MERIT PACKAGING LIMITED

Annual REPORT 2019

A Lakson Group Company

Contents

Corporate Information

Board of Directors

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

Advisor
Sultan Ali Lakhani

Chief Executive Officer
Shahid Ahmed Khan

Audit Committee

Shaikh Muhammad Barinuddin	Chairman
Amin Mohammed Lakhani	
Tasleemuddin Ahmed Batlay	

Human Resource and Remuneration Committee

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

Company Secretary
Mansoor Ahmed

Auditors
BDO Ebrahim & Co.
Chartered Accountants

Bankers

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

Shares Registrar
FAMCO Associates (Pvt.) Ltd
8-F, Near Hotel Faran, Nursery, Block-6,
P.E.C.H.S., Shahra-e-Faisal, Karachi.
Email : info.shares@famco.com.pk
Phone : (021) 34380101 - 5 Fax : (021) 34380106
Website : www.famco.com.pk

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

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

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

Website
www.meritpack.com

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 39th Annual General Meeting of **MERIT PACKAGING LIMITED** will be held on Monday, October 28, 2019 at 08:45 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, 2019 together with the Directors' and Auditors' reports thereon.

2. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

3. To consider to increase the Authorized Capital of the Company from Rs.1,000,000,000 divided into 100,000,000 shares of Rs.10 each to Rs.2,000,000,000 divided into 200,000,000 shares of Rs. 10 each and if thought fit to pass, the following special resolution in the matter with or without amendment.

   "**RESOLVED** that the Authorized Capital of the Company be and is hereby increased to Rs. 2,000,000,000 divided into 200,000,000 ordinary shares of Rs.10 each by creation of 100,000,000 new shares of Rs.10 each and that Clause V of the Memorandum of Association and Clause 3 of the Articles of Association of the Company be and are hereby amended accordingly."

4. To consider to pass the following resolutions as special resolution:

   a) "**RESOLVED** that the transactions carried out in normal course of business with associated companies/related parties as disclosed in Note No. 45 of the financial statements during the year ended June 30, 2019 be and are hereby ratified and approved."

   b) "**RESOLVED** that the Chief Executive Officer of the Company be and is hereby authorized to approve all the transactions carried out and to be carried out in normal course of business with associated companies/related parties during the ensuing year ending June 30, 2020 and in this connection the Chief Executive Officer be and is hereby also authorized to take any and all necessary actions and sign/execute any and all such documents/indentures as may be required in this regard on behalf of the Company."

Statement under Section 134 of the Companies Act, 2017 in the above matters mentioned in item Nos.3 and 4 are annexed.

By Order of the Board

(MANSOOR AHMED)
Company Secretary

Karachi: September 30, 2019

NOTES:

1. The share transfer books of the Company will remain closed from October 22, 2019 to October 28, 2019 (both days inclusive). Transfers received in order by the Shares Registrar of the Company, M/s. FAMCO Associates (Private) Limited, 8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi up to the close of business on October 21, 2019 will be treated in time for the purpose of attending the annual general meeting.

2. A member, who has deposited his/her shares into Central Depository Company of Pakistan Limited, must bring his/her participant's ID number and CDC account/sub-account number along with original Computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting.

3. A member entitled to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend, speak and vote instead of him/her.

4. Form of proxy, in order to be valid must be properly filled-in/executed and received at the registered office of the Company situated at Lakson Square, Building No.2, Sarwar Shaheed Road, Karachi not later than 48 hours before the time of the meeting.

5. Members holding shares in physical form are requested to promptly notify Shares Registrar of the Company of any change in their addresses. Shareholders maintaining their shares in electronic form should have their address updated with their participant or CDC Investor Accounts Service.

6. Shareholders who have not yet submitted their International Bank Account Number (IBAN) are requested to fill in Electronic Credit Mandate Form available on Company's website and send it duly signed along with a copy of CNIC to the Registrar of the Company M/s. FAMCO Associates (Private) Limited in case of physical shares.

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

7. Pursuant to Notification vide SRO.787(1)/2014 of September 08, 2014, SECP has directed to facilitate the members of the company receiving Annual Financial Statements and Notices through electronic mail system (e-mail). We are pleased to offer this facility to our members who desire to receive Annual Financial Statements and Notices of the Company through e-mail in future. In this respect members are hereby requested to convey their consent via e-mail on a standard request form which is available at the Company website i.e. www.meritpack.com. Please ensure that your e-mail has sufficient rights and space available to receive such e-mail which may be larger than 1 MB file in size. Further, it is the responsibility of the member to timely update the 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 _____________."

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

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

10. Form of Proxy is enclosed.

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

This statement sets out the material facts concerning the Special Business, given in agenda items 3 and 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 - at present the authorized capital of the Company is Rs.1,000,000,000 divided into 100,000,000 shares of Rs.10 each and the paid-up capital is Rs.806,283,980 divided into 80,628,398 shares of Rs.10 each. The Board of Directors recommends to increase the authorized capital to Rs.2,000,000,000 divided into 200,000,000 shares of Rs.10 each by creation of 100,000,000 new shares of Rs.10 each in order to facilitate increase in the paid-up capital as and when required to do so for benefiting operations of the Company.

2 - Agenda Item No.4(a) of the Notice - Transactions carried out with associated companies/related parties during the year ended June 30, 2019 to be passed as a Special Resolution.

The transactions carried out in normal course of business with associated companies/related parties were being approved by the Board as recommended by the Audit Committee on quarterly basis pursuant to Clause 15 of Listed Companies (Code of Corporate Governance) Regulations, 2017.

During the Board meeting it was pointed out by the Directors that as some of Company Directors were interested in these transactions, the quorum of directors seemingly could not be formed for approval, some of these transactions which have to be approved by the shareholders in the general meeting.

In view of the above, the transactions conducted during the financial year ended June 30, 2019 with associated companies/related parties shown in Note No. 45 of the financial statements are being placed before the shareholders for their consideration and approval/ratification.

3 - Agenda Item No.4(b) of the Notice - Authorization to the Chief Executive for the transactions carried out and to be carried out with associated companies during the ensuing year ending June 30, 2020 to be passed as a Special Resolution.

The Company would be conducting transactions with associated companies/related parties in the normal course of business. The majority of Directors are interested in these transactions, therefore, such transactions with associated companies/related parties have to be approved by the shareholders.

In order to comply with the provisions of Clause 15 of Listed Companies (Code of Corporate Governance) Regulations, 2019, the shareholders may authorize the Chief Executive Officer to approve transactions carried out and to be carried out in normal course of business with associated companies/related parties during the ensuing year ending June 30, 2020.

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

Review Report by the Chairman

As required under the Listed Companies (Code of Corporate Governance) Regulations, 2017 an annual evaluation of the Board of Directors of Merit Packaging Limited is carried out. The purpose of this evaluation is to ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Company.

For the financial year ended June 30, 2019, the Board's overall performance and effectiveness has been assessed as Satisfactory. Improvements are an ongoing process leading to action plans. The above overall assessment is based on an evaluation of integral components, including vision, mission and values; engagement in strategic planning; formulation of policies; monitoring the organization's business activities; monitor financial resource management; effective fiscal oversight; equitable treatment of all employees and efficiency in carrying out the Board's responsibility.

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

IQBAL ALI LAKHANI
Chairman

Karachi : September 30, 2019

چیئرمین کی جائزہ رپورٹ

میرٹ پیکیجنگ لمیٹڈ کے بورڈ آف ڈائریکٹرز کا سالانہ جائزہ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورنینس) ریگولیشنز، 2017 کے تحت کیا جاتا ہے۔ اس جائزے کا مقصد اس امر کو یقینی بنانا ہے کہ بورڈ کی مجموعی کارکردگی اور افادیت کو کمپنی کے مختص کردہ مقاصد کے تناظر میں پرکھا جاسکے۔

مالی سال برائے 30 جون، 2019 کے لیے بورڈ کی مجموعی کارکردگی اور افادیت اطمینان بخش قرار پائی ہے۔ بہتری ایک مستقل جاری رہنے والا عمل ہے جس کی مدد سے عملی منصوبہ بندیوں کو ممکن بنایا جاتا ہے۔ مجموعی جائزہ ضروری اجزاء کے انفرادی جائزے پر منحصر ہے جن میں دور اندیشی، نصب العین اور اقدار، حکمت عملی کے بنانے میں کردار، پالیسیز کی تشکیل، کمپنی میں جاری کاروباری سرگرمیوں کی نگرانی، مالیاتی وسائل کے انتظام کی نگرانی، موثر مالی نگرانی، بورڈ کے کاروبار کو پورا کرنے میں ملازمین کے ساتھ منصفانہ سلوک اور بورڈ کی ذمہ داریوں کو مؤثر انداز سے پورا کرنا شامل ہیں۔

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

اقبال علی لاکھانی
چیئرمین

کراچی: 30 ستمبر 2019

Directors' Report

On behalf of the Board of Directors of Merit Packaging Limited, we are pleased to submit the Directors report along with the 39th Annual Audited Financial Statements of the Company for the year ended June 30, 2019.

KEY NUMBERS

	2018-19	2017-18
	(Rupees in thousand)	
Sales - net	2,859,838	2,449,541
Gross profit	5,299	225,819
Operating profit /(loss)	(126,534)	95,396
Loss before tax	(350,457)	(39,862)
Loss after tax	(310,536)	(8,264)
	(Rupees per share)	
Loss per Share	(3.85)	(0.14)

OPERATING RESULTS

We like to start from the positive side that by the Grace of Allah, Company has achieved all time high net sale of Rs. 2.9 billion during the year ended June 30, 2019 at Rs. 2.86 billion, as compared to Rs. 2.45 billion in the last financial year, showing an increase of Rs.410 million or 17%. This improvement has been made possible with our concentrated efforts to enhance our market shares in the reputed corporate organization and recent CAPEX.

During current year 2018-19 despite efforts by the Company and increase in sales, the Company witnessed loss of Rs. 350 million for the year ended June 30, 2019 as compared to a loss of Rs. 40 million in the previous year.

One of the key factor is that fixed operating cost increased during the year to handle value added jobs and to cater higher sales volume. These expenses were incurred and reflected in the financial statement, however full capacity production and sales orders could not be timed to-gather within the year.

- The company had lost production in Karachi Factory due to operational breakdown of old offset printing machines specially in the first and the last quarter of 2018-19, besides shifting of one machine to a new location in order to install the new printing machine at that location hampered the production in the last quarter of the year. Low performance of old printing machines and lower order from customers especially in the value added segment led to less utilization of capacity during the year.

- In case of Lahore Factory, due to power crises the Company switched to diesel generator. The cost per unit of electricity generated is very high as compare to WAPDA which eroded our margins.

- The continuously increasing input costs of materials, major rupee depreciation against foreign currencies and higher import tariffs including regulatory duty on our raw materials could not be fully recovered from the customers to the identical extent immediately due to the competition in the printing industry.

- In case of rotogravure printing on one hand, other major competitors have installed their own P.E film blown lines, cylinder making facilities, bag making facilities resulting in higher margins to them as compared to us, as we do not have these facilities. The other challenge we faced was shortfall in technology improvement specially in research and development.

Directors' Report

Further, we had reduced orders from our customers in the last few months of the year due to uncertainties in the market about cost impact of materials. They utilized their finished goods inventory at retail and wholesale levels during this period. This affected our sales revenue and corresponding profit.

- The other major factor is increase in the financial charges on account of increase in KIBOR and higher utilization of borrowings obtained for CAPEX and working capital, affected our profitability for the year.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

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

- The financial statements prepared by the management of the Company present its state of affairs fairly, the results of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements except for changes resulting on initial application of standards, amendments or interpretations to existing standards. Accounting estimates are based on reasonable prudent judgments.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from have been adequately disclosed and explained.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no doubts upon the Company's ability to continue as a going concern.
- The summary of key operating and financial data for the last six years of the Company has been annexed to this report.
- Information about taxes, duties, levies and charges outstanding have been adequately disclosed in the notes forming part of the annexed financial statements.
- Three directors on Board of the Company are exempt from attending Directors' Training Program, while all other Directors have completed the same.
- There has been no material departure from the best practices of Corporate Governance as detailed in the Listing Regulations.

RISKS FACING THE COMPANY

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

Directors' Report

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

1) Strategic Risk: These risks are related to the business environment including the industry and are beyond Company's control. Under this category the company faces the risk of severe competition in the local markets from both Corporate and Non-Corporate competitors.

2) Commercial Risks: These risks emanate from commercial substance of the organization and involve decisions which may affect Company's position in the market. Risks affecting the company under this category are:

   a. Variation in raw material and other input costs due to depreciating value of Pakistani Rupee;
   b. Compliance of new and existing laws and regulations; and
   c. Political uncertainty affecting business prospects.

3) Operational Risks: These risks are related to Company's internal operations, administrative procedures and daily affairs. Possible risks include the following:

   a. The Company may be exposed to financial irregularities resulting in qualitative and quantitative losses in the absence of effective internal control;
   b. Technology shift may render production process obsolete and cost inefficient;
   c. The severe on-going energy crisis;
   d. Vendors' operational / financial constraints and their deteriorating quality standards;
   e. Disruptions due to data loss from possible operational failures or natural disasters;
   f. Qualified and competent staff may not be available in sufficient numbers;
   g. Operations may be subject to fraudulent activities; and
   h. Injuries and accidents at workplace.

4) Financial Risks: These risks are related with financial matters including profitability, financing, liquidity and credit and include the following:

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

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

SAFETY, SECURITY, HEALTH AND ENVIRONMENT

The Company continues to introduce measures to promote a safe, secure and healthy environment that is so necessary to run day to day business operations. The management has been continually improving management system standards by striving to include safety consciousness round the clock amongst its employees.

CORPORATE SOCIAL RESPONSIBILITY

Having become one of the largest printing and packaging companies in the country, your Company realizes its national and moral obligations ever so strongly. Your Company believes in strictly abiding by its social responsibility as a responsible corporate entity, extending help to citizens whenever needed.

Directors' Report

We believe in abiding by our social responsibility and being a responsible corporate entity, we always endeavor to extend all out help to citizens whenever needed.

HUMAN RESOURCE DEVELOPMENT

Merit is investing both in human capital as well as working environment to help achieve competitive advantage that has become so essential to survive in today's competitive environment. We have drawn out comprehensive training programs to develop and improve skills of our employees through in-house, local and international workshops and visits. We treat our employees as our greatest asset.

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, 2020. The Board of Directors endorses the recommendation of Audit Committee for their re-appointment as auditors of the Company for shareholders' consideration at the forthcoming Annual General Meeting.

MATERIAL CHANGES AND COMMITMMENTS

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

PATTERN OF SHAREHOLDING

A statement showing the pattern of shareholding of the Company and incidental information as at June 30, 2019, the disclosure of which is required under the reporting framework, is annexed to this report.

The Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, their spouses and minor children did not carry out any transaction in the shares of the Company during the year. The threshold set by the Directors in respect of trading of shares of the Company is "an executive/employee of the Company whose annual basic salary is Rs.1 million or more".

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, 2018 and June 30, 2018 respectively are as follows:

	(Rs '000')
Provident Fund	93,162
Gratuity Fund	48,143

COMPOSITION OF BOARD

- Male 7
- Female 1
- Total 8

Independent Directors

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

Non-executive Directors

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

Directors' Report

BOARD MEETINGS AND ATTENDANCE

In 2018-19, five (5) Board Meetings were held and attended by the Directors as follows to review Company's complete cycle of activities:

Directors' Name	Meetings Attended
Mr. Iqbal Ali Lakhani - Chairman	1
Mr. Amin Mohammed Lakhani	4
Ms. Anushka Lakhani	2
Mr. Tasleemuddin Ahmed Batlay	5
Mr. Shaikh Muhammad Barinuddin	5
Mr. Sheikh Asim Rafiq	5
Mr. Farrukh Shauket Ansari	5
Mr. Moin M. Fudda	4
Mr. Shahid Ahmed Khan - CEO	5

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

AUDIT COMMITTEE

In 2018-19 four (4) Audit Committee Meetings were held and attended by members as follows on a quarterly basis to review its complete cycle of activities:

Member's name	Meetings Attended
Mr. Shaikh Muhammad Barinuddin - Chairman	4
Mr. Amin Mohammed Lakhani	2
Mr. Tasleemuddin Ahmed Batlay	4

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 2018-19 one (1) meeting of Human Resource and Remuneration (HR&R) Committee was held and attended by members as follows:

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

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

QUALITY MANAGEMENT

The certificates that we have acquired help us to stay efficient and customer focused. These certifications express our goals, aspirations and assume that quality related issues will be reduced as a result of systematic thinking, transparency, documentation and diagnostic measures.

Directors' Report

FUTURE OUTLOOK

Your Company has undertaken concerted measures to expand its customer base in order to further increase its operation. Induction of new machines specially to deliver value added products and other related capital expenditure will ensure uninterrupted production and optimize utilization of enhanced capacity, besides ability to deliver quality products to a broadened base of customers will enable your Company to further improve profit margins.

The Company is making full efforts to maintain market share and to pass impact of cost escalation to customers despite severe competition in the printing industry.

The installation of recently imported state of the art seven colors Heidelberg double coater offset printing machine from Germany will increase the operational capabilities of the company besides replacing some old machines and this will ensure uninterrupted production with more value added jobs, besides reduction in production overheads and wastages.

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

The sponsors again in line with their previous continuous support to the Company, have offered to waive financial charges on the loan provided by them to the Company for next three years from July 2018. The board has graciously accepted the offer. This will have a positive impact on the overall financial position of the company and will also provide indirect relief to the minority shareholders of the company as well.

The Directors are working for capital restructuring of the Company, to improve cash flows and reduce financial charges. It includes actions to be taken to reduce operating cost, generating higher volume and focusing on profitable areas and products.

It is expected that all these efforts will help to consolidate overall financial position of the Company in the coming financial years.

The Directors of your Company are confident that the improved sales with addition of value added products, operational efficiencies and better selling prices with improved customers' services would help create synergies to strengthen that will improve overall financial position of the Company.

ACKNOWLEDGEMENT

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

TASLEEMUDDIN AHMED BATLAY
Director

SHAHID AHMED KHAN
Chief Executive Officer

Karachi : September 30, 2019

ڈائریکٹرز رپورٹ

میرٹ پیکیجنگ لمیٹڈ کے بورڈ آف ڈائریکٹرز کی طرف سے 30 جون 2019ء کو ختم ہونے والے سال کے لیے ڈائریکٹرز رپورٹ مع کمپنی کے 39 ویں سالانہ آڈٹ شدہ مالیاتی گوشوارے پیش کرنا ہمارے لیے باعث مسرت ہے۔

کارکردگی کا جائزہ

اہم اعداد و شمار

	2018-19	2017-18
	(ہزار روپے)	(ہزار روپے)
فروخت۔ خالص	2,859,838	2,449,541
مجموعی منافع	5,299	225,819
آپریٹنگ منافع/(نقصان)	(126,534)	95,396
قبل از ٹیکس نقصان	(350,457)	(39,862)
بعد از ٹیکس نقصان	(310,536)	(8,264)
	(فی شیئر روپے)	(فی شیئر روپے)
فی حصص نقصان	(3.85)	(0.14)

آپریٹنگ نتائج

اللہ کے فضل و کرم سے، کمپنی نے 30 جون 2019 کو ختم ہونے والے سال کے دوران 2.90 ارب روپے کے ساتھ تاریخ میں سب سے بلند خالص فروخت حاصل کر لی جو گزشتہ مالی سال میں 2.45 ارب روپے کے مقابلے میں 2.86 ارب روپے رہی اور اس طرح 410 ملین روپے یا 17 فیصد کا اضافہ دکھایا۔ یہ بہتری حالیہ سرمایہ کاری اور معروف کاروباری حلقے میں ہمارے مارکیٹ شیئر میں اضافے کے لئے ہماری مرکوز کاوشوں سے ممکن ہوئی ہے۔

موجودہ سال 19-2018 کے دوران کمپنی کی کوششوں اور فروخت میں اضافے کے باوجود کمپنی کو خسارے کا سامنا کرنا پڑا۔ پچھلے سال میں 40 ملین روپے کے مقابلے میں 30 جون، 2019 کو ختم ہونے والے سال کا قبل از ٹیکس نقصان 350 ملین روپے رہا۔

ایک اہم عنصر یہ ہے کہ سال کے دوران ویلیو ایڈڈ جابز اور اعلیٰ فروخت کے حجم کو پورا کرنے کیلئے مقررہ آپریٹنگ لاگت میں اضافہ ہوا، جس کی وجہ سے ہونے والے اخراجات، کم پیداواری صلاحیت اور کم فروخت کے آرڈرز کے باعث وصول نہ ہو سکے:

☆ 19-2018 کی پہلی سہ ماہی اور آخری سہ ماہی میں کراچی فیکٹری میں نصب پرانی آفسیٹ پرنٹنگ مشینوں کا آپریشنل بریک ڈاؤن، اس کے علاوہ اس کی جگہ نئی پرنٹنگ مشین کو نصب کرنے کے لئے اس مشین کو ایک نئی جگہ پر منتقل کرنا کراچی فیکٹری کی پیداوار میں رکاوٹ بنا۔ پرانی پرنٹنگ مشینوں کی کم تر کارکردگی اور صارفین کی طرف سے کم آرڈر کی وجہ سے سال کے دوران پیداواری صلاحیت کا کم استعمال ہوا۔

☆ لاہور فیکٹری میں بجلی کے بحران کی وجہ سے کمپنی ڈیزل جنریٹر استعمال کر رہی ہے۔ واپڈا کے مقابلے میں بجلی کی فی یونٹ لاگت بہت زیادہ ہے جس سے مارجن کم ہو گیا۔

☆ بنیادی خام مال کی قیمت میں مسلسل اضافہ، غیر ملکی کرنسیوں کے مقابلے میں روپے کی قدر میں گراوٹ اور خام مال پر درآمدی محصولات میں اضافہ ہوا جو پرنٹنگ کی صنعت میں قریبی مسابقت کی وجہ سے اسی حد تک صارفین سے مکمل طور پر وصول نہیں کیا جا سکا۔

☆ روٹو گریویئر پرنٹنگ انڈسٹری میں ہمارے بڑے حریفوں نے اپنے خود مختار سلینڈر اور بیگ بنانے کی سہولیات اور P.E Film Blow Lines نصب کر لی ہیں جس کے نتیجے میں انہیں ہمارے مقابلے میں زیادہ منافع ہوتا ہے۔ دوسرا چیلنج جس کا ہمیں سامنا کرنا پڑا وہ خاص طور پر ریسرچ اور ڈیولپمنٹ میں ٹیکنالوجی کی بہتری میں کمی تھی۔ مزید یہ کہ پیداواری لاگت کے حوالے سے مارکیٹ میں غیر یقینی صورت حال کی وجہ سے سال کے آخری مہینوں میں ہم نے اپنے صارفین سے آرڈرز کم کردیئے تھے۔

☆ مالی چارجز میں اضافہ KIBOR میں اضافے اور CAPEX اور ورکنگ سرمایہ کی ضروریات کے لئے حاصل کردہ قرضوں کے زیادہ استعمال کی وجہ سے تھا۔

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

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

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

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

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

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

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

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

☆ کمپنی کی کاروبار رواں دواں رکھنے کی صلاحیت کے بارے میں کوئی شکوک وشبہات نہیں ہیں۔

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

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

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

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

کمپنی کو درپیش خطرات

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

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

1)اسٹریٹجک خطرات:

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

2) تجارتی خطرات

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

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

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

ج۔ کاروباری امکانات متاثر کرنے والی سیاسی بے یقینی۔

3) آپریشنل خطرات

یہ ایسے خطرات ہیں جو کمپنی کے داخلی آپریشنز، انتظامی طریقہ کار اور روزمرہ معاملات سے متعلق ہوتے ہیں۔ممکنہ خطرات درج ذیل ہیں:

i- کمپنی کو موثر انٹرنل کنٹرولز کی غیر موجودگی میں بالحاظ معیار اور مقدار نقصانات کے نتیجے میں مالیاتی بے ضابطگیوں کا سامنا کرنا پڑ سکتا ہے،

ii- ٹیکنالوجی میں تبدیلی پیداواری عمل کو فرسودہ اور مہنگا بنا سکتا ہے،

iii- بجلی کا جاری سخت بحران،

iv- وینڈر کی آپریشنل / مالیاتی مجبوریاں اور ان کا کوالٹی کا گرتا ہوا معیار،

v- ممکنہ آپریشنل خرابیوں یا قدرتی آفات کے نتیجے میں ڈیٹا ضائع ہونے کی وجہ سے بندشیں،

vi- ممکن ہے کوالیفائیڈ اور لائق اسٹاف کافی تعداد میں دستیاب نہ ہو،

vii- ممکن ہے آپریشنز فریب دہی کی سرگرمیوں کا نشانہ بن جائیں، اور

viii- کام کی جگہ پر ضربات اور حادثات۔

4) مالیاتی خطرات

یہ خطرات مالیاتی معاملات بشمول منافع کمانے کی اہلیت، فنانسنگ، لیکویڈیٹی اور کریڈٹ سے متعلق ہیں اور ان میں درج ذیل شامل ہیں:

i- غیر ملکی کرنسیوں کے مقابلے میں پاکستانی روپے کی قدر میں کمی کمپنی کی مالیاتی کارکردگی پر منفی اثرات مرتب کرسکتی ہے،

ii- جب کمپنی کے پاس تیار کیش کی کمی ہو اور اسے اپنی مالیاتی ذمہ داری پوری کرنے میں مشکل کا سامنا ہو تو لیکویڈیٹی سے متعلق خطرہ سامنے آتا ہے،

iii- طویل مدتی اور مختصر مدتی قرضوں سے متعلق شرح سود میں اتار چڑھاؤ کے نتیجے میں شرح سود سے متعلق خطرات،

iv- کسی کسٹمر کی طرف سے تجارتی وصولیوں سے متعلق اس کی معاہدہ جاتی ذمہ داری پوری کرنے میں ناکامی کی صورت میں کمپنی کو ہونے والا مالیاتی نقصان۔

انتظامیہ مندرجہ بالا خطرات کم کرنے کے لیے بہترین مشقوں اور تمام لاگو قوانین سمیت مختلف عوامل پر غور و خوض کرتی ہے۔

سیفٹی، سیکیورٹی، ہیلتھ اور انوائرمنٹ

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

کمپنی ایک بے خطر، محفوظ اور صحت مند ماحول کو فروغ دینے کے لیے اقدامات متعارف کرانے کا سلسلہ جاری رکھے ہوئے ہے جو روزمرہ کاروباری امور چلانے کے لئے بہت ضروری ہیں۔ انتظامیہ اپنے ملازمین میں چوبیس گھنٹے حفاظتی شعور بیدار رکھنے کی کوشش کے ذریعے مینجمنٹ سسٹم کا معیار مسلسل بہتر بنا رہی ہے۔

کاروباری سماجی ذمہ داری

ملک کی ایک بڑی پرنٹنگ اور پیکیجنگ کمپنی بننے کے بعد، آپ کی کمپنی کو اپنی قومی اور اخلاقی ذمہ داریوں کا بھرپور ادراک ہے۔ آپ کی کمپنی ایک ذمہ دار کاروباری ادارے کی حیثیت سے اپنی سماجی ذمہ داری کی سختی سے پاسداری کرنے میں یقین رکھتی ہے، اور شہریوں کو جب بھی ضرورت پڑے، ہر ممکن مدد فراہم کرتی ہے۔

افرادی وسائل کا فروغ

میرٹ مسابقتی سبقت حاصل کرنے میں مدد کے لئے، جو آج کے مسابقتی ماحول میں زندہ رہنے کے لیے بہت ضروری ہوگئی ہے، انسانی سرمائے کے ساتھ ساتھ کام کے ماحول، دونوں میں سرمایہ کاری کر رہی ہے۔ ہم اپنے ملازمین کی صلاحیتوں کو بڑھانے اور بہتر بنانے کے لئے اندرونِ ادارہ، مقامی اور بین الاقوامی ورکشاپوں اور دوروں کے ذریعے جامع تربیتی پروگرام تیار کرتے ہیں۔ ہم اپنے ملازمین کو اپنا سب سے بڑا اثاثہ سمجھتے ہیں۔

آڈیٹرز

موجودہ آڈیٹرز، میسرز BDO ابراہیم اینڈ کمپنی سے ریٹائر ہو رہے ہیں اور اہل ہونے کی بنیاد پر خود کو 30 جون 2020 کو ختم ہونے والے سال کے لیے دوبارہ تقرری کے لیے پیش کرتے ہیں۔ بورڈ آف ڈائریکٹرز کمپنی کے آڈیٹرز کی حیثیت سے ان کی دوبارہ تقرری کے لیے آڈٹ کمیٹی کی سفارش کی توثیق کرتا ہے اور آئندہ سالانہ اجلاس عام میں شیئر ہولڈرز کے سامنے ان آڈیٹرز کی دوبارہ تقرری کی تجویز رکھیں گے۔

مادی تبدیلیاں اور معاہدے

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

پیٹرن آف شیئر ہولڈنگ

30 جون 2019ء 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 ایگزیکٹیو آفیسر، چیف فائنانشل آفیسر، کمپنی سیکرٹری، ان سب کی بیگمات اور کم عمر بچوں نے سال کے دوران کمپنی کے شیئرز کے کسی لین دین میں حصہ نہیں لیا۔ ڈائریکٹرز کی طرف سے کمپنی کے حصص کی تجارت کے سلسلے میں مقرر کردہ حد ہے کہ " کمپنی کا کوئی ایگزیکٹو/ملازم جس کی سالانہ بنیادی تنخواہ 10 لاکھ یا اس سے زیادہ ہو"۔

ریٹائرمنٹ بینیفٹس میں سرمایہ کاریاں

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

اسٹاف ریٹائرمنٹ بینیفٹ فنڈز کی طرف سے کی جانے والی سرمایہ کاری کی مالیت ان کے آڈٹ شدہ بالترتیب اکاؤنٹس، بابت 31 دسمبر 2018ء اور 30 جون 2018ء کے مطابق درج ذیل ہے:

	(روپے '000)
پروویڈنٹ فنڈ	93,162
گریجویٹی فنڈ	48,143

بورڈ کی ساخت

☆ مرد	7
☆ خاتون	1
☆ کل	8

خودمختار ڈائریکٹرز	نان ایگزیکٹیو ڈائریکٹرز
جناب شیخ محمد برین الدین	جناب اقبال علی لاکھانی۔ چیئرمین
جناب فرخ شوکت انصاری	جناب امین محمد لاکھانی
جناب معین ایم فدا	محترمہ انوشکا لاکھانی
	جناب تسلیم الدین احمد باٹلے
	جناب شیخ عاصم رفیق

بورڈ کے اجلاس اور حاضری

2018-19 کے دوران بورڈ آف ڈائریکٹرز کے پانچ (5) اجلاس منعقد ہوئے اور کمپنی کے مکمل دائرہ کار کا جائزہ لینے کے لیے ڈائریکٹرز نے بمطابق ذیل شرکت کی:

ڈائریکٹر کا نام	اجلاسوں میں شرکت کی تعداد
جناب اقبال علی لاکھانی (چیئرمین)	1
جناب امین محمد لاکھانی	4
محترمہ انوشکا لاکھانی	2
جناب تسلیم الدین احمد باٹلے	5
جناب شیخ محمد برین الدین	5
جناب شیخ عاصم رفیق	5
جناب فرخ شوکت انصاری	5
جناب معین ایم فدا	4
جناب شاہد احمد خان - (CEO)	5

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

آڈٹ کمیٹی

مالی سال2018-19 کے دوران بورڈ آڈٹ کمیٹی کے چار اجلاس منعقد ہوئے اور کمپنی کے مکمل دائرہ کار کا جائزہ لینے کے لیے ممبران نے سہ ماہی بنیاد پر بمطابق ذیل شرکت کی:

جناب شیخ محمد برین الدین (چیئر مین)	4
جناب امین محمد لاکھانی	2
جناب تسلیم الدین احمد باٹلے	4

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

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

افرادی وسائل ومشاہرہ کمیٹی

2018-19 کے دوران افرادی وسائل ومشاہرہ کمیٹی (HR&R) کا ایک (1) اجلاس منعقد ہوا جس میں ممبران کی حاضری درج ذیل رہی:

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

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

کوالٹی منیجمنٹ

ہمارے حاصل کردہ سرٹیفکیٹس ہمیں مستعد رہنے اور اپنے کسٹمرز پر توجہ مرکوز رکھنے میں مدد دیتے ہیں۔ یہ سرٹیفکیٹس ہمارے اہداف، آرزوؤں کا اظہار کرتی ہیں اور یہ فرض کرتی ہیں کہ منظّم سوچ، شفافیت، دستاویزی اور تشخیصی تدابیر کے نتیجے میں معیار سے متعلق مسائل کم ہو جائیں گے۔

مستقبل کی توقعات

آپ کی کمپنی نے اپنے کاروبار کو مزید بڑھانے کے لیے اپنے کسٹمرز کے حلقے کو وسعت دینے کے لئے ٹھوس اقدامات کیے ہیں۔ خاص طور پر ویلیو ایڈڈ مصنوعات کی فراہمی کے لئے نئی مشینوں کا شامل ہونا اور دیگر متعلقہ مصارفِ زر بلا تعطل پیداوار اور اضافہ شدہ کپیسیٹی کے زیادہ سے زیادہ استعمال کو یقینی بنائیں گے، اس کے علاوہ صارفین کے وسیع تر حلقے کو معیاری مصنوعات کی فراہمی کی صلاحیت آپ کی کمپنی کو منافع کے مارجن میں مزید بہتری لانے کے قابل بنائے گی۔

پرنٹنگ انڈسٹری میں سخت مسابقت کے باوجود کمپنی اپنے مارکیٹ شیئر کو برقرار رکھنے کیلئے اور لاگت میں اضافے کے اثرات صارفین تک منتقل کرنے کے لئے پوری کوشش کر رہی ہے۔

جرمنی سے حال ہی میں امپورٹ کی گئی جدید ترین سیون کلرز ہائیڈلبرگ ڈبل کوٹر آفسیٹ پرنٹنگ مشین کی تنصیب سے کچھ پرانی مشینوں کی جگہ لینے کے علاوہ کمپنی کی آپریشنل صلاحیتوں میں اضافہ ہوگا اور مزید ویلیو ایڈڈ جابز کے ساتھ بلاتعطل پیداوار کو بھی یقینی بنایا جائے گا، اس کے علاوہ لازمی پیداواری اخراجات میں بھی کمی ہوگی۔

کمپنی اپنے لاہور کے آپریشنز کو موجودہ کرائے کی جگہ سے ایک نئے مقام پر منتقل کر رہی ہے۔ یہ فیصلہ ہمارے بڑے خریداروں کے بڑے آرڈرز اور ضروریات کو ایڈجسٹ کرنے کے لیے کیا گیا ہے۔

اسپانسرز نے کمپنی سے اپنے سابقہ لگاتار تعاون کے مطابق، جولائی 2018 سے اگلے تین سال کے لئے اپنے فراہم کردہ قرض پر مالیاتی چارجز معاف کرنے کی پیش کش کی ہے۔ بورڈ نے بڑی خوشی سے یہ پیشکش قبول کر لی ہے۔ اس سے کمپنی کی مجموعی مالیاتی صورتِ حال پر مثبت اثرات مرتب ہوں گے اور کمپنی کے چھوٹے حصص یافتگان کو بھی بالواسطہ ریلیف ملے گا۔

ڈائریکٹرز کمپنی کے Cash Flows کو بہتر بنانے اور مالیاتی چارجز کو کم کرنے کیلئے Capital Restructuring پر کام کر رہے ہیں۔ ان اقدامات میں آپریٹنگ لاگت کو کم کرنے، زیادہ حجم پیدا کرنے، منافع بخش کسٹمرز اور مصنوعات پر توجہ مرکوز کرنا شامل ہیں۔

توقع کی جاتی ہے کہ آنے والے مالی سالوں میں ان تمام کوششوں سے کمپنی کی مجموعی مالیاتی صورتِ حال مستحکم کرنے میں مدد ملے گی۔

آپ کی کمپنی کے ڈائریکٹرز پُر اعتماد ہیں کہ ویلیو ایڈڈ مصنوعات کے اضافے کے ساتھ فروخت میں بہتری، کفایتی سرگرمیوں اور خریداروں کی خدمت میں بہتری کے ساتھ عمدہ قیمتِ فروخت سے ہم آہنگی پیدا کرنے میں مدد ملے گی جو منافع پر موجودہ دباؤ کو کم کرے گی اور جلد ہی کمپنی کی مجموعی مالیاتی صورتِ حال کو بہتر بنائے گی۔

اعتراف

آپ کی کمپنی کے ڈائریکٹرز مسلسل تعاون، افہام و تفہیم اور معاونت کے لیے تمام شیئر ہولڈرز، کسٹمرز، مالیاتی اداروں، وینڈرز اور ملازمین سے اظہارِ تشکر کرتے ہیں۔

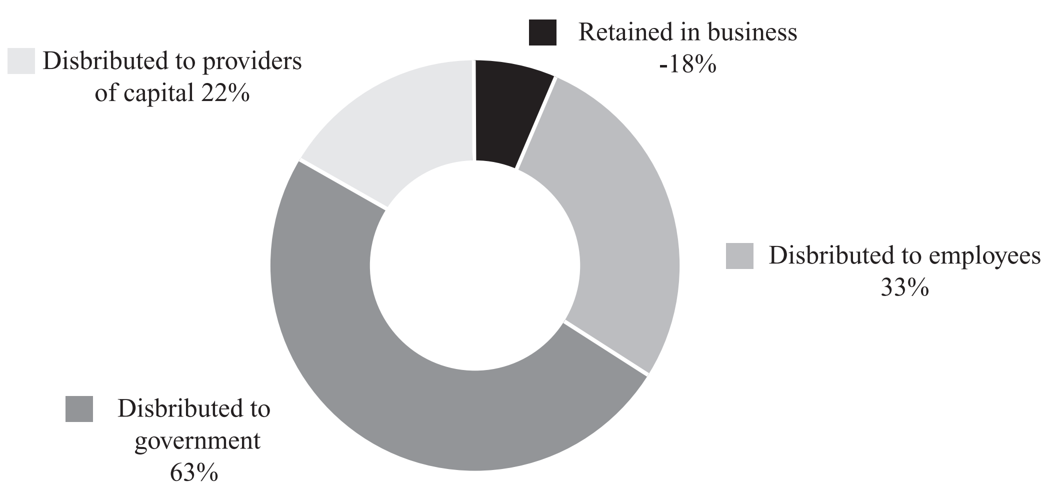
شاہد احمد خان
چیف ایگزیکٹو آفیسر

تسلیم الدین احمد باٹلے
ڈائریکٹر

کراچی: 30 ستمبر 2019

Statement of Value added and its distribution

	Rupees in thousand			
	2019		2018	
Particulars	**Amount**	**%**	Amount	%
Value added				
Gross Sales	3,340,884		2,862,425	
Material and services	(2,584,339)		(2,016,916)	
Other income	7,091		4,621	
	763,636	100	850,130	100
Distribution				
To employees				
Salaries, wages and other benefits	247,640	33%	227,841	27%
To government				
Sales tax	481,046		412,884	
Company taxation	-		98	
	481,046	63%	412,982	48%
To providers of capital				
Financial charges on borrowed fund	169,447	22%	135,258	16%
Retained in business				
Depreciation	161,215		113,810	
Amortisation of intagible assets	269		200	
Notional Markup on loan from sponsors	54,476		-	
Loss for the year	(350,457)		(39,961)	
	(134,497)	-18%	74,049	9%
	763,636	100%	850,130	100%



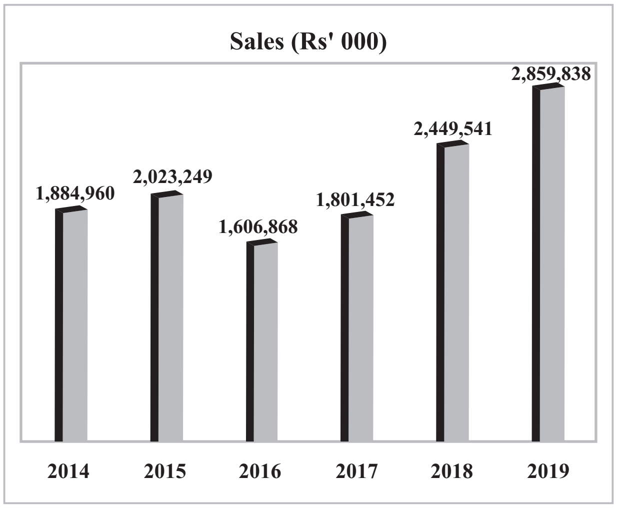
Six years key operating and financial data

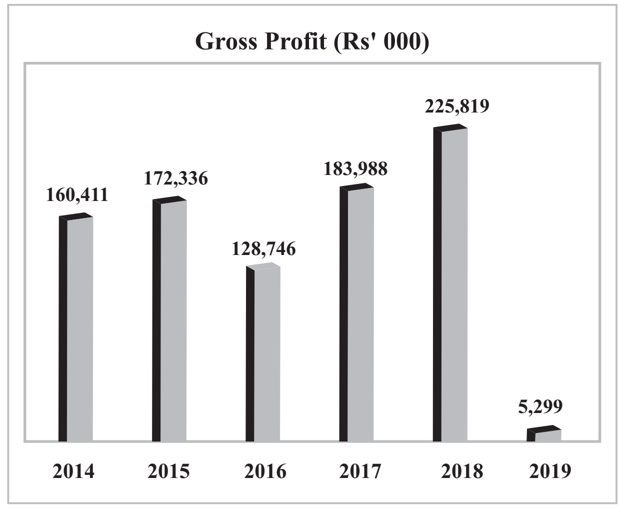
	Rupees in thousands					
	2019	2018	2017	2016	2015	2014
Trading results						
Sales	2,859,838	2,449,541	1,801,452	1,606,868	2,023,249	1,884,960
Gross profit	5,299	225,819	183,988	128,746	172,336	160,411
(Loss) / profit before taxation	(350,457)	(39,862)	2,775	9,522	25,010	6,969
(Loss) / profit after taxation	(310,536)	(8,264)	32,677	3,167	15,034	(11,206)
Financial position						
Total capital employed	2,460,689	2,163,472	1,907,131	1,349,893	1,135,569	961,478
Property, plant and equipment	3,042,733	2,302,892	1,900,552	1,467,993	755,642	719,114
Shareholder equity	1,018,206	996,100	613,162	581,262	522,445	509,437
Long term liabilities	1,442,483	1,167,372	1,293,969	768,632	613,125	452,041
Deferred taxation	97,627	63,293	31,362	-	-	-
Others						
Number of employees (at year end)	257	304	252	237	212	216
Capital expenditure	778,303	481,665	495,353	707,676	156,581	95,749
Contribution to national exchequer	221,077	144,301	149,986	187,728	141,590	109,696
Ratios						
Gross profit	0.19%	9.22%	10.21%	8.01%	8.52%	8.51%
(Loss) / profit before taxation	-12.25%	-1.63%	0.15%	0.59%	1.24%	0.37%
(Loss) / profit after taxation	-10.86%	-0.34%	1.81%	0.20%	0.74%	-0.59%
Return on equity	-30.50%	-0.83%	5.33%	0.54%	2.88%	-2.20%
Return on capital employed	-12.62%	-0.38%	1.71%	0.23%	1.32%	-1.17%
Current ratio	0.68 : 1	0.86 : 1	0.97 : 1	0.88 : 1	1.67 : 1	1.41 : 1
Debt / equity ratio	63 : 37	58 : 42	70 : 30	58 : 42	55 : 45	51 : 49
Inventory days	60	58	70	69	59	67
Receivable days	65	74	69	68	57	51
Others						
(Loss)/Earnings per share - (Rs.)	(3.85)	(0.14)	0.76	0.07	0.35	(0.42)
Break-up value per share (Rs.)	12.63	12.35	15.21	14.42	12.96	12.64
Market Value (Rs.)	29.77	22.50	21.47	16.94	19.3	18.86
Price earning ratio	N / A	N / A	28.25	242.00	55.17	N / A

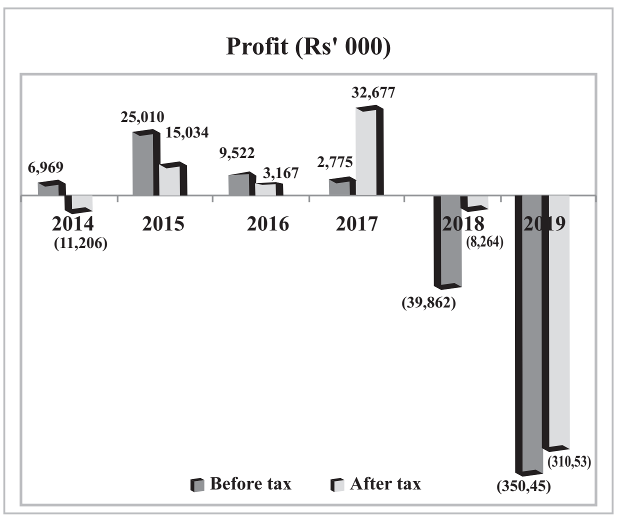
Vertical & Horizontal Analysis

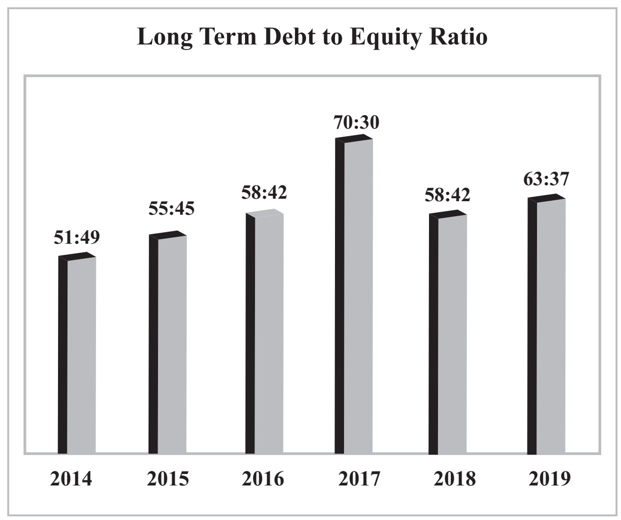
	2019		2018		2017		2016		2015		2014	
	Rs. '000	**%**	**Rs. '000**	**%**	**Rs. '000**	**%**	**Rs. '000**	**%**	**Rs. '000**	**%**	**Rs. '000**	**%**
VERTICAL ANALYSIS												
PROFIT & LOSS ACCOUNT												
Sales - net	2,859,838	100%	2,449,541	100%	1,801,452	100%	1,606,868	100%	2,023,249	100%	1,884,960	100%
Cost of sales	2,854,539	100%	2,223,722	91%	1,617,464	90%	1,478,122	92%	1,850,913	91%	1,724,549	91%
Gross profit	5,299	0%	225,819	9%	183,988	10%	128,746	8%	172,336	9%	160,411	9%
Operating expenses	131,833	5%	130,423	5%	81,176	5%	46,486	3%	51,046	3%	57,304	3%
Operating profit	(126,534)	-4%	95,396	4%	102,811	6%	82,260	5%	121,290	6%	103,107	5%
Financial charges	223,923	8%	135,258	6%	100,037	6%	72,738	5%	96,280	5%	96,138	5%
(Loss)/profit before taxation	(350,457)	-12%	(39,862)	-2%	2,775	0%	9,522	1%	25,010	1%	6,969	0%
(Loss)/profit after taxation	(310,536)	-11%	(8,264)	0%	32,677	2%	3,167	0%	15,034	1%	(11,206)	-1%
BALANCE SHEET												
Assets												
Property, plant and equipment	3,042,733	60%	2,261,076	62%	1,900,552	62%	1,467,993	61%	755,642	45%	719,114	47%
Other non-current assets	110,276	2%	78,661	2%	45,720	2%	7,132	0%	6,517	0%	3,868	0%
Current Assets	1,470,189	38%	1,426,340	36%	1,099,501	36%	934,176	39%	928,366	55%	815,517	53%
Total Assets	4,623,198	100%	3,766,077	100%	3,045,773	100%	2,409,301	100%	1,690,525	100%	1,538,499	100%
Equity & Laibilities												
Share capital & reserves	1,018,206	26%	996,100	20%	613,162	20%	581,262	24%	522,445	31%	509,437	33%
Non-current liabilities	1,442,483	31%	1,167,372	42%	1,293,969	42%	768,632	32%	613,125	36%	452,041	29%
Current liabilities	2,162,509	43%	1,602,605	37%	1,138,642	37%	1,059,407	44%	554,955	33%	577,021	38%
Total Equity and Liabilities	4,623,198	100%	3,766,077	100%	3,045,773	100%	2,409,301	100%	1,690,525	100%	1,538,499	100%
HORIZONTAL ANALYSIS												
PROFIT & LOSS ACCOUNT												
Sales - net	2,859,838	152%	2,449,541	130%	1,801,452	96%	1,606,868	85%	2,023,249	107%	1,884,960	100%
Cost of sales	2,854,539	166%	2,258,442	129%	1,617,464	94%	1,478,122	86%	1,850,913	107%	1,724,549	100%
Gross profit	5,299	3%	191,099	141%	183,988	115%	128,746	80%	172,336	107%	160,411	100%
Operating expenses	131,833	230%	95,704	228%	81,176	142%	46,486	81%	51,046	89%	57,304	100%
Operating profit	(126,534)	-123%	95,396	93%	102,811	100%	82,260	80%	121,290	118%	103,107	100%
Financial charges	223,923	233%	135,258	141%	100,037	104%	72,738	76%	96,280	100%	96,138	100%
(Loss)/profit before taxation	(350,457)	-5029%	(39,862)	-572%	2,775	40%	9,522	137%	25,010	359%	6,969	100%
(Loss)/profit after taxation	(310,536)	2771%	(8,264)	74%	32,677	-292%	3,167	-28%	15,034	-134%	(11,206)	100%
BALANCE SHEET												
Assets												
Property, plant and equipment	3,042,733	423%	2,261,076	320%	1,900,552	264%	1,467,993	204%	755,642	105%	719,114	100%
Other non-current assets	110,276	2851%	78,661	2034%	45,720	1182%	7,132	184%	6,517	168%	3,868	100%
Current Assets	1,470,189	180%	1,426,340	170%	1,099,501	135%	934,176	115%	928,366	114%	815,517	100%
Total Assets	4,623,198	301%	3,766,077	245%	3,045,773	198%	2,409,301	157%	1,690,525	110%	1,538,499	100%
Equity & Laibilities												
Share capital & reserves	1,018,206	200%	996,100	196%	613,162	120%	581,262	114%	522,445	103%	509,437	100%
Non-current liabilities	1,442,483	319%	1,167,372	258%	1,293,969	286%	768,632	170%	613,125	136%	452,041	100%
Current liabilities	2,162,509	375%	1,602,605	278%	1,138,642	197%	1,059,407	184%	554,955	96%	577,021	100%
Total Equity and Liabilities	4,623,198	301%	3,766,077	245%	3,045,773	198%	2,409,301	157%	1,690,525	110%	1,538,499	100%

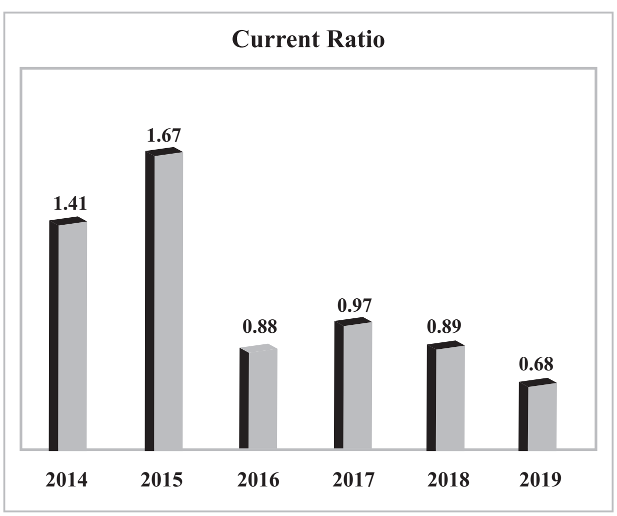
Graphs

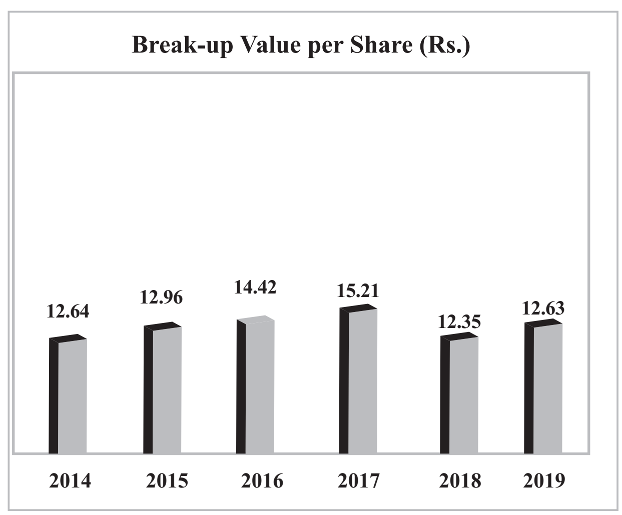

Sales (Rs' 000)
1,884,960
2,023,249
1,606,868
1,801,452
2,449,541
2,859,838
2014
2015
2016
2017
2018
2019


Gross Profit (Rs' 000)
160,411
172,336
128,746
183,988
225,819
5,299
2014
2015
2016
2017
2018
2019


Profit (Rs' 000)
6,969
(11,206)
25,010
15,034
9,522
3,167
2,775
32,677
(39,862)
(8,264)
(350,45)
(310,53)
2014
2015
2016
2017
2018
2019
Before tax
After tax


Long Term Debt to Equity Ratio
51:49
55:45
58:42
70:30
58:42
63:37
2014
2015
2016
2017
2018
2019


Current Ratio
1.41
1.67
0.88
0.97
0.89
0.68
2014
2015
2016
2017
2018
2019


Break-up Value per Share (Rs.)
12.64
12.96
14.42
15.21
12.35
12.63
2014
2015
2016
2017
2018
2019

MERIT PACKAGING LTD.

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Merit Packaging Limited for the year ended June 30, 2019 in accordance with the requirements of regulation 40 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2019.

KARACHI

CHARTERED ACCOUNTANTS
Engagement Partner: Zulfikar Ali Causer

DATED: September 30, 2019

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

for the year ended June 30, 2019

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

1. The total number of directors are eight as per the following:

   a. Male: Seven
   b. Female: One

2. The composition of Board is as follows:

i. Independent Directors
   - Mr. Shaikh Muhammad Barinuddin
   - Mr. Farrukh Shauket Ansari
   - Mr. Moin M. Fudda

ii. Other Non-executive Directors
   - Mr. Iqbal Ali Lakhani - Chairman
   - Mr. Amin Mohammed Lakhani
   - Ms. Anushka Lakhani
   - Mr. Tasleemuddin Ahmed Batlay
   - Mr. Sheikh Asim Rafiq

3. The Directors have confirmed that none of them is serving as a Director on more than five listed companies, including this Company.

4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. Out of eight directors, three directors are exempt from training program as mentioned in regulation no. 20, sub-regulation 2 of the Regulations. five directors attended the Directors' training course earlier.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. Mr. Mansoor Ahmed was assigned the responsibilities of Company Secretary of the Company in addition to his responsibilities in other group companies.

11. CFO and CEO duly endorsed the financial statements before approval of the board.

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017
for the year ended June 30, 2019

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

i. Audit Committee
- Shaikh Muhammad Barinuddin - Chairman
- Amin Mohammed Lakhani - Member
- Tasleemuddin Ahmed Batlay - Member

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

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.

14. The frequency of meetings of the committees were as per following:

i.	Audit Committee:	Four Quarterly Meetings
ii.	HR and Remuneration Committee:	One Meeting during the year

15. The board has set up an effective internal audit function comprising of personnel who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

	TASLEEMUDDIN A. BATLAY	**SHAHID AHMED KHAN**
Karachi: September 30, 2019	Director	Chief Executive Officer

Pattern of Holding of Shares

held by the shareholders as at June 30, 2019

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

Number of shareholders	Shareholdings From	Shareholdings To		Total number of shares held
423	1	100	Shares	6,904
251	101	500	Shares	96,455
160	501	1,000	Shares	147,651
273	1,001	5,000	Shares	753,952
83	5,001	10,000	Shares	670,974
30	10,001	15,000	Shares	383,668
11	15,001	20,000	Shares	207,906
8	20,001	25,000	Shares	188,753
10	25,001	30,000	Shares	284,560
5	30,001	35,000	Shares	161,500
3	35,001	40,000	Shares	114,000
2	40,001	45,000	Shares	90,000
6	45,001	50,000	Shares	294,280
3	50,001	55,000	Shares	158,196
4	55,001	60,000	Shares	230,264
2	60,001	65,000	Shares	127,547
1	65,001	70,000	Shares	68,000
1	70,001	75,000	Shares	71,348
1	75,001	80,000	Shares	79,000
3	80,001	85,000	Shares	251,000
4	95,001	100,000	Shares	395,900
2	100,001	105,000	Shares	208,000
1	105,001	110,000	Shares	110,000
1	115,001	120,000	Shares	118,500
1	140,001	145,000	Shares	143,500
1	160,001	165,000	Shares	165,000
1	215,001	220,000	Shares	218,570
1	315,001	320,000	Shares	319,500
1	450,001	455,000	Shares	451,000
1	555,001	560,000	Shares	559,000
1	795,001	800,000	Shares	800,000
1	850,001	855,000	Shares	853,000
1	975,001	980,000	Shares	976,000
1	1,215,001	1,220,000	Shares	1,217,500
1	1,350,001	1,355,000	Shares	1,350,296
1	1,395,001	1,400,000	Shares	1,400,000
1	2,315,001	2,320,000	Shares	2,320,000
1	4,845,001	4,850,000	Shares	4,845,964
1	5,550,001	5,555,000	Shares	5,550,500
1	7,810,001	7,815,000	Shares	7,814,318
1	7,925,001	7,930,000	Shares	7,927,500
1	9,055,001	9,060,000	Shares	9,058,976
1	12,345,001	12,350,000	Shares	12,348,212
1	17,090,001	17,095,000	Shares	17,091,204
1,308		**Total**		**80,628,398**

Categories of shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	153,831	0.19
Associated Companies, undertakings and related parties	46,316,140	57.44
NIT and ICP	4,845,964	6.01
Banks, Development Financial Institutions, Non Banking Financial Institutions	385	0.00
Modarabas and Mutual Funds	1,350,296	1.67
Shareholders holding 10 %	38,498,392	47.75
General Public		
a. Local	22,069,246	27.37
b. Foreign	NIL	-
Others	5,893,398	7.31

SHAHID AHMED KHAN
Chief Executive Officer

Details of Pattern of Shareholding for the year ended June 30, 2019

				SHARES HELD
i)	**ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES**			
	1.	SIZA (Private) Limited		7,814,318
	2.	SIZA Services (Private) Limited		12,348,212
	3.	SIZA Commodities (Private) Limited		9,058,976
	4.	Premier Fashions (Private) Limited		17,091,204
	5.	Sultan Ali Lakhani		241
	6.	Shaista Sultan Ali Lakhani		334
	7.	Fatima Lakhani		272
	8.	Babar Ali Lakhani		1,093
	9.	Bilal Ali Lakhani		234
	10.	Danish Ali Lakhani		394
	11.	Natasha Lakhani		862
ii)	**MUTUAL FUNDS**			
	1.	Golden Arrow Selected Stocks Fund Limited		1,350,296
	2.	CDC - Trustee National Investment (Unit) Trust		4,845,964
iii)	**DIRECTORS, THEIR SPOUSES AND MINOR CHILDREN**			
	1.	Iqbal Ali Lakhani	Director	51,204
	2.	Amin Mohammed Lakhani	Director	50,864
	3.	Anushka Lakhani	Director	14,654
	4.	Tasleemuddin Ahmed Batlay	Director	14,654
	5.	Shaikh Muhammad Barinuddin	Director	8,500
	6.	Sheikh Asim Rafiq	Nominee of NIT	NIL
	7.	Farrukh Shauket Ansari	Nominee of NIT	NIL
	8.	Moin M. Fudda	Director	5,000
	9.	Shahid Ahmed Khan	Chief Executive Officer	8,500
	10.	Ronak Iqbal Lakhani W/o. Iqbal Ali Lakhani		179
	11.	Saira Amin Lakhani W/o. Amin Mohammed Lakhani		276
iv)	**EXECUTIVES**			NIL
v)	**PUBLIC SECTOR COMPANIES AND CORPORATIONS**			NIL
vi)	**BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE COMPANIES, INSURANCE COMPANIES, TAKAFUL MODARABAS AND PENSION FUNDS:**			62,932
vii)	**SHAREHOLDERS HOLDING 5% OR MORE [Other than those reported at i(1), i(2), i(3), i(4) and ii(2)]**			
	1.	Munaf Ibrahim		7,927,500
	2.	Amina Wadalawala		5,550,500
viii)	**INDIVIDUALS AND OTHER THAN THOSE MENTIONED ABOVE**			14,421,235
				80,628,398

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

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

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of MERIT PACKAGING LIMITED (the Company), which comprise the statement of financial position as at June 30, 2019, and statement of profit and loss, statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2019 and of the loss and other comprehensive loss, its cash flows and the changes in equity for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the Key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
1.	**TRADE DEBTS**	
	As disclosed in note 15 to the accompanying financial statements of the company for the year ended June 30, 2019, the Company has a trade debt balance amounting to Rs. 406.754 million, which represents a significant element of Statement of financial position. A discrepancy in the valuation or existence of trade debt could cause the assets to be materially misstated, which would impact the Company's reported financial position as the valuation of aforesaid head is one of the main driver of movements in the assets of the Company. Management estimates the collectible amount of debt. For significant account balances, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time that the amount is past due. In view of the significance of trade debts in relation to the total assets of the company, we considered impairment of trade receivables as a key audit matter due to the significant management judgment involved in determining the provision for doubtful debts and that the existence and carrying value of trade receivables could be material to the performance of the company.	Our procedures included the following: We tested the design and effectiveness of internal controls implemented by the Company through the trade receivables cycle. We circularized confirmation to the sample of debtors with the outstanding balance at the year end. We examined on a sample basis, evidence related to post year-end cash receipts. We obtained an understanding of the requirements of IFRS 9 included, amongst others, review of the methodology developed and applied by the Company to estimate the ECL in relation to trade debts. We also considered and evaluated the assumptions used in applying the ECL methodology based on historical information and qualitative factors as relevant for such estimates. We evaluated the relevance, completeness, and accuracy of the source data used for computation of ECL. We checked the mathematical accuracy of the ECL model by performing recalculation on test basis. The adequacy of the disclosures presented in the financial statements regarding allowance for ECL was also assessed, based on the applicable accounting standards and requirements of Companies Act, 2017.
2.	**CAPITALIZATION OF PROPERTY, PLANT AND EQUIPMENT**	
	The Company continued to invest in capital projects with significant capital expenditure incurred during the year ended June 30, 2019. The significant level of capital expenditure requires consideration of the nature of the costs incurred to ensure that their capitalization in property, plant and equipment meets the specific recognition criteria in the Company's accounting policy, in particular for assets constructed by the Company, and the useful economic lives assigned by management are appropriate. For these reasons, we considered it a key audit matter. Refer to notes 6.1, 6.2, 7 and 8 to the financial statements.	Our audit procedures included the following: Assessing and testing the design and operation of its key controls over capital expenditure and testing the amounts capitalized to supporting evidence and evaluating whether assets capitalized satisfied the required recognition criteria. We also assessed the useful economic lives assigned with reference to the Company's historical experience, including assessing the level of fully depreciated assets held by the Company. We reviewed the minutes of the Company's Board of Directors and Audit Committee to evaluate the completeness of management's consideration of any events that warranted changes to the useful economic lives. We visited the sites where significant capital projects are ongoing to understand the nature of the projects. The adequacy of the disclosures presented in the financial statements regarding property, plant and equipment was also assessed, based on the applicable accounting standards and requirements of Companies Act, 2017.

S. No.	Key audit matters	How the matter was addressed in our audit
3.	**CONTROL ENVIRONMENT RELATING TO THE FINANCIAL REPORTING PROCESS AND RELATED IT SYSTEMS**	
	The IT control environment relating to the financial reporting process and the application controls of individual IT systems have an impact on the selected audit approach. As the financial statements are based on extensive number of data flows from multiple IT systems, consequently the financial reporting control environment is determined as a key audit matter.	Our audit procedures included the following evaluation of the financial reporting process and related control environment, as well as testing of the effectiveness of controls including general IT controls. Our audit procedures focused on testing the reconciliation and approval controls as well as on evaluating the administration of access rights. Our audit procedures extensively consisted of several substantive procedures as well as data analysis relating to the most significant balances on the profit and loss account and statement of financial position.

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, profit and loss account, statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

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

KARACHI

CHARTERED ACCOUNTANTS
Engagement Partner: Zulfikar Ali Causer

DATED: September 30, 2019

Statement of Financial Position
as at June 30, 2019

	Note	2019 Rupees	2018 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	2,373,583,431	2,195,364,988
Capital work in progress	8	669,149,271	107,526,521
		3,042,732,702	2,302,891,509
Intangible assets	9	822,709	1,091,654
Long-term loans	10	531,350	513,838
Long-term deposits	11	11,295,137	13,763,220
Deferred taxation	12	97,627,272	63,292,543
		3,153,009,170	2,381,552,764
CURRENT ASSETS			
Stores and spares	13	67,116,463	55,500,776
Stock-in-trade	14	547,387,193	384,901,376
Trade debts	15	406,754,122	609,587,372
Loans and advances	16	7,063,144	3,402,798
Trade deposits and short-term prepayments	17	1,522,724	1,646,155
Other receivables	18	871,893	-
Tax refund due from Government	19	394,524,917	285,808,786
Taxation - net	20	40,808,954	35,888,322
Cash and bank balances	21	4,140,242	7,787,946
		1,470,189,652	1,384,523,531
TOTAL ASSETS		4,623,198,822	3,766,076,295
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 100,000,000 (2018: 100,000,000) ordinary shares of Rs. 10/-each	22	1,000,000,000	1,000,000,000
Issued, subscribed and paid-up capital	23	806,283,980	806,283,980
Surplus on revaluation of property, plant and equipment	24	329,410,997	213,604,147
Capital reserve			
Equity portion of loan - associated company		216,299,071	-
Accumulated losses	25	(333,787,963)	(23,788,350)
		1,018,206,085	996,099,777
NON-CURRENT LIABILITIES			
Sub-ordinated loan	26	80,224,542	100,000,000
Long-term financing	27	1,361,823,162	1,066,829,986
Long-term deposits		435,657	542,059
		1,442,483,361	1,167,372,045
CURRENT LIABILITIES			
Trade and other payables	28	826,177,146	544,053,599
Mark-up accrued	29	54,417,736	24,709,340
Short-term borrowings	30	1,012,701,152	800,005,989
Un-claimed dividend		129,143	129,143
Current portion of long-term financing	31	269,084,199	233,706,402
		2,162,509,376	1,602,604,473
TOTAL EQUITY AND LIABILITIES		4,623,198,822	3,766,076,295
CONTINGENCIES AND COMMITMENTS	32		

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

TASLEEMUDDIN A. BATLAY	SHAHID AHMED KHAN	MUHAMMAD AAQIL JAH
Director	Chief Executive Officer	Chief Financial Officer

Statement of Profit and Loss
for the year ended June 30, 2019

	Note	2019 Rupees	2018 Rupees
Sales - net	33	2,859,838,021	2,449,541,047
Cost of sales	34	(2,854,538,973)	(2,223,721,903)
Gross profit		5,299,048	225,819,144
General and administrative expenses	35	(89,453,683)	(89,178,658)
Selling and distribution expenses	36	(40,195,890)	(39,524,099)
Other income	37	7,090,804	4,621,182
Other operating expenses	38	(9,274,449)	(6,341,791)
		(131,833,218)	(130,423,366)
Operating profit		(126,534,170)	95,395,778
Financial charges	39	(223,922,608)	(135,257,911)
Loss before taxation		(350,456,778)	(39,862,133)
Taxation	40	39,920,867	31,598,423
Net loss for the year		(310,535,911)	(8,263,710)
Loss per share - basic and diluted	41	(3.85)	(0.14)

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

TASLEEMUDDIN A. BATLAY
Director

SHAHID AHMED KHAN
Chief Executive Officer

MUHAMMAD AAQIL JAH
Chief Financial Officer

Statement of Comprehensive Income
for the year ended June 30, 2019

	Note	2019 Rupees	2018 Rupees
Net loss for the year		(310,535,911)	(8,263,710)
Other comprehensive income / (loss)			
Items that will not be reclassified subsequently to statement of profit and loss:			
Actuarial losses on remeasurement of post employment benefit plans	42.1.2	(1,176,745)	(333,551)
Deferred tax asset		341,256	96,730
		(835,489)	(236,821)
Surplus on revaluation of property, plant and equipment	24	123,106,031	-
Deferred tax liability		(5,927,394)	-
		117,178,637	-
Total comprehensive loss for the year		(194,192,763)	(8,500,531)

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

TASLEEMUDDIN A. BATLAY	SHAHID AHMED KHAN	MUHAMMAD AAQIL JAH
Director	Chief Executive Officer	Chief Financial Officer

Statement of Changes in Equity
for the year ended June 30, 2019

	Issued, subscribed and paid-up capital	Surplus on revaluation of property, plant and equipment	Capital Reserves: Equity portion of loan from associated company	Revenue Reserves: General Reserve	Revenue Reserves: Accumulated losses	Revenue Reserves: Total	Total
	Rupees						
Balance as at July 01, 2017	403,141,990	214,346,961	-	106,800,000	(111,126,679)	(4,326,679)	613,162,272
Total comprehensive loss for the year ended June 30, 2018							
Loss for the year	-	-	-	-	(8,263,710)	(8,263,710)	(8,263,710)
Other comprehensive loss for the year - net of tax	-	-	-	-	(236,821)	(236,821)	(236,821)
	-	-	-	-	(8,500,531)	(8,500,531)	(8,500,531)
Transferred to unappropriated profit on account of incremental depreciation (net of tax) - note 24	-	(880,276)	-	-	880,276	880,276	-
Revaluation surplus on property, plant and equipment adjustment, due to change in tax rate - note 24	-	137,462	-	-	-	-	137,462
Transaction with owners							
Issue of ordinary shares	403,141,990	-	-	-	-	-	403,141,990
Share issue costs	-	-	-	-	(11,841,416)	(11,841,416)	(11,841,416)
Balance as at June 30, 2018	806,283,980	213,604,147	-	106,800,000	(130,588,350)	(23,788,350)	996,099,777
Balance as at July 1, 2018	806,283,980	213,604,147	-	106,800,000	(130,588,350)	(23,788,350)	996,099,777
Total comprehensive loss for the year ended June 30, 2019							
Loss for the year	-	-	-	-	(310,535,911)	(310,535,911)	(310,535,911)
Other comprehensive income/(loss) for the year - net of tax	-	117,178,637	-	-	(835,489)	(835,489)	116,343,148
	-	117,178,637	-	-	(311,371,400)	(311,371,400)	(194,192,763)
Transferred to unappropriated profit on account of incremental depreciation (net of tax) - note 24	-	(1,371,787)	-	-	1,371,787	1,371,787	-
Transaction with owners							
Equity portion of loan - note 26 and 27	-	-	216,299,071	-	-	-	216,299,071
Balance as at June 30, 2019	806,283,980	329,410,997	216,299,071	106,800,000	(440,587,963)	(333,787,963)	1,018,206,085

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

TASLEEMUDDIN A. BATLAY	SHAHID AHMED KHAN	MUHAMMAD AAQIL JAH
Director	Chief Executive Officer	Chief Financial Officer

Statement of Cash Flow
for the year ended June 30, 2019

	Note	2019 Rupees	2018 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	43	268,351,592	231,902,136
Taxes paid - net		(40,808,954)	(22,739,197)
Financial charges paid		(139,737,911)	(129,318,804)
Long-term loans and advances		(17,512)	686,192
Long-term deposits		2,361,681	(756,013)
Net cash generated from operating activities		90,148,896	79,774,314
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(778,302,619)	(481,665,221)
Proceeds from sale of property, plant and equipment	7.8	377,380	121,790
Ijarah lease rentals payment - net		(984,809)	(740,514)
Net cash used in investing activities		(778,910,048)	(482,283,945)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		707,737,242	107,212,796
Repayment of long-term financing		(235,318,957)	(151,882,033)
Repayment of short term financing		(290,000,000)	(250,000,000)
Subscription against right issue, net of share issue cost		-	391,300,574
Proceeds from short term financing (excluding running finance)		440,000,000	-
Net cash generated from financing activities		622,418,285	96,631,337
Net decrease in cash and cash equivalents		(66,342,867)	(305,878,294)
Cash and cash equivalents at beginning of the year		(792,218,043)	(486,339,749)
Cash and cash equivalents at end of the year		(858,560,910)	(792,218,043)
CASH AND CASH EQUIVALENTS:			
Cash and bank balances	21	4,140,242	7,787,946
Short-term running finance	30	(862,701,152)	(800,005,989)
		(858,560,910)	(792,218,043)

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

TASLEEMUDDIN A. BATLAY	SHAHID AHMED KHAN	MUHAMMAD AAQIL JAH
Director	Chief Executive Officer	Chief Financial Officer

Notes to the Financial Statements
for the year ended June 30, 2019

1. NATURE AND STATUS OF THE COMPANY

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

1.2 The Company incurred net loss after tax for the year ended June 30, 2019 amounting to Rs.310.535 million (2018: Rs.8.264 million loss) and its accumulated losses as at June 30, 2019 amounted to Rs. 440.588 million (2018: Rs.130.588 million). These losses have been supported through loans by the associated company from time to time. The Company intends to review its operating costs and streamline operations to achieve profitability. As part of the restructuring of the business activities, the Company shall also consider any capital structuring alternatives.

2. GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

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

3. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS

During the year ended June 30, 2019, the Company has revalued its leasehold land, building and improvement on leasehold land and plant and machinery by an independent valuer M/s. Akbani and Javed Associates on the basis of market value. This revaluation resulted in net surplus aggregating to Rs. 123.106 million.

During the year ended June 30, 2019, Long Term Loans amounting to Rs. 150 million and Rs. 100 million were obtained from associated undertaking M/s Premier Fashions (Private) Limited and SIZA (Private) Limited respectively. Moreover, all Long Term Loans due to associated undertakings amounting to Rs 790 million have been restructured, such that the mark-up payable on these loans, by the Company, has been waived with effect from July 1, 2018 until the expiry of the waiver period as stipulated in the agreement.

Other significant transactions and events affecting the Company's financial position and performance during the year have been adequately disclosed in the notes to these financial statements where required.

4. BASIS OF PREPARATION

4.1 Statement of compliance

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

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

- Provisions of and directives issued under the Companies Act, 2017.

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

4.2 Basis of measurement

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

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

Notes to the Financial Statements
for the year ended June 30, 2019

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

Judgments and estimates made by the management that may have a significant risk of material adjustments to the financial statements in subsequent years are discussed in note 6.24.

4.3 Functional and presentation currency

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

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

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

5.1.1 IFRS 9: Financial Instruments

IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan through its S.R.O. 229 (I) / 2019 and is effective for accounting period / year ending on or after June 30, 2019.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

i. Classification and measurement of financial assets and financial liabilities

The revised provisions on the classification and measurement of financial assets (applicable mainly to trade receivables and other receivables) and financial liabilities (mainly trade creditors and interest-bearing debt) have not affected Company's financial information. Consequently, the comparative figures have not been restated on the introduction of IFRS 9.

ii. Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The guiding principle of the expected credit loss (ECL) model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. The amount of ECLs recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. Under the general approach, there are two measurement bases:

- 12-month ECLs (Stage 1), which applies to all items (from initial recognition) as long as there is no significant deterioration in credit quality.

- Lifetime ECLs (Stages 2 and 3), which applies when a significant increase in credit risk has occurred on an individual or collective basis.

Notes to the Financial Statements
for the year ended June 30, 2019

The Company's financial assets include mainly trade debts, deposits, advances, other receivables and bank balances.

The Company's trade receivables do not contain a significant financing component (as determined in terms of the requirements of IFRS 15 "Revenue from Contracts with Customers"), therefore, the Company is using simplified approach, that does not require the Company to track the changes in credit risk, but, instead, requires to recognise a loss allowance based on lifetime ECLs at each reporting date.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses the Company has established a provision matrix that is based on the Company's historical credit loss experience over the three year period prior to the year end.

iii. Transition

The Company has used the exemption not to restate comparative periods and any adjustments on adoption of IFRS 9 are to be recognized in statement of changes in equity as on July 1, 2018. However, the adoption of IFRS 9 did not have any impact on opening retained earnings as on July 1, 2018. Accordingly, the comparative information is presented as per the requirements of IAS 39.

5.1.2 IFRS 15: Revenue from Contracts with Customers

IFRS 15 'Revenue from Contracts with Customers' is effective for accounting period beginning on or after July 1, 2018. This standard has replaced IAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers.

The IFRS 15 establish a five-steps mode to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires the entities to exercise judgment, taking in to consideration all of the relevant facts and circumstances when applying each step of the model to contracts with the customers. Hence, the Company has concluded that the impact of adoption of revenue recognition model as laid down in IFRS 15 is not material.

There is no material impact of transition to IFRS 15 on the financial position of the Company and there is no effect on the accounting policies of the Company in respect of revenue from contracts with Customers.

5.2 Amendments not yet effective

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

		Effective date (annual periods beginning on or after)
Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework.		January 01, 2020
IFRS 3	Business Combinations - amendments to clarify the definition of a business	January 01, 2020
IFRS 8	Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRS 9	Financial Instruments - amendments regarding prepayment features with negative compensation and modifications of financial liabilities negative compensation and modifications of financial liabilities	January 01, 2019

Notes to the Financial Statements
for the year ended June 30, 2019

		Effective date (annual periods beginning on or after)
IAS 1	Presentation of Financial Statements - amendments regarding the definition of materiality	January 01, 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors - amendments regarding the definition of materiality	January 01, 2020
IAS 19	Employee benefits - amendments regarding plan amendments, curtailments or settlements	January 01, 2019
IAS 28	Investments in Associates and Joint Ventures - amendments regarding long-term interests in associates and joint ventures	January 01, 2019

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

Annual improvements to IFRSs (2015 – 2017) Cycle:

IFRS 3	Business Combinations	January 01, 2019
IFRS 11	Joint Arrangements	January 01, 2019
IAS 12	Income Taxes	January 01, 2019
IAS 23	Borrowing Costs	January 01, 2019

5.3 Standards or interpretations not yet effective

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

IFRS 16	Leases	January 01, 2019

The effects of IFRS 16 -Leases are still being assessed, as these new standards may have a significant effect on the Company’s future financial statements.

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

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 14	Regulatory Deferral Accounts
IFRS 17	Insurance Contracts

The 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.

6. SIGNIFICANT ACCOUNTING POLICIES

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

Notes to the Financial Statements
for the year ended June 30, 2019

6.1 Property, plant and equipment

6.1.1 Owned

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

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

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

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

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

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

6.1.2 Leased

Finance lease

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

Depreciation is charged on these assets by applying the straight line method at the rates given in note 7 to the financial statements. Financial charges are calculated at the rate implicit in the lease.

Operating lease

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

6.1.3 Capital work-in-progress

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

6.2 Intangible assets

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

Notes to the Financial Statements
for the year ended June 30, 2019

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

6.3 Stores and spares

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

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

6.4 Stock-in-trade

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

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

6.5 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount being the fair value of the consideration to be received in future. An estimated provision is made against trade debts on the basis of lifetime expected credit loss model as explained in note 5.1.1 whereas debts considered irrecoverable are written off.

6.6 Taxation

6.6.1 Current

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

6.6.2 Deferred

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

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

The Company recognizes deferred tax asset/liability on deficit/surplus on revaluation of property, plant and equipment which is adjusted against the related deficit/surplus.

6.7 Surplus on revaluation of property, plant and equipment

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

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

6.8 Borrowings and their cost

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

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

6.9 Trade and other payables

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

6.10 Provisions

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

6.11 Cash and bank balances

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

6.12 Impairment losses

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

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

6.13 Financial instruments

6.13.1 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, fair value through other comprehensive income and amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All the financial assets of the Company as at statement of financial position date are carried at amortized cost.

Notes to the Financial Statements
for the year ended June 30, 2019

Amortized cost

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

(i) it is held with in a business model whose objective is to hold assets to collect contractual cash flows; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Impairment

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

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

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

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

6.13.2 Financial liabilities

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

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

6.14 Offsetting of financial assets and financial liabilities

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

6.15 Foreign currency translation

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

Notes to the Financial Statements
for the year ended June 30, 2019

6.16 Employee retirement benefits

6.16.1 Defined benefit plan

The Company has a gratuity scheme for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. The Gratuity Fund is maintained by a trust created and duly approved. Contributions to the fund are made based on actuarial recommendations. The most recent actuarial valuation was carried out at June 30, 2019 using the projected unit credit method (refer note 42). The remeasurement gains/losses as per actuarial valuation done at financial year end are recognized immediately in other comprehensive income and all other expenses are recognized in accordance with IAS 19 "Employee Benefits" in the profit and loss account.

6.16.2 Defined contribution plan

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

6.16.3 Compensated absences

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

6.17 Revenue recognition

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

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

- Sale of goods is recognized when the Company has transferred control of the products to the customers and there is no unfulfilled obligation that could affect the customer’s acceptance of the products.
- Scrap sales are recognized on delivery to customers at realized amounts.
- Profit on bank deposit is accrued on time proportion basis by reference to the principle outstanding and the applicable rate of return.
- Commission on insurance premium are recognized on accrual basis.

6.18 Cash and cash equivalents

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

6.19 Dividend and appropriation to reserves

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

6.20 Share capital

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

Notes to the Financial Statements
for the year ended June 30, 2019

6.21 Earnings / loss per share

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

6.22 Related parties transactions

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

6.23 Segment reporting

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

6.24 Significant accounting judgements and critical accounting estimates / assumptions

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

6.24.1 Defined benefit plan

Certain actuarial assumptions have been adopted as disclosed in note 42 to these financial statements for valuation of present value of defined benefit obligation and fair value of plan assets. Any changes in these assumptions in future years might affect actuarial gains / losses recognized in those years with corresponding effect on carrying amount of defined benefit plan liability / asset.

6.24.2 Provision for taxation

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

6.24.3 Property, plant and equipment

The estimates for revalued amounts, if any, of different classes of property, plant and equipment, are based on valuation performed by external and internal professional valuers and recommendation of technical teams 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.

6.24.4 Stores, spares and stock in trade

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

Notes to the Financial Statements

for the year ended June 30, 2019

7. PROPERTY, PLANT AND EQUIPMENT

Description	Leasehold land (note 7.1)	Building/ improvements on leasehold land	Plant and machinery (note 7.3)	Cylinder and dies	Furniture and fixtures	Vehicles	Office equipment	Computer equipment	Electrical installation	Total
	Rupees									
Net carrying value basis year ended June 30, 2019										
Opening net book value	205,333,320	162,014,035	1,698,380,580	41,816,002	5,990,487	13,488,204	4,267,003	9,025,048	55,050,309	2,195,364,988
Addition (at cost)	-	43,425,404	139,078,633	32,567,840	-	491,000	109,200	857,792	150,000	216,679,869
Revaluation surplus	102,666,660	409,899	20,029,472	-	-	-	-	-	-	123,106,031
Disposal (NBV)	-	-	-	-	-	(344,281)	-	(8,375)	-	(352,656)
Depreciation charged	-	(10,924,443)	(117,512,053)	(22,689,074)	(810,399)	(2,858,844)	(1,225,376)	(1,590,585)	(3,604,027)	(161,214,801)
Closing net book value (refer note 7.2)	307,999,980	194,924,895	1,739,976,632	51,694,768	5,180,088	10,776,079	3,150,827	8,283,880	51,596,282	2,373,583,431
Gross carrying value basis year ended June 30, 2019										
Cost / revalued amount	307,999,980	261,485,722	2,348,860,097	95,041,943	10,880,120	23,273,555	9,281,676	14,740,134	67,697,168	3,139,260,395
Accumulated depreciation	-	(64,227,608)	(594,547,607)	(43,347,175)	(5,700,032)	(12,497,476)	(6,130,849)	(6,456,254)	(16,040,686)	(748,947,687)
Accumulated impairment	-	(2,333,219)	(14,335,858)	-	-	-	-	-	(60,200)	(16,729,277)
Closing net book value (refer note 7.2)	307,999,980	194,924,895	1,739,976,632	51,694,768	5,180,088	10,776,079	3,150,827	8,283,880	51,596,282	2,373,583,431
Depreciation rate (% per annum)	-	2.50% to 3.33%	2.50% to 20%	33.33%	3.33% to 20%	3.33% to 25%	3.57% to 20%	5% to 33.33%	3.33% to 4%	
Net carrying value basis year ended June 30, 2018										
Opening net book value	205,333,320	136,754,746	976,774,509	35,740,141	6,507,368	14,681,396	4,306,512	2,614,664	40,009,782	1,422,722,438
Addition (at cost)	-	31,029,393	799,874,510	26,733,962	386,000	1,458,924	1,303,305	7,723,739	17,955,484	886,465,317
Disposal (NBV)	-	-	-	-	(6)	(13,201)	(42)	(28)	-	(13,277)
Depreciation charged	-	(5,770,104)	(78,268,439)	(20,658,101)	(902,875)	(2,638,915)	(1,342,772)	(1,313,327)	(2,914,957)	(113,809,490)
Closing net book value	205,333,320	162,014,035	1,698,380,580	41,816,002	5,990,487	13,488,204	4,267,003	9,025,048	55,050,309	2,195,364,988
Gross carrying value basis year ended June 30, 2018										
Cost / revalued amount	205,333,320	217,713,590	2,190,676,625	62,474,103	10,880,120	24,175,555	9,172,476	13,915,842	67,547,168	2,801,888,799
Accumulated depreciation	-	(53,366,336)	(477,960,187)	(20,658,101)	(4,889,633)	(10,687,351)	(4,905,473)	(4,890,794)	(12,436,659)	(589,794,534)
Accumulated impairment	-	(2,333,219)	(14,335,858)	-	-	-	-	-	(60,200)	(16,729,277)
Net book value	205,333,320	162,014,035	1,698,380,580	41,816,002	5,990,487	13,488,204	4,267,003	9,025,048	55,050,309	2,195,364,988
Depreciation rate (% per annum)	-	2.50% to 3.33%	2.50% to 20%	33.33%	3.33% to 20%	3.33% to 25%	3.57% to 20%	5% to 33.33%	3.33% to 4%	

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

7.2 The cost of fully depreciated assets which are still in use as at June 30, 2019 is Rs. 74.569 million (2018: 57.283 million) having written down value of Rs. 2.665 million (2018: Rs. 2.431 million).

7.3 Plant and machinery includes capital spares amounting to Rs. 264.260 million (2018: 200.808 million) having written down value of Rs. 221.754 million (2018: 179.214 million).

Notes to the Financial Statements
for the year ended June 30, 2019

	Note	2019 Rupees	2018 Rupees
7.4 The depreciation charge for the year has been allocated as follows:			
Cost of sales	34	157,565,254	110,217,045
General and administrative expenses	35	2,530,648	2,308,085
Selling and distribution expenses	36	1,118,899	1,284,360
		161,214,801	113,809,490

7.5 The Company has revalued its leasehold land, building and improvement on leasehold land and plant and machinery on September 01, 2004, June 25, 2009, June 30, 2012, May 27, 2016 and July 2, 2018 by an independent valuer M/s. Akbani & Javed Associates on the basis of market value.

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

Revaluation surplus amounting to Rs. 329.411 million (2018: Rs. 213.604 million) includes revaluation surplus on land which is remain undepreciated as at June 30, 2019.

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

	Net book value	
	2019	2018
	Rupees	Rupees
Leasehold land	608,737	608,737
Building / Improvements on leasehold land	190,511,076	157,692,371
Plant and machinery	1,792,363,871	1,690,195,785
	1,983,483,684	1,848,496,893

7.7 Fair value measurement

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

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

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

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

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

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

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

Notes to the Financial Statements
for the year ended June 30, 2019

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.

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

	2019 Rupees	2018 Rupees
Opening balance (level 3 recurring fair values)	1,698,380,580	976,774,509
Additions - Cost	139,078,633	799,874,510
Revaluation surplus	20,029,472	-
Depreciation charge	(117,512,053)	(78,268,439)
Closing balance (level 3 recurring fair values)	1,739,976,632	1,698,380,580

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

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

Description	Cost/ revaluation Rupees	Accumulated depreciation/ impairment Rupees	Book value Rupees	Sale proceeds Rupees	Mode of disposal	Particulars of buyer
Vehicles	39,000	38,999	1	10,000	Scrap	Butt Brothers
	1,354,000	1,009,720	344,280	344,280	Company Policy	Tariq Alam Jah - Ex employee
	1,393,000	1,048,719	344,281	354,280		
Computers equipment	33,500	25,125	8,375	23,100	Insurance Claim	Century Insurance Company Limited
Total - 2019	1,426,500	1,073,844	352,656	377,380		
Total - 2018	4,229,671	4,216,394	13,277	121,790		

	Note	**2019** Rupees	2018 Rupees
8. CAPITAL WORK-IN-PROGRESS			
This comprises of:			
Civil works		34,272,197	64,990,295
Plant and machinery		634,877,074	42,536,226
	8.1	669,149,271	107,526,521
8.1 Movement of carrying amount			
Opening balance		107,526,521	513,569,680
Additions (at cost)	8.2	778,302,619	480,422,158
Transfer to property, plant and equipment		(216,679,869)	(886,465,317)
Closing balance		669,149,271	107,526,521

Notes to the Financial Statements
for the year ended June 30, 2019

8.2 This includes borrowing cost capitalized amounting to Rs. 50.923 million (2018: Rs. 36.264 million) as per IAS 23. The rate of capitalization is 10.23% (2018: 7.15%) per annum.

		2019	2018
		Rupees	Rupees
9. INTANGIBLE ASSETS			
Net carrying value basis			
Opening book value		1,091,654	48,233
Additions (at cost)		-	1,243,061
Amortisation charged	9.1	(268,945)	(199,640)
Closing net book value		822,709	1,091,654
Gross carrying value basis			
Cost		6,475,877	6,475,877
Accumulated amortisation		(5,653,168)	(5,384,223)
Net book value		822,709	1,091,654
Amortisation rate per annum		20%	20%
9.1 The amortisation for the year has been allocated as follows:			
Cost of sales	34	80,151	59,434
General and administrative expenses	35	143,871	110,258
Selling and distribution expenses	36	44,923	29,948
		268,945	199,640
10. LONG-TERM LOANS			
(Secured - considered good)			
Loans			
Due from employees	10.1	761,150	727,638
Current portion shown under current assets	16	(229,800)	(213,800)
		531,350	513,838

10.1 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.

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

11. LONG-TERM DEPOSITS

		2019	2018
Power and fuel		4,995,727	4,995,727
Deposit against Ijarah finance		282,480	375,034
Others	11.1	6,016,930	8,392,459
		11,295,137	13,763,220

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

Notes to the Financial Statements
for the year ended June 30, 2019

	Note	2019 Rupees	2018 Rupees
12. DEFERRED TAXATION			
Deferred taxation comprises of:			
Taxable temporary differences:			
Surplus on revaluation of fixed assets	24	8,993,960	3,626,873
Accelerated tax depreciation allowance		271,665,430	218,963,275
Gross deferred tax liabilities		(280,659,390)	(222,590,148)
Deductible temporary differences:			
Unabsorbed tax depreciation		316,141,763	220,846,045
Tax credit		57,457,893	61,299,098
Employee retirement benefit		1,310,854	969,598
Provision for slow moving and obsolete items		1,499,252	1,454,195
Provision for doubtful debts		1,421,137	944,821
Provision for compensated absences		455,763	368,934
Gross deferred tax assets		378,286,662	285,882,691
	12.2	97,627,272	63,292,543

12.1 Total deferred tax asset arising due to timing difference calculated at applicable tax rates as at balance sheet date amounted to Rs. 235.101 million (2018: Rs. 175.855 million) debit. Out of this balance, deferred tax asset amounting to Rs. 137.474 million (2018: Rs. 112.562 million) has not been recognized in these financial statements in accordance with the stated accounting policy of the Company.

12.2 Deferred tax asset has been recognized to the extent of excess deductible temporary differences over and above taxable temporary differences. The deferred tax asset recognized includes an unadjusted tax credit available on capital expenditure at a rate of 10% under section 65B of Income Tax Ordinance, 2001 amounting to Rs. 57.458 million (2018: Rs. 61.299 million), which is carried forward and adjustable against future tax liability for two years including minimum tax on turnover.

	Note	2019 Rupees	2018 Rupees
13. STORES AND SPARES			
Stores			
In hand		17,003,799	14,386,640
In transit		407,611	1,047,483
		17,411,410	15,434,123
Spares			
In hand		50,123,785	42,645,036
In transit		3,651,988	1,362,735
		53,775,773	44,007,771
		71,187,183	59,441,894
Provision for slow moving and obsolete stores and spares	13.1	(4,070,720)	(3,941,118)
		67,116,463	55,500,776

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

	2019 Rupees	2018 Rupees
Balance at beginning of the year	3,941,118	3,160,409
Provision for the year	129,602	780,709
Balance at end of the year	4,070,720	3,941,118

Notes to the Financial Statements
for the year ended June 30, 2019

	Note	2019 Rupees	2018 Rupees
14. STOCK-IN-TRADE			
Raw materials			
In hand		358,155,318	257,767,080
In transit		29,541,884	28,933
		387,697,202	257,796,013
Packing materials		4,774,780	9,318,785
		392,471,982	267,114,798
Provision for slow moving and obsolete stock in trade	14.1	(1,099,114)	(1,073,348)
		391,372,868	266,041,450
Work-in-process	34	83,030,582	61,445,937
Finished goods	34	72,983,743	57,413,989
		547,387,193	384,901,376

14.1 Provision for slow moving and obsolete stock in trade comprises:

	2019 Rupees	2018 Rupees
Balance at beginning of the year	1,073,348	1,189,626
Provision / (reversal) for the year	25,766	(116,278)
Balance at end of the year	1,099,114	1,073,348

15. TRADE DEBTS

	Note	2019 Rupees	2018 Rupees
(Unsecured - considered good)			
Due from associated companies	15.1	17,011,279	53,564,595
Others		389,742,843	556,022,777
		406,754,122	609,587,372
Considered doubtful		4,900,473	3,258,003
Provision for doubtful debts	15.4	(4,900,473)	(3,258,003)
		406,754,122	609,587,372

15.1 This comprises amounts receivable from:

	2019 Rupees	2018 Rupees
Century Paper and Board Mills Limited	4,917,528	2,544,638
GAM Corporation (Private) Limited	2,457,323	248,300
SIZA Foods (Private) Limited	1,318,367	540,088
Colgate-Palmolive (Pakistan) Limited	8,318,061	47,247,920
Caraway (Private) Limited	-	2,983,649
	17,011,279	53,564,595

15.2 The aging of related party balances at the balance sheet date is as follows:

	2019 Rupees	2018 Rupees
Not past due	7,532,461	51,590,706
Past due 1-30 days	9,478,818	289,323
Past due 30-90 days	-	1,088,446
Past due over 90 days	-	596,120
	17,011,279	53,564,595

Notes to the Financial Statements
for the year ended June 30, 2019

15.3 The maximum amount due from related parties at the end of any month during the year was Rs. 92.232 million (2018: Rs. 55.952 million).

		2019	2018
		Rupees	Rupees
15.4 Provision for doubtful debts			
Balance at beginning of the year		3,258,003	2,317,058
Charge during the year - net	38	4,919,645	3,258,003
Bad debts written off		(3,277,175)	(2,317,058)
Balance at end of the year		4,900,473	3,258,003

16. LOANS AND ADVANCES

Loans (Secured - considered good)			
Current portion of long-term loans	10	229,800	213,800
Advances (Unsecured - considered good)			
To employees	16.1	659,924	524,561
To suppliers	16.2	6,173,420	2,664,437
		6,833,344	3,188,998
		7,063,144	3,402,798

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

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

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

17. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Security deposits	17.1	306,904	486,000
Prepayments	17.2	1,215,820	1,160,155
		1,522,724	1,646,155

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

17.2 This includes prepaid insurance premium of Rs. 1.105 million (2018: Rs. 0.005 million) to M/s Century Insurance Company Limited, an associated company.

18. OTHER RECEIVABLES

(Unsecured-considered good)			
Due from associated company	18.1	635,318	-
Others		236,575	-
		871,893	-

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

Notes to the Financial Statements
for the year ended June 30, 2019

			2019 Rupees	2018 Rupees
19.	**TAX REFUND DUE FROM GOVERNMENT**			
	Sales tax and special excise duty receivable		271,736,690	198,908,880
	Income tax refundable		122,788,227	86,899,906
			394,524,917	285,808,786
20.	**TAXATION - NET**			
	Advance tax		40,808,954	35,888,322
	Provision for taxation	40	-	-
			40,808,954	35,888,322

20.1 The income tax assessments of the Company have been finalised by the tax authorities upto Tax Year 2018 (accounting year ended June 30, 2018).

		2019 Rupees	2018 Rupees
21.	**CASH AND BANK BALANCES**		
	Cash with banks in current accounts	2,391,663	6,766,206
	Cash in hand	1,748,579	1,021,740
		4,140,242	7,787,946

22. AUTHORIZED SHARE CAPITAL

Number of ordinary shares of Rs.10/- each 2019	2018		2019 Rupees	2018 Rupees
100,000,000	100,000,000	Ordinary shares of Rs. 10/- each	1,000,000,000	1,000,000,000

23. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Number of ordinary shares of Rs.10/- each 2019	2018		2019 Rupees	2018 Rupees
77,775,551	77,775,551	Fully paid in cash	777,755,510	777,755,510
2,852,847	2,852,847	Issued as bonus shares fully paid	28,528,470	28,528,470
80,628,398	80,628,398		806,283,980	806,283,980
46,312,710	46,312,710	Shares held by associated undertakings	463,127,100	463,127,100

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

Notes to the Financial Statements

for the year ended June 30, 2019

	Note	2019 Rupees	2018 Rupees
24. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
Gross surplus			
Balance as at July 01,		217,231,020	218,470,833
Net surplus recognised during the year	24.1	123,106,031	-
Transfer to unappropriated profit in respect of incremental depreciation charged during the year - (net of deferred tax)		(1,371,787)	(880,276)
Related deferred tax liability		(560,307)	(359,537)
		121,173,937	(1,239,813)
Surplus on revaluation of fixed assets as at June 30,		338,404,957	217,231,020
Related deferred tax effect:			
Balance as at July 01,		(3,626,873)	(4,123,872)
Effect of changes in tax rate		-	137,462
Effect of surplus recognized during the year		(5,927,394)	-
Incremental depreciation charge during the year		560,307	359,537
	12	(8,993,960)	(3,626,873)
		329,410,997	213,604,147

24.1 Surplus recognized during the year on:

	2019 Rupees	2018 Rupees
Leasehold land	102,666,660	-
Building / Improvements on leasehold land	409,900	-
Plant and machinery	20,029,471	-
	123,106,031	-

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

25. ACCUMULATED LOSSES

	2019 Rupees	2018 Rupees
General reserve	106,800,000	106,800,000
Accumulated losses	(440,587,963)	(130,588,350)
	(333,787,963)	(23,788,350)

26. SUBORDINATED LOAN - UNSECURED

	Note	2019 Rupees	2018 Rupees
Opening balance		100,000,000	100,000,000
Add : Notional mark up		7,441,447	-
Less: Present value adjustment		(27,216,905)	-
	26.1	80,224,542	100,000,000

26.1 In previous years, the Company obtained loan from Siza (Private) Limited, an associated company, for the purpose of financing the capital expenditure requirement and to support the working capital and for funding business operational activities. This loan carried interest at the rate of 0.5% over last business day of three months KIBOR of preceding quarter. The effective mark-up rate was 6.74% per annum in 2018.

Notes to the Financial Statements
for the year ended June 30, 2019

26.2 During the year, this subordinated loan has been restructured, resulting in waiver of markup payment, at the rate stipulated in the agreement. The waiver in the payment of markup has been provided for a period of three years from the date of the agreement, resulting in reduction in fair value of this financial loan instrument, due to presence of a below market element. This financial loan instrument has now been measured at fair value, determined by discounting future cash flows with the effective mark-up rate at 9.50% per annum, which is determined to be the transaction price at which a similar transaction could be executed between unrelated parties.

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

	Note	**2019** Rupees	2018 Rupees
27. LONG TERM FINANCING			
Secured			
From banking companies			
Al-Baraka Bank (Pakistan) Limited		103,371,392	137,959,310
Dubai Islamic Bank Pakistan Limited		549,733,256	166,556,007
Habib Bank Limited		132,459,097	186,417,585
BankIslami Pakistan Limited		125,000,000	175,000,000
JS Bank Limited		77,250,000	97,850,000
United Bank Limited - Ameen		95,140,928	96,753,486
Less: Current portion shown under current liabilities	31	(269,084,199)	(233,706,402)
	27.1	813,870,474	626,829,986
Unsecured			
Opening balance		440,000,000	440,000,000
Financing obtained during the year		250,000,000	-
		690,000,000	440,000,000
Add : Notional mark up		47,034,854	-
Less : Present value adjustment		(189,082,166)	-
	27.2	547,952,688	440,000,000
		1,361,823,162	1,066,829,986

27.1 These loans have been obtained from financial institutions for the purpose of financing capital expenditure and secured against first pari passu charge on specific property, plant and equipments of the Company. The effective rate of mark-up was 9.64% to 10.57% (2018: 6.73% to 7.91%) payable quarterly. The tenure of these financing facilities is five to six years including one year grace period.

27.2 This loan has been obtained from associated undertakings amounting to an aggregate of Rs. 690 million (2018: Rs. 440 million) for the purpose of financing the capital expenditure requirement and to support the working capital and for funding business operational activities. The rate of markup is 0.5% over last business day of three months KIBOR of preceding quarter. The effective rate was 6.74% per annum in 2018.

27.3 During the year, the repayment of loan and markup thereon has been rescheduled, resulting in a complete waiver of markup at the rates stipulated in the agreement. The waiver in the payment of markup has been provided for a period of three years from the date of the agreements, resulting in reduction in fair value of this loan, due to presence of a below market element. This loan has been measured at fair value, determined by discounting future cash flows with the effective mark-up rate at 9.50% per annum, which is determined to be the transaction price at which a similar transaction could be executed between unrelated parties.

Notes to the Financial Statements
for the year ended June 30, 2019

	Note	2019 Rupees	2018 Rupees
28. TRADE AND OTHER PAYABLES			
Creditors	28.1	744,237,276	516,597,173
Accrued liabilities		70,327,354	18,964,796
Payable to gratuity fund	42.1.1	6,984,076	6,555,526
Advances from customers		3,270,081	533,621
Workers' Welfare Fund		250,956	250,956
Workers' Profit Participation Fund	28.2	-	-
Others		1,107,403	1,151,527
		826,177,146	544,053,599

28.1 This includes an amount of Rs. 0.168 million (2018: Rs. 1.346) payable in foreign currency equivalent to Pak Rupees and amount payable to associated companies amounting to Rs. 535.726 million (2018: Rs. 273.565 million).

28.2 Workers' Profit Participation Fund

	Note	2019 Rupees	2018 Rupees
Balance at July 01		-	149,028
Interest on funds utilized in Company's business	39	-	3,503
Allocation for the year	38	-	-
		-	152,531
Amount paid during the year		-	(152,531)
Balance at June 30		-	-

	Note	2019 Rupees	2018 Rupees
29. MARK-UP ACCRUED			
Mark-up accrued on :			
Short-term borrowings		32,800,544	14,529,055
Long term financing		21,617,192	10,180,285
		54,417,736	24,709,340
30. SHORT-TERM BORROWINGS			
From banking companies - secured			
Running finance	30.1	862,701,152	800,005,989
From associated company - unsecured	30.2	50,000,000	-
From Director's spouse - unsecured	30.3	100,000,000	-
		1,012,701,152	800,005,989

30.1 The Company has short term running finance facilities from various banks under mark-up arrangements in aggregate amount of Rs. 1,170 million (2018: Rs. 1,170 million) having mark-up at rates ranging from 9.84% to 11.33% (2018: 7.15% to 7.70%) per annum calculated on a daily product basis and payable quarterly. The unutilized balance at the end of the year was Rs. 307.299 million (2018: Rs. 369.995 million).

The Company also has a facility for opening letters of credit under mark-up arrangements as at June 30, 2019 amounting to Rs. 490 million (2018: Rs. 490 million) from various commercial banks. The unutilized balance at the end of the year was Rs. 490 million (2018: Rs. 94.420 million).

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

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

30.3 This short-term borrowing facility (interest free loan) is obtained from Director's spouse.

Notes to the Financial Statements
for the year ended June 30, 2019

	Note	2019 Rupees	2018 Rupees
31. CURRENT PORTION OF LONG TERM-FINANCING			
Current portion	27	269,084,199	233,706,402

32. CONTINGENCIES AND COMMITMENTS

32.1 Contingencies

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

32.2 Commitments

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

	Note	2019 Rupees	2018 Rupees
- Stores, spares and raw materials under contractual obligation		9,481,633	9,546,969
- Capital expenditure under letter of credit		-	395,517,720

The amount of future Ijarah rentals for Ijarah financing and the period in which these payments will become due are as follows:

	Note	2019 Rupees	2018 Rupees
Not later than one year		1,167,672	1,086,252
Later than one year and not later than five years		2,180,093	3,110,950
		3,347,765	4,197,202

	Note	2019 Rupees	2018 Rupees
33. SALES - NET			
Gross sales		3,340,883,792	2,862,425,284
Sales tax		(481,045,771)	(412,884,237)
		2,859,838,021	2,449,541,047

	Note	2019 Rupees	2018 Rupees
34. COST OF SALES			
Materials consumed		2,273,140,447	1,751,213,532
Salaries, wages and other benefits	34.1	167,580,446	147,067,189
Packing material consumed		60,105,385	51,457,672
Outsourced services		29,515,674	26,163,677
Stores and spares consumed		42,394,499	39,709,449
Power and fuel		95,672,299	67,520,759
Depreciation	7.4	157,565,254	110,217,045
Amortisation	9.1	80,151	59,434
Rent, rates and taxes		27,449,264	24,977,593
Repairs and maintenance		13,540,928	9,019,213
Vehicle running expenses		2,561,001	1,646,764
Insurance		14,840,892	10,603,639
Ijarah lease rentals		379,898	190,303
Printing and stationery		883,764	860,890
Communication charges		1,668,887	1,197,049
Travelling and conveyance		2,097,094	2,299,872
Fees and subscription		609,790	641,250
Software license fee		1,004,515	1,604,941
Other expenses		603,184	1,192,536
Manufacturing cost		2,891,693,372	2,247,642,807
Opening work-in-process		61,445,937	42,882,044
Closing work-in-process	14	(83,030,582)	(61,445,937)
		(21,584,645)	(18,563,893)
Cost of goods manufactured		2,870,108,727	2,229,078,914
Opening stock of finished goods		57,413,989	52,056,978
Closing stock of finished goods	14	(72,983,743)	(57,413,989)
		(15,569,754)	(5,357,011)
		2,854,538,973	2,223,721,903

Notes to the Financial Statements

for the year ended June 30, 2019

34.1 Salaries and other benefits include Rs. 7.297 million (2018: Rs. 6.193 million) in respect of staff retirement benefits.

	Note	2019 Rupees	2018 Rupees
35. GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries and other benefits	35.1	68,459,901	68,691,519
Depreciation	7.4	2,530,648	2,308,085
Amortisation	9.1	143,871	110,258
Rent, rates and taxes		1,170,222	1,054,357
Repairs and maintenance		1,863,645	1,960,023
Ijarah lease rentals		604,911	550,211
Vehicle running expenses		3,213,402	3,083,561
Insurance		508,220	399,755
Printing and stationery		966,519	1,353,991
Communication charges		1,950,680	1,612,113
Travelling and conveyance		1,973,498	1,495,104
Fees and subscription		1,009,687	687,329
Software license fee		1,096,858	1,752,481
Service fee to associated company		1,933,572	1,600,080
Electricity charges		270,269	363,912
Others		1,757,780	2,155,879
		89,453,683	89,178,658

35.1 Salaries and other benefits include Rs. 4.24 million (2018: Rs. 2.260 million) in respect of staff retirement benefits.

	Note	2019 Rupees	2018 Rupees
36. SELLING AND DISTRIBUTION EXPENSES			
Salaries and other benefits	36.1	11,600,060	12,082,196
Depreciation	7.4	1,118,899	1,284,360
Amortisation	9.1	44,923	29,948
Repairs and maintenance		685,970	46,923
Vehicle running expenses		1,590,133	1,708,891
Insurance		276,417	281,197
Printing and stationery		185,328	86,811
Communication charges		804,054	704,319
Travelling and conveyance		1,601,374	1,200,497
Software license fee		456,598	729,519
Advertisement		15,800	968,435
Cartage outward		21,653,427	20,205,687
Others		162,907	195,316
		40,195,890	39,524,099

36.1 Salaries and other benefits include Rs. 0.677 million (2018: Rs. 0.626 million) in respect of staff retirement benefits.

Notes to the Financial Statements
for the year ended June 30, 2019

	Note	2019 Rupees	2018 Rupees
37. OTHER INCOME			
Insurance agency commission from associated company		2,421,803	2,089,836
Scrap sales		4,644,277	2,422,833
Gain on disposal of property, plant and equipment		24,724	108,513
		7,090,804	4,621,182
38. OTHER OPERATING EXPENSES			
Legal and professional charges		1,988,060	1,312,696
Auditors' remuneration:			
Statutory audit		405,950	353,000
Special reports and sundry services		229,940	244,480
Out-of-pocket expenses		258,315	208,600
		894,205	806,080
Workers' Profit Participation Fund	28.2	-	-
Director fees		575,000	420,000
Foreign exchange loss	38.1	65,039	25,306
Bad debt expense	15.4	4,919,645	3,258,003
Brokerage and commission		832,500	519,706
		9,274,449	6,341,791

38.1 Exchange loss is incurred from actual currency translation.

	Note	2019 Rupees	2018 Rupees
39. FINANCIAL CHARGES			
Mark-up / interest on:			
Sub-ordinated loan		7,441,447	6,737,206
Long-term financing		107,444,545	70,968,460
Short-term borrowings		107,552,654	56,220,796
Interest on Workers Profit Participation Fund	28.2	-	3,503
		222,438,646	133,929,965
Bank charges and commission		1,483,962	1,327,946
		223,922,608	135,257,911
40. TAXATION			
Current	20	-	-
Prior		-	98,119
Deferred		(39,920,867)	(31,696,542)
		(39,920,867)	(31,598,423)

40.1 The current year's tax liability of the Company amounts to Rs. 36.097 million (2018: Rs. 30.650 million). This has been fully adjusted against available tax credit of Rs. 103.857 million (2018: Rs. 113.145 million) under section 65B at the rate 10% on the cost of plant and machinery capitalised during this year and last year. Unadjusted tax credit of Rs. 67.760 million (2018: Rs. 82.495 million) is available for adjustment against two subsequent years' tax charge. The Company has booked deferred tax asset of Rs. 57.458 million (2018: Rs. 61.299 million) against this unadjusted tax credit.

Notes to the Financial Statements
for the year ended June 30, 2019

40.2 **Comparison of tax provision against tax assessments**

Tax / Financial Years		**Tax provision**	**Tax assessment / Tax return**
		Rupees	Rupees
2017-18	40.2.1	-	(35,888,322)
2016-17	40.2.2	-	(27,966,961)
2015-16	40.2.3	-	(33,328,707)

40.2.1 Tax liability for Tax Year 2018 amounting to Rs. 30.900 million, was fully adjusted against the available tax credits under section 65B. Tax refundable as per assessment, represents refundable as declared in the tax return of the Company arising due to advance taxes deducted / paid during the tax year.

40.2.2 Tax liability for Tax Year 2017 amounting to Rs. 18.170 million, was fully adjusted against the available tax credits under section 65B. Tax refundable as per assessment, represents refundable as declared in the tax return of the Company arising due to advance taxes deducted / paid during the tax year.

40.2.3 Tax liability for Tax Year 2016 amounting to Rs. 16.085 million, was fully adjusted against available tax credits under section 65B. Tax refundable as per assessment, represents refundable as declared in the tax return of the Company arising due to advance taxes deducted / paid during the tax year.

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

40.4 The applicable income tax rate for Tax Year 2019 was reduced to 29% on account of changes made to Income Tax Ordinance 2001 through Finance Act 2015. Deferred tax is computed at the rate of 29% on account of provisions made to Income Tax Ordinance, 2001 through Finance Act 2019, applicable to the expected period when temporary differences are expected to be reversed / utilised.

	2019	2018
	Rupees	Rupees
41. LOSS PER SHARE - BASIC AND DILUTED		
Loss for the year (Rupees)	(310,535,911)	(8,263,710)
Weighted average number of ordinary shares outstanding	80,628,398	60,146,272
Loss per share - basic and diluted (Rupees)	(3.85)	(0.14)

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

42. RETIREMENT BENEFIT

42.1 Defined benefit plan

The scheme provides for terminal benefits for all its permanent employees who qualify for the scheme at varying percentages of last drawn basic salary. The percentage depends on the number of service years with the Company. Annual charge is based on actuarial valuation carried out as at June 30, 2019, using the Projected Unit Credit Actuarial Cost Method.

The Company faces the following risks on account of gratuity:

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

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

Notes to the Financial Statements
for the year ended June 30, 2019

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

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

	Note	**2019** **Rupees**	2018 Rupees
42.1.1 Liability recognised in statement of financial position			
Fair value of plan assets	42.1.3	48,731,981	48,066,503
Present value of defined benefit obligation	42.1.4	(55,716,057)	(54,622,029)
Closing net liability	28	(6,984,076)	(6,555,526)
42.1.2 Movement of the liability recognized in the statement of financial position			
Opening net liability		(6,555,526)	(2,045,670)
Charge for the year	42.1.5	(5,463,890)	(6,986,519)
Remeasurement losses recognized in other comprehensive income	42.1.6	(1,176,745)	(333,551)
Contribution made during the year		6,212,085	2,810,214
Closing net liability		(6,984,076)	(6,555,526)
42.1.3 Movement in the fair value of plan assets			
Fair value as at July 01		48,066,503	47,499,994
Expected return on plan assets	42.1.5	4,222,923	3,798,389
Remeasurement - Actuarial losses	42.1.6	(1,267,170)	(3,191,623)
Contribution by the employer		6,212,085	2,810,214
Benefits paid	42.1.4	(8,502,360)	(2,850,471)
Fair value as at June 30	42.1.1	48,731,981	48,066,503
42.1.4 Movement in the present value of defined benefit obligation			
Obligation as at July 01		(54,622,029)	(49,545,664)
Current service cost	42.1.5	(5,089,816)	(6,935,274)
Interest cost	42.1.5	(4,596,997)	(3,849,634)
Remeasurement - Actuarial gains	42.1.6	90,425	2,858,072
Benefits paid	42.1.3	8,502,360	2,850,471
Obligation as at June 30	42.1.1	(55,716,057)	(54,622,029)
42.1.5 Expenses recognised in statement of profit and loss			
Current service cost	42.1.4	5,089,816	6,935,274
Interest cost	42.1.4	4,596,997	3,849,634
Expected return on plan assets	42.1.3	(4,222,923)	(3,798,389)
Expense for the year	42.1.2	5,463,890	6,986,519
Actual return on plan assets		2,955,753	606,766

Notes to the Financial Statements
for the year ended June 30, 2019

	Note	2019 Rupees	2018 Rupees
42.1.6 Remeasurement losses recognized in other comprehensive income			
Remeasurement gain on defined benefit obligation	42.1.4	90,425	2,858,072
Remeasurement losses on plan assets	42.1.3	(1,267,170)	(3,191,623)
Remeasurement losses	42.1.2	(1,176,745)	(333,551)

42.1.7 Composition of the fair value of plan assets

	2019 Rupees	2019 Percentage	2018 Rupees	2018 Percentage
Debt	28,371,238	58%	27,735,811	58%
Equity and Mutual fund	10,018,360	21%	7,734,069	16%
Cash with banks	10,342,382	21%	12,596,623	26%
	48,731,980		48,066,503	

42.1.8 The expected contribution to funded gratuity scheme for the year ending June 30, 2020 is Rs. 5.916 million. This is the amount by which the net defined benefit liability is expected to increase. The amount of remeasurement to be recognised in other comprehensive income will be worked out as at the next valuation.

	2019 Percentage	2018 Percentage
42.1.9 Principal actuarial assumptions		
Following were the significant actuarial assumptions used in the valuation:		
Valuation discount rate per annum	14.25%	9.00%
Valuation discount rate - Statement of profit and loss	9.00%	8.00%
Expected rate of return on plan assets per annum	14.25%	9.00%
Expected rate of increase in salary per annum (short term)	14.50%	9.25%
Expected rate of increase in salary per annum (long term)	14.25%	9.00%

42.1.10 Sensitivity analysis	**Rupees**	**Percentage**
Current liability	55,716,057	
+1% discount rate	51,275,592	-7.97%
-1% discount rate	60,864,674	9.24%
+1% salary increase rate	61,079,842	9.63%
-1% salary increase rate	51,016,325	-8.44%
+10% withdrawal rate	55,575,544	-0.25%
-10% withdrawal rate	55,859,061	0.26%
1 year mortality age set back	55,687,842	-0.05%
1 year mortality age set forward	55,744,365	0.05%

42.1.11 Maturity Profile	**Undiscounted Payments**
Year 1	2,811,718
Year 2	2,101,156
Year 3	3,366,833
Year 4	9,940,143
Year 5	9,876,743
Year 6 to year 10	46,325,260
Year 11 and above	347,875,955

Notes to the Financial Statements
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42.2 Defined contribution plan

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

42.2.1 The Trustees have intimated that the size of the Fund as at December 31, 2018 was Rs. 111.2 million (2017: Rs. 102.5 million).

42.2.2 As intimated by the Trustees, the cost of the investment made at December 31, 2018 was Rs. 93.130 million (2017: Rs. 84.623 million) which is equal to 83.75% (2017: 82.56%) of the total fund size. The fair value of the investment was Rs. 93.162 million at that date. The category wise break up of investment as per Section 218 of the Companies Act, 2017 is given below:

	Rupees	Percentage
Debt	72,552,700	65.24%
Mutual fund	16,867,874	15.17%
Cash with banks	3,741,949	3.37%

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

	Note	2019 Rupees	2018 Rupees
43. CASH GENERATED FROM OPERATIONS			
Loss before taxation		(350,456,778)	(39,862,133)
Adjustment for non-cash items and other items:			
Gain on disposal of property, plant and equipment		(24,724)	(108,513)
Financial charges		223,922,608	135,257,911
Depreciation		161,214,801	113,809,490
Amortisation		268,945	199,640
Provision for doubtful debts		4,919,645	3,258,003
Provision for slow moving stock and obsolete items		155,368	664,431
Ijarah lease rentals		984,809	740,514
		391,441,452	253,821,476
Profit before working capital changes		40,984,674	213,959,343
Working capital changes	43.1	227,366,918	17,942,793
		268,351,592	231,902,136
43.1 Working capital changes			
(Increase) / decrease in current assets:			
Stores and spares		(11,745,289)	1,823,012
Stock-in-trade		(162,511,583)	(58,431,646)
Trade debts		197,913,605	(228,859,462)
Loans and advances		(3,660,346)	6,044,046
Trade deposits and short-term prepayments		123,431	3,373,680
Other receivables		(871,893)	123,168
Tax refund due from Government		(72,827,809)	(20,379,516)
		(53,579,884)	(296,306,718)
Increase in current liabilities:			
Trade and other payables (excluding unclaimed dividend)		280,946,802	314,249,511
		227,366,918	17,942,793

Notes to the Financial Statements
for the year ended June 30, 2019

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

Description	Liabilities		Total
	Long Term Financing	Short Term Financing	
	Rupees		
Balance as at July 1, 2018	1,400,536,388	-	1,400,536,388
Proceeds from long term financing	707,737,242	-	707,737,242
Repayment of long-term financing	(235,318,957)	-	(235,318,957)
Proceeds from short term financing	-	440,000,000	440,000,000
Repayment of short term financing	-	(290,000,000)	(290,000,000)
Balance as at June 30, 2019	1,872,954,673	150,000,000	2,022,954,673

45. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of related group companies, local associated companies, staff retirement funds, directors and key management personnel.

Transactions with related parties and remuneration and benefits to key management personnel under the terms of their employment are as follows:

Nature of transaction	**Nature of Relation**	**Basis of Relation**	**2019**	2018
			Rupees	Rupees
Sales of goods, Services and Reimbursement of expenses:				
Colgate Palmolive Pakistan Limited	Associated company	Common Director	382,717,455	272,133,270
Century Paper & Board Mills Limited	Associated company	Common Director	30,667,046	27,843,107
GAM Corporation (Private) Limited	Associated company	Common Director	7,116,283	3,145,145
SIZA Foods (Private) Limited	Associated company	Common Director	6,333,579	3,046,947
Caraway (Private) Limited	Associated company	Common Director	-	5,547,990
Ajinomoto Lakson Pakistan (Private) Limited	Associated company	Common Management	-	1,182,594
Purchase of goods, services and Reimbursement of expenses:				
Century Paper & Board Mills Limited	Associated company	Common Director	1,677,637,889	1,379,138,181
Century Insurance Company Limited	Associated company	Common Director	24,535,493	19,019,149
Princeton Travels (Private) Limited	Associated company	Common Director	1,854,248	1,924,164
Lakson Business Solutions Limited	Associated company	Common Director	2,344,866	2,421,326
SIZA Services (Private) Limited	Associated company	Common Director and 15.31% shares held	1,764,228	1,456,860
SIZA (Private) Limited	Associated company	Common Director and 9.70% shares held	170,109	114,258
Sybrid (Private) Limited	Associated company	Common Director	191,359	161,839
Cyber Internet Services (Private) Limited	Associated company	Common Director	631,592	522,792
Express Publication (Private) Limited	Associated company	Common Management	93,818	235,848
SIZA Foods (Private) Limited	Associated company	Common Director	-	87,000
Central Depository Company of Pakistan Limited	Associated company	Common Director	474,600	-
Rent & Other Allied Charges				
Hassanali & Gulbano Lakhani Foundation	Associated company	Trustee	359,195	237,594

Notes to the Financial Statements
for the year ended June 30, 2019

Nature of transaction	Nature of Relation	Basis of Relation	2019 Rupees	2018 Rupees
Insurance Agency Commission				
Century Insurance Company Limited	Associated company	Common Director	2,421,803	2,089,836
Insurance Claim				
Century Insurance Company Limited	Associated company	Common Director	915,711	1,215,395
Loan obtained				
SIZA (Private) Limited	Associated company	Common Director and 9.70% shares held	200,000,000	-
SIZA Services (Private) Limited	Associated company	Common Director and 15.31% shares held	80,000,000	-
Premier Fashions (Private) Limited	Associated company	Common Director and 21.20% shares held	250,000,000	-
Iqbal Ali Lakhani	Director	Directorship	60,000,000	-
Mrs. Ronak Iqbal Lakhani	Director's spouse		100,000,000	-
Loan Repayment				
SIZA (Private) Limited	Associated company	Common Director and 9.70% shares held	100,000,000	-
SIZA Commodities (Private) Limited	Associated company	Common Director and 11.24% shares held	-	250,000,000
SIZA Services (Private) Limited	Associated company	Common Director and 15.31% shares held	80,000,000	-
Premier Fashions (Private) Limited	Associated company	Common Director and 21.20% shares held	50,000,000	-
Iqbal Ali Lakhani	Director	Directorship	60,000,000	-
Capital Contribution				
SIZA (Private) Limited	Associated company	Common Director and 9.70% shares held	174,434,560	-
Premier Fashions (Private) Limited	Associated company	Common Director and 21.20% shares held	41,864,511	-
Notional Mark-up				
SIZA (Private) Limited	Associated company	Common Director and 9.70% shares held	46,934,067	-
Premier Fashions (Private) Limited	Associated company	Common Director and 21.20% shares held	7,542,234	-
Markup Accrued				
SIZA (Private) Limited	Associated company	Common Director and 9.70% shares held	-	36,380,910
SIZA Commodities (Private) Limited	Associated company	Common Director and 11.24% shares held	-	9,332,466
Iqbal Ali Lakhani	Director	Directorship	200,449	-
Others				
Remuneration and other benefits	Key Management Personnel	Employees	26,498,487	24,079,079
Contribution to Staff Retirement Benefit Plans	Employees Fund		11,729,400	12,050,234

Notes to the Financial Statements
for the year ended June 30, 2019

	2019 Rupees	2018 Rupees
45.1 Year end balances		
Receivable from associated companies	17,646,597	53,564,595
Payable to associated companies	544,281,244	281,845,655
Long-term financing from associated company	547,952,688	440,000,000
Sub-ordinated loan	80,224,542	100,000,000
Short-term financing from associated company	50,000,000	-
Short-term financing from director's spouse	100,000,000	-

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

46. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

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

	2019			2018		
	Chief Executive Rupees	Executives Rupees	Total Rupees	Chief Executive Rupees	Executives Rupees	Total Rupees
Managerial remuneration	4,284,600	2,921,448	7,206,048	4,284,600	4,194,420	8,479,020
House rent	1,923,876	1,306,272	3,230,148	1,923,876	1,874,928	3,798,804
Bonus	713,025	484,758	1,197,783	713,025	695,845	1,408,870
Retirement benefits	757,011	553,414	1,310,425	385,296	353,254	738,550
Motor vehicle expenses	233,536	417,314	650,850	191,780	589,189	780,969
Medical allowances	427,524	290,280	717,804	427,524	416,652	844,176
Total	8,339,572	5,973,486	14,313,058	7,926,101	8,124,288	16,050,389
Number of persons	1	2	3	1	3	4

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

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

46.3 Aggregate amount charged in these financial statements in respect of directors fee is Rs. 0.450 million (2018: Rs. 0.420 million) paid to three non-executive Directors.

47. CAPACITY AND PRODUCTION

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

Notes to the Financial Statements
for the year ended June 30, 2019

	2019 Rupees	2018 Rupees
48. FINANCIAL INSTRUMENTS BY CATEGORY		
Financial assets as per statement of financial position		
Amortized cost		
Long-term loans	761,150	727,638
Long-term deposits	11,295,137	13,763,220
Trade debts	406,754,122	609,587,372
Short-term deposits	306,904	486,000
Other receivables	871,893	-
Cash and bank balances	4,140,242	7,787,946
	424,129,448	632,352,176
Financial liabilities as per statement of financial position		
Amortized cost		
Subordinated loan	80,224,542	100,000,000
Long-term financing	1,630,907,361	1,300,536,388
Long-term deposits	435,657	542,059
Trade and other payables	826,177,146	544,053,599
Mark-up accrued	54,417,736	24,709,340
Short-term borrowings	1,012,701,152	800,005,989
	3,604,863,594	2,769,847,375

49. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in an arm's length transaction. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

50.1 Risk management policies

The Company's objective in managing risks is the creation and protection of share holders' value. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing profitability. The Company is exposed to credit risk, liquidity risk and market risk (which includes interest rate risk and price risk) arising from the financial instruments it holds.

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

50.2 Credit risk

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

Exposure to credit risk

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

Notes to the Financial Statements

for the year ended June 30, 2019

	2019 **Rupees**	2018 Rupees
Loans and deposits	12,363,192	14,976,858
Trade debts	406,754,122	609,587,372
Other receivables	871,893	-
Bank balances	2,391,663	6,766,206
	422,380,870	631,330,436
The aging of trade receivable at the reporting date is:		
Not past due	308,149,115	519,685,214
Past due 1-30 days	59,181,798	48,673,721
Past due 30-90 days	19,725,455	29,696,182
Past due 90 days	19,697,754	11,532,255
	406,754,122	609,587,372

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

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

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

Concentration of credit risk

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

Impaired assets

Impairment on account of trade debts amounts to Rs 4.920 million (2018: Rs. 3.258 million).

50.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements, if any:

Notes to the Financial Statements
for the year ended June 30, 2019

2019

	Carrying Amount	Contractual Cash Flows	Six months or less	Six to Twelve months	One to Two years	Two to Five years	Over Five years
	(Rupees in thousands)						
Subordinated loan	80,225	134,265	-	-	-	19,830	114,435
Long term financing	1,630,907	2,323,520	197,140	198,700	387,502	833,704	706,474
Long term deposits	436	436	-	-	-	436	-
Trade and other payables	826,177	826,177	826,177	-	-	-	-
Mark-up accrued	54,418	54,418	54,418	-	-	-	-
Short term borrowings	1,012,701	1,012,701	1,012,701	-	-	-	-
	3,604,864	4,351,517	2,090,436	198,700	387,502	853,970	820,909

2018

	Carrying Amount	Contractual Cash Flows	Six months or less	Six to Twelve months	One to Two years	Two to Five years	Over Five years
	(Rupees in thousands)						
Subordinated loan	100,000	135,491	3,529	3,471	7,019	12,008	109,464
Long term financing	1,300,536	1,590,780	164,844	160,239	321,610	594,480	349,607
Long term deposits	542	542	-	-	-	542	-
Trade and other payables	544,054	544,054	544,054	-	-	-	-
Mark-up accrued	24,709	24,709	24,709	-	-	-	-
Short term borrowings	800,006	800,006	800,006	-	-	-	-
	2,769,847	3,095,582	1,537,142	163,710	328,629	607,030	459,071

50.4 Market risk

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

50.4.1 Currency risk

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

	2019	2018
	(Rupees in thousands)	
Foreign bills payable	168	1,346
Contractual obligations	9,482	405,065
Net exposure	9,650	406,411

Notes to the Financial Statements
for the year ended June 30, 2019

The following significant exchange rates have been applied:

Average rate		Reporting date rate	
2019	2018	**2019**	2018
(Rupees)			
138.53	110.63	164.50	121.60

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	
	2019	2018	**2019**	2018
	(Rupees in thousands)			
Effect on (loss) or profit	965	40,641	965	40,641

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

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

50.4.2 Interest rate risk

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

	2019	2018	2019	2018
	Effective rate		**Carrying amount**	
	(In percent)		**(Rupees in thousands)**	
Financial Liabilities				
Variable rate instruments				
Long term loans	9.19%	7.12%	1,630,907	1,300,536
Sub-ordianted loan	9.50%	6.74%	80,225	100,000
Short term borrowings	10.66%	7.63%	1,012,701	800,006

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 2019.

Notes to the Financial Statements
for the year ended June 30, 2019

	Profit and loss	
	100 bp Increase	100 bp Decrease
As at June 30, 2019		
Cash flow sensitivity - Variable rate financial liabilities (Rs' 000)	(27,238)	27,238
As at June 30, 2018		
Cash flow sensitivity - Variable rate financial liabilities (Rs' 000)	(22,005)	22,005

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

51. CAPITAL RISK MANAGEMENT

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

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

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

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

52. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

Notes to the Financial Statements
for the year ended June 30, 2019

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

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

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

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

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

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

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

53. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on September 30, 2019 by the Board of Directors of the Company.

	Note	**2019 Rupees**	2018 Rupees
54. NUMBER OF EMPLOYEES			
a) Number of employees as at June 30		257	304
Average number of employees during the year		287	280
b) Number of factory employees as at June 30		225	264
Average number of factory employees during the year		250	239

55. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison. The significant reclassification has been made as under for purpose of better presentation:

Reclassification from component	**Reclassification to component**	**Note**	**Rupees**
Stores and spares		13	41,816,002
	Property, plant and equipment	7	41,816,002

56. GENERAL

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

TASLEEMUDDIN A. BATLAY	**SHAHID AHMED KHAN**	**MUHAMMAD AAQIL JAH**
Director	Chief Executive Officer	Chief Financial Officer

MERIT
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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 28th day of October 2019 and at any adjournment thereof.

Signed this ____________ day of ____________ 2019.

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

Witness 1

Signature ____________________

Name ____________________

CNIC No. ____________________

Address ____________________

____

Witness 2

Signature ____________________

Name ____________________

CNIC No. ____________________

Address ____________________

____

Notes : -

1. The Proxy must be a member of the Company.
2. The signature must tally with the specimen signature/s registered with the Company.
3. If a proxy is granted by a member who has deposited his/her shares into Central Depository Company of Pakistan Limited, the proxy must be accompanied with participant's ID number and account/sub-account number alongwith attested photocopies of Computerized National Identity Card (CNIC) or the Passport of the beneficial owner. Representatives of corporate members should bring the usual documents required for such purpose.
4. The instrument of Proxy properly completed should be deposited at the Registered Office of the Company situated at Lakson Square, Building No. 2, Sarwar Shaheed Road, Karachi not less than 48 hours before the time of the meeting.

مختار نامہ (پراکسی فارم)

میں / ہم ______________________

ساکن ______________________

بحیثیت رکن (ممبر) میرٹ پیکیجنگ لمیٹڈ مقرر کرتا / کرتی ہوں / کرتے ہیں مسمٰی / مسماۃ ______________________

ساکن ______________________

کو یا ان کی غیر حاضری میں مسمٰی / مسماۃ ______________________

ساکن ______________________

کو جو خود بھی میرٹ پیکیجنگ لمیٹڈ کا رکن ہے کہ وہ بطور میرا / ہمارا مختار نامہ (پراکسی) میرٹ پیکیجنگ لمیٹڈ کے سالانہ اجلاس عام میں جو ۲۸ اکتوبر ۲۰۱۹ کو منعقد ہو رہا ہے یا اس کے کسی ملتوی شدہ اجلاس میں کرے اور وہ میری/ہماری جگہ میری / ہماری طرف سے حق رائے دہی استعمال کرے۔

مورخہ ______________ ۲۰۱۹ کو میرے / ہمارے دستخط سے جاری ہوا۔

فولیو نمبر	سی ڈی سی کھاتہ نمبر	حصص کی تعداد

دستخط

گواہ نمبر ا

دستخط ______________________

نام ______________________

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر ______________________

پتہ ______________________

گواہ نمبر ۲

دستخط ______________________

نام ______________________

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر ______________________

پتہ ______________________

ہدایات:

ا۔ مختار (پراکسی) کا کمپنی کا رکن (ممبر) ہونا ضروری ہے۔

۲۔ ممبر (رکن) کے دستخط، نمونہ شدہ دستخط / اندراج شدہ دستخط سے مماثلت ہونا ضروری ہے۔

۳۔ سی ڈی سی اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر کو مختار نامہ (پراکسی فارم) کے ہمراہ کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ منسلک کرنا ضروری ہے۔ کارپوریٹ ادارے کے نمائندوں کو معمول کے مطابق دستاویزات ساتھ لانا ضروری ہے۔

۴۔ مختار نامہ (پراکسی فارم) مکمل پُر شدہ کمپنی کے رجسٹرڈ آفس میں اجلاس کے مقرر وقت سے کم از کم ۴۸ گھنٹے قبل جمع کرانا ضروری ہے

MERIT PACKAGING LIMITED
A Lakson Group Company
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Tel: (92 213) 501 7180, 5544, website: www.meritpack.com