



Cherat Packaging Limited
A Ghulam Faruque Group Company

**Tough and sturdy,
goes flexible.**

Half Yearly Accounts
December 31, 2018

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Company Information

Board of Directors

Mr. Akbarali Peshani	Chairman
Mr. Amer Faruque	Chief Executive
Mr. Aslam Faruque	Director
Mr. Shehryar Faruque	Director
Mr. Arif Faruque	Director
Mr. Abid Naqvi	Director
Mr. Ali H. Shirazi	Director
Mr. Abid Vazir	Director

Audit Committee

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

Human Resource and Remuneration Committee

Mr. Ali H. Shirazi	Chairman
Mr. Amer Faruque	Member
Mr. Aslam Faruque	Member

Chief Operating Officer & CFO

Mr. Yasir Masood

Director & Company Secretary

Mr. Abid Vazir

Head of Internal Audit

Mr. Amir Saleem

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
Industrial and Commercial Bank of China Ltd
MCB Bank Ltd
National Bank of Pakistan
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

Share Registrar

Central Depository Company
of Pakistan Limited (CDC)
CDC House, 99-B, Block 'B', S.M.C.H.S.,
Main Shahrahe-Faisal, Karachi-74400
Tel: 0800-23275

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Registered Office

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Tel: (+9291) 5842285, 5842272
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Head Office

Modern Motors House, Beaumont Road,
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Factory

Plot No. 26, Gadoon Amazai
Industrial Estate, District Swabi,
Khyber Pakhtunkhwa
Tel: (+92938) 270125, 270221
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Regional Office

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Fax: (+9242) 36286204

Islamabad Office

1st Floor, Razia Sharif Plaza,
Jinnah Avenue, Blue Area
Tel: (+9251) 2344531-33
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Directors' Review

The Board of Directors is pleased to present the un-audited financial results of the company, duly reviewed by the auditors, for the half year ended December 31, 2018.

Overview

Cherat Packaging has become the most diversified and leading packaging solution provider for its loyal customers in Pakistan. Operating in a challenging business environment with slowing consumer demand, the company has continued to provide quality packaging solutions to its customers. Besides producing and supplying conventional cement bags made from kraft paper and polypropylene granules, the company also supplied packaging material to sugar, chemicals and other allied sectors. During the period, there was an escalation in costs of key raw materials like kraft paper and PP granules together with devaluation of Pak rupee vis-à-vis US dollar and Euro.

During the second quarter of the year, the remaining portion of the flexible packaging plant was also commissioned. The company has received a good response from the market and has started receiving initial orders from various reputable customers. During the period, it incurred fixed costs, which usually happens with such projects. Given the emerging trends in the market and demand for innovative packaging solutions, the decision of the company to venture into the field of flexible packaging will allow it to tap new market segments and target fresh customers, which will enhance its revenues in the future.

Operating performance

During the half year under review, there was a 16% increase in the sales revenues of the company from the corresponding period last year. This was mainly due to adjustment in selling prices of bags necessitated by escalation in cost of input items like kraft paper and PP granules. Furthermore, devaluation of Pak rupee vis-à-vis US dollar and Euro also resulted in a major increase in cost of production. During the period, there was an increase in finance cost due to long term loans obtained for the new projects and enhanced working capital requirement along with rise in discount rates by State Bank of Pakistan. For the half year ended December 31, 2018 the company posted an after tax profit of Rs. 491 million.

Dividend

The Board of Directors in its meeting held on 14th February 2019 has declared an interim cash dividend of Rs. 2.50 per share i.e. 25%. Share transfer books will remain closed from March 5, 2019 to March 11, 2019.

Future Prospects

Amid challenging times, the company, as part of its strategic vision, has positioned itself to not only meet the demand for packaging materials from the cement sector but also from other industries including the FMCG sector through continuous investments in production capacities of both existing and new businesses. The entry into the flexible packaging business will enable the company to diversify into new market segments to further grow its business. The current slowdown in the economy has started having an impact on cement dispatches and consumer demand, which is affecting the sales of the company. Furthermore, devaluation of Pakistani Rupee and shortage of kraft paper worldwide remains an area of business challenge for the company, which it hopes to overcome through effective utilization of its resources and strategic alliances with its suppliers, especially Mondi Packaging.


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

On behalf of the Board of Directors



Akbarali Pesnani
Chairman



Amer Faruque
Chief Executive

Karachi: February 14, 2019

INDEPENDENT AUDITORS' REVIEW REPORT

to the members of Cherat Packaging Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Cherat Packaging Limited (the Company) as at 31 December 2018 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows, and condensed interim statement of changes in equity and notes to the financial statements for the six months period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the three months ended 31 December 2018 and 2017 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended 31 December 2018.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the audit resulting in this independent auditors' report is Tariq Feroz Khan.

E F Ford Rhodes

Chartered Accountants
Place: Karachi
Date: 14 February 2019

Condensed Interim Statement of Financial Position

As At December 31, 2018

	Note	December 31, 2018 (Unaudited)	June 30, 2018 (Audited)
(Rupees '000)			
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets			
Property, plant and equipment	4	5,092,663	4,782,451
Intangible assets	5	7,094	5,940
		5,099,757	4,788,391
Long-term investments	6	341,938	475,518
Long-term loans		213	250
Long-term security deposits		9,378	9,378
		5,451,286	5,273,537
CURRENT ASSETS			
Stores, spare parts and loose tools		247,675	172,085
Stock-in-trade		3,353,688	2,009,317
Trade debts		1,332,191	1,054,285
Loans and advances		14,534	19,888
Trade deposits and short-term prepayments		46,627	24,905
Other receivables		698,212	570,036
Taxation - net		288,945	235,983
Cash and bank balances		17,212	8,638
		5,999,084	4,095,137
TOTAL ASSETS		11,450,370	9,368,674
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	7	386,426	336,022
Reserves		4,319,371	4,179,983
		4,705,797	4,516,005
NON-CURRENT LIABILITIES			
Long-term financing - secured	8	2,815,000	2,735,000
Deferred taxation		321,380	262,929
		3,136,380	2,997,929
CURRENT LIABILITIES			
Trade and other payables		784,996	752,240
Accrued mark-up		132,680	72,715
Short-term borrowings - secured	9	2,551,732	936,625
Current maturity of long-term financing	8	130,000	85,000
Unclaimed dividend		8,785	8,160
		3,608,193	1,854,740
CONTINGENCIES AND COMMITMENTS	10		
TOTAL EQUITY AND LIABILITIES		11,450,370	9,368,674

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.



Amer Faruque
Chief Executive



Aslam Faruque
Director



Yasir Masood
Chief Financial Officer

Condensed Interim Statement of Profit or Loss (Unaudited)

For The Half-Year Ended December 31, 2018

Note	Half-year ended		Quarter ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	(Rupees '000)		(Rupees '000)	
Turnover – net	3,804,620	3,223,750	2,071,235	1,757,880
Cost of sales	(2,970,806)	(2,765,181)	(1,663,247)	(1,544,720)
Gross profit	833,814	458,569	407,988	213,160
Distribution costs	(51,609)	(51,105)	(32,376)	(28,493)
Administrative expenses	(48,378)	(36,796)	(26,018)	(19,747)
Other expenses	(33,890)	(21,291)	(11,379)	(7,448)
	(133,877)	(109,192)	(69,773)	(55,688)
Other income	24,224	21,059	21,895	1,638
Operating profit	724,161	370,436	360,110	159,110
Finance costs	11 (177,301)	(53,044)	(110,615)	(30,072)
Profit before taxation	546,860	317,392	249,495	129,038
Taxation				
Current	12 -	(1,973)	-	35,761
Prior year	2,974	5,040	2,974	5,040
Deferred	(58,451)	(2,384)	13,094	(8,792)
	(55,477)	683	16,068	32,009
Net profit for the period	491,383	318,075	265,563	161,047
		(Restated)		(Restated)
Earnings per share – basic and diluted	13 Rs. 12.72	Rs. 8.67	Rs. 6.87	Rs. 4.39

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.



Amer Faruque
Chief Executive



Aslam Faruque
Director



Yasir Masood
Chief Financial Officer

Condensed Interim Statement of Comprehensive Income (Unaudited)

For The Half-Year Ended December 31, 2018

	Half-year ended		Quarter ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	(Rupees '000)		(Rupees '000)	
Net profit for the period	491,383	318,075	265,563	161,047
Other comprehensive income that may not be reclassified subsequently to the statement of profit or loss:				
Unrealized loss on equity investments measured at fair value through other comprehensive income	(133,580)	(328,719)	(52,793)	(43,930)
Total comprehensive income for the period	<u>357,803</u>	<u>(10,644)</u>	<u>212,770</u>	<u>117,117</u>

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.



Amer Faruque
Chief Executive



Aslam Faruque
Director



Yasir Masood
Chief Financial Officer

Condensed Interim Statement of Cash Flows (Unaudited)

For The Half-Year Ended December 31, 2018

	December 31, 2018	December 31, 2017
	(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	546,860	317,392
Adjustments for:		
Depreciation	132,135	86,224
Amortization	696	681
Gain on disposal of operating property plant and equipment	(262)	(167)
Dividend Income	(19,373)	(16,952)
Finance costs	177,301	53,044
	<u>290,497</u>	<u>122,830</u>
	837,357	440,222
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(75,590)	(21,063)
Stock-in-trade	(1,344,371)	(217,160)
Trade debts	(277,906)	(122,968)
Loans and advances	5,354	271
Trade deposits and short-term prepayments	(21,722)	2,775
Other receivables	(128,176)	(144,628)
	<u>(1,842,411)</u>	<u>(502,773)</u>
Increase / (decrease) in current liabilities:		
Trade and other payables	32,756	(6,406)
Cash used in operations	<u>(972,298)</u>	<u>(68,957)</u>
Income tax paid	(49,988)	(148,274)
Long-term loans, advances and deposits	37	(413)
Net cash used in operating activities	<u>(1,022,249)</u>	<u>(217,644)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(442,574)	(1,005,915)
Additions to intangible assets	(1,850)	-
Proceeds from disposal of operating property, plant and equipment	489	453
Dividend received	19,373	16,952
Net cash used in investing activities	<u>(424,562)</u>	<u>(988,510)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term financing - net	125,000	580,000
Short-term borrowings - net	1,615,107	371,040
Proceeds from issuance of right shares - net	-	493,281
Finance costs paid	(117,336)	(30,368)
Dividend paid	(167,386)	(206,102)
Net cash generated from financing activities	<u>1,455,385</u>	<u>1,207,851</u>
Net increase in cash and cash equivalents	8,574	1,697
Cash and cash equivalents at the beginning of the period	8,638	15,428
Cash and cash equivalents at the end of the period	<u>17,212</u>	<u>17,125</u>

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.



Amer Faruque
Chief Executive



Aslam Faruque
Director



Yasir Masood
Chief Financial Officer

Condensed Interim Statement of Changes in Equity (Unaudited)

For The Half-Year Ended December 31, 2018

	Issued, Subscribed and Paid-up Capital	Reserves						TOTAL
		Capital Reserve	Revenue Reserves					
			Share premium	General reserve	Unap- propriated profit	Actuarial gain on gratuity fund	Unrealized gain / (loss) on Equity Investment	
(Rupees '000)								
Balance as at July 01, 2017	296,055	545,314	180,000	2,287,125	43,036	665,347	3,720,822	4,016,877
Final Cash dividend for the year ended June 30, 2017 @ Rs. 7 per share	-	-	-	(207,240)	-	-	(207,240)	(207,240)
Issuance of right shares @ 13.5% (i.e. 13.5 shares for every 100 shares held)	39,967	459,625	-	-	-	-	459,625	499,592
Share issuance cost	-	(6,311)	-	-	-	-	(6,311)	(6,311)
Net Profit for the period	-	-	-	318,075	-	-	318,075	318,075
Other comprehensive income	-	-	-	-	-	(328,719)	(328,719)	(328,719)
Total comprehensive income	-	-	-	318,075	-	(328,719)	(10,644)	(10,644)
Balance as at December 31, 2017	<u>336,022</u>	<u>998,628</u>	<u>180,000</u>	<u>2,397,960</u>	<u>43,036</u>	<u>336,628</u>	<u>3,956,252</u>	<u>4,292,274</u>
Balance as at July 01, 2018	336,022	998,628	180,000	2,723,760	7,224	270,371	4,179,983	4,516,005
Final Cash dividend for the year ended June 30, 2018 @ Rs. 5 per share	-	-	-	(168,011)	-	-	(168,011)	(168,011)
Bonus shares issue in the ratio of 15 shares for every 100 shares held	50,404	-	-	(50,404)	-	-	(50,404)	-
Net Profit for the period	-	-	-	491,383	-	-	491,383	491,383
Other comprehensive income	-	-	-	-	-	(133,580)	(133,580)	(133,580)
Total comprehensive income	-	-	-	491,383	-	(133,580)	357,803	357,803
Balance as at December 31, 2018	<u>386,426</u>	<u>998,628</u>	<u>180,000</u>	<u>2,996,728</u>	<u>7,224</u>	<u>136,791</u>	<u>4,319,371</u>	<u>4,705,797</u>

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.



Amer Faruque
Chief Executive



Aslam Faruque
Director



Yasir Masood
Chief Financial Officer

Notes to The Condensed Interim Financial Statements (Unaudited)

For The Half-Year Ended December 31, 2018

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 activities are manufacturing, marketing and sale of paper sacks, polypropylene bags and flexible packaging material. 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 have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 These condensed interim financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2018. These condensed interim financial statements are unaudited, however, have been subject to limited scope review by the auditors and are being submitted to the shareholders as required by the listing regulation of Pakistan Stock Exchange Limited and Section 237 of the Companies Act, 2017.

2.3 The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarters ended December 31, 2018 and December 31, 2017 and notes forming part thereof have not been reviewed by the auditors of the Company, as they have reviewed the cumulative figures for the half years ended December 31, 2018 and December 31, 2017.

3. ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended June 30, 2018, except for the adoption of IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial Instruments". The revised

accounting policy adopted by the management are as follows:

IFRS 15 Revenue from Contracts with Customers

According to IFRS 15, revenue is recognized to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Revenue is recognized when, or as, the customer obtains control of the goods or services. IFRS 15 also includes guidance on the presentation of contract balances, that is, assets and liabilities arising from contracts with customers, depending on the relationship between the entity's performance and the customer's payment. IFRS 15 supersedes IAS 11, Construction Contracts and IAS 18, Revenue as well as related interpretations.

The Company has assessed that significant performance obligation in contracts with customers are closely related to the delivery of goods and therefore are discharged over the period of the relationship with relevant customers. Hence, the Company has concluded that it is in compliance with the requirements of the new accounting standard.

IFRS 9 Financial Instruments

IFRS 9 'Financial Instruments' has replaced IAS 39 'Financial Instruments: Recognition and Measurement' for annual periods beginning on or after 1 July 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Company has applied IFRS 9 retrospectively, with effect from earliest presented financial statements. IFRS 9 became applicable from 1 July 2018 as notified by the Securities and Exchange Commission of Pakistan (SECP).

The Company's financial assets mainly include trade debts, loans and advances, long-term loans, investment in equity instruments, other ancillary deposits/receivables and bank balances held with commercial banks.

The adoption of IFRS 9 has changed the accounting for impairment losses for financial assets by replacing the incurred losses model approach with a forward looking Expected Credit Loss (ECL) approach. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

Considering the nature of the financial assets, the Company has applied the standard's simplified approach and has calculated ECL based on lifetime ECL. For this purpose, the management has conducted an exercise to assess the impairment of its financial assets using historical data and forward looking information. Based on such exercise, the Company has concluded that it is in compliance with the requirements of the new accounting standard and that the Company has adequate amount of provision against ECL therefore, no further adjustment is required in these condensed interim financial statements.

	Note	December 31, 2018 (Unaudited)	June 30, 2018 (Audited)
(Rupees '000)			
4. PROPERTY, PLANT AND EQUIPMENT			
Opening net book value		3,540,801	1,777,012
Additions during the period / year (cost)	4.1	1,400,150	1,956,098
		<u>4,940,951</u>	<u>3,733,110</u>
Disposals during the period / year		(227)	(1,402)
Depreciation charged during the period / year		<u>(132,135)</u>	<u>(190,907)</u>
		4,808,589	3,540,801
Capital work-in-progress	4.2	284,074	1,241,650
		<u>5,092,663</u>	<u>4,782,451</u>

4.1. Additions during the period / year

Building on leasehold land	524,882	336,800
Plant and machinery	684,117	1,455,557
Power and other installations	24,208	92,879
Furniture and fittings	4,882	6,947
Vehicles	37,961	29,175
Equipment	109,232	29,646
Computers	14,868	5,094
	<u>1,400,150</u>	<u>1,956,098</u>

4.2. Capital work-in-progress

Building on leasehold land	71,551	320,857
Plant and machinery	32,052	751,957
Power and other installations	2,488	22,746
Furniture & fittings	2,319	832
Vehicles	12,126	3,070
Equipment	162,407	142,188
Computers	1,131	-
	<u>284,074</u>	<u>1,241,650</u>

5. INTANGIBLE ASSET

Opening net book value	5,940	7,301
Additions during the period / year (cost)	1,850	-
	<u>7,790</u>	<u>7,301</u>
Amortization charged during the period / year	(696)	(1,361)
	<u>7,094</u>	<u>5,940</u>

6. LONG-TERM INVESTMENTS

Investment in related parties

At fair value through other comprehensive income

Cherat Cement Co. Limited

4,843,362 (June 30, 2018: 4,843,362)

Ordinary shares of Rs. 10/- each

337,340 470,920

Joint venture

UniEnergy Limited

4,598 4,598

341,938 475,518

7. SHARE CAPITAL

7.1 Authorized Capital

December 31, 2018 (Unaudited)	June 30, 2018 (Audited)		December 31, 2018 (Unaudited)	June 30, 2018 (Audited)
Number of shares			(Rupees '000)	
100,000,000	40,000,000	Ordinary shares of Rs. 10/- each	1,000,000	400,000

7.2 Issued, subscribed and paid-up capital

December 31, 2018 (Unaudited)	June 30, 2018 (Audited)			
Number of shares				
		Fully paid ordinary shares of Rs. 10/- each		
26,207,242	22,210,500	- Issued fully paid in cash	262,072	222,105
7,395,000	7,395,000	- Issued as fully paid bonus shares	73,950	73,950
33,602,242	29,605,500		336,022	296,055
		- Right shares issued during the period / year	-	39,967
-	3,996,742	- Bonus shares issued during the period / year	50,404	-
5,040,336	-		386,426	336,022
38,642,578	33,602,242			

8. LONG-TERM FINANCING – secured

Islamic banks

Fixed Assets Refinance Loan – I	450,000	450,000
Fixed Assets Refinance Loan – II	600,000	600,000
	1,050,000	1,050,000

Conventional banks

Fixed Assets Refinance Loan – III	100,000	120,000
Fixed Assets Refinance Loan – IV	1,195,000	1,050,000
Fixed Assets Refinance Loan – V	600,000	600,000
	1,895,000	1,770,000
	2,945,000	2,820,000
Less: Current maturity	(130,000)	(85,000)
	2,815,000	2,735,000

9. SHORT-TERM BORROWINGS – secured

The Company has facilities obtained from various conventional and Islamic banks amounting to Rs. 4,350 million (June 30, 2018: Rs. 4,350 million) out of which Rs. 1,798.27 million (June 30, 2018: Rs. 3,413.38 million) remains unutilized at the period end.

10. CONTINGENCIES AND COMMITMENTS

10.1. Contingencies

There are no material changes in the status of contingencies as reported in the annual financial statements for the year ended June 30, 2018.

	Note	December 31, 2018 (Unaudited)	June 30, 2018 (Audited)
		(Rupees '000)	
10.2. Commitments			
Outstanding letters of guarantee – conventional banks		125,680	141,186
Outstanding letters of credit – conventional banks		888,953	904,422
Capital commitments	10.3	55,827	142,923

10.3. Includes capital commitment of Rs. 34.42 million (June 30, 2018: Rs. 96.31 million) extended to Greaves Airconditioning (Pvt.) Ltd., a related party, against installation of fire-fighting equipment at factory.

10.4. Khyber Pakhtunkhwa Economic Zones Development and Management Company (KPEZDMC) was established in KPK with an aim to develop and manage industrial zones in KPK. The KPEZDMC offered various incentives on development projects within KPK from the financial year 2016 to December 2019. The Company has applied for the incentive against its Polypropylene line and other expansions up till June 30, 2017. The total amount of incentive claimed is Rs. 147.94 million. This case is now in final stage of approval. The amount is expected to be disbursed in two phases by the KPEZDMC. The management of the Company is confident that the said amount will be realized within the current financial year, however, as a matter of prudence, no income has yet been recorded in these condensed interim financial statements.

11. FINANCE COSTS

Includes mark-up on long-term financings amounting to Rs. 99.21 million (December 31, 2017: Rs. 26.65 million), and mark-up on short-term borrowings amounting to Rs. 78.09 million (December 31, 2017: Rs. 26.39 million).

12. TAXATION

Provision for current taxation is based on Alternate Corporate Tax (ACT) at the current rates of taxation after taking into account tax credits. Income subject to final tax has been taxed accordingly.

13. EARNINGS PER SHARE – basic and diluted

	Half-year ended		Quarter ended	
	December 31, 2018 (Unaudited)	December 31, 2017 (Unaudited)	December 31, 2018 (Unaudited)	December 31, 2017 (Unaudited)
Net Profit for the period (Rupees '000)	491,383	318,075	265,563	161,047
Weighted average number of ordinary shares in issue during the period	38,642,578	36,707,971	38,642,578	36,707,971
Basic earnings per share	Rs. 12.72	Rs. 8.67	Rs. 6.87	Rs. 4.39

14. FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES

These condensed interim financial statements do not include all financial risk management information and disclosures which are required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2018. There have been no changes in any risk management policies since the year end.

The carrying value of all financial and non-financial assets and liabilities measured at other than amortised cost in these condensed interim financial statements approximate their fair values.

15. SEGMENT REPORTING

Segment information is presented in respect of the Company's business. The primary format and business segment is based on the Company's management reporting structure.

Type of Segments

Bags manufacturing division
Flexible packaging division

Nature of business

Kraft paper and polypropylene bags manufacturing
Extrusion, Flexo Graphic and Rotogravure printing

15.1. Segment analysis and reconciliation for the half-year ended December 31, 2018

	Bags manufacturing division Half-year ended		Flexible packaging division Half-year ended		Total Half-year ended	
	December 31, 2018 (Unaudited)	December 31, 2017 (Unaudited)	December 31, 2018 (Unaudited)	December 31, 2017 (Unaudited)	December 31, 2018 (Unaudited)	December 31, 2017 (Unaudited)
	(Rupees '000)					
Sales						
External sales	3,747,264	3,223,750	57,356	-	3,804,620	3,223,750
Inter-segment sales	-	-	-	-	-	-
Total revenue	3,747,264	3,223,750	57,356	-	3,804,620	3,223,750
Depreciation and amortization	96,035	86,905	36,796	-	132,831	86,905
Finance costs	42,597	-	59,219	-	101,817	-
Operating profit / (loss) before tax and before unallocated expenses	795,714	370,668	(163,704)	-	632,010	370,668
Unallocated corporate expenses						
Finance cost	-	-	-	-	(75,484)	(53,044)
Other expenses	-	-	-	-	(33,890)	(21,291)
Other income	-	-	-	-	24,224	21,059
Taxation	-	-	-	-	(55,477)	683
Net profit for the period	-	-	-	-	491,383	318,075

15.2. Segment analysis and reconciliation for the quarter ended December 31, 2018.

	Bags manufacturing division Quarter ended		Flexible packaging division Quarter ended		Total Quarter ended	
	December 31, 2018 (Unaudited)	December 31, 2017 (Unaudited)	December 31, 2018 (Unaudited)	December 31, 2017 (Unaudited)	December 31, 2018 (Unaudited)	December 31, 2017 (Unaudited)
	(Rupees '000)					
Sales						
External sales	2,021,575	1,757,880	49,660	-	2,071,235	1,757,880
Inter-segment sales	-	-	-	-	-	-
Total revenue	2,021,575	1,757,880	49,660	-	2,071,235	1,757,880
Depreciation and amortization	48,521	50,353	26,884	-	75,405	50,353
Finance costs	21,352	-	35,484	-	56,836	-
Operating profit / (loss) before tax and before unallocated expenses	422,153	164,920	(129,395)	-	292,758	164,920
Unallocated corporate expenses						
Finance cost	-	-	-	-	(53,779)	(30,072)
Other expenses	-	-	-	-	(11,379)	(7,448)
Other income	-	-	-	-	21,895	1,638
Taxation	-	-	-	-	16,068	32,009
Net profit for the period	-	-	-	-	265,563	161,047

15.3. Reportable Segment Assets and Liabilities

	Bags manufacturing division		Flexible packaging division		Total	
	December 31, 2018 (Unaudited)	June 30, 2018 (Audited)	December 31, 2018 (Unaudited)	June 30, 2018 (Audited)	December 31, 2018 (Unaudited)	June 30, 2018 (Audited)
	(Rupees '000)					
Segment assets	6,519,828	5,240,753	3,111,947	1,377,636	9,631,775	6,618,389
Unallocated assets	-	-	-	-	1,818,595	2,750,285
Total assets	6,519,828	5,240,753	3,111,947	1,377,636	11,450,370	9,368,674
Segment liabilities	1,795,000	1,170,000	1,150,000	1,650,000	2,945,000	2,820,000
Unallocated liabilities	-	-	-	-	3,799,573	2,032,669
Total liabilities	1,795,000	1,170,000	1,150,000	1,650,000	6,744,573	4,852,669

15.3.1. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Certain assets and liabilities of the Company cannot be allocated to a specific segment. Accordingly, these amounts have been classified as unallocated.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

16. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associates, 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	Half-year ended		Quarter Ended	
		December 31, 2018 (Unaudited)	December 31, 2017 (Unaudited)	December 31, 2018 (Unaudited)	December 31, 2017 (Unaudited)
		(Rupees '000)		(Rupees '000)	
Associate companies	Purchase of goods	10,944	27,065	3,196	22,472
	Purchase of fixed assets	112,851	-	88,248	-
	Sale of goods	669,843	497,531	356,189	270,401
	Services received	28,715	16,333	15,834	6,055
	IT support charges	6,710	5,532	3,551	2,766
	Dividend received	19,373	16,952	19,373	-
	Dividend paid	46,344	56,588	46,344	-
	Stock dividend	13,903	-	13,903	-
	Issuance of shares	-	167,611	-	167,611
Key management personnel	Remuneration	76,977	45,949	38,011	23,253
Other related parties	Contribution to provident and gratuity funds	5,349	3,899	2,425	2,034
	Services received	1,811	3,177	938	3,177

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

17. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on February 14, 2019 by the Board of Directors of the Company.

18. DIVIDEND AND APPROPRIATIONS

Subsequent to the half-year ended December 31, 2018, the Board of Directors in its meeting held on February 14, 2019, declared an interim cash dividend of 25% i.e. Rs. 2.5 (December 31, 2017: Rs. 2.00) per share

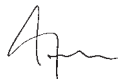
19. GENERAL

19.1. Key management personnel remuneration corresponding figure in related party transactions note has been revised in line with the new definition of executives in the Companies Act, 2017.

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



Amer Faruque
Chief Executive



Aslam Faruque
Director



Yasir Masood
Chief Financial Officer



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