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Company Information

Board of Directors

Mr. Akbarali Pesnani	Chairman
Mr. Amer Faruque	Chief Executive
Mr. Aslam Faruque	Director
Mr. Shehryar Faruque	Director
Mr. Arif Faruque	Director
Mr. Tariq Faruque	Director
Mr. Abrar Hasan	Director
Mr. Abid Naqvi	Director

Audit Committee

Mr. Abid Naqvi	Chairman
Mr. Arif Faruque	Member
Mr. Tariq Faruque	Member

Human Resource and Remuneration Committee

Mr. Abrar Hasan	Chairman
Mr. Amer Faruque	Member
Mr. Aslam Faruque	Member

Executive Director & Chief Financial Officer

Mr. Yasir Masood

Executive Director & Company Secretary

Mr. Abid Vazir

Auditors

EY Ford Rhodes
Chartered Accountants

Legal Advisor

K.M.S. Law Associates

Bankers

Allied Bank Ltd.
Bank Al Habib Ltd.
Faysal Bank Ltd.
Habib Bank Ltd.
Habib Metropolitan Bank Ltd.
MCB Bank Ltd.
National Bank of Pakistan
NIB Bank Ltd.
Samba Bank Ltd.
Soneri Bank Ltd.
Standard Chartered Bank (Pakistan) Ltd.
The Bank of Punjab
United Bank Ltd.

Bankers (Islamic)

Al Baraka Bank (Pakistan) Ltd.
Askari Bank Ltd.
Bank Alfalah Ltd.
Bank Al Habib Ltd.
Bank Islami Pakistan Ltd.
Dubai Islamic Bank Pakistan Ltd.
Meezan 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

1st Floor,
Razia Sharif Plaza
Jinnah Avenue, 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 is pleased to present the financial results of the company for the nine months period ended March 31, 2017.

Overview

Persistent growth in the demand for cement in the country and diversification by the company into new markets including export of PP bags has resulted in increased sales of bags produced by the company during the nine months period under review. We have maintained our position as the market leader of the cement packaging industry.

Operating performance

Despite increase in sales volume, there has been a decline in the sales revenues of the company from the corresponding period last year. The decline in revenues was mainly due to adjustment in selling prices of bags in line with the market conditions and introduction of low grammage high quality PP bags, which are cheaper in price compared to conventional bags used by the cement industry earlier. During the period under review, the company efficiently managed its inventory and appropriately utilized its resources to rationalize the production costs. During the nine months under review, the company was able to increase its export of PP bags, which also helped enhance our sales volume. During the period under review, there was decline in finance cost due to reduction in discount rates by State Bank of Pakistan and improvement in the liquidity position of the company as a result of effective financial management. For the nine months period ended March 31, 2017 the company posted an after tax profit of Rs. 553 million.

Expansion of Papersack Plant

Work on the expansion of production capacity of the universal papersack line is progressing on schedule. The company has also awarded contracts for civil and other related works. On the financing front, the company has finalized the long term loan for the project with a leading bank on competitive terms. Addition of this papersack line will enhance the production capacity to around 400 million papersacks per annum. The management is confident of gaining further market share and also achieving greater economies of scale, which will add value to the operations. The expansion is expected to be completed on time in second half of 2017

Flexible Packaging Project

As part of its diversification strategy, the company has decided to enter into the field of flexible packaging, which offers a great future potential to the Company to further grow its business. In this regard, the company intends to acquire the plant from leading European suppliers. The main equipment will be procured from M/s. Windmoller & Holscher, which is a leading machine supplier of this industry. The total cost of the project is expected to be around Rs. 1.6 billion and it is expected to be completed by July 2018.

Future Prospects

On the back of significant growth in the demand for cement, the company has positioned itself as a supplier of choice in its traditional cement packaging market. In parallel, the Company is also focusing on enhancing its exports of PP bags to Middle East, Africa and Afghanistan. Furthermore, the company has made inroads in to new segments of PP bag market like sugar, fertilizer, chemicals etc. Following the enhancement of the capacity of the PP plant and upcoming expansion of Papersack plant, the company is well poised to meet the additional demand for cement bags as launch of infrastructural and housing projects is expected to further boost the off take of cement in the country.

Acknowledgment

The management would like to express its gratitude to all customers, 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 Mondi Packaging and Windmoller & Holscher for their cooperation and support to the company.

On behalf of the Board of Directors



Akbarali Pesnani
Chairman

Karachi: April 27, 2017

Condensed Interim Balance Sheet as at March 31, 2017

	Note	March 31, 2017 (Unaudited)	June 30, 2016 (Audited)
----- (Rupees `000) -----			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	1,808,344	1,649,727
Intangible assets		6,147	3,859
		1,814,491	1,653,586
Long-term investments	5	930,719	511,999
Long-term loans		344	-
Long-term security deposits		8,928	8,916
		2,754,482	2,174,501
CURRENT ASSETS			
Stores, spare parts and loose tools		91,474	82,909
Stock-in-trade		1,064,443	1,342,482
Trade debts		938,860	718,262
Advances		4,607	4,149
Trade deposits and short-term prepayments		9,992	12,140
Other receivables		194,101	231,559
Taxation - net		165,213	101,197
Cash and bank balances		13,487	17,515
		2,482,177	2,510,213
TOTAL ASSETS		5,236,659	4,684,714
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital		400,000	400,000
Issued, subscribed and paid-up capital		296,055	296,055
Reserves		3,613,808	3,020,236
		3,909,863	3,316,291
NON-CURRENT LIABILITIES			
Long-term financing	6	570,000	220,000
Deferred taxation		197,939	220,975
		767,939	440,975
CURRENT LIABILITIES			
Trade and other payables		429,309	714,568
Accrued mark-up		11,788	8,783
Short-term borrowings		70,403	140,195
Current maturity of long-term financing		40,000	60,000
Unclaimed dividend		7,357	3,902
		558,857	927,448
CONTINGENCIES AND COMMITMENTS	7		
TOTAL EQUITY AND LIABILITIES		5,236,659	4,684,714

The annexed notes from 1 to 12 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, 2017

Note	Period ended		Quarter ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
----- (Rupees `000) -----				
Turnover - net	4,890,748	5,200,520	1,597,945	1,808,469
Cost of sales	(3,931,091)	(4,011,488)	(1,284,820)	(1,389,044)
Gross profit	959,657	1,189,032	313,125	419,425
Distribution costs	(90,984)	(58,044)	(31,557)	(23,264)
Administrative expenses	(47,430)	(35,460)	(14,408)	(11,245)
Other expenses	(55,937)	(75,345)	(17,934)	(26,979)
	(194,351)	(168,849)	(63,899)	(61,488)
Other income	18,563	25,613	6,033	9,265
Operating profit	783,869	1,045,796	255,259	367,202
Finance costs	(50,416)	(61,861)	(15,065)	(12,725)
Profit before taxation	733,453	983,935	240,194	354,477
Taxation				
Current - For the period	(181,216)	(259,638)	(61,322)	(110,681)
- Prior year	(22,715)	-	-	-
Deferred	23,036	(33,362)	(6,126)	782
	(180,895)	(293,000)	(67,448)	(109,899)
Net profit for the period	552,558	690,935	172,746	244,578
Earnings per share - basic and diluted		(Restated)		(Restated)
8	Rs. 18.66	Rs. 24.28	Rs. 5.83	Rs. 8.59

The annexed notes from 1 to 12 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, 2017**

	Period ended		Quarter ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	----- (Rupees `000) -----			
Net profit for the period	552,558	690,935	172,746	244,578
Other comprehensive income that may be reclassified subsequently to profit and loss account:				
Unrealized gain on available-for-sale securities - net	322,268	88,601	83,160	75,235
Total comprehensive income for the period	<u>874,826</u>	<u>779,536</u>	<u>255,906</u>	<u>319,813</u>

The annexed notes from 1 to 12 form an integral part of these condensed interim financial statements.


Amer Faruque
Chief Executive

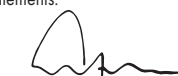

Aslam Faruque
Director

Condensed Interim Cash Flow Statement (Unaudited)
for the period ended March 31, 2017

	March 31, 2017	March 31, 2016
	----- (Rupees '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	733,453	983,935
Adjustments for:		
Depreciation	105,613	79,725
Amortization	712	687
Dividend income	(14,391)	(16,973)
Loss / (gain) on disposal of operating property, plant and equipment	1,379	(10)
Gain on short-term investment	-	(3,864)
Finance costs	50,416	61,861
	143,729	121,426
	877,182	1,105,361
Decrease / (increase) in current assets		
Stores, spare parts and loose tools	(8,565)	(761)
Stock-in-trade	278,039	(50,599)
Trade debts	(220,598)	(200,851)
Advances	(458)	(6,834)
Trade deposits and short-term prepayments	2,148	(7,585)
Other receivables	37,458	(8,440)
	88,024	(275,070)
	965,206	830,291
(Decrease) / increase in current liabilities		
Trade and other payables	(285,259)	139,120
Cash generated from operations	679,947	969,411
Income tax paid	(267,947)	(19,786)
Net cash generated from operating activities	412,000	949,625
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to operating property, plant and equipment	(218,436)	(30,049)
Addition to Intangible assets	(3,000)	-
Capital work in-progress	(48,042)	(50,177)
Proceeds from disposal of operating property, plant and equipment	869	856
Long-term investments made during the period	(96,452)	(4,620)
Short term investments made	-	(97,772)
Long term loans	(344)	-
Long term deposits	(12)	-
Dividend received	14,391	16,973
Net cash used in investing activities	(351,026)	(164,789)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of right shares	-	282,795
Long-term financing - net	330,000	(310,000)
Short-term borrowings - net	(69,792)	(446,934)
Finance costs paid	(47,411)	(86,539)
Dividend paid	(277,799)	(223,539)
Net cash used in financing activities	(65,002)	(784,217)
Net (decrease) / increase in cash and cash equivalents	(4,028)	619
Cash and cash equivalents at the beginning of the period	17,515	10,484
Cash and cash equivalents at the end of the period	13,487	11,103

The annexed notes from 1 to 12 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, 2017

Issued, Subscribed and Paid-up Capital	Reserves					Total Reserves	Total	
	Capital Reserves	Revenue Reserves						
	Share premium	General Reserve	Unappro- priated profit	Actuarial gain on gratuity fund	Unrealized gain on available- for-sale securities			
(Rupees '000)								
Balance as at July 01, 2015	275,400	283,174	180,000	1,174,608	20,580	265,203	1,923,565	2,198,965
Cash dividend for the year ended June 30, 2015 @ Rs. 5 per share	-	-	-	(137,700)	-	-	(137,700)	(137,700)
Interim cash dividend for the year ended June 30, 2016 @ Rs. 3 per share	-	-	-	(88,817)	-	-	(88,817)	(88,817)
Issue of right shares @ 7.5% (i.e. 7.5 shares for every 100 shares held)	20,655	268,515	-	-	-	-	268,515	289,170
Cost of issuance of right shares	-	(6,375)	-	-	-	-	(6,375)	(6,375)
Net profit for the period	-	-	-	690,935	-	-	690,935	690,935
Other comprehensive income for the period	-	-	-	-	-	88,601	88,601	88,601
Total comprehensive income for the period	-	-	-	690,935	-	88,601	779,536	779,536
Balance as at March 31, 2016	296,055	545,314	180,000	1,639,026	20,580	353,804	2,738,724	3,034,779
Balance as at July 01, 2016	296,055	545,314	180,000	1,866,330	25,310	403,282	3,020,236	3,316,291
Cash dividend for the year ended June 30, 2016 @ Rs. 7 per share	-	-	-	(207,240)	-	-	(207,240)	(207,240)
Interim cash dividend for the year ending June 30, 2017 @ Rs. 2.5 per share	-	-	-	(74,014)	-	-	(74,014)	(74,014)
Net profit for the period	-	-	-	552,558	-	-	552,558	552,558
Other comprehensive income for the period	-	-	-	-	-	322,268	322,268	322,268
Total comprehensive income for the period	-	-	-	552,558	-	322,268	874,826	874,826
Balance as at March 31, 2017	296,055	545,314	180,000	2,137,634	25,310	725,550	3,613,808	3,909,863

The annexed notes from 1 to 12 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, 2017

1. THE COMPANY AND ITS OPERATIONS

Cherat Packaging Limited (the Company) was incorporated in Pakistan as a public company limited by shares under the Companies Ordinance, 1984 in the year 1989. Its main business activity is manufacturing, marketing and sale of paper sacks and polypropylene bags. The Company is listed on Pakistan Stock Exchange. The registered office of the Company is situated at 1st Floor, Betani Arcade, Jamrud Road, Peshawar, Pakistan.

2. BASIS OF PREPARATION

2.1 These condensed interim financial statements 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.

2.2 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 30 June 2016.

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, 2016 except that the Company has adopted the following IFRSs which became effective during the period:

IFRS 10	- Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements: Investment Entities: Applying the Consolidation Exception (Amendment)
IFRS 11	- Joint Arrangements: Accounting for Acquisition of Interest in Joint Operation (Amendment)
IAS 1	- Presentation of Financial Statements: Disclosure Initiative (Amendment)
IAS 16	- Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Method of Depreciation and Amortization (Amendment)
IAS 16	- Property, Plant and Equipment and IAS 41 Agriculture: Agriculture - Bearer Plants (Amendment)
IAS 27	- Separate Financial Statements: Equity Method in Separate Financial Statements (Amendment)

The adoption of the above standards did not have any material effect on the condensed interim financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

	Note	March 31, 2017 (Unaudited)	June 30, 2016 (Audited)
----- (Rupees `000) -----			
Opening net book value (NBV)		1,616,160	1,382,663
Additions during the period / year	4.1	218,436	349,180
		1,834,596	1,731,843
Disposals during the period / year (NBV)		(2,248)	(1,174)
Depreciation charged during the period / year		(105,613)	(114,509)
Closing NBV		1,726,735	1,616,160
Capital work-in-progress	4.2	81,609	33,567
		1,808,344	1,649,727

	Note	March 31, 2017 (Unaudited)	June 30, 2016 (Audited)
----- (Rupees ` 000) -----			
4.1 Additions during the period / year			
Leasehold land		21,331	19,317
Building on leasehold land		11,298	38,185
Plant and machinery		158,416	261,232
Power and other Installations		3,965	18,997
Furniture and fittings		982	754
Vehicles		13,796	7,861
Equipment		4,096	2,549
Computers		4,552	285
		<u>218,436</u>	<u>349,180</u>
4.2 Capital work-in-progress			
Building on leasehold land		76,963	24,703
Power and other installations		177	3,884
Vehicles		4,469	4,980
		<u>81,609</u>	<u>33,567</u>
5. LONG-TERM INVESTMENTS			
Investment in related parties			
Available-for-sale securities	5.1	926,099	507,379
Interest in a Joint Venture - UniEnergy Limited		4,620	4,620
		<u>930,719</u>	<u>511,999</u>
5.1 Available-for-sale securities			
Cherat Cement Company Limited			
4,843,362 (June 30, 2016: 4,243,362)			
Ordinary shares of Rs. 10/- each		926,099	507,379
		<u>926,099</u>	<u>507,379</u>
6. LONG-TERM FINANCING - secured			
Islamic banks			
Fixed Assets Refinance Loan - III	6.1	450,000	-
Conventional banks			
Fixed Assets Refinance Loan - I	6.2	-	80,000
Fixed Assets Refinance Loan - II		160,000	200,000
		<u>160,000</u>	<u>280,000</u>
		610,000	280,000
Less: Current maturity		40,000	60,000
		<u>570,000</u>	<u>220,000</u>

6.1 Represents a long-term loan obtained from an Islamic bank for the import of Polypropylene Plant amounting to Rs. 450 million. The loan carries profit at the rate of 6 months KIBOR plus 0.2% per annum. The loan is repayable in 10 equal semi-annual installments commencing after a grace period of 24 months from the date of first disbursement i.e. from January 2019. The loan is secured by way of first pari-passu hypothecation charge of Rs. 667 million over specific plant and machinery of the Company.

6.2 During the period, the loan has been settled early.

7. CONTINGENCIES AND COMMITMENTS

	March 31, 2017 (Unaudited)	June 30, 2016 (Audited)
	----- (Rupees `000) -----	
Outstanding letters of guarantee	85,000	47,000
Outstanding letters of credit	680,044	334,996
Duties payable on bonded stock	-	7,254

**8. EARNINGS PER SHARE -
Basic and Diluted**

	Period ended		Quarter ended	
	March 31, 2017 (Unaudited)	March 31, 2016 (Unaudited)	March 31, 2017 (Unaudited)	March 31, 2016 (Unaudited)
Net Profit for the period (Rupees '000)	552,558	690,935	172,746	244,578
Weighted average number of ordinary shares in issue during the period	29,605,500	28,461,126	29,605,500	28,461,126
Basic earnings per share	Rs. 18.66	Rs. 24.28	Rs. 5.83	Rs. 8.59

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

9. RELATED PARTY TRANSACTIONS

Related parties comprise of group companies, directors, executives and retirement funds. Transactions with related parties other than those disclosed elsewhere in the financial statements are as follows:

Relationship	Nature of transactions	Period ended		Quarter ended	
		March 31, 2017 (Unaudited)	March 31, 2016 (Unaudited)	March 31, 2017 (Unaudited)	March 31, 2016 (Unaudited)
----- (Rupees `000) -----					
Group companies	Purchase of goods	10,256	4,981	813	3,528
	Sale of goods	506,657	386,355	193,592	136,324
	Services received	23,143	21,751	8,330	7,660
	IT support charges	6,300	5,508	2,100	1,836
	Dividend received	14,391	16,973	4,843	4,243
	Dividend paid	76,797	59,676	20,209	23,443
Key management personnel	Remuneration	79,619	66,206	28,684	22,100
Other related parties	Contribution to staff provident and gratuity funds	5,455	4,081	2,626	1,370
	Insurance premium	5,623	5,627	1,875	1,998

10. CAPACITY

Annual installed capacity

March 31, 2017 (Unaudited)	June 30, 2016 (Audited)
----- (Bags '000) -----	
460,000	410,000

With the installation of Convertex of PP line-III, production capacity of the Company has enhanced.

11. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on April 27, 2017 by the Board of Directors of the Company.

12. GENERAL

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


Amer Faruque
Chief Executive


Aslam Faruque
Director