

MERIT PACKAGING LIMITED



**ANNUAL
REPORT 2018**



A Lakson Group Company

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Corporate Information

Board of Directors

Iqbal Ali Lakhani Chairman
Amin Mohammed Lakhani
Anushka Zulfiqar Lakhani
Tasleemuddin Ahmed Batlay
Shaikh Muhammad Barinuddin
Sheikh Asim Rafiq
Farrukh Shauket Ansari
Moin M. Fudda (From May 04, 2018)
Shahid Ahmed Khan (Upto May 04, 2018)

Advisor

Sultan Ali Lakhani

Chief Executive Officer

Shahid Ahmed Khan

Audit Committee

Shaikh Muhammad Barinuddin Chairman
Iqbal Ali Lakhani (Upto May 15, 2018)
Amin Mohammed Lakhani (From May 15, 2018)
Tasleemuddin Ahmed Batlay

Human Resource and Remuneration Committee

Shaikh Muhammad Barinuddin (From May 15, 2018) Chairman
Iqbal Ali Lakhani
Tasleemuddin Ahmed Batlay
Shahid Ahmed Khan

Company Secretary

Mansoor Ahmed

Auditors

BDO Ebrahim & Co.
Chartered Accountants

Bankers

Al-Baraka Bank (Pakistan) Limited
Askari Bank Limited
BankIslami Pakistan Limited
Dubai Islamic Bank Pakistan Limited
Habib Bank Limited
Habib Bank Limited - Islamic Banking
JS Bank Limited
MCB Bank Limited
MCB Islamic Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Soneri Bank Limited
United Bank Limited - Ameen

Shares Registrar

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

Registered Office

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

Karachi Factory

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

Lahore Factory

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

Website

www.meritpack.com

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 38th Annual General Meeting of MERIT PACKAGING LIMITED will be held on Monday, October 22, 2018 at 11:00 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, 2018 together with the Directors' and Auditors' reports thereon.
2. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

3. To consider to pass the following resolutions as special resolution:
 - a) **"RESOLVED** that the transactions carried out in normal course of business with associated companies/related parties as disclosed in Note No.46 during the year ended June 30, 2018 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/related parties during the ensuing year ending June 30, 2019 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.

By Order of the Board


(MANSOOR AHMED)
Company Secretary

Karachi: September 18, 2018

NOTES:

1. The share transfer books of the Company will remain closed from October 16, 2018 to October 22, 2018 (both days inclusive). Transfers received in order by the Shares Registrar of the Company, M/s. FAMCO Associates (Private) Limited, 8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shakra-e-Faisal, Karachi up to the close of business on October 15, 2018 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. Form 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 holding shares in physical form are requested to promptly notify Share Registrar of the Company of any change in their addresses. Shareholders maintaining their shares in electronic form should have their address updated with their participant or CDC Investor Accounts Service.
6. Shareholders who have not yet submitted their International Bank Account Number (IBAN) are requested to fill in Electronic Credit Mandate Form available on Company's website and send it duly signed along with a copy of CNIC to the Registrar of the Company M/s. FAMCO Associates (Private) Limited in case of physical shares.

In case shares are held in CDC then Electronic Credit Mandate Form must be submitted directly to shareholder's broker/participant/CDC account services.

7. Pursuant to Notification vide SRO.787(1)/2014 of September 08, 2014, 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. 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 _____."

The Company will intimate members regarding venue of video conference facility at least 5 days before the date of the Annual General Meeting along with complete information necessary to enable them to access the facility.

9. Members can exercise their right to demand a poll subject to meeting requirements of Section 143 to Section 145 of the Companies Act, 2017 and applicable clauses of the Companies (Postal Ballot) Regulations, 2018.
10. Form of Proxy is enclosed.

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/related parties during the year ended June 30, 2018 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 15 of Listed Companies (Code of Corporate Governance) Regulations, 2017.

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 seemingly could not be formed for approval some of these transactions which 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, 2018 with associated companies shown in Note No.46 of the financial statements are being placed before the shareholders for their consideration and approval/ratification.

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, 2019 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 15 of Listed Companies (Code of Corporate Governance) Regulations, 2017, 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/related parties during the ensuing year ending June 30, 2019.

The Directors are interested in the resolutions to the extent of their common directorships and shareholding in the associated companies and the privileges attached thereto only.

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, 2018, 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.

With the changing economic and political environment in the country the company feels there can be further increase in commodity prices and specially if devaluation of the rupee is not checked. Subsequent to the year end the rupee had further devalued by 6.22%. The pressure on margins are apprehended to further increase due to changes in duties, levies and taxes, including regulatory duties on raw materials, etc.

It could be a tough year ahead to face with challenges. The company will focus on business growth by offering even more competitive prices. Additionally the company will increase penetration in other sectors of the packaging market through increased marketing activities. With the advent of a new era with respect to austerity drives and future economic strategies to remain lower cost producer, looks full of hope.

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 17, 2018



IQBAL ALI LAKHANI
Chairman

چیئر مین کی جائزہ رپورٹ

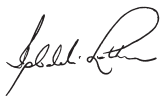
میرٹ پیکیجنگ لمیٹڈ کے بورڈ آف ڈائریکٹرز کا سالانہ جائزہ کوڈ آف کارپوریٹ گورننس کے تحت کیا جاتا ہے۔ اس جائزے کا مقصد اس امر کو یقینی بنانا ہے کہ بورڈ کی مجموعی کارکردگی اور افادیت کو کمپنی کے مختص کردہ مقاصد کے تناظر میں پرکھا جاسکے۔

مالی سال برائے 30 جون، 2018 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 دوران دستی، نصب العین اور اقدار، حکمت عملی کے بنانے میں کردار، پالیسیز 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۔

پاکستان کے بدلتے ہوئے اقتصادی اور سیاسی ماحول کو مد نظر رکھتے ہوئے کمپنی محسوس کرتی ہے کہ اشیاء کی قیمتوں میں مزید اضافہ ہو سکتا ہے بلخصوص جب روپے کی قدر میں کمی کا جائزہ نہیں لیا جا رہا۔ 30 جون 2018 کو ختم ہونے والے مالی سال کے بعد روپے کی قدر میں مزید 6.22 فیصد کمی ہوئی ہے۔ لیویز اور محصولات بشمول خام مال پر ریگولیٹری ڈیوٹی میں تبدیلیوں کی وجہ سے منافہ پر دباؤ مزید بڑھا ہے۔

یہ ایک مشکل سال ہو سکتا ہے کہ آگے چلے جاسا منا ہے۔ آپ کی کمپنی زیادہ مسابقتی قیمتوں کے ذریعے کاروباری ترقی پر توجہ مرکوز رکھے گی۔ اسکے علاوہ کمپنی اضافی مارکیٹنگ سرگرمیوں کے ذریعے پیکیجنگ انڈسٹری کے دیگر شعبوں میں رسائی کو بڑھائے گی۔ سادگی اور کم قیمت پروڈیوسر رہنے کے لحاظ سے مستقبل کی حکمت عملی پر شروع ہونے والا نیا دور امیدوں سے بھرا ہوا نظر آتا ہے۔

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۔



اقبال علی لاکھانی
چیئر مین

کراچی: 17 ستمبر 2018

Directors' Report

On behalf of the Board of Directors of Merit Packaging Limited, we are pleased to submit the Directors' report along with the 38th Annual Audited Financial Statements of the Company for the year ended June 30, 2018.

PERFORMANCE OUTLOOK

KEY NUMBERS

	2017-18	2016-17
	(Rupees in thousand)	
Sales - net	2,449,541	1,801,452
Gross profit	191,099	183,988
Operating profit	95,396	102,811
(Loss)/profit before tax	(39,862)	2,775
(Loss)/profit after tax	(8,264)	32,677
	(Rupees per share)	
		(Restated)
Earnings per Share	(0.14)	0.76

OPERATING RESULTS

All time high sales resulting from recent CAPEX is the main feature of this year. Merit as a leading printing and packaging Company has registered net sales during the year ended June 30, 2018 at Rs. 2.450 billion, as compared to Rs. 1.801 billion in the last financial year, showing an increase of Rs. 649 million or 36%.

Current year 2017-18 has been a challenging year as it marched towards completion of Offset Lahore and Gravure Karachi Business units. However, despite efforts by the Company, bottom line margins remained depressed during the year due to less capacity utilization. Our selling prices could not keep up with the significant upsurge in input costs. This increased our overheads together with elevated financial charges due to rising markup rates and higher borrowings required for CAPEX and working capital requirements. All these factors have culminated in a pre-tax loss of Rs. 39.862 million for the year 2017-18.

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 judgements.
- ◆ 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.

Directors' Report

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

RISKS FACING THE COMPANY

As required under the Listed Companies (Code of Corporate Governance) Regulations, 2017, the Board of Directors, Board Audit Committee and senior management teams led by the Chief Executive Officer of the Company have implemented and reviewed business risks to ensure that the management teams maintain a sound system of risk identification, risk management and internal controls to safeguard assets, resources, reputation and interest of the Company and shareholders.

Different categories of risks having possible impact on the Company are:

- 1) **Strategic Risk:** These risks are related to the business environment including the industry and are beyond Company's control. Under this category the company faces the risk of severe competition in the local markets from both Corporate and Non-Corporate competitors.
- 2) **Commercial Risks:** These risks emanate from commercial substance of the organization and involve decisions which may affect Company's position in the market. Risks affecting the company under this category are:
 - a. Variation in raw material and other input costs due to depreciating value of Pakistani Rupee;
 - b. Compliance of new and existing laws and regulations; and
 - c. Political uncertainty affecting business prospects.
- 3) **Operational Risks:** These risks are related to Company's internal operations, administrative procedures and daily affairs. Possible risks include the following:
 - a. The Company may be exposed to financial irregularities resulting in qualitative and quantitative losses in the absence of effective internal control;
 - b. Technology shift may render production process obsolete and cost inefficient;
 - c. The severe on-going energy crisis;
 - d. Vendors' operational / financial constraints and their deteriorating quality standards;
 - e. Disruptions due to data loss from possible operational failures or natural disasters;
 - f. Qualified and competent staff may not be available in sufficient numbers;
 - g. Operations may be subject to fraudulent activities; and
 - h. Injuries and accidents at workplace.
- 4) **Financial Risks:** These risks are related with financial matters including profitability, financing, liquidity and credit and include the following:

Directors' Report

- a. Devaluation of Pak Rupee against foreign currencies may adversely affect Company's financial performance;
- b. Liquidity risk arises when the Company has insufficient ready cash and encounters difficulty in meeting its financial obligation;
- c. Interest rate risk arises due to fluctuation in interest rate resulting in interest rate associated with the long-term loans and short-term borrowings; and
- d. The financial loss to the Company if a customer fails to meet their contractual obligation arising from trade receivables.

The management considers various factors including but not limited to best practices and all applicable laws & regulations to mitigate the risks stated above.

SAFETY, SECURITY, HEALTH AND ENVIRONMENT

Your Company provides employees a safe and secure working environment. All the employees are given environmental, health and safety trainings on a regular basis enabling them to carry out their duties safely without causing harm to themselves, to other individuals and to the environment.

CORPORATE SOCIAL RESPONSIBILITY

As a socially responsible Company, Merit Packaging has never overlooked the expectation of its stakeholders. We believe in strictly abiding by our social responsibility, by extending help to citizen whenever needed. We recognize that we cannot have a growing business unless the communities we serve are healthy and sustainable.

HUMAN RESOURCE DEVELOPMENT

Merit Packaging Limited focuses on providing best development opportunities to its employees, ensuring development of a diversely skilled workforce equipped with innovative ideas. All employees are treated fairly and compensated according to industry standards. They are provided benefits and a safe working environment to work. Comprehensive training programs, workshops and seminars are held every year to train them to become an efficient Human Resource as it is vital for the success of our operations.

AUDITORS

The present auditors, Messrs BDO Ebrahim & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment for the year ending June 30, 2019. 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

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 Directors' report.

PATTERN OF SHAREHOLDING

A statement showing the pattern of shareholding of the Company and incidental information as at June 30, 2018, the disclosure of which is required under the reporting framework, is annexed to this 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.

Directors' Report

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, 2017 and June 30, 2017 respectively are as follows:

	(Rs '000')
Provident Fund	93,576
Gratuity Fund	46,419

BOARD OF DIRECTORS

Election of Directors

The election of Board of Directors for a fresh term of three years was conducted on May 4, 2018.

Changes in composition

Composition of Board

◆ Male	7
◆ Female	1
◆ Total	8

Independent Directors

Mr. Shaikh Muhammad Barinuddin
Mr. Farrukh Shouket Ansari
Mr. Moin M. Fudda

Non-executive Directors

Mr. Iqbal Ali Lakhani - Chairman
Mr. Amin Mohammed Lakhani
Ms. Anushka Zulfiqar Lakhani
Mr. Tasleemuddin Ahmed Batlay
Mr. Sheikh Asim Rafiq

During the year under review Mr. Shahid Ahmed Khan retired from the Board and Mr. Moin M. Fudda elected as Director. The Board welcomes Mr. Moin M. Fudda on the Board of Directors of the Company.

The Directors elected Mr. Iqbal Ali Lakhani as the Chairman of the Board for the term of three years.

BOARD MEETINGS AND ATTENDANCE

In 2017-18, seven (7) Board Meetings were held and attended by the Directors as follows to review Company's complete cycle of activities:

Directors' Report

Directors' Name	Attendance
Mr. Iqbal Ali Lakhani - (Chairman)	7
Mr. Amin Mohammed Lakhani	3
Ms. Anushka Zulfiqar Lakhani	5
Mr. Tasleemuddin Ahmed Batlay	7
Mr. Shaikh Muhammad Barinuddin	7
Mr. Sheikh Asim Rafiq	6
Mr. Farrukh Shauket Ansari	4
Mr. Moin M. Fudda - (From May 4, 2018)	1
Mr. Shahid Ahmed Khan - (Upto May 4, 2018) (Chief Executive Officer)	7

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

DIRECTOR REMUNERATION

The remuneration of the Board members is approved by the Board itself. However, in accordance with the Code of Corporate Governance, it is ensured that no Director takes part in deciding his own remuneration. The Company does not pay remuneration to non-executive directors except fee for attending the meetings. The terms and conditions of Chief Executive Officer Mr. Shahid Ahmed Khan were revised by the Board for a three year term after the election of Directors in May 4, 2018.

AUDIT COMMITTEE

Changes in composition

During the year the Audit Committee of the Board of Directors of the Company was re-constituted as under:

Chairman:

Mr. Shaikh Muhammad Barinuddin

Members:

Mr. Iqbal Ali Lakhani - (Upto May 15, 2018)

Mr. Amin Mohammed Lakhani - (From May 15, 2018)

Mr. Tasleemuddin Ahmed Batlay

The Committee wishes to place on record its appreciation for the valuable contribution made by Mr. Iqbal Ali Lakhani and welcomes Mr. Amin Mohammed Lakhani on the Audit Committee of the Company.

In 2017-18 four (4) Audit Committee Meetings were held and attended by members as follows on a quarterly basis to review its complete cycle of activities:

Members' Name	Attendance
Mr. Shaikh Muhammad Barinuddin - (Chairman)	4
Mr. Iqbal Ali Lakhani (Upto May 15, 2018)	3
Mr. Amin Mohammed Lakhani (From May 15, 2018)	0
Mr. Tasleemuddin Ahmed Batlay	4

Directors' Report

Leave of absence was granted to members who could not attend some of the Audit Committee 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

Changes in HR&R Committee

The Human Resource & Remuneration Committee of the Board of Directors of the Company was re-constituted as under:

Chairman:

Mr. Shaikh Muhammad Barinuiddin - (From May 15, 2018)

Members:

Mr. Iqbal Ali Lakhani

Mr. Tasleemuddin Ahmed Batlay

Mr. Shahid Ahmed Khan

In 2017-18 two (2) meetings of Human Resource and Remuneration (HR&R) Committee were held and attended by members as follows:

Members' Name	Meetings Attended
Mr. Shaikh Muhammad Barinuiddin - (Chairman) (From May 15, 2018)	1
Mr. Iqbal Ali Lakhani	1
Mr. Tasleemuddin Ahmed Batlay	2
Mr. Shahid Ahmed Khan	2

Leave of absence was granted to members who could not attend some of the Human Resource & Remuneration Committee meetings.

QUALITY MANAGEMENT

The implementation of quality management system helps the Company to stay efficient and customer focused. It allows us to understand precisely what the customer needs and to ensure implementation of best business practices through quality and food systems management in order to deliver accurate solutions on a consistent basis. Your Company is now proud to be 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 Yum International Food Safety Standard(IFSS) certified.

RIGHT ISSUE

We would like to mention here that the company has successfully completed the right issue and has generated proceeds of Rs. 403.142 million.

Directors' Report

FUTURE OUTLOOK

The Company has recently opened LC for the import of a state-of-art seven colours Heidelberg double coater offset printing machine from Germany fully loaded with inter-deck dryers for replacement of old printing machines. The induction of this new machine with its advanced features will help improve both quality and efficiency and is expected to give Offset printing a new dimension. Necessary infrastructure is being arranged to accommodate this machine with additional requirements. Recent capital expenditure in Company's assets has now generated new avenues of business consequent to which positive results will be observed in the coming years. New facilities for offset printing in Lahore setup and gravure printing in Karachi setup are operational. All these measures undertaken will ensure uninterrupted production with more value addition, besides ability to deliver better quality products in shorter period of time with high efficiency to broad based customers in Pakistan.

The Directors of your Company are confident that the improved sales with addition of value added products, operational efficiencies and better selling prices with improved customers' services would help create synergy that will reduce the existing pressure on profit and improve overall financial position of the Company soon.

ACKNOWLEDGEMENT

The Directors of your Company are grateful to all shareholders, customers, financial institutions, vendors and employees for their continued cooperation, understanding and support.



IQBAL ALI LAKHANI
Chairman



SHAHID AHMED KHAN
Chief Executive Officer

Karachi : September 17, 2018

ڈائریکٹرز رپورٹ

میرٹ پیکیجنگ لمیٹڈ کے بورڈ آف ڈائریکٹرز کی طرف سے 30 جون 2018 کو ختم ہونے والے سال کے لیے ڈائریکٹرز رپورٹ مع کمپنی کے 38 ویں سالانہ آڈٹ شدہ مالیاتی گوشوارے پیش کرنا ہمارے لیے باعث مسرت ہے۔

کارکردگی کا جائزہ

اہم اعداد و شمار

2016-17 (ہزار روپے)	2017-18 (ہزار روپے)	
1,801,452	2,449,541	فروخت۔ خالص
183,988	191,099	مجموعی منافع
102,811	95,396	آپریٹنگ منافع
2,775	(39,862)	(نقصان) / قبل از ٹیکس منافع
32,677	(8,264)	(نقصان) / بعد از ٹیکس منافع
(فی شیئر روپے) (تبدیل شدہ)	(فی شیئر روپے)	
0.76	(0.14)	فی حصص آمدنی

آپریٹنگ نتائج

حالیہ CAPEX کے نتیجے میں سب سے بلند فروخت سال کی سب سے نمایاں خصوصیت ہے۔ بطور ایک ممتاز پرفیمنگ اور پیکیجنگ کمپنی، میرٹ نے گزشتہ مالیاتی سال میں 1.801 ارب روپے کے مقابلے میں 30 جون 2018 کو ختم ہونے والے سال کے دوران 2.450 ارب روپے کی خالص فروخت ریکارڈ کرائی اور اس طرح 649 ملین روپے یا 36% فی صد کا اضافہ دکھایا۔

موجودہ سال 2017-18 ایک چیلنج سے بھرپور سال رہا جیسا کہ آفسیٹ لاہور اور گریویٹر (Gravure) بزنس یونٹس کی تکمیل کی طرف تیزی سے آگے بڑھا، تاہم کمپنی کی کاوشوں کے باوجود گنجائش سے کم استفادے کی وجہ سے منافع جات سال کے دوران دباؤ کا شکار رہے۔ ہماری قیمت فروخت، پیداواری لاگت میں نمایاں اضافے کا ساتھ نہ دے سکیں۔ اس سے ہمارے بڑھتے ہوئے مارک اپ ریٹس کی وجہ سے بلند مالیاتی چارجز اور CAPEX کے لیے درکار زیادہ قرضوں اور سرمایہ کار (ورکنگ کیپٹل) کے تقاضوں کے ساتھ بالائی اخراجات میں اضافہ ہوا۔ ان تمام عوامل کا نتیجہ سال 2017-18 کے لیے 39.862 ملین روپے کے قبل از ٹیکس نقصان کی صورت میں سامنے آیا۔

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، ٹریمیم 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 رپورٹنگ کے معیاروں جن کا پاکستان میں اطلاق ہے انکی پیروی کی جاتی ہے اور اگر کسی معیار کو ترک کیا گیا ہے تو اسکی تفصیل کو بتایا اور تشریح کی گئی ہے۔

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

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

☆ گزشتہ چھ سال کے اہم کاروباری اور مالیاتی اعداد و شمار اس رپورٹ کے ہمراہ منسلک ہے۔

☆ ٹیکسوں، ڈیویڈنڈز، 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 بورڈ کے تین ڈائریکٹرز، ڈائریکٹرز ٹریننگ پروگرام میں شرکت سے مستثنیٰ ہیں، جب کہ باقی تمام ڈائریکٹرز اسے مکمل کر چکے ہیں۔

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

کمپنی کو درپیش خطرات

جیسا کہ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2017 کا تقاضا ہے، بورڈ آف ڈائریکٹرز، بورڈ کی آڈٹ کمیٹی اور سینیئر مینجمنٹ کی ٹیموں نے کمپنی کے چیف ایگزیکٹو آفیسر کی قیادت میں یہ یقینی بنانے کے لیے کاروباری خطرات کا اطلاق اور جائزہ لیا ہے کہ مینجمنٹ کی ٹیمیں اثاثہ جات، وسائل، شہرت اور کمپنی اور شیئرز ہولڈرز کے مفادات کی حفاظت کے لیے رسک آئیڈنٹیفیکیشن، رسک مینجمنٹ اور انٹرنل کنٹرولز کا ایک مستحکم سسٹم برقرار رکھ سکیں۔

کمپنی پر ممکنہ اثرات مرتب کرنے والے خطرات کی مختلف کمیٹیگریز درج ذیل ہیں:

(1) اسٹریٹجک خطرات:

یہ خطرات کاروباری ماحول بشمول انڈسٹری سے متعلق ہیں اور کمپنی کے کنٹرول سے باہر ہیں۔ اس کمیٹیگری کے تحت کمپنی کو مقامی مارکیٹوں میں کارپوریٹ اور نان کارپوریٹ دونوں طرح کے حریفوں کی طرف سے سخت مقابلے کا خطرہ درپیش ہے۔

(2) تجارتی خطرات

یہ خطرات کسی ادارے کی تجارتی املاک (substance) سے پیدا ہوتے ہیں اور اس میں ایسے فیصلے شامل ہوتے ہیں جو کمپنی کی مارکیٹ میں پوزیشن پر اثر انداز ہو سکتے ہیں۔ اس کمیٹیگری کے تحت کمپنی پر اثر انداز ہونے والے خطرات درج ذیل ہیں:

- i- پاکستانی روپے کی قدر میں کمی کے نتیجے میں خام مال اور دیگر پیداواری لاگتوں میں ردوبدل،
- ii- نئے اور موجودہ قوانین اور ضوابط کی تعمیل، اور
- iii- کاروباری امکانات متاثر کرنے والی سیاسی بے یقینی۔

(3) آپریشنل خطرات

- یہ ایسے خطرات ہیں جو کمپنی کے داخلی آپریشنز، انتظامی طریقہ کار اور روزمرہ معاملات سے متعلق ہوتے ہیں۔ ممکنہ خطرات درج ذیل ہیں:
- i- کمپنی کو موثر انٹرنل کنٹرولز کی غیر موجودگی میں بالحاظ معیار اور مقدار نقصانات کے نتیجے میں مالیاتی بے ضابطگیوں کا سامنا کرنا پڑ سکتا ہے،
 - ii- ٹیکنالوجی میں تبدیلی پیداواری طریقہ کار کو فرسودہ اور مہنگا بنا سکتا ہے،
 - iii- بجلی کا جاری سخت بحران،
 - iv- ویڈز کی آپریشنل / مالیاتی مجبوریوں اور ان کا کوالٹی کا گرتا ہوا معیار،
 - v- ممکنہ آپریشنل خرابیوں یا قدرتی آفات کے نتیجے میں ڈیٹا ضائع ہونے کی وجہ سے بندشیں،
 - vi- ممکن ہے کہ ایفائیڈ اور لائٹ اسٹاف کافی تعداد میں دستیاب نہ ہو،
 - vii- ممکن ہے آپریشنز فریب دہی کی سرگرمیوں کا نشانہ بن جائیں، اور
 - viii- کام کی جگہ پر ضربات اور حادثات۔

(4) مالیاتی خطرات

- یہ خطرات مالیاتی معاملات بشمول منافع کمانے کی اہلیت، فنانسنگ، لیکویڈیٹی اور کریڈٹ سے متعلق ہیں اور ان میں درج ذیل شامل ہیں:
- i- غیر ملکی کرنسیوں کے مقابلے میں پاکستانی روپے کی قدر میں کمی کمپنی کی مالیاتی کارکردگی پر منفی اثرات مرتب کر سکتی ہے،
 - ii- جب کمپنی کے پاس تیار کیش کی کمی ہو اور اسے اپنی مالیاتی ذمہ داری پوری کرنے میں مشکل کا سامنا ہو تو لیکویڈیٹی سے متعلق خطرہ سامنے آتا ہے،
 - iii- طویل مدتی اور مختصر مدتی قرضوں سے متعلق شرح سود میں اتار چڑھاؤ کے نتیجے میں شرح سود سے متعلق خطرات، اور
 - iv- کسی کسٹمر کی طرف سے تجارتی وصولیوں سے متعلق اس کی معاہدہ جاتی ذمہ داری پوری کرنے میں ناکامی کی صورت میں کمپنی کو ہونے والا مالیاتی نقصان انتظامیہ مندرجہ بالا خطرات کم کرنے کے لیے بہترین مشقوں اور تمام لاگو قوانین سمیت مختلف عوامل پر غور و خوض کرتی ہے۔

سیفٹی، سیکورٹی، ہیلتھ اور انوائرمٹ

آپ کی کمپنی ملازمین کو خطرے سے پاک اور محفوظ کام کا ماحول فراہم کرتی ہے۔ تمام ملازمین کو ماحولیات، صحت اور تحفظ کے حوالے سے باقاعدہ بنیاد پر تربیت دی جاتی ہے جو انہیں خود کو اور دوسرے افراد کو اور ماحول کو نقصان پہنچانے بغیر بحفاظت اپنے فرائض انجام دینے کے قابل بناتی ہے۔

کاروباری سماجی ذمہ داری

سماجی حوالے سے ذمہ دار ایک کمپنی کی حیثیت سے میرٹ پیکجنگ لمیٹڈ نے اپنے اسٹیک ہولڈرز کو کبھی نظر انداز نہیں کیا۔ ہم شہریوں کو حسب ضرورت مدد کی فراہمی کے ذریعے اپنی سماجی ذمہ داری کی سختی سے پاس داری پر یقین رکھتے ہیں۔ ہم اعتراف کرتے ہیں کہ ہم اس وقت تک کاروباری وسعت حاصل نہیں کر سکتے جب تک وہ کمیونٹی پر صحت مند اور مستحکم نہ ہوں جنہیں ہم خدمات مہیا کرتے ہیں۔

افرادى وسائل كا فروغ

ميرٲ ٲيڪيٲنگ لميٲيڊ اپنے ملازمين كو ترقى كے بہترين مواقع مہيا كرنے، ان كى مہارتوں كى بہترى يقينى بنانے اور جدت پسندانہ تصورات سامنے لانے پر توجہ مركزز كھتى ہے۔ تمام ملازمين سے منصفانہ سلوك كيا جاتا ہے اور انہیں انڈسٹرى اسٹينڈرڈز كے مطابق مشاہرہ ديا جاتا ہے۔ انہیں مراعات اور كام كے ليے محفوظ ماحول كا مہيا كيا جاتا ہے۔ انہیں تربيت دینے كے ليے ہر سال جامع ٹريننگ پروگرامز، ورڪ شاپس اور سيمينارز كا انعقاد كيا جاتا ہے تا كہ وہ مستعد افرادى قوت بن سكيں جو كہ ہمارے كاروبار كى كاميابى كے ليے بہت اہم ہے۔

آڈيٲرز

موجودہ آڈيٲرز، ميسرز BDO ابراہيم اينڈ كمپنى ريشائر ہور ہے ہيں اور اہل ہونے كى بنياد پر خود كو 30 جون 2019 كو ختم ہونے والے سال كے ليے دوبارہ تقررى كے ليے پيش كرتے ہيں۔ بورڈ آف ڈائريڪٹرز كمپنى كے آڈيٲرز كى حيثيت سے ان كى دوبارہ تقررى كے ليے آڈٹ كمپنى كى سفارش كى توثيق كرتا ہے اور آئندہ سالانہ اجلاس عام ميں شيئر ہولڈرز كے سامنے ان آڈيٲرز كى دوبارہ تقررى كى تجويز ركھيں گے۔

مادى تبديلياں اور معاہدے

كوئى ايسى مادى تبديلياں اور معاہدے رونما نہيں ہوئے ہيں جو كمپنى كے گزشتہ مالی سال كے دوران اختتام تك كمپنى كى مالی حيثيت پر اثر انداز ہو سكتے، جسے اس سالانہ رپورٹ اور اس ڈائريڪٹرز رپورٹ ميں بيان كيا گیا ہے۔

ٲيٲرن آف شيئر ہولڈنگ

30 جون 2018ء كے مطابق كمپنى كے شيئر ہولڈنگ ٲيٲرن اور بشمول اضافى معلومات كو ظاہر كرنے والا ايك گوشوارہ، جس كا انكشاف رپورٹنگ فرم ورك كے تحت دركار ہے، اس رپورٹ كے ساتھ منسلك ہے۔
ڈائريڪٹرز، چيف ايگزيكٲيو آفيسر، چيف فائنانشل آفيسر، كمپنى سكرٲرى، ان سب كى بيگمات اور كم عمر بچوں نے سال كے دوران كمپنى كے شيئرز كے كسى لين دين ميں حصہ نہيں ليا۔

ريشائرمنٹ بينيفيٹس ميں سرمايه كارياں

ميرٲ ٲيڪيٲنگ لميٲيڊ اپنے ملازمين كو پروويڈنٹ فنڈ اور گريجوئي فنڈ كى شكل ميں ريشائرمنٹ بينيفيٹس فراہم كرتى ہے۔ اسٹاف ريشائرمنٹ بينيفيٹ فنڈ كى طرف سے كى جانے والى سرمايه كارى كى ماليت ان كے آڈٹ شدہ بالترتيب اكاؤنٹس، بابت 31 دسمبر 2017ء اور 30 جون 2017ء كے مطابق درج ذيل ہے:

(’000 روپے)

93,576

پروويڈنٹ فنڈ

46,419

گريجوئي فنڈ

بورڈ آف ڈائريڪٹرز

ڈائريڪٹرز كے انتخابات

تین سال كى تازہ ميعاد كے ليے 4 مئی 2018 كو بورڈ آف ڈائريڪٹرز كے انتخاب كا انعقاد كيا تھا۔

ساخت میں تبدیلی
بورڈ کی ساخت

7	☆ مرد
1	☆ خاتون
8	☆ کل

نان ایگزیکٹو ڈائریکٹرز

جناب اقبال علی لاکھانی۔ چیئر مین
جناب امین محمد لاکھانی
محترمہ انوشکا ذوالفقار لاکھانی
جناب تسلیم الدین احمد باٹلے
جناب شیخ عاصم رفیق

خود مختار ڈائریکٹرز

جناب شیخ محمد برین الدین
جناب فرخ شوکت انصاری
جناب معین ایم فدا

زیر جائزہ سال کے دوران جناب شاہد احمد خان بورڈ سے ریٹائرڈ ہو گئے اور جناب معین ایم فدا بطور ڈائریکٹر منتخب ہو گئے۔ بورڈ جناب معین ایم فدا کو کمپنی کے بورڈ آف ڈائریکٹرز میں خوش آمدید کہتے ہیں۔

ڈائریکٹرز نے جناب اقبال علی لاکھانی کو تین سال کی میعاد کے لئے بورڈ کے چیئر مین کی حیثیت سے منتخب کر لیا۔

بورڈ کے اجلاس اور حاضری

2017-18 کے دوران بورڈ آف ڈائریکٹرز کے سات (7) اجلاس منعقد ہوئے اور کمپنی کے مکمل دائرہ کار کا جائزہ لینے کے لیے ڈائریکٹرز نے بمطابق

ذیل شرکت کی:

اجلاسوں میں شرکت کی تعداد

7	جناب اقبال علی لاکھانی (چیئر مین)
3	جناب امین محمد لاکھانی
5	محترمہ انوشکا ذوالفقار لاکھانی
7	جناب تسلیم الدین احمد باٹلے
7	جناب شیخ محمد برین الدین
6	جناب شیخ عاصم رفیق
4	جناب فرخ شوکت انصاری
1	جناب معین ایم فدا (4 مئی 2018 سے)
7	جناب شاہد احمد خان (4 مئی 2018 تک) (چیف ایگزیکٹو آفیسر)

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

ڈائریکٹرز کا مشاہرہ

بورڈ ممبران کے مشاہرے کی منظوری خود بورڈ کی طرف سے دی جاتی ہے۔ تاہم، کوڈ آف کارپوریٹ گورننس کے مطابق، وہ یہ یقینی بناتی ہے کہ کوئی بھی ڈائریکٹر اپنے مشاہرے کے تعین کے فیصلے میں حصہ نہ لے۔ کمپنی اجلاس میں شرکت کے سوانا ان ایگزیکٹو ڈائریکٹرز کو مشاہرہ ادا نہیں کرتی۔ 4 مئی 2018 کو ڈائریکٹرز کے انتخاب کے بعد بورڈ کی طرف سے تین سالہ میعاد کے لیے چیف ایگزیکٹو آفیسر جناب شاہد احمد خان کی شرائط و ضوابط پر نظر ثانی کی گئی۔

آڈٹ کمیٹی

ساخت میں تبدیلی

سال کے دوران کمپنی کے بورڈ آف ڈائریکٹرز کی آڈٹ کمیٹی کی برطابق ذیل تشکیل نو کی گئی:

چیئر مین

جناب شیخ محمد برین الدین

ممبران

جناب اقبال علی لاکھانی (15 مئی 2018 تک)

جناب امین محمد لاکھانی (15 مئی 2018 سے)

جناب تسلیم الدین احمد باٹلے

بورڈ جناب اقبال علی لاکھانی کی قابل قدر خدمات پر انہیں خراج تحسین پیش کرتا ہے اور جناب امین محمد لاکھانی کو کمپنی کی آڈٹ کمیٹی میں خوش آمدید کہتا ہے۔

مالی سال 2017-18 کے دوران بورڈ آڈٹ کمیٹی کے چار اجلاس منعقد ہوئے اور کمپنی کے مکمل دائرہ کار کا جائزہ لینے کے لیے ممبران نے سہ ماہی بنیاد

پر برطابق ذیل شرکت کی:

ممبر کا نام اجلاسوں میں شرکت کی تعداد

4 جناب شیخ محمد برین الدین (چیئر مین)

3 جناب اقبال علی لاکھانی (15 مئی 2018 تک)

0 جناب امین محمد لاکھانی (15 مئی 2018 سے)

4 جناب تسلیم الدین احمد باٹلے

جو ممبران آڈٹ کمیٹی 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 کی وسائل و مشاہرہ کمیٹی

افراد کی وسائل و مشاہرہ کمیٹی میں تبدیلی

کمپنی کے بورڈ آف ڈائریکٹرز کی افراد کی وسائل و مشاہرہ کمیٹی کی برطابق ذیل تشکیل نو کی گئی:

چیئر مین

جناب شیخ محمد برین الدین (15 مئی 2018 سے)

ممبران

جناب اقبال علی لاکھانی

جناب تسلیم الدین احمد باٹلے

جناب شاہد احمد خان

18-2017 کے دوران افرادی وسائل و مشاہرہ کمیٹی (HR&R) کے دو (2) اجلاس منعقد ہوئے جن میں ہر ممبر کی حاضری درج ذیل رہی:

ممبر کا نام	اجلاسوں میں شرکت کی تعداد
جناب شیخ محمد برین الدین (چیئر مین) (15 مئی 2018 سے)	1
جناب اقبال علی لاکھانی	1
جناب تسلیم الدین احمد باٹلے	2
جناب شاہد احمد خان	2

جو ممبران افرادی وسائل و مشاہرہ کمیٹی کے کچھ اجلاسوں میں شریک نہیں ہو سکے انہیں غیر حاضری کی رخصت دے دی گئی۔

کوالٹی منیجمنٹ

کوالٹی منیجمنٹ سسٹم کا اطلاق کمپنی کو مستعد اور اپنے کسٹمرز پر توجہ مرکوز کرنے میں مدد دیتا ہے۔ یہ ہمیں بالکل درستی سے سمجھنے کا موقع دیتا کہ کسٹمر کیا چاہتا ہے تاکہ مستقل بنیادوں پر بالکل درست حل کی فراہمی کے لیے کوالٹی اینڈ فوڈ سسٹمز منیجمنٹ کے ذریعے بہترین کاروباری معمولات کا اطلاق یقینی بنایا جاسکے۔ آپ کی کمپنی کو درج ذیل سرٹیفکیٹس کا حامل ہونے پر فخر ہے: 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 (سپلائر اتھیکل ڈیٹا ایسیسنگ)، HACCP (ہیزرڈ اینالائسٹ اینڈ کریٹیکل کنٹرول پوائنٹ) اور Yum! انٹرنیشنل فوڈ سیفٹی اسٹینڈرڈ (IFSS)۔

رائٹ شیٹرز کا اجراء

ہم یہاں یہ تذکرہ کرنا چاہیں گے کہ کمپنی نے رائٹ ایٹو کی کامیاب تکمیل کر لی ہے اور 403.142 ملین روپے اکٹھے کیے ہیں۔

مستقبل کی توقعات

کمپنی نے پرانی مشینوں کو بدلنے کے لیے حال ہی میں جرمنی سے انٹریڈیک ڈرائیو کے ساتھ فلی لوڈ ڈیڈیڈ ترین سیون کلر ہائیڈلبرگ (Heidelberg) ڈبل کوٹر آفسیٹ پرنٹنگ مشین اپورٹ کرنے کے لیے ایل سی کھولی ہے۔


اس مشین کی اپنی جدید ترین خصوصیات کے ساتھ شمولیت سے کوالٹی اور کارکردگی دونوں میں بہتری ہوگی اور آفسیٹ پرنٹنگ کو ایک نیا رخ ملنے کی توقع ہے۔ اضافی تقاضوں کی حامل اس مشین کی تنصیب کے لیے ضروری انفراسٹرکچر کے انتظامات کیے جا رہے ہیں۔ کمپنی کے اثاثہ جات پر حالیہ سرمایہ کاری سے اب کاروبار کی نئی راہیں پیدا ہو رہی ہیں جس کے نتیجے میں آئندہ سالوں میں مثبت نتائج دیکھے جاسکیں گے۔ آفسیٹ پرنٹنگ کے لیے لاہور سیٹ اپ میں اور گریویر (Gravure) پرنٹنگ کے لیے کراچی سیٹ اپ میں نئی فیسیلیٹیز اب کام کر رہی ہیں۔ یہ تمام اقدامات زیادہ ویلیو ایڈیشن کے ساتھ بلا تعطل پیداوار کے ساتھ ساتھ پاکستان کے وسیع حلقوں میں موجود کسٹمرز کو اعلیٰ کارکردگی کے ساتھ کم وقت میں بہتر کوالٹی کی پروڈکٹس کی فراہمی ممکن بنائیں گے۔

آپ کی کمپنی کے ڈائریکٹرز پر اعتماد ہیں کہ وہ ویلیو ایڈیٹ پروڈکٹس اور عملی کارگزاری اور بہتر کسٹمرز سروسز کے ساتھ بہتر قیمت فروخت کے اضافے کے ساتھ فروخت میں بہتری سے ہم آہنگی پیدا ہونے میں مدد ملے گی جس سے منافع پر موجودہ دباؤ کم ہوگا اور کمپنی کی مجموعی مالیاتی کیفیت میں جلد بہتری آئے گی۔

اعتراف

ہماری کمپنی کے ڈائریکٹرز مسلسل تعاون، افہام و تفہیم اور معاونت کے لیے تمام شیئر ہولڈرز، کسٹمرز، مالیاتی اداروں، وینڈرز اور ملازمین سے اظہار تشکر کرتی ہے۔

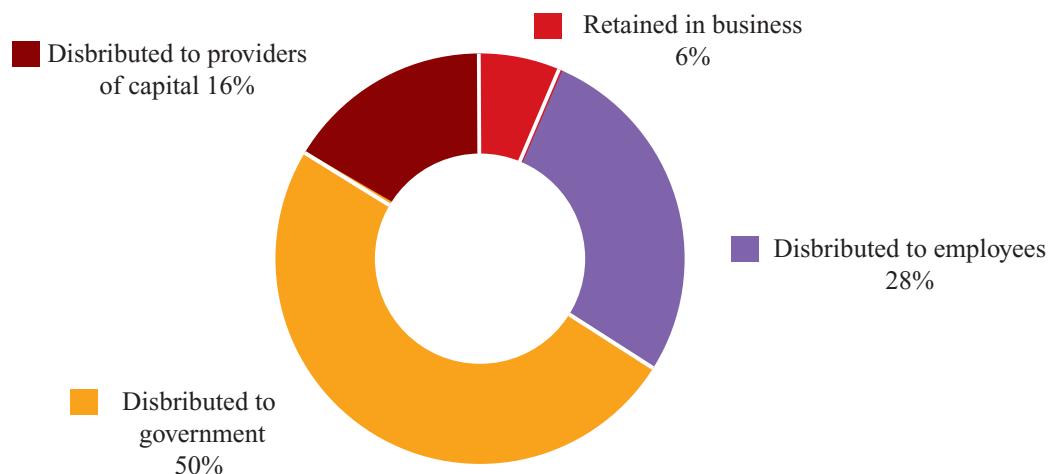

شاہد احمد خان
چیف ایگزیکٹو آفیسر


اقبال علی لاکھانی
چیئر مین

کراچی: 17 ستمبر 2018

Statement of Value added and its distribution

Particulars	Rupees in thousand			
	2018		2017	
	Amount	%	Amount	%
Value added				
Gross Sales	2,862,425		2,109,903	
Material and services	(2,037,575)		(1,462,277)	
Other income	4,621		2,902	
	829,471	100%	650,528	100%
Distribution				
To employees				
Salaries, wages and other benefits	227,841		176,723	
Workers profit participation fund	-		149	
	227,841	28%	176,872	27%
To government				
Sales tax	412,884		308,451	
Company taxation	98		912	
Workers welfare fund	-		57	
	412,982	50%	309,420	48%
To providers of capital				
Financial charges on borrowed fund	135,258	16%	100,037	15%
Retained in business				
Depreciation	93,151		62,299	
Amortisation of intangible assets	200		38	
(Loss) / Profit for the period	(39,961)		1,862	
	53,390	6%	64,199	10%
	829,471	100%	650,528	100%



Six years key operating and financial data

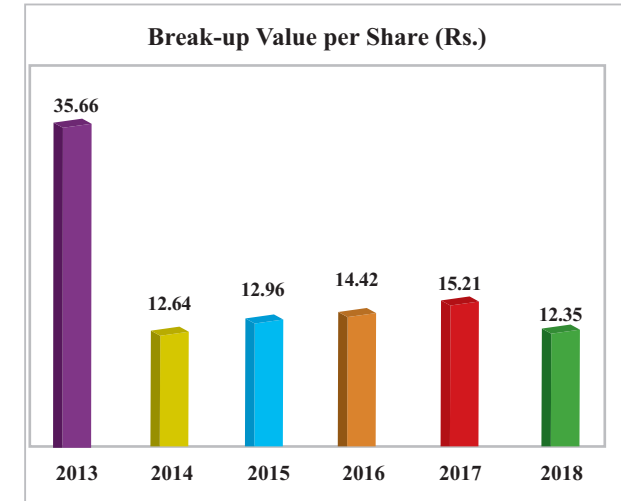
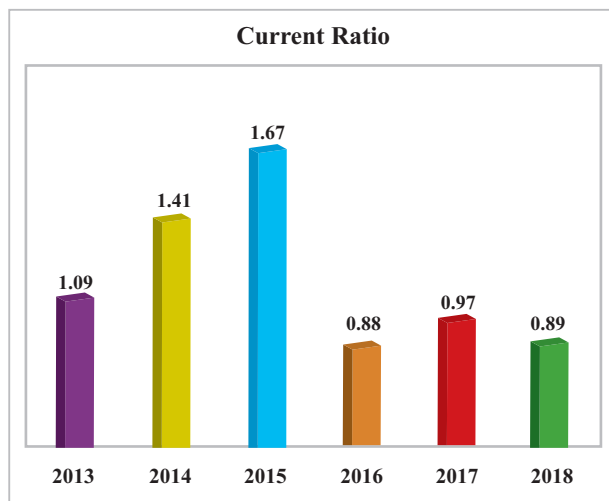
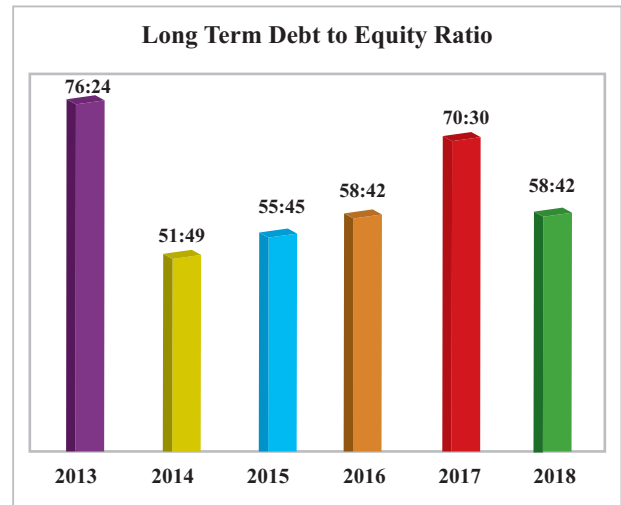
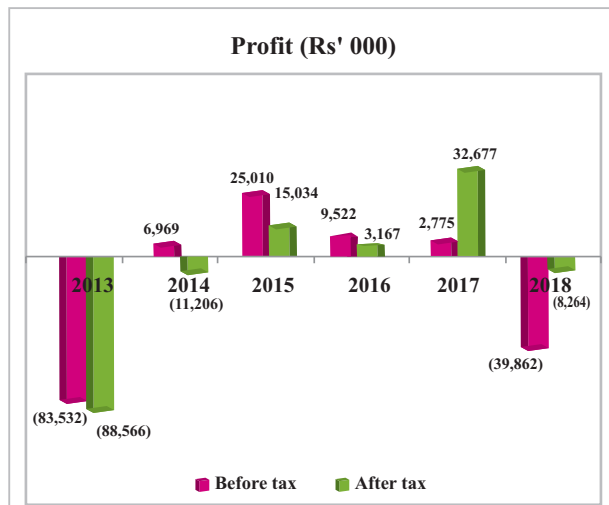
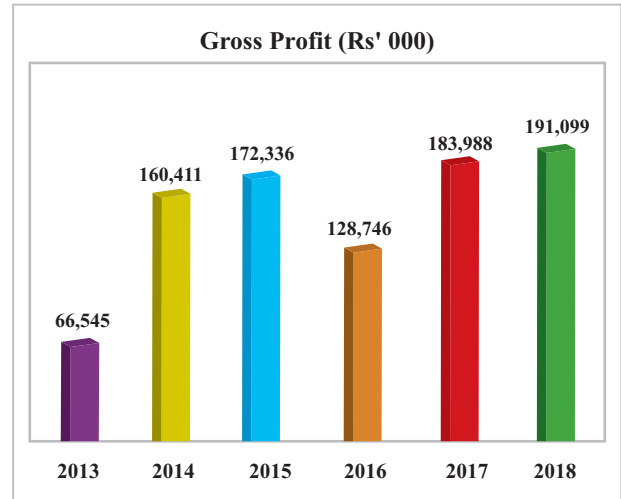
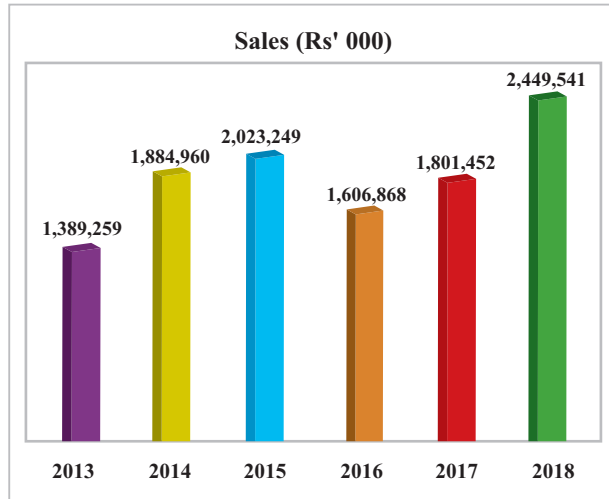
	Rupees in thousands					
	2018	2017	2016	2015	2014	2013
Trading results						
Sales	2,449,541	1,801,452	1,606,868	2,023,249	1,884,960	1,389,259
Gross profit	191,099	183,988	128,746	172,336	160,411	66,545
(Loss) / profit before taxation	(39,862)	2,775	9,522	25,010	6,969	(83,532)
(Loss) / profit after taxation	(8,264)	32,677	3,167	15,034	(11,206)	(88,566)
Financial position						
Total capital employed	2,163,472	1,907,131	1,349,893	1,135,569	961,478	709,217
Property, plant and equipment	2,261,075	1,900,552	1,467,993	755,642	719,114	655,439
Shareholder equity*	996,100	613,162	581,262	522,445	509,437	169,137
Long term liabilities	1,167,372	1,293,969	768,632	613,125	452,041	540,081
Deferred taxation	63,293	31,362	-	-	-	-
Others						
Number of employees (at year end)	304	252	237	212	216	203
Capital expenditure	454,931	495,353	707,676	156,581	95,749	34,945
Contribution to national exchequer	144,301	149,986	187,728	141,590	109,696	65,185
Ratios						
Gross profit	7.80%	10.21%	8.01%	8.52%	8.51%	4.79%
(Loss) / profit before taxation	-1.63%	0.15%	0.59%	1.24%	0.37%	-6.01%
(Loss) / profit after taxation	-0.34%	1.81%	0.20%	0.74%	-0.59%	-6.38%
Return on equity*	-0.83%	5.33%	0.54%	2.88%	-2.20%	-52.36%
Return on capital employed	-0.38%	1.71%	0.23%	1.32%	-1.17%	-12.49%
Current ratio	0.89 : 1	0.97 : 1	0.88 : 1	1.67 : 1	1.41 : 1	1.09 : 1
Debt / equity ratio	58 : 42	70 : 30	58 : 42	55 : 45	51 : 49	76 : 24
Inventory days	57	70	69	59	67	80
Receivable days	74	69	68	57	51	61
Others						
(Loss)/Earnings per share - (Rs.)*	(0.14)	0.76	0.07	0.35	(0.42)	(6.07)
Break-up value per share (Rs.)*	12.35	15.21	14.42	12.96	12.64	35.66
Market Value (Rs.)	22.50	21.47	16.94	19.31	18.86	20.49
Price earning ratio*	N / A	28.25	242.00	55.17	N / A	N / A

* Prior year figures have been restated to reflect changes introduced vide Companies Act, 2017 and right issue made by the Company.

Vertical & Horizontal Analysis

	2018		2017		2016		2015		2014		2013	
	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%
VERTICAL ANALYSIS												
PROFIT & LOSS ACCOUNT												
Sales - net	2,449,541	100%	1,801,452	100%	1,606,868	100%	2,023,249	100%	1,884,960	100%	1,389,259	100%
Cost of sales	2,258,442	92%	1,617,464	90%	1,478,122	92%	1,850,913	91%	1,724,549	91%	1,322,714	95%
Gross profit	191,099	8%	183,988	10%	128,746	8%	172,336	9%	160,411	9%	66,545	5%
Operating expenses	95,704	4%	81,176	5%	46,486	3%	51,046	3%	57,304	3%	51,959	4%
Operating profit	95,396	4%	102,811	6%	82,260	5%	121,290	6%	103,107	5%	14,586	1%
Financial charges	135,258	6%	100,037	6%	72,738	5%	96,280	5%	96,138	5%	98,118	7%
(Loss)/profit before taxation	(39,862)	-2%	2,775	0%	9,522	1%	25,010	1%	6,969	0%	(83,532)	-6%
(Loss)/profit after taxation	(8,264)	0%	32,677	2%	3,167	0%	15,034	1%	(11,206)	-1%	(88,566)	-6%
BALANCE SHEET												
Assets												
Property, plant and equipment	2,261,076	60%	1,900,552	62%	1,467,993	61%	755,642	45%	719,114	47%	655,439	51%
Other non-current assets	78,661	2%	45,720	2%	7,132	0%	6,517	0%	3,868	0%	4,688	1%
Current Assets	1,426,340	38%	1,099,501	36%	934,176	39%	928,366	55%	815,517	53%	619,779	48%
Total Assets	3,766,077	100%	3,045,773	100%	2,409,301	100%	1,690,525	100%	1,538,499	100%	1,279,906	100%
Equity & Liabilities												
Share capital & reserves	996,100	26%	613,162	20%	581,262	24%	522,445	31%	509,437	33%	169,137	13%
Non-current liabilities	1,167,372	31%	1,293,969	42%	768,632	32%	613,125	36%	452,041	29%	540,081	42%
Current liabilities	1,602,605	43%	1,138,642	37%	1,059,407	44%	554,955	33%	577,021	38%	570,688	45%
Total Equity and Liabilities	3,766,077	100%	3,045,773	100%	2,409,301	100%	1,690,525	100%	1,538,499	100%	1,279,906	100%
HORIZONTAL ANALYSIS												
PROFIT & LOSS ACCOUNT												
Sales - net	2,449,541	176%	1,801,452	130%	1,606,868	116%	2,023,249	146%	1,884,960	136%	1,389,259	100%
Cost of sales	2,258,442	171%	1,617,464	122%	1,478,122	112%	1,850,913	140%	1,724,549	130%	1,322,714	100%
Gross profit	191,099	287%	183,988	276%	128,746	193%	172,336	259%	160,411	241%	66,545	100%
Operating expenses	95,704	184%	81,176	156%	46,486	89%	51,046	98%	57,304	110%	51,959	100%
Operating profit	95,396	654%	102,811	705%	82,260	564%	121,290	832%	103,107	707%	14,586	100%
Financial charges	135,258	138%	100,037	102%	72,738	74%	96,280	98%	96,138	98%	98,118	100%
(Loss)/profit before taxation	(39,862)	48%	2,775	-3%	9,522	-11%	25,010	-30%	6,969	-8%	(83,532)	100%
(Loss)/profit after taxation	(8,264)	9%	32,677	-37%	3,167	-4%	15,034	-17%	(11,206)	13%	(88,566)	100%
BALANCE SHEET												
Assets												
Property, plant and equipment	2,261,076	345%	1,900,552	290%	1,467,993	224%	755,642	115%	719,114	110%	655,439	100%
Other non-current assets	78,661	1678%	45,720	975%	7,132	152%	6,517	139%	3,868	83%	4,688	100%
Current Assets	1,426,340	230%	1,099,501	177%	934,176	151%	928,366	150%	815,517	132%	619,779	100%
Total Assets	3,766,077	294%	3,045,773	238%	2,409,301	188%	1,690,525	132%	1,538,499	120%	1,279,906	100%
Equity & Liabilities												
Share capital & reserves	996,100	589%	613,162	363%	581,262	344%	522,445	309%	509,437	301%	169,137	100%
Non-current liabilities	1,167,372	216%	1,293,969	240%	768,632	142%	613,125	114%	452,041	84%	540,081	100%
Current liabilities	1,602,605	281%	1,138,642	200%	1,059,407	186%	554,955	97%	577,021	101%	570,688	100%
Total Equity and Liabilities	3,766,077	294%	3,045,773	238%	2,409,301	188%	1,690,525	132%	1,538,499	120%	1,279,906	100%

Graphs





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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MERIT PACKAGING LIMITED ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Merit Packaging Limited for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

As a 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 Regulations require 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 procedures to assess and determine the Company's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2018.

KARACHI

DATED: September 17, 2018



CHARTERED ACCOUNTANTS

Engagement Partner: Zulfikar Ali Causer

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017 for the year ended June 30, 2018

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are eight as per the following:
 - a. Male: Seven
 - b. Female: One
2. The composition of Board is as follows:
 - i. Independent Directors
 - Mr. Shaikh Muhammad Barinuddin
 - Mr. Farrukh Shauket Ansari
 - Mr. Moin M. Fudda
 - ii. Other Non-executive Directors
 - Mr. Iqbal Ali Lakhani - Chairman
 - Mr. Amin Mohammed Lakhani
 - Ms. Anushka Zulfiqar Lakhani
 - Mr. Tasleemuddin Ahmed Batlay
 - Mr. Sheikh Asim Rafiq
3. The Directors have confirmed that none of them is serving as a Director on more than five listed companies, including this Company.
4. 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.
5. 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 along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. 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. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. Out of eight directors, three directors are exempt from training program as mentioned in regulation No. 20, sub-regulation 2 of the Regulations. Five directors attended the Directors' training course earlier.
10. The board has approved appointment of CFO and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. Mr. Mansoor Ahmed was assigned the responsibilities of Company Secretary of the Company in addition to his responsibilities in other group companies.
11. CFO and CEO duly endorsed the financial statements before approval of the board.

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

12. The board has formed committees comprising of members given below:

- i. Audit Committee
 - Shaikh Muhammad Barinuddin - Chairman
 - Amin Mohammed Lakhani - Member
 - Tasleemuddin Ahmed Batlay - Member
- ii. HR and Remunerations Committee
 - Shaikh Muhammad Barinuddin - Chairman
 - Iqbal Ali Lakhani - Member
 - Tasleemuddin Ahmed Batlay - Member
 - Shahid Ahmed Khan - Member

The board has reconstituted Audit Committee and HR & Remuneration Committee subsequent to election of directors held on May 04, 2018. Chairmen of Audit committee and HR & Remuneration Committee are independent directors.

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the committees were as per following:
 - i. Audit Committee: Four Quarterly Meetings
 - ii. HR and Remuneration Committee: Two Meetings during the year
15. The board has set up an effective internal audit function comprising of personnel who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, 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
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.



IQBAL ALI LAKHANI
Chairman

Karachi: September 17, 2018



SHAHID AHMED KHAN
Chief Executive Officer

Pattern of Holding of Shares

held by the shareholders as at June 30, 2018

Incorporation No. K-206/5831
CUIN Registration No. 0007464

Number of shareholders	Shareholdings		To	Total number of shares held
	From			
454	1	100	Shares	7,181
311	101	500	Shares	124,300
276	501	1,000	Shares	258,645
468	1,001	5,000	Shares	1,346,579
169	5,001	10,000	Shares	1,397,484
68	10,001	15,000	Shares	898,995
32	15,001	20,000	Shares	605,906
20	20,001	25,000	Shares	480,873
11	25,001	30,000	Shares	318,560
12	30,001	35,000	Shares	390,500
15	35,001	40,000	Shares	584,000
3	40,001	45,000	Shares	130,500
14	45,001	50,000	Shares	698,280
5	50,001	55,000	Shares	264,196
5	55,001	60,000	Shares	289,764
2	60,001	65,000	Shares	127,547
4	65,001	70,000	Shares	272,600
2	70,001	75,000	Shares	146,348
1	85,001	90,000	Shares	86,000
1	90,001	95,000	Shares	92,000
7	95,001	100,000	Shares	694,900
1	100,001	105,000	Shares	103,000
2	105,001	110,000	Shares	219,000
2	120,001	125,000	Shares	240,000
1	130,001	135,000	Shares	134,500
3	135,001	140,000	Shares	414,000
2	150,001	155,000	Shares	303,500
1	165,001	170,000	Shares	165,000
1	175,001	180,000	Shares	175,000
1	200,001	205,000	Shares	200,000
1	220,001	225,000	Shares	221,000
1	245,001	250,000	Shares	249,570
1	300,001	305,000	Shares	300,000
2	360,001	365,000	Shares	727,200
1	435,001	440,000	Shares	439,000
1	500,001	505,000	Shares	504,000
1	655,001	660,000	Shares	655,000
1	1,350,001	1,355,000	Shares	1,350,296
1	5,220,001	5,225,000	Shares	5,220,964
1	5,525,001	5,530,000	Shares	5,529,500
1	7,810,001	7,815,000	Shares	7,814,318
1	7,950,001	7,955,000	Shares	7,950,000
1	9,055,001	9,060,000	Shares	9,058,976
1	12,345,001	12,350,000	Shares	12,348,212
1	17,090,001	17,095,000	Shares	17,091,204
1,910		Total		80,628,398

Categories of shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	139,449	0.17
Associated Companies, undertakings and related parties	46,315,006	57.44
NIT and ICP	5,220,964	6.48
Banks, Development Financial Institutions, Non Banking Financial Institutions	385	-
Modarabas and Mutual Funds	1,350,296	1.67
Shareholders holding 10 %	38,498,392	47.75
General Public		
a. Local	25,851,400	32.06
b. Foreign	NIL	-
Others	1,750,898	2.17

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


SHAHID AHMED KHAN
Chief Executive Officer

Details of Pattern of Shareholding for the year ended June 30, 2018

		<u>SHARES HELD</u>
i) <u>ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES</u>		
1.	SIZA (Private) Limited	7,814,318
2.	SIZA Services (Pvt) Limited	12,348,212
3.	SIZA Commodities (Pvt) Limited	9,058,976
4.	Premier Fashions (Pvt) Limited	17,091,204
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
11.	Natasha Lakhani	862
ii) <u>MUTUAL FUNDS</u>		
1.	Golden Arrow Selected Stocks Fund Limited	1,350,296
2.	CDC - Trustee National Investment (Unit) Trust	5,220,964
iii) <u>DIRECTORS, THEIR SPOUSES AND MINOR CHILDREN</u>		
1.	Iqbal Ali Lakhani	51,204
2.	Amin Mohammed Lakhani	50,864
3.	Anushka Zulfiqar Lakhani	14,654
4.	Tasleemuddin Ahmed Batlay	14,654
5.	Shaikh Muhammad Barinuddin	8,500
6.	Sheikh Asim Rafiq	NIL
7.	Farrukh Shauket Ansari	NIL
8.	Moin M. Fudda	5,000
9.	Shahid Ahmed Khan	8,500
10.	Ronak Iqbal Lakhani	
	W/o. Iqbal Ali Lakhani	179
11.	Saira Amin Lakhani	
	W/o. Amin Mohammed Lakhani	276
iv) <u>EXECUTIVES</u>		
		NIL
v) <u>PUBLIC SECTOR COMPANIES AND CORPORATIONS</u>		
		NIL
vi) <u>BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE COMPANIES, INSURANCE COMPANIES, TAKAFUL MODARABAS AND PENSION FUNDS:</u>		
		62,932
vii) <u>SHAREHOLDERS HOLDING 5% OR MORE</u>		
<u>[Other than those reported at i(1), i(2), i(3), i(4) and ii(2)]</u>		
1.	Munaf Ibrahim	7,950,000
2.	Amina Wadalawala	5,529,500
viii) <u>INDIVIDUALS AND OTHER THAN THOSE MENTIONED ABOVE</u>		
		14,044,735
		<u>80,628,398</u>

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



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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS
Report on the Audit of the Financial Statements**

Opinion

We have audited the annexed financial statements of **MERIT PACKAGING LIMITED** (the Company), which comprise the statement of financial position as at June 30, 2018, and profit and loss account, statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2018 and of the profit and other comprehensive loss, its cash flows and the changes in equity for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S. No	Key audit matters	How the matter was addressed in our audit
1.	PROMULGATION OF COMPANIES ACT, 2017	
	Companies Act, 2017 ("the Act") was promulgated on May 30, 2017 which introduced certain new requirements including certain changes in accounting and disclosures with respect to preparation of financial statements by companies. The third and fourth schedules to the Companies Act, 2017 became applicable to Company for the first time for the preparation of these	Our procedures included the following: <ul style="list-style-type: none"> We obtained an understanding of the requirements regarding preparation and filing of financial statements applicable to the Company and assessed the design and operation of its key controls over preparation and filing of financial statements.

S. No	Key audit matters	How the matter was addressed in our audit
	<p>financial statements. The Companies Act, 2017 (including its third and fourth schedules) forms an integral part of the statutory financial reporting framework applicable to the Company.</p> <p>In view of the significant changes in accounting and disclosures, we consider it as a key audit matter.</p> <p>Refer to note 3.1 and 7 to the financial statements.</p>	<ul style="list-style-type: none"> ● We reviewed minutes of meetings of Board of Directors, Audit Committee and internal audit reports for any recorded instances of potential non-compliance and maintained a high level of vigilance when carrying out other audit procedures for indication of non-compliance. ● We reviewed the financial statements to ensure that change in accounting policy with respect to surplus on revaluation of property, plant and equipment has been properly applied and accounted for and adequately disclosed in the financial statements. ● We reviewed financial statements to ensure completeness and accuracy of disclosures in the financial statements to ensure compliance with reporting and disclosure requirements of Companies Act, 2017.
2.	TRADE DEBTS	
	<p>As disclosed in note 16 to the accompanying financial statements of the company for the year ended June 30, 2018, the Company has a trade debt balance amounting to Rs. 609.587 million, which represents a significant element of Statement of financial position.</p> <p>A discrepancy in the valuation or existence of trade debt could cause the assets to be materially misstated, which would impact the Company's reported financial position as the valuation of aforesaid head is one of the main driver of movements in the assets of the Company.</p> <p>Management estimates the collectible amount of debt. For significant account balances, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time that the amount is past due.</p> <p>In view of the significance of trade debts in relation to the total assets of the company, we considered impairment of trade receivables as a key audit matter due to the significant management judgment involved in determining the provision for doubtful debts and that the existence and carrying value of trade receivables could be material to the performance of the company.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> ● We considered the appropriateness of impairment of trade receivables as per the Company policies and assessing compliance with applicable accounting standards; ● We tested the design and effectiveness of internal controls implemented by the Company through the trade receivables cycle; ● We critically considered management's assumptions used in determining impairment losses for both specific and collective loss components; ● We identified those trade receivables with credit risk exposure and checking if they are properly included in management's impairment assessment; ● We examined on a sample basis, evidence related to post year-end cash receipts. ● We reviewed and re-calculated the provision against trade receivables based on credit risk exposure and days past due as per the Company's policies to ensure that the provision is appropriate at the statement of financial position date.

S. No	Key audit matters	How the matter was addressed in our audit
3.	CONTROL ENVIRONMENT RELATING TO THE FINANCIAL REPORTING PROCESS AND RELATED IT SYSTEMS	
	<p>The IT control environment relating to the financial reporting process and the application controls of individual IT systems have an impact on the selected audit approach.</p> <p>As the financial statements are based on extensive number of data flows from multiple IT systems, consequently the financial reporting control environment is determined as a key audit matter.</p>	<p>Our audit procedures included the following evaluation of the financial reporting process and related control environment, as well as testing of the effectiveness of controls including general IT controls. Our audit procedures focused on testing the reconciliation and approval controls as well as on evaluating the administration of access rights.</p> <p>Our audit procedures extensively consisted of several substantive procedures as well as data analysis relating to the most significant balances on the profit and loss account and statement of financial position.</p>
4.	CAPITALIZATION OF PROPERTY, PLANT AND EQUIPMENT	
	<p>The Company continued to invest in capital projects with significant capital expenditure incurred during the year ended June 30, 2018. The significant level of capital expenditure requires consideration of the nature of the costs incurred to ensure that their capitalization in property, plant and equipment meets the specific recognition criteria in the Company's accounting policy, in particular for assets constructed by the Company, and the useful economic lives assigned by management are appropriate. For these reasons we considered it to be a key audit matter.</p> <p>Refer to notes 6.1, 6.2, 8 and 9 to the financial statements.</p>	<p>Our audit procedures included the following:</p> <p>Assessing and testing the design and operation of its key controls over capital expenditure and testing the amounts capitalized to supporting evidence and evaluating whether assets capitalized satisfied the required recognition criteria. We also assessed the useful economic lives assigned with reference to the Company's historical experience, including assessing the level of fully depreciated assets held by the Company.</p> <p>We reviewed the minutes of the Company's Board of Directors and Audit Committee to evaluate the completeness of management's consideration of any events that warranted changes to the useful economic lives.</p> <p>We visited the sites where significant capital projects are ongoing to understand the nature of the projects.</p> <p>The adequacy of the disclosures presented in the financial statements regarding property, plant and equipment was also assessed, based on the applicable accounting standards and requirements of Companies Act, 2017.</p>

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence

obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, profit and loss account, statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

The engagement partner on the audit resulting in this independent auditor's report is Zulfikar Ali Causer.

KARACHI

DATED: September 17, 2018



BDO IBRAHIM & CO.,
CHARTERED ACCOUNTANTS

Statement of Financial Position

as at June 30, 2018

	Note	2018 Rupees	2017 Rupees (Restated)	2016 Rupees (Restated)
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	8	2,153,548,986	1,386,982,297	928,705,223
Capital work in progress	9	107,526,521	513,569,680	539,287,766
		2,261,075,507	1,900,551,977	1,467,992,989
Intangible assets	10	1,091,654	48,233	86,633
Long-term loans and advances	11	513,838	1,200,030	676,012
Long-term deposits	12	13,763,220	13,110,311	6,369,677
Deferred taxation	13	63,292,543	31,361,809	-
		2,339,736,762	1,946,272,360	1,475,125,311
CURRENT ASSETS				
Stores and spares	14	97,316,778	93,844,638	81,851,017
Stock-in-trade	15	384,901,376	326,353,452	297,712,309
Trade debts	16	609,587,372	383,985,913	296,304,477
Loans and advances	17	3,402,798	9,446,844	7,516,323
Trade deposits and short-term prepayments	18	1,646,155	5,019,835	13,414,480
Other receivables	19	-	123,168	22,134,272
Tax refund due from Government	20	285,808,786	250,716,042	180,484,567
Taxation - net	21	35,888,322	27,960,472	33,322,219
Cash and bank balances	22	7,787,946	2,050,678	1,435,846
		1,426,339,533	1,099,501,042	934,175,510
TOTAL ASSETS		3,766,076,295	3,045,773,402	2,409,300,821
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized share capital 100,000,000 (2017: 100,000,000) ordinary shares of Rs. 10/-each	23	1,000,000,000	1,000,000,000	700,000,000
Issued, subscribed and paid-up capital	24	806,283,980	403,141,990	403,141,990
Capital reserve				
Surplus on revaluation of property, plant and equipment	25	213,604,147	214,346,961	215,117,511
Revenue reserve				
Accumulated losses	26	(23,788,350)	(4,326,679)	(36,998,093)
		996,099,777	613,162,272	581,261,408
NON-CURRENT LIABILITIES				
Sub-ordinated loan	27	100,000,000	100,000,000	100,000,000
Long-term financing	28	1,066,829,986	1,193,323,589	668,490,880
Long-term deposits		542,059	645,165	141,000
		1,167,372,045	1,293,968,754	768,631,880
CURRENT LIABILITIES				
Trade and other payables	29	544,053,599	229,470,537	177,591,613
Mark-up accrued	30	24,709,340	18,770,233	12,121,636
Short-term borrowings	31	800,005,989	738,390,427	822,459,301
Un-claimed dividend		129,143	129,143	129,143
Current portion of long-term financing	32	233,706,402	151,882,036	47,105,840
		1,602,604,473	1,138,642,376	1,059,407,533
CONTINGENCIES AND COMMITMENTS	33			
TOTAL EQUITY AND LIABILITIES		3,766,076,295	3,045,773,402	2,409,300,821

The annexed notes from 1 to 57 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, 2018

	Note	2018 Rupees	2017 Rupees
Sales - net	34	2,449,541,047	1,801,452,074
Cost of sales	35	(2,258,441,623)	(1,617,464,470)
Gross profit		191,099,424	183,987,604
General and administrative expenses	36	(54,458,938)	(43,713,203)
Selling and distribution expenses	37	(39,524,099)	(35,472,774)
Other income	38	4,621,182	2,902,028
Other operating expenses	39	(6,341,791)	(4,892,243)
		(95,703,646)	(81,176,192)
Operating profit		95,395,778	102,811,412
Financial charges	40	(135,257,911)	(100,036,503)
(Loss) / profit before taxation		(39,862,133)	2,774,909
Taxation	41	31,598,423	29,901,861
Net (loss) / profit for the year		(8,263,710)	32,676,770
(Loss) / earnings per share - basic and diluted	42	(0.14)	0.76

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

The annexed notes from 1 to 57 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, 2018

	2018	2017
	Rupees	Rupees
Net (loss) / profit for the year	(8,263,710)	32,676,770
Other comprehensive income		
Items that will not be reclassified subsequently to profit and loss account:		
Actuarial losses on remeasurement of post employment benefit plans	43.1.2 (333,551)	(1,323,617)
Deferred tax asset	96,730	397,085
	(236,821)	(926,532)
Total comprehensive (loss) / income for the year	(8,500,531)	31,750,238

The annexed notes from 1 to 57 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, 2018

	Note	2018 Rupees	2017 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	44	205,168,174	63,237,577
Taxes paid - net		(22,739,197)	(12,959,371)
Financial charges paid		(129,318,804)	(93,387,906)
Long-term loans and advances		686,192	(524,018)
Long-term deposits		(756,013)	(6,236,469)
Net cash generated from / (used in) operating activities		53,040,352	(49,870,187)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(454,931,259)	(495,353,121)
Proceeds from sale of property, plant and equipment	8.8	121,790	594,439
Ijarah lease rentals payment - net		(740,514)	(296,333)
Net cash used in investing activities		(455,549,983)	(495,055,015)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		107,212,796	682,001,245
Repayment of long-term financing		(151,882,033)	(52,392,337)
Repayment of short term financing		(250,000,000)	(400,000,000)
Subscription against right issue, net of share issue cost		391,300,574	-
Proceeds from short term financing (excluding running finance)		-	350,000,000
Net cash generated from financing activities		96,631,337	579,608,908
Net (decrease) / increase in cash and cash equivalents		(305,878,294)	34,683,706
Cash and cash equivalents at beginning of the year		(486,339,749)	(521,023,455)
Cash and cash equivalents at end of the year		(792,218,043)	(486,339,749)
CASH AND CASH EQUIVALENTS:			
Cash and bank balances	22	7,787,946	2,050,678
Short-term running finance	31	(800,005,989)	(488,390,427)
		(792,218,043)	(486,339,749)

The annexed notes from 1 to 57 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, 2018

	Issued, subscribed and paid-up capital Rupees	Capital Reserve	Revenue Reserves		Total Equity Rupees
		Surplus on revaluation of property, plant & equipment Rupees	General reserve Rupees	Accumulated losses Rupees	
Balance as at July 01, 2016 as previously reported	403,141,990	-	106,800,000	(143,798,093)	366,143,897
Impact of changes in accounting policies (net of tax) - note 7	-	215,117,511	-	-	215,117,511
Balance as at July 1, 2016 as (Restated)	403,141,990	215,117,511	106,800,000	(143,798,093)	581,261,408
Total comprehensive income for the year ended June 30, 2017					
Profit for the year	-	-	-	32,676,770	32,676,770
Remeasurement of defined benefit liability - net	-	-	-	(926,532)	(926,532)
	-	-	-	31,750,238	31,750,238
Transferred to unappropriated profit on account of incremental depreciation (net of tax) - note 25	-	(921,176)	-	921,176	-
Revaluation surplus on property, plant and equipment adjustment, due to change in tax rate - note 25	-	150,626	-	-	150,626
Balance as at June 30, 2017 (Restated)	403,141,990	214,346,961	106,800,000	(111,126,679)	613,162,272
Balance as at July 1, 2017 (Restated)	403,141,990	214,346,961	106,800,000	(111,126,679)	613,162,272
Total comprehensive income for the year ended June 30, 2017					
Loss for the year	-	-	-	(8,263,710)	(8,263,710)
Remeasurement of defined benefit liability - net	-	-	-	(236,821)	(236,821)
	-	-	-	(8,500,531)	(8,500,531)
Transferred to unappropriated profit on account of incremental depreciation (net of tax) - note 25	-	(880,276)	-	880,276	-
Revaluation surplus on property, plant and equipment adjustment, due to change in tax rate - note 25	-	137,462	-	-	137,462
Transaction with owners					
Issue of ordinary shares	403,141,990	-	-	-	403,141,990
Share issue costs	-	-	-	(11,841,416)	(11,841,416)
Balance as at June 30, 2018	806,283,980	213,604,147	106,800,000	(130,588,350)	996,099,777

The annexed notes from 1 to 57 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, 2018

1. NATURE AND STATUS OF THE COMPANY

Merit Packaging Limited ("the Company") was incorporated on January 28, 1980 in Pakistan as a public limited company 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. GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

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

3. BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting and reporting standards as applicable in Pakistan. The approved accounting and reporting standards applicable in Pakistan comprise of :

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

The third and fourth schedules to the Companies Act, 2017 became applicable to Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its third and fourth schedules) forms an integral part of the statutory financial reporting framework applicable to the Company. Specific additional disclosures and changes to the existing disclosures have been included in these financial statements.

3.2 Basis of measurement

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

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

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

3.3 Functional and presentation currency

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

Notes to the Financial Statements

for the year ended June 30, 2018

4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

4.1 Amendments that are effective in current year and are 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.

Amendments to IAS 7 'Statement of Cash Flow' became effective for the annual periods beginning on or after July 01, 2017 which is relevant to the Company. Amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

Amendments to IAS 12 'Income Taxes' became effective for the annual periods beginning on or after July 01, 2017. The amendment clarifying the requirements on recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value.

4.2 Amendments not yet effective

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

	Effective date (annual periods beginning on or after)
IFRS 2 Share-based Payments - Amendment to clarify the classification and measurement of share-based payment transactions. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled	January 01, 2018
IFRS 3 Business Combinations - Amendment requiring an entity to remeasure its previously held interest at fair value when it obtains control of a business that is a joint operation	January 01, 2019
IFRS 4 Insurance Contract - Amendments regarding applying IFRS 9- Financial Instruments with IFRS 4 - Insurance Contracts (Amendments to IFRS 4). The amendments provide two options for entities that issue insurance contracts within the scope of IFRS 4 that are overlay approach and deferral approach	
Overlay approach: an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets	
Deferral approach: an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4	
The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied	January 01, 2018

Notes to the Financial Statements

for the year ended June 30, 2018

Effective date (annual periods beginning on or after)

<p>IFRS 9 Financial Instrument - Prepayment Features with Negative Compensation and modifications of financial liabilities. The amendment allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. The amendment also clarified that gains and losses arising on modifications of financial liabilities that do not result in derecognition should be recognized in profit or loss</p>	January 01, 2019
<p>IFRS 11 Joint Arrangement - The proposed amendments is to eliminate diversity in practice in the accounting for previously held interests in the assets and liabilities of a joint operation in transactions in which an entity obtains control, or joint control, of a joint operation that meets the definition of a business</p>	January 01, 2019
<p>IAS 12 Income tax - Recognize the income tax consequences of dividends where the transactions or events that generated distributable profits are recognized. The amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits</p>	January 01, 2019
<p>IAS 19 Employee Benefits - The amendments require an entity:</p> <p>To use the updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after plan amendment, curtailment and settlement when entity measure its net defined benefit liability, and;</p> <p>To recognize in profit or loss as part of past service cost, or gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of impact of the asset ceiling</p>	January 01, 2019
<p>IAS 28 Investment in Associates and Joint Ventures - Clarification that an entity may elect, at initial recognition, to measure investments in an associate or joint venture at fair value through profit or loss separately for each associate or joint venture measuring an associate or joint venture at fair value</p> <p>The amendment clarifies that an entity applies IFRS 9 'Financial Instruments' long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied</p>	January 01, 2019
<p>IAS 40 Investment Property - Amendment to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property</p>	January 01, 2018

4.3 Standards or interpretations not yet effective

The following new standards have been issued by the International Accounting Standards Board (IASB), which have been adopted locally by the Securities and Exchange Commission of Pakistan effective from the dates mentioned below against the respective standard:

Notes to the Financial Statements

for the year ended June 30, 2018

	Effective date (annual periods beginning on or after)
IFRS 9 Financial Instruments	July 01, 2018
IFRS 15 Revenue from Contracts with Customers	July 01, 2018
IFRS 16 Leases	January 1, 2019

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 (SECP):

IFRS 1 First Time Adoption of International Financial Reporting Standards
IFRS 14 Regulatory Deferral Accounts
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 financial statement in the period of initial application.

5. SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE FINANCIAL POSITION AND PERFORMANCE

- a) During the year ended June 30, 2018, total issue of 40,314,199 right shares of Rs. 10 each amounting to Rs. 403,141,990 to the subscribers of the right shares have been allotted by the Allotment Committee in their meeting held on January 17, 2018 formed as per resolution passed by the Board of Directors in their meeting held on January 15, 2018.
- b) During the year ended June 30, 2018, total transfer from capital work in progress to property, plant and equipment amounted to Rs. 859.731 million.
- c) For discussion on the Company's performance, please refer to Director's report.

6. 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.

6.1 Property, plant and equipment

6.1.1 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.

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.

Notes to the Financial Statements

for the year ended June 30, 2018

Incremental depreciation charged for the year on revalued assets is transferred from surplus on revaluation of property, plant and equipment 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 capitalized 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.

6.1.2 Leased

Finance lease

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 8 to the financial statements. Financial charges are calculated at the rate implicit in the lease.

Operating lease

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.

6.1.3 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.

6.2 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.

6.3 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.

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.

Notes to the Financial Statements

for the year ended June 30, 2018

6.4 Stock-in-trade

Stock-in-trade are stated at lower of weighted average cost and net realizable 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, labor and appropriate portion of manufacturing overheads. Adequate provision is made for slow moving and obsolete items on periodic basis.

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

6.5 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.

6.6 Taxation

6.6.1 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.

6.6.2 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 property, plant and equipment which is adjusted against the related deficit/surplus.

6.7 Surplus on revaluation of property, plant and equipment

Any revaluation increase arising on the revaluation of land, buildings, leasehold improvements and plant and machinery is recognised in other comprehensive income and presented as a separate component of equity as "Revaluation surplus on property, plant and equipment", except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation of land, buildings, leasehold improvements and plant and machinery is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation surplus on property, plant and equipment relating to a previous revaluation of that asset.

The revaluation reserve is not available for distribution to the Company's shareholders. The surplus on revaluation to the extent of incremental depreciation charged (net of deferred tax) is transferred to unappropriated profit.

During the year the Company changed its accounting policy in respect of the accounting and presentation of revaluation surplus on property, plant and equipment. Previously, the Company's accounting policy was in accordance with the provisions of repealed Companies Ordinance, 1984. Those provisions and resultant previous policy of the Company was not in alignment with the accounting treatment and presentation of revaluation surplus as prescribed in the IFRS. However, the Companies Act, 2017 has not specified any accounting treatment for revaluation surplus, accordingly the Company has changed the accounting policy

Notes to the Financial Statements

for the year ended June 30, 2018

and is now following the IFRS for prescribed accounting treatment and presentation of revaluation surplus. The detailed information and impact of this change in policy is provided in note 7 below.

6.8 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 recognized 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.

6.9 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.

6.10 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.

6.11 Cash and bank balances

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

6.12 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.

6.13 Financial instruments

6.13.1 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.

6.13.2 Financial liabilities

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

Notes to the Financial Statements

for the year ended June 30, 2018

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.

6.14 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 recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

6.15 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 recognized in the profit and loss account.

6.16 Employee retirement benefits

6.16.1 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, 2018 using the projected unit credit method (refer note 43). 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.

6.16.2 Defined contribution plan

The Company operates a recognized 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.

6.16.3 Compensated absences

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

6.17 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.

Notes to the Financial Statements

for the year ended June 30, 2018

6.18 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.

6.19 Dividend and appropriation to reserves

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

6.20 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.

6.21 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.

6.22 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.

6.23 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.

6.24 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:

6.24.1 Defined benefit plan

Certain actuarial assumptions have been adopted as disclosed in note 43 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.

6.24.2 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.

6.24.3 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

Notes to the Financial Statements

for the year ended June 30, 2018

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 effect on the depreciation charge and impairment.

6.24.4 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.

7. Change in accounting policy of revaluation surplus on property, plant and equipment

On July 01, 2017 the Company changed its accounting policy for the revaluation surplus on property, plant and equipment, in accordance with requirements of the accounting and reporting standards as applicable in Pakistan under the Companies Act, 2017. Previously, the Company's accounting policy for surplus on revaluation of property, plant and equipment was in accordance with the provisions of section 235 of the repealed Companies Ordinance, 1984. Further, the revaluation surplus on property, plant and equipment was shown as a separate item below equity, in accordance with the presentation requirement of the repealed Companies Ordinance, 1984.

The Companies Act, 2017 has not retained the above mentioned specific accounting and presentation requirements of revaluation surplus on property, plant and equipment. Consequently, this impacted the Company's accounting policy for revaluation surplus on property, plant and equipment, and now the related accounting and presentation requirements set out in IAS 16 'Property, Plant and Equipment' are being followed by the Company. The new accounting policy is explained under note 6.7. Further, the revaluation surplus on property, plant and equipment is now presented in the statement of financial position and statement of changes in equity as a capital reserve i.e. part of equity.

In these financial statements the above explained change in accounting policy has been accounted for retrospectively, with the restatement of the comparative information.

The effect of the change is recognition and presentation of Rs. 213.604 million for revaluation surplus on property, plant and equipment as a capital reserve i.e. separate component of equity and derecognition of surplus on revaluation of property, plant and equipment of Rs. 213.604 million, previously presented below equity in the statement of financial position. Further, there is no effect on the profit and loss account and statement of comprehensive income for the year ended June 30, 2018.

	As at July 01, 2016			As at July 01, 2017		
	As previously reported on June 30, 2016	Adjustments Increase / (Decrease)	As restated on July 1, 2016	As previously reported on June 30, 2017	Adjustments Increase / (Decrease)	As restated on July 1, 2017
(Rupees)						
Surplus on revaluation of property, plant and equipment (with in equity)	-	215,117,511	215,117,511	-	214,346,961	214,346,961
Accumulated losses	(36,998,093)	-	(36,998,093)	(4,326,679)	-	(4,326,679)
Net impact on equity	(36,998,093)	215,117,511	178,119,418	(4,326,679)	214,346,961	210,020,282
Surplus on revaluation of property, plant and equipment (below equity)	215,117,511	(215,117,511)	-	214,346,961	(214,346,961)	-
	178,119,418	-	178,119,418	210,020,282	-	210,020,282

Impact of change in accounting policy - June 30, 2018

	Rupees
Surplus on revaluation of property, plant and equipment (within equity)	213,604,148
Accumulated losses	(23,788,350)
Surplus on revaluation of property, plant and equipment (below equity)	(213,604,148)
	(23,788,350)

Notes to the Financial Statements for the year ended June 30, 2018

8. PROPERTY, PLANT AND EQUIPMENT

Description	Leasehold	Building/ improvements on leasehold	Plant and machinery	Furniture and fixtures	Vehicles	Office equipment	Computer equipment	Electrical installation	Total
	(note 8.1)	land	(note 8.3)						
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Net carrying value basis									
year ended June 30, 2018									
Opening net book value	205,333,320	136,754,746	976,774,509	6,507,368	14,681,396	4,306,512	2,614,664	40,009,782	1,386,982,297
Addition (at cost)	-	31,029,393	799,874,510	386,000	1,458,924	1,303,305	7,723,739	17,955,484	859,731,355
Disposal (NBV)	-	-	-	(6)	(13,201)	(42)	(28)	-	(13,277)
Depreciation charged	-	(5,770,104)	(78,268,439)	(902,875)	(2,638,915)	(1,342,772)	(1,313,327)	(2,914,957)	(93,151,389)
Closing net book value (refer note 8.2)	205,333,320	162,014,035	1,698,380,580	5,990,487	13,488,204	4,267,003	9,025,048	55,050,309	2,153,548,986
Gross carrying value basis									
year ended June 30, 2018									
Cost / revalued amount	205,333,320	217,713,590	2,190,676,625	10,880,120	24,175,555	9,172,476	13,915,842	67,547,168	2,739,414,696
Accumulated depreciation	-	(53,366,336)	(477,960,187)	(4,889,633)	(10,687,351)	(4,905,473)	(4,890,794)	(12,436,659)	(569,136,433)
Accumulated impairment	-	(2,333,219)	(14,335,858)	-	-	-	-	(60,200)	(16,729,277)
Closing net book value (refer note 8.2)	205,333,320	162,014,035	1,698,380,580	5,990,487	13,488,204	4,267,003	9,025,048	55,050,309	2,153,548,986
Depreciation rate (% 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%	

Description	Leasehold	Building/ improvements on leasehold	Plant and machinery	Furniture and fixtures	Vehicles	Office equipment	Computer equipment	Electrical installation	Total
	(note 8.1)	land	(note 8.3)						
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Net carrying value basis									
year ended June 30, 2017									
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)
Closing net book value	205,333,320	136,754,746	976,774,509	6,507,368	14,681,396	4,306,512	2,614,664	40,009,782	1,386,982,297
Gross carrying value basis									
year ended June 30, 2017									
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)
Net book value	205,333,320	136,754,746	976,774,509	6,507,368	14,681,396	4,306,512	2,614,664	40,009,782	1,386,982,297
Depreciation rate (% 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%	

8.1 This leasehold land of 17,111 square yards is located at Sector 29, Korangi Industrial Township, Karachi.

Notes to the Financial Statements

for the year ended June 30, 2018

- 8.2 The cost of fully depreciated assets which are still in use as at June 30, 2018 is Rs. 57.283 million (2017: 32.380 million) having written down value of Rs. 2.431 million (2017: Rs. 0.750 million).
- 8.3 Plant and machinery includes capital spares amounting to Rs. 200.808 million (2017: 86.363 million) having written down value of Rs. 179.214 million (2017: 74.133 million).

	Note	2018 Rupees	2017 Rupees
8.4 The depreciation charge for the year has been allocated as follows:			
Cost of sales	35	90,748,037	59,959,695
General and administrative expenses	36	1,118,992	1,221,073
Selling and distribution expenses	37	1,284,360	1,118,245
		93,151,389	62,299,013

- 8.5 The Company has revalued its leasehold land, building and improvement on leasehold land and plant and machinery on September 01, 2004, June 25, 2009, June 30, 2012 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 and improvement on leasehold land and plant and machinery so revalued are being depreciated over the remaining useful lives of these assets at the date of revaluation.

Out of the revaluation surplus, an amount of Rs. 217.231 million (2017: Rs. 218.471 million) including land remains undepreciated as at June 30, 2018.

- 8.6 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	
	2018	2017
	Rupees	Rupees
Leasehold land	608,737	608,737
Building / Improvements on leasehold land	157,692,371	132,121,763
Plant and machinery	1,690,195,785	967,661,219
	1,848,496,893	1,100,391,719

8.7 Fair value measurement

- 8.7.1 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.
- 8.7.2 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.

Notes to the Financial Statements

for the year ended June 30, 2018

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;
- Present physical condition;
- Resale prospects; and
- Obsolescence.

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

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

	2018 Rupees	2017 Rupees
Opening balance (level 3 recurring fair values)	976,774,509	569,925,766
Additions - Cost	799,874,510	457,706,842
Disposals - WDV	-	(1)
Depreciation charge	(78,268,439)	(50,858,098)
Closing balance (level 3 recurring fair values)	1,698,380,580	976,774,509

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

8.8 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	40,300	27,100	13,200	17,000	Company Policy	Hasan Raza - Ex employee
	41,500	41,499	1	30,000	Insurance Claim	Century Insurance Company Limited
	81,800	68,599	13,201	47,000		
Plant and machinery	47,757	47,757	-	2,300	Scrap	Super Cool Players - Karachi
Office equipment	2,144,607	2,144,565	42	53,500	Scrap	Super Cool Players - Karachi
Computers equipment	1,441,407	1,441,379	28	17,440	Scrap	Super Cool Players - Karachi
Furniture and fixtures	514,100	514,094	6	1,550	Scrap	Super Cool Players - Karachi
Total - 2018	4,229,671	4,216,394	13,277	121,790		
Total - 2017	1,513,440	1,018,319	495,121	594,439		

Notes to the Financial Statements

for the year ended June 30, 2018

	Note	2018 Rupees	2017 Rupees
9. CAPITAL WORK-IN-PROGRESS			
This comprises of:			
Civil works		64,990,295	66,353,207
Plant and machinery		42,536,226	447,216,473
	9.1	107,526,521	513,569,680
9.1 Movement of carrying amount			
Year end June 30, 2017			
Opening balance		513,569,680	539,287,766
Additions (at cost)	9.2	453,688,196	495,353,121
Transfer to fixed assets		(859,731,355)	(521,071,207)
Closing balance		107,526,521	513,569,680
9.2 This includes borrowing cost capitalized amounting to Rs. 36.264 million (2017: Rs. 36.232 million) as per IAS 23. The rate of capitalization is 7.15% (2017: 6.96%) per annum.			
10. INTANGIBLE ASSETS			
Net carrying value basis			
Opening book value		48,233	86,633
Additions (at cost)		1,243,061	-
Amortisation charged	10.1	(199,640)	(38,400)
Closing net book value		1,091,654	48,233
Gross carrying value basis			
Cost		6,475,877	5,232,817
Accumulated amortisation		(5,384,223)	(5,184,584)
Net book value		1,091,654	48,233
Amortisation rate per annum		20%	20%
10.1 The amortisation for the year has been allocated as follows:			
Cost of sales	35	62,934	14,000
General and administrative expenses	36	106,758	24,400
Selling and distribution expenses	37	29,948	-
		199,640	38,400
11. LONG-TERM LOANS AND ADVANCES			
(Secured - considered good)			
Loans			
Due from employees	11.1	727,638	676,030
Current portion shown under current assets	17	(213,800)	(208,000)
		513,838	468,030
Advance to supplier		-	732,000
		513,838	1,200,030

Notes to the Financial Statements

for the year ended June 30, 2018

11.1 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.

11.2 Chief Executive Officer and Directors have not taken any loans / advances from the Company.

	Note	2018 Rupees	2017 Rupees
12. LONG-TERM DEPOSITS			
Power and fuel		4,995,727	4,995,727
Deposit against Ijarah finance		375,034	523,790
Others	12.1	8,392,459	7,590,794
		13,763,220	13,110,311

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

13. DEFERRED TAXATION

Deferred taxation comprises of:

Taxable temporary differences:

Surplus on revaluation of fixed assets	25	3,626,873	4,123,872
Accelerated tax depreciation allowance		218,963,275	166,578,183
Gross deferred tax liabilities		222,590,148	170,702,055

Deductible temporary differences:

Unabsorbed tax depreciation		220,846,045	154,684,001
Turnover tax		-	12,723,089
Tax credit		61,299,098	31,361,809
Employee retirement benefit		969,598	902,967
Provision for slow moving and obsolete items		1,454,195	1,305,011
Provision for doubtful debts		944,821	695,118
Provision for compensated absences		368,934	391,869
Gross deferred tax assets		(285,882,691)	(202,063,864)

	13.2	63,292,543	31,361,809
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13.1 Total deferred tax asset arising due to timing difference calculated at applicable tax rates as at balance sheet date amounted to Rs. 175.855 million (2017: Rs. 92.078 million) debit. Out of this deferred tax asset of Rs. 112.562 million (2017: Rs. 60.717 million) has not been recognized in these financial statements in accordance with the stated accounting policy of the Company.

13.2 Deferred tax asset has been recognized to the extent of excess deductible temporary differences over and above taxable temporary differences. The deferred tax asset recognized includes an unadjusted tax credit available on capital expenditure at a rate of 10% under section 65B of Income Tax Ordinance, 2001 amounting to Rs. 61.299 million (2017: 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, 2018

	Note	2018 Rupees	2017 Rupees
14. STORES AND SPARES			
Stores			
In hand		56,202,642	48,452,304
In transit		1,047,483	670,697
		57,250,125	49,123,001
Spares			
In hand		42,645,036	45,019,953
In transit		1,362,735	2,862,093
		44,007,771	47,882,046
		101,257,896	97,005,047
Provision for slow moving and obsolete stores and spares	14.1	(3,941,118)	(3,160,409)
		97,316,778	93,844,638
14.1 Provision for slow moving and obsolete stores and spares comprises:			
Balance at beginning of the year		3,160,409	2,944,237
Provision for the year		780,709	216,172
Balance at end of the year		3,941,118	3,160,409
15. STOCK-IN-TRADE			
Raw materials			
In hand		257,767,080	226,634,929
In transit		28,933	919,660
		257,796,013	227,554,589
Packing materials		9,318,785	5,049,467
		267,114,798	232,604,056
Provision for slow moving and obsolete stock in trade	15.1	(1,073,348)	(1,189,626)
		266,041,450	231,414,430
Work-in-process	35	61,445,937	42,882,044
Finished goods	35	57,413,989	52,056,978
		384,901,376	326,353,452
15.1 Provision for slow moving and obsolete stock in trade comprises:			
Balance at beginning of the year		1,189,626	1,284,450
(Reversal) for the year		(116,278)	(94,824)
Balance at end of the year		1,073,348	1,189,626
16. TRADE DEBTS			
(Unsecured - considered good)			
Due from associated companies	16.1	53,564,595	25,100,847
Others		556,022,777	358,885,066
		609,587,372	383,985,913
Considered doubtful		3,258,003	2,317,058
Provision for doubtful debts	16.4	(3,258,003)	(2,317,058)
		609,587,372	383,985,913

Notes to the Financial Statements

for the year ended June 30, 2018

	Note	2018 Rupees	2017 Rupees
16.1 This comprises amounts receivable from:			
Century Paper and Board Mills Limited		2,544,638	3,973,260
GAM Corporation (Private) Limited		248,300	-
SIZA Foods (Private) Limited		540,088	1,115,250
Colgate-Palmolive (Pakistan) Limited		47,247,920	20,012,337
Caraway (Private) Limited		2,983,649	-
		53,564,595	25,100,847
16.2 The aging of related party balances at the balance sheet date is as follows:			
Not past due		51,590,706	23,551,901
Past due 1-30 days		289,323	1,375,901
Past due 30-90 days		1,088,446	173,045
Past due over 90 days		596,120	-
		53,564,595	25,100,847
16.3 The maximum amount due from related parties at the end of any month during the year was Rs. 55.952 million (2017: Rs. 38.879 million).			
16.4 Provision for doubtful debts			
Balance at beginning of the year		2,317,058	-
Provision for doubtful debts		3,258,003	2,317,058
Bad debts written off		(2,317,058)	-
Balance at end of the year		3,258,003	2,317,058
17. LOANS AND ADVANCES			
Loans (Secured - considered good)			
Current portion of long-term loans	11	213,800	208,000
Advances (Unsecured - considered good)			
To employees	17.1	524,561	58,250
To suppliers	17.2	2,664,437	9,180,594
		3,188,998	9,238,844
		3,402,798	9,446,844
17.1 These loans are granted to employees of the Company which do not carry mark-up in accordance with their terms of employment.			
17.2 This represents advances to suppliers in the normal course of business and does not carry any interest or mark-up.			
17.3 Chief Executive Officer and Directors have not taken any loans and advances from the Company.			

Notes to the Financial Statements

for the year ended June 30, 2018

	Note	2018 Rupees	2017 Rupees
18. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Security deposits	18.1	486,000	2,973,660
Prepayments	18.2	1,160,155	2,046,175
		1,646,155	5,019,835
18.1 This represents short term deposits in the normal course of business and does not carry any interest or mark-up.			
18.2 This includes prepaid insurance premium of Rs. 0.005 million (2017: Rs. 1.000 million) to M/s Century Insurance Company limited, an associated undertaking.			
19. OTHER RECEIVABLES			
(Unsecured-considered good) Due from associated company	19.1	-	123,168
19.1 This represents insurance claim receivable from Century Insurance Company Limited, an associated company.			
20. TAX REFUND DUE FROM GOVERNMENT			
Sales tax and special excise duty receivable		198,908,880	178,535,852
Income tax refundable		86,899,906	72,180,190
		285,808,786	250,716,042
21. TAXATION - NET			
Advance tax		35,888,322	27,960,472
Provision for taxation	41	-	-
		35,888,322	27,960,472
21.1 The income tax assessments of the Company have been finalised by the tax authorities upto Tax Year 2017 (accounting year ended June 30, 2017).			
22. CASH AND BANK BALANCES			
Cash with banks in current accounts		6,766,206	760,919
Cash in hand		1,021,740	1,289,759
		7,787,946	2,050,678
23. AUTHORIZED SHARE CAPITAL			
Number of ordinary shares of Rs.10/- each			
2018	2017		
No. of shares			
100,000,000	100,000,000	Ordinary shares of Rs. 10/- each	1,000,000,000
			1,000,000,000

Notes to the Financial Statements

for the year ended June 30, 2018

		Note	2018 Rupees	2017 Rupees
24. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL				
Number of ordinary shares of Rs.10/- each				
	2018	2017		
	77,775,551	37,461,352	Fully paid in cash	777,755,510
	2,852,847	2,852,847	Issued as bonus shares fully paid	28,528,470
	80,628,398	40,314,199		403,141,990
	46,312,710	22,543,068	Shares held by associated undertakings	463,127,100
				225,430,680

24.1 During the year ended June 30, 2018, total issue of 40,314,199 right shares of Rs. 10 each amounting to Rs. 403,141,990 to the subscribers of the right shares have been allotted by the Allotment Committee in their meeting held on January 17, 2018 formed as per resolution passed by the Board of Directors in their meeting held on January 15, 2018.

25. SURPLUS ON REVALUATION OF FIXED ASSETS

Gross surplus			
Balance as at July 01,		218,470,833	219,786,799
Transfer to unappropriated profit in respect of incremental depreciation charged during the year - (net of deferred tax)		(880,276)	(921,176)
Related deferred tax liability		(359,537)	(394,790)
		(1,239,813)	(1,315,966)
Surplus on revaluation of fixed assets as at June 30,		217,231,020	218,470,833
Related deferred tax effect:			
Balance as at July 01,		(4,123,872)	(4,669,288)
Effect of changes in tax rate		137,462	150,626
Incremental depreciation charged during the year		359,537	394,790
	13	(3,626,873)	(4,123,872)
		213,604,147	214,346,961

25.1 The revaluation surplus on property, plant and equipment is a capital reserve, and is not available for distribution to the shareholders in accordance with section 241 of the Companies Act, 2017.

26. ACCUMULATED LOSSES

Revenue reserve		106,800,000	106,800,000
General reserve		(130,588,350)	(111,126,680)
Accumulated losses		(23,788,350)	(4,326,680)

27. SUBORDINATED LOAN - UNSECURED

From associated undertaking	27.1	100,000,00	100,000,000
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Notes to the Financial Statements

for the year ended June 30, 2018

27.1 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 6.74% per annum (2017: 6.58% per annum). This loan shall remain sub-ordinated to the financing facilities extended by the banks to the Company. The loan shall not be repaid until the entire amount of financing facilities and any payments due in respect of financing facilities or any other finance extended / provided by the banks to the Company, have been paid in full by the Company to the banks and the banks have notified to the sponsors of such payments; and / or the banks otherwise give any permission in writing to the Company to make full or part of the payments due under the long term financing to the associated undertakings.

	Note	2018 Rupees	2017 Rupees
28. LONG TERM FINANCING			
Secured			
From banking companies			
Al Baraka Bank (Pakistan) Limited		137,959,310	156,250,000
Dubai Islamic Bank Pakistan Limited		166,556,007	221,985,802
Habib Bank Limited		186,417,585	223,969,823
Bank Islami Pakistan Limited		175,000,000	200,000,000
JS Bank Limited		97,850,000	103,000,000
UBL Bank Limited - Ameen		96,753,486	-
Less: Current portion shown under current liabilities	32	(233,706,402)	(151,882,036)
	28.1	626,829,986	753,323,589
Unsecured			
From associated undertaking	28.2	440,000,000	440,000,000
		1,066,829,986	1,193,323,589

28.1 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 6.73% to 7.91% (2017: 6.59% to 7.73%) payable quarterly. The tenure of these financing facilities is five to six years including one year grace period.

28.2 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 27). During the year, the repayment of loan has been rescheduled and the amount is now repayable in twenty equal quarterly installments commencing from July 2020. 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 6.74% per annum (2017: 6.58% per annum).

29. TRADE AND OTHER PAYABLES

Creditors	29.1	516,597,173	209,925,113
Accrued liabilities		18,964,796	15,178,926
Payable to gratuity fund	43.1.1	6,555,526	2,045,670
Advances from customers		533,621	997,311
Short term deposits		-	5,000
Retention money payable		-	53,400
Workers' Welfare Fund		250,956	250,956
Workers' Profit Participation Fund	29.2	-	149,028
Others		1,151,527	865,133
		544,053,599	229,470,537

29.1 This includes an amount of Rs. 1.346 million (2017: Rs. Nil) payable in foreign currency equivalent to Pak Rupees and amount payable to associated companies amounting to Rs. 273.565 million (2017: Rs. 63.776 million).

Notes to the Financial Statements

for the year ended June 30, 2018

	Note	2018 Rupees	2017 Rupees
29.2 Workers' Profit Participation Fund			
Balance at July 01		149,028	511,381
Interest on funds utilized in Company's business	40	3,503	15,257
Allocation for the year	39	-	149,028
		152,531	675,666
Amount paid during the year		(152,531)	(526,638)
Balance at June 30		-	149,028
30. MARK-UP ACCRUED			
Mark-up accrued on :			
Short-term borrowings		14,529,055	9,052,780
Long term financing		10,180,285	9,717,453
		24,709,340	18,770,233
31. SHORT-TERM BORROWINGS			
From banking companies - secured			
Running finance	31.1	800,005,989	488,390,427
From associated company - unsecured	31.2	-	250,000,000
		800,005,989	738,390,427
31.1 The Company has short term running finance facilities from various banks under mark-up arrangements in aggregate amount of Rs. 1,170.000 million (2017: Rs. 870.000 million) having mark-up at rates ranging from 7.15% to 7.70% (2017: 6.91% to 7.58%) per annum calculated on a daily product basis and payable quarterly. The unutilized balance at the end of the year was Rs. 369.995 million (2017: Rs. 381.610 million).			
The Company also has a facility for opening letters of credit under mark-up arrangements as at June 30, 2018 amounting to Rs. 490.000 million (2017: Rs. 490.000 million) from various commercial banks. The unutilized balance at the end of the year was Rs. 94.420 million (2017: Rs. 479.721 million).			
These arrangements are secured by pari passu hypothecation charge on stores and spares, stock-in-trade and trade debts.			
31.2 This short-term borrowing facility was obtained from an associated undertaking. The rate of markup was 0.5% over last business day of three months KIBOR of preceding quarter. This has now been repaid.			
32. CURRENT PORTION OF LONG TERM-FINANCING			
Current portion	28	233,706,402	151,882,036
33. CONTINGENCIES AND COMMITMENTS			
33.1 Contingencies			
There was no contingent liability as at the balance sheet date.			
33.2 Commitments			
The Company was committed as at the balance sheet date as follows:			

Notes to the Financial Statements

for the year ended June 30, 2018

- a) Stores, spares and raw materials under contractual obligation amounted to Rs. 9.547 million (2017: Rs. 3.538 million).
- b) Capital expenditures under letter of credit amounted to Rs. 395.518 million (2017: Rs. 10.279 million).
- c) The amount of future Ijarah rentals for Ijarah financing and the period in which these payments will become due are as follows.

	2018	2017
Note	Rupees	Rupees
Not later than one year	1,086,252	796,488
Later than one year and not later than five years	3,110,950	2,787,708
	4,197,202	3,584,196

34. SALES - NET

Gross sales	2,862,425,284	2,109,902,951
Sales tax	(412,884,237)	(308,450,877)
	2,449,541,047	1,801,452,074

35. COST OF SALES

Materials consumed		1,751,213,532	1,209,548,461
Salaries, wages and other benefits	35.1	175,709,528	134,021,406
Packing material consumed		51,457,672	42,460,048
Outsourced services		26,163,677	39,050,317
Stores and spares consumed		60,367,550	48,116,009
Power and fuel		67,520,759	42,753,709
Depreciation	8.4	90,748,037	59,959,695
Amortisation	10.1	62,934	14,000
Rent, rates and taxes		25,385,750	12,850,489
Repairs and maintenance		10,504,152	5,978,467
Vehicle running expenses		1,829,470	1,369,901
Insurance		10,674,321	8,182,685
Ijarah lease rentals	33.2 (c)	190,303	95,038
Printing and stationery		1,281,757	972,434
Communication charges		1,422,390	1,147,036
Travelling and conveyance		2,317,524	1,133,346
Fees and subscription		651,250	863,895
Software license fee		1,604,941	1,022,693
Other expenses		3,256,980	2,551,599
Manufacturing cost		2,282,362,527	1,612,091,228
Opening work-in-process		42,882,044	63,105,673
Closing work-in-process	15	(61,445,937)	(42,882,044)
		(18,563,893)	20,223,629
Cost of goods manufactured		2,263,798,634	1,632,314,857
Opening stock of finished goods		52,056,978	37,206,591
Closing stock of finished goods	15	(57,413,989)	(52,056,978)
		(5,357,011)	(14,850,387)
		2,258,441,623	1,617,464,470

- 35.1 Salaries and other benefits include Rs. 6.193 million (2017: Rs. 4.992 million) in respect of staff retirement benefits.

Notes to the Financial Statements

for the year ended June 30, 2018

	Note	2018 Rupees	2017 Rupees
36. GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries and other benefits	36.1	40,049,180	32,963,927
Depreciation	8.4	1,118,992	1,221,073
Amortisation	10.1	106,758	24,400
Rent, rates and taxes		646,200	319,286
Repairs and maintenance		475,084	378,602
Ijarah lease rentals	33.2 (c)	550,211	201,295
Vehicle running expenses		2,900,855	1,549,205
Insurance		329,073	341,410
Printing and stationery		933,124	746,380
Communication charges		1,386,772	1,178,895
Travelling and conveyance		1,477,452	961,227
Fees and subscription		677,329	441,963
Software license fee		1,752,481	736,965
Service fee to associated undertakings		1,600,080	2,250,359
Electricity charges		87,133	61,272
Others		368,214	336,944
		54,458,938	43,713,203

36.1 Salaries and other benefits include Rs. 2.260 million (2017: Rs. 2.372 million) in respect of staff retirement benefits.

37. SELLING AND DISTRIBUTION EXPENSES

Salaries and other benefits	37.1	12,082,196	9,737,235
Depreciation	8.4	1,284,360	1,118,245
Amortisation	10.1	29,948	-
Repairs and maintenance		46,923	51,618
Vehicle running expenses		1,708,891	1,486,609
Insurance		281,197	266,771
Printing and stationery		86,811	84,424
Communication charges		704,319	737,462
Travelling and conveyance		1,200,497	1,609,623
Software license fee		729,519	327,471
Advertisement		968,435	440,509
Cartage outward		20,205,687	17,811,298
Others		195,316	1,801,509
		39,524,099	35,472,774

37.1 Salaries and other benefits include Rs. 0.626 million (2017: Rs. 0.602 million) in respect of staff retirement benefits.

38. OTHER INCOME

Insurance agency commission from associated undertaking		2,089,836	1,162,931
Scrap sales		2,422,833	1,639,779
Gain on disposal of property, plant and equipment		108,513	99,318
		4,621,182	2,902,028

Notes to the Financial Statements

for the year ended June 30, 2018

	Note	2018 Rupees	2017 Rupees
39. OTHER OPERATING EXPENSES			
Legal and professional charges		1,312,696	1,446,335
Auditors' remuneration:			
Statutory audit		353,000	353,000
Special reports and sundry services		244,480	162,700
Out-of-pocket expenses		208,600	184,980
		806,080	700,680
Workers' Profit Participation Fund	29.2	-	149,028
Workers' Welfare Fund		-	56,631
Director fees		420,000	130,000
Donations		-	62,000
Foreign exchange loss	39.1	25,306	30,511
Bad debt expense		3,258,003	2,317,058
Brokerage and commission		519,706	-
		6,341,791	4,892,243
39.1 Exchange loss / (gain) is earned from actual currency translation.			
40. FINANCIAL CHARGES			
Mark-up / interest on:			
Sub-ordinated loan		6,737,206	6,582,192
Long-term financing		70,968,460	48,510,979
Short-term borrowings		56,220,796	44,061,330
Interest on Workers Profit Participation Fund	29.2	3,503	15,257
		133,929,965	99,169,758
Bank charges and commission		1,327,946	866,745
		135,257,911	100,036,503
41. TAXATION			
Current	21	-	-
Prior		98,119	912,241
Deferred		(31,696,542)	(30,814,102)
	41.1	(31,598,423)	(29,901,861)

41.1 The current year's tax liability of the Company amounts to Rs. 30.650 million (2017: Rs. 18.170 million). This has been fully adjusted against available tax credit of Rs. 113.145 million (2017: Rs. 49.532 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. 82.495 million (2017: Rs. 31.362 million) is available for adjustment against two subsequent years' tax charge. The Company has booked deferred tax asset of Rs. 61.299 million (2017: Rs. 31.362 million) against this unadjusted tax credit.

41.2 Comparison of tax provision against tax assessments

Tax / Financial Years		Tax provision Rupees	Tax assessment / Tax return Rupees
2016-17	41.2.1	-	(27,966,961)
2015-16	41.2.2	-	(33,328,707)
2014-15	41.2.3	7,575,192	(29,460,832)

Notes to the Financial Statements

for the year ended June 30, 2018

- 41.2.1 Tax liability for Tax Year 2017 amounting to Rs. 18.170 million, was fully adjusted against the available tax credits under section 65B. Tax refundable as per assessment, represents refundable as declared in the tax return of the Company arising due to advance taxes suffered during the tax year.
- 41.2.2 Tax liability for Tax Year 2016 amounting to Rs. 16.085 million, was fully adjusted against available tax credits under section 65B. Tax refundable as per assessment, represents refundable as declared in the tax return of the Company arising due to advance taxes suffered during the tax year.
- 41.2.3 Tax liability for Tax Year 2015 amounting to Rs. 20.912 million was adjusted to the extent of Rs. 13.337 million, against available tax credits under section 65B. Tax refundable as per assessment represents, refundable as amended by the Commissioner of the Income Tax vide an order passed under section 122(5A) dated June 6, 2017.
- 41.3 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.
- 41.4 The applicable income tax rate for Tax Year 2018 was reduced to 30% on account of changes made to Income Tax Ordinance 2001 through Finance Act 2015. Deferred tax is computed at the rate of 29% on account of changes made to Income Tax Ordinance, 2001 through Finance Act 2018, applicable to the expected period when temporary differences are expected to be reversed / utilised.

	2018 Rupees	2017 Rupees
42. EARNINGS PER SHARE - BASIC AND DILUTED		(Restated)
(Loss) / profit for the year (Rupees)	(8,263,710)	32,676,770
Weighted average number of ordinary shares outstanding	60,146,272	43,248,519
(Loss) / earnings per share - basic and diluted (Rupees)	(0.14)	0.76

There is no dilutive effect on the basic earnings per share of the Company.

43. RETIREMENT BENEFIT

43.1 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, 2018, using the Projected Unit Credit Actuarial Cost 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.

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.

Notes to the Financial Statements

for the year ended June 30, 2018

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	2018 Rupees	2017 Rupees
43.1.1 Liability recognised in balance sheet			
Fair value of plan assets	43.1.3	48,066,503	47,499,994
Present value of defined benefit obligation	43.1.4	(54,622,029)	(49,545,664)
Closing net liability	29	(6,555,526)	(2,045,670)
43.1.2 Movement of the liability recognized in the balance sheet			
Opening net liability		(2,045,670)	1,459,893
Charge for the year	43.1.5	(6,986,519)	(3,741,478)
Remeasurement losses recognized in other comprehensive income	43.1.6	(333,551)	(1,323,617)
Contribution made during the year		2,810,214	1,559,532
Closing net liability		(6,555,526)	(2,045,670)
43.1.3 Movement in the fair value of plan assets			
Fair value as at July 01		47,499,994	45,695,824
Expected return on plan assets	43.1.5	3,798,389	3,313,973
Remeasurement - Actuarial losses	43.1.6	(3,191,623)	(1,538,102)
Contribution by the employer		2,810,214	1,559,532
Benefits paid	43.1.4	(2,850,471)	(1,531,233)
Fair value as at June 30	43.1.1	48,066,503	47,499,994
43.1.4 Movement in the present value of defined benefit obligation			
Obligation as at July 01		(49,545,664)	(44,235,931)
Current service cost	43.1.5	(6,935,274)	(3,903,853)
Interest cost	43.1.5	(3,849,634)	(3,151,598)
Remeasurement - Actuarial gains	43.1.6	2,858,072	214,485
Benefits paid	43.1.3	2,850,471	1,531,233
Obligation as at June 30	43.1.1	(54,622,029)	(49,545,664)
43.1.5 Expenses recognised in profit and loss account			
Current service cost	43.1.4	6,935,274	3,903,853
Interest cost	43.1.4	3,849,634	3,151,598
Expected return on plan assets	43.1.3	(3,798,389)	(3,313,973)
Expense for the year	43.1.2	6,986,519	3,741,478
Actual return on plan assets		606,766	1,775,871

Notes to the Financial Statements

for the year ended June 30, 2018

	Note	2018 Rupees	2017 Rupees
43.1.6 Remeasurement losses recognized in other comprehensive income			
Remeasurement gain on defined benefit obligation	43.1.4	2,858,072	214,485
Remeasurement losses on plan assets	43.1.3	(3,191,623)	(1,538,102)
Remeasurement losses	43.1.2	(333,551)	(1,323,617)

43.1.7 Composition of the fair value of plan assets

	2018		2017	
	Rupees	Percentage	Rupees	Percentage
Debt	27,735,811	58%	26,475,298	56%
Equity and Mutual fund	7,734,069	16%	8,957,901	19%
Cash with banks	12,596,623	26%	12,066,795	25%
	48,066,503		47,499,994	

43.1.8 The expected contribution to funded gratuity scheme for the year ending June 30, 2019 is Rs. 5.482 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.

	2018 Percentage	2017 Percentage
43.1.9 Principal actuarial assumptions		
Following were the significant actuarial assumptions used in the valuation:		
Discount rate per annum	9.00%	8.00%
Expected rate of return on plan assets per annum	9.00%	8.00%
Expected rate of increase in salary per annum (short term)	9.25%	8.25%
Expected rate of increase in salary per annum (long term)	9.00%	8.00%
43.1.10 Sensitivity analysis	Rupees	Percentage
Current liability	54,622,029	
+1% discount rate	50,415,134	-7.70%
-1% discount rate	59,542,770	9.01%
+1% salary increase rate	59,740,196	9.37%
-1% salary increase rate	50,173,633	-8.14%
+10% withdrawal rate	54,407,596	-0.39%
-10% withdrawal rate	54,836,463	0.39%
1 year mortality age set back	54,651,318	0.05%
1 year mortality age set forward	54,592,850	-0.05%

43.1.11 Maturity Profile

	Undiscounted Payments
Year 1	7,870,091
Year 2	2,598,637
Year 3	1,850,681
Year 4	3,585,740
Year 5	7,971,719
Year 6 to year 10	32,942,300
Year 11 and above	104,054,741

Notes to the Financial Statements

for the year ended June 30, 2018

43.2 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.

43.2.1 The Trustees have intimated that the size of the Fund as at December 31, 2017 was Rs. 102.5 million (2016: Rs. 117.707 million).

43.2.2 As intimated by the Trustees, the cost of the investment made at December 31, 2017 was Rs. 84.623 million (2016: Rs. 87.574 million) which is equal to 82.56% (2016: 74.40%) of the total fund size. The fair value of the investment was Rs. 93.576 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	50,126,893	48.90%
Mutual fund	36,610,137	35.72%
Cash with banks	6,839,416	6.67%

43.2.3 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	2018 Rupees	2017 Rupees
44. CASH GENERATED FROM OPERATIONS			
(Loss) / profit before taxation		(39,862,133)	2,774,909
Adjustment for non-cash items and other items:			
Gain on disposal of operating property, plant and equipment		(108,513)	(99,318)
Financial charges		135,257,911	100,036,503
Depreciation		93,151,389	62,299,013
Amortisation		199,640	38,400
Provision for doubtful debts		3,258,003	2,317,058
Provision for slow moving stock and obsolete items		664,431	121,348
Ijarah lease rentals		740,514	296,333
		233,163,375	165,009,337
Profit before working capital changes		193,301,242	167,784,246
Working capital changes	44.1	11,866,932	(104,546,669)
		205,168,174	63,237,577
44.1 Working capital changes			
(Increase) / decrease in current assets:			
Stores and spares		(4,252,849)	(12,209,793)
Stock-in-trade		(58,431,646)	(28,546,319)
Trade debts		(228,859,462)	(89,998,494)
Loans and advances		6,044,046	(1,930,521)
Trade deposits and short-term prepayments		3,373,680	8,394,645
Other receivables		123,168	22,011,104
Tax refund due from Government		(20,379,516)	(52,822,598)
		(302,382,579)	(155,101,976)
Increase in current liabilities:			
Trade and other payables (excluding unclaimed dividend)		314,249,511	50,555,307
		11,866,932	(104,546,669)

Notes to the Financial Statements

for the year ended June 30, 2018

45. RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

Description	Liabilities		Total
	Long Term Financing	Short Term Financing	
Rupees			
Balance as at July 1, 2017	1,445,205,625	250,000,000	1,695,205,625
Proceeds from long term financing	107,212,796	-	107,212,796
Repayment of long-term financing	(151,882,033)	-	(151,882,033)
Repayment of short term financing	-	(250,000,000)	(250,000,000)
Balance as at June 30, 2018	1,400,536,388	-	1,400,536,388

46. 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	Nature of Relation	Basis of Relation	2018	2017
			Rupees	Rupees
Sales of goods, Services and Reimbursement of expenses:				
Colgate Palmolive Pakistan Limited	Associated company	Common Director	272,133,270	155,019,862
Century Paper & Board Mills Limited	Associated company	Common Director	27,843,107	30,352,366
GAM Corporation (Private) Limited	Associated company	Common Director	3,145,145	2,292,838
SIZA Foods (Private) Limited	Associated company	Common Director	3,046,947	2,166,584
Caraway (Private) Limited	Associated company	Common Director	5,547,990	-
Ajinomoto Lakson Pakistan (Private)Limited	Associated company	Common Management	1,182,594	-
Purchase of goods, services and Reimbursement of expenses:				
Century Paper & Board Mills Limited	Associated company	Common Director	1,379,138,181	975,560,755
Century Insurance Company Limited	Associated company	Common Director	19,019,149	15,279,661
Princeton Travels (Private) Limited	Associated company	Common Director	1,924,164	5,524,368
Lakson Business Solutions Limited	Associated company	Common Director	2,421,326	1,384,005
SIZA Services (Private) Limited	Associated company	Common Director and 15.31% shares held	1,456,860	1,447,260
SIZA (Private) Limited	Associated company	Common Director and 9.70% shares held	114,258	521,736
Sybrid (Private) Limited	Associated company	Common Director	161,839	145,255
Cyber Internet Services (Private) Limited	Associated company	Common Director	522,792	256,073
Express Publication (Private) Limited	Associated company	Common Management	235,848	-
SIZA Foods (Private) Limited	Associated company	Common Director	87,000	72,900
Colgate Palmolive Pakistan Limited	Associated company	Common Director	-	671,707
Rent & Other Allied Charges				
Hassanali & Gulbano Lakhani Foundation	Associated company	Trustee	237,594	223,398

Notes to the Financial Statements

for the year ended June 30, 2018

Nature of transaction	Nature of Relation	Basis of Relation	2018	2017
			Rupees	Rupees
Insurance Agency Commission				
Century Insurance Company Limited	Associated company	Common Director	2,089,836	1,162,931
Insurance Claim				
Century Insurance Company Limited	Associated company	Common Director	1,215,395	813,979
Loan obtained				
SIZA Commodities (Private) Limited	Associated company	Common Director and 11.24% shares held	-	350,000,000
Loan Repayment				
SIZA Commodities (Private) Limited	Associated company	Common Director and 11.24% shares held	250,000,000	100,000,000
SIZA Services (Private) Limited	Associated company	Common Director and 15.31% shares held	-	300,000,000
Markup Accrued				
SIZA (Private) Limited	Associated company	Common Director and 9.70% shares held	36,380,910	35,543,836
SIZA Commodities (Private) Limited	Associated company	Common Director and 11.24% shares held	9,332,466	2,203,645
SIZA Services (Private) Limited	Associated company	Common Director and 15.31% shares held	-	8,400,595
Others				
Remuneration and other benefits	Key Management Personnel	Employees	24,079,079	21,153,137
Contribution to Staff Retirement Benefit Plans	Employees Fund		12,050,234	7,682,167
			2018	2017
			Rupees	Rupees
46.1 Year end balances				
Receivable from associated companies			53,564,595	25,224,015
Payable to associated companies			281,845,655	67,134,793
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

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

Notes to the Financial Statements

for the year ended June 30, 2018

47. 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:

	2018			2017		
	Chief	Executives	Total	Chief	Executives	Total
	Executive Rupees	Executives Rupees	Total Rupees	Executive Rupees	Executives Rupees	Total Rupees
Managerial remuneration	4,284,600	4,194,420	8,479,020	3,626,532	2,778,228	6,404,760
House rent	1,923,876	1,874,928	3,798,804	1,627,752	1,241,820	2,869,572
Bonus	713,025	695,845	1,408,870	603,347	460,888	1,064,235
Retirement benefits	385,296	353,254	738,550	326,064	138,636	464,700
Motor vehicle expenses	191,780	589,189	780,969	164,276	379,795	544,071
Medical allowances	427,524	416,652	844,176	361,716	275,952	637,668
Total	7,926,101	8,124,288	16,050,389	6,709,687	5,275,319	11,985,006
Number of persons	1	3	4	1	2	3

47.1 The current and corresponding year figures include remunerations of Company's Executives whose basic salary exceeds twelve hundred thousand rupees in a financial year.

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

47.3 Aggregate amount charged in these financial statements in respect of directors fee is Rs. 0.420 million (2017: Rs. 0.130 million) paid to three non-executive Directors.

48. 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.

	2018 Rupees	2017 Rupees
49. FINANCIAL INSTRUMENTS BY CATEGORY		
Financial assets as per balance sheet		
Loans and receivables at amortized cost		
Long-term loans	727,638	676,030
Long-term deposits	13,763,220	13,110,311
Trade debts	609,587,372	383,985,913
Short-term deposits	486,000	2,973,660
Other receivables	-	123,168
Cash and bank balances	7,787,946	2,050,678
	632,352,176	402,919,760
Financial liabilities as per balance sheet		
Financial liabilities measured at amortized cost		
Subordinated loan	100,000,000	100,000,000
Long-term financing	1,300,536,388	1,345,205,625
Long-term deposits	542,059	645,165
Trade and other payables	544,053,599	229,470,537
Mark-up accrued	24,709,340	18,770,233
Short-term borrowings	800,005,989	738,390,427
	2,769,847,375	2,432,481,987

Notes to the Financial Statements

for the year ended June 30, 2018

50. 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.

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

51.1 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.

51.2 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:

	2018	2017
	(Rupees in thousands)	
Loans and deposits	14,977	16,760
Trade debts	609,587	383,986
Other receivables	-	123
Bank balances	6,766	761
	631,330	401,630
The aging of trade receivable at the reporting date is:		
Not past due	519,685	283,544
Past due 1-30 days	48,674	55,752
Past due 30-90 days	29,696	37,147
Past due 90 days	11,532	7,543
	609,587	383,986

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.

Notes to the Financial Statements

for the year ended June 30, 2018

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, impairment on account of trade debts amounts to Rs 3.258 million (2017: Rs. 2.317 million).

51.3 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:

	2018						
	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	135,491	3,529	3,471	7,019	12,008	109,464
Long term financing	1,300,536	1,590,780	164,844	160,239	321,610	594,480	349,607
Long term deposits	542	542	-	-	-	542	-
Trade and other payables	544,054	544,054	544,054	-	-	-	-
Mark-up accrued	24,709	24,709	24,709	-	-	-	-
Short term borrowings	800,006	800,006	800,006	-	-	-	-
	2,769,847	3,095,582	1,537,142	163,710	328,629	607,030	459,071

	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	229,470	229,470	229,470	-	-	-	-
Mark-up accrued	18,770	18,770	18,770	-	-	-	-
Short term borrowings	738,390	738,390	738,390	-	-	-	-
	2,432,481	2,742,342	1,083,479	153,353	403,839	683,857	417,814

Notes to the Financial Statements

for the year ended June 30, 2018

51.4 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.

51.4.1 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:

	2018	2017
	(Rupees in thousands)	
Foreign bills payable	1,346	-
Contractual obligations	405,065	13,817
Net exposure	406,411	13,817

The following significant exchange rates have been applied:

Average rate		Reporting date rate	
2018	2017	2018	2017
(Rupees)			
110.63	104.74	121.60	104.86

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	
	2018	2017	2018	2017
	(Rupees in thousands)			
Effect on (loss) or profit	40,641	1,382	40,641	1,382

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.

51.4.2 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:

Notes to the Financial Statements

for the year ended June 30, 2018

	2018	2017	2018	2017
	Effective rate (In percent)		Carrying amount (Rupees in thousands)	
Financial Liabilities				
Variable rate instruments				
Long term loans	7.12%	6.90%	1,300,563	1,345,206
Subordinated loan	6.74%	6.58%	100,000	100,000
Short term borrowings	7.63 %	7.02%	800,006	738,390

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 2017.

	Profit and loss	
	100 bp Increase	100 bp Decrease
As at June 30, 2018		
Cash flow sensitivity - Variable rate financial liabilities (Rs' 000)	(22,005)	22,005
As at June 30, 2017		
Cash flow sensitivity - Variable rate financial liabilities (Rs' 000)	(21,836)	21,836

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

52. 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.

Notes to the Financial Statements

for the year ended June 30, 2018

53. 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.

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.

As of the reporting date, none of the financial instruments of the Company are carried at fair value.

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

54. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on September 17, 2018 by the Board of Directors of the Company.

55. NUMBER OF EMPLOYEES

	2018	2017
	No. of employees	
a) Number of employees as at June 30	304	252
Average number of employees during the year	280	250
b) Number of factory employees as at June 30	264	212
Average number of factory employees during the year	239	208

Notes to the Financial Statements

for the year ended June 30, 2018

56. CORRESPONDING FIGURES

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

57. 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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*Mobile apps are also available for download for android and ios devices

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 22nd day of October 2018 and at any adjournment thereof.

Signed this _____ day of _____ 2018.

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

کو جو خود بھی میرٹ پیکیجنگ لمیٹڈ کا رکن ہے کہ وہ بطور میرا / ہمارا مختار نامہ (پراکسی) میرٹ پیکیجنگ لمیٹڈ کے سالانہ اجلاس عام میں جو ۲۲ اکتوبر ۲۰۱۸ کو منعقد ہو رہا ہے یا اس کے کسی ملتوی شدہ اجلاس میں کرے اور وہ میری / ہماری جگہ میری / ہماری طرف سے حق رائے دہی استعمال کرے۔

مورنہ _____ ۲۰۱۸ کو میرے / ہمارے دستخط سے جاری ہوا۔

فولیو نمبر	سی ڈی سی کھاتہ نمبر	حصص کی تعداد

دستخط

گواہ نمبر ۱ _____ دستخط
 گواہ نمبر ۲ _____ دستخط
 نام _____ نام
 کمپیوٹرائزڈ قومی شناختی کارڈ نمبر _____ کمپیوٹرائزڈ قومی شناختی کارڈ نمبر
 پتہ _____ پتہ
 ہدایات:

- ۱- مختار (پراکسی) کا کمپنی کا رکن (ممبر) ہونا ضروری ہے۔
- ۲- ممبر (رکن) کے دستخط، نمونہ شدہ دستخط / اندارج شدہ دستخط سے مماثلت ہونا ضروری ہے۔
- ۳- 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۔
- ۴- 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۔



MERIT PACKAGING LIMITED

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17-B, Sec 29, Korangi Industrial Area, Karachi-75180/Pakistan

Tel: (92 213) 501 7180, 5544, website: www.meritpack.com