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## 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. Tariq 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
Mr. Tariq 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 for the nine months period ended March 31, 2013.

### Overview

Growth in the demand for cement had a positive impact on the sales of paper bags and polypropylene bags produced by the company. During the nine months under review, there has been a rise in the quantity of bags produced and sold by the company as compared to the same time last year. Higher volumes had a positive impact on the sales turnover and the overall profitability of the company as the company continued to consolidate its position in the market as the preferred supplier of quality packaging solutions.

### Operating performance

Compared to the corresponding period last year, there has been a rise of approximately Rs. 744 million in the sales revenue of the company, reflecting an increase of 33%. Higher sales revenue was possible owing to increase in the quantity of bags sold by the company following the addition of polypropylene bag plant which had full nine months of operations this year and greater dispatches of paper bags. During the nine months under review, devaluation of Pak rupee and sharp rise in input costs had an adverse impact on the production costs. However, through proficient production of high quality bags, aggressive marketing of 2ply bags and efficient inventory management, the company was able to overcome the challenge. 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 polypropylene plant. The financial charges also rose due to 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. After taking into consideration the factors explained above, the company recorded an impressive after tax profit of Rs. 86.43 million.

### Expansion of Polypropylene (PP) Plant

We wish to update our shareholders that the letter of credit for the import of second line of the polypropylene plant for manufacturing cement bags has been established and work on civil structure is in full swing at the factory. The plant, which has been acquired from M/s. BSW - Windmoller & Holscher, is the most advanced and the fastest machine in the world. The company is confident of commencing commercial production of the new polypropylene plant by August 2013. By virtue of this expansion in polypropylene plant, business volumes of the company are expected to increase in future with a positive impact on its profitability. In order to finance the project, the company has issued 60% Right Shares at Rs. 20 per share including a premium of Rs. 10 per share. The issue has been underwritten by AKD Securities Ltd. The company has received an encouraging response to the issue. Further, the company has also obtained long term financing for the project from a commercial bank at competitive rates.

### Future Prospects

With growth expected in the demand for cement and opportunities for export of PP bags, the company stands to benefit in the form of enhanced sales of paper and PP bags. Steps are being taken by the company 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.

### **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 suppliers - Mondi Packaging and BSW - Windmoller & Holscher for their understanding and complete support to the company.

Karachi: April 16, 2013

On behalf of the Board of Directors



**Mohammed Faruque**  
Chairman

## Condensed Interim Balance Sheet

as at March 31, 2013

	Note	March 31, 2013 (Unaudited)	June 30, 2012 (Audited)
(Rupees `000)			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	974,998	943,213
Intangible asset	5	6,836	7,523
		981,834	950,736
Long-term investment	6	11,434	6,553
Long-term loans		273	348
Long-term deposits		8,833	8,833
Deferred taxation		68,728	96,584
		1,071,102	1,063,054
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		29,208	32,277
Stock-in-trade		897,277	771,357
Trade debts		588,452	430,164
Loans and advances		5,449	1,376
Trade deposits and short-term prepayments		6,672	4,303
Other receivables		15,871	58,646
Taxation - net		123,478	40,314
Cash and bank balances		11,468	31,447
		1,677,875	1,369,884
<b>TOTAL ASSETS</b>		2,748,977	2,432,938
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital 40,000,000 (June 30, 2012: 22,500,000) Ordinary shares of Rs.10/- each		400,000	225,000
Issued, subscribed and paid-up capital (Fully paid ordinary shares of Rs. 10/- each)		172,125	172,125
Reserves		804,493	739,004
		976,618	911,129
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing		360,000	418,750
<b>CURRENT LIABILITIES</b>			
Trade and other payables		197,657	95,167
Accrued mark-up		32,160	53,974
Short-term borrowings		1,105,042	916,418
Current maturity of long-term financings		77,500	37,500
		1,412,359	1,103,059
<b>CONTINGENCIES AND COMMITMENTS</b>			
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<b>TOTAL EQUITY AND LIABILITIES</b>		2,748,977	2,432,938

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

  
**Mohammed Faruque**  
 Chairman

  
**Amer Faruque**  
 Chief Executive

March 31, 2013

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## Condensed Interim Profit and Loss Account (Unaudited)

for the period ended March 31, 2013

Note	Period ended		Quarter ended		
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012	
(Rupees in '000)					
<b>Turnover - net</b>	8	3,018,263	2,274,347	1,200,464	913,865
Cost of sales		(2,693,036)	(2,098,239)	(1,086,504)	(828,377)
<b>Gross profit</b>		325,227	176,108	113,960	85,488
Distribution costs		(41,865)	(28,043)	(16,204)	(11,357)
Administrative expenses		(24,195)	(18,858)	(8,479)	(7,260)
Other operating expenses		(15,638)	(7,807)	(7,285)	(2,394)
		(81,698)	(54,708)	(31,968)	(21,011)
Other operating income		3,517	2,434	1,497	1,144
<b>Operating profit</b>		247,046	123,834	83,489	65,621
Finance costs	9	(117,617)	(105,515)	(35,314)	(56,547)
<b>Profit before taxation</b>		129,429	18,319	48,175	9,074
<b>Taxation</b>					
Current	10	(15,146)	(23,112)	(6,023)	(9,494)
Deferred		(27,856)	35,696	(8,542)	15,720
		(43,002)	12,584	(14,565)	6,226
<b>Profit after taxation</b>		86,427	30,903	33,610	15,300
<b>Earnings per share - basic</b>	11	Rs. 5.02	Rs. 1.80	Rs. 1.95	Rs. 0.89

The annexed notes from 1 to 14 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 period ended March 31, 2013

	Period ended		Quarter ended	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
	(Rupees in '000)			
<b>Profit after taxation</b>	86,427	30,903	33,610	15,300
<b>Other comprehensive income:</b>				
Unrealized gain on available-for-sale securities	4,881	2,370	649	2,766
<b>Total comprehensive income for the period</b>	91,308	33,273	34,259	18,066

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

  
**Mohammed Faruque**  
 Chairman

  
**Amer Faruque**  
 Chief Executive

March 31, 2013

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## Condensed Interim Cash Flow Statement (Unaudited)

for the period ended March 31, 2013

	March 31, 2013	March 31, 2012
(Rupees ` 000)		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit before taxation</b>	129,429	18,319
<b>Adjustments for:</b>		
Depreciation	48,092	35,223
Amortization	687	555
Gain on disposal of operating property, plant and equipment	(336)	(204)
Finance costs	117,617	105,515
Dividend income	(664)	-
	165,396	141,089
	294,825	159,408
<b>Increase in current assets</b>		
Stores, spare parts and loose tools	3,069	(28,953)
Stock-in-trade	(125,920)	(145,039)
Trade debts	(158,288)	(186,412)
Loans and advances	(4,073)	2,185
Trade deposits and short-term prepayments	(2,369)	(1,318)
Other receivables	42,775	(65,640)
	(244,806)	(425,177)
	50,019	(265,769)
<b>Increase in current liabilities</b>		
Trade and other payables	101,981	107,131
Cash generated from / (used in) operations	152,000	(158,638)
Income tax paid	(98,310)	(22,732)
<b>Net cash generated from / (used in) operating activities</b>	53,690	(181,370)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to operating property, plant and equipment	(8,589)	(625,428)
Capital work in progress	(71,967)	93,645
Proceeds from disposal of operating property, plant and equipment	1,015	787
Intangible assets acquired	-	(193)
Long-term loans	75	(8,657)
Long term deposits	-	190
Dividend received	664	-
<b>Net cash used in investing activities</b>	(78,802)	(539,656)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long-term financing (repaid) / obtained	(18,750)	381,250
Dividend paid	(25,310)	(42,452)
Short-term borrowings	188,624	469,225
Finance costs paid	(139,431)	(90,535)
<b>Net cash generated from financing activities</b>	5,133	717,488
<b>Net decrease in cash and cash equivalents</b>	(19,979)	(3,538)
<b>Cash and cash equivalents at the beginning of the period</b>	31,447	8,770
<b>Cash and cash equivalents at the end of the period</b>	11,468	5,232

The annexed notes from 1 to 14 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 period ended March 31, 2013

	Reserves					Total Reserves	Total
	Issued, Subscribed and Paid-up Capital	Capital Reserve	Revenue Reserves		Unrealized (loss) / gain on available-for-sale securities		
		Share premium	General Reserve	Unappropriated profit			
(Rupees '000)							
<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>
<b>Balance as at July 01, 2012</b>	<b>172,125</b>	<b>184,805</b>	<b>180,000</b>	<b>371,743</b>	<b>2,456</b>	<b>739,004</b>	<b>911,129</b>
Profit for the period	-	-	-	86,427	-	86,427	86,427
Other comprehensive income	-	-	-	-	4,881	4,881	4,881
Total comprehensive income	-	-	-	86,427	4,881	91,308	91,308
Cash dividend for the year ended June 30, 2012 @ Rs.1.5 per share	-	-	-	(25,819)	-	(25,819)	(25,819)
<b>Balance as at March 31, 2013</b>	<b>172,125</b>	<b>184,805</b>	<b>180,000</b>	<b>432,351</b>	<b>7,337</b>	<b>804,493</b>	<b>976,618</b>

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

  
**Mohammed Faruque**  
 Chairman

  
**Amer Faruque**  
 Chief Executive

March 31, 2013

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

for the period ended March 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 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, 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 material effect on these condensed interim financial statements.

4. PROPERTY, PLANT AND EQUIPMENT	Note	March 31, 2013 (Unaudited)	June 30, 2012 (Audited)
		(Rupees `000)	
Opening written down value (WDV)		940,867	349,788
Additions during the period / year	4.1	8,589	644,024
		949,456	993,812
Disposals during the period / year (WDV)		(679)	(793)
Depreciation charged during the period / year		(48,092)	(52,152)
		900,685	940,867
Capital work-in-progress	4.2	74,313	2,346
		974,998	943,213
<b>4.1 Additions during the period / year</b>			
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		2,055	21,408
Computers		492	891
		8,589	644,024

	<b>March 31, 2013 (Unaudited)</b>	<b>June 30, 2012 (Audited)</b>
	<b>(Rupees `000)</b>	
<b>4.2 Capital work-in-progress</b>		
Leasehold land	4,037	-
Civil works	30,678	1,608
Plant and machinery	38,040	-
Power and other installations	947	738
Equipment	611	-
	<u>74,313</u>	<u>2,346</u>
<b>5. INTANGIBLE ASSET</b>		
Opening written down value (WDV)	7,523	6,375
Additions during the period / year	-	1,932
	<u>7,523</u>	<u>8,307</u>
Amortization charged during the period / year	(687)	(784)
	<u>6,836</u>	<u>7,523</u>
<b>6. LONG-TERM INVESTMENT</b>		
<b>Available-for-sale securities - related party</b>		
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	<u>11,434</u>	<u>6,553</u>
<b>7. CONTINGENCIES AND COMMITMENTS</b>		
Guarantees issued by a commercial bank	<u>2,000</u>	<u>2,000</u>
Letters of credit issued by commercial banks	<u>464,064</u>	<u>449,782</u>
Duties payable on bonded stock	<u>36,968</u>	<u>-</u>

**8. TURNOVER - net**

Included herein are (a) local sales amounting to Rs. 2,953.07 million (March 31, 2012: Rs. 2,274.35 million) and (b) export sales amounting to Rs. 65.19 million (March 31, 2012: Rs. Nil).

**9. 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.

**10. 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.

	<b>Period ended</b>		<b>Quarter ended</b>	
	<b>March 31, 2013</b>	<b>March 31, 2012</b>	<b>March 31, 2013</b>	<b>March 31, 2012</b>
<b>11. EARNINGS PER SHARE - basic</b>				
Profit after taxation (Rupees '000)	<u>86,427</u>	<u>30,903</u>	<u>33,610</u>	<u>15,300</u>
Weighted average number of ordinary shares in issue during the period	<u>17,212,500</u>	<u>17,212,500</u>	<u>17,212,500</u>	<u>17,212,500</u>
Earnings per share - basic	<u>Rs. 5.02</u>	<u>Rs. 1.80</u>	<u>Rs. 1.95</u>	<u>Rs. 0.89</u>

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

## 12. 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	Period ended		Quarter ended	
		March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
(Rupees in '000)					
Group companies	Sale of goods	332,708	349,898	108,026	92,793
	Purchase of operating property, plant and equipment	-	10,440	-	-
	Purchase of goods	3,305	4,208	2,710	516
	Services received	15,510	12,424	6,216	3,683
	Software consultancy charges	3,572	2,214	1,191	738
	Dividend paid	6,004	10,696	-	-
	Dividend received	664	-	222	-
Director	Remuneration	4,158	4,725	693	1,575
Executives	Remuneration	32,754	26,355	10,917	11,523
Other related parties	Contribution to staff provident and gratuity funds	4,899	2,859	970	1,804
	Insurance premium	5,744	4,608	2,142	1,689

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

## 13. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on April 16, 2013 by the Board of Directors of the Company.

## 14. GENERAL

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

  
**Mohammed Faruque**  
 Chairman

  
**Amer Faruque**  
 Chief Executive