

MERIT PACKAGING LIMITED



**ANNUAL**  
REPORT 2016

A Lakson Group Company

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# Corporate Information

## Board of Directors

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

## Advisor

Sultan Ali Lakhani

## Audit Committee

Shaikh Muhammad Barinuddin	Chairman
Zulfiqar Ali Lakhani	
Tasleemuddin Ahmed Batlay	

## Human Resource and Remuneration Committee

Iqbal Ali Lakhani	Chairman
Tasleemuddin Ahmed Batlay	
Shahid Ahmed Khan	

## Company Secretary

Mansoor Ahmed

## Auditors

BDO Ebrahim & Co., Chartered Accountants

## Bankers

### Islamic Banks

Al-Baraka Bank (Pakistan) Limited  
BankIslami Pakistan Limited  
Dubai Islamic Bank Pakistan Limited  
Meezan Bank Limited

### Conventional Banks

Askari Bank Limited  
Habib Bank Limited  
JS Bank Limited  
National Bank of Pakistan  
Soneri Bank Limited

## Shares Registrar

FAMCO Associates (Private) Limited  
8-F, Next to Hotel Faran, Nursery Block-6,  
P.E.C.H.S., Shakra-e-Faisal, Karachi.

## Registered Office

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

## Karachi Factory

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

## Lahore Factory

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

## Website

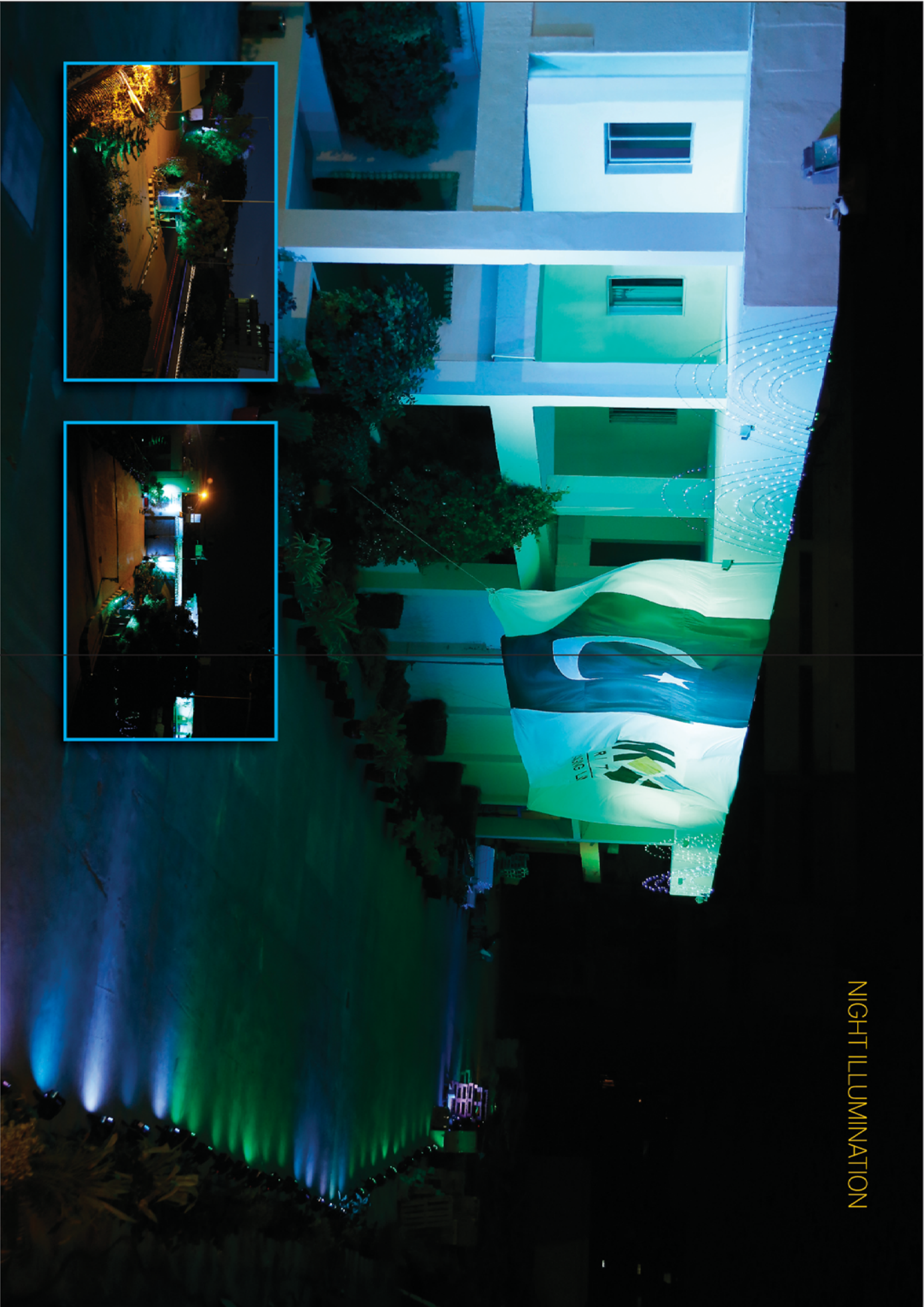
[www.meritpack.com](http://www.meritpack.com)



# INDEPENDENCE DAY Flag Hoisting Ceremony At Merit Packaging Limited - 2016







NIGHT ILLUMINATION









## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the 36th Annual General Meeting of MERIT PACKAGING LIMITED will be held on Monday, October 17, 2016 at 10:00 a.m. at Avari Towers Hotel, Fatima Jinnah Road, Karachi to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited financial statements of the Company for the year ended June 30, 2016 together with the Directors' and Auditors' reports thereon.
2. To appoint Auditors and fix their remuneration.

### SPECIAL BUSINESS

#### Special Resolution

3. To consider, and if thought fit, to pass the following resolution as special resolution:

**"RESOLVED** that the Articles of Association of the Company be and are hereby amended by inserting a new Clause 44(a) between the existing Clause 44 and Clause 45 of the Articles of Association of the Company as under:

44(a) The provisions and requirements for e-voting as prescribed by the Securities & Exchange Commission of Pakistan for the time being and from time to time shall be deemed to be incorporated in these Articles, irrespective of the other provisions of these Articles of Association and notwithstanding anything contradictory therein."

#### Ordinary Resolutions

4. To consider to pass the following ordinary resolutions:
  - a) **"RESOLVED** that the transactions carried out in normal course of business with associated companies as disclosed in Note No.44 of the audited financial statements for the year ended June 30, 2016 be and are hereby ratified and approved."
  - b) **"RESOLVED** that the Chief Executive Officer of the Company be and is hereby authorized to approve all the transactions carried out and to be carried out in normal course of business with associated companies during the ensuing year ending June 30, 2017 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 160 of the Companies Ordinance, 1984 in the above matters mentioned in item Nos.3 & 4 is annexed.

By Order of the Board

  
(MANSOOR AHMED)  
Company Secretary

KARACHI: September 16, 2016



# Notice of Annual General Meeting

## NOTES:

1. The share transfer books of the Company will remain closed from October 11, 2016 to October 17, 2016 (both days inclusive). Transfers received in order by the Shares Registrar of the Company, M/s. FAMCO Associates (Private) Limited, 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shakra-e-Faisal, Karachi upto the close of business on October 10, 2016 will be treated in time for the purpose of attendance at the Annual General Meeting.
2. A member, who has deposited his/her shares into Central Depository Company of Pakistan Limited, must bring his/her participant's ID number and CDC account/sub-account number alongwith original Computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting.
3. A member entitled to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend, speak and vote instead of him/her.
4. Forms of proxy, in order to be valid must be properly filled-in/executed and received at the registered office of the Company situated at Lakson Square, Building No.2, Sarwar Shaheed Road, Karachi not later than 48 hours before the time of the meeting.
5. Members are requested to promptly notify Share Registrar of the Company of any change in their addresses.
6. Members who have not yet submitted photocopy of their Computerized National Identity Card (CNIC) are requested to send the same to our Shares Registrar at the earliest.
7. Pursuant to Notification vide SRO.787(1)/2014 of September 08, 2014 the Securities & Exchange Commission of Pakistan (SECP) has directed to facilitate the members of the company receiving Annual Financial Statements and Notices through electronic mail system (e-mail). We are pleased to offer this facility to our members who desire to receive Annual Financial Statements and Notices of the Company through e-mail in future. In this respect members are hereby requested to convey their consent via e-mail on a standard request form which is available at the Company website i.e. [www.meritpack.com](http://www.meritpack.com). Please ensure that your e-mail account 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 also avail video conference facility, in this regard, please fill the following and submit to registered address of the Company 10 days before holding of the Annual General Meeting. If the Company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior to date of the meeting, the Company will arrange video conference facility in the city subject to availability of such facility in that city.  
  
"I/We, \_\_\_\_\_ of \_\_\_\_\_, being a member of Merit Packaging Limited, holder of \_\_\_\_\_ ordinary share(s) as per registered Folio No. \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_."
9. Form of Proxy is enclosed.

# Notice of Annual General Meeting

## **STATEMENT OF MATERIAL FACTS CONCERNING SPECIAL BUSINESS PURSUANT TO SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984**

This statement sets out the material facts concerning the Special Business, given in agenda item Nos.3 & 4 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 of the Notice - Amendment/change in Articles of Association of the Company**

To give effect to the Companies (E-Voting) Regulation 2016, shareholders' approval is being sought to amend the Articles of Association of the Company to enable e-voting. The Board of Directors have recommended to the members to approve and adopt amendment/change in Articles of Association of the Company by inserting a new Clause 44 (a) between the existing Clause 44 and Clause 45 of the Articles of Association of the Company.

Subject to approval of the members the proposed resolution will be considered to be passed by the members as a special resolution.

The Directors are interested in the resolution to the extent of their shareholding in the company.

### **2. Agenda Item No. 4(a) of the Notice - Transactions carried out with associated companies during the year ended June 30, 2016 to be passed as an Ordinary Resolution.**

The transactions carried out in normal course of business with associated companies (Related parties) were being approved by the Board as recommended by the Audit Committee on quarterly basis pursuant to clause 5.19.6 (b) of Rule Book of the Stock Exchange.

During the Board meeting it was pointed out by the Directors that as the majority of Company Directors were interested in these transactions due to their common directorship and holding of shares in the associated companies, the quorum of directors could not be formed for approval 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, 2016 in normal course of business with associated companies as shown in note No.44 of the financial statements are being placed before the shareholders for their consideration and approval/ratification.

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

### **3. Agenda Item No. 4(b) of the Notice - Authorization to the Chief Executive Officer for the transactions carried out and to be carried out with associated companies during the ensuing year ending June 30, 2017 to be passed as an Ordinary Resolution.**

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

In order to comply with the provisions of clause 5.19.6 (b) of the Code of Corporate Governance, 2012, the shareholders may authorize the Chief Executive Officer to approve transactions carried out and to be carried out in normal course of business with associated companies during the ensuing year ending June 30, 2017.

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



# Directors' Report

On behalf of the Board of Directors of Merit Packaging Limited, we are pleased to submit the Directors' report along with the 36th Annual Audited Financial Statements of the Company for the year ended June 30, 2016.

## PERFORMANCE OUTLOOK

### KEY NUMBERS

	2015-16	2014-15
	(Rupees in thousand)	
Sales - net	1,606,868	2,023,249
Gross Profit	128,746	172,336
Operating Profit	82,260	121,290
Profit Before Tax	9,522	25,010
	(Rupees per share)	
Earnings per Share	0.08	0.37

### OPERATING RESULTS

During the year under review, net sales were recorded at Rs. 1.606 billion, as compared to Rs. 2.023 billion in the last financial year. Pre-tax profit for the year ended June 30, 2016 is Rs. 9.5 million as compared to a profit of Rs. 25 million in the previous year.

Company's performance in the current year was affected due to Suspension of in-house Gravure production after last year fire incident in the Gravure production hall and impact of aging of offset printed machines.

Due to pressure on cash flow of significant CAPEX injected into various projects of the Company and keeping in view of financial health of the Company, the Directors were unable to make any appropriation on account of dividend.

### COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

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

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

## Directors' Report

- ◆ Information about taxes, duties, levies and charges outstanding have been adequately disclosed in the notes forming part of the annexed financial statements.
- ◆ There has been no material departure from the best practices of Corporate Governance as detailed in the Listing Regulations.

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

The Company is committed to ensure safety of all employees and to provide protected working environment at all times. Regular internal and external trainings are conducted to ensure wellbeing and security of all our employees, equipment and production facilities. Entire printing area is being air-conditioned and foliage has been increased as a pollution preventive measure.

### **CORPORATE SOCIAL RESPONSIBILITY**

We believe in fulfilling our social responsibilities and being a responsible corporate entity. We have aligned our business needs with that of our employees, customers, consumers and the society at large. Our Sustainability Report provides details of the technological innovations, safety initiatives and community support activities we strive to participate in community activities. Merit Packaging will continue its endeavors to support sustainable growth by protecting the environment and supporting the community specially for expanding education in our society.

### **HUMAN RESOURCE DEVELOPMENT**

Our Company believes in providing optimum growth opportunities to its employees. Human resource development remains vital for the success of operational activities. This allows us to cope with latest technical advancements needed for survival and expansion.

### **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, 2017. The Board of Directors endorses the recommendation of Audit Committee for their re-appointment as auditors of the Company for shareholder's consideration at the forthcoming Annual General Meeting.

### **MATERIAL CHANGES AND COMMITMENTS**

There has been no material changes and commitments affecting the financial position of the company which have occurred between the end of the financial year of the company to which this annual report relates and the date of this Directors' report.

In addition to our statement above, your Directors are pleased to inform you that the Company has expanded its operational facility by successfully commissioning a new factory at Sundar Industrial Estate, Raiwand, Lahore. The factory is expected to commence commercial production in the first quarter of financial year 2017, currently the factory is in trial phase. Your Company, being one of the major player in the industry, initially intend to produce offset products at Lahore factory so that higher profitability in the bigger and expanding market of Punjab can be achieved by supplying to customers located in the northern and central parts of the Country.



# Directors' Report

## PATTERN OF SHAREHOLDING

A statement showing the pattern of shareholding of the Company and additional information as at June 30, 2016, whose disclosure 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, 2015 and June 30, 2016 respectively are as follows:

	<b>(Rupees in thousands)</b>
Provident Fund	101,905
Gratuity Fund	44,616

## BOARD MEETINGS AND ATTENDANCE

In 2015-16, five (5) Board Meetings were held and attended by the Directors as follows to review Company's complete cycle of activities:

<b>Directors' name</b>	<b>Attendance</b>
Mr. Iqbal Ali Lakhani - (Chairman)	4
Mr. Zulfiqar Ali Lakhani	2
Mr. Amin Mohammed Lakhani	1
Mr. Tasleemuddin Ahmed Batlay	5
Mr. Shahid Ahmed Khan	5
Mr. Shaikh Muhammad Barinuddin - (Independent Director)	5
Mr. Sheikh Asim Rafiq - (Nominee of National Investment Trust Limited)	4
Mr. Farrukh Shauket Ansari - (Nominee of National Investment Trust Limited)	5

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

## AUDIT COMMITTEE

During the financial year four (4) Audit Committee Meetings were held and attended by members as follows on a quarterly basis to review its complete cycle of activities:

<b>Members' name</b>	<b>Meetings Attended</b>
Mr. Shaikh Muhammad Barinuddin - (Chairman)	4
Mr. Zulfiqar Ali Lakhani	3
Mr. Tasleemuddin Ahmed Batlay	4

# Directors' Report

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

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

## HUMAN RESOURCE AND REMUNERATION COMMITTEE

In 2015-16 one (1) meeting of Human Resource and Remuneration (HR&R) Committee was held and attended by each member as follows:

Member's name	Meetings Attended
Mr. Iqbal Ali Lakhani - (Chairman)	1
Mr. Tasleemuddin Ahmed Batlay	1
Mr. Shahid Ahmed Khan	1

## QUALITY MANAGEMENT

We are pleased to inform our valued Stakeholders that your Company is certified for Quality Management System ISO 9001:2008, Food Safety Management System ISO 22000:2005, Environment Management System ISO 14001:2004, PAS 223: 2011, SEDEX (Supplier Ethical Data Exchange), HACCP (Hazard Analysis and Critical Control Point) and Yum International Food Safety Standard. These certifications emphasize focus on customer satisfaction and help to improve our operational capabilities. The emphasis is on maintaining product quality and enhancing the level of confidence among our valued customers. This focused approach allows us to understand precisely what our customer need. Food systems management and consistent quality helps us to deliver as per Customers' quality parameters.

## FUTURE OUTLOOK

We foresee intensified competition from existing players and new entrants in the industry. This will require the Company to increase investments to defend and grow market shares. Your Company is embracing benefits of technology to improve its production quality and value addition capabilities as detailed below.

Persistent measures are being adopted to streamline our business operations via continuous improvement in the quality of products and services. This is achieved through induction of massive capital expenditures that will not only enhance production capabilities, but also modernize the technological front of the Company. These measures include revamping of Gravure department and its infrastructure, addition of a new state-of-the-art nine color Rotomec Bobst gravure printing machine, new lab and other value addition equipment.



## Directors' Report

Focus has also been given to provision of offset products to out-station customers through installation of a new manufacturing unit at Lahore. This will enable us to cater markets of central and northern parts of the Country via our Lahore and Islamabad Marketing offices.

The Directors of your Company are confident that augmented sales with addition of value added products and optimum capacity utilization will reduce the existing pressure on our bottom line and improve Company's market share.

### ACKNOWLEDGEMENT

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

On behalf of the Board of Directors

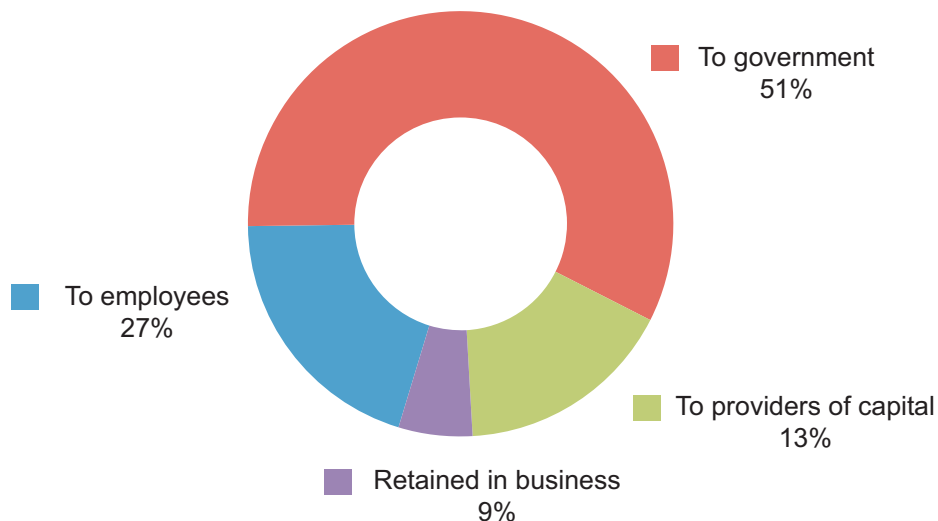


**IQBAL ALI LAKHANI**  
Chairman

**Karachi:** August 31, 2016

## Statement of Value added and its distribution

Particulars	2016		2015	
	Rs. in 000's	%	Rs. in 000's	%
<b>Value added</b>				
Gross Sales	1,880,511		2,362,499	
Material and services	(1,362,755)		(1,729,371)	
Other income	26,864		19,223	
	544,620	100	652,351	100
<b>Distribution</b>				
To employees				
Salaries, wages and other benefits	143,822		142,431	
Workers profit participation fund	511		1,343	
	144,333	27	143,774	22
To government				
Sales tax	273,643		339,251	
Company taxation	6,355		9,976	
Workers welfare fund	194		510	
	280,192	51	349,737	54
To providers of capital				
Financial charges on borrowed fund	72,738	13	96,280	15
Retained in business				
Depreciation	44,127		47,461	
Amortisation of intangible assets	63		65	
Retained profit/(loss)	3,167		15,034	
	47,357	9	62,560	9
	544,620	100	652,351	100





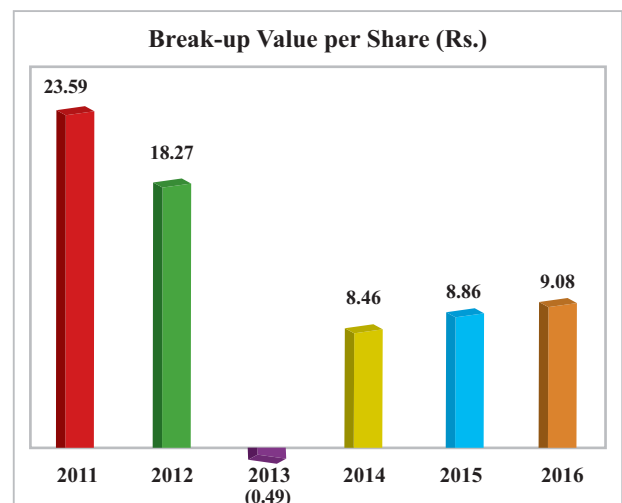
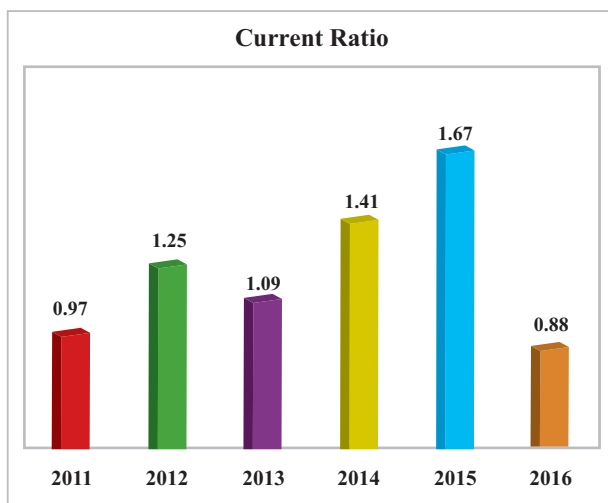
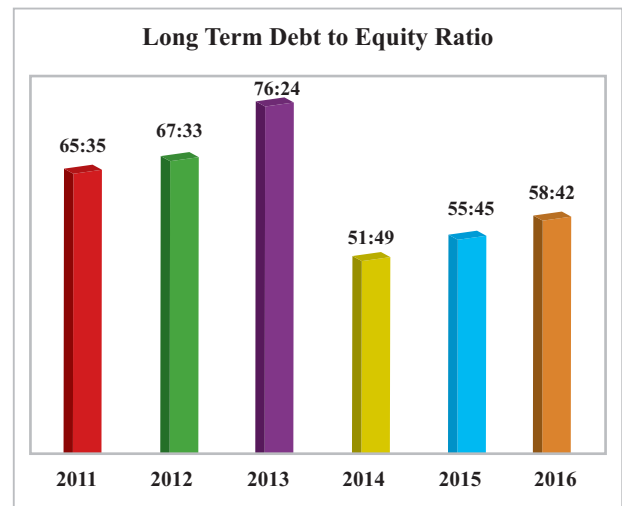
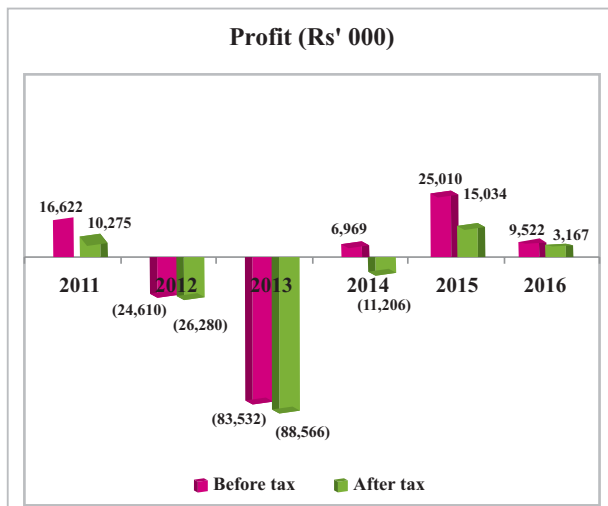
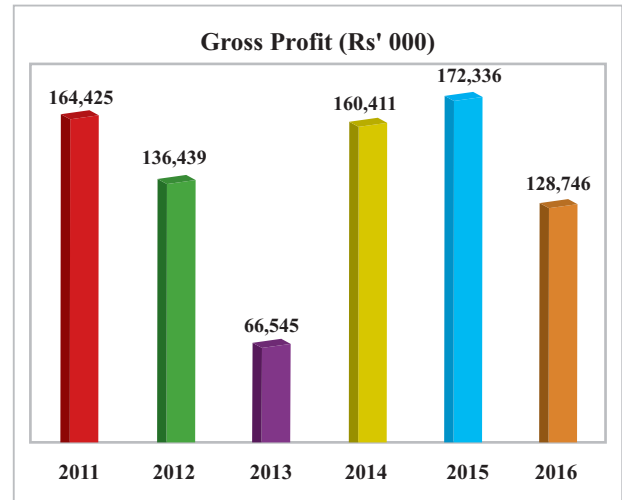
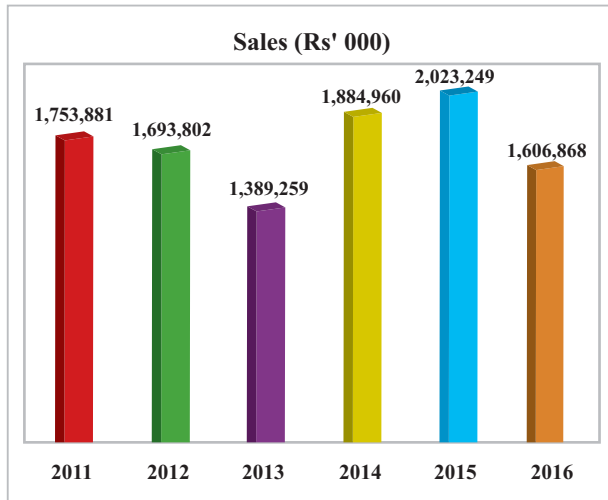
## Six years key operating and financial data

	Rupees in thousands					
	2016	2015	2014	2013	2012	2011
<b>Trading results</b>						
Sales	1,606,868	2,023,249	1,884,960	1,389,259	1,693,802	1,753,881
Gross profit	128,746	172,336	160,411	66,545	136,439	164,425
Profit/(loss) before taxation	9,522	25,010	6,969	(83,532)	(24,610)	16,622
Profit/(loss) after taxation	3,167	15,034	(11,206)	(88,566)	(26,280)	10,275
<b>Financial position</b>						
Total capital employed	1,349,893	1,135,569	961,478	709,217	797,933	604,792
Property, plant and equipment	1,467,993	755,642	719,114	655,439	665,875	619,653
Shareholder equity	366,144	357,230	340,916	(2,330)	82,011	111,868
Long term liabilities	768,632	613,125	452,041	540,081	540,081	354,361
Deferred taxation	-	-	-	-	1,357	2,870
<b>Others</b>						
Number of employees (at year end)	237	212	216	203	255	275
Capital expenditure	707,676	156,581	95,749	34,945	28,090	20,386
Contribution to national exchequer	187,728	141,590	109,696	65,185	138,539	124,040
<b>Ratios</b>						
Gross profit	8.01%	8.52%	8.51%	4.79%	8.06%	9.37%
Profit/(loss) before taxation	0.59%	1.24%	0.37%	-6.01%	-1.45%	0.95%
Profit/(loss) after taxation	0.20%	0.74%	-0.59%	-6.38%	-1.55%	0.59%
Return on equity	0.86%	4.21%	-3.29%	N/A	-32.04%	9.18%
Return on capital employed	0.23%	1.32%	-1.17%	-12.49%	-3.26%	1.70%
Current ratio	0.88 : 1	1.67 : 1	1.41 : 1	1.09 : 1	1.25 : 1	0.97 : 1
Debt / equity ratio	58 : 42	55 : 45	51 : 49	76 : 24	67 : 33	65 : 35
Inventory days	69	59	67	80	62	58
Receivable days	68	57	51	61	61	50
<b>Others</b>						
Earnings/(loss) per share - (Rs.)	0.08	0.37	(0.47)	(7.59)	(5.54)	2.17
Break-up value per share - (Rs.)	9.08	8.86	8.46	(0.49)	18.27	23.59
Market Value - (Rs.)	16.94	19.31	18.86	20.49	20.93	25.84
Price earning ratio	215.62	51.78	N/A	N/A	N/A	11.93

# Vertical & Horizontal Analysis

	2016		2015		2014		2013		2012		2011	
	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%
<b>VERTICAL ANALYSIS</b>												
<b>PROFIT &amp; LOSS ACCOUNT</b>												
Sales - net	1,606,868	100%	2,023,249	100%	1,884,960	100%	1,389,259	100%	1,693,802	100%	1,753,881	100%
Cost of sales	1,478,122	92%	1,850,913	91%	1,724,549	91%	1,322,714	95%	1,557,363	92%	1,589,456	91%
Gross profit	128,746	8%	172,336	9%	160,411	9%	66,545	5%	136,439	8%	164,425	9%
Operating expenses	46,486	3%	51,046	3%	57,304	3%	51,959	4%	56,661	3%	52,608	3%
Operating profit	82,260	5%	121,290	6%	103,107	5%	14,586	1%	79,778	5%	111,817	6%
Financial charges	72,738	5%	96,280	5%	96,138	5%	98,118	7%	104,388	6%	95,195	5%
Profit/(loss) before taxation	9,522	1%	25,010	1%	6,969	0%	(83,532)	-6%	(24,610)	-1%	16,622	1%
Profit/(loss) after taxation	3,167	0%	15,034	1%	(11,206)	-1%	(88,566)	-6%	(26,280)	-2%	10,275	1%
<b>BALANCE SHEET</b>												
<b>Assets</b>												
Property, plant and equipment	1,467,993	61%	755,642	45%	719,114	47%	655,439	51%	665,875	50%	619,653	49%
Other non-current assets	7,132	0%	6,517	0%	3,868	0%	4,688	1%	7,564	1%	7,632	1%
Current assets	934,176	39%	928,366	55%	815,517	53%	619,779	48%	659,545	49%	645,852	50%
<b>Total Assets</b>	<b>2,409,301</b>	<b>100%</b>	<b>1,690,525</b>	<b>100%</b>	<b>1,538,499</b>	<b>100%</b>	<b>1,279,906</b>	<b>100%</b>	<b>1,332,984</b>	<b>100%</b>	<b>1,273,137</b>	<b>100%</b>
<b>Equity &amp; Liabilities</b>												
Share capital & reserves	366,144	15%	357,230	21%	340,916	22%	(2,330)	0%	82,011	6%	111,868	9%
Surplus on revaluation of fixed assets	215,118	9%	165,215	10%	168,521	11%	171,467	13%	174,485	13%	135,693	11%
Non-current liabilities	768,632	32%	613,125	36%	452,041	29%	540,081	42%	541,438	41%	357,231	28%
Current liabilities	1,059,407	44%	554,955	33%	577,021	38%	570,688	45%	535,050	40%	668,345	52%
<b>Total Equity and Liabilities</b>	<b>2,409,301</b>	<b>100%</b>	<b>1,690,525</b>	<b>100%</b>	<b>1,538,499</b>	<b>100%</b>	<b>1,279,906</b>	<b>100%</b>	<b>1,332,984</b>	<b>100%</b>	<b>1,273,137</b>	<b>100%</b>
<b>HORIZONTAL ANALYSIS</b>												
<b>PROFIT &amp; LOSS ACCOUNT</b>												
Sales - net	1,606,868	92%	2,023,249	115%	1,884,960	107%	1,389,259	79%	1,693,802	97%	1,753,881	100%
Cost of sales	1,478,122	93%	1,850,913	116%	1,724,549	108%	1,322,714	83%	1,557,363	98%	1,589,456	100%
Gross profit	128,746	78%	172,336	105%	160,411	98%	66,545	40%	136,439	83%	164,425	100%
Operating expenses	46,486	88%	51,046	97%	57,304	109%	51,959	99%	56,661	108%	52,608	100%
Operating profit	82,260	74%	121,290	108%	103,107	92%	14,586	13%	79,778	71%	111,817	100%
Financial charges	72,738	76%	96,280	101%	96,138	101%	98,118	103%	104,388	110%	95,195	100%
Profit/(loss) before taxation	9,522	57%	25,010	150%	6,969	42%	(83,532)	-503%	(24,610)	-148%	16,622	100%
Profit/(loss) after taxation	3,167	31%	15,034	146%	(11,206)	-109%	(88,566)	-862%	(26,280)	-256%	10,275	100%
<b>BALANCE SHEET</b>												
<b>Assets</b>												
Property, plant and equipment	1,467,993	237%	755,642	122%	719,114	116%	655,439	106%	665,875	107%	619,653	100%
Other non-current assets	7,132	93%	6,517	85%	3,868	51%	4,688	61%	7,564	99%	7,632	100%
Current Assets	934,176	145%	928,366	144%	815,517	126%	619,779	96%	659,545	102%	645,852	100%
<b>Total Assets</b>	<b>2,409,301</b>	<b>189%</b>	<b>1,690,525</b>	<b>133%</b>	<b>1,538,499</b>	<b>121%</b>	<b>1,279,906</b>	<b>101%</b>	<b>1,332,984</b>	<b>105%</b>	<b>1,273,137</b>	<b>100%</b>
<b>Equity &amp; Liabilities</b>												
Share capital & reserves	366,144	327%	357,230	319%	340,916	305%	(2,330)	-2%	82,011	73%	111,868	100%
Surplus on revaluation of fixed assets	215,118	159%	165,215	122%	168,521	124%	171,467	126%	174,485	129%	135,693	100%
Non-current liabilities	768,632	215%	613,125	172%	452,041	127%	540,081	151%	541,438	152%	357,231	100%
Current liabilities	1,059,407	159%	554,955	83%	577,021	86%	570,688	85%	535,050	80%	668,345	100%
<b>Total Equity and Liabilities</b>	<b>2,409,301</b>	<b>189%</b>	<b>1,690,525</b>	<b>133%</b>	<b>1,538,499</b>	<b>121%</b>	<b>1,279,906</b>	<b>101%</b>	<b>1,332,984</b>	<b>105%</b>	<b>1,273,137</b>	<b>100%</b>

# Graphs





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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Merit Packaging Limited for the year ended June 30, 2016 to comply with the requirements of Regulation 5.19 of Rule Book of Pakistan Stock Exchange Limited, where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2016.

**KARACHI**

**DATED:** August 31, 2016



**CHARTERED ACCOUNTANTS**

Engagement Partner: Zulfikar Ali Causer

# Statement of Compliance with the Code of Corporate Governance

for the year ended June 30, 2016

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.5.19 of Rule Book of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance. The Company has applied the principles contained in the CCG in the following manner:

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

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

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

2. The Directors have confirmed that none of them is serving as a Director in more than seven listed companies, including this Company.
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a Banking company, a DFI or an NBFIs or being a broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive Directors have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In accordance with the criteria specified in Clause xi of CCG, majority of Directors of the Company are exempted from the requirement of Directors' Training Program, and the rest of the Directors have completed the same.

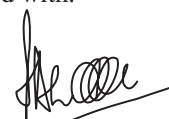
## Statement of Compliance with the Code of Corporate Governance

The Board arranged orientation course for its Directors during the year to apprise them of their duties and responsibilities and briefed them regarding amendments in the Corporate Laws.

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



**IQBAL ALI LAKHANI**  
Chairman



**SHAHIB AHMED KHAN**  
Chief Executive Officer

Karachi: August 31, 2016



## Pattern of Holding of Shares

held by the shareholders as at June 30, 2016

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

Number of shareholders	From	Shareholdings	To	Total number of shares held
335	1	100	Shares	7,206
288	101	500	Shares	120,397
253	501	1,000	Shares	241,188
502	1,001	5,000	Shares	1,429,664
151	5,001	10,000	Shares	1,247,952
47	10,001	15,000	Shares	633,146
33	15,001	20,000	Shares	614,500
25	20,001	25,000	Shares	584,489
10	25,001	30,000	Shares	280,034
9	30,001	35,000	Shares	297,000
13	35,001	40,000	Shares	501,326
4	40,001	45,000	Shares	170,750
12	45,001	50,000	Shares	598,000
3	50,001	55,000	Shares	163,000
3	55,001	60,000	Shares	176,000
3	60,001	65,000	Shares	189,547
1	70,001	75,000	Shares	70,000
1	80,001	85,000	Shares	80,000
9	100,001	105,000	Shares	907,508
1	125,001	130,000	Shares	126,000
1	145,001	150,000	Shares	145,500
2	150,001	155,000	Shares	307,035
3	200,001	205,000	Shares	600,000
1	205,001	210,000	Shares	209,500
2	250,001	255,000	Shares	503,000
1	275,001	280,000	Shares	278,000
1	280,001	285,000	Shares	281,500
1	415,001	420,000	Shares	417,000
1	725,001	730,000	Shares	729,500
1	800,001	805,000	Shares	800,657
1	850,001	855,000	Shares	850,000
1	3,905,001	3,910,000	Shares	3,907,159
1	4,210,001	4,215,000	Shares	4,211,732
1	4,525,001	4,530,000	Shares	4,529,488
1	5,560,001	5,565,000	Shares	5,560,819
1	8,545,001	8,550,000	Shares	8,545,602
<b>1,723</b>		<b>Total</b>		<b>40,314,199</b>

Categories of shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	74,915	0.19
Associated Companies, undertakings and related parties	22,545,364	55.92
NIT and ICP	4,211,732	10.45
Banks, Development Financial Institutions, Non Banking Financial Institutions	385	0.00
Modarabas and Mutual Funds	5,741,889	14.24
Shareholders holding 10 %	22,847,641	56.67
General Public		
a. Local	11,255,164	27.92
b. Foreign	NIL	-
Others	696,482	1.73

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, 2016 as per requirements of Code of Corporate Governance

		<u>SHARES HELD</u>
<b>i) <u>ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES</u></b>		
1.	SIZA (Private) Limited	3,907,159
2.	SIZA Services (Private) Limited	5,560,819
3.	SIZA Commodities (Private) Limited	4,529,488
4.	Premier Fashions (Private) Limited	8,545,602
5.	Sultan Ali Lakhani	241
6.	Shaista Sultan Ali Lakhani	334
7.	Babar Ali Lakhani	1,093
8.	Bilal Ali Lakhani	234
9.	Danish Ali Lakhani	394
<b>ii) <u>MUTUAL FUNDS</u></b>		
1.	Golden Arrow Selected Stocks Fund Limited	800,657
2.	CDC - Trustee AKD Opportunity Fund	729,500
3.	CDC - Trustee National Investment (Unit) Trust	4,211,732
<b>iii) <u>DIRECTORS, THEIR SPOUSES AND MINOR CHILDREN</u></b>		
1.	Iqbal Ali Lakhani	25,602
2.	Zulfiqar Ali Lakhani	7,327
3.	Amin Mohammed Lakhani	25,432
4.	Tasleemuddin Ahmed Batlay	7,327
5.	Shahid Ahmed Khan	4,250
6.	Shaikh Muhammad Barinuiddin	4,250
7.	Sheikh Asim Rafiq	NIL
8.	Farrukh Shauket Ansari	NIL
9.	Ronak Iqbal Lakhani	179
10.	Fatima Lakhani	272
11.	Saira Amin Lakhani	276
<b>iv) <u>EXECUTIVES</u></b>		NIL
<b>v) <u>PUBLIC SECTOR COMPANIES AND CORPORATIONS</u></b>		NIL
<b>vi) <u>BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE COMPANIES, INSURANCE COMPANIES, TAKAFUL MODARABAS AND PENSION FUNDS:</u></b>		62,932
<b>vii) <u>SHAREHOLDERS HOLDING 5% OR MORE</u> <u>[Other than those reported at i(1), i(2), i(3), i(4) and ii(3)]</u></b>		NIL
<b>viii) <u>INDIVIDUALS AND OTHER THAN THOSE MENTIONED ABOVE</u></b>		11,889,099
		<b><u>40,314,199</u></b>

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

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **MERIT PACKAGING LIMITED** as at June 30, 2016 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2016 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

**KARACHI**

**DATED:** August 31, 2016



**CHARTERED ACCOUNTANTS**

Engagement Partner: Zulfikar Ali Causerr



# Balance Sheet

as at June 30, 2016

	Note	2016 Rupees	2015 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	928,705,223	686,595,116
Capital work in progress	7	539,287,766	69,046,433
		1,467,992,989	755,641,549
Intangible assets	8	86,633	149,783
Long-term loans and advances	9	676,012	-
Long-term deposits	10	6,369,677	6,366,977
		1,475,125,311	762,158,309
<b>CURRENT ASSETS</b>			
Stores and spares	11	81,851,017	72,881,683
Stock-in-trade	12	297,712,309	263,543,357
Trade debts	13	296,304,477	306,592,917
Loans and advances	14	7,516,323	3,892,258
Trade deposits and short-term prepayments	15	13,414,480	4,878,960
Other receivables	16	22,134,272	105,513,396
Tax refund due from Government	17	180,484,567	82,934,833
Taxation - net	18	33,322,219	41,691,664
Cash and bank balances	19	1,435,846	46,436,787
		934,175,510	928,365,855
<b>TOTAL ASSETS</b>		<b>2,409,300,821</b>	<b>1,690,524,164</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised share capital 70,000,000 (2015: 70,000,000) ordinary shares of Rs. 10/-each	20	700,000,000	700,000,000
Issued, subscribed and paid-up capital	21	403,141,990	403,141,990
Accumulated losses	22	(36,998,093)	(45,912,482)
		366,143,897	357,229,508
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>	23	215,117,511	165,214,526
<b>NON-CURRENT LIABILITIES</b>			
Sub-ordinated loan	24	100,000,000	100,000,000
Long-term financing	25	668,490,880	513,125,000
Long-term deposits		141,000	-
Deferred taxation	26	-	-
		768,631,880	613,125,000
<b>CURRENT LIABILITIES</b>			
Trade and other payables	27	177,720,756	121,139,060
Mark-up accrued	28	12,121,636	8,576,830
Short-term borrowings	29	822,459,301	408,364,240
Current portion of long-term financing	30	47,105,840	16,875,000
		1,059,407,533	554,955,130
<b>CONTINGENCIES AND COMMITMENTS</b>	31		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,409,300,821</b>	<b>1,690,524,164</b>

The annexed notes from 1 to 54 form an integral part of these financial statements.

  
**IQBAL ALI LAKHANI**  
Chairman

  
**SHAHID AHMED KHAN**  
Chief Executive Officer

## Profit and Loss Account

for the year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
Sales - net	32	1,606,868,470	2,023,248,518
Cost of sales	33	(1,478,122,599)	(1,850,912,809)
Gross profit		128,745,871	172,335,709
General and administrative expenses	34	(34,572,494)	(31,668,231)
Selling and distribution expenses	35	(34,669,860)	(31,184,901)
Other income	36	26,864,332	19,222,682
Other operating expenses	37	(4,107,633)	(7,415,337)
		(46,485,655)	(51,045,787)
Operating profit		82,260,216	121,289,922
Financial charges	38	(72,738,307)	(96,280,054)
Profit before taxation		9,521,909	25,009,868
Taxation	39	(6,354,646)	(9,976,346)
Profit for the year		3,167,263	15,033,522
Earnings per share - basic and diluted	40	0.08	0.37

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

The annexed notes from 1 to 54 form an integral part of these financial statements.

  
**IQBAL ALI LAKHANI**  
Chairman

  
**SHAHID AHMED KHAN**  
Chief Executive Officer

## Statement of Comprehensive Income

for the year ended June 30, 2016

	2016	2015
	Rupees	Rupees
Profit for the year	3,167,263	15,033,522
<b>Other comprehensive income</b>		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gain / (losses) on remeasurement of post employment benefit plans	4,616,269	(3,183,648)
Deferred tax thereon	(1,431,043)	1,018,767
	3,185,226	(2,164,881)
<b>Total comprehensive income for the year</b>	<b>6,352,489</b>	<b>12,868,641</b>

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

The annexed notes from 1 to 54 form an integral part of these financial statements.

  
**IQBAL ALI LAKHANI**  
Chairman

  
**SHAHID AHMED KHAN**  
Chief Executive Officer

## Cash Flow Statement

for the year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	42	133,955,515	125,668,330
Taxes paid - net		(3,380,525)	(48,721,908)
Financial charges paid		(69,193,501)	(95,812,755)
Long-term loans and advances		(676,012)	-
Long-term deposits		138,300	(2,755,230)
Net cash generated from / (used in) operating activities		60,843,777	(21,621,563)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(707,676,472)	(156,581,493)
Proceeds from sale of operating fixed assets	6.6	2,139,973	64,587,062
Net cash used in investing activities		(705,536,499)	(91,994,431)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long term financing		196,846,720	90,000,000
Repayment of long-term financing		(11,250,000)	-
Proceeds from short term financing (excluding running finance)		300,000,000	-
Net cash generated from financing activities		485,596,720	90,000,000
Net decrease in cash and cash equivalents		(159,096,002)	(23,615,994)
Cash and cash equivalents at beginning of the year		(361,927,453)	(338,311,459)
Cash and cash equivalents at end of the year		(521,023,455)	(361,927,453)
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>			
Cash and bank balances	19	1,435,846	46,436,787
Short-term running finance	29	(522,459,301)	(408,364,240)
		(521,023,455)	(361,927,453)

  
**IQBAL ALI LAKHANI**  
Chairman

  
**SHAHID AHMED KHAN**  
Chief Executive Officer



## Statement of Changes in Equity

for the year ended June 30, 2016

	Issued, subscribed and paid-up capital Rupees	Reserves			Total Rupees
		General reserve Rupees	Accumulated loss Rupees	Total	
Balance as at July 01, 2014	403,141,990	106,800,000	(169,026,358)	(62,226,358)	340,915,632
Transfer from surplus on revaluation of fixed assets (note 23)			3,445,235	3,445,235	3,445,235
Total comprehensive income for the year					
Profit for the year	-	-	15,033,522	15,033,522	15,033,522
Remeasurement of defined benefit liability - net	-	-	(2,164,881)	(2,164,881)	(2,164,881)
	-	-	12,868,641	12,868,641	12,868,641
Balance as at June 30, 2015	403,141,990	106,800,000	(152,712,482)	(45,912,482)	357,229,508
Transfer from surplus on revaluation of fixed assets (note 23)			2,561,900	2,561,900	2,561,900
Total comprehensive income for the year					
Profit for the year	-	-	3,167,263	3,167,263	3,167,263
Remeasurement of defined benefit liability - net	-	-	3,185,226	3,185,226	3,185,226
	-	-	6,352,489	6,352,489	6,352,489
Balance as at June 30, 2016	403,141,990	106,800,000	(143,798,093)	(36,998,093)	366,143,897

The annexed notes from 1 to 54 form an integral part of these financial statements.

  
**IQBAL ALI LAKHANI**  
Chairman

  
**SHAHID AHMED KHAN**  
Chief Executive Officer

# Notes to the Financial Statements

## for the year ended June 30, 2016

### 1. NATURE AND STATUS OF THE COMPANY

Merit Packaging Limited ("the Company") was incorporated on January 28, 1980 in Pakistan as a public limited Company under the Companies Ordinance, 1984 and is listed on the Pakistan Stock Exchange. The registered office of the Company is situated at Lakson Square Building No. 2, Sarwar Shaheed Road, Karachi. The Company is mainly engaged in the manufacture and sale of printing and packaging materials.

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

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

#### 2.2 Basis of measurement

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

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

#### 2.3 Functional and presentation currency

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

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

#### 3.1 Standards or interpretations that are effective in current year but not relevant to the Company

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB) which have been adopted locally by the Securities and Exchange Commission of Pakistan vide SRO 633(I)/2014 dated July 10, 2014 with effect from following dates. The Company has adopted these accounting standards and interpretations which do not have significant impact on the Company's financial statements other than certain disclosure requirement about fair value of financial instruments as per IFRS 13 "Fair Value Measurement".

		<b>Effective date (annual periods beginning on or after)</b>
IFRS 10	Consolidated Financial Statements	January 1, 2015
IFRS 11	Joint Arrangements	January 1, 2015
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2015
IFRS 13	Fair Value Measurement	January 1, 2015
IAS 27	Separate Financial Statements (Revised 2011)	January 1, 2015
IAS 28	Investments in Associates and Joint Ventures (Revised 2011)	January 1, 2015

#### 3.2 Amendments not yet effective

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

# Notes to the Financial Statements

for the year ended June 30, 2016

		<b>Effective date (annual periods beginning on or after)</b>
IFRS 2	Share-based Payment - Amendments to clarify the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
IFRS 10	Consolidated Financial Statements - Amendments regarding application of the consolidation exception	January 01, 2016
IFRS 11	Joint Arrangements - Amendments regarding the accounting for acquisitions of an interest in a joint operation	January 01, 2016
IFRS 12	Disclosure of Interests in Other Entities - Amendments regarding the application of the consolidation exception	January 01, 2016
IAS 1	Presentation of Financial Statements - Amendments resulting from the disclosure initiative	January 01, 2016
IAS 7	Statement of Cash Flows - Amendments resulting from the disclosure initiative	January 01, 2017
IAS 12	Income Taxes - Amendments regarding the recognition of deferred tax assets for unrealised losses	January 01, 2017
IAS 16	Property, Plant and Equipment - Amendments regarding the clarification of acceptable methods of depreciation and amortisation and amendments bringing bearer plants into the scope of IAS 16	January 01, 2016
IAS 27	Separate Financial Statements (as amended in 2011) - Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements	January 01, 2016
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the application of the consolidation exception	January 01, 2016
IAS 38	Intangible Assets - Amendments regarding the clarification of acceptable methods of depreciation and amortisation	January 01, 2016
IAS 41	Agriculture - Amendments bringing bearer plants into the scope of IAS 16	January 01, 2016

The Annual Improvements to IFRSs that are effective for annual periods beginning on or after January 01, 2016 are as follows:

# Notes to the Financial Statements

## for the year ended June 30, 2016

Annual Improvements to IFRSs (2012 – 2014) Cycle:

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

### 3.3 Standards or interpretations not yet effective

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

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

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

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

### 4. CHANGE IN ACCOUNTING ESTIMATES

The Company has reassessed the remaining useful lives and residual values of its operating assets on the basis of evaluations carried out internally and externally. This would result in a more accurate allocation of depreciation expenses to the accounting periods in which depreciable assets are utilised by the Company. The changes in accounting estimates have been applied prospectively in the financial statements as per the requirements of International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Had there been no change in estimates, the profit before taxation for the year and the carrying values of fixed assets would have been lower and higher by Rs. 1.618 million respectively. Further, on account of revision in residual values, the aggregate accumulated depreciation over the remaining useful lives of the assets shall be lower by Rs. 12.874 million.

### 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.

#### 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.

# Notes to the Financial Statements

## for the year ended June 30, 2016

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 period on revalued assets is transferred from surplus on revaluation of fixed assets to retained earnings during the year.

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

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

### 5.1.2 Leased

#### Finance leases

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

Depreciation is charged on these assets by applying the straight line method at the rates given in note 6 to the financial statements.

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

#### Operating leases

Lease payments under operating leases (net of any incentives received from the lessor) are charged to profit and loss account on a straight line basis over the respective lease term.

### 5.1.3 Capital work-in-progress

Capital work-in-progress represents expenditure on property, plant and equipment which are in the course of construction and installation. Transfers are made to relevant property, plant and equipment category as and when assets are available for use. Capital work-in-progress is stated at cost less any identified impairment loss.

### 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.

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



# Notes to the Financial Statements

## for the year ended June 30, 2016

### 5.4 Stock-in-trade

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

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

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

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

### 5.7 Surplus on revaluation of fixed assets

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

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

### 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.

# Notes to the Financial Statements

## for the year ended June 30, 2016

### 5.10 Provisions

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting future cash flows at appropriate discount rate where ever 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 balance sheet date whether there is any indication that assets other than stores and spares, stock in trade and deferred tax assets may be impaired. If such an indication exists, the recoverable amount of the assets is estimated in order to determine the extent of impairment loss, if any.

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

### 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, loans and receivables, held to maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All the financial assets of the Company are carried as loans and receivables.

#### Loans and receivables

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

#### 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 profit and loss account.

### 5.14 Offsetting of financial assets and financial liabilities

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

# Notes to the Financial Statements

## for the year ended June 30, 2016

### 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 balance sheet date. Foreign exchange differences are recognised in the profit and loss account.

### 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 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, 2016 using the projected unit credit method (refer note 41). The remeasurement gains/losses as per actuarial valuation done at financial year end are recognized immediately in other comprehensive income and all other expenses are recognized in accordance with IAS 19 "Employee Benefits" in the profit and loss account.

#### 5.16.2 Defined contribution plan

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

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

### 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.

# Notes to the Financial Statements

## for the year ended June 30, 2016

### 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.

### 5.22 Related parties transactions

Transactions with related parties are based at an arm's length price method 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 by external professional valuer (as disclosed in note 41) for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

#### 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 profit and loss account as provision/reversal.

# Notes to the Financial Statements

## for the year ended June 30, 2016

### 6. PROPERTY, PLANT AND EQUIPMENT

Description	Building/ improvements		Plant and machinery	Furniture and fixtures	Vehicles	Office equipment	Computer equipment	Electrical installation	Total
	Leasehold land	on leasehold land							
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>Net carrying value basis</b>									
<b>year ended June 30, 2016</b>									
Opening net book value	136,888,880	69,157,588	444,695,414	1,258,306	13,995,492	3,020,022	3,079,605	14,499,809	686,595,116
Addition (at cost)	-	59,523,491	173,653,685	710,460	2,632,000	622,173	265,330	28,000	237,435,139
Revaluation surplus/(reversal)	68,444,440	(6,826,630)	(16,933,585)	-	-	-	-	-	44,684,225
Disposal (NBV)	-	-	(714,171)	(72)	(879,919)	(52)	(96)	-	(1,594,310)
Depreciation charged	-	(3,398,404)	(35,731,161)	(498,006)	(1,785,127)	(863,147)	(994,363)	(856,704)	(44,126,912)
Impairment charged	-	-	(51,797)	-	-	-	-	-	(51,797)
Impairment reversal	-	756,381	5,007,381	-	-	-	-	-	5,763,762
Closing net book value	205,333,320	119,212,426	569,925,766	1,470,688	13,962,446	2,778,996	2,350,476	13,671,105	928,705,223
<b>Gross carrying value basis</b>									
<b>year ended June 30, 2016</b>									
Cost / revalued amount	205,333,320	164,725,337	933,145,469	5,134,616	20,861,705	7,531,157	6,221,346	21,402,293	1,364,355,243
Accumulated depreciation	-	(43,179,692)	(348,883,845)	(3,663,928)	(6,899,259)	(4,752,161)	(3,870,870)	(7,670,988)	(418,920,743)
Accumulated impairment	-	(2,333,219)	(14,335,858)	-	-	-	-	(60,200)	(16,729,277)
Net book value	205,333,320	119,212,426	569,925,766	1,470,688	13,962,446	2,778,996	2,350,476	13,671,105	928,705,223
<b>Depreciation rate</b>									
(% per annum)	-	2.50% to 3.33%	2.50% to 20%	3.33% to 20%	3.33% to 25%	3.57% to 20%	5% to 33.33%	3.33% to 4%	
<b>Net carrying value basis</b>									
<b>year ended June 30, 2015</b>									
Opening net book value	136,888,880	73,012,048	415,042,909	1,926,273	13,232,511	3,223,916	527,705	13,475,243	657,329,485
Addition (at cost)	-	2,958,867	133,365,636	206,282	3,705,500	876,054	3,283,894	4,923,505	149,319,738
Disposal (NBV)	-	-	(45,463,322)	(310,350)	(879,548)	(64,535)	(26,665)	(2,892,836)	(49,637,256)
Depreciation charged	-	(3,723,727)	(38,443,766)	(563,899)	(2,062,971)	(1,015,413)	(705,329)	(945,903)	(47,461,008)
Impairment charged	-	(3,089,600)	(19,806,043)	-	-	-	-	(60,200)	(22,955,843)
Closing net book value	136,888,880	69,157,588	444,695,414	1,258,306	13,995,492	3,020,022	3,079,605	14,499,809	686,595,116
<b>Gross carrying value basis</b>									
<b>year ended June 30, 2015</b>									
Cost / revalued amount	136,888,880	122,479,661	801,840,578	4,639,687	21,674,419	7,976,165	9,987,656	21,374,293	1,126,861,339
Accumulated depreciation	-	(50,232,473)	(337,853,721)	(3,381,381)	(7,678,927)	(4,956,143)	(6,908,051)	(6,814,284)	(417,824,980)
Accumulated impairment	-	(3,089,600)	(19,291,443)	-	-	-	-	(60,200)	(22,441,243)
Net book value	136,888,880	69,157,588	444,695,414	1,258,306	13,995,492	3,020,022	3,079,605	14,499,809	686,595,116
<b>Depreciation rate</b>									
(% per annum)	-	2.50% to 3.33%	2.50% to 20%	3.33% to 20%	3.33% to 25%	3.57% to 20%	5% to 33.33%	3.33% to 4%	

6.1 Plant and machinery includes capital spares amounting to Rs. 53.009 million (written down value Rs. 46.006 million).



## Notes to the Financial Statements

for the year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
6.2 The depreciation charge for the year has been allocated as follows:			
Cost of sales	33	42,222,456	45,782,400
General and administrative expenses	34	1,213,708	983,827
Selling and distribution expenses	35	690,748	694,781
		44,126,912	47,461,008

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

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

Out of the revaluation surplus, an amount of Rs. 219.787 million (2015: Rs. 178.831 million) including land remains undepreciated as at June 30, 2016.

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

	Net book value	
	2016 Rupees	2015 Rupees
Leasehold land	608,737	608,737
Building / Improvements on leasehold land	114,268,124	56,520,787
Plant and machinery	559,807,840	414,781,636
	674,684,701	471,911,160

### 6.5 Fair value measurement

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

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

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

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

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

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

- Make, model, country of origin and etc.;
- Operational capacity;

## Notes to the Financial Statements

### for the year ended June 30, 2016

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

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

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

	2016 Rupees	2015 Rupees
Opening balance (level 3 recurring fair values)	444,695,414	415,042,909
Additions - Cost	173,653,685	133,365,636
Disposals - WDV	(714,171)	(45,463,322)
Depreciation charge	(35,731,161)	(38,443,766)
Impairment loss	(36,557)	(19,806,043)
Impairment reversal	5,007,381	-
Deficit included in surplus on revaluation of fixed assets	(16,948,825)	-
Closing balance (level 3 recurring fair values)	569,925,766	444,695,414

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

6.6 The following operating 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
Plant and machinery	2,201,790	1,487,639	714,151	756,302	Negotiation	Mohammad Aslam - Karachi
Items having book value upto Rs. 50,000	4,844,286	4,844,266	20	14,093	Scrap	P.E.W Engineers - Karachi
	7,046,076	6,331,905	714,171	770,395		
Furniture and fixtures	215,531	215,459	72	11,350	Scrap	P.E.W Engineers - Karachi
Items having book value upto Rs. 50,000						
Vehicles	596,629	403,799	192,830	380,000	Negotiation	Asim Iqbal - Karachi
	755,000	529,760	225,240	225,240	Company Policy	Rizwan Hussain - Ex Employee
	891,000	529,152	361,848	386,246	Company Policy	Waseem Zaheer - Ex Employee
	1,202,085	1,102,084	100,001	352,941	Negotiation	Ashok Devjee - Karachi
	3,444,714	2,564,795	879,919	1,344,427		
Office equipments	1,067,181	1,067,129	52	6,325	Scrap	P.E.W Engineers - Karachi
Items having book value upto Rs. 50,000						
Computer equipments	4,031,640	4,031,544	96	7,475	Scrap	P.E.W Engineers - Karachi
Items having book value upto Rs. 50,000						
<b>Total - 2016</b>	<b>15,805,142</b>	<b>14,210,832</b>	<b>1,594,310</b>	<b>2,139,972</b>		
<b>Total - 2015</b>	<b>99,899,482</b>	<b>50,262,226</b>	<b>49,637,256</b>	<b>64,587,062</b>		

## Notes to the Financial Statements

for the year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
<b>7. CAPITAL WORK-IN-PROGRESS</b>			
This comprises of:			
Civil works		63,329,383	12,309,781
Plant and machinery		475,958,383	56,736,652
	7.1	539,287,766	69,046,433
<b>7.1 Movement of carrying amount</b>			
Year end June 30, 2016			
Opening balance		69,046,433	61,784,678
Additions (at cost)	7.2	707,676,472	156,581,493
Transfer to fixed assets		(237,435,139)	(149,319,738)
Closing balance		539,287,766	69,046,433
7.2 This includes borrowing cost capitalised amounting to Rs. 30.266 million (2015: Rs. 7.242 million) as per IAS 23. The rate of capitalization is 7.78% per annum (2015: 10.84% per annum).			
<b>8. INTANGIBLE ASSETS</b>			
<b>Net carrying value basis</b>			
Opening book value		149,783	215,183
Amortisation charged	8.1	(63,150)	(65,400)
Closing net book value		86,633	149,783
<b>Gross carrying value basis</b>			
Cost		5,232,817	5,232,817
Accumulated amortisation		(5,146,184)	(5,083,034)
<b>Net book value</b>		86,633	149,783
<b>Amortisation rate per annum</b>		20%	20%
8.1 The amortisation for the year has been allocated as follows:			
Cost of sales	33	14,000	14,000
General and administrative expenses	34	49,150	51,400
		63,150	65,400
<b>9. LONG-TERM LOANS AND ADVANCES</b>			
(Secured - considered good)			
Loans			
Due from employees	9.1	884,012	-
Current portion shown under current assets	14	(208,000)	-
		676,012	-

## Notes to the Financial Statements

### for the year ended June 30, 2016

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 and advances from the Company.

	Note	2016 Rupees	2015 Rupees
<b>10. LONG-TERM DEPOSITS</b>			
Power and fuel		4,995,727	4,995,727
Others		1,373,950	1,371,250
	10.1	6,369,677	6,366,977

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

### 11. STORES AND SPARES

Stores			
In hand		42,142,905	37,558,791
In transit		1,815	197,982
		42,144,720	37,756,773
Spares			
In hand		40,514,679	35,380,542
In transit		2,135,855	2,516,526
		42,650,534	37,897,068
Provision for slow moving and obsolete stores and spares	11.1	(2,944,237)	(2,772,158)
		81,851,017	72,881,683

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

Balance at beginning of the year		2,772,158	2,453,939
Provision for the year		172,079	318,219
Balance at end of the year		2,944,237	2,772,158

### 12. STOCK-IN-TRADE

Raw materials			
In hand		188,606,471	197,912,155
In transit		5,028,637	6,435
		193,635,108	197,918,590
Packing materials		5,049,387	3,090,941
		198,684,495	201,009,531
Provision for slow moving and obsolete stock in trade	12.1	(1,284,450)	(1,249,220)
		197,400,045	199,760,311
Work-in-process	33	63,105,673	43,947,653
Finished goods	33	37,206,591	19,835,393
		297,712,309	263,543,357

## Notes to the Financial Statements

for the year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
12.1 Provision for slow moving and obsolete stock in trade comprises:			
Balance at beginning of the year		1,249,220	1,542,639
Provision / (reversal) for the year		35,230	(293,419)
Balance at end of the year		1,284,450	1,249,220
<b>13. TRADE DEBTS</b>			
(Unsecured - considered good)			
Due from associated companies	13.1	16,611,642	16,079,439
Others		279,692,835	292,325,590
		296,304,477	308,405,029
Provision for doubtful debts	13.4	-	(1,812,112)
		296,304,477	306,592,917
13.1 This comprises amounts receivable from:			
Century Paper and Board Mills Limited		3,736,503	2,420,505
GAM Corporation (Private) Limited		1,003,023	500,810
SIZA Foods (Private) Limited		751,917	541,902
Colgate-Palmolive (Pakistan) Limited		11,120,199	12,616,222
		16,611,642	16,079,439
13.2 The aging of related party balances at the balance sheet date is as follows:			
Not past due		14,491,494	15,280,630
Past due 1-30 days		1,314,923	299,085
Past due 30-90 days		737,889	451,484
Past due over 90 days		67,336	48,240
		16,611,642	16,079,439
13.3 The maximum amount due from related parties at the end of any month during the year was Rs. 29.207 million (2015: Rs. 41.401 million)			
13.4 Provision for doubtful debts			
Balance at beginning of the year		1,812,112	1,812,112
Bad debts written off		(1,812,112)	-
Balance at end of the year		-	1,812,112
<b>14. LOANS AND ADVANCES</b>			
Loans (Secured - considered good)			
Current portion of long-term loans	9	208,000	-
Advances (Unsecured - considered good)			
To employees	14.1	110,950	749,790
To suppliers	14.2	7,197,373	3,142,468
		7,308,323	3,892,258
		7,516,323	3,892,258



## Notes to the Financial Statements

for the year ended June 30, 2016

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

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

	Note	2016 Rupees	2015 Rupees
<b>15. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
Security deposits	15.1	4,845,660	4,695,660
Prepayments		8,568,820	183,300
		<b>13,414,480</b>	<b>4,878,960</b>

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

### 16. OTHER RECEIVABLES

(Unsecured-considered good)			
Due from associated company	16.1	17,518,000	104,900,000
Receivable from gratuity fund	41.1.1	1,459,893	-
Others		3,156,379	613,396
		<b>22,134,272</b>	<b>105,513,396</b>

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

### 17. TAX REFUND DUE FROM GOVERNMENT

Sales tax and special excise duty receivable		125,713,254	39,413,294
Income tax refundable		54,771,313	43,521,539
		<b>180,484,567</b>	<b>82,934,833</b>

### 18. TAXATION - NET

The income tax assessments of the Company have been finalised by the tax authorities upto tax year 2015 (accounting year ended June 30, 2015). Adequate provisions have been made in these financial statements for the year ended June 30, 2016 (Tax Year 2016).

### 19. CASH AND BANK BALANCES

Cash with banks in current accounts	19.1	917,327	45,413,096
Cash in hand		518,519	1,023,691
		<b>1,435,846</b>	<b>46,436,787</b>

19.1 Cash with bank in current accounts do not carry any interest or markup. This includes Rs. 0.363 million (2015: nil) placed in Al Baraka Bank Pakistan Limited under an arrangement permissible under Shariah.

### 20. AUTHORIZED SHARE CAPITAL

Number of ordinary shares of Rs.10/- each			
2016	2015		
70,000,000	70,000,000	Ordinary shares of Rs. 10/- each	700,000,000 700,000,000

## Notes to the Financial Statements

for the year ended June 30, 2016

		Note	2016 Rupees	2015 Rupees
<b>21. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>				
Number of ordinary shares of Rs.10/- each				
	2016	2015		
	37,461,352	37,461,352	Fully paid in cash	374,613,520
	2,852,847	2,852,847	Issued as bonus shares fully paid	28,528,470
	40,314,199	40,314,199		403,141,990
	22,543,068	22,543,068	Shares held by associated undertakings	225,430,680
<b>22. ACCUMULATED LOSS</b>				
			106,800,000	106,800,000
			(143,798,093)	(152,712,482)
			(36,998,093)	(45,912,482)
<b>23. SURPLUS ON REVALUATION OF FIXED ASSETS</b>				
<b>Gross surplus</b>				
			178,830,711	185,881,546
			44,684,225	-
			223,514,936	185,881,546
			(592)	(421,365)
			(266)	(198,289)
			(858)	(619,654)
			(10,515)	(1,349,333)
			(4,724)	(634,980)
			(15,239)	(1,984,313)
			(2,561,308)	(3,023,870)
			(1,150,732)	(1,422,998)
			(3,712,040)	(4,446,868)
			219,786,799	178,830,711
<b>Related deferred tax effect:</b>				
			(13,616,185)	(17,360,494)
			425,506	1,488,042
			7,365,669	-
			266	198,289
			4,724	634,980
			1,150,732	1,422,998
		26	(4,669,288)	(13,616,185)
			215,117,511	165,214,526

## Notes to the Financial Statements for the year ended June 30, 2016

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

	Note	2016 Rupees	2015 Rupees
<b>24. SUBORDINATED LOAN - UNSECURED</b>			
From associated undertaking	24.1	100,000,000	100,000,000

24.1 This subordinated loan has been obtained from an associated undertaking. The rate of markup is 0.85% over last business day of three months KIBOR of preceding quarter. During the year, the effective mark-up rate was 7.49% per annum (2015: 10.40% per annum). This loan shall remain sub-ordinated to the financing facilities extended by the banks to the Company. The loan shall not be repaid until the entire amount of financing facilities and any payments due in respect of financing facilities or any other finance extended / provided by the banks to the Company, have been paid in full by the Company to the banks and the banks have notified to the sponsors of such payments; and / or the banks otherwise give any permission in writing to the Company to make full or part of the payments due under the long term financing to the associated undertakings.

### 25. LONG TERM FINANCING

Secured			
From banking company	25.1	275,596,720	90,000,000
Less: Current portion shown under current liabilities	30	(47,105,840)	(16,875,000)
		228,490,880	73,125,000
Unsecured			
From associated undertaking	25.2	440,000,000	440,000,000
		668,490,880	513,125,000

25.1 These loans have been obtain from Islamic financial institutions for the purpose of financing capital expenditure and secured against first pari passu charge on specific property, plant and equipment of the Company under an arrangement permissible under Shariah. The effective rate of mark-up was 7.28% to 8.15% (2015: 10.95%) payable quarterly. The tenure of these financing facilities is five years including one year grace period.

25.2 This loan has been obtained from an associated undertaking. An aggregate amount of Rs. 540 million was received out of which Rs. 100 million has been converted into subordinated loan (note 24). During the year, the repayment of loan has been rescheduled and the amount is now repayable in twenty equal quarterly installments commencing from July 2018. The rate of markup is 0.85% over last business day of three months KIBOR of preceding quarter. During the year, the effective mark-up rate was 7.49% per annum (2015: 10.40% per annum).

## Notes to the Financial Statements

for the year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
<b>26. DEFERRED TAXATION</b>			
Deferred taxation comprises of:			
Taxable temporary differences:			
Surplus on revaluation of fixed assets	23	4,669,288	13,616,185
Other taxable temporary differences		114,907,329	94,742,981
Gross deferred tax liabilities		119,576,617	108,359,166
Deductible temporary differences:			
Carried forward tax losses		110,716,969	94,397,168
Turnover tax		6,628,549	9,597,840
Employee retirement benefit		522,745	2,016,813
Provision for slow moving and obsolete items		1,310,893	1,286,841
Provision for doubtful debts		-	579,876
Provision for compensated absences		397,461	480,628
Gross deferred tax assets		(119,576,617)	(108,359,166)
		-	-

26.1 Deferred tax asset arising due to timing difference calculated at applicable tax rates as at balance sheet date amounted to Rs. 43.144 million (2015: Rs. 57.753 million) debit. Deferred tax asset has not been recognized in these financial statements in accordance with the stated accounting policy of the Company.

### 27. TRADE AND OTHER PAYABLES

Creditors	27.1	163,589,582	106,825,111
Accrued liabilities		8,507,976	7,200,934
Payable to gratuity fund	41.1.1	-	3,258,364
Advances from customers		119,660	291,288
Short term deposits		5,000	5,000
Retention money payable		3,490,690	232,214
Unclaimed dividend		129,143	129,143
Workers' Welfare Fund	37	194,325	510,405
Workers' Profit Participation Fund	27.2	511,381	1,343,172
Others		1,172,999	1,343,429
		177,720,756	121,139,060

27.1 This includes Rs. 11.146 million (2015: Rs. 0.186 million) payable in foreign currency equivalent to Pak Rupees and amount payable to associated companies amounting to Rs. 71.968 million (2015: Rs. 36.899 million).

### 27.2 Workers' Profit Participation Fund

Balance at July 01		1,343,172	384,088
Interest on funds utilized in Company's business		40,074	26,013
Allocation for the year	37	511,381	1,343,172
		1,894,627	1,753,273
Amount paid during the year		(1,383,246)	(410,101)
Balance at June 30		511,381	1,343,172

## Notes to the Financial Statements

for the year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
<b>28. MARK-UP ACCRUED</b>			
Mark-up accrued on secured:			
Short-term borrowings		11,157,861	8,266,885
Long term financing		963,775	309,945
		<u>12,121,636</u>	<u>8,576,830</u>
<b>29. SHORT-TERM BORROWINGS</b>			
From banking companies - secured			
Running finance from:			
Islamic banking	29.1	210,645,876	27,927,158
Conventional banking	29.2	311,813,425	380,437,082
		<u>522,459,301</u>	<u>408,364,240</u>
From associated company - unsecured	29.3	300,000,000	-
		<u>822,459,301</u>	<u>408,364,240</u>

29.1 The Company has short term running finance facilities from various Islamic banks under mark-up arrangements permissible under Shariah in aggregate amount of Rs. 300.000 million (2015: Rs. 150.000 million) having mark-up at rates ranging from 7.31% to 7.36% (2015: 7.76%) per annum calculated on a daily product basis and payable quarterly. The unutilized balance at the end of the year was Rs. 89.354 million (2015: Rs. 122.073 million).

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

29.2 The Company has short term running finance facilities under mark-up arrangements in aggregate of Rs. 570.000 million (2015: Rs. 570.000 million) from various commercial banks having mark-up at rates ranging from 7.59% to 8.03% (2015: 10.40% to 12.18%) per annum calculated on a daily product basis and payable quarterly. The unutilised balance at the end of the year was Rs. 258.187 million (2015: Rs. 189.563 million).

The Company has also a facility for opening letters of credit under mark-up arrangements as at June 30, 2016 amounting to Rs. 490.000 million (2015: Rs. 325.000 million) from various commercial banks. The unutilized balance at the end of the year was Rs. 384.660 million (2015: Rs. 152.740 million).

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

29.3 This short-term borrowing facility has been obtained from an associated undertaking. The rate of markup is 0.85% over last business day of three months KIBOR of preceding quarter.

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

Long term financing	25	47,105,840	16,875,000
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### 31. CONTINGENCIES AND COMMITMENTS

#### 31.1 Contingencies

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



# Notes to the Financial Statements

## for the year ended June 30, 2016

### 31.2 Commitments

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

- Stores, spares and raw materials under letter of credit amounted to Rs. 6.969 million (2015: nil).
- Stores, spares and raw materials under contractual obligation amounted to Rs. 1.210 million (2015: Rs. 5.961 million).
- Capital expenditures under letter of credit amounted to Rs. 98.340 million (2015: Rs. 172.260 million).

	Note	2016 Rupees	2015 Rupees
<b>32. SALES - NET</b>			
Gross sales		1,880,511,265	2,362,499,261
Sales tax		(273,642,795)	(339,250,743)
		<b>1,606,868,470</b>	<b>2,023,248,518</b>
<b>33. COST OF SALES</b>			
Materials consumed		1,169,653,936	1,503,484,020
Salaries, wages and other benefits	33.1	104,422,606	108,621,482
Packing material consumed		38,682,783	38,487,196
Outsourced services		48,204,327	42,136,932
Stores and spares consumed		40,363,324	47,251,111
Power and fuel		42,710,385	54,373,447
Depreciation	6.2	42,222,456	45,782,400
Amortisation	8.1	14,000	14,000
Rent, rates and taxes		11,706,593	8,340,638
Repairs and maintenance		5,372,435	5,098,758
Vehicle running expenses		983,680	919,432
Insurance		5,056,904	5,325,562
Printing and stationery		521,748	645,796
Communication charges		921,282	751,965
Travelling and conveyance		578,205	533,452
Fees and subscription		895,086	228,466
Software license fee		378,574	440,902
Other expenses		1,963,493	1,520,814
Manufacturing cost		<b>1,514,651,817</b>	<b>1,863,956,373</b>
Opening work-in-process		43,947,653	39,194,545
Closing work-in-process	12	(63,105,673)	(43,947,653)
		<b>(19,158,020)</b>	<b>(4,753,108)</b>
Cost of goods manufactured		<b>1,495,493,797</b>	<b>1,859,203,265</b>
Opening stock of finished goods		19,835,393	11,544,937
Closing stock of finished goods	12	(37,206,591)	(19,835,393)
		<b>(17,371,198)</b>	<b>(8,290,456)</b>
		<b>1,478,122,599</b>	<b>1,850,912,809</b>

- 33.1 Salaries, wages and other benefits include Rs. 3.936 million (2015: Rs. 4.246 million) in respect of staff retirement benefits.

## Notes to the Financial Statements

for the year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
<b>34. GENERAL AND ADMINISTRATIVE EXPENSES</b>			
Salaries and other benefits	34.1	25,948,438	22,857,560
Depreciation	6.2	1,213,708	983,827
Amortisation	8.1	49,150	51,400
Rent, rates and taxes		216,594	315,807
Repairs and maintenance		419,751	449,428
Vehicle running expenses		1,502,585	2,005,018
Insurance		269,611	215,539
Printing and stationery		678,013	675,007
Communication charges		920,752	869,683
Travelling and conveyance		177,776	311,283
Fees and subscription		414,055	417,544
Software license fee		272,805	317,720
Service fee to associated undertakings		2,085,624	1,701,261
Electricity charges		126,051	109,080
Others		277,581	388,074
		<b>34,572,494</b>	<b>31,668,231</b>

34.1 Salaries, wages and other benefits include Rs. 1.772 million (2015: Rs. 1.621 million) in respect of staff retirement benefits.

### 35. SELLING AND DISTRIBUTION EXPENSES

Salaries and other benefits	35.1	13,451,288	10,952,055
Depreciation	6.2	690,748	694,781
Repairs and maintenance		30,875	174,364
Vehicle running expenses		1,778,656	1,753,017
Insurance		219,847	192,150
Printing and stationery		66,656	89,237
Communication charges		545,379	503,961
Travelling and conveyance		1,375,512	1,254,411
Software license fee		121,221	141,178
Advertisement		160,240	100,659
Cartage outward		15,917,517	15,019,130
Others		311,921	309,958
		<b>34,669,860</b>	<b>31,184,901</b>

35.1 Salaries, wages and other benefits include Rs. 0.733 million (2015: Rs. 0.536 million) in respect of staff retirement benefits.

### 36. OTHER INCOME

Insurance agency commission from associated undertaking		1,349,793	773,701
Scrap sales		1,671,067	3,339,934
Gain on disposal of operating fixed assets		545,662	14,949,806
Foreign exchange gain	37.2	-	159,241
Reversal of impairment		5,763,762	-
Insurance claim	36.1	17,534,048	-
		<b>26,864,332</b>	<b>19,222,682</b>

## Notes to the Financial Statements for the year ended June 30, 2016

36.1 This includes an amount of Rs. 17.518 million (2015: Nil) insurance claim from Century Insurance Company Limited, an associated company against loss of profit due to fire incidence incurred last year.

	Note	2016 Rupees	2015 Rupees
<b>37. OTHER OPERATING EXPENSES</b>			
Legal and professional charges		1,833,026	1,137,018
Auditors' remuneration:			
Statutory audit		307,000	307,000
Special reports and sundry services		148,000	135,000
Out-of-pocket expenses		131,450	109,049
		586,450	551,049
Workers' Profit Participation Fund		511,381	1,343,172
Workers' Welfare Fund		194,325	510,405
Director fees		150,000	150,000
Commission on brokerage		-	34,000
Loss on settlement of insurance claim	37.1	-	3,689,693
Impairment loss		36,557	-
Donations		68,716	-
Foreign exchange loss	37.2	26,713	-
Bad debts written-off		700,465	-
		4,107,633	7,415,337
<b>37.1 Loss on settlement of insurance claim</b>			
Impairment of operating fixed assets (net of revaluation surplus)		-	20,971,530
Stock written off		-	22,703,763
		-	43,675,293
Less: Insurance recoveries		-	(39,985,600)
		-	3,689,693
<b>37.2 Exchange loss / gain is earned from actual currency translation.</b>			
<b>38. FINANCIAL CHARGES</b>			
Mark-up / interest on:			
Sub-ordinated loan		7,509,200	10,395,863
Long-term financing		48,276,919	51,059,983
Short-term borrowings		15,920,872	33,922,319
Interest on Workers' Profit Participation Fund	27.2	40,074	26,013
		71,747,065	95,404,178
Bank charges and commission		991,242	875,876
		72,738,307	96,280,054
<b>39. TAXATION</b>			
Current	39.1	-	7,023,757
Prior		(10,208)	(189,200)
Deferred		6,364,854	3,141,789
		6,354,646	9,976,346

## Notes to the Financial Statements for the year ended June 30, 2016

- 39.1 The current year's total tax liability of the Company amounting to Rs. 16.085 million is covered under Section 113 "Minimum tax" of the Income Tax Ordinance, 2001. This has been fully adjusted against tax credit of Rs 17.365 million under section 65B at the rate 10% on the cost of plant and machinery capitalised during the year. Unadjusted tax credit of Rs. 1.118 million is available for adjustment against two subsequent years' tax charge.
- 39.2 The numerical reconciliation between average tax rate and the applicable tax rate has not been presented during the year in these financial statements as the total tax liability of the Company is covered under Section 113 "Minimum tax" of the Income Tax Ordinance, 2001.
- 39.3 The applicable income tax rate for Tax Year 2017 was reduced to 31% on account of changes made to Income Tax Ordinance 2001 through Finance Act 2015. Therefore, deferred tax is computed at the rate of 31% applicable to the period when temporary differences are expected to be reversed / utilised.

	2016	2015
<b>40. EARNINGS PER SHARE - BASIC AND DILUTED</b>		
Profit for the year (Rupees)	3,167,263	15,033,522
Weighted average number of ordinary shares outstanding	40,314,199	40,314,199
Earnings per share - basic and diluted (Rupees)	0.08	0.37

### 41. RETIREMENT BENEFIT

#### 41.1 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, 2016, using the Projected Unit Credit Method.

The Company faces the following risks on account of gratuity:

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

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

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

**Investment risks** - The risk of the investment underperforming and not being sufficient to meet the liabilities. This risk is mitigated by closely monitoring the performance of investment.

**Risk of insufficiency of assets** - This is managed by making regular contribution to the Fund as advised by the actuary.

## Notes to the Financial Statements

for the year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
<b>41.1.1 Liability recognised in balance sheet</b>			
Fair value of plan assets	41.1.3	45,695,824	39,842,696
Present value of defined benefit obligation	41.1.4	(44,235,931)	(43,101,060)
Closing net receivable / (liability)	16 & 27	1,459,893	(3,258,364)
<b>41.1.2 Movement of the liability recognized in the balance sheet</b>			
Opening net liability		(3,258,364)	(1,476,440)
Charge for the year		(3,173,381)	(2,731,320)
Remeasurement gains / (losses) recognized in other comprehensive income		4,616,269	(3,183,648)
Contribution made during the year		3,275,369	4,133,044
Closing net receivable / (liability)		1,459,893	(3,258,364)
<b>41.1.3 Movement in the fair value of plan assets</b>			
Fair value as at July 01		39,842,696	32,653,126
Expected return on plan assets		3,723,979	4,554,601
Remeasurement: Actuarial gains / (losses)		1,296,074	(807,477)
Contribution by the employer		3,275,369	4,133,044
Benefits paid		(2,442,294)	(690,598)
Fair value as at June 30	41.1.1	45,695,824	39,842,696
<b>41.1.4 Movement in the present value of defined benefit obligation</b>			
Obligation as at July 01		(43,101,060)	(34,129,566)
Current service cost		(3,023,468)	(2,809,506)
Interest cost		(3,873,892)	(4,476,415)
Remeasurement: Actuarial gains / (losses)		3,320,195	(2,376,171)
Benefits paid		2,442,294	690,598
Obligation as at June 30	41.1.1	(44,235,931)	(43,101,060)
<b>41.1.5 Expenses recognised in profit and loss account</b>			
Current service cost		3,023,468	2,809,506
Interest cost		3,873,892	4,476,415
Expected return on plan assets		(3,723,979)	(4,554,601)
Expense for the year		3,173,381	2,731,320
Actual return on plan assets		5,020,053	3,747,124
<b>41.1.6 Remeasurement (gains) / losses recognized in other comprehensive income</b>			
Remeasurement gain / (loss) on defined benefit obligation	41.1.4	3,320,195	(2,376,171)
Remeasurement gain / (loss) on plan assets	41.1.3	1,296,074	(807,477)
Remeasurement gains / (losses)		4,616,269	(3,183,648)

# Notes to the Financial Statements

for the year ended June 30, 2016

## 41.1.7 Composition of the fair value of plan assets

	2016		2015	
	Rupees	Percentage	Rupees	Percentage
Debt	20,907,725	46%	22,741,770	57%
Mutual fund	7,406,398	16%	7,055,808	18%
Cash with banks	17,381,701	38%	10,045,118	25%
	45,695,824		39,842,696	

41.1.8 The expected contribution to funded gratuity scheme for the year ending June 30, 2017 is Rs. 3.019 million. This is the amount by which the net defined benefit liability is expected to increase. The amount of rereasurement to be recognised in other comprehensive income will be worked out as at the next valuation.

	2016	2015
	Percentage	Percentage

## 41.1.9 Principal actuarial assumptions

Following were the significant actuarial assumptions used in the valuation:

Discount rate per annum	7.25%	9.75%
Expected rate of return on plan assets per annum	7.25%	9.75%
Expected rate of increase in salary per annum (short term)	7.50%	10.00%
Expected rate of increase in salary per annum (long term)	7.25%	9.75%

## 41.1.10 Sensitivity analysis

	Rupees	Percentage
Current liability	44,235,931	
+1% discount rate	40,520,056	-8.40%
-1% discount rate	48,561,601	9.78%
+1% salary increase rate	48,722,518	10.14%
-1% salary increase rate	40,319,784	-8.85%
+10% withdrawal rate	44,135,959	-0.23%
-10% withdrawal rate	44,338,195	0.23%
1 year mortality age set back	44,222,285	-0.03%
1 year mortality age set forward	44,249,616	0.03%

## 41.1.11 Maturity Profile

	Undiscounted Payments
Year 1	1,128,183
Year 2	5,053,101
Year 3	938,101
Year 4	808,217
Year 5	2,882,137
Year 6 to year 10	28,775,307
Year 11 and above	182,871,648

## 41.2 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 independent of the Company.



## Notes to the Financial Statements for the year ended June 30, 2016

41.2.1 The Trustees have intimated that the size of the Fund as at December 31, 2015 was Rs. 114.214 million.

41.2.2 As intimated by the Trustees, the cost of the investment made at December 31, 2015 was Rs. 89.772 million which is equal to 78.60% of the total fund size. The fair value of the investment was Rs. 101.905 million at that date. The category wise break up of investment as per Section 227 of the Companies Ordinance, 1984 is given below:

	Rupees	Percentage
Debt	64,303,532	56.30%
Mutual fund	31,619,160	27.68%
Cash with banks	5,982,452	5.24%

41.2.3 According to the Trustees, investments out of provident fund have been made in accordance with the provisions of Section 227 of Companies Ordinance, 1984 and the rules made thereunder.

Note	2016 Rupees	2015 Rupees
<b>42. CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	9,521,909	25,009,868
Adjustment for non-cash items and other items:		
Gain on disposal of operating fixed assets	(545,662)	(14,949,806)
Financial charges	72,738,307	96,280,054
Depreciation	44,126,912	47,461,008
Amortisation	63,150	65,400
Impairment (reversal) / loss	(5,727,205)	20,971,530
Provision for slow moving stock and obsolete items	207,309	24,800
	110,862,811	149,852,986
Profit before working capital changes	120,384,720	174,862,854
Working capital changes	42.1 13,570,795	(49,194,524)
	133,955,515	125,668,330
<b>42.1 Working capital changes</b>		
(Increase) / decrease in current assets:		
Stores and spares	(9,141,413)	(12,550,512)
Stock-in-trade	(34,204,182)	69,950,711
Trade debts	10,288,440	19,287,787
Loans and advances	(3,624,065)	(867,935)
Trade deposits and short-term prepayments	(8,535,520)	(1,849,957)
Other receivables	83,379,124	(104,786,096)
Tax refund due from Government	(86,299,959)	(2,023,859)
	(48,137,575)	(32,839,861)
Increase / (decrease) in current liabilities:		
Trade and other payables (excluding unclaimed dividend)	61,708,370	(16,354,663)
	13,570,795	(49,194,524)

## Notes to the Financial Statements

for the year ended June 30, 2016

### 43. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

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

	2016			2015		
	Chief Executive Rupees	Executives Rupees	Total Rupees	Chief Executive Rupees	Executives Rupees	Total Rupees
Managerial remuneration	3,100,080	9,799,101	12,899,181	2,577,504	8,584,980	11,162,484
House rent	1,390,848	4,360,398	5,751,246	805,053	3,657,810	4,462,863
Bonus	773,645	2,416,096	3,189,741	428,509	1,415,680	1,844,189
Retirement benefits	278,688	1,040,426	1,319,114	231,648	1,142,443	1,374,091
Motor vehicle expenses	172,176	1,379,052	1,551,228	210,500	1,534,112	1,744,612
Medical allowances	309,702	968,961	1,278,033	256,812	848,280	1,105,092
<b>Total</b>	<b>6,024,509</b>	<b>19,964,034</b>	<b>25,988,543</b>	<b>4,510,026</b>	<b>17,183,305</b>	<b>21,693,331</b>
Number of persons	1	12	13	1	11	12

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

43.2 Aggregate amount charged in these financial statements in respect of directors fee is Rs. 0.150 million (2015: Rs. 0.150 million).

### 44. TRANSACTIONS WITH RELATED PARTIES

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

Nature of transaction	Relation with the Company	2016	2015
		Rupees	Rupees
<b>Sale of goods, Services and Reimbursement of expenses</b>			
Colgate Palmolive Pakistan Limited	Associated company	100,782,315	133,282,308
Century Paper & Board Mills Limited	Associated company	34,290,626	34,862,651
GAM Corporation (Private) Limited	Associated company	2,473,189	3,713,636
SIZA Foods (Private) Limited	Associated company	2,244,116	2,372,672
Tetley Clover (Private) Limited	Associated company	-	13,163,176
<b>Purchases of goods, Services and Reimbursement of expenses</b>			
Century Paper & Board Mills Limited	Associated company	966,504,218	1,031,361,710
Century Insurance Company Limited	Associated company	19,486,136	7,546,159
Princeton Travels (Private) Ltd.	Associated company	4,316,458	3,801,556
Lakson Business Solutions Limited	Associated company	1,502,930	1,454,687
SIZA Services (Private) Limited	Associated company	1,347,504	1,158,924
SIZA (Private) Limited	Associated company	1,206,579	97,107

## Notes to the Financial Statements

for the year ended June 30, 2016

Nature of transaction	Relation with the Company	2016	2015
		Rupees	Rupees
Cyber Internet Services (Private) Limited	Associated company	131,402	85,498
Tetley Clover (Private) Limited	Associated company	75,000	215,000
Express Publication (Private) Limited	Associated company	65,827	-
SIZA Foods (Private) Limited	Associated company	63,600	126,600
Colgate Palmolive Pakistan Limited	Associated company	10,714	24,630
Clover Pakistan Limited	Associated company	-	65,239
<b>Rent and other allied charges</b>			
Hassanali and Gulbanoo Lakhani Foundation	Associated company	276,102	255,797
<b>Insurance Agency Commission</b>			
Century Insurance Company Limited	Associated company	1,349,793	773,701
<b>Insurance Claim</b>			
Century Insurance Company Limited	Associated company	17,534,048	106,420,736
<b>Loan Obtained</b>			
SIZA (Private) Limited	Associated company	100,000,000	-
SIZA Services (Private) Limited	Associated company	300,000,000	-
Director	Sponsors & Directors	350,000,000	-
<b>Loan Repayment</b>			
SIZA (Private) Limited	Associated company	100,000,000	-
Director	Sponsors & Directors	350,000,000	-
<b>Markup Accrued</b>			
SIZA (Private) Limited	Associated company	40,688,147	56,137,660
SIZA Services (Private) Limited	Associated company	456,329	-
Director	Sponsors & Directors	2,409,673	-
<b>Others</b>			
Contribution to Staff Retirement Benefit Plans	Employees Fund	6,216,007	6,145,054
Remuneration and other benefits	Key Management Person	17,297,561	12,017,003
<b>44.1 Year end balances</b>			
Receivable from associated companies		35,589,535	120,979,439
Payable to associated companies		73,744,149	41,225,688
Long-term financing from associated company		440,000,000	440,000,000
Sub-ordinated loan		100,000,000	100,000,000
Short-term financing from associated company		300,000,000	-

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

#### 45. CAPACITY AND PRODUCTION

Printing is a service industry involving the processing of printing material on a mix of different size machines having 1 to 6 colour units. The paper and board used is dependent on the customers' requirements ranging from 38 gsm to 450 gsm of a large variety of products involving several processes during and post printing. Due to many variables and complexities involved, the capacity is not determinable.

## Notes to the Financial Statements

for the year ended June 30, 2016

	2016	2015
	Rupees	Rupees
<b>46. FINANCIAL INSTRUMENTS BY CATEGORY</b>		
<b>Financial assets as per balance sheet</b>		
<b>Loans and receivables at amortized cost</b>		
Long-term loans	884,012	-
Long-term deposits	6,369,677	6,366,977
Trade debts	296,304,477	306,592,917
Short-term deposits	4,845,660	4,695,660
Other receivables	22,134,272	105,513,396
Cash and bank balances	1,435,846	46,436,787
	<b>331,973,944</b>	<b>469,605,737</b>
<b>Financial liabilities as per balance sheet</b>		
<b>Financial liabilities measured at amortized cost</b>		
Sub-ordinated loan	100,000,000	100,000,000
Long-term financing	715,596,720	530,000,000
Long-term deposits	141,000	-
Trade and other payables	177,720,756	121,139,060
Mark-up accrued	12,121,636	8,576,830
Short-term borrowings	822,459,301	408,364,240
	<b>1,828,039,413</b>	<b>1,168,080,130</b>

### 47. 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.

### 48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

#### 48.1 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.

#### 48.2 Credit risk

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

#### Exposure to credit risk

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

## Notes to the Financial Statements

for the year ended June 30, 2016

	2016	2015
	(Rupees in thousands)	
Loans and deposits	12,099	11,063
Trade debts	296,304	306,593
Other receivables	22,134	105,513
Bank balances	917	45,413
	331,454	468,582
The aging of trade receivable at the reporting date is:		
Not past due	221,975	226,282
Past due 1-30 days	41,650	52,690
Past due 30-90 days	20,472	14,064
Past due 90 days	12,207	13,557
	296,304	306,593

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

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

The exposure to banks is managed by dealing with variety of major banks and monitoring exposure limits on continuous basis. The rating of banks ranges from A+ to A-1+.

### Concentration of credit risk

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

### Impaired assets

During the year no assets have been impaired except for impairment on account of operating fixed assets amounting to Rs. 0.037 million (2015: Rs. 20.971 million).

### 48.3 Liquidity risk

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

## Notes to the Financial Statements

for the year ended June 30, 2016

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

	2015						
	Carrying Amount	Contractual Cash Flows	Six months or less	Six to Twelve months	One to Two years	Two to Five years	Over Five years
( Rupees in thousands)							
Subordinated loan	100,000	135,536	2,268	6,791	8,245	16,269	101,963
Long term financing	530,000	712,727	23,118	45,720	153,994	393,257	96,638
Trade and other payables	121,139	121,139	121,139	-	-	-	-
Mark-up accrued	8,577	8,577	8,577	-	-	-	-
Short term borrowings	408,364	408,364	408,364	-	-	-	-
	1,168,080	1,386,343	563,466	52,511	162,239	409,526	198,601

#### 48.4 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.

##### 48.4.1 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:

	2016	2015
	(Rupees in thousands)	
Foreign bills payable	11,146	186
Contractual obligations	106,519	178,221
Net exposure	117,665	178,407



## Notes to the Financial Statements

for the year ended June 30, 2016

The following significant exchange rates have been applied

Average rate		Reporting date rate	
2016	2015	2016	2015
(Rupees)			
104.49	101.51	104.70	101.70

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

	Average rate		Reporting date rate	
	2016	2015	2016	2015
	(Rupees in thousands)			
<b>Effect on (loss) or profit</b>	11,767	17,841	11,767	17,841

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.

### 48.4.2 Interest rate risk

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

	2016	2015	2016	2015
	Effective rate		Carrying amount	
	(In percent)		(Rupees in thousands)	
<b>Financial Liabilities</b>				
Variable rate instruments				
Long term loans	7.54%	10.44%	668,491	513,125
Subordinated loan	7.49%	10.40%	100,000	100,000
Short term borrowings	7.62%	10.53%	822,459	408,364

### 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 2015.

## Notes to the Financial Statements

for the year ended June 30, 2016

	Profit and loss	
	100 bp Increase	100 bp Decrease
<b>As at June 30, 2016</b>		
Cash flow sensitivity - Variable rate financial liabilities (Rs' 000)	(15,910)	15,910
<b>As at June 30, 2015</b>		
Cash flow sensitivity - Variable rate financial liabilities (Rs' 000)	(10,215)	10,215

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

#### 49. CAPITAL RISK MANAGEMENT

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

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

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

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

#### 50. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

## Notes to the Financial Statements

for the year ended June 30, 2016

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset either directly that is, derived from prices.
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is unadjusted) inputs.

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

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

### 51. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on August 31, 2016 by the Board of Directors of the Company.

### 52. NUMBER OF EMPLOYEES

	2016	2015
	<b>No. of employees</b>	
Number of employees as at June 30	237	212
Average number of employees during the year	218	212

### 53. CORRESPONDING FIGURES

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

### 54. GENERAL

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



**IQBAL ALI LAKHANI**  
Chairman



**SHAHID AHMED KHAN**  
Chief Executive Officer

مصنوعات اور خدمات کے معیار میں مسلسل بہتری کے ذریعے اپنے کاروبار کو ہموار بنانے کے لیے مستقل مزاجی سے اقدامات کیے جا رہے ہیں۔ یہ مقصد بھاری سرمایے پر مشتمل مصارف کی شمولیت کے ذریعے حاصل کیا جا رہا ہے جس سے نہ صرف پیداواری صلاحیت میں اضافہ ہوگا بلکہ کمپنی کے تکنیکی محاذ پر بھی جدت آئے گی۔ ان اقدامات میں گریوئیر ڈپارٹمنٹ اور اس کے انفراسٹرکچر کی تنظیم نو، جدید ہلر پرنٹ کرنے کی حامل روٹومیک کی بہترین یوسٹ گریوئیر پرنٹنگ مشین، نئی لیب اور دیگر ویلیو ایڈیشن ایکوپمنٹ کا اضافہ شامل ہے۔

لاہور میں نئے مینوفیکچرنگ یونٹ کی تنصیب کے ذریعے دور کے کسٹمرز کو آفسیٹ پروڈکٹس کی فراہمی پر بھی توجہ مرکوز کی گئی ہے۔ یہ ہمیں ہمارے لاہور اور اسلام آباد مارکیٹنگ آفسز کے ذریعے وسطی اور شمالی علاقوں کی مارکیٹس کی ضروریات پوری کرنے کے قابل بنائے گا۔ آپ کے کمپنی کے ڈائریکٹرز پر اعتماد ہیں کہ فروخت میں اضافہ اور ویلیو ایڈ پروڈکٹس کے اضافے کے ساتھ اور زیادہ سے زیادہ گنجائش کے استعمال سے ہمارے منافع پر موجودہ دباؤ میں کمی آئے گی اور کمپنی کا مارکیٹ شیئر بہتر ہوگا۔

## اعتراف

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

بورڈ آف ڈائریکٹرز کی جانب سے



اقبال علی لاکھانی

چیئر مین

کراچی: 31 اگست 2016

## آڈٹ کمیٹی

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

ممبر کا نام	اجلاسوں میں شرکت کی تعداد
شیخ محمد برین الدین (چیئرمین)	4
جناب ذوالفقار علی لاکھانی	3
جناب تسلیم الدین احمد باٹلے	4

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

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

## افرادى وسائل و مشاہرہ کمیٹی

2015-16 میں کے دوران افرادی وسائل و مشاہرہ کمیٹی (HR&R) کا ایک اجلاس منعقد ہوا جس میں ہر ممبر کی حاضری درج ذیل رہی:

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

## کوالٹی منیجمنٹ

ہم اپنے قابل قدر اسٹیک ہولڈرز کو بصد مسرت مطلع کرتے ہیں کہ آپ کی کمپنی کو الٹی منیجمنٹ سسٹم ISO 9001:2008، فوڈ سیفٹی منیجمنٹ سسٹم ISO 22000:2005، انوائزر منیجمنٹ سسٹم ISO 14001:2004، PAS 223:2011، SEDEX (سپلائر اتھریٹیکیشن ڈیٹا ایکسچینج)، HACCP (ہیجرڈ اینیلاکسس اینڈ کریٹیکل کنٹرول پوائنٹ) اور Yum انٹرنیشنل فوڈ سیفٹی اسٹینڈرڈ سے سرٹیفکیٹ یافتہ ہے۔ یہ سرٹیفیکیشن کسٹمر کے اطمینان پر توجہ مرکوز کرنے پر زور دیتی ہیں اور ہماری آپریشنل صلاحیتیں بہتر بنانے میں مدد فراہم کرتی ہیں۔ یہ پیداوار کو برقرار رکھنے اور کسٹمرز کے اعتماد کو بڑھانے پر زور دیتی ہے۔ یہ یکسو لائحہ عمل ہمیں بالکل درستگی سے یہ سمجھنے کا موقع فراہم کرتا ہے کہ ہمارے کسٹمرز کو کیا چاہیے۔ فوڈ سسٹمز منیجمنٹ اور یکساں کوالٹی ہمیں کسٹمر کے کوالٹی کے پیمانوں کے مطابق عمل میں مدد دیتی ہے۔

## مستقبل کی توقعات

ہم انڈسٹری کے موجودہ پلیسٹرز اور نئے داخل ہونے والوں سے سخت مقابلے کی پیش بینی کرتے ہیں۔ کمپنی کو اپنے مارکیٹ شیئر کے دفاع اور اس میں اضافے کے لیے سرمایہ کاریاں بڑھانے کی ضرورت ہے۔ آپ کی کمپنی اپنی پروڈکشن کوالٹی اور ویلیو ایڈیشن کی صلاحیتیں بہتر بنانے کے لیے ٹیکنالوجی کے فوائد اپنارہی ہے، جیسا کہ ذیل میں تفصیلاً بتایا گیا ہے۔

ہمارے مندرجہ بالا گوشوارے کے علاوہ، آپ کے ڈائریکٹر آپ کو بصد مسرت یہ اطلاع دیتے ہیں کہ کمپنی رائیونڈ، لاہور میں سنڈرائڈ سٹریل ایسٹیٹ میں ایک نئی فیکٹری کے کامیاب آغاز کار کے ذریعے اپنی آپریشنل سہولت بڑھا چکی ہے۔ یہ فیکٹری مالی سال 2017 کی پہلی سہ ماہی میں تجارتی پیداوار کا آغاز کرے گی، فی الوقت یہ فیکٹری آزمائشی مرحلے سے گزر رہی ہے۔ آپ کی کمپنی انڈسٹری کے ایک بڑے کردار کی حیثیت سے ابتدائی طور پر لاہور فیکٹری میں آفسیٹ مصنوعات کی پیداوار کا ارادہ رکھتی ہے، تاکہ ملک کے شمالی اور وسطی حصوں میں موجود کسٹمرز کو سپلائی کے ذریعے پنجاب کی بڑی اور وسعت پزیر مارکیٹ میں زیادہ منافع کمایا جاسکے۔

### پیٹرن آف شیئر ہولڈنگ

30 جون 2016 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 فنانس آفیسر، کمپنی سیکرٹری، ان سب کی شریک حیات اور کم عمر بچوں نے سال کے دوران کمپنی کے شیئرز کے کسی لین دین میں حصہ نہیں لیا۔

### ریٹائرمنٹ بینیفٹس میں سرمایہ کاریاں

کمپنی اپنے ملازمین کو پروویڈنٹ فنڈ اور گریجویٹ فنڈ کی شکل میں ریٹائرمنٹ بینیفٹس بھی فراہم کرتی ہے۔ اسٹاف ریٹائرمنٹ بینیفٹ فنڈ کی طرف سے کی جانے والی سرمایہ کاری کی مالیت ان کے آڈٹ شدہ بالترتیب اکاؤنٹس، بابت 31 دسمبر 2015 اور 30 جون 2016 کے مطابق درج ذیل ہے:

(000' روپے)

پروویڈنٹ فنڈ 101,905

گریجویٹ فنڈ 44,616

### بورڈ کے اجلاس اور حاضری

2015-16 کے دوران بورڈ آف ڈائریکٹرز کے پانچ (5) اجلاس منعقد ہوئے اور کمپنی کے مکمل دائرہ کار کا جائزہ لینے کے لیے ڈائریکٹرز نے برطانیہ ذیل شرکت کی:

ڈائریکٹر کا نام	اجلاسوں میں شرکت کی تعداد
جناب اقبال علی لاکھانی (چیرمین)	4
جناب ذوالفقار علی لاکھانی	2
جناب امین محمد لاکھانی	1
جناب تسلیم الدین احمد باٹلے	5
جناب شاہد احمد خان	5
شیخ محمد برین الدین (خود مختار ڈائریکٹر)	5
شیخ عاصم رفیق (نیشنل انویسٹمنٹ ٹرسٹ لمیٹڈ کے نامزد کردہ)	4
جناب فرخ شوکت انصاری (نیشنل انویسٹمنٹ ٹرسٹ لمیٹڈ کے نامزد کردہ)	5

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



☆ مالیاتی گوشواروں کی تیاریوں میں عالمی مالیاتی رپورٹنگ کے معیاروں جی کا پاکستان میں اطلاق ہے انکی پیروی کی جاتی ہے۔ اگر کسی معیار کو ترک کیا گیا ہے اسکی تفصیل کو بتایا اور تشریح کیا گیا ہے۔

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

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

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

☆ ٹیکسوں، ڈیوٹیوں، محصولات اور واجبات الا د اچار جز کے بارے میں معلومات نوٹس میں مناسب انداز میں ظاہر کی گئی ہیں اور منسلکہ مالیاتی گوشواروں کا حصہ ہیں۔

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

### سیفٹی، سیکورٹی، ہیلتھ اور انوائرمینٹ

آپ کی کمپنی نے تمام ملازمین کا تحفظ یقینی بنانے اور ہر وقت کام کا محفوظ ماحول فراہم کرنے کا عہد کر رکھا ہے۔ ہمارے تمام ملازمین، آلات اور پروڈکشن فیسیلیٹیز کی بھلائی اور تحفظ کے لیے باقاعدگی سے اندرونی اور بیرونی تربیوتوں کا انعقاد کیا جاتا ہے۔ تمام پرنٹنگ ایریا کو ایئر کنڈیشنڈ کیا جا رہا ہے اور آلودگی سے بچاؤ کے اقدام کے طور پر درختوں اور پودوں کی تعداد میں اضافہ کیا گیا ہے۔

### کاروباری سماجی ذمہ داری

ہم اپنی کاروباری سمجھداریاں پوری کرنے پر یقین رکھتے ہیں اور ایک ذمہ دار کاروباری ادارے کی حیثیت سے ہم نے اپنی کاروباری ضروریات کو اپنے ملازمین، کسٹمرز، کنٹریپورٹرز اور بحیثیت مجموعی معاشرے سے ہم آہنگ کر لیا ہے۔ ہماری استقامتی اہلیت (Sustainability) کی رپورٹ ان تکنیکی جدتوں، حفاظتی اقدامات اور سماجی بہبود کی سرگرمیوں کی تفصیلات مہیا کرتی ہے۔ ہم سماجی سرگرمیوں میں شمولیت کے لیے کوشاں ہیں۔ میرٹ پیکجنگ ماحول کے تحفظ اور سماجی بہبود، خصوصاً ہمارے معاشرے میں تعلیم کے فروغ کے ذریعے پائیدار ترقی کی جستجو جاری رکھے گی۔

### افراد کی وسائل کی ترقی

ہماری کمپنی اپنے ملازمین کو ترقی کے زیادہ سے زیادہ مواقع مہیا کرنے پر یقین رکھتی ہے۔ کاروباری سرگرمیوں کی کامیابیوں کے لیے افرادی وسائل کی ترقی بدستور اہم ہے۔ یہ ہمیں تازہ ترین تکنیکی جدتوں سے ہم آہنگ ہونے کے قابل بناتی ہے جو بقا اور پھلنے پھولنے کے لیے ناگزیر ہے۔

### آڈیٹرز

موجودہ آڈیٹرز، میسرز BDO ابراہیم اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو رہے ہیں اور اہل ہونے کی بنیاد پر خود کو 30 جون 2017 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۔

### اہم تبدیلیاں اور معاہدے

کوئی ایسی اہم 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۔

## ڈائریکٹرز کی رپورٹ

میرٹ پیکیجنگ لمیٹڈ کے ڈائریکٹرز کی طرف سے 30 جون 2016 کو ختم ہونے والے سال کے لیے ڈائریکٹرز کی رپورٹ مع کمپنی کے 36 ویں سالانہ آڈٹ شدہ مالیاتی گوشوارے پیش کرنا ہمارے لیے باعث مسرت ہے۔

### کارکردگی کا جائزہ

#### اہم اعداد و شمار

<u>2014-15</u>	<u>2015-16</u>	
(ہزار روپے)	(ہزار روپے)	
2,023,249	1,606,868	خالص فروخت
172,336	128,746	مجموعی منافع
121,290	82,260	آپریٹنگ منافع
25,010	9,522	قبل از ٹیکس منافع
(فی حصص روپے)	(فی حصص روپے)	فی حصص آمدنی
0.37	0.08	

### آپریٹنگ نتائج

زیر جائزہ سال کے دوران خالص فروخت گزشتہ مالی سال میں 2.023 ارب روپے کے مقابلے میں 1.606 ارب روپے ریکارڈ کی گئی۔ 30 جون 2016 کو ختم ہونے والے سال کے لیے قبل از ٹیکس منافع گزشتہ سال میں 25 ملین روپے کے مقابلے میں 9.5 ملین روپے ہے۔ موجودہ سال میں کمپنی کی کارکردگی گزشتہ سال گریویٹر (Gravure) پروڈکشن ہال میں آتش زدگی کے واقعے کے نتیجے میں ان ہاؤس گریویٹر (Gravure) پروڈکشن کی معطلی اور آفسیٹ پرنٹنگ مشینوں کی فرسودگی کے اثرات کی وجہ سے متاثر ہوئی۔

مختلف منصوبوں میں سرمایہ کاری کے لئے کیش فلو پر دباؤ بڑھنے کی وجہ سے اور کمپنی کی مالی حالت کو مد نظر رکھتے ہوئے ڈائریکٹرز نے کسی ڈیویڈنڈ کا اعلان نہیں کیا ہے

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

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

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

☆ کمپنی کی انتظامیہ کی طرف سے تیار کردہ مالیاتی گوشوارے اس کے معاملات، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلو 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 اسٹیٹرزڈ، ٹرامیم یا تشریحات کے موجودہ اسٹیٹرزڈز پر

ابتدائی اطلاق کے نتیجے میں رونما ہونے والی تبدیلیوں کے۔ شماریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔

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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 17<sup>th</sup> day of October 2016 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2016.

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

**Witness 1**

Signature \_\_\_\_\_

Name \_\_\_\_\_

CNIC No. \_\_\_\_\_

Address \_\_\_\_\_

**Witness 2**

Signature \_\_\_\_\_

Name \_\_\_\_\_

CNIC No. \_\_\_\_\_

Address \_\_\_\_\_

**Notes : -**

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

## مختار نامہ (پراکسی فارم)

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

کو جو خود بھی میرٹ پیکیجنگ لمیٹڈ کا رکن ہے کہ وہ بطور میرٹ / ہمارا مختار نامہ (پراکسی) میرٹ پیکیجنگ لمیٹڈ کے سالانہ اجلاس عام میں جو ۱۷ اکتوبر ۲۰۱۶ کو منعقد ہو رہا ہے یا اس کے کسی ملتوی شدہ اجلاس میں کرے اور وہ میرٹ / ہمارے جگہ میرٹ / ہمارے طرف سے حق رائے دہی استعمال کرے۔

مورخہ اکتوبر \_\_\_\_\_ ۲۰۱۶ کو میرٹ / ہمارے دستخط سے جاری ہوا۔

فولیو نمبر	سی ڈی سی کھاتہ نمبر	حصص کی تعداد

رسیدی ٹکٹ پر دستخط

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

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

### ہدایات:

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





MERIT PACKAGING LIMITED

**ANNUAL**  
REPORT 2016



**MERIT PACKAGING LIMITED**

A Lakson Group Company

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