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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 Hassan	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
Bankislami 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 un-audited financial results of the company for the first quarter ended September 30, 2016.

Overview

Growing demand for cement and increase in the production capacity through installation of the third polypropylene plant has resulted in an increase in sale of bags produced by the company during the quarter under review. Besides catering to the traditional cement market for bags, the company diversified into new markets segments including export of PP bags. The company continues to achieve new landmarks and remains the only manufacturer capable of providing single window operation for premium packaging solutions to its valuable customers in Pakistan.

Operating performance

Despite an increase in sales volume, there was a decline in the sales revenues of the company from the corresponding period last year. The decline in turnover was due to adjustment in selling prices of bags in line with the market conditions. However, efficient management of inventory and appropriate utilization of resources led to rationalization of production costs. During the quarter under review, the company continued to explore new markets for export of PP bags to enhance its sales volume and marketed new varieties of packaging solutions including successful launch of high quality and cost effective 65 gram PP bags, which is the lowest grammage bag in the world. 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 liquidity position as a result of effective financial management. For the three months period ended September 30, 2016 the company posted an after tax profit of Rs. 168 million.

Expansion of Polypropylene Plant

During the quarter under review, the third line of the polypropylene plant was successfully installed and commissioned at the factory. The plant, which has also been acquired from M/s. BSW - Windmoller & Holscher, is the fastest and most efficient of its type in the world. By virtue of this expansion, the production capacity of the polypropylene plant of the company has increased to 195 million bags per annum.

Expansion of Papersack Plant

Work on the expansion of production capacity of the papersack line is progressing on schedule. The letter of credit for the fifth Universal bag paper sack line has been established and contracts have been awarded for local 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 to establish itself as a true market leader in cement packaging and also achieve further economies of scale, which will add value to the operations. The expansion is expected to be completed on time.

Future Prospects

The Company continues to explore new markets for sales of its bags including exports. On the domestic front, it has already become a supplier of choice. With cement demand on the rise in the country, the company is well positioned to meet the additional demand for cement bags through the enhancement of the capacity of the PP plant. Launch of infrastructural and housing projects will further boost the offtake of cement in the country. In such a scenario, addition of the third line of polypropylene plant and subsequently fifth line of papersack plant will allow the company to meet the increased demand for packaging materials. The enhanced capacity will provide a strategic advantage to the Company in the future. Meanwhile, the company is making concerted efforts to improve its operational efficiencies to further benefit from economies of scale.

Acknowledgment

The management would like to express its gratitude to all customers, financial institutions, 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 BSW - Windmoller & Holscher for their cooperation and support to the company.

On behalf of the Board of Directors



Akbarali Pesnani
Chairman

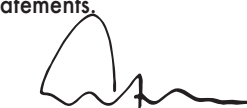
Karachi: October 27, 2016

Condensed Interim Balance Sheet as at September 30, 2016

	Note	September 30, 2016 (Unaudited)	June 30, 2016 (Audited)
----- (Rupees `000) -----			
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets			
Property, plant and equipment	5	1,767,157	1,649,727
Intangible assets		3,630	3,859
		1,770,787	1,653,586
Long-term investments	6	550,571	511,999
Long-term security deposits		8,916	8,916
		2,330,274	2,174,501
CURRENT ASSETS			
Stores, spare parts and loose tools		87,441	82,909
Stock-in-trade		1,284,460	1,342,482
Trade debts		847,385	718,262
Loans and advances		11,380	4,149
Trade deposits and short-term prepayments		9,004	12,140
Other receivables		262,704	231,559
Taxation - net		165,053	101,197
Cash and bank balances		15,916	17,515
		2,683,343	2,510,213
TOTAL ASSETS		5,013,617	4,684,714
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
40,000,000 (June 30, 2016: 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)		296,055	296,055
Reserves		3,227,121	3,020,236
		3,523,176	3,316,291
NON-CURRENT LIABILITIES			
Long-term financing	7	430,000	220,000
Deferred taxation		190,438	220,975
		620,438	440,975
CURRENT LIABILITIES			
Trade and other payables		508,597	714,568
Accrued mark-up		14,542	8,783
Short-term borrowings - secured		282,962	140,195
Current maturity of long-term financing		60,000	60,000
Unclaimed dividend		3,902	3,902
		870,003	927,448
CONTINGENCIES AND COMMITMENTS	8		
TOTAL EQUITY AND LIABILITIES		5,013,617	4,684,714

The annexed notes from 1 to 17 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 September 30, 2016

	Note	September 30, 2016	September 30, 2015
----- (Rupees `000) -----			
Turnover - net		1,491,035	1,567,037
Cost of sales		(1,196,501)	(1,195,095)
Gross profit		294,534	371,942
Distribution costs		(31,408)	(15,368)
Administrative expenses		(15,511)	(11,525)
Other expenses		(16,972)	(22,524)
		(63,891)	(49,417)
Other income		1,086	1,421
Operating profit		231,729	323,946
Finance costs	9	(15,570)	(27,573)
Profit before taxation		216,159	296,373
Taxation			
Current	10	(78,383)	(88,358)
Deferred		30,537	912
		(47,846)	(87,446)
Net profit for the period		168,313	208,927
Earnings per share - basic and diluted	11	Rs. 5.69	(Restated) Rs. 7.34

The annexed notes from 1 to 17 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 September 30, 2016

	September 30, 2016	September 30, 2015
	----- (Rupees `000) -----	
Net profit for the period	168,313	208,927
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss account		
Unrealized gain / (loss) on available-for-sale securities	38,572	(3,437)
Total comprehensive income for the period	<u>206,885</u>	<u>205,490</u>

The annexed notes from 1 to 17 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 September 30, 2016

	September 30, 2016	September 30, 2015
	----- (Rupees `000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	216,159	296,373
Adjustments for:		
Depreciation	34,648	21,740
Amortization	229	229
Finance costs	15,570	27,573
Loss on disposal of operating property, plant and equipment	1,379	-
	51,826	49,542
	267,985	345,915
Increase in current assets		
Stores, spare parts and loose tools	(4,532)	973
Stock-in-trade	58,022	(256,818)
Trade debts	(129,123)	39,118
Loans and advances	(7,231)	(2,794)
Trade deposits and short-term prepayments	3,136	(876)
Other receivables	(31,145)	(7,408)
	(110,873)	(227,805)
(Decrease) / increase in current liabilities		
Trade and other payables	(205,971)	19,833
Cash (used in) / generated from operations	(48,859)	137,943
Income tax paid	(142,239)	(24,467)
Net cash (used in) / generated from operating activities	(191,098)	113,476
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to operating property, plant and equipment	(141,173)	(2,218)
Capital work-in-progress	(13,153)	(4,962)
Sale proceeds from disposal of operating property, plant and equipment	869	-
Net cash used in investing activities	(153,457)	(7,180)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term financing	210,000	(40,000)
Dividend paid	-	(67)
Short-term borrowings	142,767	(17,241)
Finance costs paid	(9,811)	(43,596)
Net cash generated from / (used in) financing activities	342,956	(100,904)
Net (decrease) / increase in cash and cash equivalents	(1,599)	5,392
Cash and cash equivalents at the beginning of the period	17,515	10,484
Cash and cash equivalents at the end of the period	15,916	15,876

The annexed notes from 1 to 17 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 September 30, 2016

Issued, Subscribed and Paid-up Capital	Reserves						Total reserves	Total
	Capital Reserves	Revenue Reserves						
	Share premium	General Reserve	Unappropri- ated profit	Actuarial gain on gratuity fund	Unrealised (loss) /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
Profit for the period	-	-	-	208,927	-	-	208,927	208,927
Other comprehensive income	-	-	-	-	-	(3,437)	(3,437)	(3,437)
Total comprehensive income	-	-	-	208,927	-	(3,437)	205,490	205,490
Balance as at September 30, 2015	275,400	283,174	180,000	1,383,535	20,580	261,766	2,129,055	2,404,455
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
Profit for the period	-	-	-	168,313	-	-	168,313	168,313
Other comprehensive income	-	-	-	-	-	38,572	38,572	38,572
Total comprehensive income	-	-	-	168,313	-	38,572	206,885	206,885
Balance as at September 30, 2016	296,055	545,314	180,000	2,034,643	25,310	441,854	3,227,121	3,523,176

The annexed notes from 1 to 17 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 September 30, 2016

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 Pakistan Stock Exchange (formerly on Karachi and Lahore Stock Exchanges). The registered office of the Company is situated at 1st Floor, Betani Arcade, Jamrud Road, Peshawar, Pakistan.

2. STATEMENT OF COMPLIANCE

These condensed interim financial statements of the Company for the three months period ended September 30, 2016 have been prepared in accordance with the requirements of the International Accounting Standard 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.

3. BASIS OF PREPARATION

These condensed interim financial statements are unaudited and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984. 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 financial statements of the Company for the year ended June 30, 2016.

4. 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.

	Note	September 30, 2016 (Unaudited)	June 30, 2016 (Audited)
----- (Rupees `000) -----			
5. PROPERTY, PLANT AND EQUIPMENT			
Opening written down value (WDV)		1,616,160	1,382,663
Additions during the period / year	5.1	141,173	349,180
		1,757,333	1,731,843
Disposals during the period / year (WDV)		(2,248)	(1,174)
Depreciation charged during the period / year		(34,648)	(114,509)
		1,720,437	1,616,160
Capital work-in-progress		46,720	33,567
		1,767,157	1,649,727
5.1. Additions during the period / year			
Leasehold land		1,600	19,317
Building on leasehold land		-	38,185
Plant and machinery	5.1.1	122,172	261,232
Power and other installations		3,170	18,997
Furniture and fittings		-	754
Vehicles		10,723	7,861
Equipment		3,257	2,549
Computers		251	285
		141,173	349,180
5.1.1 Represents addition in respect of PP Line III.			
6. LONG-TERM INVESTMENTS			
Investment in related parties			
Available-for-sale - Cherat Cement Co. Limited	6.1	545,951	507,379
Joint Venture - UniEnergy Limited	6.2	4,620	4,620
		550,571	511,999

6.1 Available-for-sale - Cherat Cement Co. Limited

4,243,362 (June 30, 2016: 4,243,362)

Ordinary shares of Rs. 10/- each

September 30, 2016 (Unaudited)	June 30, 2016 (Audited)
----- (Rupees `000) -----	
545,951	507,379

- 6.2** Represents 462,000 shares representing 4.62% interest in UniEnergy Limited (UEL), a public unlisted Company. UEL is formed for the generation and transmission of wind power, however, it has not yet started commercial operations.

7. LONG-TERM FINANCING - secured**Islamic banks**

Fixed Assets Refinance Loan

230,000

-

Conventional banks

Fixed Assets Refinance Loan - I

80,000

80,000

Fixed Assets Refinance Loan - II

180,000

200,000

490,000

280,000

Less: Current maturity

(60,000)

(60,000)

430,000

220,000

8. CONTINGENCIES AND COMMITMENTS

Guarantees issued by a commercial bank

75,000

47,000

Letters of credit issued by commercial banks

610,820

334,996

Duties payable on bonded stock

2,667

7,254

9. FINANCE COSTS

Represents mark-up on long-term financing amounting to Rs. 7.95 million (September 30, 2015: Rs. 15.66 million) and mark-up on short-term borrowings amounting to Rs. 7.62 million (September 30, 2015: Rs. 11.91 million).

10. TAXATION

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits. Income subject to final tax has been taxed accordingly.

11. EARNINGS PER SHARE- BASIC

Profit after taxation (Rupees '000)

168,313

208,927

Weighted average number of ordinary shares in issue

29,605,500

(Restated)
28,461,126

Basic earnings per share

Rs. 5.69

Rs. 7.34

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

Period ended	
September 30, 2016	September 30, 2015
168,313	208,927
29,605,500	(Restated) 28,461,126
Rs. 5.69	Rs. 7.34

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The estimated fair value of all assets and liabilities is considered not significantly different from book value.

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyse financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

September 30, 2016				
----- (Unaudited) -----				
	Level 1	Level 2	Level 3	Total
----- (Rupees '000) -----				
Listed shares	545,951	-	-	545,951

June 30, 2016				
----- (Audited) -----				
	Level 1	Level 2	Level 3	Total
----- (Rupees '000) -----				
Listed shares	507,379	-	-	507,379

13. TRANSACTIONS WITH RELATED PARTIES

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.

		Period ended	
		September 30, 2016 (Unaudited)	September 30, 2015 (Unaudited)
----- (Rupees `000) -----			
Group companies	Sale of goods	142,762	102,221
	Purchase of goods	4,609	-
	Services received	6,776	8,139
	IT Support charges	2,100	1,836
Executives	Remuneration	24,890	21,875
Other related parties	Insurance premium	1,771	1,792
	Contribution to staff provident and gratuity funds	1,415	1,345

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

September 30, 2016	June 30, 2016
----- (Bags `000) -----	
460,000	410,000

14. CAPACITY

With the installation of Convertex of PP Line III, the production capacity of the Company has enhanced to 460 million bags per annum.

15. DIVIDEND AND APPROPRIATIONS

Subsequent to year ended June 30, 2016, the Board of Directors has proposed the following in its meeting held on August 23, 2016 for approval of the members at the Annual General Meeting:

June 30, 2016	June 30, 2015
----- (Rupees `000) -----	
207,239	137,700

Proposed final cash dividend @ Rs.7.00 per share
(June 30, 2015: Rs. 5.00 per share)

16. DATE OF AUTHORISATION FOR ISSUE


These condensed interim financial statements were authorised for issue on October 27, 2016 by the Board of Directors of the Company.

17. GENERAL

17.1 Corresponding figures have been reclassified for the purpose of better presentation and comparison, where ever necessary.

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


Amer Faruque
Chief Executive


Aslam Faruque
Director