785
Accrued mark-up		48,947	33,967
Short-term borrowings	8	1,137,876	668,651
Current maturity of long-term financings		37,500	37,500
		1,447,818	855,903
<b>CONTINGENCIES AND COMMITMENTS</b>			
	9		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,753,627</b>	<b>1,790,220</b>

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

  
**AMER FARUQUE**  
Chief Executive

  
**IQBAL FARUQUE**  
Director

condensed interim profit and loss account (unaudited)  
for the period ended March 31, 2012

Note	Period ended		Quarter ended	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
	(Rupees `000)		(Rupees `000)	
<b>Turnover - net</b>	2,274,347	1,778,100	913,865	695,697
Cost of sales	(2,098,239)	(1,499,804)	(828,377)	(613,198)
<b>Gross profit</b>	176,108	278,296	85,488	82,499
Distribution costs	(28,043)	(19,463)	(11,357)	(7,669)
Administrative expenses	(18,858)	(15,031)	(7,260)	(4,819)
Other operating expenses	(7,807)	(16,724)	(2,394)	(4,358)
	(54,708)	(51,218)	(21,011)	(16,846)
Other operating income	2,434	2,367	1,144	1,069
<b>Operating profit</b>	123,834	229,445	65,621	66,722
Finance costs	10	(105,515)	(53,351)	(56,547)
<b>Profit before taxation</b>	18,319	176,094	9,074	50,113
<b>Taxation</b>				
Current	11	(23,112)	(18,052)	(9,494)
Deferred		35,696	17,175	15,720
		12,584	(877)	6,226
<b>Profit after taxation</b>		30,903	175,217	15,300
<b>Earnings per share - basic</b>	12	Rs. 1.80	(Restated) Rs. 11.26	(Restated) Rs. 3.22

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

  
**AMER FARUQUE**  
Chief Executive

  
**IQBAL FARUQUE**  
Director

condensed interim statement of comprehensive income (unaudited)  
for the period ended March 31, 2012

	Period ended		Quarter ended	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
	(Rupees `000)		(Rupees `000)	
<b>Profit after taxation</b>	30,903	175,217	15,300	50,113
<b>Other comprehensive income:</b>				
Unrealized gain /(loss) on available-for-sale securities	2,370	141	2,766	(197)
<b>Total comprehensive income for the period</b>	<u>33,273</u>	<u>175,358</u>	<u>18,066</u>	<u>49,916</u>

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

  
**AMER FARUQUE**  
Chief Executive

  
**IQBAL FARUQUE**  
Director



condensed interim cash flow statement (unaudited)  
for the period ended March 31, 2012

	March 31, 2012	March 31, 2011
	(Rupees `000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit before taxation</b>	18,319	176,094
<b>Adjustments for:</b>		
Depreciation	35,223	23,703
Amortization	555	403
Gain on disposal of operating property, plant and equipment	(204)	(12)
Finance costs	105,515	53,351
	141,089	77,445
	159,408	253,539
<b>(Increase)/decrease in current assets</b>		
Stores, spare parts and loose tools	(28,953)	14
Stock-in-trade	(145,039)	(497,502)
Trade debts	(186,412)	(137,096)
Loans and advances	2,185	(2,660)
Trade deposits and short-term prepayments	(1,318)	(2,602)
Other receivables	(65,640)	12,839
	(425,177)	(627,007)
	(265,769)	(373,468)
<b>Increase in current liabilities</b>		
Trade and other payables	107,131	30,339
Cash used in operations	(158,638)	(343,129)
Income tax (paid) / refunded	(22,732)	1,641
<b>Net cash used in investing activities</b>	(181,370)	(341,488)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to operating property, plant and equipment	(625,428)	(87,991)
Capital work in progress	93,645	-
Proceeds from disposal of operating property, plant and equipment	787	225
Intangible asset acquired	(193)	(1,863)
Long term deposits	(8,657)	-
Long-term loans	190	515
<b>Net cash used in investing activities</b>	(539,656)	(89,114)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long-term financings obtained / (repaid)	381,250	(18,750)
Dividend paid	(42,452)	(18,112)
Short-term borrowings	469,225	503,433
Finance costs paid	(90,535)	(40,326)
<b>Net cash generated from financing activities</b>	717,488	426,245
<b>Net decrease in cash and cash equivalents</b>	(3,538)	(4,357)
<b>Cash and cash equivalents at the beginning of the period</b>	8,770	7,264
<b>Cash and cash equivalents at the end of the period</b>	5,232	2,907

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

  
**AMER FARUQUE**  
Chief Executive

  
**IQBAL FARUQUE**  
Director

March 31, 2012 09

condensed interim statement of changes in equity (unaudited)  
for the period ended March 31, 2012

	Issued, Subscribed and Paid-up Capital	RESERVES				Total reserves	Total
		Capital reserve - share premium	General reserve	Unapp- ropriated profit	Fair value gain / (loss) on available- for-sale securities		
(Rupees `000)							
<b>Balance as at July 01, 2010</b>	<b>91,800</b>	<b>6,800</b>	<b>180,000</b>	<b>197,098</b>	<b>(2,057)</b>	<b>381,841</b>	<b>473,641</b>
Profit for the period	-	-	-	175,217	-	175,217	175,217
Other comprehensive income	-	-	-	-	141	141	141
Total comprehensive income	-	-	-	175,217	141	175,358	175,358
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)	-
<b>Balance as at March 31, 2011</b>	<b>114,750</b>	<b>6,800</b>	<b>180,000</b>	<b>331,005</b>	<b>(1,916)</b>	<b>515,889</b>	<b>630,639</b>
<b>Balance as at July 01, 2011</b>	<b>172,125</b>	<b>184,805</b>	<b>180,000</b>	<b>343,243</b>	<b>(2,106)</b>	<b>705,942</b>	<b>878,067</b>
Profit for the period	-	-	-	30,903	-	30,903	30,903
Other comprehensive income	-	-	-	-	2,370	2,370	2,370
Total comprehensive income	-	-	-	30,903	2,370	33,273	33,273
Cash dividend for the year ended June 30, 2011 @ Rs.2.5 per share	-	-	-	(43,031)	-	(43,031)	(43,031)
<b>Balance as at March 31, 2012</b>	<b>172,125</b>	<b>184,805</b>	<b>180,000</b>	<b>331,115</b>	<b>264</b>	<b>696,184</b>	<b>868,309</b>

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

  
**AMER FARUQUE**  
Chief Executive

  
**IQBAL FARUQUE**  
Director

notes to the condensed interim financial statements (unaudited)  
for the period ended March 31, 2012

**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. 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 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, 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 Disclosure (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.

notes to the condensed interim financial statements (unaudited)  
for the period ended March 31, 2012

	Note	March 31, 2012 (Unaudited)	June 30, 2011 (Audited)
(Rupees ` 000)			
<b>4. PROPERTY, PLANT AND EQUIPMENT</b>			
Opening written down value (WDV)		349,788	369,619
Additions during the period / year	4.1	625,428	12,290
		<u>975,216</u>	<u>381,909</u>
Disposals during the period / year (WDV) - Vehicle		(583)	(213)
Depreciation charged during the period / year		(35,223)	(31,908)
		<u>939,410</u>	<u>349,788</u>
Capital work-in-progress	4.2	10,167	103,812
		<u>949,577</u>	<u>453,600</u>
<b>4.1 Additions during the period / year</b>			
Leasehold land		-	1,167
Building on leasehold land		35,975	-
Plant and machinery		531,387	-
Power and other installations		29,614	146
Furniture and fittings		638	101
Vehicles		6,032	10,511
Equipment		21,034	76
Computers		748	289
		<u>625,428</u>	<u>12,290</u>
<b>4.2 Capital work-in-progress</b>			
Building on leasehold land		10,167	15,902
Plant and machinery		-	76,070
Power and other installations		-	11,840
		<u>10,167</u>	<u>103,812</u>
<b>5. INTANGIBLE ASSET</b>			
Opening balance (WDV)		6,375	5,143
Additions during the period / year		193	1,863
		<u>6,568</u>	<u>7,006</u>
Amortization charged during the period / year		(555)	(631)
		<u>6,013</u>	<u>6,375</u>
<b>6. LONG-TERM INVESTMENT</b>			
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		<u>4,361</u>	<u>1,991</u>
<b>7. LONG-TERM FINANCINGS - secured</b>			
Long-Term Loans			
Term Loan-I		75,000	93,750
Term Loan-II	7.1	400,000	-
		<u>475,000</u>	<u>93,750</u>
Less: Current maturity		(37,500)	(37,500)
		<u>437,500</u>	<u>56,250</u>

notes to the condensed interim financial statements (unaudited)  
for the period ended March 31, 2012

**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	March 31, 2012 (Unaudited)	June 30, 2011 (Audited)
<b>8. SHORT-TERM BORROWINGS - secured</b>			
<b>(Rupees `000)</b>			
Running finances utilized under mark-up arrangements	8.1 & 8.2	926,623	583,651
Money Market loan	8.1 & 8.3	125,000	35,000
Isfina'a	-	-	50,000
Murabaha	8.1 & 8.4	86,253	-
		<u>1,137,876</u>	<u>668,651</u>

**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. 727.12 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. 2,401.66 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 ranging from 0.65% to 0.80% (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% per annum (June 30, 2011: Nil).

	March 31, 2012 (Unaudited)	June 30, 2011 (Audited)
<b>9. CONTINGENCIES AND COMMITMENTS</b>		
<b>(Rupees `000)</b>		
Guarantee issued by a commercial bank	1,000	1,000
Letters of credit issued by commercial banks	270,698	865,030
Duties payable on bonded stock	25,685	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 till December 31, 2011. 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 received and finance costs have been reduced accordingly. However, mark-up has been charged at actual rates during the third quarter.

**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.

notes to the condensed interim financial statements (unaudited)  
for the period ended March 31, 2012

	Period ended		Quarter ended	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
<b>12. EARNINGS PER SHARE - BASIC</b>				
Profit after taxation (Rupees '000)	30,903	175,217	15,300	50,113
Weighted average number of ordinary shares in issue during the period	17,212,500	15,558,088	17,212,500	15,558,088
Earnings per share - basic	Rs. 1.80	(Restated) Rs. 11.26	Re. 0.89	(Restated) Rs. 3.22

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:

Relationship	Nature of transactions	Period ended		Quarter ended	
		March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
		(Rupees `000)		(Rupees `000)	
Group companies	Sale of goods	349,898	301,440	92,793	93,935
	Purchase of operating property, plant and equipment	10,440	-	-	-
	Purchase of goods	4,208	175	516	175
	Services received	12,424	11,067	3,683	4,269
	Software Consultancy charges	2,214	2,057	738	738
	Dividend paid	10,696	5,121	-	-
Director	Remuneration	4,725	4,293	1,575	1,431
Executives	Remuneration	26,355	17,404	11,523	5,834
Other related parties	Contribution to staff provident and gratuity funds	2,859	2,180	1,804	1,381
	Insurance premium	4,608	3,935	1,689	1,323

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

notes to the condensed interim financial statements (unaudited)  
for the period ended March 31, 2012

**14. DATE OF AUTHORISATION FOR ISSUE**

These condensed interim financial statements were authorised for issue on April 25, 2012 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

  
**IQBAL FARUQUE**  
Director

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