

**MERIT PACKAGING LIMITED**



**CONDENSED INTERIM  
FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED  
SEPTEMBER 30, 2018**



A Lakson Group Company



**MERIT PACKAGING LIMITED**  
**FIRST QUARTER REPORT**  
**SEPTEMBER 2018**

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**MERIT PACKAGING LIMITED  
FIRST QUARTER REPORT  
SEPTEMBER 2018**

**CORPORATE INFORMATION**

**Board of Directors**

Iqbal Ali Lakhani	Chairman
Amin Mohammed Lakhani	
Anushka Zulfiqar Lakhani	
Tasleemuddin Ahmed Batlay	
Shaikh Muhammad Barinuddin	
Sheikh Asim Rafiq	
Farrukh Shauket Ansari	
Moin M. Fudda	

**Advisor**

Sultan Ali Lakhani

**Chief Executive Officer**

Shahid Ahmed Khan

**Audit Committee**

Shaikh Muhammad Barinuddin	Chairman
Amin Mohammed Lakhani	
Tasleemuddin Ahmed Batlay	

**Human Resource and Remuneration Committee**

Shaikh Muhammad Barinuddin	Chairman
Iqbal Ali Lakhani	
Tasleemuddin Ahmed Batlay	
Shahid Ahmed Khan	

**Company Secretary**

Mansoor Ahmed

**Auditors**

BDO Ebrahim & Co., Chartered Accountants

**Bankers**

Al-Baraka Bank (Pakistan) Limited  
Askari Bank Limited  
BankIslami Pakistan Limited  
Dubai Islamic Bank Pakistan Limited  
Habib Bank Limited  
Habib Bank Limited - Islamic Banking  
JS Bank Limited

**Bankers (Continued)**

MCB Bank Limited  
MCB Islamic Bank Limited  
Meezan Bank Limited  
National Bank of Pakistan  
Soneri Bank Limited  
United Bank Limited - Ameen

**Shares Registrar**

FAMCO Associates (Pvt) Ltd  
8-F, Near Hotel Faran, Nursery Block-6,  
P.E.C.H.S., Shahra-e-Faisal, Karachi.  
Email : info.shares@famco.com.pk  
Phone : (021) 34380101 - 2  
Fax : (021) 34380106  
Website : www.famco.com.pk

**Registered Office**

Lakson Square, Building No. 2  
Sarwar Shaheed Road  
Karachi-74200

**Karachi Factory**

17-B, Sector 29, Korangi Industrial Township  
Karachi

**Lahore Factory**

224/B, Sunder Industrial Estate, Sundar  
Raiwind Road, Lahore

**Website**

www.meritpack.com



## **DIRECTORS' REVIEW**

The Directors of your Company are pleased to present the review of performance together with quarterly un-audited financial statements for the first quarter ended September 30, 2018. Following are the comparative financial results for the first quarter ended September 30, 2018 with comparative results for the same period last year:

	<b>Quarter Ended</b>	
	<b>September 30, 2018</b>	<b>September 30, 2017</b>
	<i>( Rupees in thousand)</i>	
Net sales	615,659	541,428
Gross (loss) / profit	(12,129)	51,646
Operating (loss) / profit	(33,279)	31,052
(Loss) / Profit before tax	(80,635)	488

The net sales turnover during the period under review amounted to Rs. 615 million as compared to Rs. 541 million for the same financial period last year, showing an increase of Rs. 74 million or 14%. Company's pre-tax loss for the period under review is Rs. 81 million as compared to pre-tax profit of Rs 0.488 million for the same period last year.

Company's performance was effected in this quarter primarily due to operational breakdown of our printing machines installed in Karachi Factory, coupled with generally lower volumes during this period as compared to other quarters of the financial year, our manufacturing and administrative cost could not be recovered fully. This unforeseen low performance of old machines installed in Karachi Factory impacted the financial results.

Competition in the printing and packaging industry continues to put pressure on margins, moreover increased cost of input has had an adverse impact causing reduction in our contribution margin.

## **FUTURE OUTLOOK**

Merit Packaging has recently opened LC for the import of a state-of art seven colours Heidelberg double coater offset printing machine from Germany fully loaded with inter-deck dryers for replacement of old printing machines. The induction of this new machine will ensure uninterrupted production with more value added jobs to broad based customers in Pakistan, besides reduction in production overheads.

In order to overcome the existing problems and to meet future contingencies, measures are being adopted to streamline our business operations and also maximize capacity utilization, adoption of the above will play a positive role in the future performance of the Company.

The directors, therefore, look forward with confidence that with increased sales volume, operational efficiencies and cost control measures in the remaining year, our performance is expected to improve.

On behalf of the Board of Directors

  
**IQBAL ALI LAKHANI**  
**CHAIRMAN**

  
**SHAHID AHMED KHAN**  
**CHIEF EXECUTIVE OFFICER**

Karachi: October 26, 2018

### ڈائریکٹرز کا جائزہ

آپ کی کمپنی کے ڈائریکٹرز بڑی مسرت کے ساتھ 30 ستمبر 2018ء کو ختم ہونے والی پہلی سہ ماہی کے لئے کارکردگی کا جائزہ مع مختصر عبوری غیر آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔ 30 ستمبر 2018ء کو ختم ہونے والی پہلی سہ ماہی اور گزشتہ سال اسی مدت کے لئے مسابقتی مالیاتی نتائج درج ذیل ہیں:

مختتمہ سہ ماہی		
30 ستمبر 2017ء	30 ستمبر 2018ء	
(ہزار روپے)	(ہزار روپے)	
541,428	615,659	خالص فروخت
51,646	(12,129)	مجموعی منافع
31,052	(33,279)	آپریٹنگ منافع
488	(80,635)	قبل از ٹیکس منافع

زیر جائزہ سہ ماہی کے دوران خالص فروخت گزشتہ سال اسی مدت کے لئے 541 ملین روپے کے مقابلے میں 616 ملین روپے رہا جو 74 ملین روپے یا 14% کا اضافہ دکھاتا ہے۔ گزشتہ سال اسی مدت میں ریکارڈ کئے گئے 0.488 ملین روپے قبل از ٹیکس منافع کے مقابلے میں زیر جائزہ سہ ماہی کے دوران 81 ملین روپے کا قبل از ٹیکس نقصان رہا۔ کراچی فیکٹری میں نصب پرنٹنگ مشینوں میں آپریشنل خرابی اور مالی سال کے بقیہ سہ ماہیوں کے مقابلے میں فروخت کے کم حجم کی وجہ سے کمپنی کی کارکردگی زیر جائزہ سہ ماہی کے دوران متاثر رہی جس کی وجہ سے کمپنی کی مینوفیکچرنگ اور انتظامی لاگت پوری طرح وصول نہ ہو سکی۔ کراچی فیکٹری میں نصب پرانی مشینوں کی غیر متوقع کم کارکردگی مالیاتی نتائج پر اثر انداز ہوئی۔

پرنٹنگ اور پیکجنگ کی صنعت میں مقابلہ مارجن پر دباؤ جاری رکھے ہوئے ہے اس کے علاوہ خام مال کے دام میں اضافہ اپنے منفی اثر کے ساتھ ہمارے مارجن میں کمی کا باعث رہا ہے۔

### مستقبل کی توقعات

کمپنی نے پرانی مشینوں کو بدلنے کیلئے حال ہی میں جرمنی سے انٹریک ڈرائیورز کے ساتھ فلی لوڈ ڈیڈ ترین سیون کلر ہائیڈلبرگ (Heidelberg) ڈبل کوٹر آفسیٹ پرنٹنگ مشین اپورٹ کرنے کیلئے ایل سی کھولی ہے۔ اس مشین کی شمولیت پیداواری اخراجات میں کمی کے ساتھ زیادہ ویلیو ایڈیشن کے ساتھ بلا تعطل پیداوار کے ساتھ ساتھ پاکستان کے وسیع حلقوں میں موجود کسٹمرز کو پراڈکٹس کی فراہمی یقینی بنائے گی۔

موجودہ مسائل پر قابو پانے اور مستقبل کے امکانات کو پورا کرنے کیلئے ہمارے کاروباری کاروائیوں کو کارگر بنانے اور پیداواری صلاحیت کو بڑھانے کیلئے اقدامات اپنائے جا رہے ہیں۔ یہ اقدامات کمپنی کی مستقبل کی کارکردگی میں ایک مثبت کردار ادا کریں گے۔

لہذا ڈائریکٹرز پر اعتماد ہیں کہ سال کے بقیہ مدت میں بڑھتی ہوئی فروخت، آپریشنل استعداد کار اور قیمت کنٹرول کرنے کے اقدامات ہماری کارکردگی کو بہتر بنانے میں معاون ثابت ہوں گے۔

بورڈ آف ڈائریکٹرز کی جانب سے



شاہد احمد خان  
چیف ایگزیکٹو آفیسر



اقبال علی لاکھانی  
چیرمین

کراچی: 26 اکتوبر 2018

**MERIT PACKAGING LIMITED**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)**  
**AS AT SEPTEMBER 30, 2018**

		(Un-audited) September 30, 2018	(Audited) June 30, 2018
	Note	Rupees in 000's	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	2,265,709	2,153,549
Capital work in progress		112,843	107,527
		2,378,552	2,261,076
Intangible assets		1,023	1,092
Long-term loans and advances		704	514
Long-term deposits		13,746	13,763
Deferred taxation	9	70,713	63,292
		2,464,738	2,339,737
<b>CURRENT ASSETS</b>			
Stores and spares		110,697	97,317
Stock-in-trade		429,156	384,901
Trade debts (unsecured - considered good)		682,886	609,587
Loans and advances		6,285	3,403
Trade deposits and short-term prepayments		4,124	1,646
Other receivables		63	-
Tax refund due from Government		297,250	285,809
Taxation-net		50,322	35,888
Cash and bank balances		6,290	7,788
		1,587,073	1,426,339
<b>TOTAL ASSETS</b>		4,051,811	3,766,076
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital			
100,000,000 (June 30, 2018: 100,000,000) ordinary shares of Rs.10/- each		1,000,000	1,000,000
Issued, subscribed and paid-up capital			
80,628,398 (June 30, 2018: 80,628,398) ordinary shares of Rs. 10/- each		806,284	806,284
Capital Reserve			
Surplus on revaluation of property, plant & equipment	10	330,441	213,604
Revenue Reserve			
Accumulated losses		(90,733)	(23,788)
		1,045,992	996,100
<b>NON-CURRENT LIABILITIES</b>			
Sub-ordinated loan		100,000	100,000
Long-term financing	11	1,021,315	1,066,830
Long-term deposits		515	542
		1,121,830	1,167,372
<b>CURRENT LIABILITIES</b>			
Trade and other payables		557,785	544,054
Mark-up accrued		44,185	24,709
Short-term borrowings	12	1,048,184	800,006
Un-claimed dividend		129	129
Current portion of long-term financing		233,706	233,706
		1,883,989	1,602,604
<b>CONTINGENCIES AND COMMITMENTS</b>	13		
<b>TOTAL EQUITY AND LIABILITIES</b>		4,051,811	3,766,076

The annexed notes from 1 to 25 form an integral part of these condensed interim financial statements.

  
**IQBAL ALI LAKHANI**

  
**SHAHID AHMED KHAN**

  
**MUHAMMAD AAQIL JAH**





**MERIT PACKAGING LIMITED**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2018**

		(Un-audited) September 30, 2018	(Un-audited) September 30, 2017
	Note	Rupees in 000's	
Sales - net	14	615,659	541,428
Cost of sales	15	(627,788)	(489,782)
Gross (loss) / profit		(12,129)	51,646
General and administrative expenses		(11,605)	(12,004)
Selling and distribution expenses		(9,296)	(9,047)
Other operating income		411	1,257
Other operating expenses		(660)	(800)
		(21,150)	(20,594)
Operating (loss) / profit		(33,279)	31,052
Financial charges		(47,356)	(30,564)
(Loss) / Profit before taxation		(80,635)	488
Taxation	16	13,348	-
(Loss) / profit after taxation		(67,287)	488
(Loss) / Earnings per share - basic and diluted (Rs)	17	(0.83)	0.01

The annexed notes from 1 to 25 form an integral part of these condensed interim financial statements.

  
**IQBAL ALI LAKHANI**  
**CHAIRMAN**

  
**SHAHID AHMED KHAN**  
**CHIEF EXECUTIVE OFFICER**

  
**MUHAMMAD AAQIL JAH**  
**CHIEF FINANCIAL OFFICER**


**MERIT PACKAGING LIMITED**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2018**

		(Un-audited) September 30, 2018	(Un-audited) September 30, 2017
	Note	Rupees in 000's	
(Loss) / profit for the period		(67,287)	488
<u>Other comprehensive income:</u>			
Surplus on revaluation of property, plant and equipment	10.1	123,106	-
Deferred tax thereon		(5,927)	-
		117,179	-
Total comprehensive income for the period		49,892	488

The annexed notes from 1 to 25 form an integral part of these condensed interim financial statements.

  
**IQBAL ALI LAKHANI**  
**CHAIRMAN**

  
**SHAHID AHMED KHAN**  
**CHIEF EXECUTIVE OFFICER**

  
**MUHAMMAD AAQIL JAH**  
**CHIEF FINANCIAL OFFICER**


**MERIT PACKAGING LIMITED**  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2018**

		(Un-audited) September 30, 2018	(Un-audited) September 30, 2017
	Note	Rupees in 000's	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash used in operations	18	(135,070)	(56,186)
Taxes paid		(14,434)	(3,476)
Financial charges paid		(27,880)	(14,256)
Long-term loans and advances		(190)	26
Long-term deposits		(10)	-
Net cash used in operating activities		(177,584)	(73,892)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(26,921)	(80,072)
Purchase of intangible assets		-	(120)
Proceeds from sale of property, plant and equipment		344	75
Net cash used in investing activities		(26,577)	(80,117)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long term financing		12,912	33,495
Proceeds from short term borrowings (excluding running finance)		180,000	-
Repayment of long-term financing		(58,427)	(23,215)
Net cash generated from financing activities		134,485	10,280
Net increase / (decrease) in cash and cash equivalents		(69,676)	(143,729)
Cash and cash equivalents at beginning of the period		(792,218)	(486,339)
Cash and cash equivalents at end of the period		(861,894)	(630,068)
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>			
Cash and bank balances		6,290	9,902
Short-term running finances		(868,184)	(639,970)
		(861,894)	(630,068)

The annexed notes from 1 to 25 form an integral part of these condensed interim financial statements.

  
**IQBAL ALI LAKHANI**  
**CHAIRMAN**

  
**SHAHID AHMED KHAN**  
**CHIEF EXECUTIVE OFFICER**

  
**MUHAMMAD AAQIL JAH**  
**CHIEF FINANCIAL OFFICER**


**MERIT PACKAGING LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2018**

	Issued, subscribed and paid-up capital	Capital Reserve	Revenue Reserves			Total
		Surplus on Revaluation of Property, Plant & Equipment	General Reserves	Accumulated Loss	Total	
		Rupees in 000's				
Balance as at July 1, 2017	403,142	214,348	106,800	(111,127)	(4,327)	613,163
Total comprehensive income for the period ended September 30, 2017:						
(Loss) / profit for the period	-	-	-	488	488	488
Other comprehensive income for the period ended September 30, 2017 - net of tax	-	-	-	-	-	-
	-	-	-	488	488	488
Transferred to unappropriated profit on account of incremental depreciation - net of tax	-	(156)	-	156	156	-
Balance as at September 30, 2017	403,142	214,192	106,800	(110,483)	(3,683)	613,651
Balance as at July 1, 2018	806,284	213,604	106,800	(130,588)	(23,788)	996,100
Total comprehensive income for the period ended September 30, 2018:						
(Loss) / profit for the period	-	-	-	(67,287)	(67,287)	(67,287)
Other comprehensive income for the period ended September 30, 2018 - net of tax	-	117,179	-	-	-	117,179
	-	117,179	-	(67,287)	(67,287)	49,892
Transferred to unappropriated profit on account of incremental depreciation - net of tax	-	(342)	-	342	342	-
Balance as at September 30, 2018	806,284	330,441	106,800	(197,533)	(90,733)	1,045,992

The annexed notes from 1 to 25 form an integral part of these condensed interim financial statements.

  
**IQBAL ALI LAKHANI**  
**CHAIRMAN**

  
**SHAHID AHMED KHAN**  
**CHIEF EXECUTIVE OFFICER**

  
**MUHAMMAD AAQIL JAH**  
**CHIEF FINANCIAL OFFICER**

**MERIT PACKAGING LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2018**

**1. NATURE AND STATUS OF THE COMPANY**

Merit Packaging Limited ("the Company") was incorporated on January 28, 1980 in Pakistan as a public limited company and is listed on the Pakistan Stock Exchange. The registered office of the Company is situated at Lakson Square Building No. 2, Sarwar Shaheed Road, Karachi. The Company is mainly engaged in the manufacture and sale of printing and packaging materials.

**2. GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS**

The registered office of the Company is located at Lakson Square Building No. 2, Sarwar Shaheed Road, Karachi, Pakistan. The two factories of the Company are located in Pakistan at Plot No. 17-B, Sector 29, Korangi Industrial Township, Karachi, and Plot No. 224/B, Sunder Industrial Estate, Sunder, Raiwand Road, Lahore.

**3. BASIS OF PREPARATION**

**3.1 Statement of compliance**

These condensed interim financial statements are unaudited and being submitted to the shareholders as required under section 237 of the Companies Act, 2017 and the listing regulations of the Pakistan Stock Exchange.

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.

These condensed interim financial statements does not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company as at and for the year ended June 30, 2018, which have been prepared in accordance with approved accounting standards as applicable in Pakistan. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last declared financial statements.

The comparative statement of financial position presented in these condensed interim financial statements have been extracted from the annual audited financial statements of the Company for the year ended June 30, 2018, whereas the comparative condensed interim profit and loss accounts, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity are extracted from the unaudited condensed interim financial statements for the period ended September 30, 2017.

**3.2 Basis of measurement**

These condensed interim financial statements have been prepared under the historical cost convention, except for revaluation of certain property, plant and equipment at fair value and recognition of certain employees retirement benefits at present value.

The condensed interim financial statement, except for the condensed interim statement of cash flow, has been prepared following accrual basis of accounting.



The preparation of these condensed interim financial statements, in conformity with approved accounting standards requires the management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historic experience and other factors including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

### 3.3 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

## 4. SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE FINANCIAL POSITION AND PERFORMANCE

- a) During the period ended September 30, 2018, the Company has revalued its leasehold land, building and improvement on leasehold land and plant and machinery by an independent valuer M/s. Akbani and Javed Associates on the basis of market value. This revaluation resulted in net surplus aggregating to Rs. 336.481 million (2018: Rs. 213.604 million).
- b) For related party transactions, please refer the disclosure made in note 19 of these condensed interim financial statements.

## 5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted and methods of computation followed in the preparation of these condensed interim financial statements are same as those for the preceding annual financial statements for the year ended June 30, 2018.

## 6. TAXATION

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

## 7. ESTIMATES

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and key sources of estimation of uncertainty are the same as those that were applied to the financial statements for the year ended June 30, 2018.

		Un-audited September 30, 2018	Audited June 30, 2018
	Note	Rupees in 000's	
<b>8. PROPERTY, PLANT AND EQUIPMENT</b>			
Opening net book value (NBV)		2,153,549	1,386,982
Addition (at cost) during the period / year	8.1	21,606	859,731
Revaluation surplus recognized during the period		123,106	-
		2,298,261	2,246,713
Disposals (NBV) during the period / year		(344)	(13)
Depreciation charged during the period / year		(32,208)	(93,151)
		(32,552)	(93,164)
		2,265,709	2,153,549

	Un-audited September 30, 2018	Audited June 30, 2018
	Rupees in 000's	
8.1 Detail of additions (at cost) during the period / year are as follows:		
Building / improvements on leasehold land	-	31,029
Plant and machinery	21,006	799,875
Furniture and fixtures	-	386
Vehicles	491	1,459
Office equipment	109	1,303
Computer equipment	-	7,724
Electrical installation	-	17,955
	<b>21,606</b>	<b>859,731</b>

## 8.2 Fair value measurement

- 8.2.1 The Company has revalued its leasehold land, building and improvement on leasehold land and plant and machinery on September 01, 2004, June 25, 2009, June 30, 2012, May 27, 2016 and July 2, 2018 by an independent valuer M/s. Akbani and Javed Associates on the basis of market value.

The incremental value of the leasehold land, building and improvement on leasehold land and plant and machinery so revalued are being depreciated over the remaining useful lives of these assets at the date of revaluation.

Out of the revaluation surplus, an amount of Rs. 330.441 million (2018: Rs. 213.604 million) including revaluation surplus on land, remains undepreciated as at September 30, 2018.

- 8.2.2 Fair value of land and building are based on assumptions considered to be level 2 in the fair value hierarchy due to significant observable inputs used in the valuation, while fair value of plant and machinery are considered to be level 3 in the fair value hierarchy due to significant unobservable inputs used in the valuation.

### Valuation techniques used to derive level 2 fair values - Land and Building

Fair value of land and building has been derived using a sales comparison approach. Sale prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as location and size of the property. Moreover value of building also depends upon the type of construction, age and quality. The most significant input in this valuation approach is price / rate per square foot in particular locality. This valuation is considered to be level 2 in fair value hierarchy due to significant observable inputs used in the valuation.

### Valuation techniques used to derive level 3 fair values - Plant and Machinery

In the absence of current prices in an active market, the fair value is determined by taking into account the following factors:

- Make, model, country of origin and etc.;
- Operational capacity;
- Present physical condition;
- Resale prospects; and
- Obsolescence.

The valuation is considered to be level 3 in the fair value hierarchy due to the above unobservable inputs used in the valuation. Most significant input in this valuation is the current replacement cost which is adjusted for factors above.

- 8.2.3 A reconciliation from opening balances to closing balances of fair value measurements categorized in level 3 is provided below:

		Un-audited September 30, 2018	Audited June 30, 2018
	Note	Rupees in 000's	
Opening balance (level 3 recurring fair values)		1,698,382	976,775
Additions - Cost		21,006	799,875
Revaluation Surplus		20,029	-
Depreciation charge		(27,830)	(78,268)
Closing balance (level 3 recurring fair values)		1,711,587	1,698,382

8.2.4 There were no transfers between levels 2 and 3 for recurring fair value measurements during the period.

## 9. DEFERRED TAXATION

Total deferred tax asset arising due to timing difference calculated at applicable tax rates as at balance sheet date amounted to Rs. 200.777 million (2018: Rs. 175.855 million) debit. Out of this deferred tax asset of Rs. 130.065 million (2018: Rs. 112.562 million) has not been recognized in these financial statements in accordance with the stated accounting policy of the Company. Deferred tax asset has only been recognized to the extent of excess deductible temporary differences over and above taxable temporary differences, capable of being reversed in the ensuing years. The deferred tax asset as at September 30, 2018 primarily includes an asset on unadjusted tax credit available on capital expenditure at a rate of 10% under section 65B of Income Tax Ordinance, 2001, recognized on June 30, 2018.

## 10. SURPLUS ON REVALUATION OF PROPERTY, PLANT & EQUIPMENT

### Gross surplus:

Opening balance		217,231	218,471
Surplus recognized during the period	10.1	123,106	-
Transfer to unappropriated profit in respect of incremental depreciation charged during the year - (net of deferred tax)		(342)	(880)
Related deferred tax liability		(141)	(360)
		(483)	(1,240)
Closing balance		339,854	217,231

### Related deferred tax effect:

Balance as at July 01,		(3,627)	(4,124)
On surplus recognized during the year		(5,927)	137
Incremental depreciation charge during the year		141	360
		(9,413)	(3,627)
		330,441	213,604

### 10.1 Surplus recognized during the period on:

Leasehold land	102,667	-
Building / Improvements on leasehold land	410	-
Plant and machinery	20,029	-
	123,106	-

		Un-audited September 30, 2018	Audited June 30, 2018
	Note	Rupees in 000's	
<b>11. LONG TERM FINANCING</b>			
Secured			
From banking companies	11.1	815,021	860,536
Less: Current portion shown under current liabilities		(233,706)	(233,706)
		581,315	626,830
Unsecured			
From associated undertaking	11.2	440,000	440,000
Less: Current portion shown under current liabilities		-	-
		440,000	440,000
		1,021,315	1,066,830

11.1 This Diminishing Musharaka facility has been obtained from financial institutions for the purpose of financing capital expenditure and secured against first pari passu charge on specific property, plant and equipment of the Company. The effective rate of mark-up ranging from 7.51% to 8.67% payable quarterly (June 30, 2018: 6.73% to 7.91%). The tenure of this financing facility is five to six years including one year grace period.

11.2 This loan has been obtained from an associated undertaking. An aggregate amount of Rs. 540 million was received out of which Rs. 100 million has been converted into subordinated loan. It is to be repaid in twenty equal quarterly installments commencing from July 2021. The rate of markup is 0.50% over last business day of three months KIBOR of preceding quarter. During the period, the effective mark-up rate was 7.43% per annum (June 30, 2018: 6.74% per annum).

## 12. SHORT TERM BORROWINGS

Secured			
From banking companies			
Running finance	12.1	868,184	800,006
Unsecured			
From associated undertaking	12.2	180,000	-
		1,048,184	800,006

12.1 The Company has short term running finance facilities from various banks under mark-up arrangements in aggregate amount of Rs. 1,170.000 million (2018: Rs. 1,170.000 million) having mark-up at rates ranging from 7.68% to 8.73% (2018: 7.15% to 7.70%) per annum calculated on a daily product basis and payable quarterly. The unutilized balance at the end of the year was Rs. 301.818 million (June 30, 2018: Rs. 369.995 million).

12.2 This short term borrowing facility has been obtained from an associated company. The rate of markup was 0.50% over last business day of three months KIBOR of preceding quarter.

## 13. CONTINGENCIES AND COMMITMENTS

### 13.1 Contingencies

There were no significant changes in the contingent liabilities of the Company since the last annual balance sheet date.

	Un-audited September 30, 2018	Audited June 30, 2018
	Rupees in 000's	
<b>13.2 Commitments</b>		
The Company was committed as at the balance sheet date as follows:		
Capital expenditure under letter of credit	391,014	395,518
Stores, spares and raw materials under letter of credit	766	-
Stores, spares and raw materials under contractual obligation	3,719	9,547
	Un-audited September 30, 2018	Un-audited September 30, 2017
	Rupees in 000's	
<b>14. SALES - NET</b>		
Gross sales	680,390	632,891
Less: Sales tax	(64,731)	(91,463)
	615,659	541,428
<b>15. COST OF SALES</b>		
Materials consumed	485,806	381,209
Salaries, wages and other benefits	45,934	38,014
Packing material consumed	11,819	11,827
Outsourced services	5,179	5,693
Stores and spares consumed	13,311	13,100
Power and fuel	21,873	14,559
Depreciation	31,557	20,047
Amortization	21	15
Rent, rates and taxes	7,013	4,478
Repairs and maintenance	3,048	2,383
Vehicle running expenses	641	229
Insurance	3,502	2,422
Ijara lease rentals	49	48
Printing and stationery	148	293
Communication charges	461	194
Travelling and conveyance	443	274
Fee and subscription	75	-
Software license fee	249	439
Other expenses	653	877
Manufacturing cost	631,782	496,101
Opening work-in-process	61,446	42,882
Closing work-in-process	(81,067)	(46,063)
	(19,621)	(3,181)
Cost of goods manufactured	612,161	492,920
Opening stock of finished goods	57,414	52,056
Closing stock of finished goods	(41,787)	(55,194)
	15,627	(3,138)
	627,788	489,782



## 16. TAXATION

- 16.1 The current period's total tax liability of the Company amounting to Rs. 7.700 million is covered under Section 113 "Minimum tax" of the Income Tax Ordinance, 2001. This has been fully adjusted against tax credit under section 65B at the rate 10% on the cost of plant and machinery capitalized. Unadjusted tax credit of Rs. 76.895 million is available for adjustment against two subsequent years' tax charge.
- 16.2 Deferred tax asset has only been recognized to the extent of excess deductible temporary differences over and above taxable temporary differences, capable of being reversed in the ensuing years. The computation for deferred taxation incorporates assumptions regarding utilization of tax losses carried forward, turnover taxes and tax credits. Deferred tax is computed at the rate of 29% on account of changes made to Income Tax Ordinance, 2001 through Finance Act 2018, applicable to the expected period when temporary differences are expected to be reversed / utilized.

	Note	Un-audited September 30, 2018	Un-audited September 30, 2017
		Rupees in 000's	
<b>17. EARNINGS PER SHARE - BASIC AND DILUTED</b>			
There is no dilutive effect on the basic earnings per share of the Company, which is based on:			
(Loss) / profit for the period		(67,287)	488
			(Restated)
Weighted average number of ordinary shares (in thousands)		80,628	43,248
(Loss) / Earnings per share (Rs)		(0.83)	0.01
<b>18. CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		(80,635)	488
Adjustment for non-cash items and other items:			
Gain on disposal of operating fixed assets		-	(75)
Financial charges		47,356	30,564
Depreciation		32,208	20,652
Amortization		68	14
		79,632	51,155
Profit before working capital changes		(1,003)	51,643
Working capital changes	18.1	(134,067)	(107,829)
		(135,070)	(56,186)
<b>18.1 Working capital changes</b>			
(Increase) / decrease in current assets:			
Stores and spares		(13,380)	(7,465)
Stock-in-trade		(44,255)	(17,260)
Trade debts		(73,299)	(123,905)
Loans and advances		(2,882)	(7,105)
Trade deposits and short term prepayments		(2,478)	(14,597)
Other receivables		(63)	(2,516)
Tax refund due from Government		(11,441)	(3,723)
		(147,798)	(176,571)
Increase in current liabilities:			
Trade and other payables (excluding unclaimed dividend)		13,731	68,742
		(134,067)	(107,829)

## 19. TRANSACTIONS WITH RELATED PARTIES

- 19.1 The related parties comprise of related group companies, local associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and remuneration and benefits to key management personnel under the terms of their employment are as follows:

		Un-audited September 30, 2018	Un-audited September 30, 2017
		Rupees in 000's	
Relation with the Company	Nature of transaction		
Group companies	Sales of goods and services	128,917	65,663
	Purchases of goods and services	375,375	285,875
	Rent and allied charges	80	37
	Insurance agency commission income	-	667
	Insurance claim	240	331
	Mark-up on long-term financing	10,113	9,038
	Mark-up on short-term financing	1,193	4,184
	Short-term financing obtained	180,000	-
Retirement benefit plans	Contribution towards employees retirement benefit plans	3,089	2,056
Key management personnel	Compensation in respect of:		
	Short term employee benefits	5,706	5,007
	Retirement benefits	423	295
		Un-audited September 30, 2018	(Audited) June 30, 2018
		Rupees in 000's	
19.2	Period / year end balances		
	Receivable from related parties	53,634	53,565
	Payable to related parties	304,077	281,846
	Long-term financing payable to associated undertaking	440,000	440,000
	Sub-ordinated loan	100,000	100,000
	Short-term financing payable to associated undertaking	180,000	-
	Mark-up payable to associated undertaking	11,306	-

- 19.3 The above transactions with related parties are at arm's length based on normal commercial rates.

## 20. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in an arm's length transaction. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

## **21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company's objective in managing risks is the creation and protection of share holders' value. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing profitability. The Company is exposed to credit risk, liquidity risk and market risk (which includes interest rate risk and price risk) arising from the financial instruments it holds.

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

The Company's financial risk management objective and policies are consistent with that disclosed in the financial statements for the year ended June 30, 2018.

## **22. CAPITAL RISK MANAGEMENT**

The Company's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders through the optimization of the debt and equity balance.

The Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares or adjust the amount of dividends paid to shareholders.

The Company management believes on maintaining appropriate mix of debt and equity capital and monitors capital on the basis of the net debt to equity ratio. The net debt is defined as long and short term borrowings offset by cash and bank balances. The equity includes ordinary share capital and reserves.

The Company is not subject to any externally imposed capital requirements.

## **23. CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison. However, no significant reclassifications has been made during the period.

## **24. DATE OF AUTHORIZATION FOR ISSUE**

This condensed interim financial statements were authorized for issue by the Board of Directors of the Company on October 26, 2018.

## **25. GENERAL**


Amounts have been rounded off to the nearest thousands of rupees.



**IQBAL ALI LAKHANI**  
CHAIRMAN



**SHAHID AHMED KHAN**  
CHIEF EXECUTIVE OFFICER










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CHIEF FINANCIAL OFFICER



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Tel: (92 213) 501 7180, 5544, website: [www.meritpack.com](http://www.meritpack.com)