

**Financial Statements
for the
Half Year ended
December 31, 2017**



MERIT PACKAGING LIMITED

A Lakson Group Company

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Corporate Information

Board of Directors

Iqbal Ali Lakhani	Chairman
Amin Mohammed Lakhani	
Anushka Zulfiqar Lakhani	
Tasleemuddin Ahmed Batlay	
Shahid Ahmed Khan	Chief Executive Officer
Shaikh Muhammad Barinuddin	Independent Director
Sheikh Asim Rafiq	Nominee Director (NIT)
Farrukh Shauket Ansari	Nominee Director (NIT)

Advisor

Sultan Ali Lakhani

Audit Committee

Shaikh Muhammad Barinuddin	Chairman
Iqbal Ali Lakhani	
Tasleemuddin Ahmed Batlay	

Human Resource and Remuneration Committee

Iqbal Ali Lakhani	Chairman
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
Meezan Bank Limited
MCB Bank Limited
National Bank of Pakistan
Soneri Bank Limited
United Bank Limited - Ameen

Shares Registrar

FAMCO Associates (Pvt) Ltd
8-F, Next to Hotel Faran, Nursery Block-6,
P.E.C.H.S., Shakra-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, Pakistan.

Karachi Factory

17-B, Sector 29, Korangi Industrial Township, Karachi.

Lahore Factory

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

Website

www.meritpack.com

Directors' Review

Directors of your Company are pleased to present the condensed interim un-audited financial statements of the Company together with auditors' review report for the half year ended December 31, 2017.

FINANCIAL AND OPERATIONAL PERFORMANCE

The comparison of the un-audited financial results for the first half and quarter ended December 31, 2017 is as follows:

	Half year ended		Quarter ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	(Rupees in thousand)		(Rupees in thousand)	
Net sales	1,075,941	901,290	534,513	496,828
Gross profit	107,903	83,773	56,257	46,370
Operating profit	66,147	44,331	35,095	23,696
Profit before tax	873	2,980	385	2,331

During the period under review, the net sales amounted to Rs. 1,076 million as compared to Rs. 901 million for corresponding period of last year, showing an increase of Rs. 175 million or 19%. Pre-tax profit for the period under review is Rs. 0.873 million as compared to Rs. 2.98 million recorded for the same period last year.

Company's performance was affected due to continuous increase in price of inputs and initial stage of Lahore manufacturing unit impacting profit margin. However the Company is making full efforts to pass impact of cost to customers despite severe competition in the printing industry. Despite the increase in sales and operating profit the Company witnessed a decline in profit before tax due to increased financial cost pursuant to elevated borrowings, which was envisaged by the management. As a counter measure right issue was made with the primary objective of debt reduction and generating corresponding saving in financial costs. The positive effects of right issue are not reflected in these financial statements. This positive effect will be witnessed in the upcoming quarters.

Significant efforts are being made for improving business performance with improved infrastructure and addition of relevant capital expenditure. It is expected that full capacity operations in Lahore manufacturing unit and Gravure production will help in generating additional revenue and consolidate overall financial position of the Company in the near future.

Accordingly, the directors are confident that more optimum capacity utilization coupled with operational efficiencies will help us to improve sales and in releasing pressure on the bottom line in next quarters.



IQBAL ALI LAKHANI
Chairman

Karachi: February 21, 2018

On behalf of the Board of Directors



SHAHID AHMED KHAN
Chief Executive

ڈائریکٹرز کا جائزہ

آپ کی کمپنی کے ڈائریکٹرز بڑی مسرت کے ساتھ 31 دسمبر 2017ء کو ختم ہونے والی پہلی ششماہی کے لئے کارکردگی کا جائزہ مع مختصر عبوری غیر آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔

مالیاتی اور آپڈیشنل کارکردگی

31 دسمبر 2017ء کو ختم ہونے والی پہلی ششماہی اور سہ ماہی کیلئے غیر آڈٹ شدہ مالیاتی نتائج کا موازنہ درج ذیل ہے:

مختتمہ سہ ماہی		مختتمہ ششماہی		
31 دسمبر 2016	31 دسمبر 2017	31 دسمبر 2016	31 دسمبر 2017	
(ہزار روپے)		(ہزار روپے)		
496,828	534,513	901,290	1,075,941	خالص سیلز
46,370	56,257	83,773	107,903	مجموعی منافع
23,696	35,095	44,331	66,147	آپریٹنگ منافع
2,331	385	2,980	873	قبل از ٹیکس منافع

زیر جائزہ مدت کے دوران خالص فروخت گزشتہ سال اسی مدت کے لئے 901 ملین روپے کے مقابلے میں 1,076 ملین روپے رہی جو 175 ملین روپے یا 19% کا اضافہ دکھاتی ہے۔ قبل از ٹیکس منافع گزشتہ سال اسی مدت میں ریکارڈ کئے گئے 2.98 ملین روپے کے مقابلے میں 0.873 ملین روپے زیر جائزہ مدت میں ہے۔

نام مال کے دام میں مسلسل اضافہ اور لاہور میٹروپولیٹن چیمبر آف ٹریڈ کے ابتدائی مراحل کمپنی کی کارکردگی اور اس کے منافع کے مارجن پر اثر انداز ہو رہی ہے۔ پرنٹنگ کی صنعت میں سخت مقابلے کے باوجود کمپنی اس اضافے کو سنہرز کو منتقل کرنے کیلئے پوری کوشش کر رہی ہے۔ کمپنی کی فروخت اور آپریٹنگ منافع میں اضافے کے باوجود اس کے قبل از ٹیکس منافع میں کمی کا سامنا کرنا پڑا ہے۔ جس کی وجہ کمپنی کے قرضے پر بڑھتی ہوئی مالیاتی لاگت ہے۔ اس کی روک تھام کیلئے کمپنی نے رائٹ حصص کا اجراء کیا ہے تاکہ قرضوں میں کمی لاکراس پر مالیاتی لاگت کی مد میں بچت کی جاسکے۔ رائٹ حصص کے مثبت اثرات اس مالیاتی گوشوارے میں نمایاں نہیں ہیں، جو کہ اگلے سہ ماہیوں میں مشاہدہ کی جاسکیں گی۔

کمپنی کے برٹل سرمایہ کاری میں اضافے اور بہتر بنیادی ڈھانچے کی بدولت کاروباری کارکردگی بہتر بنانے کیلئے مسلسل کوششیں جاری ہیں اور امید کی جاتی ہے کہ لاہور میٹروپولیٹن چیمبر آف ٹریڈ اور گروہ (Gravure) پرنٹنگ کی مکمل پیداواری صلاحیت کو استعمال کرتے ہوئے اضافی آمدنی پیدا کی جاسکے اور مستقبل قریب میں کمپنی کی مجموعی مالی حالت کو مستحکم کیا جاسکے۔

لہذا ڈائریکٹرز پر اعتماد ہیں کہ گنجائش سے زیادہ سے زیادہ استفادہ اور آپڈیشنل استعداد کار کمپنی کی فروخت بہتر بنانے اور اس کی مالی حالت پر سے دباؤ کم کرنے میں ہماری مدد کریں گے تاکہ اگلے سہ ماہیوں میں ہماری کارکردگی مستحکم ہو سکے۔



شاہد احمد خان
چیف ایگزیکٹو

بورڈ آف ڈائریکٹرز کی جانب سے



اقبال علی لاکھانی
چیرمین

کراچی: 21 فروری 2018

Independent Auditors' Report on review of Condensed Interim Financial Information to the Members

Introduction

We have reviewed the accompanying condensed interim balance sheet of **MERIT PACKAGING LIMITED** (the "Company") as at December 31, 2017 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in equity and notes to the accounts for the six-month period then ended (here-in-after referred as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

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 information 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 condensed interim financial information as at and for the six months period ended December 31, 2017 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

The figures for the quarter ended December 31, 2017 and December 31, 2016 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

Karachi:
Dated : February 21, 2018



BDO EBRAHIM & CO.,

Chartered Accountants

Engagement Partner: Zulfikar Ali Causer

Condensed Interim Balance Sheet

As at December 31, 2017 (Un-audited)

	Note	December 31, 2017 (Un-audited) Rs. in 000's	June 30, 2017 (Audited) Rs. in 000's
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	1,547,938	1,386,982
Capital work in progress	7	566,615	513,570
		2,114,553	1,900,552
Intangible assets		1,228	48
Long-term loans and advances		1,578	1,200
Long-term deposits		13,864	13,110
Deferred taxation		37,379	31,362
		2,168,602	1,946,272
CURRENT ASSETS			
Stores and spares		100,580	93,845
Stock-in-trade		490,234	326,353
Trade debts (unsecured - considered good)	8	447,837	383,986
Loans and advances		13,991	9,447
Trade deposits and short-term prepayments		13,680	5,020
Other receivables	9	1,706	123
Tax refund due from Government	10	309,463	250,716
Taxation-net		27,633	27,960
Cash and bank balances		359,654	2,051
		1,764,778	1,099,501
TOTAL ASSETS		3,933,380	3,045,773
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
100,000,000 (June 30, 2017: 100,000,000)			
ordinary shares of Rs.10/- each		1,000,000	1,000,000
Issued, subscribed and paid-up capital			
40,314,199 (June 30, 2017: 40,314,199)			
ordinary shares of Rs. 10/- each		403,142	403,142
Subscription against right issue	11	355,856	-
Accumulated losses		(3,272)	(4,327)
		755,726	398,815
SURPLUS ON REVALUATION OF FIXED ASSETS		213,890	214,347
NON CURRENT LIABILITIES			
Sub-ordinated loan	12	100,000	100,000
Long-term financing	13	1,138,240	1,193,324
Long-term deposits		595	645
		1,238,835	1,293,969
CURRENT LIABILITIES			
Trade and other payables		453,517	229,600
Interest and markup accrued		45,215	18,770
Short-term borrowings	14	959,891	738,390
Current portion of long-term financing		266,306	151,882
		1,724,929	1,138,642
CONTINGENCIES AND COMMITMENTS	15		
TOTAL EQUITY AND LIABILITIES		3,933,380	3,045,773

The annexed notes from 1 to 26 form an integral part of this condensed interim financial information.


IQBAL ALI LAKHANI
Chairman


SHAHID AHMED KHAN
Chief Executive


MUHAMMAD AAQIL JAH
Chief Financial Officer

Condensed Interim Profit and Loss Account

For the period ended December 31, 2017 (Un-audited)

	Note	Half year ended		Quarter ended	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
		Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's
Sales - net	16	1,075,941	901,290	534,513	496,828
Cost of sales	17	(968,038)	(817,517)	(478,256)	(450,458)
Gross profit		107,903	83,773	56,257	46,370
General and administrative expenses		(25,169)	(20,269)	(13,165)	(10,821)
Selling expenses		(17,967)	(17,942)	(8,920)	(10,777)
Other operating income		2,612	1,447	1,355	778
Other operating expenses		(1,232)	(2,678)	(432)	(1,854)
		(41,756)	(39,442)	(21,162)	(22,674)
Operating profit		66,147	44,331	35,095	23,696
Financial charges		(65,274)	(41,351)	(34,710)	(21,365)
Profit before taxation		873	2,980	385	2,331
Taxation	18	6,017	-	6,017	-
Profit after taxation		6,890	2,980	6,402	2,331
Earnings per share					
- basic and diluted (Rupees)	19	0.17	0.07	0.16	0.06

The annexed notes from 1 to 26 form an integral part of this condensed interim financial information.


IQBAL ALI LAKHANI
Chairman


SHAHID AHMED KHAN
Chief Executive


MUHAMMAD AAQIL JAH
Chief Financial Officer

Condensed Interim Statement of Comprehensive Income

For the period ended December 31, 2017 (Un-audited)

	Half year ended		Quarter ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's
Profit for the period	6,890	2,980	6,402	2,331
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	6,890	2,980	6,402	2,331

Surplus arising on revaluation of assets has been reported in accordance with the requirements of the repealed Companies Ordinance, 1984 in a separate account below equity.

The annexed notes from 1 to 26 form an integral part of this condensed interim financial information.



IQBAL ALI LAKHANI
Chairman



SHAHID AHMED KHAN
Chief Executive



MUHAMMAD AAQIL JAH
Chief Financial Officer

Condensed Interim Statement of Cash Flows

For the period ended December 31, 2017 (Un-audited)

	Note	Half year ended	
		December 31, 2017	December 31, 2016
		Rs. in 000's	Rs. in 000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	20	39,004	110,854
Income tax paid		(14,386)	(7,659)
Financial charges paid		(38,829)	(27,188)
Long-term loans and advances		(378)	104
Long-term deposits		(803)	(1,594)
Net cash (used in) / generated from operating activities		(15,392)	74,517
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(256,270)	(267,914)
Purchase of intangible assets		(1,243)	-
Proceeds from sale of operating fixed assets		105	-
Net cash used in investing activities		(257,408)	(267,914)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		105,769	479,001
Repayment of short term borrowings (excluding running finance)		-	(300,000)
Subscription against right issue, net of share issue cost		349,564	-
Repayment of long-term financing		(46,429)	(11,250)
Net cash generated from financing activities		408,904	167,751
Net increase / (decrease) in cash and cash equivalents		136,104	(25,646)
Cash and cash equivalents at beginning of the period		(486,340)	(521,023)
Cash and cash equivalents at end of the period		(350,236)	(546,669)
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash and bank balances		359,654	4,967
Short-term running finances		(709,890)	(551,636)
		(350,236)	(546,669)

The annexed notes from 1 to 26 form an integral part of this condensed interim financial information.


IQBAL ALI LAKHANI
Chairman


SHAHID AHMED KHAN
Chief Executive


MUHAMMAD AAQIL JAH
Chief Financial Officer

Condensed Interim Statement of Changes in Equity

For the period ended December 31, 2017 (Un-audited)

	Issued, subscribed and paid-up capital Rs. in 000's	Subscription against right issue Rs. in 000's	Reserves		Total Rs. in 000's	Total Rs. in 000's
			General reserve Rs. in 000's	Accumulated loss Rs. in 000's		
Balance as at July 1, 2016	403,142	-	106,800	(143,798)	(36,998)	366,144
Total comprehensive income for the half year						
Profit for the half year ended December 31, 2016	-	-	-	2,980	2,980	2,980
Other comprehensive income for the half year ended December 31, 2016	-	-	-	-	-	-
Incremental depreciation net of deferred tax effect charged during the period transferred from surplus on revaluation of property, plant, equipment	-	-	-	449	449	449
Balance as at December 31, 2016	403,142	-	106,800	(140,369)	(33,569)	369,573
Balance as at July 1, 2017	403,142	-	106,800	(111,127)	(4,327)	398,815
Total comprehensive income for the half year						
Profit for the half year ended December 31, 2017	-	-	-	6,890	6,890	6,890
Other comprehensive income for the half year ended December 31, 2017	-	-	-	-	-	-
Incremental depreciation net of deferred tax effect charged during the period transferred from surplus on revaluation of property, plant, equipment	-	-	-	457	457	457
Share issue costs	-	-	-	(6,292)	(6,292)	(6,292)
Transactions with owners Subscription against right issue	-	355,856	-	-	-	355,856
Balance as at December 31, 2017	403,142	355,856	106,800	(110,072)	(3,272)	755,726

The annexed notes from 1 to 26 form an integral part of this condensed interim financial information.


IQBAL ALI LAKHANI
Chairman


SHAHID AHMED KHAN
Chief Executive


MUHAMMAD AAQIL JAH
Chief Financial Officer

Notes to the Condensed Interim Financial Information

For the period ended December 31, 2017 (Un-audited)

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 under the repealed Companies Ordinance, 1984 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. BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information is unaudited but subject to the limited scope review by the auditors and is being submitted to the shareholders as required under section 237 of the Companies Act, 2017 and the listing regulations of the Pakistan Stock Exchange.

This condensed interim financial information of the Company for the half year ended December 31, 2017 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the repealed Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the repealed Companies Ordinance, 1984 have been followed.

This condensed interim financial information of the Company has been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984 as per the directive of Securities and Exchange Commission of Pakistan (SECP) issued vide Circular No. 23 dated October 04, 2017 and subsequently clarified by Institute of Chartered Accountants of Pakistan through their Circular No. 17 dated October 6, 2017.

This condensed interim financial information 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, 2017 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 annual financial statements.

The comparative balance sheet presented in this condensed interim financial information has been extracted from the annual audited financial statements of the Company for the year ended June 30, 2017, 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 information for the half year ended December 31, 2016.

2.2 Basis of measurement

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

This condensed interim financial information has been prepared following accrual basis of accounting except for cash flow information.

2.3 Functional and presentation currency

This condensed interim financial information has been presented in Pak Rupees, which is the functional and presentation currency of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies adopted and methods of computation followed in the preparation of this

Notes to the Condensed Interim Financial Information

For the period ended December 31, 2017 (Un-audited)

condensed interim financial information are same as those for the preceding annual financial statements for the year ended June 30, 2017.

- 3.2 The Company has adopted all the new standards and amendments to standards, including any consequential amendments to other standards which are applicable for the financial year beginning on July 1, 2017. The adoption of these new and amended standards did not have material impact on the Company's condensed interim financial information.

4. 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.

5. ESTIMATES

The preparation of condensed interim financial information 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, 2017.

	Note	December 31, 2017	June 30, 2017
		Un-audited Rs. in 000's	Audited Rs. in 000's
6. PROPERTY, PLANT AND EQUIPMENT			
Opening net book value (NBV)		1,386,982	928,705
Addition (at cost) during the period / year	6.1	203,225	521,071
		1,590,207	1,449,776
Disposals (NBV) during the period / year	6.2	-	(495)
Depreciation charged during the period / year		(42,269)	(62,299)
		(42,269)	(62,794)
		1,547,938	1,386,982
6.1 Detail of additions (at cost) during the period / year are as follows:			
Building / improvements on leasehold land		-	21,959
Plant and machinery		194,789	457,707
Furniture and fixtures		168	5,874
Vehicles		650	3,448
Office equipment		825	2,482
Computer equipment		6,793	1,412
Electrical installation		-	28,189
		203,225	521,071
6.2 Detail of disposals (net book value) during the period / year are as follows:			
Vehicles		-	495
		-	495

Notes to the Condensed Interim Financial Information

For the period ended December 31, 2017 (Un-audited)

6.3 Fair value measurement

6.3.1 Fair value of property, plant and equipment is based on the valuations carried out by an independent valuer M/s Akbani & Javed Associates Engineering & Valuation Consultants on the basis of market value on May 27, 2016.

6.3.2 Fair value of land and building is 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.

6.3.3 A reconciliation from opening balances to closing balances of fair value measurements categorised in level 3 is provided below:

	December 31, 2017 Un-audited Rs. in 000's	June 30, 2017 Audited Rs. in 000's
Opening balance (level 3 recurring fair values)	976,775	569,926
Additions - cost	194,789	457,707
Depreciation charge	(35,212)	(50,858)
Closing balance (level 3 recurring fair values)	1,136,352	976,775

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

Notes to the Condensed Interim Financial Information

For the period ended December 31, 2017 (Un-audited)

	Note	December 31, 2017 Un-audited Rs. in 000's	June 30, 2017 Audited Rs. in 000's
7. CAPITAL WORK-IN-PROGRESS			
This comprises of:			
Civil works		69,282	66,354
Plant and machinery		497,333	447,216
	7.1	566,615	513,570
7.1 Movement of carrying amount is as follows:			
Opening balance		513,570	539,288
Additions (at cost) during the period / year	7.2	256,270	495,353
		769,840	1,034,641
Transfer to operating fixed assets during the period / year		(203,225)	(521,071)
Closing balance		566,615	513,570
7.2 This includes borrowing cost capitalised amounting to Rs. 20.335 million (June 30, 2017: Rs. 36.232 million) as per IAS 23. The rate of capitalization is 7.03% (June 30, 2017: 6.96%) per annum.			
8. TRADE DEBTS			
(Unsecured - considered good)			
Due from associated companies		30,964	25,101
Others		416,873	358,885
		447,837	383,986
(Unsecured - considered doubtful)			
Others		2,317	2,317
Provision for doubtful debts		(2,317)	(2,317)
		-	-
		447,837	383,986
9. OTHER RECEIVABLES			
(Unsecured - considered good)			
Due from associated company	9.1	1,562	123
Others		144	-
		1,706	123
9.1 This represents insurance agency commission and employee's medical claim receivable from Century Insurance Company Limited, an associated company.			
10. TAX REFUND DUE FROM GOVERNMENT			
Sales tax and special excise duty receivable		222,563	178,536
Income tax refundable		86,900	72,180
		309,463	250,716

Notes to the Condensed Interim Financial Information

For the period ended December 31, 2017 (Un-audited)

	Note	December 31, 2017	June 30, 2017
		Un-audited Rs. in 000's	Audited Rs. in 000's
11. SUBSCRIPTION AGAINST RIGHT ISSUE			
Subscription against right issue	11.1	355,856	-
<p>11.1 This represents amount received from the shareholders as subscription money against right issue upto December 31, 2017. During the period, the Company announced issue of 100% right shares at par value of Rs.10 per share in proportion to 1 share for every 1 share held. Subsequent to balance sheet date 40,314,199 ordinary shares of Rs. 10 each amounting to Rs. 403,141,990 have been allotted by the Allotment Committee on January 17, 2018 (as constituted by Board of Directors in their meeting held on January 15, 2018).</p>			
12. SUBORDINATED LOAN - UNSECURED			
From associated undertaking	12.1	100,000	100,000
<p>12.1 This subordinated loan has been obtained from an associated undertaking. The rate of markup is 0.5% over last business day of three months KIBOR of preceding quarter. During the period, the effective mark-up rate was 6.65% per annum (2017: 6.58% per annum). This loan shall remain sub-ordinated to the financing facilities extended by the banks to the Company. The loan shall not be repaid until the entire amount of financing facilities and any payments due in respect of financing facilities or any other finance extended / provided by the banks to the Company, have been paid in full by the Company to the banks and the banks have notified to the sponsors of such payments; and / or the banks otherwise give any permission in writing to the Company to make full or part of the payments due under the long term financing to the associated undertakings.</p>			
13. LONG TERM FINANCING			
Secured			
From banking companies	13.1	964,546	905,206
Less: Current portion shown under current liabilities		(222,306)	(151,882)
		742,240	753,324
Unsecured			
From associated undertaking	13.2	440,000	440,000
Less: Current portion shown under current liabilities		(44,000)	-
		396,000	440,000
		1,138,240	1,193,324

13.1 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 equipments of the Company. The effective rate of mark-up ranging from 6.64% to 7.90% payable quarterly (June 30, 2017: 6.59% to 7.73%). The tenure of this financing facility is five to six years including one year grace period.

13.2 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 2018. 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 6.65% per annum (June 30, 2017: 6.58% per annum).

Notes to the Condensed Interim Financial Information

For the period ended December 31, 2017 (Un-audited)

	Note	December 31, 2017 Un-audited Rs. in 000's	June 30, 2017 Audited Rs. in 000's
14. SHORT TERM BORROWINGS			
Secured			
From banking companies	14.1	709,891	488,390
Running finance			
Unsecured			
From associated undertaking	14.2	250,000	250,000
		959,891	738,390

14.1 These carry mark up ranging from 7.04% to 7.66% (June 30, 2017: 6.91% to 7.58%) per annum.

14.2 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.

15. CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

There was no contingent liability as of the balance sheet date.

15.2 Commitments

The Company was committed as at the balance sheet date as follows:

Capital expenditure under letter of credit	-	10,279
Stores, spares and raw materials under letter of credit	6,078	-
Stores, spares and raw materials under contractual obligation	5,999	3,538

	Half year ended		Quarter ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	Un-audited Rs. in 000's	Un-audited Rs. in 000's	Un-audited Rs. in 000's	Un-audited Rs. in 000's
16. SALES - NET				
Gross sales	1,257,391	1,055,192	624,500	581,404
Less: Sales tax	(181,450)	(153,902)	(89,987)	(84,576)
	1,075,941	901,290	534,513	496,828

Notes to the Condensed Interim Financial Information

For the period ended December 31, 2017 (Un-audited)

	Half year ended		Quarter ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	Un-audited Rs. in 000's	Un-audited Rs. in 000's	Un-audited Rs. in 000's	Un-audited Rs. in 000's
17. COST OF SALES				
Materials consumed	749,974	609,162	368,765	329,615
Salaries, wages and other benefits	77,490	64,259	39,476	34,782
Packing material consumed	25,588	21,753	13,761	11,987
Outsourced services	11,473	21,676	5,780	15,411
Stores and spares consumed	28,309	22,195	15,209	12,816
Power and fuel	29,295	21,449	14,736	12,783
Depreciation	41,089	23,469	21,042	13,500
Amortization	23	7	8	4
Rent, rates and taxes	10,945	4,768	6,467	2,711
Repairs and maintenance	5,328	2,597	2,945	1,141
Vehicle running expenses	614	676	385	356
Insurance	5,119	3,478	2,697	1,705
Ijara lease rentals	95	-	47	-
Printing and stationery	585	500	292	269
Communication charges	528	512	334	167
Travelling and conveyance	789	326	515	280
Fee and subscription	205	361	205	321
Software license fee	849	230	410	115
Other expenses	1,987	1,197	1,109	780
	990,285	798,615	494,183	438,743
Opening work-in-process	42,882	63,106	46,063	61,115
Closing work-in-process	(61,213)	(41,777)	(61,213)	(41,777)
	(18,331)	21,329	(15,150)	19,338
Cost of goods manufactured	971,954	819,944	479,033	458,081
Opening stock of finished goods	52,056	37,207	55,194	32,011
Closing stock of finished goods	(55,972)	(39,634)	(55,971)	(39,634)
	(3,916)	(2,427)	(777)	(7,623)
	968,038	817,517	478,256	450,458

18. TAXATION

18.1 The current period's total tax liability of the Company amounting to Rs. 13.449 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 capitalised during the period. Unadjusted tax credit of Rs. 37.379 million is available for adjustment against two subsequent years' tax charge.

18.2 The applicable income tax rate for Tax Year 2018 was reduced to 30% on account of changes made to Income Tax Ordinance 2001 through Finance Act 2015. Therefore, deferred tax is computed at the rate of 30% applicable to the period when temporary differences are expected to be reversed / utilised.

Notes to the Condensed Interim Financial Information

For the period ended December 31, 2017 (Un-audited)

18.3 Deferred tax asset arising due to timing difference, carry forward tax losses, turnover taxes and unutilized tax credits calculated at applicable tax rates as at balance sheet date amounted to Rs. 73.772 million debit. Deferred tax asset has not been recognized in this condensed interim financial information in accordance with the stated accounting policy of the Company. The computation for deferred taxation incorporates assumptions regarding utilization of tax losses carried forward, turnover taxes and tax credits.

19. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

	Half year ended		Quarter ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	Un-audited Rs. in 000's	Un-audited Rs. in 000's	Un-audited Rs. in 000's	Un-audited Rs. in 000's
Profit for the period	6,890	2,980	6,402	2,331
Weighted average number of ordinary shares (in thousands)	40,314	40,314	40,314	40,314
Earnings per share (Rupees)	0.17	0.07	0.16	0.06

	Half year ended	
	December 31, 2017	December 31, 2016
	Un-audited Rs. in 000's	Un-audited Rs. in 000's

20. CASH GENERATED FROM OPERATIONS

Profit before taxation		873	2,980
Adjustment for non-cash items and other items:			
Gain on disposal of operating fixed assets		(105)	-
Provision for doubtful debts		-	1,150
Financial charges		65,274	41,351
Depreciation		42,269	24,641
Amortization		63	19
		107,501	67,161
Profit before working capital changes		108,374	70,141
Working capital changes	20.1	(69,370)	40,713
		39,004	110,854

20.1 Working capital changes

(Increase) / decrease in current assets:			
Stores and spares		(6,735)	(11,236)
Stock-in-trade		(163,880)	21,916
Trade debts		(63,851)	(77,080)
Loans and advances		(4,544)	(3,018)
Trade deposits and short term prepayments		(8,660)	(2,173)
Other receivables		(1,583)	20,577
Tax refund due from Government		(44,034)	(28,741)
		(293,287)	(79,755)
Increase in current liabilities:			
Trade and other payables (excluding unclaimed dividend)		223,917	120,468
		(69,370)	40,713

Notes to the Condensed Interim Financial Information

For the period ended December 31, 2017 (Un-audited)

21 TRANSACTIONS WITH RELATED PARTIES

21.1 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:

Relation with the Company	Nature of transaction	Half year ended		Quarter ended	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
		Un-audited Rs. in 000's	Un-audited Rs. in 000's	Un-audited Rs. in 000's	Un-audited Rs. in 000's
Associated companies	Sales of goods and services	127,394	79,190	61,731	39,506
	Purchases of goods and services	703,177	486,597	417,302	244,292
	Rent and allied charges	113	108	76	44
	Insurance agency commission income	1,489	600	822	300
	Insurance claim	685	16	354	-
	Mark-up on long-term financing	18,089	17,817	9,051	8,425
	Mark-up on short-term financing	8,375	8,356	4,191	3,139
	Repayment of short-term financing	-	300,000	-	300,000
Retirement benefit plans	Contribution towards employees retirement benefit plans	4,076	3,248	2,020	1,651
Key management personnell	Compensation in respect of:				
	Short term employee benefits	9,920	10,458	4,913	5,573
	Retirement benefits	582	537	287	296
				December 31, 2017	June 30, 2017
				Un-audited	Audited
				Rs. in 000's	Rs. in 000's

21.2 Period / year end balances

Receivable from related parties	32,527	25,224
Payable to related parties	200,353	67,134
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	250,000	250,000
Mark-up payable to associated undertaking	26,463	-

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

22. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objective and policies are consistent with that disclosed in the financial statements for the year ended June 30, 2017.

23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Notes to the Condensed Interim Financial Information

For the period ended December 31, 2017 (Un-audited)

Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the Company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset either directly that is, derived from prices.

Level 3: Inputs for the asset or liability that are not based on observable market data (that is unadjusted) inputs.

Transfer between levels of the fair value hierarchy are recognised at the end of the reporting period during which the changes have occurred.

During the half year ended December 31, 2017, there were no transfers between level 1 and level 2 fair value measurements and no transfers into or out of level 3 fair value measurements.

The carrying values of all financial assets and liabilities reflected in this condensed interim financial information approximate their fair values.

24. CORRESPONDING FIGURES

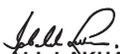
Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison, the effect of which is not material.

25. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue by the Board of Directors of the Company on February 21, 2018.

26. GENERAL

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


IQBAL ALI LAKHANI
Chairman


SHAHID AHMED KHAN
Chief Executive


MUHAMMAD AAQIL JAH
Chief Financial Officer

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