



Cherat Packaging Limited
A Ghulam Faruque Group Company

for all your
Packaging
Needs



Half Yearly Accounts
December 31, 2021

Contents

- 02 Company Information

- 03 Directors' Review

- 05 Independent Auditor's Report

- 06 Condensed Interim Statement of Financial Position

- 07 Condensed Interim Statement of Profit or Loss (Unaudited)

- 08 Condensed Interim Statement of Comprehensive Income (Unaudited)

- 09 Condensed Interim Statement of Cash Flows (Unaudited)

- 10 Condensed Interim Statement of Changes in Equity (Unaudited)

- 11 Notes to the Condensed Interim Financial Statements (Unaudited)

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

Director and Chief Operating Officer

Mr. Abid Vazir

Chief Financial Officer

Syed Waqar Haider Shah

Company Secretary

Ms. Hina Mir

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
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
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
Faysal Bank Ltd
MCB Islamic Bank Ltd
Meezan Bank Ltd
The Bank of Khyber

Share Registrar

CDC Share Registrar Services Limited.
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,
Jamrud Road, Peshawar
Tel: (+9291) 5842285, 5842272
Fax: (+9291) 5840447

Head Office

Modern Motors House, Beaumont Road,
Karachi-75530
Tel: (+9221) 35683566-67, 35688348, 35689538
Fax: (+9221) 35683425

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, 2021.

Overview

The global economy has started to recover from the effects of COVID-19 pandemics amid mass vaccination drive. Prudent and effective management of the pandemic by the government ensured that the economic recovery remains on track. Timely measures were taken by the Central Bank to support the economy and for continuation of industrial activities.

The Company's financial performance during the half year under review is quite encouraging. There has been a marked increase in the volumes of flexible packaging material sold during the half year under review, contributing to the overall growth.

Operating performance

During the half year under review, there has been a 24% increase in the sales revenues of the Company compared to the corresponding period last year. The increase in cost of raw materials like Kraft paper and Polypropylene granules, was efficiently managed to keep the cost of production in check. Other expenses on account of provision for WPPF and WWF were higher due to better profitability. For the half year ended December 31, 2021, the Company posted a healthy after-tax profit of Rs. 553.67 million.

Dividend

The Board of Directors in its meeting held on 15th February 2022 has declared an interim cash dividend of Re.1.00 per share i.e. 10%. Share transfer books will remain closed from March 1, 2022 to March 3, 2022.

New Projects

You will be pleased to know that subsequent to period under review, the Company has commissioned its fourth Polypropylene line in February 2022. It is the most advanced and efficient equipment of its kind, acquired from M/s. Windmoller & Holscher, having a production capacity of approximately 65 million bags per annum thereby enhancing the total production capacity of the Polypropylene Division to 260 million bags per annum.

Furthermore, we are also pleased to inform you that in view of encouraging response received from the market for our Flexible Packaging Division, the Company has decided to acquire another Rotogravure printer together with allied equipment to enhance the production capacity of Flexible Packaging Division. The expansion, which will cost approximately Rs. 1 billion is to be financed by arranging long-term loan. The expanded capacity is expected to be available by

March 2023. Enhancement in production capacity will enable the Company to meet the demand of its valuable customers in an effective manner and also ensure optimum utilization of its available resources.

Future Prospects

Timely investments in enhancing production capacities has enabled the Company to position itself not only to 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 Company has taken appropriate measures including strict implementation of protocols on health and employee safety to address the challenges posed by COVID-19 and to ensure smooth business operations.

Inflation remains a challenge for the Company as a sharp increase has been seen in international shipping freights and major commodity prices like oil. There has been a major impact on cost of key raw materials like Kraft paper and polypropylene granules, which is an area of concern for the Company. Increase in fuel prices has not only resulted in a surge in inland transportation but has also led to increase in power tariff. As part of monetary policy tightening, State Bank of Pakistan has recently increased the discount rates by 275 bps, which will have an impact on the finance cost of the Company.

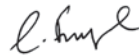
Acknowledgment

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 15, 2022

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 2021** 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 2021 and 2020 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended 31 December 2021.

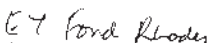
Scope of Review

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 23, 2022


UDIN: RR202110166nSUAOICeV

Condensed Interim Statement of Financial Position


As at December 31, 2021

	Note	December 31, 2021 (Unaudited)	June 30, 2021 (Audited)
(Rupees '000)			
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant & equipment	4	5,700,113	5,015,073
Intangible assets		4,209	4,649
		<u>5,704,322</u>	<u>5,019,722</u>
Long-term investments	5	794,834	949,710
Long-term security deposits		9,378	9,378
		<u>6,508,534</u>	<u>5,978,810</u>
CURRENT ASSETS			
Stores, spare parts and loose tools		398,390	389,371
Stock-in-trade		3,838,542	3,152,295
Trade debts		2,720,518	2,254,629
Loans and advances		6,105	11,682
Trade deposits and short-term prepayments		75,356	39,937
Other receivables		141,778	162,475
Taxation-net		526,242	575,487
Cash and bank balances		26,664	22,468
		<u>7,733,595</u>	<u>6,608,344</u>
TOTAL ASSETS		<u>14,242,129</u>	<u>12,587,154</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 100,000,000 (June 30, 2021: 100,000,000) ordinary shares of Rs. 10/- each		1,000,000	1,000,000
Share capital		425,069	425,069
Reserves		5,843,533	5,614,771
		<u>6,268,602</u>	<u>6,039,840</u>
NON-CURRENT LIABILITIES			
Long-term financing - secured	6	2,095,717	2,065,544
Deferred taxation		603,887	571,478
Government grant		250,077	6,005
		<u>2,949,681</u>	<u>2,643,027</u>
CURRENT LIABILITIES			
Trade and other payables		1,469,466	1,146,325
Accrued mark-up		104,151	88,392
Short-term borrowings - secured	7	2,696,598	1,944,741
Current maturity of long-term financings	6	707,394	703,007
Current maturity of government grant		34,926	11,535
Unclaimed dividend		11,311	10,287
		<u>5,023,846</u>	<u>3,904,287</u>
CONTINGENCIES AND COMMITMENTS	8		
TOTAL EQUITY AND LIABILITIES		<u>14,242,129</u>	<u>12,587,154</u>

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


Amer Faruque
 Chief Executive


Shehryar Faruque
 Director



Syed Waqar Haider Shah
 Chief Financial Officer

Condensed Interim Statement of Profit or Loss (Unaudited)

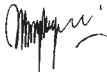
For the Half-year Ended December 31, 2021

	Note	Half-year ended		Quarter ended	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
(Rupees in '000)					
Turnover - net		6,562,704	5,293,372	3,466,634	2,770,425
Cost of sales		(5,374,156)	(4,430,252)	(2,843,493)	(2,291,641)
Gross profit		1,188,548	863,120	623,141	478,784
Distribution costs		(114,774)	(84,241)	(67,413)	(40,086)
Administrative expenses		(64,483)	(51,838)	(34,379)	(29,578)
Other expenses		(57,741)	(36,684)	(29,517)	(22,068)
		(236,998)	(172,763)	(131,309)	(91,732)
Other income		18,749	10,479	8,994	5,046
Operating profit		970,299	700,836	500,826	392,098
Finance costs	9	(195,274)	(205,619)	(102,762)	(88,847)
Profit before taxation		775,025	495,217	398,064	303,251
Taxation	10	(221,359)	(141,537)	(116,906)	(87,194)
Net profit		553,666	353,680	281,158	216,057
Earnings per share -basic and diluted		Rs. 13.03	Rs. 8.32	Rs. 6.61	Rs. 5.08

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


Amer Faruque
Chief Executive


Shehryar Faruque
Director



Syed Waqar Haider Shah
Chief Financial Officer

Condensed Interim Statement of Comprehensive Income (Unaudited)

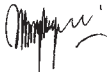
For the Half-year Ended December 31, 2021

	Half-year ended		Quarter ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	(Rupees in '000)			
Net profit	553,666	353,680	281,158	216,057
Other comprehensive (loss) / income				
Items that may not be reclassified subsequently to the statement of profit or loss:				
Unrealised (loss) / gain on re-measurement of equity investments at fair value through other comprehensive income	(154,876)	314,440	45,499	156,794
Total comprehensive income	<u>398,790</u>	<u>668,120</u>	<u>326,657</u>	<u>372,851</u>

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


Amer Faruque
Chief Executive


Shehryar Faruque
Director



Syed Waqar Haider Shah
Chief Financial Officer

Condensed Interim Statement of Cash Flows (Unaudited)

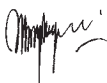
For the Half-year Ended December 31, 2021

Note	December 31, 2021	December 31, 2020
(Rupees '000)		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	775,025	495,217
Adjustments for:		
Depreciation	161,874	164,767
Amortisation	440	541
Gain on disposals of operating property, plant and equipment	(585)	(1,756)
Government grant amortised	(5,815)	(4,418)
Dividend income	(6,660)	-
Finance costs	195,274	205,619
	<u>344,528</u>	<u>364,753</u>
	1,119,553	859,970
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(9,019)	(8,916)
Stock-in-trade	(686,247)	216,163
Trade debts	(465,889)	(63,626)
Loans and advances	5,577	(4,330)
Trade deposits and short-term prepayments	(35,419)	2,653
Other receivables	20,697	53,895
	<u>(1,170,300)</u>	<u>195,839</u>
	(50,747)	1,055,809
Increase in current liabilities:		
Trade and other payables	323,141	380,112
Cash generated from operations	<u>272,394</u>	<u>1,435,921</u>
Income tax paid	(139,705)	(113,201)
Long-term loans and deposits - net	-	37
Net cash generated from operating activities	<u>132,689</u>	<u>1,322,757</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure incurred - net of borrowing costs	(844,155)	(103,069)
Proceeds from disposals of operating property, plant and equipment	1,361	3,971
Dividend received	6,660	-
Net cash used in investing activities	<u>(836,134)</u>	<u>(99,098)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term financing obtained	655,511	177,863
Long-term financing repaid	(353,488)	(126,189)
Short-term borrowings - net	751,857	(942,696)
Finance costs paid	(177,235)	(281,051)
Dividends paid	(169,004)	(42,982)
Net cash generated from / (used in) financing activities	<u>707,641</u>	<u>(1,215,055)</u>
Net increase in cash and cash equivalents	4,196	8,604
Cash and cash equivalents at the beginning of the period	22,468	15,022
Cash and cash equivalents at the end of the period	<u>26,664</u>	<u>23,626</u>

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


Amer Faruque
Chief Executive


Shehryar Faruque
Director


Syed Waqar Haider Shah
Chief Financial Officer

Condensed Interim Statement of Changes in Equity (Unaudited)

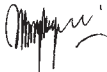
For the Half-year Ended December 31, 2021

	Issued, Subscribed and Paid-up Capital	Reserves					Total Reserves	TOTAL
		Capital Reserves	Revenue Reserves		Other Components of Equity			
			Share premium	General reserve	Unappropri- ated profit	Actuarial gain on gratuity fund		
(Rupees '000)								
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. 1.00 per share	-	-	-	(42,507)	-	-	(42,507)	(42,507)
Net profit	-	-	-	353,680	-	-	353,680	353,680
Other comprehensive income	-	-	-	-	-	314,440	314,440	314,440
Total comprehensive income	-	-	-	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>
Balance as at July 01, 2021	425,069	998,628	180,000	3,676,676	14,989	744,478	5,614,771	6,039,840
Final cash dividend for the year ended June 30, 2021 @ Rs. 4.00 per share	-	-	-	(170,028)	-	-	(170,028)	(170,028)
Net profit	-	-	-	553,666	-	-	553,666	553,666
Other comprehensive income	-	-	-	-	-	(154,876)	(154,876)	(154,876)
Total comprehensive income	-	-	-	553,666	-	(154,876)	398,790	398,790
Balance as at December 31, 2021	<u>425,069</u>	<u>998,628</u>	<u>180,000</u>	<u>4,060,314</u>	<u>14,989</u>	<u>589,602</u>	<u>5,843,533</u>	<u>6,268,602</u>

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


Amer Faruque
Chief Executive


Shehryar Faruque
Director


Syed Waqar Haider Shah
Chief Financial Officer

Notes to the Condensed Interim Financial Statements (Unaudited)

For the Half-year Ended December 31, 2021

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. 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. Businesses are badly affected due to lock downs to fight COVID-19 since March 2020. COVID-19 affected almost every individual across the globe. Construction sector in Pakistan was moderately affected due to various incentives including construction package announced by the Government to boost economy. The Company fully supports the Government's vaccination drive to curb the spread of the virus, hence our staff are now fully vaccinated and in the process of getting booster dose(s). The management has assessed accounting impact of COVID-19 in these condensed interim financial statements and has concluded that there is no significant accounting impact.

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;
- Islamic Financial Accounting Standards (IFAS) issues by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act, 2017 (the Act); 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 the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2021. 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 regulations 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, 2021 and December 31, 2020 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, 2021 and December 31, 2020.

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 annual financial statements for the year ended June 30, 2021.
- 3.2** Amendments to approved accounting standards adopted during the period

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

IFRS 9, IAS 39, IFRS 7, IFRS 4 & IFRS 16	Interest Rate Benchmark Reform - Phase 2 (Amendments)
---	--

IFRS 16	COVID-19 - Related Rent Concessions beyond 30 June 2021 (Amendments)
---------	---

The adoption of above amendments to IFRSs did not have any material impact on the Company's condensed interim financial statements.

	December 31, 2021 (Unaudited)	June 30, 2021 (Audited)
	(Rupees '000)	
4. PROPERTY, PLANT AND EQUIPMENT		
Opening Net Book Value (NBV)	4,757,442	4,953,165
Additions during the period / year - at cost	4.1 168,870	145,934
	4,926,312	5,099,099
Depreciation charged during the period / year	(161,874)	(333,369)
Disposals during the period / year - at NBV	(776)	(8,288)
Closing NBV	4,763,662	4,757,442
Capital work-in-progress	4.2 936,451	257,631
	<u>5,700,113</u>	<u>5,015,073</u>
4.1 Additions during the period / year		
Leasehold land	-	4,605
Building on leasehold land	-	12,713
Plant and machinery	20,254	34,098
Power and other installations	112,030	26,951
Furniture and fittings	9,662	9,147
Vehicles	18,906	41,534
Equipment	3,006	8,994
Computers	5,012	7,892
	<u>168,870</u>	<u>145,934</u>
4.2 Capital work-in-progress		
Building on leasehold land	82,219	44,509
Plant and machinery	681,463	46,888
Power and other installations	41,339	105,390
Furniture and fittings	464	370
Vehicles	39,357	2,687
Equipment	91,435	57,787
Computers	174	-
	<u>936,451</u>	<u>257,631</u>

Note	December 31, 2021 (Unaudited)	June 30, 2021 (Audited)
	(Rupees '000)	

5. LONG-TERM INVESTMENTS

Investment in related parties

At fair value through other comprehensive income

Cherat Cement Company Limited

5,327,698 (June 30, 2021: 5,327,698)

Ordinary shares of Rs. 10/- each	790,151	945,027
----------------------------------	---------	---------

Joint venture

UniEnergy Limited	4,683	4,683
	<u>794,834</u>	<u>949,710</u>

6. LONG-TERM FINANCING – secured

Islamic banks

Fixed Assets Refinance - Polypropylene Line III	180,000	225,000
Fixed Assets Refinance - Kraftpaper Line V	360,000	420,000
Islamic Finance Facility for Renewable Energy	80,088	103,366
	<u>620,088</u>	<u>748,366</u>

Conventional banks

Fixed Assets Refinance

- Flexible Packaging Line - I

1,080,000	1,200,000
-----------	-----------

Fixed Assets Refinance

- Flexible Packaging Line - I

540,000	600,000
---------	---------

Temporary Economic Refinance Facility

- Polypropylene Line IV

6.1 403,109	-
-------------	---

2,023,109	1,800,000
-----------	-----------

Refinance Scheme for Payment
of Wages and Salaries

159,914	220,185
---------	---------

<u>2,803,111</u>	<u>2,768,551</u>
------------------	------------------

Current maturities

(707,394)	(703,007)
-----------	-----------

<u>2,095,717</u>	<u>2,065,544</u>
------------------	------------------

- 6.1 Represents a long-term loan obtained from a conventional bank under Temporary Economic Refinance Facility (TERF) as announced by the Government of Pakistan. It carries a flat mark-up at the rate of 1.70 % per annum.

The effective interest is calculated at the draw down date and the loan has been recognised at the present value. The loan is repayable in 16 equal semi-annual installments commencing from June 2024 discounted at the effective interest rate. The differential mark-up has been recognised as government grant. The financing is secured against first pari-passu hypothecation charge of Rs. 1,066.67 million on the plant and machinery of the Company.

7. SHORT-TERM BORROWINGS - secured

The Company has facilities obtained from various conventional and Islamic banks amounting to Rs. 7,250 million (June 30, 2021: Rs. 6,950 million) out of which Rs. 4,553.40 million (June 30, 2021: Rs. 5,005.26 million) remained unutilised 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, 2021 except as disclosed below:

As fully explained in note 24.1 to the annual financial statements, during the period, the Company challenged the earlier decision of the Honorable High Court of Sindh, in respect of infrastructure cess, in the Honorable Supreme Court of Pakistan which graciously provided relief to the petitioners by issuing stay order and allowing submission of bank guarantee of 100% of the amount till the time the case is finally decided.

8.2 Commitments

	December 31, 2021 (Unaudited)	June 30, 2021 (Audited)
	(Rupees '000)	
Outstanding letters of guarantee		
- conventional banks	77,018	62,857
Outstanding letters of credit		
- conventional and islamic banks	1,003,174	974,849
Duties payable against bonded stock	-	236
Capital commitments	-	14,597

9. FINANCE COSTS

Includes interest / mark-up on long-term financing amounting to Rs. 99.73 million (December 31, 2020: Rs. 114.58 million), interest / mark-up on short-term borrowings and bank charges amounting to Rs. 95.54 million (December 31, 2020: Rs. 91.04 million).

10. TAXATION

	Half-year ended		Quarter ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	(Rupees '000)			
Taxation				
Current	(186,274)	(1,168)	(112,393)	(642)
Prior	(2,676)	-	(2,676)	-
Deferred	(32,409)	(140,369)	(1,837)	(86,552)
	<u>(221,359)</u>	<u>(141,537)</u>	<u>(116,906)</u>	<u>(87,194)</u>

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. 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, 2021. 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.

12. SEGMENT REPORTING

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

Type of segments	Nature of business
Bags Manufacturing Division	Kraft paper and Polypropylene bags manufacturing
Flexible Packaging Division	Extrusion, Flexo Graphic and Rotogravure printing

12.1 Segment analysis and reconciliation

	Bags Manufacturing Division Half-year ended		Flexible Packaging Division Half-year ended		Total Half-year ended	
	December 31, 2021 (Unaudited)	December 31, 2020 (Unaudited)	December 31, 2021 (Unaudited)	December 31, 2020 (Unaudited)	December 31, 2021 (Unaudited)	December 31, 2020 (Unaudited)
	(Rupees '000)					
Sales						
External sales	5,067,791	4,355,373	1,494,913	937,999	6,562,704	5,293,372
Inter-segment sales	-	-	-	-	-	-
Total revenue	5,067,791	4,355,373	1,494,913	937,999	6,562,704	5,293,372
Depreciation and amortisation	85,056	89,488	77,258	75,820	162,314	165,308
Finance costs	21,184	30,518	68,225	75,993	89,409	106,511
Operating profit / (loss) before tax and before unallocated expenses	1,141,044	906,382	(221,162)	(285,852)	919,882	620,530
Unallocated corporate expenses						
Finance costs	-	-	-	-	(105,865)	(99,108)
Other expenses	-	-	-	-	(57,741)	(36,684)
Other income	-	-	-	-	18,749	10,479
Taxation	-	-	-	-	(221,359)	(141,537)
Net profit	-	-	-	-	553,666	353,680

	Bags Manufacturing Division Quarter ended		Flexible Packaging Division Quarter ended		Total Quarter ended	
	December 31, 2021 (Unaudited)	December 31, 2020 (Unaudited)	December 31, 2021 (Unaudited)	December 31, 2020 (Unaudited)	December 31, 2021 (Unaudited)	December 31, 2020 (Unaudited)
	(Rupees '000)					
Sales						
External sales	2,637,058	2,249,579	829,576	520,846	3,466,634	2,770,425
Inter-segment sales	-	-	-	-	-	-
Total revenue	2,637,058	2,249,579	829,576	520,846	3,466,634	2,770,425
Depreciation and amortisation	42,600	45,319	39,975	39,321	82,575	84,640
Finance costs	10,475	14,100	34,515	33,942	44,990	48,042
Operating profit / (loss) before tax and before unallocated expenses	586,511	502,429	(110,152)	(141,351)	476,359	361,078
Unallocated corporate expenses						
Finance costs	-	-	-	-	(57,772)	(40,805)
Other expenses	-	-	-	-	(29,517)	(22,068)
Other income	-	-	-	-	8,994	5,046
Taxation	-	-	-	-	(116,906)	(87,194)
Net profit	-	-	-	-	281,158	216,057

12.2 Reportable Segment assets and liabilities

	Bags Manufacturing Division		Flexible Packaging Division		Total	
	December 31, 2021 (Unaudited)	June 30, 2021 (Audited)	December 31, 2021 (Unaudited)	June 30, 2021 (Audited)	December 31, 2021 (Unaudited)	June 30, 2021 (Audited)
	(Rupees '000)					
Segment assets	7,780,073	6,382,627	4,867,134	4,427,745	12,647,207	10,810,372
Unallocated assets	-	-	-	-	1,594,922	1,776,782
Total assets	7,780,073	6,382,627	4,867,134	4,427,745	14,242,129	12,587,154
Segment liabilities	789,241	665,227	1,382,239	1,943,662	2,171,480	2,608,889
Unallocated liabilities	-	-	-	-	5,802,047	3,938,425
Total liabilities	789,241	665,227	1,382,239	1,943,662	7,973,527	6,547,314

12.2.1 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.

13. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated companies, directors, retirement funds and key management personal of the Company. 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, 2021 (Unaudited)	December 31, 2020 (Unaudited)	December 31, 2021 (Unaudited)	December 31, 2020 (Unaudited)
		(Rupees '000)			
Associated companies	Purchase of goods	6,391	1,005	1,976	43
	Purchase of fixed assets	23,774	37,352	10,905	22,761
	Sale of goods	1,254,441	1,169,887	613,140	623,417
	Services received	29,727	23,850	15,080	9,529
	IT support charges	7,997	7,500	3,999	3,750
	Dividend received	5,869	-	5,869	-
	Dividend paid	38,378	11,725	38,378	11,725
Key management personal	Remuneration	108,883	76,574	54,630	43,673
Other related parties	Contribution to staff provident and gratuity funds	10,614	7,762	4,407	3,882
	Insurance premium	10,234	5,974	5,691	2,931

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

14. DATE OF AUTHORISATION AND INTERIM DIVIDEND

14.1 DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on February 15, 2022 by the Board of Directors of the Company.

14.2 INTERIM DIVIDEND

The Board of Directors in its meeting held on February 15, 2022 has proposed an interim cash dividend of Re. 1 per share (December 31, 2020: Re. 1) amounting to Rs 42.51 million (December 31, 2020: Rs 42.51 million) for the half-year ended December 31, 2021

15. GENERAL

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



Amer Faruque
Chief Executive



Shehryar Faruque
Director



Syed Waqar Haider Shah
Chief Financial Officer



Cherat Packaging Limited

Head Office: Modern Motors House, Beaumont Road,
Karachi 75530, Pakistan UAN: (9221) 111-000-009
Email: info@gfg.com.pk | Web: www.gfg.com.pk

