



**MERIT PACKAGING LIMITED**  
A Lakson Group Company

**ANNUAL REPORT 2017**

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## Corporate Information

### Board of Directors

Iqbal Ali Lakhani	Chairman
Zulfiqar Ali Lakhani (upto December 06, 2016)	
Amin Mohammed Lakhani	
Anushka Zulfiqar Lakhani (from February 24, 2017)	
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 (from December 06, 2016)	
Zulfiqar Ali Lakhani (upto December 06, 2016)	
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  
National Bank of Pakistan  
Soneri Bank Limited

### Shares Registrar

FAMCO Associates (Pvt) Ltd  
8-F, Next to 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, 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





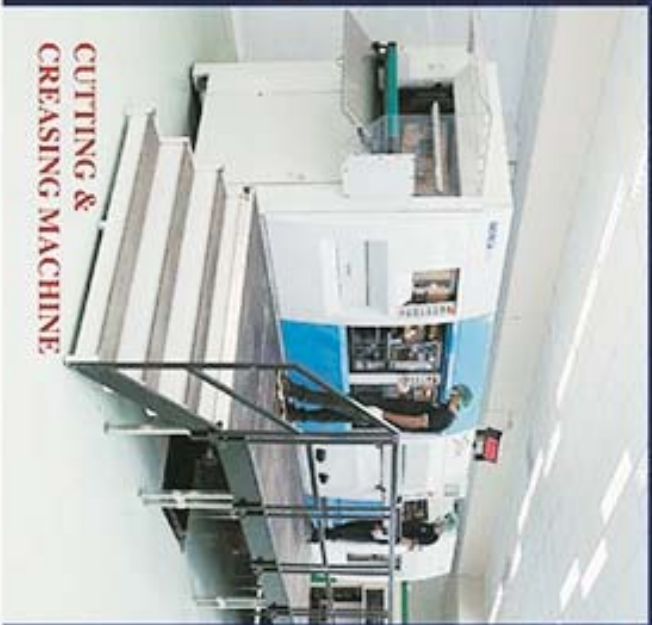
**HEIDELBERG**



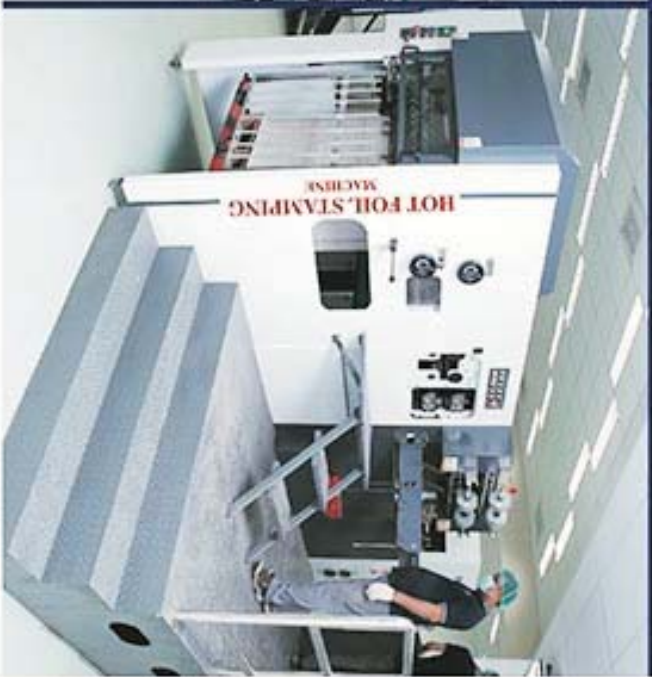
**ELECTRONIC  
VERIFICATION**



**COMPUTER TO  
PLATE**



**CUTTING &  
CREASING MACHINE**



**HOT FOIL STAMPING  
MACHINE**

# INDEPENDENCE DAY

At Karachi Factory



# INDEPENDENCE DAY

At Lahore Factory



## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the 37th Annual General Meeting of MERIT PACKAGING LIMITED will be held on Friday, October 27, 2017 at 10:00 a.m. at Avari Towers Hotel, Fatima Jinnah Road, Karachi to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited financial statements of the Company for the year ended June 30, 2017 together with the Directors' and Auditors' reports thereon.
2. To appoint Auditors and fix their remuneration.

### SPECIAL BUSINESS

#### Special Resolutions

3. To consider to pass the following resolutions:
  - a) "**RESOLVED** that the transactions carried out in normal course of business with associated companies as disclosed in Note No. 42 of the audited financial statements for the year ended June 30, 2017 be and are hereby ratified and approved."
  - b) "**RESOLVED** that the Chief Executive Officer of the Company be and is hereby authorized to approve all the transactions carried out and to be carried out in normal course of business with associated companies during the ensuing year ending June 30, 2018 and in this connection the Chief Executive Officer be and is hereby also authorized to take any and all necessary actions and sign/execute any and all such documents/indentures as may be required in this regard on behalf of the Company."

Statement under section 134 of the Companies Act, 2017 in the above matters mentioned in item No.3 is annexed.

KARACHI: September 27, 2017

By Order of the Board



**(MANSOOR AHMED)**  
Company Secretary



# Notice of Annual General Meeting

## NOTES:

1. The share transfer books of the Company will remain closed from October 21, 2017 to October 27, 2017 (both days inclusive). Transfers received in order by the Shares Registrar of the Company, M/s. FAMCO Associates (Private) Limited, 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shakra-e-Faisal, Karachi up to the close of business on October 20, 2017 will be treated in time for the purpose of attendance at the Annual General Meeting.
2. A member, who has deposited his/her shares into Central Depository Company of Pakistan Limited, must bring his/her participant's ID number and CDC account/sub-account number along with original Computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting.
3. A member entitled to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend, speak and vote instead of him/her.
4. Forms of proxy, in order to be valid must be properly filled-in/executed and received at the registered office of the Company situated at Lakson Square, Building No.2, Sarwar Shaheed Road, Karachi not later than 48 hours before the time of the meeting.
5. Members are requested to promptly notify Share Registrar of the Company of any change in their addresses.
6. Members who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) are requested to send the same to our Share Registrar at the earliest.
7. Pursuant to Notification vide SRO.787(1)/2014 of September 08, 2014, Securities and Exchange Commission of Pakistan (SECP) has directed to facilitate the members of the company receiving Annual Financial Statements and Notices through electronic mail system (e-mail). We are pleased to offer this facility to our members who desire to receive Annual Financial Statements and Notices of the Company through e-mail in future. In this respect members are hereby requested to convey their consent via e-mail on a standard request form which is available at the Company website i.e. [www.meritpack.com](http://www.meritpack.com) Please ensure that your e-mail has sufficient rights and space available to receive such e-mail which may be larger than 1 MB file in size. Further, it is the responsibility of the member to timely update the Share Registrar of any change in the registered e-mail address.
8. Members can also avail video conference facility, in this regard, please fill the following and submit to registered address of the Company 10 days before holding of the Annual General Meeting. If the Company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior to date of the meeting, the Company will arrange video conference facility in the city subject to availability of such facility in that city.

"I/We, \_\_\_\_\_ of \_\_\_\_\_, being a member of Merit Packaging Limited holder of \_\_\_\_\_ ordinary share(s) as per Registered Folio No. \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_."

9. Form of Proxy is enclosed.

# Notice of Annual General Meeting

## STATEMENT OF MATERIAL FACTS CONCERNING SPECIAL BUSINESS PURSUANT TO SECTION 134 OF THE COMPANIES ACT, 2017

This statement sets out the material facts concerning the Special Business, given in agenda item No. 3 of the Notice will be considered to be passed by the members. The purpose of the Statement is to set forth the material facts concerning such Special Business.

1. Agenda Item No. 3(a) of the Notice - Transactions carried out with associated companies during the year ended June 30, 2017 to be passed as a Special Resolution.

The transactions carried out in normal course of business with associated companies (Related parties) were being approved by the Board as recommended by the Audit Committee on quarterly basis pursuant to clause 5.19.6 (b) of the Code of Corporate Governance, 2012.

During the Board meeting it was pointed out by the Directors that as the majority of Company Directors were interested in these transactions due to their common directorship and holding of shares in the associated companies, the quorum of directors could not be formed for approval some of these transactions specifically, therefore, these transactions have to be approved by the shareholders in the General Meeting.

In view of the above, the transactions conducted during the financial year ended June 30, 2017 with associated companies shown in note No. 42 of the financial statements are being placed before the shareholders for their consideration and approval/ratification.

The Directors are interested in the resolution to the extent of their common directorships and their shareholding in the associated companies.

2. Agenda Item No. 3(b) of the Notice - Authorization to the Chief Executive Officer for the transactions carried out and to be carried out with associated companies during the ensuing year ending June 30, 2018 to be passed as a Special Resolution.

The Company would be conducting transactions with associated companies in the normal course of business. The majority of Directors are interested in these transactions due to their common directorship and shareholding in the associated companies. Therefore, such transactions with associated companies have to be approved by the shareholders.

In order to comply with the provisions of clause 5.19.6 (b) of the Code of Corporate Governance, 2012, the shareholders may authorize the Chief Executive Officer to approve transactions carried out and to be carried out in normal course of business with associated companies during the ensuing year ending June 30, 2018.

The Directors are interested in the resolution to the extent of their common directorships and their shareholding in the associated companies.

## Review Report by the Chairman

As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors of Merit Packaging Limited is carried out. The purpose of this evaluation is to ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Company.

For the financial year ended June 30, 2017, the Board's overall performance and effectiveness has been assessed as Satisfactory. Improvements are an ongoing process leading to action plans. The overall assessment as Satisfactory is based on an evaluation of integral components, including vision, mission and values; engagement in strategic planning; formulation of policies; monitoring the organization's business activities; monitor financial resource management; effective fiscal oversight; equitable treatment of all employees and efficiency in carrying out the Board's business.

The Board of Directors of your Company received agendas and supporting written material including follow up materials in sufficient time prior to the board and its committee meetings. The board meets frequently enough to adequately discharge its responsibilities. The non-executive and independent directors are equally involved in important decisions.

Karachi : September 25, 2017



**IQBAL ALI LAKHANI**  
Chairman

## چیئرمین کی جائزہ رپورٹ

میرٹ پیکیجنگ لمیٹڈ کے بورڈ آف ڈائریکٹرز کا سالانہ جائزہ کوڈ آف کارپوریٹ گورننس کے تحت کیا جاتا ہے۔ اس جائزے کا مقصد اس امر کو یقینی بنانا ہے کہ بورڈ کی مجموعی کارکردگی اور افادیت کو کمپنی کے مختص کردہ مقاصد کے تناظر میں پرکھا جاسکے۔

مالی سال برائے 30 جون، 2017 کے لیے بورڈ کی مجموعی کارکردگی اور افادیت اطمینان بخش قرار پائی ہے۔ بہتری ایک مستقل جاری رہنے والا عمل ہے جس کی مدد سے عملی منصوبہ بندیوں کو ممکن بنایا جاتا ہے۔ مجموعی جائزے کا اطمینان بخش ہونا ضروری اجزاء کے انفرادی جائزے پر منحصر ہے جن میں دورانہدیشی، نصب العین اور اقدار، حکمت عملی کے بنانے میں کردار، پالیسی کی تشکیل، کمپنی میں جاری کاروباری سرگرمیوں کی نگرانی، مالیاتی وسائل کے انتظام کی نگرانی، موثر مالی نگرانی، بورڈ کے کاروبار کو پورا کرنے میں ملازمین کے ساتھ منصفانہ سلوک اور بورڈ کی سرگرمیوں کو موثر انداز سے پورا کرنا شامل ہیں۔

آپ کی کمپنی کے بورڈ آف ڈائریکٹرز کو اور اس کی کمیٹی کی ملاقاتوں میں ایجنڈا مع دیگر ضروری دستاویزات قبل از وقت موصول ہوئے۔ بورڈ ضروری سرگرمیوں اور ذمہ داریوں کو موثر طریقے سے انجام دینے کے لیے باقاعدگی سے ملاقات کرتا ہے۔ نان ایگزیکٹو اور آزاد ڈائریکٹرز بھی اہم فیصلوں میں برابری کی بنیاد پر شامل ہوتے ہیں۔

*Aqbal Ali*

اقبال علی لاکھانی  
چیئرمین

کراچی: 25 ستمبر 2017

## Directors' Report

On behalf of the Board of Directors' Merit Packaging Limited, we are pleased to submit the Directors' report along with the 37th Annual Audited Financial Statements of the Company for the year ended June 30, 2017.

### PERFORMANCE OUTLOOK

#### KEY NUMBERS

	2016-17	2015-16
	(Rupees in thousand)	
Sales - net	1,801,452	1,606,868
Gross Profit	183,988	128,746
Operating Profit	102,811	82,260
Profit after Tax	32,677	3,167
	(Rupees per share)	
Earnings per Share	0.81	0.08

#### OPERATING RESULTS

During the year under review, the net sales were recorded at Rs. 1.801 billion, as compared to Rs. 1.606 billion in the last financial year, showing an increase of Rs.195 million or 12%. After-tax profit for the year ended June 30, 2017 is Rs. 33 million as compared to a profit of Rs. 3 million in previous year.

Significant measures including revamping of Gravure department and addition of a manufacturing unit in Lahore have opened up new avenues of business, with reputed corporate organizations, through better quality of products and more value added jobs. All these steps are likely to contribute positively towards overall financial position of the Company soon.

In view of the expansion process of your Company, it has been decided that no appropriation is being made on account of dividend for this year.

#### COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The statement of Compliance with the Code of Corporate Governance is annexed with the report.

As required under the code of corporate governance, the Directors of your Company are pleased to state as follows:

- ◆ The financial statements prepared by the management of the Company present its state of affairs fairly, the results of its operations, cash flows and changes in equity.
- ◆ Proper books of accounts of the Company have been maintained.
- ◆ Appropriate accounting policies have been consistently applied in preparation of financial statements except for changes resulting on initial application of standards, amendments or interpretations to existing standards. Accounting estimates are based on reasonable prudent judgments.
- ◆ International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from have been adequately disclosed and explained.
- ◆ The system of internal control is sound in design and has been effectively implemented and monitored.
- ◆ There are no doubts upon the Company's ability to continue as a going concern.
- ◆ The summary of key operating and financial data for the last six years of the Company has been annexed to this report.

## Directors' Report

- ◆ Information about taxes, duties, levies and charges outstanding have been adequately disclosed in the notes forming part of the annexed financial statements.
- ◆ Two Directors on Board of the Company are exempt from attending Director's Training Program, while five Directors have completed the same and one Director will complete.
- ◆ There has been no material departure from the best practices of Corporate Governance as detailed in the Listing Regulations.

### **SAFETY, SECURITY, HEALTH AND ENVIRONMENT**

Merit Packaging Limited has committed to ensure protection of employees, production facilities and products at all time. The management has been continually improving management system standards by striving to include safety consciousness round the clock amongst its employees. Regular training sessions are organized to ensure well-being and safety of our employees.

### **CORPORATE SOCIAL RESPONSIBILITY**

Merit Packaging Limited recognizes that we cannot have a growing business unless the communities we serve are healthy and sustainable. We believe in discharging our social obligation as responsible citizen and strictly abiding by its responsibility as a corporate entity, extending help to citizens whenever needed.

The company in its own humble way envisages importance on corporate social responsibility that especially highlights our concerns for natural resources and environment and for improving healthy lifestyle.

### **HUMAN RESOURCE DEVELOPMENT**

Human resource development remains vital for the success of operational activities of the Company. Merit Packaging Limited focuses on providing best development opportunities to its employees, ensuring development in their skills and to come up with innovative ideas. This would allow them to cope with the latest technological advancement.

### **AUDITORS**

The Auditors, Messrs. BDO Ebrahim & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment for the year ending June 30, 2018. The Board of Directors endorses the recommendation of Audit Committee for their re-appointment as auditors of the Company for shareholders' consideration at the forthcoming Annual General Meeting.

### **MATERIAL CHANGES AND COMMITMENTS**

During the year, the Company has increased authorized share capital from Rs.700 million to Rs. 1,000 million by passing special resolution in Extra Ordinary General Meeting (EOGM) of the Company held on March 31, 2017. There has been no material changes and commitments affecting the financial position of the company which have occurred between the end of the financial year of the company to which this annual report relates and the date of this Director's report.

### **PATTERN OF SHAREHOLDING**

A statement showing the pattern of shareholding of the Company and additional information as at June 30, 2017, whose disclosure is required under the reporting framework, is annexed to this report.

## Directors' Report

The Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, their spouses and minor children did not carry out any transaction in the shares of the Company during the year.

### INVESTMENTS IN RETIREMENT BENEFITS

Merit Packaging Limited provides retirement benefits to its employees in the shape of provident fund and gratuity fund.

Value of investment made by staff retirement benefit funds on their respective audited accounts as at December 31, 2016 and June 30, 2017 respectively are as follows:

Provident Fund	101,510
Gratuity Fund	46,419

### BOARD OF DIRECTORS

#### Changes in composition

During the year under review Mr. Zulfiqar Ali Lakhani resigned and Ms. Anushka Zulfiqar Lakhani joined us as his replacement. The Board wishes to place on record its appreciation for the valuable contribution made by Mr. Zulfiqar Ali Lakhani and welcomes Ms. Anushka Zulfiqar Lakhani on the Board of Directors of the Company.

### BOARD MEETINGS AND ATTENDANCE

In 2016-17, four (4) Board Meetings were held and attended by the Directors as follows to review Company's complete cycle of activities:

Directors' name	Attendance
Mr. Iqbal Ali Lakhani - (Chairman)	3
Mr. Zulfiqar Ali Lakhani (Upto 6th December 2016)	1
Mr. Amin Mohammed Lakhani	0
Ms. Anushka Zulfiqar Lakhani (From 24th February 2017)	0
Mr. Tasleemuddin Ahmed Batlay	4
Mr. Shahid Ahmed Khan - (Chief Executive Officer)	4
Mr. Shaikh Muhammad Barinuddin - (Independent Director)	4
Mr. Sheikh Asim Rafiq - (Nominee of National Investment Trust Ltd)	3
Mr. Farrukh Shauket Ansari - (Nominee of National Investment Trust Ltd)	3

Leave of absence was granted to Directors who could not attend some of the Board meetings.

### AUDIT COMMITTEE

#### Changes in composition

During the year under review Mr. Zulfiqar Ali Lakhani resigned and Mr. Iqbal Ali Lakhani joined as his replacement. The Committee wishes to place on record its appreciation for the valuable contribution made by Mr. Zulfiqar Ali Lakhani and welcomes Mr. Iqbal Ali Lakhani on the Audit Committee of the Company. In 2016-17 four (4) Audit Committee Meetings were held and attended by members as follows on a quarterly basis to review its complete cycle of activities:

## Directors' Report

<b>Member's name</b>	<b>Attendance</b>
Mr. Shaikh Muhammad Barinuiddin - (Chairman)	4
Mr. Iqbal Ali Lakhani (From 6th December 2016)	0
Mr. Zulfiqar Ali Lakhani (Upto 6th December 2016)	2
Mr. Tasleemuddin Ahmed Batlay	4

Leave of absence was granted to members who could not attend some of the Board meetings.

The accounts of your Company and relevant public announcements were reviewed by the Audit Committee before the approval by the Board.

### HUMAN RESOURCE AND REMUNERATION COMMITTEE

In 2016-17 one (1) meeting of Human Resource and Remuneration (HR&R) Committee was held and attended by each member as follows:

<b>Member's name</b>	<b>Attendance</b>
Mr. Iqbal Ali Lakhani - (Chairman)	1
Mr. Tasleemuddin Ahmed Batlay	1
Mr. Shahid Ahmed Khan	1

### QUALITY MANAGEMENT

The certificates that we have acquired help us to focus on meeting customers' requirements on a consistent basis and enhancing their level of satisfaction. These certifications: Quality Management System ISO 9001:2008(QMS), Food Safety Management System ISO 22000:2005(FSMS), Environment Management System ISO 14001:2004(EMS), PAS 223: 2011, SEDEX (Supplier Ethical Data Exchange), HACCP (Hazard Analysis and Critical Control Point) and International Food Safety Standard(IFSS) express our goals and aspirations and assumes that quality related issues will be reduced as a result of systematic thinking, transparency, documentation and diagnostic measures. Further to meet the updated requirements of these certifications, we are now replacing the QMS and EMS old version to a new and updated version that is ISO 9001:2015 and ISO 14001:2015 and initiating "Integrated Management Systems", first time in Merit Packaging for both Offset and Gravure division, our company will be certified on IMS in the coming days.

### FUTURE OUTLOOK

The future looks promising as operational changes have been made. Merit Packaging Limited has undertaken concerted measures by induction of machines and through other related capital measures during the year. These steps will ensure uninterrupted production with more value addition, besides ability to deliver quality products to broad based customers in Pakistan through opening of new operation facilities from Lahore.

The Company is now fully geared up to meet customer service expectations. Persistent efforts are being made in solving issues pertaining to timely execution of orders. It is expected that commercial operations, in Lahore and revamped Gravure facility at Karachi will generate the much needed additional revenue that will help to improve financial position of your Company.



## Directors' Report

The Directors of your Company are confident that the year 2017-18 would allow your Company to improve sales with addition of value added products, operational efficiencies and improved customers' services. However profitability will be under pressure until full capacity utilization of the machines installed. The impact of this will be recorded in the financial year 2017-18, in spite of the actions taken which is steadily improving the health of your Company. The growth in business has started and customer's jobs are being developed, it will generate higher profits in future.

### ACKNOWLEDGEMENT

The Directors of your Company are pleased to place on record their appreciation to all shareholders, customers, financial institution, vendors and employees for their continued support to achieve its objectives.



**IQBAL ALI LAKHANI**  
Chairman



**SHAHID AHMED KHAN**  
Chief Executive Officer

Karachi : September 25, 2017

## ڈائریکٹرز رپورٹ

میرٹ پیکیجنگ لمیٹڈ کے بورڈ آف ڈائریکٹرز کی طرف سے 30 جون 2017ء کو ختم ہونے والے سال کے لیے ڈائریکٹرز رپورٹ مع کمپنی کے 37 ویں سالانہ آڈٹ شدہ مالیاتی گوشوارے پیش کرنا میرے لیے باعث مسرت ہے۔

### کارکردگی کا جائزہ

#### اہم اعداد و شمار

2015-16 (ہزار روپے)	2016-17 (ہزار روپے)	
1,606,868	1,801,452	فروخت۔ خالص
128,746	183,988	مجموعی منافع
82,260	102,811	آپریٹنگ منافع
3,167	32,677	بعد از ٹیکس منافع
(نی شیئر روپے)	(نی شیئر روپے)	
0.08	0.81	نی حصص آمدنی

### آپریٹنگ نتائج

زیر جائزہ سال کے دوران خالص فروخت گزشتہ مالی سال میں 1.606 ارب روپے کے مقابلے میں 1.801 ارب روپے ریکارڈ کی گئی، اس طرح 195 ملین روپے یا 12% فی صد کا اضافہ دکھایا۔ 30 جون 2017ء کو ختم ہونے والے سال کے لیے بعد از ٹیکس منافع گزشتہ سال میں 3 ملین روپے کے مقابلے میں 33 ملین روپے ہے۔

نمایاں اقدامات بشمول گریویر (Gravure) ڈپارٹمنٹ کی بحالی اور لاہور میں ایک مینوفیکچرنگ یونٹ کے اضافے نے پروڈکٹس کی بہتر کوالٹی اور زیادہ ویلیو ایڈڈ کاموں کی بدولت معروف کاروباری اداروں کے ساتھ کاروبار کے نئے دروازے کھول دیے ہیں۔ ان تمام اقدام کے بہت جلد کمپنی کی مجموعی مالیاتی پوزیشن میں مثبت کردار ادا کرنے کا امکان ہے۔

کمپنی کو وسیع کرنے کے معاملات کے مد نظر یہ اس سال ڈیوڈنڈ دینے کا فیصلہ کیا گیا ہے۔

### کاروباری نظم و ضبط کے ضابطے (Code of Corporate Governance) کی تعمیل

کاروباری نظم و ضبط کے ضابطے کی تعمیل کا گوشوارہ رپورٹ کے ساتھ منسلک ہے۔

جیسا کہ کوڈ آف کارپوریٹ گورننس کے تحت مطلوب ہے، آپ کی کمپنی کے ڈائریکٹرز بصد مسرت مطلع کرتے ہیں کہ:

☆ کمپنی کی انتظامیہ کی طرف سے تیار کردہ مالیاتی گوشوارے اس کے معاملات، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوز اور ایکویٹی میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔

☆ کمپنی کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔

☆ مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی ہے، ماسوائے اسٹینڈرڈ، ترامیم یا تشریحات کے موجودہ اسٹینڈرڈز پر ابتدائی اطلاق کے نتیجے میں رونما ہونے والی تبدیلیوں کے۔ شماریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔

☆ مالیاتی گوشواروں کی تیاریوں میں عالمی مالیاتی یورٹنگ کے معیاروں جنکا پاکستان میں اطلاق ہے انکی پیروی کی جاتی ہے اگر کسی معیار کو ترک کیا گیا ہے تو اسکی تفصیل کو بتانا اور تشریح کیا گیا ہے۔

☆ انٹرنل کنٹرول کا نظام مستحکم ہے اور مؤثر نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔

☆ کمپنی کی کاروباروں دواں رکھنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔

☆ گزشتہ تین سال کا اہم کاروباری اور مالیاتی ڈیٹا اس رپورٹ کے ہمراہ منسلک ہے۔

☆ ٹیکسوں، ڈیوٹیز، محصولات اور واجب الادا چارجز کے بارے میں معلومات نوٹس میں مناسب انداز میں ظاہر کی گئی ہیں اور منسلکہ مالیاتی گوشواروں کا حصہ ہیں۔

☆ کمپنی کے دو ڈائریکٹرز، ڈائریکٹرز ٹریننگ پروگرام میں شرکت سے مستثنیٰ ہیں جبکہ پانچ ڈائریکٹرز نے ٹریننگ پروگرام پورا کیا ہے اور ایک ڈائریکٹر مکمل کریں گے۔

☆ لسٹنگ ریگولیشنز میں تفصیلاً درج کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔

### سیفٹی، سیکیورٹی، ہیلتھ اور انوائرمینٹ

میرٹ پیکجنگ لمیٹڈ نے تمام ملازمین، پروڈکشن فیسلیٹیٹرز اور پروڈکٹس کا ہمہ وقت تحفظ یقینی بنانے کا عہد کر رکھا ہے۔ انتظامیہ اپنے ملازمین کے درمیان دن کے چوبیس گھنٹے تحفظ کا شعور بیدار رکھنے کے ذریعے منجھٹ سسٹم کا معیار مسلسل بہتر بنا رہی ہے۔ ہمارے تمام ملازمین کی بھلائی اور تحفظ کے لیے باقاعدگی سے تربیت کا انعقاد کیا جاتا ہے۔

### کاروباری سماجی ذمہ داری

میرٹ پیکجنگ لمیٹڈ اعتراف کرتی ہے کہ ہم اس وقت تک کاروباری وسعت حاصل نہیں کر سکتے جب تک وہ کمیونٹی کی صحت مند اور مستحکم نہ ہوں جنہیں ہم خدمات مہیا کرتے ہیں۔ ہم ایک ذمہ دار شہری کی حیثیت سے اپنی سماجی ذمہ داریوں کی انجام دہی اور بطور ایک کاروباری اپنی ذمہ داری کی سختی سے پاسداری اور جب بھی ضرورت ہو، ہم وطنوں کی مدد کرنے پر یقین رکھتے ہیں۔

کمپنی کاروباری سماجی ذمہ داری کی اہمیت پر خود اپنا انکسار آمیز نکتہ نظر رکھتی ہے جو خصوصاً قدرتی وسائل اور ماحول کے حوالے سے ہماری فکر مندی اور صحت مند طرز زندگی کی بہتری کے لیے ہماری جستجو پر روشنی ڈالتا ہے۔

### افراد کی وسائل کا فروغ

کمپنی کے آپریشنل سرگرمیوں کی کامیابی کے لئے انسانی وسائل کا فروغ بہت اہم ہے۔ میرٹ پیکجنگ لمیٹڈ اپنے ملازمین کو ترقی کے بہترین مواقع مہیا کرنے، پران کی مہارتوں کی بہتری یقینی بنانے اور جدت پسندانہ تصورات سامنے لانے پر توجہ مرکوز رکھتی ہے۔ کاروباری سرگرمیوں کی کامیابیوں کے لیے افرادی وسائل کی ترقی بدستور اہم ہے۔ یہ ہمیں تازہ ترین تکنیکی جدتوں سے ہم آہنگ ہونے کے قابل بناتی ہے جو بھلا اور پھلنے پھولنے کے لیے ناگزیر ہے۔

### آڈیٹرز

موجودہ آڈیٹرز، میسرز BDO ابراہیم اینڈ کمپنی سے ریٹائر ہو رہے ہیں اور اہل ہونے کی بنیاد پر خود کو 30 جون 2018 کو ختم ہونے والے کے لیے دوبارہ تفری کے لیے پیش کرتے ہیں۔ بورڈ آف ڈائریکٹرز کمپنی کے آڈیٹرز کی حیثیت سے ان کی دوبارہ تقرری کے لیے آڈٹ کمیٹی کی سفارش کی توثیق کرتا ہے اور آئندہ سالانہ اجلاس عام میں شیئر ہولڈرز کے سامنے ان آڈیٹرز کی دوبارہ تقرری کی تجویز رکھیں گے۔

## مادی تبدیلیاں اور معاہدے

سال کے دوران کمپنی نے 31 مارچ 2017ء کو منعقدہ کمپنی کے ایک غیر معمولی عام اجلاس (EOGM) میں خصوصی کردار کی منظوری کے ذریعے منظور شدہ شیئر کیپٹل 700 ملین روپے سے بڑھا کر 1,000 ملین روپے کر دیا۔ کوئی ایسی مادی تبدیلیاں اور معاہدے رونما نہیں ہوئے ہیں جو کمپنی کے گزشتہ مالی سال کے دوران اختتام تک کمپنی کی مالی حیثیت پر اثر انداز ہو سکتے، جسے اس سالانہ رپورٹ اور اس ڈائریکٹرز رپورٹ میں بیان کیا گیا ہے۔

## پیٹرن آف شیئر ہولڈنگ

30 جون 2017ء کے مطابق کمپنی کے شیئر ہولڈنگ پیٹرن اور بشمول اضافی معلومات کو ظاہر کرنے والا ایک گوشوارہ، جس کا انکشاف رپورٹنگ فریم ورک کے تحت درکار ہے، اس رپورٹ کے ساتھ منسلک ہے۔  
ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف فنانشل آفیسر، کمپنی سیکرٹری، ان سب کی بیگمات اور کم عمر بچوں نے سال کے دوران کمپنی کے شیئرز کے کسی لین دین میں حصہ نہیں لیا۔

## ریٹائرمنٹ بینیفٹس میں سرمایہ کاریاں

کمپنی اپنے ملازمین کو پروویڈنٹ فنڈ اور گریجویٹ فنڈ کی شکل میں ریٹائرمنٹ بینیفٹس بھی فراہم کرتی ہے۔ اسٹاف ریٹائرمنٹ بینیفٹ فنڈ کی طرف سے کی جانے والی سرمایہ کاری کی مالیت ان کے آڈٹ شدہ بالترتیب اکاؤنٹس، بابت 31 دسمبر 2016ء اور 30 جون 2017ء کے مطابق درج ذیل ہے:

(’000 روپے)

101,510	پروویڈنٹ فنڈ
46,419	گریجویٹ فنڈ

## بورڈ آف ڈائریکٹرز

### ساخت میں تبدیلی

زیر جائزہ سال کے دوران جناب ذوالفقار علی لاکھانی نے استعفیٰ دے دیا اور محترمہ انوشکا ذوالفقار لاکھانی ان کے متبادل کی حیثیت سے ہمارے ساتھ شامل ہو گئیں۔ بورڈ جناب ذوالفقار علی لاکھانی کی قابل قدر خدمات پر انہیں خراج تحسین پیش کرتا ہے اور محترمہ انوشکا ذوالفقار لاکھانی کو کمپنی کے بورڈ آف ڈائریکٹرز میں خوش آمدید کہتا ہے۔

## بورڈ کے اجلاس اور حاضری

2016-17 کے دوران بورڈ آف ڈائریکٹرز کے چار (4) اجلاس منعقد ہوئے اور کمپنی کے مکمل دائرہ کار کا جائزہ لینے کے لیے ڈائریکٹرز نے بمطابق ذیل شرکت کی:

ڈائریکٹر کا نام	اجلاسوں میں شرکت کی تعداد
جناب اقبال علی لاکھانی (چیئر مین)	3
جناب ذوالفقار علی لاکھانی (6 دسمبر 2016ء تک)	1
جناب امین محمد لاکھانی	0

0	محترم دانشکا ذوالفقار لاکھانی (24 فروری 2017ء)
4	جناب تسلیم الدین احمد باٹلے
4	جناب شاہد احمد خان (چیف ایگزیکٹو آفیسر)
4	جناب شیخ محمد برین الدین (خود مختار ڈائریکٹر)
3	جناب شیخ عاصم رفیق (نیشنل انویسٹمنٹ ٹرسٹ لمیٹڈ کے نامزد کردہ)
3	جناب فرخ شوکت انصاری (نیشنل انویسٹمنٹ ٹرسٹ لمیٹڈ کے نامزد کردہ)

جوڈائریکٹرز بورڈ کے کچھ اجلاسوں میں شریک نہیں ہو سکے انہیں غیر حاضری کی رخصت دے دی گئی۔

## آڈٹ کمیٹی

### ساخت میں تبدیلی

زیر جائزہ سال کے دوران جناب ذوالفقار علی لاکھانی نے استعفیٰ دے دیا اور جناب اقبال علی لاکھانی ان کے متبادل کی حیثیت سے ہمارے ساتھ شامل ہو گئے۔ کمیٹی جناب ذوالفقار علی لاکھانی کی قابل قدر خدمات پر انہیں خراج تحسین پیش کرتی ہے اور جناب اقبال علی لاکھانی کو کمپنی کی آڈٹ کمیٹی میں خوش آمدید کہتی ہے۔

مالی سال 2016-17 کے دوران بورڈ آڈٹ کمیٹی کے چار اجلاس منعقد ہوئے اور کمپنی کے مکمل دائرہ کار کا جائزہ لینے کے لیے میران نے سہ ماہی بنیاد پر بمطابق ذیل شرکت کی:

ممبر کا نام	اجلاسوں میں شرکت کی تعداد
جناب شیخ محمد برین الدین (چیئرمین)	4
جناب اقبال علی لاکھانی (7 ستمبر 2017ء سے)	0
جناب ذوالفقار علی لاکھانی (6 دسمبر 2016ء تک)	2
جناب تسلیم الدین احمد باٹلے	4

جو میران ز بورڈ کے کچھ اجلاسوں میں شریک نہیں ہو سکے انہیں غیر حاضری کی رخصت دے دی گئی۔

آڈٹ کمیٹی نے بورڈ کی طرف سے منظوری سے پہلے آپ کی کمپنی کے اکاؤنٹس اور متعلقہ عام اعلانات کا جائزہ لیا۔

## افراد و وسائل و مشاہرہ کمیٹی

2016-17 کے دوران افرادی وسائل و مشاہرہ کمیٹی (HR&R) کا ایک اجلاس منعقد ہوا جس میں ہر ممبر کی حاضری درج ذیل رہی:

ممبر کا نام	اجلاسوں میں شرکت کی تعداد
جناب اقبال علی لاکھانی	1
جناب تسلیم الدین احمد باٹلے	1
جناب شاہد احمد خان	1

## کوالٹی منیجمنٹ

ہمارے حاصل کردہ سرٹیفکیٹس ہمیں مستقل بنیادوں پر اپنے کسٹمرز کی ضروریات کی تکمیل اور ان کے درجہ اطمینان میں اضافے پر توجہ مرکوز کرنے میں مدد دیتے ہیں۔ یہ سرٹیفکیٹس: کمپنی کوالٹی منیجمنٹ سسٹم (QMS) ISO 9001:2008، فوڈ سیفٹی منیجمنٹ سسٹم (FSMS) ISO 22000:2005، انوائزمنٹ منیجمنٹ سسٹم (EMS) ISO 14001:2004، PAS 223:2011، SEDEX (سپلائی آتھریٹی ڈیٹا ایسیج) HACCP (ہیجرڈ اینڈ لائسنس اینڈ کریڈیٹل کنٹرول پوائنٹ) اور انٹرنیشنل فوڈ سیفٹی اسٹیٹنڈرڈ (IFSS) ہمارے اہداف اور خواہشات کا اظہار کرتی ہیں اور واضح کرتی ہیں کہ معیار سے متعلق مسائل کو منظم نظام، شفافیت، دستاویزی اور تشخیصی اقدامات کے نتیجے میں کم کیا جائے گا۔ مزید برآں ان سرٹیفکیٹس کے تازہ تقاضوں کو پورا کرنے کے لیے QMS اور EMS کے پرانے ورژن نئے اور تجدید شدہ ورژن سے بدل رہے ہیں جو ISO 9001:2015 اور ISO 14001:2015 ہے اور ”انٹیگریٹڈ منیجمنٹ سسٹم“ کا آغاز کیا جا رہا ہے، پہلی مرتبہ میرٹ پیکیجنگ میں آفسیٹ اور گریویر (Gravure) ڈویژن دونوں کے لیے ہماری کمپنی آنے والے دنوں میں IMS پر سرٹیفائیڈ ہو جائے گی۔

## مستقبل کی توقعات


آپریشنل تبدیلیوں کے بعد مستقبل خوش آئند دکھائی دے رہا ہے۔ میرٹ پیکیجنگ لمیٹڈ نے سال کے دوران مشینوں کی شمولیت اور سرمائے سے متعلق دیگر اقدامات کے ذریعے ٹھوس اقدامات کیے ہیں۔ یہ اقدامات لاہور میں نئی آپریشن فیسیلیٹی کھلنے کی بدولت پاکستان میں وسیع البیاد صارفین کو معیاری مصنوعات کی فراہمی کی اہلیت کے علاوہ زیادہ ویلیو ایڈیشن کے ساتھ بلا تعلق پروڈکشن یقینی بنائیں گے۔

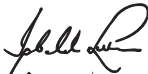
کمپنی کسٹمر سروسز کے حوالے سے توقعات پوری کرنے کے لیے اب پوری طرح تیار ہے۔ آرڈرز پر بروقت تکمیل کے عمل سے متعلق مسائل حل کرنے کے لیے مسلسل کوششیں کی جا رہی ہیں۔ توقع کی جاتی ہے کہ لاہور میں کمرشل آپریشنز اور کراچی میں بحال شدہ گریویر فیسیلیٹی سے انتہائی ضروری اضافی آمدنی مہیا ہوگی جس سے ہماری کمپنی کی مالیاتی پوزیشن بہتر ہونے میں مدد ملے گی۔

آپ کے کمپنی کے ڈائریکٹرز پر اعتماد ہیں کہ سال 2017-18 کمپنی کو ویلیو ایڈڈ پروڈکٹس کے اضافے، عملی کارگزاری اور بہتر کسٹمر سروسز کے ساتھ سیلز میں بہتری کا موقع فراہم کرے گا۔ بہر حال مشینوں کی صلاحیتوں کا پورے استعمال تک کمپنی کا منافع دباؤ کا شکار رہے گا۔ کمپنی کی صحت پر باوجود اسکے عملی اقدامات کے اثرات 2017-18 میں محسوس ہونگے۔ کاروبار میں اضافہ کی ابتداء ہو چکی ہے اور کسٹمرز کے آرڈرز کی تکمیل ہو رہی ہے جسکی وجہ سے مستقبل کا منافع بڑھے گا۔

## اعتراف

ہماری کمپنی کے ڈائریکٹرز کمپنی کو اس کے مقاصد کے حصول کے لیے مسلسل سپورٹ کرنے پر تمام شیئر ہولڈرز، کسٹمرز، مالیاتی اداروں، ویٹڈرز اور ملازمین کے لیے اپنے ستائشی جذبات کا اظہار کرتے ہوئے بڑی خوشی محسوس کر رہے ہیں۔

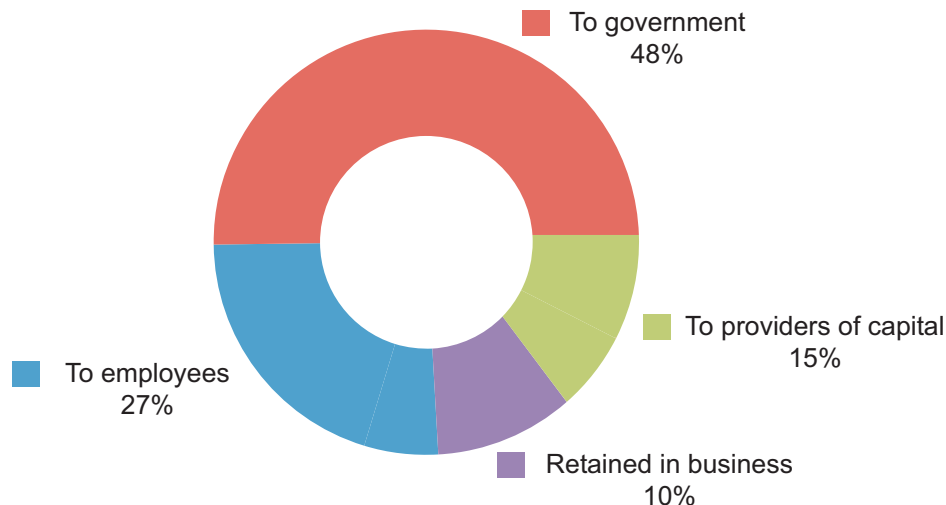
  
شاہد احمد خان  
چیف ایگزیکٹو آفیسر

  
اقبال علی لاکھانی  
چیرمین

کراچی: 25 ستمبر 2017

## Statement of Value added and its distribution

Particulars	2017		2016	
	Rs. in 000's	%	Rs. in 000's	%
<b>Value added</b>				
Gross Sales	2,109,903		1,880,511	
Material and services	(1,462,277)		(1,362,755)	
Other income	2,902		26,864	
	650,528	100	544,620	100
<b>Distribution</b>				
To employees				
Salaries, wages and other benefits	176,723		143,822	
Workers profit participation fund	149		511	
	176,872	27	144,333	27
To government				
Sales tax	308,451		273,643	
Company taxation	912		(10)	
Workers welfare fund	57		194	
	309,420	48	273,827	50
To providers of capital				
Financial charges on borrowed fund	100,037	15	72,738	13
Retained in business				
Depreciation	62,299		44,127	
Amortisation of intangible assets	38		63	
Retained profit/(loss)	1,862		9,532	
	64,199	10	53,722	10
	650,528	100	544,620	100



## Six years key operating and financial data

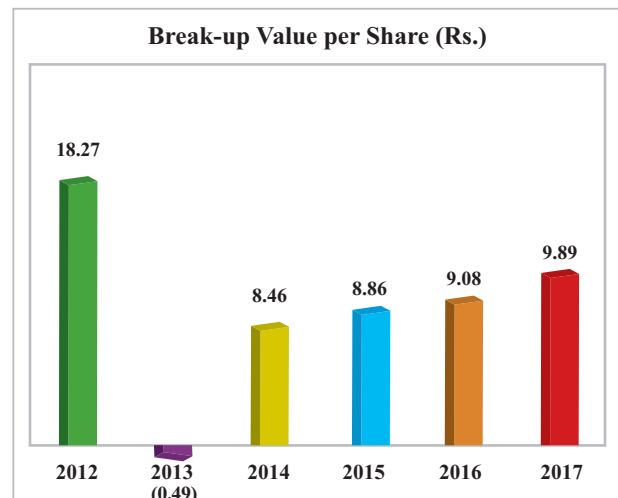
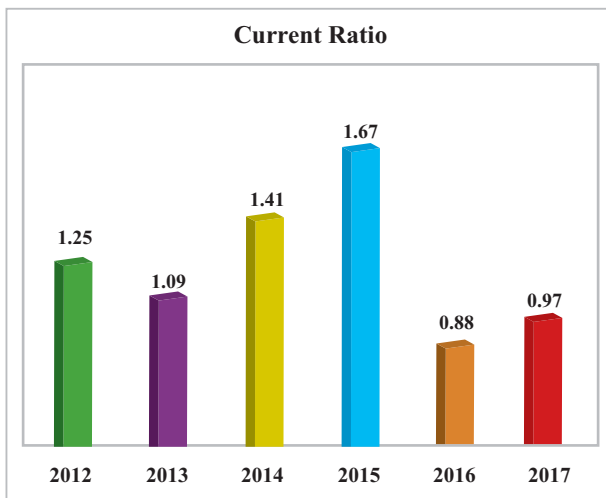
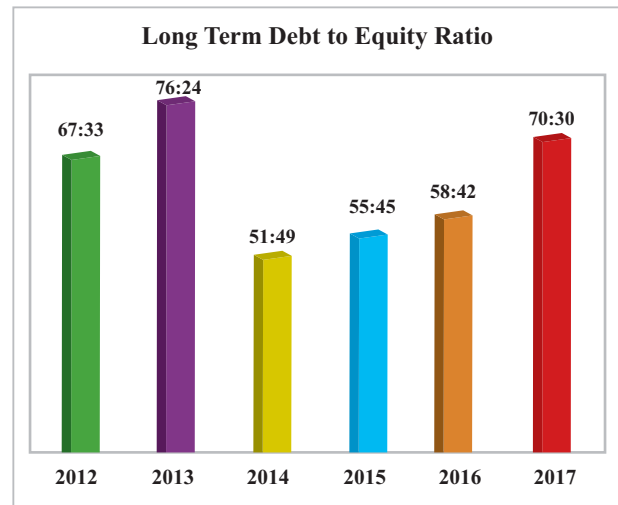
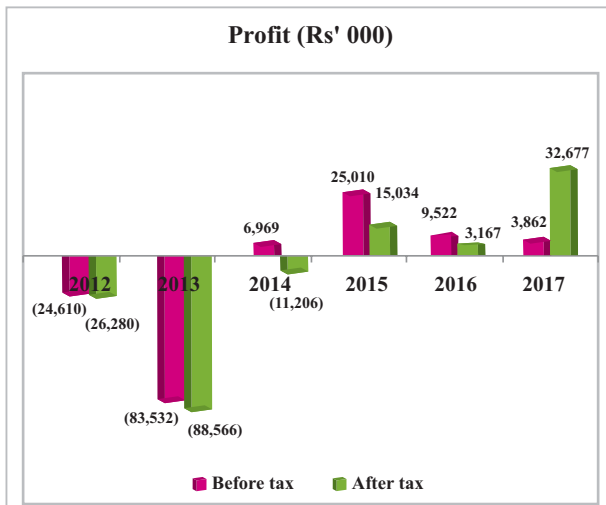
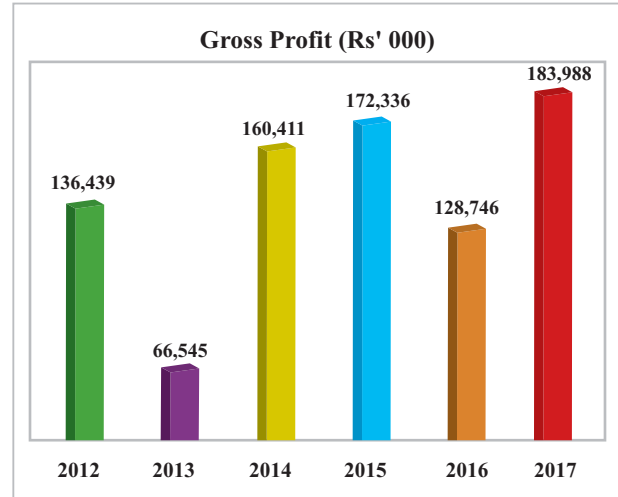
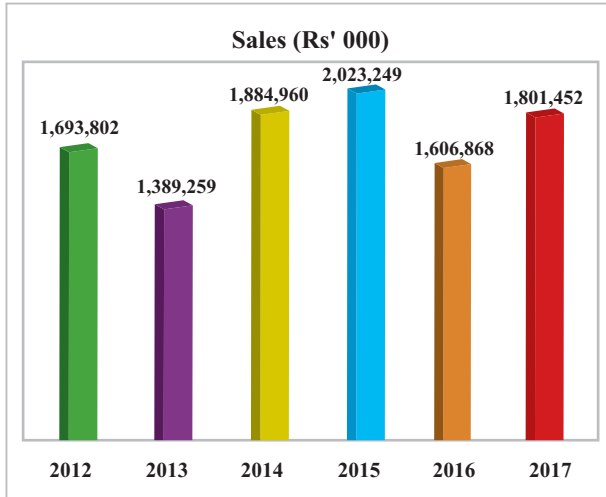
	Rupees in thousands					
	2017	2016	2015	2014	2013	2012
<b>Trading results</b>						
Sales	1,801,452	1,606,868	2,023,249	1,884,960	1,389,259	1,693,802
Gross profit	183,988	128,746	172,336	160,411	66,545	136,439
Profit/(loss) before taxation	2,775	9,522	25,010	6,969	(83,532)	(24,610)
Profit/(loss) after taxation	32,677	3,167	15,034	(11,206)	(88,566)	(26,280)
<b>Dividend</b>						
Cash	0%	0%	0%	0%	0%	0%
Stock	0%	0%	0%	0%	0%	0%
Payout ratio	0%	0%	0%	0%	0%	0%
<b>Financial position</b>						
Total capital employed	1,907,131	1,349,893	1,135,569	961,478	709,217	797,933
Property, plant and equipment	1,900,552	1,467,993	755,642	719,114	655,439	665,875
Shareholder equity	398,815	366,144	357,230	340,916	(2,330)	82,011
Long term liabilities	1,293,969	768,632	613,125	452,041	540,081	540,081
Deferred taxation	31,362	-	-	-	-	1,357
<b>Others</b>						
Number of employees (at year end)	252	237	212	216	203	255
Capital expenditure	495,353	707,676	156,581	95,749	34,945	28,090
Contribution to national exchequer	149,986	187,728	141,590	109,696	65,185	138,539
<b>Ratios</b>						
Gross profit	10.21%	8.01%	8.52%	8.51%	4.79%	8.06%
Profit/(loss) before taxation	0.15%	0.59%	1.24%	0.37%	-6.01%	-1.45%
Profit/(loss) after taxation	1.81%	0.20%	0.74%	-0.59%	-6.38%	-1.55%
Return on equity	8.19%	0.86%	4.21%	-3.29%	N/A	-32.04%
Return on capital employed	1.71%	0.23%	1.32%	-1.17%	-12.49%	-3.26%
Current ratio	0.97 : 1	0.88 : 1	1.67 : 1	1.41 : 1	1.09 : 1	1.25 : 1
Debt / equity ratio	70 : 30	58 : 42	55 : 45	51 : 49	76 : 24	67 : 33
Inventory days	70	69	59	67	80	62
Receivable days	69	68	57	51	61	61
<b>Others</b>						
Earnings/(loss) per share - (Rs.)	0.81	0.08	0.37	(0.47)	(7.59)	(5.54)
Break-up value per share - (Rs.)	9.89	9.08	8.86	8.46	(0.49)	18.27
Market Value - (Rs.)	21.47	16.94	19.31	18.86	20.49	20.93
Price earning ratio	26.51	215.62	51.78	N/A	N/A	N/A



## Vertical & Horizontal Analysis

	2017		2016		2015		2014		2013		2012	
	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%
<b>VERTICAL ANALYSIS</b>												
<b>PROFIT &amp; LOSS ACCOUNT</b>												
Sales - net	1,801,452	100%	1,606,868	100%	2,023,249	100%	1,884,960	100%	1,389,259	100%	1,693,802	100%
Cost of sales	1,617,464	90%	1,478,122	92%	1,850,913	91%	1,724,549	91%	1,322,714	95%	1,557,363	92%
Gross profit	183,988	10%	128,746	8%	172,336	9%	160,411	9%	66,545	5%	136,439	8%
Operating expenses	81,176	5%	46,486	3%	51,046	3%	57,304	3%	51,959	4%	56,661	3%
Operating profit	102,811	6%	82,260	5%	121,290	6%	103,107	5%	14,586	1%	79,778	5%
Financial charges	100,037	6%	72,738	5%	96,280	5%	96,138	5%	98,118	7%	104,388	6%
Profit/(loss) before taxation	2,775	0%	9,522	1%	25,010	1%	6,969	0%	(83,532)	-6%	(24,610)	-1%
Profit/(loss) after taxation	32,677	2%	3,167	0%	15,034	1%	(11,206)	-1%	(88,566)	-6%	(26,280)	-2%
<b>BALANCE SHEET</b>												
<b>Assets</b>												
Property, plant and equipment	1,900,552	62%	1,467,993	61%	755,642	45%	719,114	47%	655,439	51%	665,875	50%
Other non-current assets	45,720	2%	7,132	0%	6,517	0%	3,868	0%	4,688	1%	7,564	1%
Current assets	1,099,501	36%	934,176	39%	928,366	55%	815,517	53%	619,779	48%	659,545	49%
<b>Total Assets</b>	<b>3,045,773</b>	<b>100%</b>	<b>2,409,301</b>	<b>100%</b>	<b>1,690,525</b>	<b>100%</b>	<b>1,538,499</b>	<b>100%</b>	<b>1,279,906</b>	<b>100%</b>	<b>1,332,984</b>	<b>100%</b>
<b>Equity &amp; Liabilities</b>												
Share capital & reserves	398,815	13%	366,144	15%	357,230	21%	340,916	22%	(2,330)	0%	82,011	6%
Surplus on revaluation of fixed assets	214,347	7%	215,118	9%	165,215	10%	168,521	11%	171,467	13%	174,485	13%
Non-current liabilities	1,293,969	42%	768,632	32%	613,125	36%	452,041	29%	540,081	42%	541,438	41%
Current liabilities	1,138,642	37%	1,059,407	44%	554,955	33%	577,021	38%	570,688	45%	535,050	40%
<b>Total Equity and Liabilities</b>	<b>3,045,773</b>	<b>100%</b>	<b>2,409,301</b>	<b>100%</b>	<b>1,690,525</b>	<b>100%</b>	<b>1,538,499</b>	<b>100%</b>	<b>1,279,906</b>	<b>100%</b>	<b>1,332,984</b>	<b>100%</b>
<b>HORIZONTAL ANALYSIS</b>												
<b>PROFIT &amp; LOSS ACCOUNT</b>												
Sales - net	1,801,452	106%	1,606,868	95%	2,023,249	119%	1,884,960	111%	1,389,259	82%	1,693,802	100%
Cost of sales	1,617,464	104%	1,478,122	95%	1,850,913	119%	1,724,549	111%	1,322,714	85%	1,557,363	100%
Gross profit	183,988	135%	128,746	94%	172,336	126%	160,411	118%	66,545	49%	136,439	100%
Operating expenses	81,176	143%	46,486	82%	51,046	90%	57,304	101%	51,959	92%	56,661	100%
Operating profit	102,811	129%	82,260	103%	121,290	152%	103,107	129%	14,586	18%	79,778	100%
Financial charges	100,037	96%	72,738	70%	96,280	92%	96,138	92%	98,118	94%	104,388	100%
Profit/(loss) before taxation	2,775	-11%	9,522	-39%	25,010	-102%	6,969	-28%	(83,532)	339%	(24,610)	100%
Profit/(loss) after taxation	32,677	-124%	3,167	-12%	15,034	-57%	(11,206)	43%	(88,566)	337%	(26,280)	100%
<b>BALANCE SHEET</b>												
<b>Assets</b>												
Property, plant and equipment	1,900,552	285%	1,467,993	220%	755,642	113%	719,114	108%	655,439	98%	665,875	100%
Other non-current assets	45,720	604%	7,132	94%	6,517	86%	3,868	51%	4,688	62%	7,564	100%
Current Assets	1,099,501	167%	934,176	142%	928,366	141%	815,517	124%	619,779	94%	659,545	100%
<b>Total Assets</b>	<b>3,045,773</b>	<b>228%</b>	<b>2,409,301</b>	<b>181%</b>	<b>1,690,525</b>	<b>127%</b>	<b>1,538,499</b>	<b>115%</b>	<b>1,279,906</b>	<b>96%</b>	<b>1,332,984</b>	<b>100%</b>
<b>Equity &amp; Liabilities</b>												
Share capital & reserves	398,815	486%	366,144	446%	357,230	436%	340,916	416%	(2,330)	-3%	82,011	100%
Surplus on revaluation of fixed assets	214,347	123%	215,118	123%	165,215	95%	168,521	97%	171,467	98%	174,485	100%
Non-current liabilities	1,293,969	239%	768,632	142%	613,125	113%	452,041	83%	540,081	100%	541,438	100%
Current liabilities	1,138,642	213%	1,059,407	198%	554,955	104%	577,021	108%	570,688	107%	535,050	100%
<b>Total Equity and Liabilities</b>	<b>3,045,773</b>	<b>228%</b>	<b>2,409,301</b>	<b>181%</b>	<b>1,690,525</b>	<b>127%</b>	<b>1,538,499</b>	<b>115%</b>	<b>1,279,906</b>	<b>96%</b>	<b>1,332,984</b>	<b>100%</b>

# Graphs



## **REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Merit Packaging Limited for the year ended June 30, 2017 to comply with the requirements of Regulation 5.19 of Rule Book of Pakistan Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2017.

**KARACHI**

**DATED:** September 25, 2017



**CHARTERED ACCOUNTANTS**

Engagement Partner: Zulfikar Ali Causer

# Statement of Compliance with the Code of Corporate Governance

for the year ended June 30, 2017

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No.5.19.24 of listing regulations of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive Directors and Directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Director	Mr. Shaikh Muhammad Barinuddin
Executive Director	Mr. Shahid Ahmed Khan
Non-Executive Directors	Mr. Iqbal Ali Lakhani Mr. Amin Mohammed Lakhani Ms. Anushka Zulfiqar Lakhani Mr. Tasleemuddin Ahmed Batlay Mr. Sheikh Asim Rafiq Mr. Farrukh Shauket Ansari

The independent director meets the criteria of independence under clause 5.19.1(b) of the CCG.

2. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company.
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a Banking company, a DFI or an NBFIs or being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurred on the Board on December 06, 2016 which was filled up by the directors within 90 days.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and non-executive Directors have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, alongwith agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In accordance with the criteria specified on clause 5.19.7 of PSX Rules, two Directors are exempted from the requirement of Director's Training Program while five Directors have completed the same and one Director will complete.

## Statement of Compliance with the Code of Corporate Governance

10. The Board has approved appointment of CFO and Head of Internal Audit including their remuneration and terms and conditions of employment. Mr. Mansoor Ahmed was assigned the responsibilities of Company Secretary of Merit Packaging Limited in addition to his responsibilities in other Group Companies.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of three members, all of them are non-executive Directors and the Chairman of the Committee is an independent Director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises of three members, of whom two are non-executive Directors and the Chairman of the Committee is a non-executive Director.
18. The Board has set up an effective internal audit function which is headed by suitable qualified and experienced person for the purpose that is conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period' prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the CCG have been complied with.



**IQBAL ALI LAKHANI**  
Chairman



**SHAHID AHMED KHAN**  
Chief Executive Officer

Karachi: September 25, 2017

## Pattern of Holding of Shares

held by the shareholders as at June 30, 2017

Incorporation No. K-206/5831

CUIN Registration No. 0007464

Number of shareholders	From	Shareholdings	To	Total number of shares held
514	1	100	Shares	8,588
328	101	500	Shares	138,539
267	501	1000	Shares	254,881
516	1001	5000	Shares	1,565,643
151	5001	10000	Shares	1,221,000
50	10001	15000	Shares	677,242
36	15001	20000	Shares	678,648
20	20001	25000	Shares	483,893
14	25001	30000	Shares	393,534
10	30001	35000	Shares	336,500
12	35001	40000	Shares	459,326
6	40001	45000	Shares	258,466
10	45001	50000	Shares	496,400
6	50001	55000	Shares	322,500
5	55001	60000	Shares	293,000
5	60001	65000	Shares	318,547
5	70000	75000	Shares	353,500
1	85000	90000	Shares	85,000
1	90001	95000	Shares	92,000
4	100000	105000	Shares	406,000
1	135000	140000	Shares	135,000
1	150001	155000	Shares	152,000
1	155001	160000	Shares	156,535
1	170001	175000	Shares	171,500
1	200000	205000	Shares	200,000
1	240001	245000	Shares	240,500
1	290001	295000	Shares	292,000
1	325001	330000	Shares	327,500
2	395000	400000	Shares	795,000
1	440001	445000	Shares	442,000
1	450001	455000	Shares	454,000
1	600000	605000	Shares	600,000
1	815001	820000	Shares	817,500
1	855001	860000	Shares	855,657
1	3285001	3290000	Shares	3,288,732
1	3905001	3910000	Shares	3,907,159
1	4525001	4530000	Shares	4,529,488
1	5560001	5565000	Shares	5,560,819
1	8545001	8550000	Shares	8,545,602
<b>1,981</b>		<b>Total</b>		<b>40,314,199</b>

Categories of shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	74,915	0.19
Associated Companies, undertakings and related parties	22,545,364	55.92
NIT and ICP	3,288,732	8.16
Banks, Development Financial Institutions, Non Banking Financial Institutions	385	0.00
Modarabas and Mutual Funds	1,673,157	4.15
Shareholders holding 10 %	18,635,909	46.23
General Public		
a. Local	10,931,758	27.12
b. Foreign	NIL	-
Others	1,799,888	4.46

  
**SHAHID AHMED KHAN**  
Chief Executive Officer

NOTE: some of the shareholders are reflected in more than one category.

## Details of Pattern of Shareholding for the year ended June 30, 2017 as per requirements of Code of Corporate Governance

	<u>SHARES HELD</u>
<b>i) <u>ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES</u></b>	
1. SIZA (Private) Limited	3,907,159
2. SIZA Services (Pvt) Limited	5,560,819
3. SIZA Commodities (Pvt) Limited	4,529,488
4. Premier Fashions (Pvt) Limited	8,545,602
5. Sultan Ali Lakhani	241
6. Shaista Sultan Ali Lakhani	334
7. Fatima Lakhani	272
8. Babar Ali Lakhani	1,093
9. Bilal Ali Lakhani	234
10. Danish Ali Lakhani	394
<b>ii) <u>MUTUAL FUNDS</u></b>	
1. Golden Arrow Selected Stocks Fund Limited	855,657
2. CDC - Trustee AKD Opportunity Fund	817,500
3. CDC - Trustee National Investment (Unit) Trust	3,288,732
<b>iii) <u>DIRECTORS, THEIR SPOUSES AND MINOR CHILDREN</u></b>	
1. Iqbal Ali Lakhani	25,602
2. Amin Mohammed Lakhani	25,432
3. Anushka Zulfiqar Lakhani	7,327
4. Tasleemuddin Ahmed Batlay	7,327
5. Shahid Ahmed Khan	4,250
6. Shaikh Muhammad Barinuddin	4,250
7. Sheikh Asim Rafiq	NIL
8. Farrukh Shauket Ansari	NIL
9. Ronak Iqbal Lakhani	179
10. Saira Amin Lakhani	276
<b>iv) <u>EXECUTIVES</u></b>	NIL
<b>v) <u>PUBLIC SECTOR COMPANIES AND CORPORATIONS</u></b>	NIL
<b>vi) <u>BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE COMPANIES, INSURANCE COMPANIES, TAKAFUL MODARABAS AND PENSION FUNDS:</u></b>	62,932
<b>vii) <u>SHAREHOLDERS HOLDING 5% OR MORE</u></b> <b><u>[Other than those reported at i(1), i(2), i(3), i(4) and ii(3)]</u></b>	NIL
<b>viii) <u>INDIVIDUALS AND OTHER THAN THOSE MENTIONED ABOVE</u></b>	12,669,099
	<b><u>40,314,199</u></b>

Note: Some of the shareholders are reflected in more than one Category.

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of MERIT PACKAGING LIMITED as at June 30, 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the repealed Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion proper books of accounts have been kept by the Company as required by the repealed Companies Ordinance, 1984;
- b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the repealed Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the repealed Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2017 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

**KARACHI**

**DATED:** September 25, 2017



**CHARTERED ACCOUNTANTS**

Engagement Partner: Zulfikar Ali Causerr

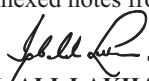


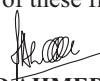
## Balance Sheet


as at June 30, 2017

	Note	2017 Rupees	2016 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	1,386,982,297	928,705,223
Capital work in progress	6	513,569,680	539,287,766
		1,900,551,977	1,467,992,989
Intangible assets	7	48,233	86,633
Long-term loans and advances	8	1,200,030	676,012
Long-term deposits	9	13,110,311	6,369,677
Deferred taxation	10	31,361,809	-
		1,946,272,360	1,475,125,311
<b>CURRENT ASSETS</b>			
Stores and spares	11	93,844,638	81,851,017
Stock-in-trade	12	326,353,452	297,712,309
Trade debts	13	383,985,913	296,304,477
Loans and advances	14	9,446,844	7,516,323
Trade deposits and short-term prepayments	15	5,019,835	13,414,480
Other receivables	16	123,168	22,134,272
Tax refund due from Government	17	250,716,042	180,484,567
Taxation - net	18	27,960,472	33,322,219
Cash and bank balances	19	2,050,678	1,435,846
		1,099,501,042	934,175,510
<b>TOTAL ASSETS</b>		<b>3,045,773,402</b>	<b>2,409,300,821</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised share capital			
100,000,000 (2016: 70,000,000) ordinary shares of Rs. 10/-each	20	1,000,000,000	700,000,000
Issued, subscribed and paid-up capital	21	403,141,990	403,141,990
Accumulated losses	22	(4,326,679)	(36,998,093)
		398,815,311	366,143,897
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>	23	214,346,961	215,117,511
<b>NON-CURRENT LIABILITIES</b>			
Sub-ordinated loan	24	100,000,000	100,000,000
Long-term financing	25	1,193,323,589	668,490,880
Long-term deposits		645,165	141,000
		1,293,968,754	768,631,880
<b>CURRENT LIABILITIES</b>			
Trade and other payables	26	229,599,680	177,720,756
Mark-up accrued	27	18,770,233	12,121,636
Short-term borrowings	28	738,390,427	822,459,301
Current portion of long-term financing	29	151,882,036	47,105,840
		1,138,642,376	1,059,407,533
<b>CONTINGENCIES AND COMMITMENTS</b>	30		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,045,773,402</b>	<b>2,409,300,821</b>

The annexed notes from 1 to 53 form an integral part of these financial statements.

  
**IQBAL ALI LAKHANI**  
Chairman

  
**SHAHID AHMED KHAN**  
Chief Executive Officer

  
**MUHAMMAD AAQIL JAH**  
Chief Financial Officer

## Profit and Loss Account

for the year ended June 30, 2017

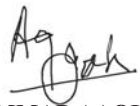
	Note	2017 Rupees	2016 Rupees
Sales - net	31	1,801,452,074	1,606,868,470
Cost of sales	32	(1,617,464,470)	(1,478,122,599)
Gross profit		183,987,604	128,745,871
General and administrative expenses	33	(43,713,203)	(34,572,494)
Selling and distribution expenses	34	(35,472,774)	(34,669,860)
Other income	35	2,902,028	26,864,332
Other operating expenses	36	(4,892,243)	(4,107,633)
		(81,176,192)	(46,485,655)
Operating profit		102,811,412	82,260,216
Financial charges	37	(100,036,503)	(72,738,307)
Profit before taxation		2,774,909	9,521,909
Taxation	38	29,901,861	(6,354,646)
Profit for the year		32,676,770	3,167,263
Earnings per share - basic and diluted	39	0.81	0.08

Appropriations have been reflected in the statements of changes in equity.

The annexed notes from 1 to 53 form an integral part of these financial statements.

  
**IQBAL ALI LAKHANI**  
Chairman

  
**SHAHID AHMED KHAN**  
Chief Executive Officer

  
**MUHAMMAD AAQIL JAH**  
Chief Financial Officer

## Statement of Comprehensive Income

for the year ended June 30, 2017


	2017	2016
	Rupees	Rupees
Profit for the year	32,676,770	3,167,263
<b>Other comprehensive income</b>		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial (losses) / gains on remeasurement of post employment benefit plans	40.1.2 (1,323,617)	4,616,269
Deferred tax asset / (liability)	397,085	(1,431,043)
	(926,532)	3,185,226
<b>Total comprehensive income for the year</b>	<b>31,750,238</b>	<b>6,352,489</b>

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 53 form an integral part of these financial statements.

  
**IQBAL ALI LAKHANI**  
Chairman

  
**SHAHID AHMED KHAN**  
Chief Executive Officer

  
**MUHAMMAD AAQIL JAH**  
Chief Financial Officer

## Cash Flow Statement


for the year ended June 30, 2017

	Note	2017 Rupees	2016 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	41	63,237,577	133,955,515
Taxes paid - net		(12,959,371)	(3,380,525)
Financial charges paid		(93,387,906)	(69,193,501)
Long-term loans and advances		(524,018)	(676,012)
Long-term deposits		(6,236,469)	138,300
Net cash (used in) / generated from operating activities		(49,870,187)	60,843,777
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(495,353,121)	(707,676,472)
Proceeds from sale of property plant and equipment	5.6	594,439	2,139,973
Ijarah lease rentals payment		(296,333)	-
Net cash used in investing activities		(495,055,015)	(705,536,499)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long term financing		682,001,245	196,846,720
Repayment of long-term financing		(52,392,337)	(11,250,000)
Repayment of short term financing		(400,000,000)	-
Proceeds from short term financing (excluding running finance)		350,000,000	300,000,000
Net cash generated from financing activities		579,608,908	485,596,720
Net increase / (decrease) in cash and cash equivalents		34,683,706	(159,096,002)
Cash and cash equivalents at beginning of the year		(521,023,455)	(361,927,453)
Cash and cash equivalents at end of the year		(486,339,749)	(521,023,455)
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>			
Cash and bank balances	19	2,050,678	1,435,846
Short-term running finance	28	(488,390,427)	(522,459,301)
		(486,339,749)	(521,023,455)

The annexed notes from 1 to 53 form an integral part of these financial statements.

  
**IQBAL ALI LAKHANI**  
Chairman

  
**SHAHID AHMED KHAN**  
Chief Executive Officer

  
**MUHAMMAD AAQIL JAH**  
Chief Financial Officer

## Statement of Changes in Equity


for the year ended June 30, 2017

	Issued, subscribed and paid-up capital Rupees	Reserves			Total Rupees
		General reserve Rupees	Accumulated loss Rupees	Total	
Balance as at July 01, 2015	403,141,990	106,800,000	(152,712,482)	(45,912,482)	357,229,508
Transfer from surplus on revaluation of fixed assets (note 23)	-	-	2,561,900	2,561,900	2,561,900
Total comprehensive income for the year					
Profit for the year	-	-	3,167,263	3,167,263	3,167,263
Remeasurement of defined benefit liability - net	-	-	3,185,226	3,185,226	3,185,226
	-	-	6,352,489	6,352,489	6,352,489
Balance as at June 30, 2016	403,141,990	106,800,000	(143,798,093)	(36,998,093)	366,143,897
Transfer from surplus on revaluation of fixed assets (note 23)	-	-	921,176	921,176	921,176
Total comprehensive income for the year					
Profit for the year	-	-	32,676,770	32,676,770	32,676,770
Remeasurement of defined benefit liability - net	-	-	(926,532)	(926,532)	(926,532)
	-	-	31,750,238	31,750,238	31,750,238
Balance as at June 30, 2017	403,141,990	106,800,000	(111,126,679)	(4,326,679)	398,815,311

The annexed notes from 1 to 53 form an integral part of these financial statements.

  
**IQBAL ALI LAKHANI**  
Chairman

  
**SHAHID AHMED KHAN**  
Chief Executive Officer

  
**MUHAMMAD AAQIL JAH**  
Chief Financial Officer

# Notes to the Financial Statements

for the year ended June 30, 2017

## 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

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the repealed Companies Ordinance, 1984 and provisions of and directives issued under the repealed Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the repealed Companies Ordinance, 1984 shall prevail.

The financial statements of the Company have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984 as per the directive of Securities and Exchange Commission of Pakistan issued vide Circular No. 17 dated July 20, 2017.

### 2.2 Basis of measurement

These financial statements have 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.

These financial statements are prepared following accrual basis of accounting except for cash flow information.

### 2.3 Functional and presentation currency

These financial statements are presented in Pak rupee, which is the functional and presentation currency for the Company.

## 3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

### 3.1 Amendments that are effective in current year but not relevant to the Company

The Company has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

		<b>Effective date (annual periods beginning on or after)</b>
IFRS 10	Consolidated Financial Statements - Amendments regarding application of the consolidation exception	January 01, 2016
IFRS 11	Joint Arrangements - Amendments regarding the accounting for acquisitions of an interest in a joint operation	January 01, 2016
IFRS 12	Disclosure of Interests in Other Entities - Amendments regarding the application of the consolidation exception	January 01, 2016
IAS 1	Presentation of Financial Statements - Amendments resulting from the disclosure initiative	January 01, 2016

# Notes to the Financial Statements

for the year ended June 30, 2017

**Effective date  
(annual periods  
beginning on or after)**

IAS 16	Property, Plant and Equipment - Amendments regarding the clarification of acceptable methods of depreciation and amortisation and amendments bringing bearer plants into the scope of IAS 16	January 01, 2016
IAS 27	Separate Financial Statements (as amended in 2011) - Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements	January 01, 2016
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the application of the consolidation exception	January 01, 2016
IAS 38	Intangible Assets - Amendments regarding the clarification of acceptable methods of depreciation and amortisation	January 01, 2016
IAS 41	Agriculture - Amendments bringing bearer plants into the scope of IAS 16	January 01, 2016

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:

Annual Improvements to IFRSs (2012 – 2014) Cycle:

IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
IFRS 7	Financial Instruments: Disclosures
IAS 19	Employee Benefits
IAS 34	Interim Financial Reporting

### 3.2 Amendments not yet effective

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

IFRS 2	Share-based Payment - Amendments to clarify the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
IAS 7	Statement of Cash Flows - Amendments resulting from the disclosure initiative	January 01, 2017
IAS 12	Income Taxes - Amendments regarding the recognition of deferred tax assets for unrealised losses	January 01, 2017

# Notes to the Financial Statements

for the year ended June 30, 2017

**Effective date  
(annual periods  
beginning on or after)**

IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
IAS 40	Investment Property - Amendments to clarify transfers or property to, or from, investment property	January 01, 2018

The Annual Improvements to IFRSs that are effective for annual periods beginning on or after January 01, 2017 are as follows:

Annual Improvements to IFRSs (2014 – 2016) Cycle:

IFRS 12	Disclosure of Interests in Other Entities	January 01, 2017
IAS 28	Investments in Associates and Joint Ventures	January 01, 2018

### 3.3 Standards or interpretations not yet effective

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 9	Financial Instruments
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IFRS 17	Insurance Contracts

The effects of IFRS 15 - Revenues from Contracts with Customers and IFRS 9 - Financial Instruments are still being assessed, as these new standards may have a significant effect on the Company's future financial statements.

The Company expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Company's financial statements in the period of initial application.

## 4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 4.1 Property, plant and equipment

#### 4.1.1 Owned

These are stated at cost less accumulated depreciation and impairment losses, if any, except for leasehold land, building on leasehold land and plant and machinery which are stated at revalued amount less accumulated depreciation, if any.

Depreciation is charged using the straight line method, whereby the cost or revalued amount of an asset less estimated residual value, if not insignificant, is written off over its estimated useful life.



## Notes to the Financial Statements

### for the year ended June 30, 2017

The asset's residual values and useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant. Full month's depreciation is charged on addition, while no depreciation is charged in the month of disposal or deletion of assets.

Incremental depreciation charged for the year on revalued assets is transferred from surplus on revaluation of fixed assets to retained earnings during the year.

Maintenance costs and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalised when it is probable that respective future economic benefits will flow to the Company and the cost of the item can be measured reliably and the assets so replaced, if any, are retired.

Gains and losses on disposal of property, plant and equipment are taken to the profit and loss account, and the related surplus on revaluation is transferred directly to retained earnings.

#### 4.1.2 Leased

##### Finance leases

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are stated at lower of present value of minimum lease payments under the lease agreement and the fair value of leased assets. The related obligation under the lease less financial charges allocated to future period are shown as liabilities.

Depreciation is charged on these assets by applying the straight line method at the rates given in note 5 to the financial statements.

Financial charges are calculated at the rate implicit in the lease.

##### Operating leases

Leases including Ijarah financing where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit and loss account on a straight-line basis over the lease /Ijarah term unless another systematic basis is representative of the time pattern of the Company's benefit.

#### 4.1.3 Capital work-in-progress

Capital work-in-progress are stated at cost and consists of expenditure incurred, advances made and other costs directly attributable to operating fixed assets in the course of their construction and installation. Cost also includes applicable borrowing costs. Transfers are made to relevant operating fixed assets category as and when assets are available for use intended by the management.

#### 4.2 Intangible assets

These are stated at cost less accumulated amortization and impairment loss, if any. Amortization is charged to profit and loss account over the useful life of the asset on a systematic basis applying the straight line method.

Software development costs are only capitalized to the extent that future economic benefits are expected to be derived by the Company.

#### 4.3 Stores and spares

Stores and spares are stated at cost which is determined by using weighted average method except for goods in transit and in bond which are valued at cost comprising invoice value plus other charges paid thereon. Adequate provision is made for slow moving and obsolete items on periodic basis.

## Notes to the Financial Statements

### for the year ended June 30, 2017

Spare parts of capital nature which can be used only in connection with an item of property, plant and equipment are classified as operating fixed assets under "Plant and Machinery" category and are depreciated over a time period not exceeding the useful life of the related assets.

#### 4.4 Stock-in-trade

Stock-in-trade are stated at lower of weighted average cost and net realisable value, except for goods in transit and in bond which are stated at cost. Cost of work-in-process and finished goods comprises cost of direct material, labour and appropriate portion of manufacturing overheads. Adequate provision is made for slow moving and obsolete items on periodic basis.

Net realisable value signifies the estimated selling price in the ordinary course of business less cost necessary to be incurred to make the sale.

#### 4.5 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount being the fair value of the consideration to be received in future. An estimated provision is made against debts considered doubtful of recovery whereas debts considered irrecoverable are written off.

#### 4.6 Taxation

##### 4.6.1 Current

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

##### 4.6.2 Deferred

Deferred tax is recognized using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

The Company recognizes deferred tax asset/liability on deficit/surplus on revaluation of fixed assets which is adjusted against the related deficit/surplus.

#### 4.7 Surplus on revaluation of fixed assets

Surplus arising on revaluation of fixed assets is transferred to "Surplus on Revaluation of Fixed Assets Account" and amount equivalent to incremental depreciation charged for the year net of deferred tax effect is transferred from surplus on revaluation of fixed assets account to retained earnings during the year. Impairment loss is adjusted against surplus carried for the impaired assets.

#### 4.8 Borrowings and their cost

Borrowings are initially recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method.

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of that asset.

# Notes to the Financial Statements

## for the year ended June 30, 2017

### 4.9 Trade and other payables

Liabilities for trade and other amounts payable are stated at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

### 4.10 Provisions

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting future cash flows at appropriate discount rate wherever required. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

### 4.11 Cash and bank balances

Cash in hand and at bank are carried at nominal amount.

### 4.12 Impairment losses

The Company assesses at each balance sheet date whether there is any indication that assets other than stores and spares, stock in trade and deferred tax assets may be impaired. If such an indication exists, the recoverable amount of the assets is estimated in order to determine the extent of impairment loss, if any.

Where carrying values exceed the estimated recoverable amount, assets are written down to the recoverable amounts and the resulting impairment loss is recognized as expense in the profit and loss account, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease.

### 4.13 Financial instruments

#### 4.13.1 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held to maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All the financial assets of the Company are carried as loans and receivables.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. The Company's loans and receivables comprise 'trade debts', 'loans and deposits', 'other receivables' and 'cash and cash equivalents' in the balance sheet.

#### 4.13.2 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respect of carrying amounts is recognized in the profit and loss account.

### 4.14 Offsetting of financial assets and financial liabilities

Financial asset and financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

# Notes to the Financial Statements

## for the year ended June 30, 2017

### 4.15 Foreign currency translation

Transactions in foreign currencies are translated into Pak rupees at the exchange rates prevailing at the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange differences are recognised in the profit and loss account.

### 4.16 Employee retirement benefits

#### 4.16.1 Defined benefit plan

The Company has a gratuity scheme for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. The Gratuity Fund is maintained by a trust created and duly approved. Contributions to the fund are made based on actuarial recommendations. The most recent actuarial valuation was carried out at June 30, 2017 using the projected unit credit method (refer note 40). The remeasurement gains/losses as per actuarial valuation done at financial year end are recognized immediately in other comprehensive income and all other expenses are recognized in accordance with IAS 19 "Employee Benefits" in the profit and loss account.

#### 4.16.2 Defined contribution plan

The Company operates a recognised provident fund scheme covering all permanent employees. Equal contributions are made to the Fund by the Company and the employees in accordance with the rules of the scheme.

#### 4.16.3 Compensated absences

The liability in respect of compensated absences of employees is accounted for in the period in which the absences accrue.

### 4.17 Revenue recognition

Revenue comprises of the fair value of the consideration received or receivable from the sale of goods and services in the ordinary course of the Company's activities. Revenue from sale of goods is shown net of sales tax and sales discounts, if any.

Revenue is recognized when it is probable that the economic benefits associated with the transactions will flow to the Company and the amount of revenue can be measured reliably. The revenue arising from different activities of the Company is recognized on the following basis:

- Sale of goods are recorded when the risks and rewards are transferred, that is, on dispatch of goods to customers.
- Scrap sales are recognized on delivery to customers at realized amounts.
- Profit on bank deposit is accrued on time proportion basis by reference to the principle outstanding and the applicable rate of return.
- Commission on insurance premium are recognized on accrual basis.

### 4.18 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and balance with banks. Cash and cash equivalents also include bank overdrafts / short term financing that are repayable on demand and form an integral part of the Company's cash management.

### 4.19 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

# Notes to the Financial Statements

## for the year ended June 30, 2017

### 4.20 Share capital

Share capital is classified as equity and recognized at the face value. Incremental costs directly attributable to the issue of new shares are shown as a deduction in equity.

### 4.21 Earnings / Loss per share

The Company presents earnings / loss per share data for its ordinary shares. Basic earnings / loss per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the period.

### 4.22 Related parties transactions

Transactions with related parties are based at an arm's length price and the transfer price is determined in accordance with the comparable uncontrolled price method.

### 4.23 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. The Company has only one reportable segment.

### 4.24 Significant accounting judgements and critical accounting estimates / assumptions

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The matters involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

#### 4.24.1 Defined benefit plan

Certain actuarial assumptions have been adopted as disclosed in note 40 to these financial statements for valuation of present value of defined benefit obligation and fair value of plan assets. Any changes in these assumptions in future years might affect actuarial gains / losses recognized in those years with corresponding effect on carrying amount of defined benefit plan liability / asset.

#### 4.24.2 Provision for taxation

The Company takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the tax authorities at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

#### 4.24.3 Property, plant and equipment

The estimates for revalued amounts, if any, of different classes of property, plant and equipment, are based on valuation performed by external and internal professional valuers and recommendation of technical teams of the Company. The said recommendations also include estimates with respect to residual values and depreciable lives. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment.

#### 4.24.4 Stores, spares and stock in trade

The Company has made estimates for realizable amount of slow moving and obsolete stores, spares and stock-in-trade to determine provision for slow moving and obsolete items. Any future change in estimated realizable amounts might affect carrying amount of stores, spares and stock-in-trade with corresponding affect on amounts recognized in profit and loss account as provision/reversal.

## Notes to the Financial Statements

for the year ended June 30, 2017

### 5. PROPERTY, PLANT AND EQUIPMENT

Description	Leasehold land	Building/ improvements on leasehold land	Plant and machinery	Furniture and fixtures	Vehicles	Office equipment	Computer equipment	Electrical installation	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>Net carrying value basis</b>									
<b>year ended June 30, 2017</b>									
Opening net book value	205,333,320	119,212,426	569,925,766	1,470,688	13,962,446	2,778,996	2,350,476	13,671,105	928,705,223
Addition (at cost)	-	21,958,859	457,706,842	5,873,604	3,447,726	2,482,622	1,412,163	28,189,391	521,071,207
Disposal (NBV)	-	-	(1)	-	(495,120)	-	-	-	(495,121)
Depreciation charged	-	(4,416,539)	(50,858,098)	(836,924)	(2,233,656)	(955,106)	(1,147,975)	(1,850,714)	(62,299,012)
<b>Closing net book value</b>	<b>205,333,320</b>	<b>136,754,746</b>	<b>976,774,509</b>	<b>6,507,368</b>	<b>14,681,396</b>	<b>4,306,512</b>	<b>2,614,664</b>	<b>40,009,782</b>	<b>1,386,982,297</b>
<b>Gross carrying value basis</b>									
<b>year ended June 30, 2017</b>									
Cost / revalued amount	205,333,320	186,684,197	1,390,849,871	11,008,220	22,798,431	10,013,778	7,633,509	49,591,684	1,883,913,010
Accumulated depreciation	-	(47,596,232)	(399,739,504)	(4,500,852)	(8,117,035)	(5,707,266)	(5,018,845)	(9,521,702)	(480,201,436)
Accumulated impairment	-	(2,333,219)	(14,335,858)	-	-	-	-	(60,200)	(16,729,277)
<b>Net book value</b>	<b>205,333,320</b>	<b>136,754,746</b>	<b>976,774,509</b>	<b>6,507,368</b>	<b>14,681,396</b>	<b>4,306,512</b>	<b>2,614,664</b>	<b>40,009,782</b>	<b>1,386,982,297</b>
<b>Depreciation rate</b>									
(% per annum)	-	2.50% to 3.33%	2.50% to 20%	3.33% to 20%	3.33% to 25%	3.57% to 20%	5% to 33.33%	3.33% to 4%	
<b>Net carrying value basis</b>									
<b>year ended June 30, 2016</b>									
Opening net book value	136,888,880	69,157,588	444,695,414	1,258,306	13,995,492	3,020,022	3,079,605	14,499,809	686,595,116
Addition (at cost)	-	59,523,491	173,653,685	710,460	2,632,000	622,173	265,330	28,000	237,435,139
Revaluation surplus/(reversal)	68,444,440	(6,826,630)	(16,933,585)	-	-	-	-	-	44,684,225
Disposal (NBV)	-	-	(714,171)	(72)	(879,919)	(52)	(96)	-	(1,594,310)
Depreciation charged	-	(3,398,404)	(35,731,161)	(498,006)	(1,785,127)	(863,147)	(994,363)	(856,704)	(44,126,912)
Impairment charged	-	-	(51,797)	-	-	-	-	-	(51,797)
Impairment reversal	-	756,381	5,007,381	-	-	-	-	-	5,763,762
<b>Closing net book value</b>	<b>205,333,320</b>	<b>119,212,426</b>	<b>569,925,766</b>	<b>1,470,688</b>	<b>13,962,446</b>	<b>2,778,996</b>	<b>2,350,476</b>	<b>13,671,105</b>	<b>928,705,223</b>
<b>Gross carrying value basis</b>									
<b>year ended June 30, 2016</b>									
Cost / revalued amount	205,333,320	164,725,337	933,145,469	5,134,616	20,861,705	7,531,157	6,221,346	21,402,293	1,364,355,243
Accumulated depreciation	-	(43,179,692)	(348,883,845)	(3,663,928)	(6,899,259)	(4,752,161)	(3,870,870)	(7,670,988)	(418,920,743)
Accumulated impairment	-	(2,333,219)	(14,335,858)	-	-	-	-	(60,200)	(16,729,277)
<b>Net book value</b>	<b>205,333,320</b>	<b>119,212,426</b>	<b>569,925,766</b>	<b>1,470,688</b>	<b>13,962,446</b>	<b>2,778,996</b>	<b>2,350,476</b>	<b>13,671,105</b>	<b>928,705,223</b>
<b>Depreciation rate</b>									
(% per annum)	-	2.50% to 3.33%	2.50% to 20%	3.33% to 20%	3.33% to 25%	3.57% to 20%	5% to 33.33%	3.33% to 4%	

5.1 Plant and machinery includes capital spares amounting to Rs. 86.363 million (written down value Rs. 74.133 million).

## Notes to the Financial Statements

for the year ended June 30, 2017

	Note	2017 Rupees	2016 Rupees
5.2 The depreciation charge for the year has been allocated as follows:			
Cost of sales	32	59,959,695	42,222,456
General and administrative expenses	33	1,221,073	1,213,708
Selling and distribution expenses	34	1,118,245	690,748
		62,299,013	44,126,912

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

The incremental value of the leasehold land, building/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. 218.471 million (2016: Rs. 219.787 million) including land remains undepreciated as at June 30, 2017.

- 5.4 Had there been no revaluation, the net book value of the specific classes of property, plant and equipment would have been as follows:

	Net book value	
	2017 Rupees	2016 Rupees
Leasehold land	608,737	608,737
Building / Improvements on leasehold land	132,121,763	114,268,124
Plant and machinery	967,661,219	559,807,840
	1,100,391,719	674,684,701

### 5.5 Fair value measurement

- 5.5.1 Fair value of property, plant and equipment are based on the valuations carried out by an independent valuer M/s Akbani & Javed Associates Engineering & Valuation Consultants on the basis of market value.
- 5.5.2 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 etc.;
- Operational capacity;

## Notes to the Financial Statements

for the year ended June 30, 2017

- 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.

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

	2017 Rupees	2016 Rupees
Opening balance (level 3 recurring fair values)	569,925,766	444,695,414
Additions - Cost	457,706,842	173,653,685
Disposals - WDV	(1)	(714,171)
Depreciation charge	(50,858,098)	(35,731,161)
Impairment charge	-	(36,557)
Impairment reversal	-	5,007,381
Deficit included in surplus on revaluation of fixed assets	-	(16,948,825)
Closing balance (level 3 recurring fair values)	976,774,509	569,925,766

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

5.6 The following operating fixed assets were disposed off during the year:

Description	Cost/ revaluation Rupees	Accumulated depreciation/ impairment Rupees	Book value Rupees	Sale proceeds Rupees	Mode of disposal	Particulars of buyer
Vehicles	850,000	571,480	278,520	318,580	Company Policy	Abdul Ghaffar Gatta - Employee
	661,000	444,400	216,600	268,800	Company Policy	Syed Samiullah -Ex Employee
	1,511,000	1,015,880	495,120	587,380		
Plant and machinery	2,440	2,439	1	7,059	Scrap	Israr & Company - Karachi
<b>Total - 2017</b>	<b>1,513,440</b>	<b>1,018,319</b>	<b>495,121</b>	<b>594,439</b>		
Total - 2016	15,805,142	14,210,832	1,594,310	2,139,972		



## Notes to the Financial Statements

for the year ended June 30, 2017

	Note	2017 Rupees	2016 Rupees
<b>6. CAPITAL WORK-IN-PROGRESS</b>			
This comprises of:			
Civil works		66,353,207	63,329,383
Plant and machinery		447,216,473	475,958,383
	6.1	513,569,680	539,287,766
<b>6.1 Movement of carrying amount</b>			
Year end June 30, 2017			
Opening balance		539,287,766	69,046,433
Additions (at cost)	6.2	495,353,121	707,676,472
Transfer to fixed assets		(521,071,207)	(237,435,139)
Closing balance		513,569,680	539,287,766
<b>6.2</b>			
This includes borrowing cost capitalised amounting to Rs. 36.232 million (2016: Rs. 30.266 million) as per IAS 23. The rate of capitalization is 6.96% per annum (2016: 7.78% per annum).			
<b>7. INTANGIBLE ASSETS</b>			
<b>Net carrying value basis</b>			
Opening book value		86,633	149,783
Amortisation charged	7.1	(38,400)	(63,150)
Closing net book value		48,233	86,633
<b>Gross carrying value basis</b>			
Cost		5,232,817	5,232,817
Accumulated amortisation		(5,184,584)	(5,146,184)
<b>Net book value</b>		48,233	86,633
<b>Amortisation rate per annum</b>		20%	20%
<b>7.1</b>			
The amortisation for the year has been allocated as follows:			
Cost of sales	32	14,000	14,000
General and administrative expenses	33	24,400	49,150
		38,400	63,150
<b>8. LONG-TERM LOANS AND ADVANCES</b>			
(Secured - considered good)			
<b>Loans</b>			
Due from employees	8.1	676,030	884,012
Current portion shown under current assets	14	(208,000)	(208,000)
		468,030	676,012
Advance to supplier		732,000	-
		1,200,030	676,012

## Notes to the Financial Statements

for the year ended June 30, 2017

- 8.1 These represent interest free loans provided to employees for the purchase of motor vehicles in accordance with the terms of employment and are secured by original registration documents of vehicle and demand promissory notes. The loans are repayable over a period of five years in equal monthly installments.
- 8.2 Chief Executive Officer and Directors have not taken any loans and advances from the Company.

	Note	2017 Rupees	2016 Rupees
<b>9. LONG-TERM DEPOSITS</b>			
Power and fuel		4,995,727	4,995,727
Deposit against Ijarah finance		523,790	-
Others	9.1	7,590,794	1,373,950
		<b>13,110,311</b>	<b>6,369,677</b>

- 9.1 These deposits do not carry any interest or markup and are not recoverable within one year.

### 10. DEFERRED TAXATION

Deferred taxation comprises of:

Taxable temporary differences:

Surplus on revaluation of fixed assets	23	4,123,872	4,669,288
Accelerated tax depreciation allowance		166,578,183	114,907,329
Gross deferred tax liabilities		<b>170,702,055</b>	<b>119,576,617</b>

Deductible temporary differences:

Unabsorbed tax depreciation		154,684,001	110,716,969
Turnover tax		12,723,089	6,628,549
Tax credit		31,361,809	-
Employee retirement benefit		902,967	522,745
Provision for slow moving and obsolete items		1,305,011	1,310,893
Provision for doubtful debts		695,118	-
Provision for compensated absences		391,869	397,461
Gross deferred tax assets		<b>(202,063,864)</b>	<b>(119,576,617)</b>
	10.2	<b>31,361,809</b>	<b>-</b>

- 10.1 Deferred tax asset arising due to timing difference calculated at applicable tax rates as at balance sheet date amounted to Rs. 60.717 million (2016: Rs. 43.144 million) debit. Deferred tax asset has not been recognized in these financial statements in accordance with the stated accounting policy of the Company.
- 10.2 Deferred tax asset has been recognized to the extent of unadjusted tax credit available on capital expenditure at a rate of 10% under section 65B of Income Tax Ordinance 2001 amounting to Rs. 31.362 million, which is carried forward and adjustable against future tax liability for two years including minimum tax on turnover.

## Notes to the Financial Statements

for the year ended June 30, 2017

	Note	2017 Rupees	2016 Rupees
<b>11. STORES AND SPARES</b>			
Stores			
In hand		48,452,304	42,142,905
In transit		670,697	1,815
		49,123,001	42,144,720
Spares			
In hand		45,019,953	40,514,679
In transit		2,862,093	2,135,855
		47,882,046	42,650,534
		97,005,047	84,795,254
Provision for slow moving and obsolete stores and spares	11.1	(3,160,409)	(2,944,237)
		93,844,638	81,851,017
<b>11.1 Provision for slow moving and obsolete stores and spares comprises:</b>			
Balance at beginning of the year		2,944,237	2,772,158
Provision for the year		216,172	172,079
Balance at end of the year		3,160,409	2,944,237
<b>12. STOCK-IN-TRADE</b>			
Raw materials			
In hand		226,634,929	188,606,471
In transit		919,660	5,028,637
		227,554,589	193,635,108
Packing materials		5,049,467	5,049,387
		232,604,056	198,684,495
Provision for slow moving and obsolete stock in trade	12.1	(1,189,626)	(1,284,450)
		231,414,430	197,400,045
Work-in-process	32	42,882,044	63,105,673
Finished goods	32	52,056,978	37,206,591
		326,353,452	297,712,309
<b>12.1 Provision for slow moving and obsolete stock in trade comprises:</b>			
Balance at beginning of the year		1,284,450	1,249,220
(Reversal) / Provision for the year		(94,824)	35,230
Balance at end of the year		1,189,626	1,284,450
<b>13. TRADE DEBTS</b>			
(Unsecured - considered good)			
Due from associated companies	13.1	25,100,847	16,611,642
Others		358,885,066	279,692,835
		383,985,913	296,304,477
Considered doubtful		2,317,058	-
Provision for doubtful debts	13.4	(2,317,058)	-
		383,985,913	296,304,477

## Notes to the Financial Statements

for the year ended June 30, 2017

	Note	2017 Rupees	2016 Rupees
13.1 This comprises amounts receivable from:			
Century Paper and Board Mills Limited		3,973,260	3,736,503
GAM Corporation (Private) Limited		-	1,003,023
SIZA Foods (Private) Limited		1,115,250	751,917
Colgate-Palmolive (Pakistan) Limited		20,012,337	11,120,199
		25,100,847	16,611,642
13.2 The aging of related party balances at the balance sheet date is as follows:			
Not past due		23,551,901	14,491,494
Past due 1-30 days		1,375,901	1,314,923
Past due 30-90 days		173,045	737,889
Past due over 90 days		-	67,336
		25,100,847	16,611,642
13.3 The maximum amount due from related parties at the end of any month during the year was Rs. 38.879 million (2016: Rs. 29.207 million).			
<b>13.4 Provision for doubtful debts</b>			
Balance at beginning of the year		-	1,812,112
Provision for doubtful debts		2,317,058	-
Bad debts written off		-	(1,812,112)
Balance at end of the year		2,317,058	-
<b>14. LOANS AND ADVANCES</b>			
Loans (Secured - considered good)			
Current portion of long-term loans	8	208,000	208,000
Advances (Unsecured - considered good)			
To employees	14.1	58,250	110,950
To suppliers	14.2	9,180,594	7,197,373
		9,238,844	7,308,323
		9,446,844	7,516,323
14.1 These loans are granted to employees of the Company which do not carry mark-up in accordance with their terms of employment.			
14.2 This represents advances to suppliers in the normal course of business and does not carry any interest or mark-up.			
<b>15. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
Security deposits	15.1	2,973,660	4,845,660
Prepayments		2,046,175	8,568,820
		5,019,835	13,414,480
15.1 This represents short term deposits in the normal course of business and does not carry any interest or mark-up.			

## Notes to the Financial Statements

for the year ended June 30, 2017

	Note	2017 Rupees	2016 Rupees
<b>16. OTHER RECEIVABLES</b>			
(Unsecured-considered good)			
Due from associated company	16.1	123,168	17,518,000
Receivable from gratuity fund	40.1.1	-	1,459,893
Others		-	3,156,379
		123,168	22,134,272

16.1 This represents insurance claim receivable from Century Insurance Company Limited, an associated company.

### 17. TAX REFUND DUE FROM GOVERNMENT

Sales tax and special excise duty receivable	178,535,852	125,713,254
Income tax refundable	72,180,190	54,771,313
	250,716,042	180,484,567

### 18. TAXATION - NET

Advance tax	27,960,472	33,322,219
Provision for taxation	38	-
	27,960,472	33,322,219

The income tax assessments of the Company have been finalised by the tax authorities upto tax year 2016 (accounting year ended June 30, 2016).

### 19. CASH AND BANK BALANCES

Cash with banks in current accounts	760,919	917,327
Cash in hand	1,289,759	518,519
	2,050,678	1,435,846

### 20. AUTHORIZED SHARE CAPITAL

Number of ordinary shares of Rs.10/- each			
2017	2016		
100,000,000	70,000,000	Ordinary shares of Rs. 10/- each	1,000,000,000
			700,000,000

20.1 During the year, the Company has increased authorised share capital from Rs. 700 million to Rs. 1,000 million by passing special resolution in Extra Ordinary General Meeting (EOGM) of the Company held on March 31, 2017.

## Notes to the Financial Statements

for the year ended June 30, 2017

	Note	2017 Rupees	2016 Rupees
<b>21. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>			
Number of ordinary shares of Rs.10/- each			
2017      2016			
37,461,352      37,461,352	Fully paid in cash	374,613,520	374,613,520
2,852,847      2,852,847	Issued as bonus shares fully paid	28,528,470	28,528,470
40,314,199      40,314,199		403,141,990	403,141,990
22,543,068      22,543,068	Shares held by associated undertakings	225,430,680	225,430,680
<b>22. ACCUMULATED LOSS</b>			
Revenue			
General reserve		106,800,000	106,800,000
Accumulated losses		(111,126,679)	(143,798,093)
		(4,326,679)	(36,998,093)
<b>23. SURPLUS ON REVALUATION OF FIXED ASSETS</b>			
<b>Gross surplus</b>			
Balance as at July 01,		219,786,799	178,830,711
Net surplus recognised during the year	5	-	44,684,225
		219,786,799	223,514,936
Transfer to unappropriated profit in respect of disposal of revalued property, plant and equipment during the year - (net of deferred tax)		-	(592)
Related deferred tax liability		-	(266)
		-	(858)
Transfer in respect of impairment on property, plant and equipment during the year - (net of deferred tax)		-	(10,515)
Related deferred tax liability		-	(4,724)
		-	(15,239)
Transfer to unappropriated profit in respect of incremental depreciation charged during the year - (net of deferred tax)		(921,176)	(2,561,308)
Related deferred tax liability		(394,790)	(1,150,732)
		(1,315,966)	(3,712,040)
Surplus on revaluation of fixed assets as at June 30,		218,470,833	219,786,799
<b>Related deferred tax effect:</b>			
Balance as at July 01,		(4,669,288)	(13,616,185)
Effect of changes in tax rate		150,626	425,506
Effect of deficit recognised during the year		-	7,365,669
Transferred to unappropriated profit in respect of disposal of revalued property, plant and equipment during the year		-	266
Transfer in respect of impairment on property, plant and equipment during the year		-	4,724
Incremental depreciation charge during the year		394,790	1,150,732
	10	(4,123,872)	(4,669,288)
		214,346,961	215,117,511

## Notes to the Financial Statements

### for the year ended June 30, 2017

23.1 Under the requirements of the repealed Companies Ordinance, 1984 the Company cannot use the surplus, except for setting off the losses arising out of the disposal of the revalued assets, losses arising out of the subsequent revaluation of assets and to set-off any incremental depreciation/impairment arising as a result of revaluation.

	Note	2017 Rupees	2016 Rupees
<b>24. SUBORDINATED LOAN - UNSECURED</b>			
From associated undertaking	24.1	100,000,000	100,000,000

24.1 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 year, the effective mark-up rate was 6.58% per annum (2016: 7.49% 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.

### 25. LONG TERM FINANCING

Secured			
From banking company			
Al Baraka Bank (Pakistan) Limited		156,250,000	78,750,000
Dubai Islamic Bank Limited		221,985,802	196,846,720
Habib Bank Limited		223,969,823	-
Bank Islami Pakistan Limited		200,000,000	-
JS Bank Limited		103,000,000	-
Less: Current portion shown under current liabilities	29	(151,882,036)	(47,105,840)
	25.1	753,323,589	228,490,880
Unsecured			
From associated undertaking	25.2	440,000,000	440,000,000
		1,193,323,589	668,490,880

25.1 These loans have 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 was 6.59% to 7.73% (2016: 7.29% to 8.15%) payable quarterly. The tenure of these financing facilities is five to six years including one year grace period.

25.2 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 (note 24). During the year, the repayment of loan has been rescheduled and the amount is now repayable in twenty equal quarterly installments commencing from July 2018. The rate of markup is 0.5% over last business day of three months KIBOR of preceding quarter. During the year, the effective mark-up rate was 6.58% per annum (2016: 7.49% per annum).

## Notes to the Financial Statements

for the year ended June 30, 2017

	Note	2017 Rupees	2016 Rupees
<b>26. TRADE AND OTHER PAYABLES</b>			
Creditors	26.1	209,925,113	163,589,582
Accrued liabilities		15,178,926	8,507,976
Payable to gratuity fund	40.1.1	2,045,670	-
Advances from customers		997,311	119,660
Short term deposits		5,000	5,000
Retention money payable		53,400	3,490,690
Unclaimed dividend		129,143	129,143
Workers' Welfare Fund		250,956	194,325
Workers' Profit Participation Fund	26.2	149,028	511,381
Others		865,133	1,172,999
		<b>229,599,680</b>	<b>177,720,756</b>

26.1 This includes an amount of Nil (2016: Rs. 11.146 million) payable in foreign currency equivalent to Pak Rupees and amount payable to associated companies amounting to Rs. 63.776 million (2016: Rs. 71.968 million).

### 26.2 Workers' Profit Participation Fund

Balance at July 01		511,381	1,343,172
Interest on funds utilized in Company's business	37	15,257	40,074
Allocation for the year	36	149,028	511,381
		675,666	1,894,627
Amount paid during the year		(526,638)	(1,383,246)
Balance at June 30		149,028	511,381

### 27. MARK-UP ACCRUED

Mark-up accrued on :			
Short-term borrowings		9,052,780	11,157,861
Long term financing		9,717,453	963,775
		<b>18,770,233</b>	<b>12,121,636</b>

### 28. SHORT-TERM BORROWINGS

From banking companies - secured			
Running finance	28.1	488,390,427	522,459,301
From associated company - unsecured	28.2	250,000,000	300,000,000
		<b>738,390,427</b>	<b>822,459,301</b>

28.1 The Company has short term running finance facilities from various banks under mark-up arrangements in aggregate amount of Rs. 870.000 million (2016: Rs. 870.000 million) having mark-up at rates ranging from 6.91% to 7.58% (2016: 7.32% to 8.03%) per annum calculated on a daily product basis and payable quarterly. The unutilized balance at the end of the year was Rs. 381.610 million (2016: Rs. 347.542 million).



## Notes to the Financial Statements

### for the year ended June 30, 2017

The Company has also a facility for opening letters of credit under mark-up arrangements as at June 30, 2017 amounting to Rs. 490.000 million (2016: Rs. 490.000 million) from various commercial banks. The unutilized balance at the end of the year was Rs. 479.721 million (2016: Rs. 384.660 million).

These arrangements are secured by pari passu hypothecation charge on stores and spares, stock-in-trade and trade debts.

28.2 This short-term borrowing facility 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.

	Note	2017 Rupees	2016 Rupees
<b>29. CURRENT PORTION OF LONG TERM-FINANCING</b>			
Current portion	25	151,882,036	47,105,840

### 30. CONTINGENCIES AND COMMITMENTS

#### 30.1 Contingencies

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

#### 30.2 Commitments

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

- Stores, spares and raw materials under letter of credit amounted to Nil (2016: Rs. 6.969 million).
- Stores, spares and raw materials under contractual obligation amounted to Rs. 3.538 million (2016: Rs. 1.210 million).
- Capital expenditures under letter of credit amounted to Rs. 10.279 million (2016: Rs. 98.340 million).
- The amount of future Ijarah rentals for Ijarah financing and the period in which these payments will become due are as follows.

Not later than one year	796,488	-
Later than one year and not later than five years.	2,787,708	-
	3,584,196	-

### 31. SALES - NET

Gross sales	2,109,902,951	1,880,511,265
Sales tax	(308,450,877)	(273,642,795)
	1,801,452,074	1,606,868,470

## Notes to the Financial Statements

for the year ended June 30, 2017

	Note	2017 Rupees	2016 Rupees
<b>32. COST OF SALES</b>			
Materials consumed		1,209,548,461	1,169,653,936
Salaries, wages and other benefits	32.1	134,021,406	104,422,606
Packing material consumed		42,460,048	38,682,783
Outsourced services		39,050,317	48,204,327
Stores and spares consumed		48,116,009	40,363,324
Power and fuel		42,753,709	42,710,385
Depreciation	5.2	59,959,695	42,222,456
Amortisation	7.1	14,000	14,000
Rent, rates and taxes		12,850,489	11,706,593
Repairs and maintenance		5,978,467	5,372,435
Vehicle running expenses		1,369,901	983,680
Insurance		8,182,685	5,056,904
Ijarah lease rentals	30.2 (d)	95,038	-
Printing and stationery		972,434	521,748
Communication charges		1,147,036	921,282
Travelling and conveyance		1,133,346	578,205
Fees and subscription		863,895	895,086
Software license fee		1,022,693	378,574
Other expenses		2,551,599	1,963,493
Manufacturing cost		1,612,091,228	1,514,651,817
Opening work-in-process		63,105,673	43,947,653
Closing work-in-process	12	(42,882,044)	(63,105,673)
		20,223,629	(19,158,020)
Cost of goods manufactured		1,632,314,857	1,495,493,797
Opening stock of finished goods		37,206,591	19,835,393
Closing stock of finished goods	12	(52,056,978)	(37,206,591)
		(14,850,387)	(17,371,198)
		1,617,464,470	1,478,122,599

32.1 Salaries and other benefits include Rs. 4.992 million (2016: Rs. 3.936 million) in respect of staff retirement benefits.

### 33. GENERAL AND ADMINISTRATIVE EXPENSES

Salaries and other benefits	33.1	32,963,927	25,948,438
Depreciation	5.2	1,221,073	1,213,708
Amortisation	7.1	24,400	49,150
Rent, rates and taxes		319,286	216,594
Repairs and maintenance		378,602	419,751
Ijarah lease rentals	30.2 (d)	201,295	-
Vehicle running expenses		1,549,205	1,502,585
Insurance		341,410	269,611
Printing and stationery		746,380	678,013
Communication charges		1,178,895	920,752
Travelling and conveyance		961,227	177,776
Fees and subscription		441,963	414,055
Software license fee		736,965	272,805
Service fee to associated undertakings		2,250,359	2,085,624
Electricity charges		61,272	126,051
Others		336,944	277,581
		43,713,203	34,572,494

## Notes to the Financial Statements

for the year ended June 30, 2017

33.1 Salaries and other benefits include Rs. 2.372 million (2016: Rs. 1.772 million) in respect of staff retirement benefits.

	Note	2017 Rupees	2016 Rupees
<b>34. SELLING AND DISTRIBUTION EXPENSES</b>			
Salaries and other benefits	34.1	9,737,235	13,451,288
Depreciation	5.2	1,118,245	690,748
Repairs and maintenance		51,618	30,875
Vehicle running expenses		1,486,609	1,778,656
Insurance		266,771	219,847
Printing and stationery		84,424	66,656
Communication charges		737,462	545,379
Travelling and conveyance		1,609,623	1,375,512
Software license fee		327,471	121,221
Advertisement		440,509	160,240
Cartage outward		17,811,298	15,917,517
Others		1,801,509	311,921
		<b>35,472,774</b>	<b>34,669,860</b>

34.1 Salaries and other benefits include Rs. 0.602 million (2016: Rs. 0.733 million) in respect of staff retirement benefits.

### 35. OTHER INCOME

Insurance agency commission from associated undertaking		1,162,931	1,349,793
Scrap sales		1,639,779	1,671,067
Gain on disposal of operating fixed assets		99,318	545,662
Reversal of impairment		-	5,763,762
Insurance claim	35.1	-	17,534,048
		<b>2,902,028</b>	<b>26,864,332</b>

35.1 This includes insurance claim from Century Insurance Company Limited, an associated company amounting to Nil (2016: Rs. 17.518 million) against loss of profit due to fire incidence incurred in 2015.

### 36. OTHER OPERATING EXPENSES

Legal and professional charges		1,446,335	1,833,026
Auditors' remuneration:			
Statutory audit		353,000	307,000
Special reports and sundry services		162,700	148,000
Out-of-pocket expenses		184,980	131,450
		700,680	586,450
Workers' Profit Participation Fund	26.2	149,028	511,381
Workers' Welfare Fund		56,631	194,325
Director fees		130,000	150,000
Impairment loss		-	36,557
Donations		62,000	68,716
Foreign exchange loss	36.1	30,511	26,713
Bad debt expense		2,317,058	700,465
		<b>4,892,243</b>	<b>4,107,633</b>

36.1 Exchange loss / (gain) is earned from actual currency translation.

## Notes to the Financial Statements

for the year ended June 30, 2017

	Note	2017 Rupees	2016 Rupees
<b>37. FINANCIAL CHARGES</b>			
Mark-up / interest on:			
Sub-ordinated loan		6,582,192	7,509,200
Long-term financing		48,510,979	40,242,258
Short-term borrowings		44,061,330	23,955,533
Interest on Workers Profit Participation Fund	26.2	15,257	40,074
		99,169,758	71,747,065
Bank charges and commission		866,745	991,242
		100,036,503	72,738,307
<b>38. TAXATION</b>			
Current	18	-	-
Prior		912,241	(10,208)
Deferred		(30,814,102)	6,364,854
		(29,901,861)	6,354,646

38.1 The current year's tax liability of the Company amounts to Rs. 18.170 million (2016: Rs. 16.085 million). This has been fully adjusted against available tax credit of Rs. 49.532 million (2016: Rs. 17.365 million) under section 65B at the rate 10% on the cost of plant and machinery capitalised during this year and last year. Unadjusted tax credit of Rs. 31.362 million (2016: Rs.1.118 million) is available for adjustment against two subsequent years' tax charge.

38.2 The numerical reconciliation between average tax rate and the applicable tax rate has not been presented during the year in these financial statements as the total tax liability of the Company is covered under Section 113 "Minimum tax" of the Income Tax Ordinance, 2001.

38.3 The applicable income tax rate for Tax Year 2017 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.

	2017	2016
<b>39. EARNINGS PER SHARE - BASIC AND DILUTED</b>		
Profit for the year (Rupees)	32,676,770	3,167,263
Weighted average number of ordinary shares outstanding	40,314,199	40,314,199
Earnings per share - basic and diluted (Rupees)	0.81	0.08

### 40. RETIREMENT BENEFIT

#### 40.1 Defined benefit plan

The scheme provides for terminal benefits for all its permanent employees who qualify for the scheme at varying percentages of last drawn basic salary. The percentage depends on the number of service years with the Company. Annual charge is based on actuarial valuation carried out as at June 30, 2017, using the Projected Unit Credit Method.

The Company faces the following risks on account of gratuity:

Final salary risk - The risk that the final salary at the time of cessation of service is greater than what the Company has assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

## Notes to the Financial Statements

for the year ended June 30, 2017

Asset volatility - Most assets are invested in risk free investments i.e. Government Bonds / Treasury bills. However, investments in equity instruments is subject to adverse fluctuations as a result of change in the market price.

Discount rate fluctuation - The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plans' bond holdings.

Investment risks - The risk of the investment underperforming and not being sufficient to meet the liabilities. This risk is mitigated by closely monitoring the performance of investment. Risk of insufficiency of assets - This is managed by making regular contribution to the Fund as advised by the actuary.

	Note	2017 Rupees	2016 Rupees
<b>40.1.1 Liability recognised in balance sheet</b>			
Fair value of plan assets	40.1.3	47,499,994	45,695,824
Present value of defined benefit obligation	40.1.4	(49,545,664)	(44,235,931)
Closing net (liability) / receivable	16 & 26	(2,045,670)	1,459,893
<b>40.1.2 Movement of the liability recognized in the balance sheet</b>			
Opening net liability		1,459,893	(3,258,364)
Charge for the year	40.1.5	(3,741,478)	(3,173,381)
Remeasurement (losses) / gains recognized in other comprehensive income	40.1.6	(1,323,617)	4,616,269
Contribution made during the year		1,559,532	3,275,369
Closing net (liability) / receivable		(2,045,670)	1,459,893
<b>40.1.3 Movement in the fair value of plan assets</b>			
Fair value as at July 01		45,695,824	39,842,696
Expected return on plan assets	40.1.5	3,313,973	3,723,979
Remeasurement: Actuarial (losses) / gains	40.1.6	(1,538,102)	1,296,074
Contribution by the employer		1,559,532	3,275,369
Benefits paid	40.1.4	(1,531,233)	(2,442,294)
Fair value as at June 30	40.1.1	47,499,994	45,695,824
<b>40.1.4 Movement in the present value of defined benefit obligation</b>			
Obligation as at July 01		(44,235,931)	(43,101,060)
Current service cost	40.1.5	(3,903,853)	(3,023,468)
Interest cost	40.1.5	(3,151,598)	(3,873,892)
Remeasurement: Actuarial gains	40.1.6	214,485	3,320,195
Benefits paid	40.1.3	1,531,233	2,442,294
Obligation as at June 30	40.1.1	(49,545,664)	(44,235,931)
<b>40.1.5 Expenses recognised in profit and loss account</b>			
Current service cost	40.1.4	3,903,853	3,023,468
Interest cost	40.1.4	3,151,598	3,873,892
Expected return on plan assets	40.1.3	(3,313,973)	(3,723,979)
Expense for the year	40.1.2	3,741,478	3,173,381
Actual return on plan assets		1,775,871	5,020,053

## Notes to the Financial Statements

for the year ended June 30, 2017

	Note	2017 Rupees	2016 Rupees
<b>40.1.6 Remeasurement (gains) / losses recognized in other comprehensive income</b>			
Remeasurement gain on defined benefit obligation	40.1.4	214,485	3,320,195
Remeasurement (losses) / gains on plan assets	40.1.3	(1,538,102)	1,296,074
Remeasurement (losses) / gains	40.1.2	(1,323,617)	4,616,269

### 40.1.7 Composition of the fair value of plan assets

	2017		2016	
	Rupees	Percentage	Rupees	Percentage
Debt	26,475,298	56%	20,907,725	46%
Mutual fund	8,957,901	19%	7,406,398	16%
Cash with banks	12,066,795	25%	17,381,701	38%
	47,499,994		45,695,824	

**40.1.8** The expected contribution to funded gratuity scheme for the year ending June 30, 2018 is Rs. 3.774 million. This is the amount by which the net defined benefit liability is expected to increase. The amount of remeasurement to be recognised in other comprehensive income will be worked out as at the next valuation.

	2017 Percentage	2016 Percentage
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### 40.1.9 Principal actuarial assumptions

Following were the significant actuarial assumptions used in the valuation:

Discount rate per annum	8.00%	7.25%
Expected rate of return on plan assets per annum	8.00%	7.25%
Expected rate of increase in salary per annum (short term)	8.25%	7.50%
Expected rate of increase in salary per annum (long term)	8.00%	7.25%

### 40.1.10 Sensitivity analysis

	Rupees	Percentage
Current liability	49,545,664	
+1% discount rate	45,569,640	-8.02%
-1% discount rate	54,179,952	9.35%
+1% salary increase rate	54,359,748	9.72%
-1% salary increase rate	45,347,946	-8.47%
+10% withdrawal rate	49,370,872	-0.35%
-10% withdrawal rate	49,720,454	0.35%
1 year mortality age set back	49,566,573	0.04%
1 year mortality age set forward	49,524,827	-0.04%

### 40.1.11 Maturity Profile

	Undiscounted Payments
Year 1	5,264,134
Year 2	2,505,264
Year 3	2,545,317
Year 4	1,793,335
Year 5	3,440,983
Year 6 to year 10	32,891,510
Year 11 and above	77,010,233

# Notes to the Financial Statements

for the year ended June 30, 2017

## 40.2 Defined contribution plan

The Company has contributory provident fund scheme for benefit of all its permanent employees under the title of "Merit Packaging Limited - Employees Contributory Provident Fund Trust". The fund is maintained by the Trustees and all decisions regarding investments and distribution of income etc. are made by the Trustees.

40.2.1 The Trustees have intimated that the size of the Fund as at December 31, 2016 was Rs. 117.7 million.

40.2.2 As intimated by the Trustees, the cost of the investment made at December 31, 2016 was Rs. 87.574 million which is equal to 74.40% of the total fund size. The fair value of the investment was Rs. 101.510 million at that date. The category wise break up of investment as per Section 218 of the Companies Act, 2017 is given below:

	Rupees	Percentage
Debt	47,069,428	39.99%
Mutual fund	40,149,132	34.11%
Cash with banks	14,291,848	12.14%

40.2.3 According to the Trustees, investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules made thereunder.

	Note	2017 Rupees	2016 Rupees
<b>41. CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		2,774,909	9,521,909
Adjustment for non-cash items and other items:			
Gain on disposal of operating fixed assets		(99,318)	(545,662)
Financial charges		100,036,503	72,738,307
Depreciation		62,299,013	44,126,912
Amortisation		38,400	63,150
Impairment loss / (reversal)		-	(5,727,205)
Provision for doubtful debts		2,317,058	-
Provision for slow moving stock and obsolete items		121,348	207,309
Ijarah lease rentals		296,333	-
		165,009,337	110,862,811
Profit before working capital changes		167,784,246	120,384,720
Working capital changes	41.1	(104,546,669)	13,570,795
		63,237,577	133,955,515
<b>41.1 Working capital changes</b>			
(Increase) / decrease in current assets:			
Stores and spares		(12,209,793)	(9,141,413)
Stock-in-trade		(28,546,319)	(34,204,182)
Trade debts		(89,998,494)	10,288,440
Loans and advances		(1,930,521)	(3,624,065)
Trade deposits and short-term prepayments		8,394,645	(8,535,520)
Other receivables		22,011,104	83,379,124
Tax refund due from Government		(52,822,598)	(86,299,959)
		(155,101,976)	(48,137,575)
Increase / (decrease) in current liabilities:			
Trade and other payables (excluding unclaimed dividend)		50,555,307	61,708,370
		(104,546,669)	13,570,795

## Notes to the Financial Statements

for the year ended June 30, 2017

### 42. TRANSACTIONS WITH RELATED PARTIES

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:

Nature of transaction	Relation with the Company	2017	2016
		Rupees	Rupees
<b>Sales of Goods, Services and Reimbursement of expenses:</b>			
Colgate Palmolive Pakistan Limited	Associated company	155,019,862	100,782,315
Century Paper & Board Mills Limited	Associated company	30,352,366	34,290,626
GAM Corporation (Private) Limited	Associated company	2,292,838	2,473,189
SIZA Foods (Private) Limited	Associated company	2,166,584	2,244,116
<b>Purchase of Goods, Services and Reimbursement of expenses:</b>			
Century Paper & Board Mills Limited	Associated company	975,560,755	966,504,218
Century Insurance Company Limited	Associated company	15,279,661	19,486,136
Princeton Travels (Private) Limited	Associated company	5,524,368	4,316,458
Lakson Business Solutions Limited	Associated company	1,384,005	1,502,930
SIZA Services (Private) Limited	Associated company	1,447,260	1,347,504
SIZA (Private) Limited	Associated company	521,736	1,206,579
Sybird (Private) Limited	Associated company	145,255	-
Cyber Internet Services (Private) Limited	Associated company	256,073	131,402
Tetley Clover(Private) Limited	Associated company	-	75,000
Express Publication (Private) Limited	Associated company	-	65,827
SIZA Foods (Private) Limited	Associated company	72,900	63,600
Colgate Palmolive Pakistan Limited	Associated company	671,707	10,714
<b>Rent &amp; Other Allied Charges</b>			
Hassanali & Gulbano Lakhani Foundation	Associated company	223,398	276,102
<b>Insurance Agency Commission</b>			
Century Insurance Company Limited	Associated company	1,162,931	1,349,793
<b>Insurance Claim</b>			
Century Insurance Company Limited	Associated company	813,979	17,534,048
<b>Loan obtained</b>			
SIZA (Private) Limited	Associated company	-	100,000,000
SIZA Commodities (Private) Limited	Associated company	350,000,000	-
SIZA Services (Private) Limited	Associated company	-	300,000,000
Director	Sponsors & Directors	-	350,000,000
<b>Loan Repayment</b>			
SIZA (Private) Limited	Associated company	-	100,000,000
SIZA Services (Private) Limited	Associated company	300,000,000	-
SIZA Commodities (Private) Limited	Associated company	100,000,000	-
Director	Sponsors & Directors	-	350,000,000
<b>Markup Accrued</b>			
SIZA (Private) Limited	Associated company	35,543,836	40,688,147
SIZA Services (Private) Limited	Associated company	8,400,595	456,329
SIZA Commodities (Private) Limited	Associated company	2,203,645	-
Director	Sponsors & Directors	-	2,409,673
<b>Others</b>			
Contribution to Staff Retirement Benefit Plans	Employees Fund	7,682,167	6,216,007
Remuneration & other benefits	Key Management Person	21,153,137	17,297,561



## Notes to the Financial Statements

for the year ended June 30, 2017

	Note	2017 Rupees	2016 Rupees
<b>42.1 Year end balances</b>			
Receivable from associated companies		25,224,015	35,589,535
Payable to associated companies		67,134,793	73,744,149
Long-term financing from associated company		440,000,000	440,000,000
Sub-ordinated loan		100,000,000	100,000,000
Short-term financing from associated company		250,000,000	300,000,000

42.2 There are no transactions with key management personnel other than under their terms of employment.

### 43. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amounts charged in the financial statements for remunerations, including all benefits to Chief Executive and Executives of the Company were as follows:

	2017			2016		
	Chief Executive	Executives	Total	Chief Executive	Executives	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	3,626,532	11,981,662	15,608,194	3,100,080	9,799,101	12,899,181
House rent	1,627,752	5,337,667	6,965,419	1,390,848	4,360,398	5,751,246
Bonus	603,347	1,823,799	2,427,146	773,645	2,416,096	3,189,741
Retirement benefits	326,064	1,373,985	1,700,049	278,688	1,040,426	1,319,114
Motor vehicle expenses	164,276	1,251,276	1,415,552	172,176	1,379,052	1,551,228
Medical allowances	361,716	1,186,131	1,547,847	309,072	968,961	1,278,033
<b>Total</b>	<b>6,709,687</b>	<b>22,954,520</b>	<b>29,664,207</b>	<b>6,024,509</b>	<b>19,964,034</b>	<b>25,988,543</b>
Number of persons	1	13	14	1	12	13

43.1 The Chief Executive and Executives are also provided with free use of Company maintained cars.

43.2 Aggregate amount charged in these financial statements in respect of directors fee is Rs. 0.130 million (2016: Rs. 0.150 million) paid to three non-executive Directors.

### 44. CAPACITY AND PRODUCTION

Printing is a service industry involving the processing of printing material on a mix of different size machines having 1 to 9 colour units. The paper and board used is dependent on the customers' requirements ranging from 38 gsm to 450 gsm of a large variety of products involving several processes during and post printing. Due to many variables and complexities involved, the capacity is not determinable.

## Notes to the Financial Statements

for the year ended June 30, 2017

	Note	2017 Rupees	2016 Rupees
<b>45. FINANCIAL INSTRUMENTS BY CATEGORY</b>			
<b>Financial assets as per balance sheet</b>			
<b>Loans and receivables at amortized cost</b>			
Long-term loans		676,030	884,012
Long-term deposits		13,110,311	6,369,677
Trade debts		383,985,913	296,304,477
Short-term deposits		2,973,660	4,845,660
Other receivables		123,168	22,134,272
Cash and bank balances		2,050,678	1,435,846
		<b>402,919,760</b>	<b>331,973,944</b>
<b>Financial liabilities as per balance sheet</b>			
<b>Financial liabilities measured at amortized cost</b>			
Subordinated loan		100,000,000	100,000,000
Long-term financing		1,345,205,625	715,596,720
Long-term deposits		645,165	141,000
Trade and other payables		229,599,680	177,720,756
Mark-up accrued		18,770,233	12,121,636
Short-term borrowings		738,390,427	822,459,301
		<b>2,432,611,130</b>	<b>1,828,039,413</b>

### 46. 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.

### 47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

#### 47.1 Risk management 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.

#### 47.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted and arises principally from trade and other receivables. The Company's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines and regulatory requirements.

#### Exposure to credit risk

The carrying amounts of the financial assets represent the maximum credit exposures before any credit enhancements. The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

## Notes to the Financial Statements

for the year ended June 30, 2017

Note	2017 (Rupees in thousands)	2016
Loans and deposits	16,760	12,099
Trade debts	383,986	296,304
Other receivables	123	22,134
Bank balances	761	917
	<b>401,630</b>	<b>331,454</b>
The aging of trade receivable at the reporting date is:		
Not past due	283,544	221,975
Past due 1-30 days	55,752	41,650
Past due 30-90 days	37,147	20,472
Past due 90 days	7,543	12,207
	<b>383,986</b>	<b>296,304</b>

All the trade debtors at balance sheet date are domestic parties.

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Where considered necessary, advance payments are obtained from certain parties. Sales made to certain customers are secured through letters of credit.

The exposure to banks is managed by dealing with variety of major banks and monitoring exposure limits on continuous basis. The rating of banks ranges from A to AAA.

### Concentration of credit risk

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly affected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

### Impaired assets

During the year no assets have been impaired except for impairment on account of trade debts amounting to Rs. 2.317 million (2016: Rs. 0.700 million).

### 47.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements, if any:

## Notes to the Financial Statements

for the year ended June 30, 2017

	2017						
	Carrying Amount	Contractual Cash Flows	Six months or less	Six to Twelve months	One to Two years	Two to Five years	Over Five years
( Rupees in thousands)							
Subordinated loan	100,000	126,891	3,332	3,278	6,208	9,198	104,875
Long term financing	1,345,206	1,628,176	93,517	150,075	397,631	674,014	312,939
Long term deposits	645	645	-	-	-	645	-
Trade and other payables	229,600	229,600	229,600	-	-	-	-
Mark-up accrued	18,770	18,770	18,770	-	-	-	-
Short term borrowings	738,390	738,390	738,390	-	-	-	-
	2,432,611	2,742,472	1,083,609	153,353	403,839	683,857	417,814

	2016						
	Carrying Amount	Contractual Cash Flows	Six months or less	Six to Twelve months	One to Two years	Two to Five years	Over Five years
( Rupees in thousands)							
Subordinated loan	100,000	137,120	1,827	5,460	7,465	17,296	105,072
Long term financing	715,597	930,390	29,657	69,691	120,202	512,521	198,319
Long term deposits	141	141	-	-	-	141	-
Trade and other payables	177,721	177,721	177,721	-	-	-	-
Mark-up accrued	12,122	12,122	12,122	-	-	-	-
Short term borrowings	822,459	822,459	822,459	-	-	-	-
	1,828,040	2,079,953	1,043,786	75,151	127,667	529,958	303,391

#### 47.4 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

##### 47.4.1 Currency risk

Foreign currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company's exposure to foreign currency risk is as follows:

	2017	2016
	(Rupees in thousands)	
Foreign bills payable	-	11,146
Contractual obligations	13,817	106,519
Net exposure	13,817	117,665

## Notes to the Financial Statements

for the year ended June 30, 2017

The following significant exchange rates have been applied

Average rate		Reporting date rate	
2017	2016	2017	2016
(Rupees)			
104.74	104.49	104.86	104.70

At reporting date, if the PKR had strengthened by 10% against the US Dollar with all other variables held constant, post-tax loss / profit for the year would have been lower / higher by the amount shown below, mainly as a result of net foreign exchange gain on net foreign currency exposure at reporting date.

	Average rate		Reporting date rate	
	2017	2016	2017	2016
(Rupees in thousands)				
<b>Effect on (loss) or profit</b>	1,382	11,767	1,382	11,767

The weakening of the PKR against US Dollar would have had an equal but opposite impact on the post tax loss / profits.

The sensitivity analysis prepared is not necessarily indicative of the effects on (loss) / profit for the year and assets / liabilities of the Company.

### 47.4.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from long term loans and short term borrowings. At the balance sheet date the interest rate profile of the Company's interest-bearing financial instruments is as follows:

	2017		2016	
	Effective rate		Carrying amount	
	(In percent)		(Rupees in thousands)	
<b>Financial Liabilities</b>				
Variable rate instruments				
Long term loans	6.90%	7.54%	1,345,206	715,597
Subordinated loan	6.58%	7.49%	100,000	100,000
Short term borrowings	7.02 %	7.62%	738,390	822,459

### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2016.

## Notes to the Financial Statements

for the year ended June 30, 2017

	Profit and loss	
	100 bp Increase	100 bp Decrease
<b>As at June 30, 2017</b>		
Cash flow sensitivity - Variable rate financial liabilities (Rs' 000)	(21,836)	21,836
<b>As at June 30, 2016</b>		
Cash flow sensitivity - Variable rate financial liabilities (Rs' 000)	(15,910)	15,910

The sensitivity analysis prepared is not necessarily indicative of the effects on (loss) / profit for the year and assets / liabilities of the Company.

#### 48. 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 optimisation 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.

#### 49. 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.

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.

## Notes to the Financial Statements

### for the year ended June 30, 2017

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.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

#### 50. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on September 25, 2017 by the Board of Directors of the Company.

#### 51. NUMBER OF EMPLOYEES

	2017	2016
	<b>No. of employees</b>	
Number of employees as at June 30	252	237
Average number of employees during the year	250	218

#### 52. CORRESPONDING FIGURES


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

#### 53. GENERAL

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

  
**IQBAL ALI LAKHANI**  
Chairman

  
**SHAHID AHMED KHAN**  
Chief Executive Officer

  
**MUHAMMAD AAQIL JAH**  
Chief Financial Officer

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MERIT  

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PACKAGING LTD.

# Form of Proxy

I/We \_\_\_\_\_  
of \_\_\_\_\_  
a member of **MERIT PACKAGING LIMITED** hereby appoint \_\_\_\_\_  
of \_\_\_\_\_  
or failing him \_\_\_\_\_  
of \_\_\_\_\_  
who is/are also member/s of Merit Packaging Limited to act as my/our proxy and to vote for me/us and on my/our behalf at the **Annual General Meeting** of the Shareholders of the Company to be held on the 27<sup>th</sup> day of October 2017 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2017.

Folio No.	CDC Participant ID No.	CDC Account/ Sub-Account No.	No. of Shares Held	Signature

## Witness 1

Signature \_\_\_\_\_  
Name \_\_\_\_\_  
CNIC No. \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_

## Witness 2

Signature \_\_\_\_\_  
Name \_\_\_\_\_  
CNIC No. \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_

- Notes :-**
1. The proxy must be a member of the Company.
  2. The signature must tally with the specimen signature/s registered with the Company.
  3. If a proxy is granted by a member who has deposited his/her shares into Central Depository Company of Pakistan Limited, the proxy must be accompanied with participant's ID number and CDC account/sub-account number alongwith attested photocopies of Computerized National Identity Card (CNIC) or the Passport of the beneficial owner. Representatives of corporate members should bring the usual documents required for such purpose.
  4. The Instrument of Proxy properly completed should be deposited at the Registered Office of the Company not less than 48 hours before the time of the meeting.

## مختار نامہ (پراکسی فارم)

میں / ہم \_\_\_\_\_  
 ساکن \_\_\_\_\_  
 بحیثیت رکن (ممبر) میرٹ پیکیجنگ لمیٹڈ مقرر کرتا / کرتی ہوں / کرتے ہیں مسٹی / مسماہ \_\_\_\_\_  
 ساکن \_\_\_\_\_  
 کو یا ان کی غیر حاضری میں مسٹی / مسماہ \_\_\_\_\_  
 ساکن \_\_\_\_\_

کو جو خود بھی میرٹ پیکیجنگ لمیٹڈ کا رکن ہے کہ وہ بطور میرٹ / ہمارا مختار نامہ (پراکسی) میرٹ پیکیجنگ لمیٹڈ کے سالانہ اجلاس عام میں جو ۲۷ اکتوبر ۲۰۱۷ کو منعقد ہو رہا ہے یا اس کے کسی ملتوی شدہ اجلاس میں کرے اور وہ میرٹ / ہمارے جگہ میرٹ / ہمارے طرف سے حق رائے دہی استعمال کرے۔

مورخہ \_\_\_\_\_ ۲۰۱۷ کو میرٹ / ہمارے دستخط سے جاری ہوا۔

فولیو نمبر	سی ڈی سی کھاتہ نمبر	حصص کی تعداد

دستخط

گواہ نمبر ۱ \_\_\_\_\_  
 دستخط \_\_\_\_\_  
 نام \_\_\_\_\_  
 کمپیوٹرائزڈ قومی شناختی کارڈ نمبر \_\_\_\_\_  
 پتہ \_\_\_\_\_

گواہ نمبر ۲ \_\_\_\_\_  
 دستخط \_\_\_\_\_  
 نام \_\_\_\_\_  
 کمپیوٹرائزڈ قومی شناختی کارڈ نمبر \_\_\_\_\_  
 پتہ \_\_\_\_\_

ہدایات:

- مختار (پراکسی) کا کمپنی کا رکن (ممبر) ہونا ضروری ہے۔
- ممبر (رکن) کے دستخط، نمونہ شدہ دستخط / اندارج شدہ دستخط سے مماثلت ہونا ضروری ہے۔
- سی ڈی سی اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر کو مختار نامہ (پراکسی فارم) کے ہمراہ کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ منسلک کرنا ضروری ہے۔ کارپوریٹ ادارے کے نمائندوں کو معمول کے مطابق دستاویزات ساتھ لانا ضروری ہے۔
- مختار نامہ (پراکسی فارم) مکمل پُر شدہ کمپنی کے رجسٹرڈ آفس میں اجلاس کے مقرر وقت سے کم از کم ۴۸ گھنٹے قبل جمع کرانا ضروری ہے۔



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