



**MERIT PACKAGING LIMITED**

**Annual** 2020  
**REPORT**



A Lakson Group Company

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## Corporate Information

### Board of Directors

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

### Advisor

Sultan Ali Lakhani

### Chief Executive Officer

Shahid Ahmed Khan

### Audit Committee

Shaikh Muhammad Barinuddin Chairman  
Amin Mohammed Lakhani  
Tasleemuddin Ahmed Batlay

### Human Resource and Remuneration Committee

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

### Company Secretary

Mansoor Ahmed

### Auditors

BDO Ebrahim & Co.  
Chartered Accountants

### Bankers

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

### Shares Registrar

FAMCO Associates (Pvt.) Ltd.  
8-F, Near Hotel Faran, Nursery, Block-6,  
P.E.C.H.S., Shahra-e-Faisal, Karachi.  
Email : info.shares@famco.com.pk  
Phone : (021) 34380101 - 5 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

5 Kilometer, Raiwind Manga Road,  
Near Glamour Adda, Lahore,

### Website

www.meritpack.com

## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the 40th Annual General Meeting of **MERIT PACKAGING LIMITED** will be held on Friday, October 23, 2020 at 04:15 p.m. at the Registered office of the Company at Lakson Square Building No.2, Sarwar Shaheed Road, Karachi through Video Conference 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, 2020 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.45 during the year ended June 30, 2020 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, 2021 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 matter mentioned in item No.3 is annexed.

By Order of the Board

  
(**MANSOOR AHMED**)  
Company Secretary

Karachi: September 23, 2020

### NOTES:

1. The share transfer books of the Company will remain closed from October 17, 2020 to October 23, 2020 (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 16, 2020 will be treated in time for the purpose of attending 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. In light of the threat by the evolving coronavirus (COVID-19) situation, the Securities & Exchange Commission of Pakistan vide Circular No. 5 dated March 17, 2020 has advised the Company to modify their usual planning for Annual General Meeting in order to protect the well-being of the shareholders.

The Shareholders who are interested to attend the AGM through Video Conference, are hereby requested to get themselves registered with the Company Secretary office by providing the following detail at the earliest but not later than 24 hours before the time of AGM (i.e. before 04:15 p.m. on October 22, 2020) through following means:

- a) Mobile/WhatsApp: 0315 5008228
- b) E-mail: mansoor@lakson.com.pk

Shareholders are advised to mention Name, CNIC Number, Folio/CDC Account Number, cell number and email ID for identification.

Upon receipt of the above information from the interested shareholders, the Company will send the login credentials at their e-mail address. On the date of AGM, shareholders will be able to login and participate in the AGM proceedings through their smartphone / computer devices.

In view of the above the Shareholders can also provide their comments/suggestions for the proposed agenda items of the AGM by using the aforesaid means.

4. 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, and a proxy so appointed shall have such rights, as respects attending, speaking and voting at the meeting as are available to a member. A proxy must be a member of the Company.
5. 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 excluding holidays.
6. Members holding shares in physical form are requested to promptly notify Shares 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.
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](http://www.meritpack.com). Please ensure that your e-mail has sufficient rights and space available to receive such e-mail which may be larger than 1 MB file in size. Further, it is the responsibility of the member to timely update the Shares Registrar of any change in the registered e-mail address.
8. 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.
9. 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, 2020 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, 2019.

During the Board meeting it was pointed out by the Directors that as some of Company Directors were interested in these transactions, 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, 2020 with associated companies/related parties shown in Note No.45 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/related parties during the ensuing year ending June 30, 2021 to be passed as a Special Resolution.

The Company would be conducting transactions with associated companies/related parties in the normal course of business. The majority of Directors are interested in these transactions, therefore, such transactions with associated companies/related parties 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, 2019, 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, 2021.

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

## Review Report by the Chairman

As required under the Listed Companies (Code of Corporate Governance) Regulations, 2019 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, 2020, the Board's overall performance and effectiveness has been assessed as Satisfactory. Improvements are an ongoing process leading to action plans. The above overall assessment 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 responsibility.

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 16, 2020



**IQBAL ALI LAKHANI**  
Chairman

## چیئر مین کی جائزہ رپورٹ

میرٹ پیکیجنگ لمیٹڈ کے بورڈ آف ڈائریکٹرز کا سالانہ جائزہ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 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، 2020 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 جائزہ ضروری اجزاء کے انفرادی جائزے پر منحصر ہے جن میں دورانہدیشی، 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 ذمہ داریوں کو موثر انداز سے پورا کرنا شامل ہیں۔

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



اقبال علی لاکھانی  
چیئر مین

کراچی: 16 ستمبر 2020



## Directors' Report

On behalf of the Board of Directors of Merit Packaging Limited, we are pleased to submit the Directors report along with the 40th Annual Audited Financial Statements of the Company for the year ended June 30, 2020.

### KEY NUMBERS

	2019-20	2018-19
	(Rupees in thousand)	
Sales - net	2,158,386	2,859,838
Gross (loss)/profit	(198,702)	5,299
Operating loss	(416,429)	(126,534)
Loss before tax	(769,441)	(350,457)
Loss after tax	(692,679)	(310,536)
	(Rupees per share)	
Loss per Share	(8.59)	(3.85)

### OPERATING RESULTS

During the year ended June 30, 2020 the net sale amounted to Rs. 2.1 billion, as compared to Rs. 2.8 billion in the last financial year, showing a decrease of Rs.701 million or 25%. The Company's pre-tax loss for the year is Rs. 769 million for the year ended June 30, 2020 as compared to a loss of Rs. 350 million in the previous year.

Full capacity production and sales orders could not be achieved due to slow development of value products on new double coater machine, lower production performance of old offset printing machines in Karachi, at the same time substantial increase in input cost coupled with abnormal market conditions and shifting of Lahore factory to new location hampered the production.

The current economic situation further affected overall market growth and sales volume of the company due to Coronavirus COVID-19 pandemic resulting in lower order from customers. The continuously increasing input costs of materials, major rupee depreciation against foreign currencies and increasing overhead could not be fully recovered from the customers to the identical extent immediately due to the severe competition in the printing industry. However, the Company is making concerted marketing efforts as well as focusing on reduction of production cost of all the items being printed at the two locations. Our customers utilized their finished goods inventory at retail and wholesale levels during this period which affected our sales revenue and corresponding profit. The other major factor is increase in the financial charges due to increase in markup rates and higher borrowings required for CAPEX and working capital requirements. All these factors resulted in a pre-tax loss of Rs. 769 million for the year 2019-20.

### 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.

## Directors' Report

- ♦ Appropriate accounting policies have been consistently applied in preparation of financial statements except for changes resulting on initial application of standards, amendments or interpretations to existing standards. Accounting estimates are based on reasonable prudent judgments.
- ♦ International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from have been adequately disclosed and explained.
- ♦ The system of internal control is sound in design and has been effectively implemented and monitored.
- ♦ There are no doubts upon the Company's ability to continue as a going concern.
- ♦ The summary of key operating and financial data for the last six years of the Company has been annexed to this report.
- ♦ 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 Directors' 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, 2019. The Board of Directors, Board's 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;

## Directors' Report

- 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:
- 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.
  - d. The financial loss to the Company if a customer fails to meet his contractual obligation arising from trade receivables.

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

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

Merit packaging provides all employees a safe and secure working environment.

The Company continues to take concrete steps for its strong commitment to promote a safe, secure and healthy environment in our day to day business operations.

The employees are given environmental, health and safety trainings to enabling them to carry out their duties safely without causing harm to themselves, to other individuals and to the environment. First aid equipment and fire fighting equipments are kept operative at all times to ensure a safe and secured working environment.

### **CORPORATE SOCIAL RESPONSIBILITY**

As a social responsible corporate citizen, we have committed ourselves to the well being of the society. Your Company believes in strictly abiding by our social responsibility, by extending whatever help to citizen whenever needed. We recognize that we cannot have a growing business unless the communities we serve are healthy and sustainable and being a responsible corporate entity, we always endeavour to extend all out help to citizens whenever it is needed and affordable, keeping financial stress the Company is undergoing.

### **HUMAN RESOURCE DEVELOPMENT**

Our people are our most valued asset. We encourage teamwork and are committed to peaceful working environment for our people. For this purpose, comprehensive training programmes, workshops and seminars are held every year for our employee development. Merit recognises its employees through various recognition programmes including those based on performance. All employees are treated fairly and compensated according to industry standards.

### **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, 2021. 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.

## Directors' Report

### 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 Director's report.

### PATTERN OF SHAREHOLDING

A statement showing the pattern of shareholding of the Company and incidental information as at June 30, 2020, 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.

### 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, 2019 and June 30, 2019 respectively are as follows:

	(Rs '000')
Provident Fund	99,205
Gratuity Fund	47,847

### COMPOSITION OF BOARD

♦ Male	7
♦ Female	1
♦ Total	8

#### Independent Directors

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

#### Non-executive Directors

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

### BOARD MEETINGS AND ATTENDANCE

In 2019-20, seven (7) Board Meetings were held and attended by the Directors as follows to review Company's complete cycle of activities:

Directors' Name	Meetings Attended
Mr. Iqbal Ali Lakhani - (Chairman)	5
Mr. Amin Mohammed Lakhani	5
Ms. Anushka Lakhani	1
Mr. Tasleemuddin Ahmed Batlay	7
Mr. Shaikh Muhammad Barinuddin	7
Mr. Sheikh Asim Rafiq	7
Mr. Farrukh Shauket Ansari	7
Mr. Moin M. Fudda	7
Mr. Shahid Ahmed Khan - CEO	7

## Directors' Report

### AUDIT COMMITTEE

In 2019-20 four (4) Audit Committee Meetings were held and attended by members as follows on a quarterly basis to review its complete cycle of activities:

Member's name	Meetings Attended
Mr. Shaikh Muhammad Barinuddin - Chairman	4
Mr. Amin Mohammed Lakhani	4
Mr. Tasleemuddin Ahmed Batlay	4

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

### HUMAN RESOURCE AND REMUNERATION COMMITTEE

In 2019-20 one (1) meeting of Human Resource and Remuneration (HR&R) Committee was held and attended by members as follows:

Member's name	Meetings Attended
Mr. Shaikh Muhammad Barinuddin - Chairman	1
Mr. Iqbal Ali Lakhani	-
Mr. Tasleemuddin Ahmed Batlay	1
Mr. Shahid Ahmed Khan	1

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

### QUALITY MANAGEMENT

Quality management system allows us to understand precisely what the customer needs and to ensure implementation of best business practices through quality systems management in order to deliver accurate solutions on a consistent basis. These certifications help us to stay efficient and customer focused.

### FUTURE OUTLOOK

The Country is coming out of the impact of COVID-19 pandemic which has resulted decline in business activities in the country, its economic damage across all businesses including ours, specially due to closure of markets resulting in lower consumption of packaged items consequently reducing demand of our output. We expect that the market will recover resulting in better volumes for the Company. We are focusing to obtain better results from the recently installed Heidelberg double coater printing machine, this will also help in replacing some old printing machines. The management has prepared plans for streamlining company's operations targeting efficient utilization of human resources and machines, this will result in lower production cost in respect of each location of operations i.e. Offset printing facilities in Karachi and Lahore and flexible printing division in Karachi. It is expected that with a revised marketing strategy, adopting cost control measures and optimizing full capacity utilization will generate additional revenue to improve financial stability in future.

The Company has shifted its Lahore operations from small rented premises to a new bigger location. This decision has been taken to accommodate larger volume and requirement of our major customers.

## Directors' Report

The sponsors again in line with their previous continuous support to the Company, have provided loan to the Company amounting to Rs. 940 million and provided further loan of Rs. 1,100 million for its working Capital requirements during the year. They have also graciously waived financial charges on their entire loan amounting to Rs. 170 million for the year ended June 30, 2020. This has had opposite impact on the overall financial position of the Company, and will also provide indirect relief to the minority shareholders of the Company as well.


The Directors of your Company are confident that the improved sales with improved customers' services, operational efficiencies and better product mix will reduce the existing pressures on profit and improve overall financial position of the Company soon.

### ACKNOWLEDGEMENT

The Directors of your Company appreciate the support and commitment of all the stakeholders. They are especially thankful to the banks for their continued support.



**TASLEEMUDDIN AHMED BATLAY**  
Director



**SHAHID AHMED KHAN**  
Chief Executive Officer

Karachi : September 16, 2020

## ڈائریکٹرز رپورٹ

میرٹ پیکیجنگ لمیٹڈ کے بورڈ آف ڈائریکٹرز کی طرف سے 30 جون 2020ء کو ختم ہونے والے سال کے لیے ڈائریکٹرز رپورٹ مع کمپنی کے 40 ویں سالانہ آڈٹ شدہ مالیاتی گوشوارے پیش کرنا ہمارے لیے باعث مسرت ہے۔

کارکردگی کا جائزہ  
اہم اعداد و شمار

2018-19 (ہزار روپے)	2019-20 (ہزار روپے)	
2,859,838	2,158,386	فروخت۔ خالص
5,299	(198,702)	مجموعی منافع
(126,534)	(416,429)	آپریٹنگ منافع / (نقصان)
(350,457)	(769,441)	قبل از ٹیکس نقصان
(310,536)	(692,679)	بعد از ٹیکس نقصان
(فی شیئر روپے)	(فی شیئر روپے)	
(3.85)	(8.59)	فی شیئر نقصان

## آپریٹنگ نتائج

گزشتہ مالی سال میں 2.8 ارب روپے کے مقابلے میں جون 2020 کو ختم ہونے والے سال کے دوران خالص فروخت 2.1 ارب روپے رہی جس سے 701 ملین روپے یا 25% کی کمی ظاہر ہوتی ہے۔ گزشتہ سال کے 350 ملین روپے کے مقابلے میں جون 2020 کو ختم ہونے والے سال کے لیے کمپنی کا قبل از ٹیکس خسارہ 769 ملین روپے رہا۔ نئی ڈبل کوٹیشن پروڈکٹس کی سست رفتار ڈیولپمنٹ، کراچی میں پرانی آفسیٹ پرنٹنگ مشینوں کی کم پیداواری کارکردگی کی وجہ سے کی پیداواری پوری گنجائش اور فروخت کے آرڈرز حاصل نہیں ہو سکے، پیداواری لاگت میں خاطر خواہ اضافے اور مارکیٹ میں غیر معمولی حالات کی وجہ سے طلب میں مندی رہی اور لاہور فیکٹری کی نئے مقام پر منتقلی سے پیداوار میں خلل پڑا۔

کورونا وائرس COVID-19 عالمی وبا کی وجہ سے موجودہ معاشی صورتحال نے مجموعی طور پر مارکیٹ کی نمو اور کمپنی کی فروخت کا حجم متاثر کیا جس کے نتیجے میں صارفین کی طرف سے کم آرڈرز موصول ہوئے۔ مسلسل بڑھتی ہوئی پیداواری لاگتوں، غیر ملکی کرنسیوں کے مقابلے میں روپے کی بے قدری اور اوور ہیڈ میں اضافے اور پرنٹنگ انڈسٹری میں سخت مسابقت کی وجہ سے صارفین سے فوری طور اس حد تک بازیافت نہیں کی جاسکی۔ تاہم کمپنی دونوں مقامات پر پرنٹ کی جانے والی تمام اشیاء کی پیداواری لاگت کو کم کرنے پر بھی توجہ دے رہی ہے۔ ہمارے صارفین نے اس مدت کے دوران خوردہ اور تھوک کی سطح پر اپنی تیار شدہ سامان کی انوینٹری کا استعمال کیا اس سے ہماری فروخت سے آمدنی اور اسی کے مطابق منافع کو متاثر کیا۔ مارک اپ کی شرحوں میں اضافے اور CAPEX کے لئے مطلوبہ زیادہ قرضوں اور ورکنگ کپیٹل کی ضروریات کی وجہ سے مالیاتی چارجز میں اضافہ دوسرا بڑا عامل ہے۔ ان سارے عوامل کا نتیجہ سال 2019-20 کے لیے 769 ملین روپے قبل از ٹیکس نقصان کی صورت میں سامنے آیا۔

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

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

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

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

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

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

☆ انٹرنل کنٹرول کا نظام اپنی ساخت کے اعتبار سے مستحکم اور مؤثر انداز میں نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔

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

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

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

☆ کمپنی کے بورڈ کے تین ڈائریکٹرز، ڈائریکٹرز اینڈ اینڈسٹریٹنگ 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، 2019 کا تقاضا ہے، بورڈ آف ڈائریکٹرز، بورڈ کی آڈٹ کمیٹی اور سینئر منجمنٹ کی ٹیموں نے کمپنی کے چیف ایگزیکٹو آفیسر کی قیادت میں یہ یقینی بنانے کے لیے کاروباری رسکس کا اطلاق کیا اور جائزہ لیا ہے کہ منجمنٹ کی ٹیمیں اشاعت جات، وسائل، شہرت اور کمپنی اور شیئرز ہولڈرز کے مفادات کی حفاظت کے لیے رسک آئیڈنٹیفیکیشن، رسک منجمنٹ اور انٹرنل کنٹرولز کا ایک مستحکم سسٹم برقرار رکھ سکیں۔ کمپنی پر ممکنہ اثرات مرتب کرنے والے خطرات کی مختلف کیٹیگریز درج ذیل ہیں:

(1) اسٹریٹجک خطرات:

یہ خطرات کاروباری ماحول بشمول انڈسٹری سے متعلق ہیں اور کمپنی کے کنٹرول سے باہر ہیں۔ اس کیٹیگری 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 کمیٹگری کے تحت کمپنی پر اثر انداز ہونے والے خطرات درج ذیل ہیں:

ا۔ پاکستانی روپے کی قدر میں کمی کے نتیجے میں خام مال اور دیگر پیداواری لاگتوں میں ردوبدل

ب۔ نئے اور موجودہ قوانین اور ضوابط کی تعمیل، اور

ج۔ 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 عمل کو فرسودہ اور مہنگا بنا سکتی ہے،

iii- بجلی کا جاری سخت بحران،

iv- وینڈر کی آپریشنل امالیاتی مجبوریاں 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 کوالیفائیڈ اور لائق 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، فنڈنگ، 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۔

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، سکیورٹی، ہیلتھ اور انوائرنمنٹ

میرٹ پیکیجنگ تمام ملازمین کو خطرے سے پاک اور محفوظ کام کا ماحول فراہم کرتی ہے۔ کمپنی ہمارے روزمرہ کاروباری امور میں ایک بے خطر، محفوظ اور صحت مند ماحول کو فروغ دینے کے پختہ عزم کے لیے ٹھوس اقدامات کرنے کا سلسلہ جاری رکھے ہوئے ہے۔ 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۔ کام کا خطرے سے محفوظ ماحول یقینی بنانے کے لیے فرسٹ ایڈ ایکو پمنٹ اور فائر فائٹنگ ایکو پمنٹ قابل استعمال حالت میں رکھے جاتے ہیں۔

## کاروباری سماجی ذمہ داری

ایک ذمہ دار کاروباری ادارے کی حیثیت سے ہم سماجی بہبود کا پختہ عزم رکھتے ہیں۔ آپ کی کمپنی اپنی سماجی ذمہ داری کی سختی سے پاسداری کرنے میں یقین رکھتی ہے، اور شہریوں کو جب بھی ضرورت پڑے، ہر ممکن مدد فراہم کرتی ہے۔ ہم اعتراف کرتے ہیں کہ ہم اس وقت تک کاروباری وسعت حاصل نہیں کر سکتے جب تک وہ کمیونٹی کی صحت مند اور مستحکم نہ ہوں جنہیں ہم خدمات مہیا کرتے ہیں اور ایک ذمہ دار کاروباری ادارے کی حیثیت سے جب بھی ضرورت ہو، حسب استطاعت شہریوں کے لیے دست تعاون دراز کرنے کی ہمیشہ کوشش کرتے ہیں، جیسا کہ کمپنی مالیاتی دباؤ سے دوچار ہے۔

## افراد کی وسائل کا فروغ

ہمارے افراد ہمارا سب سے قیمتی اثاثہ ہیں۔ ہم ٹیم ورک کی حوصلہ افزائی کرتے ہیں اور اپنے ملازمین کے لیے پرسکون محفوظ ماحول کار مہیا کرنے کا پختہ عزم رکھتے ہیں۔ اس مقصد کے لیے ہر سال جامع ٹریننگ پروگرامز، ورک شاپس اور سیمینارز کا انعقاد کیا جاتا ہے تاکہ ہمارے ملازمین کی صلاحیتیں پروان چڑھ سکیں۔ میرٹ مختلف رکنیشن پروگرامز کے ذریعے اپنے ملازمین کی شناخت اور اعتراف کرتی ہے جس میں کارکردگی پر مبنی پروگرام شامل ہیں۔ تمام ملازمین سے منصفانہ سلوک کیا جاتا ہے اور انہیں اسٹینڈرڈز کے مطابق مشاہرہ دیا جاتا ہے۔

## آڈیٹرز

موجودہ آڈیٹرز، میسرز BDO ابراہیم اینڈ کمپنی ریٹائر ہو رہے ہیں اور اہل ہونے کی بنیاد پر خود کو 30 جون 2021 کو ختم ہونے والے سال کے لیے دوبارہ تقرری کے لیے پیش کرتے ہیں۔ بورڈ آف ڈائریکٹرز کمپنی کے آڈیٹرز کی حیثیت سے ان کی دوبارہ تقرری کے لیے آڈٹ کمیٹی کی سفارش کی توثیق کرتا ہے اور آئندہ سالانہ اجلاس عام میں شیئر ہولڈرز کے سامنے ان آڈیٹرز کی دوبارہ تقرری کی تجویز رکھیں گے۔

## مادی تبدیلیاں اور معاہدے

کوئی ایسی مادی تبدیلیاں اور معاہدے رونما نہیں ہوئے ہیں جو کمپنی کے گزشتہ مالی سال کے دوران اختتام تک کمپنی کی مالی حیثیت پر اثر انداز ہو سکتے، جسے اس سالانہ رپورٹ اور اس ڈائریکٹرز رپورٹ میں بیان کیا گیا ہے۔

## پیٹرن آف شیئر ہولڈنگ

30 جون 2020 کے مطابق کمپنی کے شیئر ہولڈنگ پیٹرن اور بشمول اضافی معلومات کو ظاہر کرنے والا ایک گوشوارہ، جس کا انکشاف رپورٹنگ فریم ورک کے تحت درکار ہے، اس رپورٹ کے ساتھ منسلک ہے۔

ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف فنانسٹل آفیسر، کمپنی سیکرٹری، ان سب کی بیگمات اور کم عمر بچوں نے سال کے دوران کمپنی کے شیئرز کے کسی لین دین میں حصہ نہیں لیا۔

ریٹائرمنٹ بینیفٹس میں سرمایہ کاریاں

میرٹ پیکجنگ لمیٹڈ اپنے ملازمین کو پروویڈنٹ فنڈ اور گریجویٹ فنڈ کی شکل میں ریٹائرمنٹ بینیفٹس فراہم کرتی ہے۔

اسٹاف ریٹائرمنٹ بینیفٹ فنڈ کی طرف سے کی جانے والی سرمایہ کاری کی مالیت ان کے آڈٹ شدہ اکاؤنٹس، بابت 31 دسمبر 2019ء اور 30 جون

2019ء کے مطابق بالترتیب درج ذیل ہے:

(000 روپے)

99,205

پروویڈنٹ فنڈ

47,847

گریجویٹ فنڈ

بورڈ کی تشکیل

7

حضرات

1

خاتون

8

گل

نان ایگزیکٹو ڈائریکٹر

خود مختار ڈائریکٹر

جناب اقبال علی لاکھانی۔ چیئرمین

جناب شیخ محمد برین الدین

جناب امین محمد لاکھانی

جناب فرخ شوکت انصاری

محترمہ انوشکا ذوالفقار لاکھانی

جناب معین ایم فدا

جناب تسلیم الدین احمد باٹلے

جناب شیخ عاصم رفیق

بورڈ کے اجلاس اور حاضری

2019-20 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

ڈائریکٹر کا نام

5

جناب اقبال علی لاکھانی (چیئرمین)

5

جناب امین محمد لاکھانی

1

محترمہ انوشکا ذوالفقار لاکھانی

7

جناب تسلیم الدین احمد باٹلے

7

جناب شیخ محمد برین الدین

7

جناب شیخ عاصم رفیق

7

جناب فرخ شوکت انصاری

7

جناب معین ایم فدا

7

جناب شاہد احمد خان۔ CEO

## آڈٹ کمیٹی

مالی سال 2019-20 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 بمطابق ذیل شرکت کی:

4	جناب شیخ محمد برین الدین (چیرمین)
4	جناب امین محمد لاکھانی
4	جناب تسلیم الدین احمد باٹلے

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

## افرادى وسائل و مشاہرہ کمیٹی

2019-20 کے دوران افرادى وسائل و مشاہرہ کمیٹی (HR&R) کا ایک (1) اجلاس منعقد ہوا جس میں ممبران کی حاضری درج ذیل رہی:

1	جناب شیخ محمد برین الدین (چیرمین)
-	جناب اقبال علی لاکھانی
1	جناب تسلیم الدین احمد باٹلے
1	جناب شاہد احمد خان

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

## کوالٹی مینجمنٹ

کوالٹی مینجمنٹ سسٹم ہمیں کسٹمر کی ضرورت درست طریقے سے سمجھنے اور مستقل بنیادوں پر درست حل کی فراہمی کے لیے کوالٹی سسٹم مینجمنٹ کے ذریعے بہترین کاروباری طریقوں پر عمل درآمد کو یقینی بنانے کے قابل بناتا ہے۔ یہ سسٹم ٹیلیٹیکس ہمیں مستعد رہنے اور اپنے کسٹمرز پر توجہ مرکوز رکھنے میں مدد دیتے ہیں۔

## مستقبل کی توقعات

ملک COVID-19 عالمی وبا کے اثرات سے نکل رہا ہے جس کا نتیجہ ملک میں کاروباری سرگرمیوں میں کمی کی صورت میں نکلا تھا، اور ہمارے سمیت تمام کاروباری اداروں کو اس کا معاشی نقصان پہنچا ہے، خاص طور پر مارکیٹوں کی بندش کا نتیجہ چیک پیڈ اشیا کی کم کھپت کی صورت میں نکلا، جس کے نتیجے میں ہماری پیداواری طلب کم ہوئی۔ ہم توقع کرتے ہیں کہ مارکیٹ بحال ہو جائے گی جس کے نتیجے میں کمپنی کے لیے حجم میں اضافہ ہوگا۔ ہم حال ہی میں نصب شدہ ہائیڈلبرگ ڈبل کوٹر پرنٹنگ مشین سے بہتر نتائج حاصل کرنے پر توجہ مرکوز کر رہے ہیں، اس سے کچھ پرانی پرنٹنگ مشینیں بدلنے میں بھی مدد ملے گی۔

انتظامیہ نے انسانی وسائل اور مشینوں کے موثر استعمال کو ہدف بناتے ہوئے کمپنی کے کاموں کو مربوط کرنے کے منصوبے تیار کیے ہیں، اس کے نتیجے میں آپریشنز کے ہر مقام کراچی اور لاہور میں آفسیٹ پرنٹنگ کی سہولیات اور کراچی میں فلیکسیبل پرنٹنگ ڈویژن کے اعتبار سے پیداواری لاگت میں کمی آئے گی۔ توقع کی جاتی ہے کہ لاگت پر قابو پانے کے اقدامات کو اپنانے اور مکمل گنجائش کے استعمال کو بہتر بنانے سے اضافی آمدنی ہوگی تاکہ مستقبل میں مالی استحکام کو بہتر بنایا جاسکے۔ توقع کی جارہی ہے کہ آنے والی مالی سالوں میں ان تمام کوششوں سے کمپنی کی مجموعی مالیاتی صورت حال مستحکم کرنے میں مدد ملے گی۔


کمپنی نے اپنے لاہور آپریشنز کرائے کی چھوٹی عمارت سے ایک نئے بڑے مقام پر منتقل کر دیے ہیں۔ یہ فیصلہ ہمارے بڑے کسٹمرز کے بڑے حجم اور تقاضے کی تعمیل کے لیے کیا گیا ہے۔

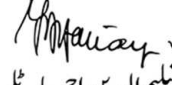
اسپانسرز نے کمپنی کو اپنی سابقہ مسلسل معاونت کے مطابق ایک بار پھر کمپنی کو 940 ملین روپے کا قرض فراہم کیا ہے اور سال کے دوران اس کی ورکنگ کیپٹل کی ضروریات کے لئے 1,100 ملین روپے کا مزید قرض فراہم کیا ہے۔ انہوں نے 30 جون 2020 کو ختم ہونے والے سال کے لیے اپنے پورے قرض پر 170 ملین روپے کے مالی چارجز بھی ازراہ کرم معاف کر دیے ہیں۔ اس سے کمپنی کی مجموعی مالی حیثیت پر مثبت اثر پڑا ہے، اور اس سے کمپنی کے ساتھ اقلیتی شیئر ہولڈرز کو بھی بالواسطہ ریلیف ملے گا۔

آپ کی کمپنی کے ڈائریکٹرز پر اعتماد ہیں کہ صارفین کی بہتر خدمات، آپریشنل کارکردگی اور بہتر پروڈکٹس کے ساتھ بہتر فروخت سے منافع پر موجودہ دباؤ کم ہوگا اور جلد ہی کمپنی کی مجموعی مالی حیثیت میں بہتری آئے گی۔

## اعتراف

آپ کی کمپنی کے ڈائریکٹرز تمام اسٹیک ہولڈرز کی معاونت اور وابستگی کو خراج تحسین پیش کرتے ہیں۔ وہ بینکس سے ان کے مسلسل تعاون کے لیے خصوصی اظہار تشکر کرتے ہیں۔

  
شاہد احمد خان  
چیف ایگزیکٹو آفیسر

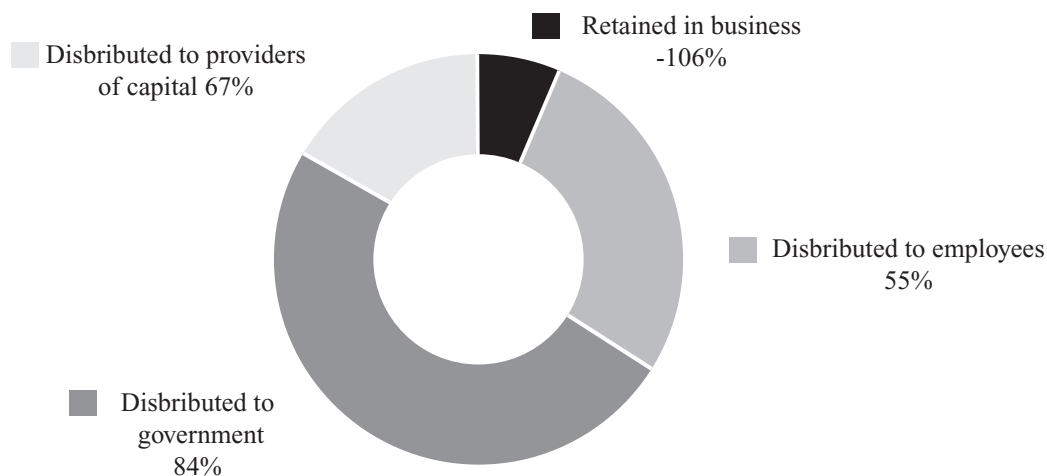
  
تسلیم الدین احمد باغ  
ڈائریکٹر

کراچی: 16 ستمبر 2020

## Statement of Value added and its distribution

Rupees in thousand

Particulars	2020		2019	
	Amount	%	Amount	%
<b>Value added</b>				
Gross Sales	2,518,887		3,340,884	
Material and services	(2,092,663)		(2,584,339)	
Other income	3,519		7,091	
	429,743	100%	763,636	100%
<b>Distribution</b>				
To employees				
Salaries, wages and other benefits	236,642		247,640	
Workers profit participation fund	-		-	
	236,642	55%	247,640	33%
To government				
Sales tax	360,501		481,046	
Company taxation	-		-	
Workers welfare fund	-		-	
	360,501	84%	481,046	63%
To providers of capital				
Financial charges on borrowed fund	287,479	67%	169,447	22%
<b>Retained in business</b>				
Depreciation	248,780		161,215	
Amortisation of intangible assets	249		269	
Notional Markup on loan from sponsors	65,532		54,476	
(Loss) / Profit for the period	(769,440)		(350,457)	
	(454,879)	-106%	(134,497)	-18%
	429,743	100%	763,636	100%



## Six years key operating and financial data

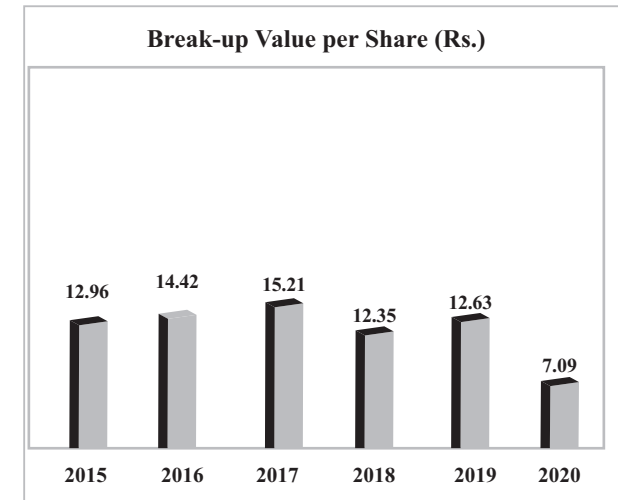
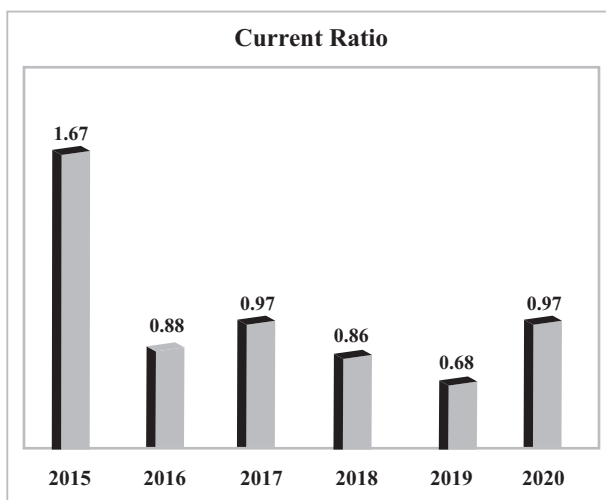
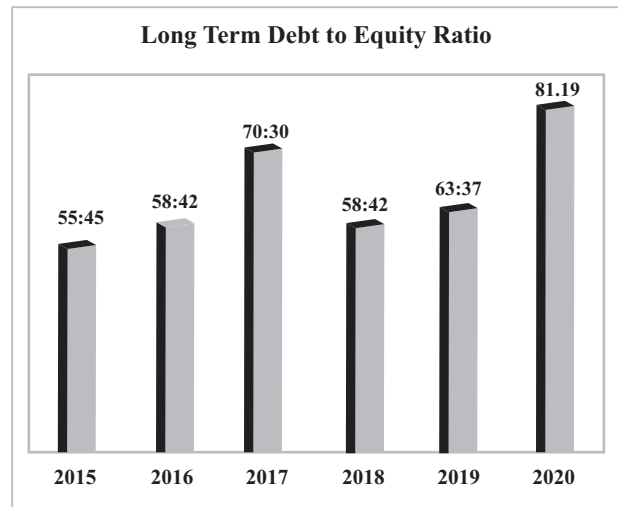
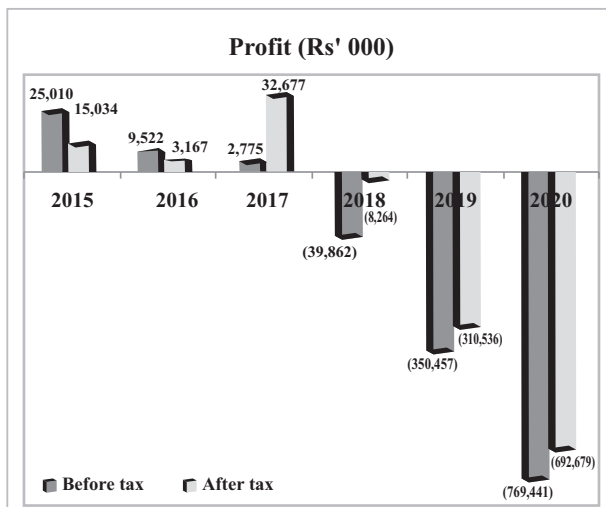
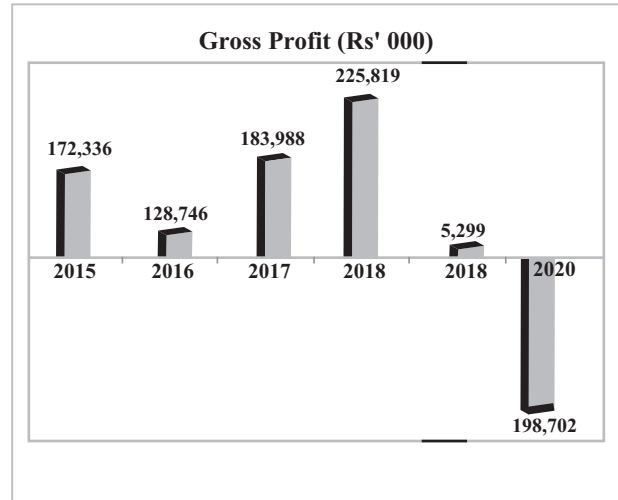
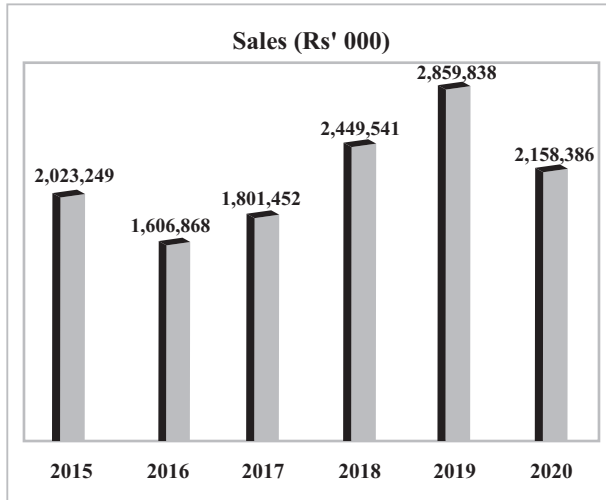
	Rupees in thousands					
	2020	2019	2018	2017	2016	2015
<b>Trading results</b>						
Sales	2,158,386	2,859,838	2,449,541	1,801,452	1,606,868	2,023,249
Gross profit	(198,702)	5,299	225,819	183,988	128,746	172,336
(Loss) / profit before taxation	(769,441)	(350,457)	(39,862)	2,775	9,522	25,010
(Loss) / profit after taxation	(692,679)	(310,536)	(8,264)	32,677	3,167	15,034
<b>Financial position</b>						
Total capital employed	3,020,699	2,460,689	2,163,472	1,907,131	1,349,893	1,135,569
Property, plant and equipment	2,884,732	3,042,733	2,302,892	1,900,552	1,467,993	755,642
Shareholder equity	571,294	1,018,206	996,100	613,162	581,262	522,445
Long term liabilities	2,449,405	1,442,483	1,167,372	1,293,969	768,632	613,125
Deferred taxation	174,091	97,627	63,293	31,362	-	-
<b>Others</b>						
Number of employees (at year end)	264	257	304	252	237	212
Capital expenditure	97,497	778,303	481,665	495,353	707,676	156,581
Contribution to national exchequer	213,959	221,077	144,301	149,986	187,728	141,590
<b>Ratios</b>						
Gross profit	-9.21%	0.19%	9.22%	10.21%	8.01%	8.52%
(Loss) / profit before taxation	-35.65%	-12.25%	-1.63%	0.15%	0.59%	1.24%
(Loss) / profit after taxation	-32.09%	-10.86%	-0.34%	1.81%	0.20%	0.74%
Return on equity	-121.25%	-30.50%	-0.83%	5.33%	0.54%	2.88%
Return on capital employed	-22.93%	-12.62%	-0.38%	1.71%	0.23%	1.32%
Current ratio	0.97 : 1	0.68 : 1	0.86 : 1	0.97 : 1	0.88 : 1	1.67 : 1
Debt / equity ratio	81 : 19	63 : 37	58 : 42	70 : 30	58 : 42	55 : 45
Inventory days	83	60	58	70	69	59
Receivable days	81	65	74	69	68	57
<b>Others</b>						
(Loss)/Earnings per share - (Rs.)	(8.59)	(3.85)	(0.14)	0.76	0.07	0.35
Break-up value per share (Rs.)	7.09	12.63	12.35	15.21	14.42	12.96
Market Value (Rs.)	11.89	29.77	22.50	21.47	16.94	19.31
Price earning ratio	N / A	N / A	N / A	28.25	242.00	55.17

## Vertical & Horizontal Analysis

	2020		2019		2018		2017		2016		2015	
	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%
<b>VERTICAL ANALYSIS</b>												
<b>PROFIT &amp; LOSS ACCOUNT</b>												
Sales - net	2,158,386	100%	2,859,838	100%	2,449,541	100%	1,801,452	100%	1,606,868	100%	2,023,249	100%
Cost of sales	2,357,089	109%	2,854,539	100%	2,223,722	91%	1,617,464	90%	1,478,122	92%	1,850,913	91%
Gross profit / (loss)	(198,702)	-9%	5,299	0%	225,819	9%	183,988	10%	128,746	8%	172,336	9%
Operating expenses	217,727	10%	131,833	5%	130,423	5%	81,176	5%	46,486	3%	51,046	3%
Operating profit / (loss)	(416,429)	-19%	(126,534)	-4%	95,396	4%	102,811	6%	82,260	5%	121,290	6%
Financial charges	(353,011)	-16%	223,923	8%	135,258	6%	100,037	6%	72,738	5%	96,280	5%
Profit/(loss) before taxation	(769,441)	-36%	(350,457)	-12%	(39,862)	-2%	2,775	0%	9,522	1%	25,010	1%
Profit/(loss) after taxation	(692,679)	-32%	(310,536)	-11%	(8,264)	0%	32,677	2%	3,167	0%	15,034	1%
<b>BALANCE SHEET</b>												
<b>Assets</b>												
Property, plant and equipment	2,884,732	61%	3,042,733	66%	2,302,892	61%	1,900,552	62%	1,467,993	61%	755,642	45%
Other non-current assets	185,098	4%	110,276	2%	78,661	2%	45,720	2%	7,132	0%	6,517	0%
Current Assets	1,643,658	35%	1,470,189	32%	1,384,523	37%	1,099,501	36%	934,176	39%	928,366	55%
<b>Total Assets</b>	<b>4,713,488</b>	<b>100%</b>	<b>4,623,198</b>	<b>100%</b>	<b>3,766,077</b>	<b>100%</b>	<b>3,045,773</b>	<b>100%</b>	<b>2,409,301</b>	<b>100%</b>	<b>1,690,525</b>	<b>100%</b>
<b>Equity &amp; Liabilities</b>												
Share capital & reserves	571,294	12%	1,018,206	22%	996,100	26%	613,162	20%	581,262	24%	522,445	31%
Non-current liabilities	2,449,405	52%	1,442,483	31%	1,167,372	31%	1,293,969	42%	768,632	32%	613,125	36%
Current liabilities	1,692,789	36%	2,162,509	47%	1,602,604	43%	1,138,642	37%	1,059,407	44%	554,955	33%
<b>Total equity and Liabilities</b>	<b>4,713,488</b>	<b>100%</b>	<b>4,623,198</b>	<b>100%</b>	<b>3,766,076</b>	<b>100%</b>	<b>3,045,773</b>	<b>100%</b>	<b>2,409,301</b>	<b>100%</b>	<b>1,690,525</b>	<b>100%</b>
<b>HORIZONTAL ANALYSIS</b>												
<b>PROFIT &amp; LOSS ACCOUNT</b>												
Sales - net	2,158,386	107%	2,859,838	141%	2,449,541	121%	1,801,452	89%	1,606,868	79%	2,023,249	100%
Cost of sales	2,357,089	127%	2,854,539	154%	2,223,722	120%	1,617,464	87%	1,478,122	80%	1,850,913	100%
Gross profit	(198,702)	-115%	5,299	3%	225,819	131%	183,988	107%	128,746	75%	172,336	100%
Operating expenses	217,727	427%	131,833	258%	130,423	256%	81,176	159%	46,486	91%	51,046	100%
Operating profit	(416,429)	-343%	(126,534)	-104%	95,396	79%	102,811	85%	82,260	68%	121,290	100%
Financial charges	(353,011)	-367%	223,923	233%	135,258	140%	100,037	104%	72,738	76%	96,280	100%
Profit/(loss) before taxation	(769,441)	-3077%	(350,457)	-1401%	(39,862)	-159%	2,775	11%	9,522	38%	25,010	100%
Profit/(loss) after taxation	(692,679)	-4607%	(310,536)	-2066%	(8,264)	-55%	32,677	217%	3,167	21%	15,034	100%
<b>BALANCE SHEET</b>												
<b>Assets</b>												
Property, plant and equipment	2,884,732	382%	3,042,733	403%	2,302,892	305%	1,900,552	252%	1,467,993	194%	755,642	100%
Other non-current assets	185,098	2840%	110,276	1692%	78,661	1207%	45,720	702%	7,132	109%	6,517	100%
Current Assets	1,643,658	177%	1,470,189	158%	1,384,523	149%	1,099,501	118%	934,176	101%	928,366	100%
<b>Total Assets</b>	<b>4,713,488</b>	<b>279%</b>	<b>4,623,198</b>	<b>273%</b>	<b>3,766,076</b>	<b>223%</b>	<b>3,045,773</b>	<b>180%</b>	<b>2,409,301</b>	<b>143%</b>	<b>1,690,525</b>	<b>100%</b>
<b>Equity &amp; Liabilities</b>												
Share capital & reserves	571,294	109%	1,018,206	195%	996,100	191%	613,162	117%	581,262	111%	522,445	100%
Non-current liabilities	2,449,405	399%	1,442,483	235%	1,167,372	190%	1,293,969	211%	768,632	125%	613,125	100%
Current liabilities	1,692,789	305%	2,162,509	390%	1,602,604	289%	1,138,642	205%	1,059,407	191%	554,955	100%
<b>Total equity and Liabilities</b>	<b>4,713,488</b>	<b>279%</b>	<b>4,623,198</b>	<b>273%</b>	<b>3,766,076</b>	<b>223%</b>	<b>3,045,773</b>	<b>180%</b>	<b>2,409,301</b>	<b>143%</b>	<b>1,690,525</b>	<b>100%</b>



# 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, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Merit Packaging Limited for the year ended June 30, 2020 in accordance with the requirements of regulation 36 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. 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.

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, 2020.

**KARACHI**

**DATED:** September 16, 2020

**CHARTERED ACCOUNTANTS**

Engagement Partner: Zulfikar Ali Causer

## **STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019** for the year ended June 30, 2020

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:

Independent Directors	Mr. Shaikh Muhammad Barinuddin Mr. Moin M. Fudda Mr. Farrukh Shauket Ansari
Other Non-executive Directors	Mr. Iqbal Ali Lakhani - Chairman Mr. Amin Mohammed Lakhani Ms. Anushka Lakhani Mr. Tasleemuddin Ahmed Batlay Mr. Sheikh Asim Rafiq
Executive Directors	--
Female Directors	Ms. Anushka Lakhani

3. The Directors have confirmed that none of them is serving as a Director on more than seven 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. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the 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 meetings of the Board.
8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. Five Directors out of eight have already attended Directors' Training Course and three are exempted from the requirements of Directors Training program.
10. The board has approved appointment of Chief Financial Officer 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.

**STATEMENT OF COMPLIANCE WITH LISTED COMPANIES  
(CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019**  
for the year ended June 30, 2020

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below:

Audit Committee	Mr. Shaikh Muhammad Barinuddin - Chairman Mr. Amin Mohammed Lakhani - Member Mr. Tasleemuddin A. Batlay - Member
HR and Remuneration Committee	Mr. Shaikh Muhammad Barinuddin - Chairman Mr. Iqbal Ali Lakhani - Member Mr. Taleemuddin A. Batlay - Member Mr. Shahid Ahmed Khan - Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.
14. The frequency of meetings of the committees were as per following:
  - a. Audit Committee 4 quarterly meetings
  - b. HR and Remuneration Committee 1 annual meeting
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 Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and they and the partners of the firm involved in the audit are not a close relative (spouse, parents, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the Company.
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 Regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.
19. We confirm that the Company has complied with respect to all the material requirements of the regulations.



**TASLEEMUDDIN A. BATLAY**  
Director



**SHAHID AHMED KHAN**  
Chief Executive Officer

Karachi: September 16, 2020

## Pattern of Holding of Shares

held by the shareholders as at June 30, 2020

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

Number of shareholders	From	To	Shareholdings	Total number of shares held
391	1	100	Shares	7,343
374	101	500	Shares	159,036
346	501	1,000	Shares	330,633
734	1,001	5,000	Shares	2,249,259
300	5,001	10,000	Shares	2,499,203
110	10,001	15,000	Shares	1,431,170
48	15,001	20,000	Shares	908,406
29	20,001	25,000	Shares	697,653
24	25,001	30,000	Shares	699,060
14	30,001	35,000	Shares	463,500
19	35,001	40,000	Shares	732,000
13	40,001	45,000	Shares	568,500
21	45,001	50,000	Shares	1,035,280
9	50,001	55,000	Shares	479,256
6	55,001	60,000	Shares	351,264
5	60,001	65,000	Shares	318,047
3	65,001	70,000	Shares	208,000
6	70,001	75,000	Shares	442,348
4	75,001	80,000	Shares	312,000
3	80,001	85,000	Shares	244,500
1	85,001	90,000	Shares	90,000
1	90,001	95,000	Shares	95,000
18	95,001	100,000	Shares	1,793,900
3	100,001	105,000	Shares	307,000
2	105,001	110,000	Shares	217,500
3	115,001	120,000	Shares	360,000
2	120,001	125,000	Shares	246,500
2	130,001	135,000	Shares	262,500
1	145,001	150,000	Shares	150,000
4	175,001	180,000	Shares	711,000
1	180,001	185,000	Shares	184,500
1	185,001	190,000	Shares	190,000
1	190,001	195,000	Shares	195,000
2	195,001	200,000	Shares	400,000
1	200,001	205,000	Shares	204,070
1	210,001	215,000	Shares	212,500
1	220,001	225,000	Shares	225,000
1	225,001	230,000	Shares	226,000
1	240,001	245,000	Shares	240,500
1	245,001	250,000	Shares	250,000
1	250,001	255,000	Shares	252,000
2	295,001	300,000	Shares	599,500
1	310,001	315,000	Shares	311,000
1	335,001	340,000	Shares	337,500
1	345,001	350,000	Shares	350,000
1	375,001	380,000	Shares	376,000
1	385,001	390,000	Shares	387,500
1	495,001	500,000	Shares	500,000
1	705,001	710,000	Shares	710,000
1	850,001	855,000	Shares	854,500
1	965,001	970,000	Shares	966,500
1	1,280,001	1,285,000	Shares	1,284,796
1	2,075,001	2,080,000	Shares	2,079,500
1	4,605,001	4,610,000	Shares	4,609,464
1	7,810,001	7,815,000	Shares	7,814,318
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
<b>2,526</b>			<b>Total</b>	<b>80,628,398</b>

Categories of shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	153,831	0.19
Associated Companies, undertakings and related parties	46,316,140	57.44
NIT and ICP	4,609,464	5.71
Banks, Development Financial Institutions, Non Banking Financial Institutions	385	0.00
Modarabas and Mutual Funds	1,284,796	1.59
Shareholders holding 10 %	38,498,392	47.75
General Public		
a. Local	23,658,498	29.35
b. Foreign	NIL	-
Others	4,605,284	5.72

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, 2020

		<u>SHARES HELD</u>
<b>i) <u>ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES</u></b>		
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
<b>ii) <u>MUTUAL FUNDS</u></b>		
1.	CDC - Trustee Golden Arrow Stock Fund	1,284,796
2.	CDC - Trustee National Investment (Unit) Trust	4,609,464
<b>iii) <u>DIRECTORS, THEIR SPOUSES AND MINOR CHILDREN</u></b>		
1.	Iqbal Ali Lakhani	51,204
2.	Amin Mohammed Lakhani	50,864
3.	Anushka 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
<b>iv) <u>EXECUTIVES</u></b>		NIL
<b>v) <u>PUBLIC SECTOR COMPANIES AND CORPORATIONS</u></b>		NIL
<b>vi) <u>BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE COMPANIES, INSURANCE COMPANIES, TAKAFUL MODARABAS AND PENSION FUNDS:</u></b>		62,932
<b>vii) <u>SHAREHOLDERS HOLDING 5% OR MORE</u></b>		
<u>[Other than those reported at i(1), i(2), i(3), i(4) and ii(2)]</u>		NIL
<b>viii) <u>INDIVIDUALS AND OTHER THAN THOSE MENTIONED ABOVE</u></b>		28,201,235
		<u><b>80,628,398</b></u>

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERIT PACKAGING LIMITED**

### **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, 2020 and statement of profit or loss, 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, statement of profit or loss, 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, 2020 and of the loss 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.	<b>TRADE DEBTS</b>	
	<p>As disclosed in note 14 to the accompanying financial statements of the company for the year ended June 30, 2020, the Company has a trade debt balance amounting to Rs. 547.514 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> <p>We tested the design and effectiveness of internal controls implemented by the Company through the trade receivables cycle.</p> <p>We circularized confirmation to the sample of debtors with the outstanding balance at the year end.</p> <p>We examined on a sample basis, evidence related to post year-end cash receipts.</p> <p>We obtained an understanding of the requirements of IFRS 9 included, amongst others, review of the methodology developed and applied by the Company to estimate the ECL in relation to trade debts. We also considered and evaluated the assumptions used in applying the ECL methodology based on historical information and qualitative factors as relevant for such estimates.</p> <p>We evaluated the relevance, completeness, and accuracy of the source data used for computation of ECL.</p> <p>We checked the mathematical accuracy of the ECL model by performing recalculation on test basis. The adequacy of the disclosures presented in the financial statements regarding allowance for ECL was also assessed, based on the applicable accounting standards and requirements of Companies Act, 2017.</p>
2.	<b>CAPITALIZATION OF PROPERTY, PLANT AND EQUIPMENT</b>	
	<p>The Company continued to invest in capital projects with significant capital expenditure incurred during the year ended June 30, 2020. 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 a key audit matter.</p> <p>Refer to notes 5.1, 5.2, 6 and 7 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>



S. No.	Key audit matters	How the matter was addressed in our audit
3.	<b>CONTROL ENVIRONMENT RELATING TO THE FINANCIAL REPORTING PROCESS AND RELATED IT SYSTEMS</b>	
	<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 statement of profit or loss and statement of financial position.</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.

- 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, statement of profit or loss, 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 16, 2020



**BDO EBRAHIM & CO.**  
**CHARTERED ACCOUNTANTS**

## Statement of Financial Position

as at June 30, 2020

	Note	2020 Rupees	2019 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment			
Operating fixed assets	6	2,884,731,747	2,373,583,431
Capital work in progress	7	-	669,149,271
		2,884,731,747	3,042,732,702
Intangible assets	8	574,097	822,709
Long-term loans	9	251,550	531,350
Long-term deposits	10	10,181,573	11,295,137
Deferred taxation	11	174,091,049	97,627,272
		3,069,830,016	3,153,009,170
<b>CURRENT ASSETS</b>			
Stores and spares	12	78,151,008	67,116,463
Stock-in-trade	13	520,444,211	547,387,193
Trade debts	14	547,513,940	406,754,122
Loans and advances	15	13,062,503	7,063,144
Trade deposits and short-term prepayments	16	1,427,000	1,522,724
Other receivables	17	1,395,255	871,893
Tax refund due from Government	18	445,358,409	394,524,917
Taxation - net	19	26,970,098	40,808,954
Cash and bank balances	20	9,335,125	4,140,242
		1,643,657,549	1,470,189,652
<b>TOTAL ASSETS</b>		<b>4,713,487,565</b>	<b>4,623,198,822</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital			
200,000,000 (2019: 100,000,000) ordinary shares of Rs. 10/-each	21	2,000,000,000	1,000,000,000
Issued, subscribed and paid-up capital	22	806,283,980	806,283,980
Surplus on revaluation of property, plant and equipment	23	327,691,832	329,410,997
Capital reserve			
Equity portion of loan - associated company		465,338,060	216,299,071
Revenue reserves			
General reserves		106,800,000	106,800,000
Accumulated losses		(1,134,820,028)	(440,587,963)
		571,293,844	1,018,206,085
<b>NON-CURRENT LIABILITIES</b>			
Sub-ordinated loan	24	93,083,866	80,224,542
Long-term financing	25	2,282,435,097	1,361,823,162
Long-term deposits		346,987	435,657
Long term lease liability	26	71,472,518	-
Deferred capital grant	27	2,066,308	-
		2,449,404,776	1,442,483,361
<b>CURRENT LIABILITIES</b>			
Trade and other payables	28	593,066,824	826,177,146
Mark-up accrued	29	54,465,091	54,417,736
Short-term borrowings	30	938,534,478	1,012,701,152
Un-claimed dividend		129,143	129,143
Current portion of lease liability	26	11,369,280	-
Current portion of long-term financing	31	95,224,129	269,084,199
		1,692,788,945	2,162,509,376
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,713,487,565</b>	<b>4,623,198,822</b>

### CONTINGENCIES AND COMMITMENTS

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The annexed notes from 1 to 56 form an integral part of these financial statements.

  
**TASLEEMUDDIN A. BATLAY**  
Director

  
**SHAHID AHMED KHAN**  
Chief Executive Officer

  
**MUHAMMAD AAQIL JAH**  
Chief Financial Officer

## Statement of Profit or Loss

for the year ended June 30, 2020

	Note	2020 Rupees	2019 Rupees
Sales - net	33	2,158,386,265	2,859,838,021
Cost of sales	34	(2,357,088,614)	(2,854,538,973)
Gross (loss) / profit		(198,702,349)	5,299,048
General and administrative expenses	35	(88,961,001)	(89,453,683)
Selling and distribution expenses	36	(43,123,147)	(40,195,890)
Other income	37	3,519,440	7,090,804
Other operating expenses	38	(89,162,432)	(9,274,449)
		(217,727,140)	(131,833,218)
Operating loss		(416,429,489)	(126,534,170)
Financial charges	39	(353,011,461)	(223,922,608)
Loss before taxation		(769,440,950)	(350,456,778)
Taxation	40	76,761,474	39,920,867
Net loss for the year		(692,679,476)	(310,535,911)
Loss per share - basic and diluted	41	(8.59)	(3.85)

The annexed notes from 1 to 56 form an integral part of these financial statements.

  
**TASLEEMUDDIN A. BATLAY**  
Director

  
**SHAHID AHMED KHAN**  
Chief Executive Officer

  
**MUHAMMAD AAQIL JAH**  
Chief Financial Officer

## Statement of Comprehensive Income

for the year ended June 30, 2020

	Note	2020 Rupees	2019 Rupees
Net loss for the year		(692,679,476)	(310,535,911)
<b>Other comprehensive income / (loss)</b>			
Items that will not be reclassified subsequently to statement of profit or loss:			
Actuarial losses on remeasurement of post employment benefit plans	42.1.2	9,494,687	(1,176,745)
Deferred tax (liability) / asset		(2,753,459)	341,256
		6,741,228	(835,489)
Surplus on revaluation of property, plant and equipment	23	-	123,106,031
Deferred tax liability		-	(5,927,394)
		-	117,178,637
Transfer in respect of impairment on property, plant and equipment during the year	23	(593,818)	-
Deferred tax asset		172,207	-
		(421,611)	-
<b>Total comprehensive loss for the year</b>		<b>(686,359,859)</b>	<b>(194,192,763)</b>

The annexed notes from 1 to 56 form an integral part of these financial statements.

  
**TASLEEMUDDIN A. BATLAY**  
Director

  
**SHAHID AHMED KHAN**  
Chief Executive Officer

  
**MUHAMMAD AAQIL JAH**  
Chief Financial Officer

## Statement of Changes in Equity

for the year ended June 30, 2020

	Issued, subscribed and paid-up capital	Surplus on revaluation of property, plant and equipment	Capital	Revenue Reserves		Total	
			Equity portion of loan from associated company	General Reserve	Accumulated losses		
Rupees							
<b>Balance as at July 01, 2018</b>	806,283,980	213,604,147	-	106,800,000	(130,588,350)	(23,788,350)	996,099,777
<b>Total comprehensive loss for the year ended June 30, 2019</b>							
Loss for the year	-	-	-	-	(310,535,911)	(310,535,911)	(310,535,911)
Other comprehensive income/(loss) for the year - net of tax	-	117,178,637	-	-	(835,489)	(835,489)	116,343,148
	-	117,178,637	-	-	(311,371,400)	(311,371,400)	(194,192,763)
Transferred to unappropriated profit on account of incremental depreciation (net of tax) - note 23	-	(1,371,787)	-	-	1,371,787	1,371,787	-
<b>Transaction with owners</b>							
Equity portion of loan - note 25 and 26	-	-	216,299,071	-	-	-	216,299,071
<b>Balance as at June 30, 2019</b>	806,283,980	329,410,997	216,299,071	106,800,000	(440,587,963)	(333,787,963)	1,018,206,085
Impact of change in accounting policy - note 4.1	-	-	-	-	(5,590,736)	(5,590,736)	(5,590,736)
Adjusted balance as at July 1, 2019	806,283,980	329,410,997	216,299,071	106,800,000	(446,178,699)	(339,378,699)	1,012,615,349
<b>Total comprehensive loss for the year ended June 30, 2020</b>							
Loss for the year	-	-	-	-	(692,679,476)	(692,679,476)	(692,679,476)
Other comprehensive income for the year - net of tax	-	(421,611)	-	-	6,741,228	6,741,228	6,319,617
	-	(421,611)	-	-	(685,938,248)	(685,938,248)	(686,359,859)
Transferred to unappropriated profit on account of incremental depreciation (net of tax) - note 23	-	(1,297,554)	-	-	1,297,554	1,297,554	-
Share issue costs	-	-	-	-	(4,000,635)	(4,000,635)	(4,000,635)
<b>Transaction with owners</b>							
Equity portion of loan - note 24 and 25	-	-	249,038,989	-	-	-	249,038,989
<b>Balance as at June 30, 2020</b>	806,283,980	327,691,832	465,338,060	106,800,000	(1,134,820,028)	(1,028,020,028)	571,293,844

The annexed notes from 1 to 56 form an integral part of these financial statements.

  
**TASLEEMUDDIN A. BATLAY**  
Director

  
**SHAHID AHMED KHAN**  
Chief Executive Officer

  
**MUHAMMAD AAQIL JAH**  
Chief Financial Officer

## Statement of Cash Flow

for the year ended June 30, 2020

	Note	2020 Rupees	2019 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash (used in) / generated from operations	43	(446,552,673)	268,351,592
Taxes paid - net		(26,970,098)	(40,808,954)
Financial charges paid		(279,062,766)	(139,737,911)
Net cash (used in)/generated from operating activities		(752,585,537)	87,804,727
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(97,496,861)	(778,302,619)
Proceeds from sale of property, plant and equipment	6.10	4,765,740	377,380
Long-term loans and advances		279,800	(17,512)
Long-term deposits		1,024,895	2,361,681
Net cash used in investing activities		(91,426,426)	(775,581,070)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long term financing		1,123,165,075	707,737,242
Repayment of long-term financing		(186,349,926)	(235,318,957)
Repayment of short term financing		(300,000,000)	(290,000,000)
Proceeds from short term financing (excluding running finance)		300,000,000	440,000,000
Principal paid on long term lease liabilities		(8,450,856)	-
Subscription against right issue, net of share issue cost		(4,000,635)	-
Ijarah lease rentals payment - net		(990,138)	(984,809)
Net cash generated from financing activities		923,373,520	621,433,476
Net increase/(decrease) in cash and cash equivalents		79,361,557	(66,342,867)
Cash and cash equivalents at beginning of the year		(858,560,910)	(792,218,043)
Cash and cash equivalents at end of the year		(779,199,353)	(858,560,910)
<b>CASH AND CASH EQUIVALENTS:</b>			
Cash and bank balances	20	9,335,125	4,140,242
Short-term running finance	30	(788,534,478)	(862,701,152)
		(779,199,353)	(858,560,910)

The annexed notes from 1 to 56 form an integral part of these financial statements.

  
**TASLEEMUDDIN A. BATLAY**  
Director

  
**SHAHID AHMED KHAN**  
Chief Executive Officer

  
**MUHAMMAD AAQIL JAH**  
Chief Financial Officer

# Notes to the Financial Statements

## for the year ended June 30, 2020

### 1. NATURE AND STATUS OF THE COMPANY

- 1.1 Merit Packaging Limited ("the Company") was incorporated on January 28, 1980 in Pakistan as a public limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) 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.
- 1.2 The Company incurred net loss after tax for the year ended June 30, 2020 amounting to Rs.692.679 million (2019: Rs.310.535 million loss) and its accumulated losses as at June 30, 2020 amounted to Rs. 1,134.820 million (2019: Rs.440.588 million). These losses have been supported through loans by the associated company from time to time. During the year ended June 30, 2020, the Company has obtained interest free loan from associated undertaking amounting to Rs. 1,100 million to meet its working capital requirement. The Company intends to review its operating costs and streamline operations to achieve profitability. As part of the restructuring of the business activities, the Company shall also consider any capital structuring alternatives.

### 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 5 Kilometer, Raiwind Manga Road, Near Glamour Adda, 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 Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

#### 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 have been 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.

Judgments and estimates made by the management that may have a significant risk of material adjustments to the financial statements in subsequent years are discussed in note 5.24.



## Notes to the Financial Statements

for the year ended June 30, 2020

### 3.3 Functional and presentation currency

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

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

#### 4.1 Standards / amendments that are effective in current year and are relevant to the Company

##### IFRS 16 - Leases

IFRS 16 'Leases' was issued on January 01, 2016. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective for accounting periods beginning on or after January 1, 2019. IFRS 16 replaced IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease'. The Company applied IFRS 16 with a date of initial application of July 01, 2019.

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Company does not have significant leasing activities acting as a lessor.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

Previously, the Company classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company and, therefore, charged leased payments to statement of profit or loss under operating leases.

On adoption of IFRS 16, the Company recognised a right-of-use asset and lease liability for all contracts that are or contain a lease at the commencement date except for short-term leases of 12 months or less and low value. Right-of-use assets are measured at their carrying amounts as if IFRS 16 had been applied since the commencement date of lease contract.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company used its incremental borrowing rate as the discount rate as at July 01, 2019.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Right-of-use assets are included in property, plant and equipment, the lease liability is shown separately as current and non-current in the statements of financial position, and interest on the lease liability is included in finance cost.

##### Transition method and practical expedients utilised

The Company applied IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (July 01, 2019), without restatement of comparative figures.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- applied a single discount rate to a portfolio of leases with similar characteristics.

## Notes to the Financial Statements

for the year ended June 30, 2020

- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

On transition to IFRS 16, the Company recognised right-of-use assets, lease liabilities and deferred tax recognising the difference in retained earnings on the date of initial application as follows:

	<b>July 01, 2019</b>
Property, plant and equipment	
Right-of-use assets - Buildings	83,418,378
Deferred tax asset	2,283,540
Lease liabilities	
Non-current	(82,841,798)
Current	(8,450,856)
	(91,292,654)
Retained earnings	(5,590,736)

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

IAS 19	Employee benefits - Amendments regarding plan amendments, curtailments or settlements	January 01, 2019
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#### 4.2 Amendments that are effective in current year and not relevant to the Company

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

IFRS 8	Operating Segments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding long-term interests in associates and joint ventures	January 01, 2019
IFRS 14	Regulatory Deferral Accounts - Original issue	July 01, 2019

#### 4.3 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:

IFRS 3	Business Combinations - amendments to clarify the definition of a business	January 01, 2020
IFRS 3	Business Combinations - amendments updating a reference to the Conceptual Framework	January 01, 2022
IFRS 4	Insurance Contracts - Amendments regarding the expiry date of the deferral approach	January 01, 2023

# Notes to the Financial Statements

for the year ended June 30, 2020

		<b>Effective date (annual periods beginning on or after)</b>
IFRS 7	Financial Instruments: Disclosures - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020
IFRS 9	Financial Instruments - Amendments regarding the interaction of IFRS 4 and IFRS 9	January 01, 2023
IFRS 17	Insurance Contracts - Amendments to address concerns and implementation challenges that were identified after IFRS 17 was published	January 01, 2023
IAS 1	Presentation of Financial Statements - amendments regarding the definition of materiality	January 01, 2020
IAS 1	Presentation of Financial Statements - Amendments regarding the classification of liabilities	January 01, 2022
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors - amendments regarding the definition of materiality	January 01, 2020
IAS 16	Property, Plant and Equipment - Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use	January 01, 2020
IAS 39	Financial Instruments: Recognition and Measurement - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020

The annual improvements to IFRSs that are effective from the dates mentioned below against respective standards:

**Annual improvements to IFRSs (2018 – 2020) Cycle:**

IFRS 1	First-time Adoption of International Financial Reporting Standards	January 01, 2022
IFRS 9	Financial Instruments	January 01, 2022
IFRS 41	Agriculture	January 01, 2022

#### 4.4 Standards or interpretations not yet effective

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

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 17	Insurance Contracts

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

#### 5. 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.

# Notes to the Financial Statements

for the year ended June 30, 2020

## 5.1 Property, plant and equipment

### 5.1.1 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.

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.

### 5.1.2 Leased

#### a) Right of use assets

The right-of-use asset is initially measured at the amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of cost to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using straight line method from the date of commencement date to the earlier of the end of useful life of the right of use asset or the end of the lease term. The estimated useful lives of the right of use assets are determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by the impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

#### b) Lease liability

The lease liability is initially measured at the present value of the future lease payments over the lease term, discounted using the specific incremental borrowing rate. Subsequently lease liabilities are measured at amortized cost using the effective interest rate method.

It is remeasured when there is a change in future lease payments arising from a change in the rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

### 5.1.3 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

## Notes to the Financial Statements

### for the year ended June 30, 2020

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.

#### 5.2 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.

#### 5.3 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.

#### 5.4 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.

#### 5.5 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 allowance for expected credit losses is made against trade debts on the basis of lifetime expected credit loss model whereas debts considered irrecoverable are written off.

#### 5.6 Taxation

##### 5.6.1 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.

##### 5.6.2 Deferred

Deferred tax is recognized using the statement of financial position 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 reporting 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.

## Notes to the Financial Statements

for the year ended June 30, 2020

### 5.7 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.

### 5.8 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.

### 5.9 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.

### 5.10 Provisions

A provision is recognized in the statement of financial position 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.

### 5.11 Cash and bank balances

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

### 5.12 Impairment losses

The Company assesses at each reporting 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.

### 5.13 Financial instruments

#### 5.13.1 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, fair value through other comprehensive income and amortized cost. 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 as at statement of financial position date are carried at amortized cost.

# Notes to the Financial Statements

## for the year ended June 30, 2020

### Amortized cost

A financial asset is measured at amortized cost if it meets both the following conditions and is not designated as at fair value through profit or loss:

- (i) it is held with in a business model whose objective is to hold assets to collect contractual cash flows; and
- (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is initially measured at fair value plus transaction costs that are directly attributable to its acquisition.

### Impairment

The Company recognizes loss allowance for Expected Credit Losses (ECLs) on financial assets measured at amortized cost and contract assets. The Company measures loss allowance at an amount equal to lifetime ECLs.

Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

At each reporting date, the Company assesses whether the financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

### 5.13.2 Financial liabilities

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

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

### 5.14 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position 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.

### 5.15 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 reporting date. Foreign exchange differences are recognized in the statement of profit or loss.

### 5.16 Employee retirement benefits

#### 5.16.1 Defined benefit plan

The Company has a gratuity scheme for all its permanent employees who attain the minimum qualification

## Notes to the Financial Statements

for the year ended June 30, 2020

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, 2020 using the projected unit credit method (refer note 42). 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 statement of profit or loss.

### 5.16.2 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.

### 5.16.3 Compensated absences

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

### 5.17 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 is recognized when the Company has transferred control of the products to the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the products.
- 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.

### 5.18 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.

### 5.19 Dividend and appropriation to reserves

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

### 5.20 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.

### 5.21 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.



## Notes to the Financial Statements

for the year ended June 30, 2020

### 5.22 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.

### 5.23 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.

### 5.24 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:

#### 5.24.1 Defined benefit plan

Certain actuarial assumptions have been adopted as disclosed in note 42 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.

#### 5.24.2 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.

#### 5.24.3 Property, plant and equipment

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

#### 5.24.4 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 statement of profit or loss as provision/reversal.

## Notes to the Financial Statements

for the year ended June 30, 2020

### 6. PROPERTY, PLANT AND EQUIPMENT

Description	Leasehold land (note 6.1)	Building/ improvements on leasehold land	Plant and machinery (note 6.3)	Cylinder and dies	Furniture and fixtures	Vehicles	Office equipment	Computer equipment	Electrical installation	Right of use asset	Total
Rupees											
<b>Net carrying value basis</b>											
<b>year ended June 30, 2020</b>											
Opening net book value	307,999,980	194,924,895	1,739,976,632	51,694,768	5,180,088	10,776,079	3,150,827	8,283,880	51,596,282	-	2,373,583,431
Addition (at cost) (refer note 6.4)	-	72,515,813	678,373,659	15,407,450	-	-	82,692	266,500	-	83,418,378	850,064,492
Disposal (NBV)	-	-	(1,598,931)	-	-	(223,860)	-	-	(5,750,437)	-	(7,573,228)
Depreciation charged	-	(16,975,292)	(168,664,062)	(39,404,609)	(812,568)	(1,874,901)	(1,032,465)	(1,475,335)	(3,374,030)	(15,166,978)	(248,780,240)
Impairment charged (refer note 6.5)	-	-	(82,562,708)	-	-	-	-	-	-	-	(82,562,708)
<b>Closing net book value (refer note 6.2)</b>	<b>307,999,980</b>	<b>250,465,416</b>	<b>2,165,524,590</b>	<b>27,697,609</b>	<b>4,367,520</b>	<b>8,677,318</b>	<b>2,201,054</b>	<b>7,075,045</b>	<b>42,471,815</b>	<b>68,251,400</b>	<b>2,884,731,747</b>
<b>Gross carrying value basis</b>											
<b>year ended June 30, 2020</b>											
Cost / revalued amount	307,999,980	334,001,535	3,024,976,443	110,449,393	10,880,120	22,590,555	9,364,368	15,006,634	61,508,357	83,418,378	3,980,195,763
Accumulated depreciation	-	(81,202,900)	(762,553,287)	(82,751,784)	(6,512,600)	(13,913,237)	(7,163,314)	(7,931,589)	(18,976,342)	(15,166,978)	(996,172,031)
Accumulated impairment	-	(2,333,219)	(96,898,566)	-	-	-	-	-	(60,200)	-	(99,291,985)
<b>Closing net book value (refer note 6.2)</b>	<b>307,999,980</b>	<b>250,465,416</b>	<b>2,165,524,590</b>	<b>27,697,609</b>	<b>4,367,520</b>	<b>8,677,318</b>	<b>2,201,054</b>	<b>7,075,045</b>	<b>42,471,815</b>	<b>68,251,400</b>	<b>2,884,731,747</b>
Depreciation rate (% per annum)	-	2.50% to 3.33%	2.50% to 20%	33.33%	3.33% to 20%	3.33% to 25%	3.57% to 20%	5% to 33.33%	3.33% to 4%	16.67%	
<b>Net carrying value basis</b>											
<b>year ended June 30, 2019</b>											
Opening net book value	205,333,320	162,014,035	1,698,380,580	41,816,002	5,990,487	13,488,204	4,267,003	9,025,048	55,050,309	-	2,195,364,988
Addition (at cost)	-	43,425,404	139,078,633	32,567,840	-	491,000	109,200	857,792	150,000	-	216,679,869
Revaluation surplus	102,666,660	409,899	20,029,472	-	-	-	-	-	-	-	123,106,031
Disposal (NBV)	-	-	-	-	-	(344,281)	-	(8,375)	-	-	(352,656)
Depreciation charged	-	(10,924,443)	(117,512,053)	(22,689,074)	(810,399)	(2,858,844)	(1,225,376)	(1,590,585)	(3,604,027)	-	(161,214,801)
<b>Closing net book value (refer note 6.2)</b>	<b>307,999,980</b>	<b>194,924,895</b>	<b>1,739,976,632</b>	<b>51,694,768</b>	<b>5,180,088</b>	<b>10,776,079</b>	<b>3,150,827</b>	<b>8,283,880</b>	<b>51,596,282</b>	<b>-</b>	<b>2,373,583,431</b>
<b>Gross carrying value basis</b>											
<b>year ended June 30, 2019</b>											
Cost / revalued amount	307,999,980	261,485,722	2,348,860,097	95,041,943	10,880,120	23,273,555	9,281,676	14,740,134	67,697,168	-	3,139,260,395
Accumulated depreciation	-	(64,227,608)	(594,547,607)	(43,347,175)	(5,700,032)	(12,497,476)	(6,130,849)	(6,456,254)	(16,040,686)	-	(748,947,687)
Accumulated impairment	-	(2,333,219)	(14,335,858)	-	-	-	-	-	(60,200)	-	(16,729,277)
<b>Net book value</b>	<b>307,999,980</b>	<b>194,924,895</b>	<b>1,739,976,632</b>	<b>51,694,768</b>	<b>5,180,088</b>	<b>10,776,079</b>	<b>3,150,827</b>	<b>8,283,880</b>	<b>51,596,282</b>	<b>-</b>	<b>2,373,583,431</b>
Depreciation rate (% per annum)	-	2.50% to 3.33%	2.50% to 20%	33.33%	3.33% to 20%	3.33% to 25%	3.57% to 20%	5% to 33.33%	3.33% to 4%	-	

- 6.1 This leasehold land of 17,111 square yards is located at Sector 29, Korangi Industrial Township, Karachi.
- 6.2 The cost of fully depreciated assets which are still in use as at June 30, 2020 is Rs. 140.474 million (2019: 74.569 million) having written down value of Rs. 5.971 million (2019: Rs. 2.665 million).
- 6.3 Plant and machinery includes capital spares amounting to Rs. 293.668 million (2019: 264.260 million) having written down value of Rs. 211.688 million (2019: 221.754 million).
- 6.4 These additions include transfer from capital work in progress amounting to Rs. 766.646 million
- 6.5 The management has evaluated the physical condition of old machines and due to technical obsolescence and wear tear of the old machines, the Company has recorded impairment on these machines on the basis of recoverable amount being less than carrying amount.

## Notes to the Financial Statements

for the year ended June 30, 2020

	Note	2020 Rupees	2019 Rupees
6.6 The depreciation charge for the year has been allocated as follows:			
Cost of sales	34	245,772,314	157,565,254
General and administrative expenses	35	2,119,813	2,530,648
Selling and distribution expenses	36	888,113	1,118,899
		248,780,240	161,214,801

- 6.7 The Company has revalued its leasehold land, building and improvement on leasehold land and plant and machinery on September 01, 2004, June 25, 2009, June 30, 2012, May 27, 2016 and July 2, 2018 by an independent valuer M/s. Akbani & 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.

Revaluation surplus amounting to Rs. 328.113 million (2019: Rs. 329.411 million) includes revaluation surplus on land which is remain undepreciated as at June 30, 2020.

- 6.8 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	
	2020 Rupees	2019 Rupees
Leasehold land	608,737	608,737
Building / Improvements on leasehold land	246,369,343	190,511,076
Plant and machinery	2,140,462,132	1,792,363,871
	2,387,440,212	1,983,483,684

### 6.9 Fair value measurement

- 6.9.1 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.

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

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

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

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

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

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

## Notes to the Financial Statements

for the year ended June 30, 2020

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

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

	2020 Rupees	2019 Rupees
Opening balance (level 3 recurring fair values)	1,739,976,632	1,698,380,580
Additions - Cost	678,373,659	139,078,633
Disposals (NBV)	(1,598,931)	-
Revaluation surplus	-	20,029,472
Depreciation charge	(168,664,062)	(117,512,053)
Impairment charged	(82,562,708)	-
Closing balance (level 3 recurring fair values)	2,165,524,590	1,739,976,632

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

6.10 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
Electrical installation	6,188,811	438,374	5,750,437	4,142,906	Sale - Negotiation	Universal Packaging
Plant and machinery	2,257,314	658,383	1,598,931	398,974	Sale - Negotiation	Universal Packaging
Computer equipment	683,000	459,140	223,860	223,860	Sale - Employee	Syed Asfan Ali
Total - 2020	9,129,125	1,555,897	7,573,228	4,765,740		
Total - 2019	1,426,500	1,073,844	352,656	377,380		

	2020 Rupees	2019 Rupees
<b>7. CAPITAL WORK-IN-PROGRESS</b>		
This comprises of:		
Civil works	-	34,272,197
Plant and machinery	-	634,877,074
	7.1	669,149,271
<b>7.1 Movement of carrying amount</b>		
Opening balance	669,149,271	107,526,521
Additions (at cost)	97,496,843	778,302,619
Transfer to property, plant and equipment	(766,646,114)	(216,679,869)
Closing balance	-	669,149,271

## Notes to the Financial Statements

for the year ended June 30, 2020

7.2 This includes borrowing cost capitalized amounting to Rs. 1.422 million (2019: Rs. 50.923 million) as per IAS 23. The rate of capitalization is 14.08% (2019: 10.23%) per annum.

		2020 Rupees	2019 Rupees
<b>8. INTANGIBLE ASSETS</b>			
<b>Net carrying value basis</b>			
Opening book value		822,709	1,091,654
Additions (at cost)		-	-
Amortisation charged	8.1	(248,612)	(268,945)
Closing net book value		574,097	822,709
<b>Gross carrying value basis</b>			
Cost		6,475,877	6,475,877
Accumulated amortisation		(5,901,780)	(5,653,168)
Net book value		574,097	822,709
Amortisation rate per annum		20%	20%
<b>8.1 The amortisation for the year has been allocated as follows:</b>			
Cost of sales	34	80,152	80,151
General and administrative expenses	35	123,537	143,871
Selling and distribution expenses	36	44,923	44,923
		248,612	268,945
<b>9. LONG-TERM LOANS</b>			
(Secured - considered good)			
Loans			
Due from employees	9.1	361,350	761,150
Current portion shown under current assets	15	(109,800)	(229,800)
		251,550	531,350
9.1 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.			
9.2 Chief Executive Officer and Directors have not taken any loans / advances from the Company.			
<b>10. LONG-TERM DEPOSITS</b>			
Power and fuel		4,995,727	4,995,727
Deposit against Ijarah finance		166,896	282,480
Others	10.1	5,018,950	6,016,930
		10,181,573	11,295,137
10.1 These deposits do not carry any interest or markup and are not recoverable within one year.			

## Notes to the Financial Statements

for the year ended June 30, 2020

	Note	2020 Rupees	2019 Rupees
<b>11. DEFERRED TAXATION</b>			
Deferred taxation comprises of:			
Taxable temporary differences:			
Surplus on revaluation of fixed assets	23	8,291,772	8,993,960
Accelerated tax depreciation allowance		327,329,233	271,665,430
Employee retirement benefit		1,442,605	-
Gross deferred tax liabilities		(337,063,610)	(280,659,390)
Deductible temporary differences:			
Unabsorbed tax depreciation		431,867,748	316,141,763
Lease liability under right of use assets		24,024,123	-
Turnover tax		155,465,583	127,172,151
Tax credit		17,179,647	67,759,863
Employee retirement benefit		-	1,310,854
Provision for slow moving and obsolete items		1,590,805	1,499,252
Provision for doubtful debts		1,425,515	1,421,137
Provision for compensated absences		377,766	455,763
Gross deferred tax assets		631,931,187	515,760,783
	11.2	294,867,577	235,101,393
Deferred tax asset not recognized		(120,776,528)	(137,474,121)
		174,091,049	97,627,272

11.1 Total deferred tax asset arising due to timing difference calculated at applicable tax rates as at reporting date amounted to Rs. 294.868 million (2019: Rs. 235.101 million) debit. Out of this balance, deferred tax asset amounting to Rs. 120.777 million (2019: Rs. 137.474 million) has not been recognized in these financial statements in accordance with the stated accounting policy of the Company.

11.2 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 of the tax year 2019 at a rate of 10% under section 65B of Income Tax Ordinance, 2001 amounting to Rs. 17.180 million (2019: Rs. 57.458 million), which is carried forward and adjustable against next year's tax liabilities.

## 12. STORES AND SPARES

Stores			
In hand		20,024,479	17,003,799
In transit		11,684	407,611
		20,036,163	17,411,410
Spares			
In hand		62,471,664	50,123,785
In transit		1,528	3,651,988
		62,473,192	53,775,773
		82,509,355	71,187,183
Provision for slow moving and obsolete stores and spares	12.1	(4,358,347)	(4,070,720)
		78,151,008	67,116,463

12.1 Provision for slow moving and obsolete stores and spares comprises:

Balance at beginning of the year		4,070,720	3,941,118
Provision for the year		287,627	129,602
Balance at end of the year		4,358,347	4,070,720

## Notes to the Financial Statements

for the year ended June 30, 2020

	Note	2020 Rupees	2019 Rupees
<b>13. STOCK-IN-TRADE</b>			
Raw materials			
In hand		324,750,116	358,155,318
In transit		263,875	29,541,884
		325,013,991	387,697,202
Packing materials		9,770,249	4,774,780
		334,784,240	392,471,982
Provision for slow moving and obsolete stock in trade	13.1	(1,127,187)	(1,099,114)
		333,657,053	391,372,868
Work-in-process	34	56,988,232	83,030,582
Finished goods	34	129,798,926	72,983,743
		520,444,211	547,387,193
<b>13.1 Provision for slow moving and obsolete stock in trade comprises:</b>			
Balance at beginning of the year		1,099,114	1,073,348
Provision for the year		28,073	25,766
Balance at end of the year		1,127,187	1,099,114
<b>14. TRADE DEBTS</b>			
(Unsecured - considered good)			
Due from associated companies	14.1	39,732,754	17,011,279
Others		507,781,186	389,742,843
		547,513,940	406,754,122
Considered doubtful		4,915,570	4,900,473
Allowance for expected credit losses	14.4	(4,915,570)	(4,900,473)
		547,513,940	406,754,122
<b>14.1 This comprises amounts receivable from:</b>			
Century Paper and Board Mills Limited		4,521,038	4,917,528
GAM Corporation (Private) Limited		-	2,457,323
SIZA Foods (Private) Limited		1,135,596	1,318,367
Colgate-Palmolive (Pakistan) Limited		33,229,460	8,318,061
Caraway (Private) Limited		846,660	-
		39,732,754	17,011,279
<b>14.2 The aging of related party balances at the balance sheet date is as follows:</b>			
Not past due		4,918,039	7,532,461
Past due 1-30 days		33,679,119	9,478,818
Past due 30-90 days		-	-
Past due over 90 days		1,135,596	-
		39,732,754	17,011,279

## Notes to the Financial Statements

for the year ended June 30, 2020

14.3 The maximum amount due from related parties at the end of any month during the year was Rs. 43.075 million (2019: Rs. 92.232 million).

		2020 Rupees	2019 Rupees
<b>14.4 Allowance for expected credit losses</b>			
Balance at beginning of the year		4,900,473	3,258,003
Charge during the year - net	38	15,097	4,919,645
Bad debts written off		-	(3,277,175)
Balance at end of the year		4,915,570	4,900,473
<b>15. LOANS AND ADVANCES</b>			
Loans (Secured - considered good)			
Current portion of long-term loans	9.	109,800	229,800
Advances (Unsecured - considered good)			
To employees	15.1	324,207	659,924
To suppliers	15.2	12,628,496	6,173,420
		12,952,703	6,833,344
		13,062,503	7,063,144

15.1 These advances are granted to employees of the Company which do not carry mark-up in accordance with their terms of employment.

15.2 This represents advances to suppliers in the normal course of business and does not carry any interest or mark-up.

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

### 16. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Security deposits	16.1	267,000	306,904
Prepayments	16.2	1,160,000	1,215,820
		1,427,000	1,522,724

16.1 This represents short term deposits in the normal course of business and does not carry any interest or mark-up.

16.2 This includes prepaid insurance premium of Rs. 1.1 million (2019: Rs. 1.105 million) to M/s Century Insurance Company Limited, an associated company.

### 17. OTHER RECEIVABLES

(Unsecured-considered good)			
Due from associated company	17.1	48,582	635,318
Receivable from gratuity fund	42.1.1	1,346,673	-
Others		-	236,575
		1,395,255	871,893

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



## Notes to the Financial Statements

for the year ended June 30, 2020

	2020 Rupees	2019 Rupees
<b>18. TAX REFUND DUE FROM GOVERNMENT</b>		
Sales tax and special excise duty receivable	281,761,229	271,736,690
Income tax refundable	163,597,180	122,788,227
	<u>445,358,409</u>	<u>394,524,917</u>
<b>19. TAXATION - NET</b>		
Advance tax	26,970,098	40,808,954
Provision for taxation	40	-
	<u>26,970,098</u>	<u>40,808,954</u>

19.1 The income tax assessments of the Company have been finalised by the tax authorities upto Tax Year 2019 (accounting year ended June 30, 2019).

<b>20. CASH AND BANK BALANCES</b>		
Cash in hand	1,885,378	1,748,579
Cash with banks in current accounts	7,449,747	2,391,663
	<u>9,335,125</u>	<u>4,140,242</u>

<b>21. AUTHORIZED SHARE CAPITAL</b>				
Number of ordinary shares of Rs.10/- each				
<b>2020</b>	<b>2019</b>			
200,000,000	100,000,000	Ordinary shares of Rs. 10/- each	2,000,000,000	1,000,000,000

<b>22. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>				
Number of ordinary shares of Rs.10/- each				
<b>2020</b>	<b>2019</b>			
77,775,551	77,775,551	Fully paid in cash	777,755,510	777,755,510
2,852,847	2,852,847	Issued as bonus shares fully paid	28,528,470	28,528,470
<u>80,628,398</u>	<u>80,628,398</u>		<u>806,283,980</u>	<u>806,283,980</u>
46,312,710	46,312,710	Shares held by associated undertakings	463,127,100	463,127,100

22.1 The Company has one class of ordinary shares which carry no rights to fixed income. The holders of shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meeting of the Company. All shares rank equally with regard to the Company's residual assets.

## Notes to the Financial Statements

for the year ended June 30, 2020

	Note	2020 Rupees	2019 Rupees
<b>23. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>			
<b>Gross surplus</b>			
Balance as at July 01,		338,404,957	217,231,020
Net surplus recognised during the year	23.1	-	123,106,031
Transfer to unappropriated profit in respect of incremental depreciation charged during the year - (net of deferred tax)		(1,297,554)	(1,371,787)
Related deferred tax impact		(529,981)	(560,307)
		(1,827,535)	121,173,937
Transfer in respect of impairment on property, plant and equipment during the year - (net of deferred tax)		(421,611)	-
Related deferred tax impact		(172,207)	-
		(593,818)	
Surplus on revaluation of fixed assets as at June 30,		335,983,604	338,404,957
Related deferred tax effect:			
Balance as at July 01,		(8,993,960)	(3,626,873)
Effect of surplus recognized during the year		-	(5,927,394)
Impairment charge during the year		172,207	
Incremental depreciation charge during the year		529,981	560,307
	11	(8,291,772)	(8,993,960)
		327,691,832	329,410,997
<b>23.1 Surplus recognized during the year on:</b>			
Leasehold land		-	102,666,660
Building / Improvements on leasehold land		-	409,900
Plant and machinery		-	20,029,471
		-	123,106,031
<b>23.2</b> 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.			
<b>24. SUBORDINATED LOAN - UNSECURED</b>			
From associated company	24.1	93,083,866	80,224,542
<b>24.1</b> In previous years, the Company obtained loan from Siza (Private) Limited , an associated company, for the purpose of financing the capital expenditure requirement and to support the working capital and for funding business operational activities.			
<b>24.2</b> During the year ended June 30, 2019, this subordinated loan was restructured, resulting in waiver of markup payment. The waiver in the payment of markup has been provided for a period of three years from the date of the agreement, resulting in reduction in face value of this financial loan instrument, due to presence of a below market element. This financial loan instrument has now been measured at amortized cost, determined by discounting future cash flows with the prevailing market rate at 7.43% per annum, which is determined to be the transaction price at which a similar transaction could be executed between unrelated parties.			

## Notes to the Financial Statements

for the year ended June 30, 2020

24.3 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	2020 Rupees	2019 Rupees
<b>25. LONG TERM FINANCING</b>			
<b>Secured</b>			
<b>From banking companies</b>			
Al-Baraka Bank (Pakistan) Limited		71,410,271	103,371,392
Dubai Islamic Bank Pakistan Limited		500,388,266	549,733,256
Habib Bank Limited	25.1	110,239,630	132,459,097
BankIslami Pakistan Limited		100,000,000	125,000,000
JS Bank Limited		56,650,000	77,250,000
United Bank Limited - Ameen		79,015,347	95,140,928
Less: Current portion shown under current liabilities	31	(95,224,129)	(269,084,199)
	25.2	822,479,385	813,870,474
<b>Unsecured</b>			
Opening balance		547,952,688	440,000,000
Financing obtained during the year		1,100,000,000	250,000,000
		1,647,952,688	690,000,000
Add : Notional mark up		68,896,594	47,034,854
Less : Present value adjustment		(256,893,570)	(189,082,166)
	25.3	1,459,955,712	547,952,688
		2,282,435,097	1,361,823,162

25.1 The Company has approved term finance facility from Habib Bank Limited under Refinancing Scheme of the State Bank of Pakistan amounting to Rs. 23.165 million specifically for paying salaries and wages to Company's employees. The Company has made drawdown of Rs. 23.165 million in June 2020. The tenor of the financing is two and quarter year inclusive 6-Months grace period and are repayable in 8 equal quarterly installments commencing from January 2021.

This loan is secured against first pari passu charge on specific property, plant and equipments of the Company.

25.2 These loans have been obtained from financial institutions (loan excluding as defined in note 25.1) 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 13.55% to 15.06% (2019: 9.64% to 10.57%) payable quarterly. The tenure of these financing facilities is five to six years including one year grace period.

25.3 These loans have been obtained from associated undertakings amounting to an aggregate of Rs. 1,790 million (2019: Rs. 690 million) for the purpose of financing the capital expenditure requirement and to support the working capital and for funding business activities. The interest on these loans has been waived for a period of three years from the date of the agreements, resulting in reduction in face value of this loan, due to presence of a below market element. These loans have been measured at amortized cost, determined by discounting future cash flows with the prevailing market rate ranging from 7.43% to 14.36% per annum, which is determined to be the transaction price at which a similar transaction could be executed between unrelated parties.

## Notes to the Financial Statements

for the year ended June 30, 2020

	Note	2020 Rupees	2019 Rupees
<b>26. LONG TERM LEASE LIABILITY</b>			
Lease liability under right of use assets	26.1	82,841,798	-
Less: Current portion		(11,369,280)	-
		71,472,518	-
Maturity analysis-contractual cash flow			
Less than one year		11,369,280	-
One to five year		71,472,518	-
More than five year		-	-
<b>Total lease liability</b>		<b>82,841,798</b>	<b>-</b>
26.1 When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate which is 14% per annum.			
<b>27. DEFERRED CAPITAL GRANT</b>			
Capital Grant	27.1	2,066,308	-
27.1 During the year, the Company received term finance facility from Habib Bank Limited under Refinancing Scheme of the State Bank of Pakistan amounting to Rs. 23.165 million specifically for paying salaries and wages to Company's employees. The tenor of the financing is two and quarter year inclusive 6-Months grace period and are repayable in 8 equal quarterly installments commencing from January 2021. Subsequent to year end, ICAP issued the guidance for accounting of said financing through circular No. 11/2020, and based on this, the Company recognized the Deferred Capital Grant in accordance with the requirements of 'IAS 20-Accounting for Government Grants and Disclosure of Government Assistance'.			
<b>28. TRADE AND OTHER PAYABLES</b>			
Creditors	28.1	551,704,089	744,237,276
Accrued liabilities		32,102,950	70,327,354
Payable to gratuity fund	42.1.1	-	6,984,076
Advances from customers		7,896,569	3,270,081
Workers' Welfare Fund		250,956	250,956
Others		1,112,260	1,107,403
		593,066,824	826,177,146
28.1 This includes an amount of Rs. 0.662 million (2019: Rs. 0.168) payable in foreign currency equivalent to Pak Rupees and amount payable to associated companies amounting to Rs. 420.732 million (2019: Rs. 535.726 million).			
<b>29. MARK-UP ACCRUED</b>			
Mark-up accrued on :			
Short-term borrowings		27,712,562	32,800,544
Long term financing		26,752,529	21,617,192
		54,465,091	54,417,736

## Notes to the Financial Statements

for the year ended June 30, 2020

	Note	2020 Rupees	2019 Rupees
<b>30. SHORT-TERM BORROWINGS</b>			
From banking companies - secured			
Running finance	30.1	788,534,478	862,701,152
From associated company - unsecured	30.2	150,000,000	50,000,000
From Director's spouse - unsecured	30.3	-	100,000,000
		938,534,478	1,012,701,152

30.1 The Company has short term running finance facilities from various banks under mark-up arrangements in aggregate amount of Rs. 1,170 million (2019: Rs. 1,170 million) having mark-up at rates ranging from 13.61% to 15.70% (2019: 9.84% to 11.33%) per annum calculated on a daily product basis and payable quarterly. The unutilized balance at the end of the year was Rs. 381.468 million (2019: Rs. 307.299 million).

The Company also has a facility for opening letters of credit under mark-up arrangements as at June 30, 2020 amounting to Rs. 445 million (2019: Rs. 490 million) from various commercial banks. The unutilized balance at the end of the year was Rs. 445 million (2019: Rs. 490 million).

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

30.2 This short-term borrowing facility (interest free loan) was obtained from an associated company.

30.3 This short-term borrowing facility (interest free loan) was obtained from Director's spouse and repaid during the year ended June 30, 2020.

### 31. CURRENT PORTION OF LONG TERM-FINANCING

Current portion	25	95,224,129	269,084,199
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### 32. CONTINGENCIES AND COMMITMENTS

#### 32.1 Contingencies

In past years, K-Electric offered Industry Support Package (ISPA) to facilitate industries. It provided relief to industrial consumers during off-peak hours under the industrial support package until it received directives/clarification from Ministry of Energy on January 22, 2020 to discontinue the same and adjust the impact with effect from July 2019. After this withdrawal, K-Electric accordingly billed previous arrears relating to July to December 2019 amounting to Rs. 6.688 million.

The Company has filed an application in High Court against the above mentioned directive. Based on appeal filed by the Company, the High Court of Sindh provided the stay order for nonpayment of above mentioned arrears.

No provision has been made in these financial statements for off peak consumption as the management is of the opinion, based on advice of legal advisor that the Company is not liable to pay and expects that the decision is likely to be in the favor of the Company.

#### 32.2 Commitments

The Company was committed as at the reporting date as follows:

- Stores, spares and raw materials under contractual obligation		21,527,344	9,481,633
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The amount of future Ijarah rentals for Ijarah financing and the period in which these payments will become due are as follows:

## Notes to the Financial Statements

for the year ended June 30, 2020

	Note	2020 Rupees	2019 Rupees
Not later than one year		1,169,736	1,167,672
Later than one year and not later than five years		968,712	2,180,093
		2,138,448	3,347,765
<b>33. SALES - NET</b>			
Gross sales			
Local sales		2,510,950,404	3,340,883,792
Export Sales	33.1	7,936,671	-
		2,518,887,075	3,340,883,792
Sales tax		(360,500,810)	(481,045,771)
		2,158,386,265	2,859,838,021

33.1 Following are the details of export sales:

Jurisdiction	Amount	Type
Mauritius	2,176,920	Contract through purchase / sale orders
Afghanistan	5,759,751	Contract through purchase / sale orders

### 34. COST OF SALES

Materials consumed		1,738,519,148	2,273,140,447
Salaries, wages and other benefits	34.1	155,579,498	167,580,446
Packing material consumed		53,843,083	60,105,385
Outsourced services		15,734,720	29,515,674
Stores and spares consumed		49,244,864	42,394,499
Power and fuel		80,003,720	95,672,299
Depreciation	6.6	245,772,314	157,565,254
Amortisation	8.1	80,152	80,151
Rent, rates and taxes		8,649,671	27,449,264
Repairs and maintenance		14,714,959	13,540,928
Vehicle running expenses		1,847,280	2,561,001
Insurance		18,051,683	14,840,892
Ijarah lease rentals		289,077	379,898
Printing and stationery		482,004	883,764
Communication charges		1,765,398	1,668,887
Travelling and conveyance		1,489,376	2,097,094
Fees and subscription		956,505	609,790
Software license fee		454,286	1,004,515
Other expenses		383,709	603,184
Manufacturing cost		2,387,861,447	2,891,693,372
Opening work-in-process		83,030,582	61,445,937
Closing work-in-process	13	(56,988,232)	(83,030,582)
		26,042,350	(21,584,645)
Cost of goods manufactured		2,413,903,797	2,870,108,727
Opening stock of finished goods		72,983,743	57,413,989
Closing stock of finished goods	13	(129,798,926)	(72,983,743)
		(56,815,183)	(15,569,754)
		2,357,088,614	2,854,538,973

## Notes to the Financial Statements

for the year ended June 30, 2020

34.1 Salaries and other benefits include Rs. 8.262 million (2019: Rs. 7.297 million) in respect of staff retirement benefits.

	Note	2020 Rupees	2019 Rupees
<b>35. GENERAL AND ADMINISTRATIVE EXPENSES</b>			
Salaries and other benefits	35.1	68,450,848	68,459,901
Depreciation	6.6	2,119,813	2,530,648
Amortisation	8.1	123,537	143,871
Rent, rates and taxes		818,734	1,170,222
Repairs and maintenance		2,434,617	1,863,645
Ijarah lease rentals		701,061	604,911
Vehicle running expenses		3,554,273	3,213,402
Insurance		821,365	508,220
Printing and stationery		695,507	966,519
Communication charges		2,101,380	1,950,680
Travelling and conveyance		1,278,772	1,973,498
Fees and subscription		1,331,818	1,009,687
Software license fee		594,660	1,096,858
Service fee to associated company		1,751,163	1,933,572
Electricity charges		603,129	270,269
Others		1,580,324	1,757,780
		<b>88,961,001</b>	<b>89,453,683</b>

35.1 Salaries and other benefits include Rs. 3.955 million (2019: Rs. 4.24 million) in respect of staff retirement benefits.

### 36. SELLING AND DISTRIBUTION EXPENSES

Salaries and other benefits	36.1	12,613,100	11,600,060
Depreciation	6.6	888,113	1,118,899
Amortisation	8.1	44,923	44,923
Repairs and maintenance		739,533	685,970
Vehicle running expenses		1,666,667	1,590,133
Insurance		213,922	276,417
Printing and stationery		112,118	185,328
Communication charges		834,554	804,054
Travelling and conveyance		610,036	1,601,374
Software license fee		174,886	456,598
Advertisement		31,730	15,800
Cartage outward		25,041,708	21,653,427
Others		151,857	162,907
		<b>43,123,147</b>	<b>40,195,890</b>

36.1 Salaries and other benefits include Rs. 0.856 million (2019: Rs. 0.677 million) in respect of staff retirement benefits.

## Notes to the Financial Statements

for the year ended June 30, 2020

	Note	2020 Rupees	2019 Rupees
<b>37. OTHER INCOME</b>			
Insurance agency commission from associated company		2,659,704	2,421,803
Scrap sales		859,736	4,644,277
Gain on disposal of property, plant and equipment		-	24,724
		<b>3,519,440</b>	<b>7,090,804</b>
<b>38. OTHER OPERATING EXPENSES</b>			
Legal and professional charges		2,309,786	1,988,060
Auditors' remuneration:			
Statutory audit		405,950	405,950
Special reports and sundry services		202,595	229,940
Out-of-pocket expenses		137,000	258,315
		745,545	894,205
Director fees		800,000	575,000
Loss on disposal of property, plant and equipment		2,807,488	-
Foreign exchange loss	38.1	515,626	65,039
Allowance for expected credit losses	14.4	15,097	4,919,645
Impairment loss	6.5	81,968,890	-
Brokerage and commission		-	832,500
		<b>89,162,432</b>	<b>9,274,449</b>
38.1 Exchange loss is incurred from actual currency translation.			
<b>39. FINANCIAL CHARGES</b>			
Mark-up / interest on:			
Sub-ordinated loan		5,004,745	7,441,447
Long-term financing		204,668,505	107,444,545
Short-term borrowings		128,647,752	107,552,654
Finance charges on leases		12,278,394	-
		350,599,396	222,438,646
Bank charges and commission		2,412,065	1,483,962
		<b>353,011,461</b>	<b>223,922,608</b>
<b>40. TAXATION</b>			
Current	19	-	-
Prior		-	-
Deferred		(76,761,474)	(39,920,867)
		<b>(76,761,474)</b>	<b>(39,920,867)</b>

40.1 The current year's tax liability on the basis of turnover tax of the Company amounting to Rs. 32.708 million (2019: Rs. 36.097 million). This has been fully adjusted against available tax credit of Rs. 63.327 million (2019: Rs. 103.857 million) under section 65B of prior years.



## Notes to the Financial Statements

for the year ended June 30, 2020

### 40.2 Comparison of tax provision against tax assessments

Tax / Financial Years		Tax provision	Tax assessment /
		Rupees	Tax return Rupees
2018-19	40.2.1	-	(53,308,953)
2017-18	40.2.2	-	(35,888,322)
2016-17	40.2.3	-	(27,966,961)

40.2.1 Tax liability for Tax Year 2019 amounting to Rs. 36.097 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 deducted / paid during the tax year.

40.2.2 Tax liability for Tax Year 2018 amounting to Rs. 30.900 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 deducted / paid during the tax year.

40.2.3 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 deducted / paid during the tax year.

40.3 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.

40.4 The applicable income tax rate for Tax Year 2019 was reduced to 29% 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 provisions made to Income Tax Ordinance, 2001 through Finance Act 2019, applicable to the expected period when temporary differences are expected to be reversed / utilised.

	Note	2020	2019
		Rupees	Rupees
<b>41. LOSS PER SHARE - BASIC AND DILUTED</b>			
Loss for the year (Rupees)		(692,679,476)	(310,535,911)
Weighted average number of ordinary shares outstanding		80,628,398	80,628,398
Loss per share - basic and diluted (Rupees)		(8.59)	(3.85)

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

### 42. RETIREMENT BENEFIT

#### 42.1 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, 2020, using the Projected Unit Credit Actuarial Cost Method.

The Company faces the following risks on account of gratuity:

Salary Increase Risk - The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Longevity Risks - The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

## Notes to the Financial Statements

for the year ended June 30, 2020

Withdrawal Risk - The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

Investment Risks - The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

	Note	2020 Rupees	2019 Rupees
<b>42.1.1 Liability recognised in statement of financial position</b>			
Fair value of plan assets	42.1.3	57,947,830	48,731,981
Present value of defined benefit obligation	42.1.4	(56,601,157)	(55,716,057)
Closing net asset / (liability)	17 & 28	1,346,673	(6,984,076)
<b>42.1.2 Movement of the liability recognized in the statement of financial position</b>			
Opening net liability		(6,984,076)	(6,555,526)
Charge for the year	42.1.5	(7,127,828)	(5,463,890)
Remeasurement losses recognized in other comprehensive income	42.1.6	9,494,687	(1,176,745)
Contribution made during the year		5,963,890	6,212,085
Closing net asset / (liability)		1,346,673	(6,984,076)
<b>42.1.3 Movement in the fair value of plan assets</b>			
Fair value as at July 01		48,731,981	48,066,503
Expected return on plan assets	42.1.5	7,190,235	4,222,923
Remeasurement - Actuarial losses	42.1.6	(1,425,999)	(1,267,170)
Contribution by the employer		5,963,890	6,212,085
Benefits paid	42.1.4	(2,512,277)	(8,502,360)
Fair value as at June 30	42.1.1	57,947,830	48,731,981
<b>42.1.4 Movement in the present value of defined benefit obligation</b>			
Obligation as at July 01		(55,716,057)	(54,622,029)
Current service cost	42.1.5	(6,557,525)	(5,089,816)
Interest cost	42.1.5	(7,760,538)	(4,596,997)
Remeasurement - Actuarial gains	42.1.6	10,920,686	90,425
Benefits paid	42.1.3	2,512,277	8,502,360
Obligation as at June 30	42.1.1	(56,601,157)	(55,716,057)
<b>42.1.5 Expenses recognised in statement of profit or loss</b>			
Current service cost	42.1.4	6,557,525	5,089,816
Interest cost	42.1.4	7,760,538	4,596,997
Expected return on plan assets	42.1.3	(7,190,235)	(4,222,923)
Expense for the year	42.1.2	7,127,828	5,463,890
Actual return on plan assets		5,764,236	2,955,753

## Notes to the Financial Statements

for the year ended June 30, 2020

	Note	2020 Rupees	2019 Rupees
<b>42.1.6 Remeasurement gain / (losses) recognized in other comprehensive income</b>			
Remeasurement gain on defined benefit obligation	42.1.4	10,920,686	90,425
Remeasurement losses on plan assets	42.1.3	(1,425,999)	(1,267,170)
Remeasurement gains / (losses)	43.1.2	9,494,687	(1,176,745)

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

	2020		2019	
	Rupees	Percentage	Rupees	Percentage
Debt	28,281,185	49%	28,371,238	58%
Equity and Mutual fund	13,288,096	23%	10,018,360	21%
Cash with banks	16,378,549	28%	10,342,382	21%
	57,947,830		48,731,980	

**42.1.8** The expected contribution to funded gratuity scheme for the year ending June 30, 2021 is Rs. 4.604 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.

	2020 Percentage	2019 Percentage
<b>42.1.9 Principal actuarial assumptions</b>		
Following were the significant actuarial assumptions used in the valuation:		
Valuation discount rate per annum	8.50%	14.25%
Valuation discount rate - Statement of profit or loss	14.25%	9.00%
Expected rate of return on plan assets per annum	8.50%	14.25%
Expected rate of increase in salary per annum (short term)	8.75%	14.50%
Expected rate of increase in salary per annum (long term)	8.50%	14.25%
<b>42.1.10 Sensitivity analysis</b>		
	<b>Rupees</b>	<b>Percentage</b>
Current liability	56,601,157	
+1% discount rate	51,841,256	-8.41%
-1% discount rate	62,199,221	9.89%
+1% salary increase rate	62,428,144	10.29%
-1% salary increase rate	51,562,224	-8.90%
+10% withdrawal rate	56,601,157	0.00%
-10% withdrawal rate	56,601,157	0.00%
1 year mortality age set back	56,601,157	0.00%
1 year mortality age set forward	56,601,157	0.00%

### 42.1.11 Maturity Profile

Year 1  
Year 2  
Year 3  
Year 4  
Year 5  
Year 6 to year 10  
Year 11 and above

#### Undiscounted Payments

2,173,549  
2,803,982  
7,811,802  
7,339,925  
3,892,599  
30,220,375  
111,172,260

## Notes to the Financial Statements

for the year ended June 30, 2020

### 42.2 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.

42.2.1 The Trustees have intimated that the size of the Fund as at December 31, 2019 was Rs. 120.53 million (2018: Rs. 111.20 million).

42.2.2 As intimated by the Trustees, the cost of the investment made at December 31, 2019 was Rs. 96.201 million (2018: Rs. 93.130 million) which is equal to 79.81% (2018: 83.75%) of the total fund size. The fair value of the investment was Rs. 99.205 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	53,128,800	44.08%
Mutual fund	40,701,140	33.77%
Cash with banks	5,375,042	4.46%

42.2.3 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	2020 Rupees	2019 Rupees
<b>43. CASH GENERATED FROM OPERATIONS</b>			
Loss before taxation		(769,440,950)	(350,456,778)
Adjustment for non-cash items and other items:			
Gain/(loss) on disposal of property, plant and equipment		2,807,488	(24,724)
Financial charges		353,011,461	223,922,608
Depreciation		248,780,240	161,214,801
Amortisation		248,612	268,945
Allowance for expected credit losses		15,097	4,919,645
Provision for slow moving stock and obsolete items		315,700	155,368
Impairment loss		81,968,890	-
Ijarah lease rentals		990,138	984,809
		688,137,626	391,441,452
Profit before working capital changes		(81,303,324)	40,984,674
Working capital changes	43.1	(365,249,349)	227,366,918
		(446,552,673)	268,351,592
<b>43.1 Working capital changes</b>			
(Increase) / decrease in current assets:			
Stores and spares		(11,322,172)	(11,745,289)
Stock-in-trade		26,914,909	(162,511,583)
Trade debts		(140,774,916)	197,913,605
Loans and advances		(5,999,359)	(3,660,346)
Trade deposits and short-term prepayments		95,724	123,431
Other receivables		(523,362)	(871,893)
Tax refund due from Government		(10,024,538)	(72,827,809)
		(141,633,714)	(53,579,884)
(Decrease) / increase in current liabilities:			
Trade and other payables (excluding unclaimed dividend)		(223,615,635)	280,946,802
		(365,249,349)	227,366,918

## Notes to the Financial Statements

for the year ended June 30, 2020

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

Description	Liabilities		Total
	Long Term Financing	Short Term Financing	
<b>Rupees</b>			
<b>Balance as at July 1, 2019</b>	1,711,131,903	50,000,000	1,761,131,903
Proceeds from long term financing	1,123,165,075	-	1,123,165,075
Repayment of long-term financing	(186,349,926)	-	(186,349,926)
Proceeds from short term financing	-	300,000,000	300,000,000
Repayment of short term financing	-	(300,000,000)	(300,000,000)
<b>Balance as at June 30, 2020</b>	<b>2,647,947,052</b>	<b>50,000,000</b>	<b>2,697,947,052</b>

#### 45. 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	2020	2019
			Rupees	Rupees
<b>Sales of goods, services and Reimbursement of expenses:</b>				
Colgate Palmolive Pakistan Limited	Associated company	Common Director	188,799,366	382,717,455
Century Paper & Board Mills Limited	Associated company	Common Director	47,752,116	30,667,046
GAM Corporation (Private) Limited	Associated company	Common Director	4,538,218	7,116,283
SIZA Foods (Private) Limited	Associated company	Common Director	3,941,641	6,333,579
Caraway (Private) Limited	Associated company	Common Director	1,446,443	-
<b>Purchase of goods, services and Reimbursement of expenses:</b>				
Century Paper & Board Mills Limited	Associated company	Common Director	1,516,420,992	1,677,637,889
Century Insurance Company Limited	Associated company	Common Director	26,427,465	24,535,493
Princeton Travels (Private) Limited	Associated company	Common Director	2,027,990	1,854,248
Lakson Business Solutions Limited	Associated company	Common Director	2,452,546	2,344,866
SIZA Services (Private) Limited	Associated company	Common Director		
SIZA (Private) Limited	Associated company	and 15.31% shares held	878,115	1,764,228
		and 9.70% shares held	202,336	170,109
Sybrid (Private) Limited	Associated company	Common Director	150,089	191,359
Cyber Internet Services (Private) Limited	Associated company	Common Director	719,344	631,592
Express Publication (Private) Limited	Associated company	Common Management	83,430	93,818
Central Depository Company Of Pakistan Limited	Associated company	Common Director	576,300	474,600
<b>Rent &amp; Other Allied Charges</b>				
Hassanali & Gulbano Lakhani Foundation	Associated company	Trustee	265,381	359,195
<b>Insurance Agency Commission</b>				
Century Insurance Company Limited	Associated company	Common Director	2,659,704	2,421,803

## Notes to the Financial Statements

for the year ended June 30, 2020

Nature of transaction	Nature of Relation	Basis of Relation	2020	2019
			Rupees	Rupees
<b>Insurance Claim</b>				
Century Insurance Company Limited	Associated company	Common Director	951,254	915,711
<b>Loan obtained</b>				
SIZA (Private) Limited	Associated company	Common Director and 9.70% shares held	830,000,000	200,000,000
SIZA Commodities (Private) Limited	Associated company	Common Director and 11.24% shares held	450,000,000	-
SIZA Services (Private) Limited	Associated company	Common Director and 15.31% shares held	-	80,000,000
Premier Fashions (Private) Limited	Associated company	Common Director and 21.20% shares held	120,000,000	250,000,000
Iqbal Ali Lakhani	Director	Directorship	-	60,000,000
Mrs. Ronak Iqbal Lakhani	Director's spouse		-	100,000,000
<b>Loan Repayment</b>				
SIZA (Private) Limited	Associated company	Common Director and 9.70% shares held	80,000,000	100,000,000
SIZA Services (Private) Limited	Associated company	Common Director and 15.31% shares held	-	80,000,000
Premier Fashions (Private) Limited	Associated company	Common Director and 21.20% shares held	120,000,000	50,000,000
Iqbal Ali Lakhani	Director	Directorship	-	60,000,000
Mrs. Ronak Iqbal Lakhani	Director's spouse		100,000,000	-
<b>Markup Accrued</b>				
Iqbal Ali Lakhani	Director	Directorship	-	200,449
<b>Others</b>				
Remuneration and other benefits	Key Management Personnel	Employees	23,161,836	26,498,487
Contribution to Staff Retirement Benefit Plans	Employees Fund		13,073,382	11,729,400
			<b>2020</b>	<b>2019</b>
			<b>Rupees</b>	<b>Rupees</b>
45.1 Year end balances				
Receivable from associated companies			39,781,336	17,646,597
Payable to associated companies			424,088,480	544,281,244
Long-term financing from associated company			1,459,955,712	547,952,688
Sub-ordinated loan			93,083,868	80,224,542
Short-term financing from associated company			150,000,000	50,000,000
Short-term financing from director's spouse			-	100,000,000
45.2 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, 2020

### 46. 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:

	2020			2019		
	Chief Executive	Executives	Total	Chief Executive	Executives	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	4,284,600	2,921,448	7,206,048	4,284,600	2,921,448	7,206,048
House rent	1,923,876	1,306,272	3,230,148	1,923,876	1,306,272	3,230,148
Bonus	356,275	241,904	598,179	713,025	484,758	1,197,783
Retirement benefits	385,296	380,713	766,009	757,011	553,414	1,310,425
Motor vehicle expenses	259,872	464,072	723,944	233,536	417,314	650,850
Medical allowances	427,524	290,280	717,804	427,524	290,280	717,804
<b>Total</b>	<b>7,637,443</b>	<b>5,604,689</b>	<b>13,242,132</b>	<b>8,339,572</b>	<b>5,973,486</b>	<b>14,313,058</b>
Number of persons	1	2	3	1	2	3

- 46.1 The current and corresponding year figures include remunerations of Company's Executives whose basic salary exceeds twelve hundred thousand rupees in a financial year.
- 46.2 The Chief Executive and Executives are also provided with free use of Company maintained cars.
- 46.3 Aggregate amount charged in these financial statements in respect of directors fee is Rs. 0.625 million (2019: Rs. 0.450 million) paid to three non-executive Directors.

### 47. 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.

	2020		2019
	Note	Rupees	Rupees
<b>48. FINANCIAL INSTRUMENTS BY CATEGORY</b>			
<b>Financial assets as per statement of financial position</b>			
<b>Amortized cost</b>			
Long-term loans including current portion		361,350	761,150
Long-term deposits		10,181,573	11,295,137
Trade debts		547,513,940	406,754,122
Short-term deposits		267,000	306,904
Other receivables		48,582	871,893
Cash and bank balances		9,335,125	4,140,242
		<b>567,707,570</b>	<b>424,129,448</b>
<b>Financial liabilities as per statement of financial position</b>			
<b>Amortized cost</b>			
Subordinated loan		93,083,866	80,224,542
Long-term financing including current portion		2,377,659,226	1,630,907,361
Long-term deposits		346,987	435,657
Long term lease liability including current portion		82,841,798	-
Trade and other payables		593,066,824	826,177,146
Mark-up accrued		54,465,091	54,417,736
Short-term borrowings		938,534,478	1,012,701,152
		<b>4,139,998,270</b>	<b>3,604,863,594</b>

## Notes to the Financial Statements

for the year ended June 30, 2020

### 49. 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.

### 50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

#### 50.1 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.

#### 50.2 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:

	2020	2019
	Rupees	Rupees
Loans and deposits	10,809,923	12,363,192
Trade debts	547,513,940	406,754,122
Other receivables	48,582	871,893
Bank balances	7,449,747	2,391,663
	<b>565,822,192</b>	<b>422,380,870</b>
The aging of trade receivable at the reporting date is:		
Not past due	439,552,095	308,149,115
Past due 1-30 days	36,034,199	59,181,798
Past due 30-90 days	38,876,522	19,725,455
Past due 90 days	33,051,124	19,697,754
	<b>547,513,940</b>	<b>406,754,122</b>

All the trade debtors at statement of financial position date are domestic parties.

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

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



## Notes to the Financial Statements

for the year ended June 30, 2020

### 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

Impairment on account of trade debts amounts to Rs 0.015 million (2019: Rs. 4.920 million).

### 50.3 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:

	2020						
	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	93,084	109,499	-	-	3,032	4,369	102,098
Long term financing	2,377,659	3,367,920	46,576	140,926	581,163	1,154,846	1,444,410
Long term deposits	347	347	-	-	-	347	-
Trade and other payables	593,067	593,067	593,067	-	-	-	-
Mark-up accrued	54,465	54,465	54,465	-	-	-	-
Short term borrowings	938,534	938,534	938,534	-	-	-	-
	4,057,156	5,063,832	1,632,642	140,926	584,195	1,159,562	1,546,508
2019							
	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	80,225	134,265	-	-	-	19,830	114,435
Long term financing	1,630,907	2,323,520	197,140	198,700	387,502	833,704	706,474
Long term deposits	436	436	-	-	-	436	-
Trade and other payables	826,177	826,177	826,177	-	-	-	-
Mark-up accrued	54,418	54,418	54,418	-	-	-	-
Short term borrowings	1,012,701	1,012,701	1,012,701	-	-	-	-
	3,604,864	4,351,517	2,090,436	198,700	387,502	853,970	820,909

## Notes to the Financial Statements

for the year ended June 30, 2020

### 50.4 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.

#### 50.4.1 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:

	2020	2019
	(Rupees in thousands)	
Foreign bills payable	662	168
Contractual obligations	21,527	9,482
Net exposure	22,189	9,650

The following significant exchange rates have been applied:

<u>Average rate</u>		<u>Reporting date rate</u>	
2020	2019	2020	2019
(Rupees)			
159.28	138.53	168.10	164.50

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.

	<u>Average rate</u>		<u>Reporting date rate</u>	
	2020	2019	2020	2019
	(Rupees in thousands)			
<b>Effect on (loss) or profit</b>	2,219	965	2,219	965

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.

#### 50.4.2 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 statement of financial position 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, 2020

	2020	2019	2020	2019
	Effective rate		Carrying amount	
	(In percent)		(Rupees in thousands)	
<b>Financial Liabilities</b>				
Variable rate instruments				
Long term loans	13.91%	9.19%	2,379,726	1,630,907
Sub-ordinated loan	7.43%	9.50%	93,084	80,225
Short term borrowings	14.28%	10.66%	938,534	1,012,701

### 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 2020.

	Profit and loss	
	100 bp	100 bp
	Increase	Decrease
<b>As at June 30, 2020</b>		
Cash flow sensitivity - Variable rate financial liabilities (Rs' 000)	(34,113)	34,113
<b>As at June 30, 2019</b>		
Cash flow sensitivity - Variable rate financial liabilities (Rs' 000)	(27,238)	27,238

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

## 51. CAPITAL RISK MANAGEMENT

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

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

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

## Notes to the Financial Statements for the year ended June 30, 2020

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

### 52. 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.

### 53. IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

In March 2020, the World Health Organization ("WHO") declared the outbreak of the novel coronavirus (known as COVID-19) as a global pandemic. The rapid spread of the virus has caused governments around the world to implement stringent measures to help control its spread, including, without limitation, quarantines, "stay-at-home" or "shelter-in-place" orders, social distancing mandates, travel restrictions, and closures or reduced operations for businesses, governmental agencies, schools and other institutions. The industry, along with global economic conditions generally, has been significantly disrupted by the pandemic.

## Notes to the Financial Statements for the year ended June 30, 2020

The COVID-19 pandemic and associated impacts on economic activity had certain effect on the operational and financial condition of the Company for the year ended June 30, 2020 due to overall slowdown in economic activity and continuity of business operations. However, to reduce the impact on the performance of the Company, government have introduced a host of measures on both the fiscal and economic fronts by issuing certain circulars and notifications from time to time.

The management of the Company is closely monitoring the situation, and in response to the developments, taking all possible precaution and measures to safeguard health and safety of employees and other stakeholders. The management has evaluated and concluded that there is no material implication of COVID-19 on assets, liabilities, income and expenses of the Company, except as disclosed in note 25.1 and 27.1, that require special disclosure in the notes to the financial statements.

### 54. NON ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The management of the Company has an intent to dispose off three old offset printing machines having carrying value amounting to Rs. 82.850 million as at the reporting date due to their technical obsolescence and wear tear condition. New Double Coater offset printing machine has been already installed and working to replace these old printing machines. Subsequent to the year end, the Board of Directors in their meeting held on September 16, 2020 has approved the said disposal of old printing machines on the basis of quotation received by the management and the sale transaction is expected to be materialized within one year. These financial statements do not include the effect of the said event which will be accounted for in the financial statements of the Company for the year ending June 30, 2021.

	Note	2020 Rupees	2019 Rupees
<b>55. NUMBER OF EMPLOYEES</b>			
a) Number of employees as at June 30		264	257
Average number of employees during the year		263	287
b) Number of factory employees as at June 30		222	225
Average number of factory employees during the year		224	250

### 56. GENERAL


#### 56.1 Date of authorisation for issue

These financial statements were authorized for issue on September 16, 2020 by the Board of Directors of the Company.

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

  
**TASLEEMUDDIN A. BATLAY**  
Director

  
**SHAHID AHMED KHAN**  
Chief Executive Officer

  
**MUHAMMAD AAQIL JAH**  
Chief Financial Officer



**M E R I T**

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**PACKAGING LTD.**

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## 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 23<sup>rd</sup> day of October 2020 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2020.

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 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 situated at Lakson Square, Building No. 2, Sarwar Shaheed Road, Karachi not less than 48 hours before the time of the meeting.



## مختار نامہ (پراکسی فارم)

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

کو جو خود بھی میرٹ پیکیجنگ لمیٹڈ کا رکن ہے کہ وہ بطور میرا / ہمارا ۱۱ مختار نامہ (پراکسی) میرٹ پیکیجنگ لمیٹڈ کے سالانہ اجلاس عام میں جو 23 اکتوبر ۲۰۲۰ 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۔

مورخہ \_\_\_\_\_ ۲۰۲۰ کو میرے / ہمارے دستخط سے جاری ہوا۔

فولیو نمبر	سی ڈی سی کھاتہ نمبر	حصص کی تعداد

دستخط

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

- مختار (پراکسی) کا کمپنی کا رکن (ممبر) ہونا ضروری ہے۔
- ممبر (رکن) کے دستخط، نمونہ شدہ دستخط / اندارج شدہ دستخط سے مماثلت ہونا ضروری ہے۔
- سی ڈی سی اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر کو مختار نامہ (پراکسی فارم) کے ہمراہ کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ منسلک کرنا ضروری ہے۔ کارپوریٹ ادارے کے نمائندوں کو معمول کے مطابق دستاویزات ساتھ لانا ضروری ہے۔
- مختار نامہ (پراکسی فارم) مکمل پُر شدہ کمپنی کے رجسٹرڈ آفس میں اجلاس کے مقرر وقت سے کم از کم ۳۸ گھنٹے قبل جمع کرانا ضروری ہے۔



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