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Company Information

Board of Directors

Mr. Akbarali Pesnani
Mr. Amer Faruque
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

Audit Committee

Mr. Abid Naqvi
Mr. Arif Faruque
Mr. Tariq Faruque

Chairman
Member
Member

Human Resource and Remuneration Committee

Mr. Abrar Hassan
Mr. Amer Faruque
Mr. Aslam Faruque

Chairman
Member
Member

Executive Director & Chief Financial Officer

Mr. Yasir Masood

Executive Director & Company Secretary

Mr. Abid A. Vazir

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Legal Advisor

K.M.S. Law Associates

Bankers

Allied Bank Ltd.
Al Baraka Bank (Pakistan) Ltd.
Bank Alfalah Ltd.
Bank Al Habib Ltd.
Bankislami Pakistan Ltd.
Dubai Islamic Bank (Pakistan) Ltd.
Faysal Bank Ltd.
Habib Bank Ltd.
Habib Metropolitan 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.
The Bank of Punjab
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

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 Shahr-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, 2016.

Overview

Significant growth in the demand for cement in the country and diversification 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. Higher sales volumes of bags have had a positive impact on the market share, sales revenues and the profitability of the Company for the period. By virtue of having the most advanced and efficient packaging plants, CPL has become the leading supplier of bags to the cement industry.

Operating performance

On the back of increase in the quantity of bags sold, the sales revenue of the company also rose by around 15% i.e. Rs. 688 million from the corresponding period last year. During the nine months under review, the company efficiently managed its resources and explored new markets for its bags to enhance its sales volume and resultantly market share. Always striving for innovation, the company successfully introduced new varieties of packaging solutions to its customers. During the period, the company increased its export of PP bags and also supplied its bags to various industries like sugar, fertilizer, chemicals etc. After accounting for the above, the company was able to achieve an after tax profit of Rs. 691 million for the nine months under review.

New segments

The company is continuously enhancing its exports of PP bags to Middle East, Africa and Afghanistan and has established itself as supplier of quality bags. Furthermore, the company has made inroads in to new segments of PP bag market like sugar, fertilizer, chemicals etc.

Expansion of Polypropylene Plant

Work on the expansion of the production capacity of the polypropylene bag plant is progressing in full swing and the management is confident of commissioning the new plant (third PP line) during the last quarter of the year 2015/16. The expansion of capacity will allow the Company to further pursue export markets and diversify its operations. The Company is confident of gaining greater market share to establish itself as a market leader in cement packaging and also achieve further economies of scale.

Expansion of Papersack Plant

In view of the strong demand for cement and the papersacks produced by the company resulting in high capacity utilization, Cherat Packaging has decided to enhance its production capacity by installing a fifth papersack plant. The company has decided to acquire the plant from M/s. Windmoller & Holscher having a total capacity of approximately 135 million bags per annum. In addition to producing papersacks for the cement industry, the company will also be able to produce other varieties of smaller bags for non-cement related products with this line. The plant, will be installed at the existing site in Gadoon Amazai, Khyber Pakhtunkhwa Province. Addition of this plant will take the total production capacity of the company to 400 million papersacks per annum. The total cost of the project is approximately Rs. 900 million. The new papersack line is expected to be commissioned by October 2017.

Future Prospects

With cement demand on the rise and entry into new market segments, sales volume of the company is expected to maintain high growth. Being the only company in Pakistan to provide single window cement packaging solution, CPL is well positioned to meet the requirements for both paper and polypropylene bags of its valuable clients as it has become a supplier of choice for both paper and polypropylene bags for its customers. It is continuously exploring new markets for export of its PP bags and for use in packaging of various other products. We are confident that these measures will drive the sales of the company in the future.

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 BSW - Windmoller & Holscher for their cooperation and support to the company.

On behalf of the Board of Directors



Akbarali Pesnani
Chairman

Karachi: April 25, 2016

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condensed interim balance sheet
as at March 31, 2016

	Note	March 31, 2016 (Unaudited)	June 30, 2015 (Audited)
----- (Rupees ` 000) -----			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	1,382,495	1,382,840
Intangible assets		4,088	4,775
		1,386,583	1,387,615
Long-term investments	6	462,521	369,300
Long-term deposits		8,916	8,916
		1,858,020	1,765,831
CURRENT ASSETS			
Stores, spare parts and loose tools		65,618	64,857
Stock-in-trade		946,612	896,013
Trade debts		1,020,746	819,895
Loans and advances		12,031	5,197
Trade deposits and short-term prepayments		13,815	6,230
Other receivables		37,173	28,733
Short-term investments	7	101,636	-
Taxation - net		105,197	345,049
Cash and bank balances		11,103	10,484
		2,313,931	2,176,458
TOTAL ASSETS		4,171,951	3,942,289
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up capital (Fully paid ordinary shares of Rs. 10/- each)	8	296,055	275,400
Reserves		2,738,724	1,923,565
		3,034,779	2,198,965
NON-CURRENT LIABILITIES			
Long-term financing	9	370,000	660,000
Deferred taxation		190,090	156,728
		560,090	816,728
CURRENT LIABILITIES			
Trade and other payables		365,025	225,905
Accrued mark-up		8,120	32,798
Short-term borrowings - secured		98,277	545,211
Current maturity of long-term financing		100,000	120,000
Unclaimed dividend		5,660	2,682
		577,082	926,596
CONTINGENCIES AND COMMITMENTS	10		
TOTAL EQUITY AND LIABILITIES		4,171,951	3,942,289

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


Amer Faruque
Chief Executive


Aslam Faruque
Director

CHERAT PACKAGING
LIMITED 04

condensed interim profit and loss account (unaudited)
for the period ended March 31, 2016

Note	Period ended		Quarter ended	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
----- (Rupees `000) -----				
Turnover - net	5,200,520	4,512,245	1,808,469	1,490,992
Cost of sales	(4,011,488)	(3,647,637)	(1,389,044)	(1,173,215)
Gross profit	1,189,032	864,608	419,425	317,777
Distribution costs	(58,044)	(52,743)	(23,264)	(18,628)
Administrative expenses	(35,460)	(30,634)	(11,245)	(10,455)
Other expenses	(75,345)	(40,686)	(26,979)	(16,435)
	(168,849)	(124,063)	(61,488)	(45,518)
Other income	25,613	5,114	9,265	2,080
Operating profit	1,045,796	745,659	367,202	274,339
Finance costs	(61,861)	(177,449)	(12,725)	(53,813)
Profit after taxation	983,935	568,210	354,477	220,526
Taxation				
Current	(259,638)	(2,195)	(110,681)	27,962
Deferred	(33,362)	(140,982)	782	(83,724)
	(293,000)	(143,177)	(109,899)	(55,762)
Profit after taxation	690,935	425,033	244,578	164,764
Earnings per share - basic and diluted	11			
	Rs. 23.87	(Restated) Rs. 14.93	Rs. 8.45	(Restated) Rs. 5.79

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


Amer Faruque
Chief Executive


Aslam Faruque
Director

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condensed interim statement of comprehensive income (unaudited)
for the period ended March 31, 2016

	Period ended		Quarter ended	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
	----- (Rupees `000) -----			
Profit after taxation	690,935	425,033	244,578	164,764
Items that may be reclassified subsequently to profit and loss account:				
Unrealized gain / (loss) on available-for-sale securities	88,601	175,249	75,235	(254)
Total comprehensive income for the period	<u>779,536</u>	<u>600,282</u>	<u>319,813</u>	<u>164,510</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

CHERAT PACKAGING
LIMITED 06

condensed interim cash flow statement (unaudited)
for the period ended March 31, 2016

	March 31, 2016	March 31, 2015
	----- (Rupees `000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	983,935	568,210
Adjustments for:		
Depreciation	79,725	68,731
Amortization	687	687
Gain on disposal of property, plant and equipment	(10)	(648)
Gain on short-term investments	(3,864)	-
Finance costs	61,861	177,449
Dividend income	(16,973)	(487)
	121,426	245,732
Increase in current assets	1,105,361	813,942
Stores, spare parts and loose tools	(761)	(4,629)
Stock-in-trade	(50,599)	38,275
Trade debts	(200,851)	(130,988)
Loans and advances	(6,834)	(1,033)
Trade deposits and short-term prepayments	(7,585)	2,549
Other receivables	(8,440)	43,773
	(275,070)	(52,053)
Increase / (decrease) in current liabilities	830,291	761,889
Trade and other payables	139,120	(18,785)
Cash generated from operations	969,411	743,104
Income tax paid	(19,786)	(33,261)
Net cash generated from operating activities	949,625	709,843
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(30,049)	(17,031)
Capital work-in-progress	(50,177)	12
Proceeds from disposal of property, plant and equipment	856	1,351
Long-term investments	(4,620)	(100,000)
Short-term investments-net	(97,772)	-
Dividend received	16,973	487
Long-term loans	-	63
Net cash used in investing activities	(164,789)	(115,118)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceed from issuance of right shares - net	282,795	-
Long-term financing	(310,000)	(80,000)
Short-term borrowings	(446,934)	(211,236)
Dividend paid	(223,539)	(105,695)
Finance costs paid	(86,539)	(201,803)
Net cash used in financing activities	(784,217)	(598,734)
Net increase / (decrease) in cash and cash equivalents	619	(4,009)
Cash and cash equivalents at the beginning of the period	10,484	18,491
Cash and cash equivalents at the end of the period	11,103	14,482

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


Amer Faruque
Chief Executive


Aslam Faruque
Director

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condensed interim statement of changes in equity (unaudited)
for the period ended March 31, 2016

	Reserves						Total	
	Capital Reserves	Revenue Reserves				Total reserves		
	Share premium	General Reserve	Unappropriated profit	Actuarial gain on gratuity fund	Unrealised gain on available-for-sale securities			
(Rupees ` 000)								
Balance as at July 01, 2014	275,400	283,174	180,000	633,357	1,477	11,834	1,109,842	1,385,242
Net profit for the period	-	-	-	425,033	-	-	425,033	425,033
Other comprehensive income	-	-	-	-	-	175,249	175,249	175,249
Total comprehensive income for the period	-	-	-	425,033	-	175,249	600,282	600,282
Cash dividend for the year ended June 30, 2014 @ Rs. 2 per share	-	-	-	(55,080)	-	-	(55,080)	(55,080)
Interim cash dividend for the year ending June 30, 2015 @ Re. 1 per share	-	-	-	(55,080)	-	-	(55,080)	(55,080)
Balance as at March 31, 2015	275,400	283,174	180,000	948,230	1,477	187,083	1,599,964	1,875,364
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
Net profit for the period	-	-	-	690,935	-	-	690,935	690,935
Other comprehensive income	-	-	-	-	-	88,601	88,601	88,601
Total comprehensive income for the period	-	-	-	690,935	-	88,601	779,536	779,536
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 ending 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)
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

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


Amer Faruque
Chief Executive


Aslam Faruque
Director

**CHERAT PACKAGING
LIMITED 08**

notes to the condensed interim financial statements (unaudited) for the period ended March 31, 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 period ended March 31, 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, 2015.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those of the previous financial year except as follows:

The Company has adopted the following standards which became effective during the period:

- IFRS 10 - Consolidated Financial Statements
- IFRS 11 - Joint Arrangements
- IFRS 12 - Disclosure of Interests in Other Entities
- IFRS 13 - Fair Value Measurement

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

4.1 Change in accounting estimate

During the period, the Company has reviewed the useful economic life of plant and machinery and as a result the rate of depreciation of Polypropylene plant and machinery has been changed from 5% to 7.5% per annum with effect from July 01, 2015. The revision was accounted for prospectively as a change in accounting estimate.

Had the estimate not been made, the depreciation charge for the period would have been lower by Rs. 15.82 million and the carrying value of the fixed assets and profit before tax would have been higher by the same amount.

5. PROPERTY, PLANT AND EQUIPMENT

Existing lines

	Note	March 31, 2016 (Unaudited)	June 30, 2015 (Audited)
----- (Rupees `000) -----			
Opening written down value (WDV)		1,382,663	1,454,148
Additions during the period / year	5.1	30,049	21,368
		1,412,712	1,475,516
Disposals during the period / year (WDV) - vehicles		(846)	(813)
Depreciation charged during the period / year		(79,725)	(92,040)
		1,332,141	1,382,663
Capital work-in-progress	5.2	5,263	177
		1,337,404	1,382,840
New line			
Capital work-in-progress	5.3	45,091	-
		1,382,495	1,382,840

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	Note	March 31, 2016 (Unaudited)	June 30, 2015 (Audited)
----- (Rupees `000) -----			
5.1 Additions during the period / year - Existing Lines			
Leasehold land		19,318	-
Building on leasehold land		-	2,102
Plant and machinery		2,100	5,588
Furniture and fittings		536	916
Vehicles		6,722	11,280
Equipment		1,088	502
Computers		285	980
		<u>30,049</u>	<u>21,368</u>
5.2 Capital work-in-progress - Existing Lines			
Building on leasehold land		2,085	-
Power and other installations		177	177
Motor vehicles		3,001	-
		<u>5,263</u>	<u>177</u>
5.3 Capital work-in-progress - New Line			
Building on leasehold land		39,831	-
Power and other installations		4,506	-
Factory equipment		754	-
		<u>45,091</u>	<u>-</u>
6. LONG-TERM INVESTMENT			
Investment in related parties			
Available-for-sale - Cherat Cement Co. Limited	6.1	457,901	369,300
Joint Venture - UniEnergy Limited	6.2	4,620	-
		<u>462,521</u>	<u>369,300</u>
6.1 Available-for-sale - Cherat Cement Co. Limited			
4,243,362 (June 30, 2015: 4,243,362)			
Ordinary shares of Rs. 10/- each			
		<u>457,901</u>	<u>369,300</u>
6.2 Joint Venture - UniEnergy Limited			

During the year, the Company invested Rs. 4.62 million to acquire 462,000 shares having face value of Rs. 10/- each representing shareholding of 4.62 % (June 30, 2015: Nil). UniEnergy has not yet started commercial operations.

	March 31, 2016 (Unaudited)	June 30, 2015 (Audited)
----- (Rupees `000) -----		
7. SHORT-TERM INVESTEMENTS		
At fair value through profit or loss		
- Mutual Fund Units	101,636	-

8. SHARE CAPITAL

8.1 Authorised capital

March 31, 2016 (Unaudited)	June 30, 2015 (Audited)		March 31, 2016 (Unaudited)	June 30, 2015 (Audited)
----- Number of shares -----			----- (Rupees `000) -----	
40,000,000	40,000,000	Ordinary shares of Rs. 10/- each	400,000	400,000

8.2 Issued, subscribed and paid-up capital

March 31, 2016 (Unaudited)	June 30, 2015 (Audited)		March 31, 2016 (Unaudited)	June 30, 2015 (Audited)
----- Number of shares -----			----- (Rupees `000) -----	
20,145,000	20,145,000	Fully paid ordinary shares of Rs. 10/- each	201,450	201,450
7,395,000	7,395,000	Issued for consideration in cash	73,950	73,950
27,540,000	27,540,000	Issued as fully paid bonus shares	275,400	275,400
2,065,500	-	Balance at the beginning of the period	20,655	-
29,605,500	27,540,000	Right shares issued during the period	296,055	275,400

9. LONG-TERM FINANCINGS - secured

From banking companies

	Note	March 31, 2016 (Unaudited)	June 30, 2015 (Audited)
----- (Rupees `000) -----			
Long-term loans			
Term Loan-I	9.1	-	280,000
Term Loan-II -Tranche I		90,000	100,000
-Tranche II		180,000	200,000
Term Loan-III		200,000	200,000
		470,000	780,000
Less: Current maturity		(100,000)	(120,000)
		370,000	660,000

9.1 In view of better liquidity position, the Company made an early repayment of the entire outstanding amount of Term Loan-I besides the two semi-annual installments during the period.

10. CONTINGENCIES AND COMMITMENTS

Guarantees issued by a commercial bank	42,000	31,600
Contracts / letters of credit issued by commercial banks	889,352	653,474
Duties payable on bonded stock	20,565	19,137

11. EARNINGS PER SHARE - basic and diluted

	Period ended		Quarter ended	
	March 31, 2016 (Unaudited)	March 31, 2015 (Unaudited)	March 31, 2016 (Unaudited)	March 31, 2015 (Unaudited)
Profit after taxation (Rupees '000)	690,935	425,033	244,578	164,764
Weighted average number of ordinary shares in issue during the period	28,943,844	28,461,126	28,943,844	28,461,126
Earnings per share - basic	Rs. 23.87	Rs. 14.93	Rs. 8.45	Rs. 5.79

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

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:

	March 31, 2016 (Un-audited)			
	Level 1	Level 2	Level 3	Total
	----- (Rupees `000) -----			
Listed shares	457,901	-	-	457,901
Investment in joint venture	-	-	4,620	4,620
Mutual fund units	-	101,636	-	101,636
	<u>457,901</u>	<u>101,636</u>	<u>4,620</u>	<u>564,157</u>

	June 30, 2015 (Audited)			
	Level 1	Level 2	Level 3	Total
	----- (Rupees `000) -----			
Listed shares	369,300	-	-	369,300
Investment in joint venture	-	-	-	-
Mutual fund units	-	-	-	-
	<u>369,300</u>	<u>-</u>	<u>-</u>	<u>369,300</u>

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, 2016 (Unaudited)	March 31, 2015 (Unaudited)	March 31, 2016 (Unaudited)	March 31, 2015 (Unaudited)
----- (Rupees `000) -----					
Group companies	Sale of goods	386,355	425,674	136,324	141,195
	Purchase of goods	4,981	317	3,528	-
	Services received	21,751	20,017	7,660	5,962
	Software consultancy charges	5,508	4,779	1,836	1,593
	Dividend paid	59,676	28,988	23,443	14,494
	Dividend received	16,973	487	4,243	-
Executives	Remuneration	66,206	49,197	22,100	16,653
Other related parties	Contribution to staff provident and gratuity funds	4,081	4,499	1,370	1,190
	Insurance premium	5,627	5,437	1,998	1,786

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 25, 2016 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