

Contents

02	Company Information
03	Directors' Review
04	Condensed Interim Balance Sheet
05	Condensed Interim Profit and Loss Account
06	Condensed Interim Statement of Comprehensive Income
07	Condensed Interim Cash Flow Statement
08	Condensed Interim Statement of Changes in Equity
09	Notes to the Condensed Interim Financial Statements

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

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.

Executive Director & Chief Financial Officer

Mr. Yasir Masood

Executive Director & Company Secretary

Mr. Abid A. Vazir

Audit Committee

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

Chairman
Member
Member

Human Resource and Remuneration Committee

Mr. Arif Faruque
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

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

Directors' Review

The Board of Directors presents the un-audited financial results of the company for the nine months period ended March 31, 2014.

Overview

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. Enhancement of polypropylene bag plant operations and marginal increase in the off take of cement in the country were the drivers behind the growth in the quantity of bags dispatched by the company. Higher volumes had a positive impact on the sales turnover and the overall profitability of the company as it continued to consolidate its position in the market as the preferred supplier of quality packaging solutions. We are pleased to inform our shareholders that in the month of February 2014, the company commissioned the 4th convertex, which has increased its production capacity to 145 million bags per annum.

Operating performance

On the back of rise in sales volume, there has been an increase of approximately Rs. 927 million in the sales revenue of the company from the corresponding period last year, reflecting a growth of 31%. Higher sales revenue was possible owing to increase in the quantity of bags sold by the company following the further enhancement in the capacity of polypropylene bag plant and higher dispatches of paper bags. During the period under review, the company pursued aggressive marketing strategy to enhance sales volume. Furthermore, it concentrated on export of PP bags and also made an entry into sugar sector, which 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 business volumes and acquisition of long term loan for the PP plant. The company has recorded taxation taking into account available tax credits in line with the prevailing laws. After taking into consideration above-mentioned factors, the company has made an after tax profit of Rs. 177.82 million for the nine months under review.

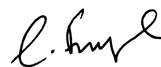
Future Prospects

Growth in the demand for cement and diversification into new markets for PP bags is having a positive impact on the company as it is well positioned to meet the requirements for both paper and polypropylene bags of its clients. Because of its superior quality, your company has become a supplier of choice for supply of both paper and polypropylene bags and is now actively exploring new markets for export of its bags in which it has achieved some success. Further, it is also working towards producing polypropylene bags for use in packaging of other products like sugar, rice, chemicals. 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 its suppliers - Mondi Packaging and BSW - Windmoller & Holscher for their understanding and complete support to the company.

On behalf of the Board of Directors



Amer Faruque
Chief Executive

Karachi: April 23, 2014

Condensed Interim Balance Sheet

as at March 31, 2014

	Note	March 31, 2014 (Unaudited)	June 30, 2013 (Audited)
ASSETS			
NON-CURRENT ASSETS			
		(Rupees `000)	
Property, plant and equipment	4	1,473,979	1,336,465
Intangible asset		5,920	6,607
		1,479,899	1,343,072
Long-term investment	5	18,072	12,874
Long-term loans		187	250
Long-term deposits		8,916	8,833
Deferred taxation		43,056	61,052
		1,550,130	1,426,081
CURRENT ASSETS			
Stores, spare parts and loose tools		62,956	48,492
Stock-in-trade		1,107,832	1,171,125
Trade debts		830,329	633,907
Loans and advances		10,289	4,613
Trade deposits and short-term prepayments		11,896	8,469
Other receivables		65,019	64,394
Taxation - net		366,149	183,853
Cash and bank balances		16,670	20,540
		2,471,140	2,135,393
TOTAL ASSET		4,021,270	3,561,474
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
40,000,000 (June 30, 2013: 40,000,000) Ordinary shares of Rs. 10/- each		400,000	400,000
Issued, subscribed and paid-up capital (Fully paid ordinary shares of Rs. 10/- each)		275,400	275,400
Reserves		1,036,841	936,444
		1,312,241	1,211,844
NON-CURRENT LIABILITIES			
Long-term financing	6	780,000	460,000
CURRENT LIABILITIES			
Trade and other payable		263,598	577,535
Accrued mark-up		54,036	42,775
Short-term borrowings	7	1,531,395	1,210,570
Current maturity of long-term financing		80,000	58,750
		1,929,029	1,889,630
CONTINGENCIES AND COMMITMENTS	8		
TOTAL EQUITY AND LIABILITIES		4,021,270	3,561,474

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 period ended March 31, 2014

	Note	Period ended		Quarter ended	
		March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
(Rupees '000)					
Turnover - net	9	3,945,344	3,018,263	1,514,142	1,200,464
Cost of sales		(3,525,226)	(2,693,036)	(1,365,345)	(1,086,504)
Gross profit		420,118	325,227	148,797	113,960
Distribution costs		(43,157)	(41,865)	(16,234)	(16,204)
Administrative expenses		(27,626)	(24,195)	(9,215)	(8,479)
Other operating expenses		(14,037)	(15,638)	(4,782)	(7,285)
		(84,820)	(81,698)	(30,231)	(31,968)
Other operating income		3,476	3,517	1,212	1,497
Operating profit		338,774	247,046	119,778	83,489
Finance costs	10	(170,494)	(117,617)	(64,119)	(35,314)
Profit before taxation		168,280	129,429	55,659	48,175
Taxation					
Current	11	27,535	(15,146)	6,249	(6,023)
Deferred		(17,996)	(27,856)	(4,176)	(8,542)
		9,539	(43,002)	2,073	(14,565)
Profit after taxation		177,819	86,427	57,732	33,610
Earnings per share - basic	12	Rs.6.46	(Restated) Rs.4.10	Rs.2.10	(Restated) Rs. 1.59

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)

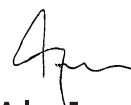
for the period ended March 31, 2014

	Period ended		Quarter ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
	(Rupees '000)			
Profit after taxation	177,819	86,427	57,732	33,610
Other comprehensive income:				
Unrealized gain on available-for-sale securities	5,198	4,881	4,070	649
Total comprehensive income for the period	<u>183,017</u>	<u>91,308</u>	<u>61,802</u>	<u>34,259</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)

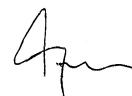
for the period ended March 31, 2014

	March 31, 2014	March 31, 2013
	(Rupees `000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	168,280	129,429
Adjustments for:		
Depreciation	65,835	48,092
Amortization	687	687
Gain on disposal of operating property, plant and equipment	-	(336)
Finance costs	170,494	117,617
Dividend income	(553)	(664)
	236,463	165,396
	404,743	294,825
Increase in current assets		
Stores, spare parts and loose tools	(14,464)	3,069
Stock-in-trade	63,293	(125,920)
Trade debts	(196,422)	(158,288)
Loans and advances	(5,676)	(4,073)
Trade deposits and short-term prepayments	(3,427)	(2,369)
Other receivables	(625)	42,775
	(157,321)	(244,806)
	247,422	50,019
(Decrease) / Increase in current liabilities		
Trade and other payables	(315,562)	101,981
Cash (used in) / generated from operations	(68,140)	152,000
Income tax paid	(154,761)	(98,310)
Net cash (used in) / generated from operating activities	(222,901)	53,690
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to operating property, plant and equipment	(471,497)	(8,589)
Capital work in progress	268,148	(71,967)
Proceeds from disposal of operating property, plant and equipment	-	1,015
Long-term loans	63	75
Long term deposits	(83)	-
Dividend received	553	664
Net cash used in investing activities	(202,816)	(78,802)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term financing obtained / (repaid)	341,250	(18,750)
Dividend paid	(80,995)	(25,310)
Short-term borrowings	320,825	188,624
Finance costs paid	(159,233)	(139,431)
Net cash generated from financing activities	421,847	5,133
Net decrease in cash and cash equivalents	(3,870)	(19,979)
Cash and cash equivalents at the beginning of the period	20,540	31,447
Cash and cash equivalents at the end of the period	16,670	11,468

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 period ended March 31, 2014

	Reserves					Total reserves	Total
	Capital Reserve	Revenue Reserves		Unrealized gain on available-for-sale investments			
		Share premium	General reserve		Unappropriated profit		
Issued, Subscribed and Paid-up Capital							
(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	-	-	-	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)
Balance as at March 31, 2013	172,125	184,805	180,000	432,351	7,337	804,493	976,618
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	-	-	-	177,819	-	177,819	177,819
Other comprehensive income	-	-	-	-	5,198	5,198	5,198
Total comprehensive income	-	-	-	177,819	5,198	183,017	183,017
Cash dividend for the year ended June 30, 2013 @ Rs.2 per share	-	-	-	(55,080)	-	(55,080)	(55,080)
Interim cash dividend for the year ending June 30, 2014 @ Re. 1 per share	-	-	-	(27,540)	-	(27,540)	(27,540)
Balance as at March 31, 2014	275,400	283,174	180,000	559,692	13,975	1,036,841	1,312,241

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 period ended March 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. 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, 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 March 31, 2014 and March 31, 2013.

	Note	March 31, 2014 (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	471,497	190,294
		<u>1,536,647</u>	<u>1,131,161</u>
Disposals during the period / year (WDV)		-	(679)
Depreciation charged during the period / year		(65,835)	(65,332)
		<u>1,470,812</u>	<u>1,065,150</u>
Capital work-in-progress	4.2	3,167	271,315
		<u>1,473,979</u>	<u>1,336,465</u>
4.1 Additions during the period / year			
Leasehold land		-	11,503
Building on leasehold land		5,407	49,089
Plant and machinery		448,930	112,115
Power and other installations		4,516	12,572
Furniture and fittings		321	384
Vehicles		4,711	2,107
Equipment		6,630	2,032
Computers		982	492
		<u>471,497</u>	<u>190,294</u>
4.2 Capital work-in-progress			
Civil works		970	840
Plant and machinery		-	269,539
Power and other installations		158	-
Vehicles		2,039	-
Equipment		-	936
		<u>3,167</u>	<u>271,315</u>
5. LONG-TERM INVESTMENT			
Available-for-sale securities - related party			
Ordinary shares of a listed company			
Cherat Cement Company Limited			
243,363 (June 30, 2013: 221,239) fully paid ordinary			
shares of Rs. 10/- each		18,072	12,874
		<u>18,072</u>	<u>12,874</u>
6. LONG-TERM FINANCING - secured			
Term Loan-I		-	18,750
Term Loan-II		360,000	400,000
Term Loan-III			
Tranch I		100,000	100,000
Tranch II		200,000	-
		<u>300,000</u>	<u>100,000</u>
Term Loan-IV		200,000	-
		<u>860,000</u>	<u>518,750</u>
Less: Current maturity - Term Loan-II		(80,000)	(58,750)
		<u>780,000</u>	<u>460,000</u>

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. 1,133.60 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

March 31, 2014 (Unaudited)	June 30, 2013 (Audited)
(Rupees `000)	
11,500	2,000
256,014	520,851
24,414	33,125

The National Electric Power Regulatory Authority NEPRA calculates the Fuel Price Adjustment (FPA) based on variation in fuel prices and advises distribution companies (mainly EX-WAPDA) to recover FPA. On this account, Peshawar Electric Supply Company (PESCO) and other power distribution companies are claiming FPA in monthly electricity bills on arrear basis since last two and a half year. However, the Honourable Peshawar High Court suspended this levy and stopped PESCO from recovery of FPA since beginning. Accordingly, the Company never received any demand of FPA in any of its electricity bills. PESCO challenged this decision of Honourable Peshawar High Court in Honourable Supreme Court which at the time of allowing the appeal, as an interim relief, suspended the decision of Honourable Peshawar High Court and allowed recovery of arrears in 10 monthly instalments. The case is still pending in the Honourable Supreme Court for final decision. The management believes that apart from the main legal case, recovery of arrears is challengeable in the Courts in view of the fact that we have not recovered this amount from the end customers as we have never been informed of the quantum of this levy in the bills. In view of the inherent uncertainties involved in such matters and the fact that management is hopeful of an ultimate positive outcome, no provision has been made in these financial statements in this regard.

9. TURNOVER - net

Included herein are (a) local sales amounting to Rs. 3,861.23 million (March 31, 2013: Rs. 2,953.07 million) and (b) export sales amounting to Rs. 84.11 million (March 31, 2013: Rs. 65.19 million).

10. FINANCE COSTS

Represents mark-up on long-term financing amounting to Rs. 54.90 million (March 31, 2013: Rs 40.20 million) and mark-up on short-term borrowings amounting to Rs. 115.59 million (March 31, 2013: Rs. 77.42 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.

	Period ended		Quarter ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
12. EARNINGS PER SHARE - basic				
Profit after taxation (Rupees '000)	177,819	86,427	57,732	33,610
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. 6.46	Rs. 4.10	Rs. 2.10	Rs. 1.59

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	Period ended		Quarter ended	
		March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
		(Rupees `000)			
Group companies	Sale of goods	395,347	332,708	124,762	108,026
	Purchase of goods	160	3,305	46	2,710
	Services received	20,023	15,510	7,463	6,216
	Software consultancy charges	4,014	3,572	1,338	1,191
	Dividend paid	21,740	6,004	7,246	-
	Dividend received	553	664	221	222
Director	Remuneration	-	4,158	-	693
Executives	Remuneration	39,415	32,754	13,138	10,917
Other related parties	Contribution to staff provident and gratuity funds	3,095	4,899	1,031	970
	Insurance premium	6,981	5,744	2,192	2,142

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

14. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on April 23, 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