



Cherat Packaging Limited

A Ghulam Faruque Group Company

**building on
our legacy**

**Half-Yearly Accounts
December 31, 2020**

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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. Ali H. Shirazi	Director
Mr. Abid Vazir	Director
Mr. Sher Afzal Khan Mazari	Director
Ms. Maleeha Humayun Bangash	Director

Audit Committee

Mr. Ali H. Shirazi	Chairman
Mr. Arif Faruque	Member
Mr. Shehryar Faruque	Member

Human Resource and Remuneration Committee

Mr. Sher Afzal Khan Mazari	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. Aamir 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

Non-Banking Financial Institution

Pakistan Kuwait Investment Co. (Pvt) 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
MCB Islamic Bank Ltd
Meezan Bank Ltd

Share Registrar

CDC Share Registrar Services Ltd
CDC House, 99-B, Block 'B', S.M.C.H.S.,
Main Shahrah-e-Faisal, Karachi-74400
Tel: 0800-23275 UAN: 111-111-500
Email: info@cdcsrsl.com

Contact Us:

UAN: 111-000-009
Email: info@gfg.com.pk
Web: www.gfg.com.pk



Registered Office

1st Floor, Betani Arcade,
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Tel: (+9291) 5842285, 5842272
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Head Office

Modern Motors House, Beaumont Road,
Karachi-75530
Tel: (+9221) 35683566-67, 35688348, 35689538
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Factory

Plot No. 26, Gadoon Amazai
Industrial Estate, District Swabi,
Khyber Pakhtunkhwa
Tel: (+92938) 270125, 270221
Fax: (+92938) 270126

Regional Offices

Lahore

3, Sundar Das Road
Tel: (+9242) 36286249-50, 36308259
Fax: (+9242) 36286204

Islamabad

1st Floor, Razia Sharif Plaza,
Jinnah Avenue, Blue Area
Tel: (+9251) 2344531-33
Fax: (+9251) 2344534, 2344550

Directors' Review

The Board of Directors is pleased to present the financial results of the Company, duly reviewed by the auditors, for the half year ended December 31, 2020.

Overview

Rising demand for cement in the country has resulted in an increase in the quantity of bags sold by the Company during the half year under review. During the period under review, the Company supplied bags to almost all cement plants in Pakistan. Additionally, following its diversification into flexible packaging business, the Company also supplied packaging material to well-known customers in the FMCG sector. The Company's foray into flexible packaging business in 2018 has enabled it to reach out to new customers and provides it with a platform for future growth.

Operating performance

There has been a 6% increase in the sales revenues of the Company compared to the corresponding period last year. Higher sales volumes have resulted in enhanced revenues for the Company. Despite increase in cost of various input items, the Company efficiently managed its cost of production. During the period, there was increase in other expenses on account of provision of WPPF and WWF due to higher profitability. The decline in finance cost is due to reduction in discount rates and low-cost wage financing facility availed by the Company. For the half year ended December 31, 2020 the Company posted an after-tax profit of Rs. 353.68 million.

Dividend

The Board of Directors in its meeting held on 11th February 2021 has declared an interim cash dividend of Re. 1.00 per share i.e. 10%. Share transfer books will remain closed from March 2, 2021 to March 8, 2021.

Expansion of Polypropylene Plant

The Company has decided to enhance the production capacity of the Polypropylene Division by installing its fourth line at the existing site in Gadoon Amazai, Khyber Pakhtunkhwa Province. The plant will be acquired from M/s. Windmoller & Holscher – the leading supplier of such equipment. It would be the fastest and the most efficient equipment of its kind and will have a production capacity of approximately 65 million bags per annum, which will take the total production capacity of the Polypropylene Division to 260 million bags per annum. The total cost of the project is estimated at Rs. 1.10 billion and it is expected to be commissioned by December 31, 2021. The project will principally be financed through a long-term loan. In a period of rising demand for cement packaging, the Company is confident of gaining further market share and also achieving greater economies of scale, which will add further value to the operations.

Furthermore, work on installation of 1 MW solar panels at the plant is also in progress, which should to some extent help in mitigating the risk of rising electricity costs.

Future Prospects

By virtue of its ongoing investments in enhancing production capacities of its existing businesses together with diversification into new areas like flexible packaging has enabled the Company to position itself well to not only meet the demand for packaging materials from the cement sector but also from other industries including the FMCG sector. This strategy has resulted in an alignment with its long-term objective of being a leading player in the field of packaging. The current situation arising out of COVID-19 presents a major challenge to all industries. The Company has taken appropriate measures including strict implementation of protocols on health and employee safety to ensure smooth business operations.

A sharp rise has been witnessed in international freights and major commodity prices like oil following the launch COVID-19 vaccines. This could have an adverse impact on the country's economy in the coming days. There has been a rise in international prices of kraft paper and polypropylene granules, which is an area of concern for the Company. Furthermore, increase in fuel prices has resulted in a surge in inland transportation costs. Subsequent to the period under review, the government has increased the power tariff, which will have a direct impact on production costs.

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, SABIC 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 11, 2021

Independent Auditor's Review Report

To the members of **Cherat Packaging Limited (the Company)**

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 2020** 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 condensed interim 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 fair presentation of these 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 2020 and 2019 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended 31 December 2020.

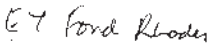
Scope of Review

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 accounting and reporting standards as applicable in Pakistan for interim financial reporting.

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



Chartered Accountants

Place: Karachi

Date: February 19, 2021

Condensed Interim Statement of Financial Position

As at December 31, 2020

	Note	December 31, 2020 (Unaudited)	June 30, 2020 (Audited)
(Rupees '000)			
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets			
Property, plant and equipment	4	5,032,404	5,096,317
Intangible assets		5,094	5,635
		5,037,498	5,101,952
Long-term investments	5	783,520	469,080
Long-term loans		63	100
Long-term security deposits		9,378	9,378
		5,830,459	5,580,510
CURRENT ASSETS			
Stores, spare parts and loose tools		331,769	322,853
Stock-in-trade		2,406,301	2,622,464
Trade debts		2,030,206	1,966,580
Loans and advances		5,106	776
Trade deposits and short-term prepayments		37,681	40,334
Other receivables		223,155	277,050
Taxation – net		447,175	335,142
Cash and bank balances		23,626	15,022
		5,505,019	5,580,221
TOTAL ASSETS		11,335,478	11,160,731
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
100,000,000 (June 30, 2020: 100,000,000)			
Ordinary shares of Rs. 10/- each		1,000,000	1,000,000
Share capital		425,069	425,069
Reserves		4,974,948	4,349,335
		5,400,017	4,774,404
NON-CURRENT LIABILITIES			
Long-term financing – secured	6	2,306,027	2,638,802
Deferred taxation		367,038	226,669
Government grant		6,399	9,566
		2,679,464	2,875,037
CURRENT LIABILITIES			
Trade and other payables		914,546	534,434
Accrued mark-up		98,515	178,365
Short-term borrowings – secured	7	1,688,084	2,630,780
Current maturity of long-term financing	6	537,004	154,600
Current portion of government grant		8,401	3,189
Unclaimed dividend		9,447	9,922
		3,255,997	3,511,290
CONTINGENCIES AND COMMITMENTS			
	8		
TOTAL EQUITY AND LIABILITIES		11,335,478	11,160,731

The annexed notes from 1 to 16 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, 2020

Note	Half-year ended		Quarter ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	(Rupees in '000)			
Turnover – net	5,293,372	4,974,620	2,770,425	2,598,058
Cost of sales	(4,430,252)	(4,356,924)	(2,291,641)	(2,282,103)
Gross profit	863,120	617,696	478,784	315,955
Distribution costs	(84,241)	(92,904)	(40,086)	(46,918)
Administrative expenses	(51,838)	(49,691)	(29,578)	(28,019)
Other expenses	(36,684)	(5,052)	(22,068)	(1,842)
	(172,763)	(147,647)	(91,732)	(76,779)
Other income	10,479	12,050	5,046	9,916
Operating profit	700,836	482,099	392,098	249,092
Finance costs	9 (205,619)	(426,321)	(88,847)	(223,693)
Profit before taxation	495,217	55,778	303,251	25,399
Taxation				
Current	10 (1,168)	(74,708)	(642)	(39,758)
Prior year	-	353	-	353
Deferred	(140,369)	57,663	(86,552)	30,703
	(141,537)	(16,692)	(87,194)	(8,702)
Net profit for the period	353,680	39,086	216,057	16,697
Earnings per share – basic and diluted	11 <u>Rs. 8.32</u>	<u>Re. 0.92</u>	<u>Rs. 5.08</u>	<u>Re. 0.39</u>

The annexed notes from 1 to 16 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, 2020

	Half-year ended		Quarter ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	(Rupees in '000)			
Net profit for the period	353,680	39,086	216,057	16,697
Other comprehensive income that may not be reclassified subsequently to the statement of profit or loss:				
Unrealized gain on re-measurement of equity investment at fair value through other comprehensive income	314,440	132,683	156,794	146,148
Total comprehensive income for the period	668,120	171,769	372,851	162,845

The annexed notes from 1 to 16 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, 2020

Note	December 31, 2020	December 31, 2019
(Rupees '000)		
CASH FLOWS FROM OPERATING ACTIVITIES		
	495,217	55,778
Profit before taxation		
Adjustments for:		
Depreciation	164,767	168,421
Amortization	541	793
Gain on disposal of operating property, plant and equipment	(1,756)	(718)
Dividend Income	-	(4,843)
Finance costs	205,619	426,321
	369,171	589,974
	864,388	645,752
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(8,916)	(18,115)
Stock-in-trade	216,163	74,515
Trade debts	(63,626)	(430,392)
Loans and advances	(4,330)	(10,803)
Trade deposits and short-term prepayments	2,653	22,794
Other receivables	53,895	34,371
	195,839	(327,630)
Increase in current liabilities:		
Trade and other payables	380,112	64,155
Cash generated from operations	1,440,339	382,277
Income tax paid	(113,201)	(54,401)
Long-term loans and security deposits - net	37	1,837
Net cash generated from operating activities	1,327,175	329,713
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(103,069)	(128,712)
Additions to intangible assets	-	(689)
Proceeds from disposal of operating property, plant and equipment	3,971	2,132
Dividend received	-	4,843
Net cash used in investing activities	(99,098)	(122,426)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term financing - net	51,674	(65,000)
Short-term borrowings - net	(942,696)	337,963
Finance costs paid	(285,469)	(384,962)
Dividend paid	(42,982)	(95,967)
Net cash used in financing activities	(1,219,473)	(207,966)
Net increase / (decrease) in cash and cash equivalents	8,604	(679)
Cash and cash equivalents at the beginning of the period	15,022	13,139
Cash and cash equivalents at the end of the period	23,626	12,460

The annexed notes from 1 to 16 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, 2020

	Issued, Subscribed and Paid-up Capital	Reserves					TOTAL	
		Capital Reserve	Revenue Reserves		Other Components Of Equity			
			Share premium	General reserve	Unappropri- ated profit	Actuarial gain / (loss) on gratuity fund		Unrealized gain / (loss) on Equity Investment
(Rupees '000)								
Balance as at July 01, 2019	386,426	998,628	180,000	2,971,612	(19,830)	(50,598)	4,079,812	4,466,238
Final cash dividend for the year ended June 30, 2019 @ Rs. 2.5 per share	-	-	-	(96,606)	-	-	(96,606)	(96,606)
Bonus shares issued in the ratio of 10 shares for every 100 shares held	38,643	-	-	(38,643)	-	-	(38,643)	-
Net profit for the period	-	-	-	39,086	-	-	39,086	39,086
Other comprehensive income for the period	-	-	-	-	-	132,683	132,683	132,683
Total comprehensive income for the period	-	-	-	39,086	-	132,683	171,769	171,769
Balance as at December 31, 2019	<u>425,069</u>	<u>998,628</u>	<u>180,000</u>	<u>2,875,449</u>	<u>(19,830)</u>	<u>82,085</u>	<u>4,116,332</u>	<u>4,541,401</u>
Balance as at July 01, 2020	425,069	998,628	180,000	2,906,598	242	263,867	4,349,335	4,774,404
Final cash dividend for the year ended June 30, 2020 @ Re. 1 per share	-	-	-	(42,507)	-	-	(42,507)	(42,507)
Net profit for the period	-	-	-	353,680	-	-	353,680	353,680
Other comprehensive income for the period	-	-	-	-	-	314,440	314,440	314,440
Total comprehensive income for the period	-	-	-	353,680	-	314,440	668,120	668,120
Balance as at December 31, 2020	<u>425,069</u>	<u>998,628</u>	<u>180,000</u>	<u>3,217,771</u>	<u>242</u>	<u>578,307</u>	<u>4,974,948</u>	<u>5,400,017</u>

The annexed notes from 1 to 16 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, 2020

1. CORPORATE INFORMATION

1.1 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 Limited. The registered office of the Company is situated at 1st Floor, Betani Arcade, Jamrud Road, Peshawar, Pakistan.

1.2 Impact of COVID-19 on the condensed interim financial statements

COVID-19 is a global pandemic, which has affected the whole world and Pakistan is not an exception. Subsequent to financial year end 2020, the cement sector has shown impressive growth pursuant to the actions taken by the Government to boost construction sector. The Company, being the largest supplier of packing material to cement sector, was indirectly benefited. FMCG sector has also shown improvement after lifting of lockdowns. So, the Flexible Packaging division is also not affected that much due to COVID-19. The Company has taken all necessary measures for the health and safety of its employees. There is no significant accounting impact of the effects of COVID-19 in these condensed interim financial statements. The Company's management is fully cognisant of the business challenges posed by the COVID-19 outbreak and closely monitoring the possible impacts on the Company's operations and liquidity position and believe that its current policies for managing credit, liquidity and market risk are adequate in response to the current situation.

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, 2020. 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, 2020 and December 31, 2019 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, 2020 and December 31, 2019.
- 2.4** These condensed interim financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency.

3. ACCOUNTING POLICIES

- 3.1** 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, 2020.

3.2 Standards, amendments and framework for financial reporting effective during the period

The Company has adopted the following amendments to International Financial Reporting Standards of (IFRSs) and framework for financial reporting which became effective for the current period:

Standard or interpretation:

IFRS 3 – Definition of a Business (Amendments);

IFRS 9 / IAS 39 / IFRS 7 – Interest rate benchmark reform (Amendments); and

IAS 1 / IAS 8 – Definition of Material (Amendment)

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018, which is effective for annual periods beginning on or after 01 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is not applicable standard in place and to assist all parties to understand and interpret the standards. The adoption of the said framework did not have any material impact on the Company's condensed interim financial statements.

4.	PROPERTY, PLANT AND EQUIPMENT	Note	December 31,	June 30,
			2020 (Unaudited)	2020 (Audited)
			(Rupees '000)	
	Opening net book value (NBV)		4,953,165	5,022,828
	Additions during the period / year (cost)	4.1	78,009	273,684
			5,031,174	5,296,512
	Disposals during the period / year (NBV)		(2,215)	(3,337)
	Depreciation charged during the period / year		(164,767)	(340,010)
			4,864,192	4,953,165
	Capital work-in-progress	4.2	168,212	143,152
			5,032,404	5,096,317
4.1. Additions during the period / year				
	Leasehold land		-	15,337
	Building on leasehold land		5,339	81,426
	Plant and machinery		23,080	69,528
	Furniture and fittings		5,136	21,568
	Vehicles		33,614	18,856
	Equipment		5,481	54,001
	Computers		5,359	12,968
			78,009	273,684
4.2. Capital work-in-progress				
	Building on leasehold land		11,114	10,162
	Plant and machinery		59,197	80,986
	Power and other installations		21,560	21,560
	Furniture and fittings		251	129
	Vehicles		6,474	2,060
	Equipment		68,621	28,255
	Computers		995	-
			168,212	143,152
5. LONG-TERM INVESTMENTS				
Investment in associated companies				
At fair value through other comprehensive income				
Cherat Cement Company Limited				
5,327,698 (June 30, 2020: 5,327,698)				
	Ordinary shares of Rs. 10/- each		778,856	464,416
Joint venture				
UniEnergy Limited				
			4,664	4,664
			783,520	469,080

6. LONG-TERM FINANCING – secured	Note	December 31, 2020 (Unaudited)	June 30, 2020 (Audited)
		(Rupees '000)	
Islamic banks			
Fixed Assets Refinance Loan – I		270,000	315,000
Fixed Assets Refinance Loan – II	6.1	480,000	540,000
Refinance Loan against Solar Power Project	6.2	21,993	-
		771,993	855,000
Conventional banks			
Fixed Assets Refinance Loan – III		20,000	40,000
Fixed Assets Refinance Loan – IV		1,200,000	1,200,000
Fixed Assets Refinance Loan – V		600,000	600,000
		1,820,000	1,840,000
Refinance Scheme for Payment of Wages and Salaries	6.3	251,038	98,402
		2,843,031	2,793,402
Less: Current maturity		(537,004)	(154,600)
		2,306,027	2,638,802

- 6.1** In view of healthy cash inflows during the period, the Company did not avail the principal deferment facility for Fixed Assets Refinance Loan – II, as disclosed in the preceding annual financial statements, and made repayments as per the original repayment schedule of Fixed Assets Refinance Loan-II.
- 6.2** Represents a long-term loan financing obtained from an Islamic Bank under SBP's Islamic Financing Facility for Renewable Energy (IFRE). The approved limit of the financing is Rs. 120 million out of which Rs. 98.01 million remained unutilized at the period end. It carries a profit rate of 4.75% per annum over the tenor of the facility. The financing is repayable in 20 equal semi-annual instalments commencing after 3 months from the date of first draw down i.e. April 2021. The financing is secured against ranking hypothecation charge of Rs. 160 million on plant and machinery of the Company.
- 6.3** Includes additional tranches of Wages and Salaries loan under SBP scheme for the months July to September 2020 amounting to Rs. 133.83 million in wake of COVID-19 pandemic relief provided to the Company subject to fulfilment of conditions as fully explained in the preceding annual financial statements.

7. SHORT-TERM BORROWINGS – secured

The Company has facilities obtained from various conventional and Islamic banks amounting to Rs. 6,750 million (June 30, 2020: Rs. 6,450 million) out of which Rs. 5,061.92 million (June 30, 2020: Rs. 3,819.22 million) remains unutilized at the period end.

8. CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

There are no material changes in the status of contingencies as reported in the annual financial statements for the year ended June 30, 2020.

8.2 Commitments

Note

	December 31, 2020 (Unaudited)	June 30, 2020 (Audited)
	(Rupees '000)	
Outstanding letters of guarantee – conventional banks	148,159	156,910
Outstanding letters of credit – conventional banks	746,550	509,546
Duties payable against bonded stock	153	29,437
Capital commitments	8.2.1 115,026	38,851

8.2.1 Represents capital commitment extended to related parties.

9. FINANCE COSTS

Includes interest/mark-up on long-term financings amounting to Rs. 114.58 million (December 31, 2019: Rs. 190.24 million), and interest/mark-up on short-term borrowings and bank charges amounting to Rs. 91.04 million (December 31, 2019: Rs. 236.08 million).

10. TAXATION

Provision for current taxation is based on normal tax 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

	Half-year ended		Quarter ended	
	December 31, 2020 (Unaudited)	December 31, 2019 (Unaudited)	December 31, 2020 (Unaudited)	December 31, 2019 (Unaudited)
Net profit for the period (Rupees '000)	353,680	39,086	216,057	16,697
Weighted average number of ordinary shares in issue during the period	42,506,835	42,506,835	42,506,835	42,506,835
Earnings per share-basic and diluted	Rs. 8.32	Re. 0.92	Rs. 5.08	Re. 0.39

12. 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, 2020. 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.

13. 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

13.1. Segment analysis and reconciliation for the half-year ended December 31, 2020

	Bags manufacturing division Half-year ended		Flexible packaging division Half-year ended		Total Half-year ended	
	December 31, 2020 (Unaudited)	December 31, 2019 (Unaudited)	December 31, 2020 (Unaudited)	December 31, 2019 (Unaudited)	December 31, 2020 (Unaudited)	December 31, 2019 (Unaudited)
	(Rupees '000)					
Sales						
External sales	4,355,373	4,017,043	937,999	957,577	5,293,372	4,974,620
Inter-segment sales	-	-	-	-	-	-
Total revenue	4,355,373	4,017,043	937,999	957,577	5,293,372	4,974,620
Depreciation and amortization	89,488	93,372	75,820	75,842	165,308	169,214
Finance costs	30,518	53,427	75,993	121,975	106,511	175,402
Operating profit / (loss) before tax and before unallocated expenses	906,382	622,432	(285,852)	(322,733)	620,530	299,699
Unallocated corporate expenses						
Finance costs	-	-	-	-	(99,108)	(250,919)
Other expenses	-	-	-	-	(36,684)	(5,052)
Other income	-	-	-	-	10,479	12,050
Taxation	-	-	-	-	(141,537)	(16,692)
Net profit for the period	-	-	-	-	353,680	39,086

13.2. Segment analysis and reconciliation for the quarter ended December 31, 2020

	Bags manufacturing division Quarter ended		Flexible packaging division Quarter ended		Total Quarter ended	
	December 31, 2020 (Unaudited)	December 31, 2019 (Unaudited)	December 31, 2020 (Unaudited)	December 31, 2019 (Unaudited)	December 31, 2020 (Unaudited)	December 31, 2019 (Unaudited)
	(Rupees '000)					
Sales						
External sales	2,249,579	2,081,093	520,846	516,965	2,770,425	2,598,058
Inter-segment sales	-	-	-	-	-	-
Total revenue	2,249,579	2,081,093	520,846	516,965	2,770,425	2,598,058
Depreciation and amortization	45,319	46,705	39,321	39,569	84,640	86,274
Finance costs	14,100	19,724	33,942	63,085	48,042	82,809
Operating profit / (loss) before tax and before unallocated expenses	502,429	297,926	(141,351)	(139,717)	361,078	158,209
Unallocated corporate expenses						
Finance costs	-	-	-	-	(40,805)	(140,884)
Other expenses	-	-	-	-	(22,068)	(1,842)
Other income	-	-	-	-	5,046	9,916
Taxation	-	-	-	-	(87,194)	(8,702)
Net profit for the period	-	-	-	-	216,057	16,697

13.3 Reportable segment assets and liabilities

	Bags manufacturing division		Flexible packaging division		Total	
	December 31, 2020 (Unaudited)	June 30, 2020 (Audited)	December 31, 2020 (Unaudited)	June 30, 2020 (Audited)	December 31, 2020 (Unaudited)	June 30, 2020 (Audited)
	(Rupees '000)					
Segment assets	5,681,345	6,059,876	4,090,433	3,950,535	9,771,778	10,010,411
Unallocated assets	-	-	-	-	1,563,700	1,150,320
Total assets	5,681,345	6,059,876	4,090,433	3,950,535	11,335,478	11,160,731
Segment liabilities	770,000	895,000	1,821,993	1,800,000	2,591,993	2,695,000
Unallocated liabilities	-	-	-	-	3,343,468	3,691,327
Total liabilities	770,000	895,000	1,821,993	1,800,000	5,935,461	6,386,327

13.3.1. 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 period to acquire segment assets that are expected to be used for more than one year.

14. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associates, directors, executives, and retirement funds. Transactions with related parties other than those disclosed elsewhere in these condensed interim financial statements are as follows:

Relationship	Nature of Transactions	Half-year ended		Quarter ended	
		December 31, 2020 (Unaudited)	December 31, 2019 (Unaudited)	December 31, 2020 (Unaudited)	December 31, 2019 (Unaudited)
(Rupees '000)					
Associated companies	Purchase of goods	1,005	645	43	363
	Purchase of fixed assets	37,352	9,591	22,761	9,349
	Sale of goods	1,169,887	1,087,395	623,417	577,889
	Services received	23,850	23,552	9,529	15,476
	IT support charges	7,500	7,499	3,750	4,340
	Dividend received	-	4,843	-	4,843
	Dividend paid	11,725	26,648	11,725	26,648
Key management personnel	Remuneration	76,574	76,432	43,673	38,498
Other related parties	Contribution to provident and gratuity funds	7,762	13,337	3,882	3,698
	Services received	5,974	7,125	2,931	3,867

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

15. INTERIM DIVIDEND AND DATE OF AUTHORISATION

15.1 Interim dividend

The Board of Directors in its meeting held on February 11, 2021 declared an interim cash dividend of 10% (Re. 1.00 per share)

15.2 Date of authorization

These condensed interim financial statements were authorised for issue on February 11, 2021 by the Board of Directors of the Company.

16. GENERAL

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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