

MERIT PACKAGING LIMITED



**Third Quarter Report
March 2017**



A Lakson Group Company

Contents

| | |
|--|-------|
| Corporate Information | 2 |
| Directors' Review | 3 |
| Condensed Interim Balance Sheet | 5 |
| Condensed Interim Profit & Loss Account | 6 |
| Condensed Interim Statement of Comprehensive Income | 7 |
| Condensed Interim Cash Flow Statement | 8 |
| Condensed Interim Statement of Changes in Equity | 9 |
| Notes to the Condensed Interim Financial Information | 10-19 |

Corporate Information

Board of Directors

| | |
|----------------------------|--------------------------|
| Iqbal Ali Lakhani | Chairman |
| Zulfiqar Ali Lakhani | (upto December 06, 2016) |
| Amin Mohammed Lakhani | |
| Anushka Zulfiqar Lakhani | (from February 24, 2017) |
| Tasleemuddin Ahmed Batlay | |
| Shahid Ahmed Khan | Chief Executive Officer |
| Shaikh Muhammad Barinuddin | Independent Director |
| Sheikh Asim Rafiq | Nominee Director (NIT) |
| Farrukh Shauket Ansari | Nominee Director (NIT) |

Advisor

Sultan Ali Lakhani

Audit Committee

| | |
|----------------------------|----------|
| Shaikh Muhammad Barinuddin | Chairman |
| Iqbal Ali Lakhani | |
| Tasleemuddin Ahmed Batlay | |

Human Resource and Remuneration Committee

| | |
|---------------------------|----------|
| Iqbal Ali Lakhani | Chairman |
| Tasleemuddin Ahmed Batlay | |
| Shahid Ahmed Khan | |

Company Secretary

Mansoor Ahmed

Auditors

BDO Ebrahim & Co.
Chartered Accountants

Bankers

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

Shares Registrar

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

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

Directors' Review

Directors of your Company are pleased to present the condensed interim un-audited financial statements of the Company for the third quarter ended March 31, 2017.

FINANCIAL AND OPERATIONAL PERFORMANCE

The comparison of the un-audited financial results for the nine months and quarter ended March 31, 2017 is as follows:

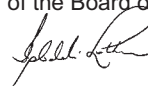
| | Nine months ended | | Quarter ended | |
|-------------------|---|-------------------|---|-------------------|
| | March 31, 2017 (Rupees in thousand) | March 31, 2016 | March 31, 2017 (Rupees in thousand) | March 31, 2016 |
| Net sales | 1,360,045 | 1,231,789 | 458,755 | 402,802 |
| Gross profit | 132,526 | 94,716 | 48,753 | 35,378 |
| Operating profit | 72,914 | 63,594 | 28,583 | 22,594 |
| Profit before tax | 3,545 | 7,947 | 565 | 4,794 |

During the period under review, the net sales amounted to Rs. 1.36 billion as compared to Rs. 1.23 billion for corresponding period of last year, showing an increase of Rs. 128 million or 10%. Pre-tax profit for the period under review is Rs 3.5 million as compared to Rs 7.9 million recorded for the same period last year.

To overcome intense competition and handle different issues, undivided attention was given to improving business performance by revitalization of the Company's assets and infrastructure through significant expenditures in these areas. This expenditure has now generated new avenues of business consequent to which positive results are being expected in the initial phases of commercial operations at all locations. In the long run it is expected that commercial operations, at full throttle, in Lahore and Gravure will generate the much needed additional revenue that will improve financial position of your Company and bring in the financial stability in terms of future prospects.

The Directors of your Company are confident that augmented sales and optimum capacity utilization with operational efficiencies will improve Company's market share and reduce pressure on our bottom line.

On behalf of the Board of Directors



IQBAL ALI LAKHANI
Chairman

Karachi: April 26, 2017

ڈائریکٹرز کا جائزہ

مختتمہ تیسری سہ ماہی 31 مارچ 2017ء کے لیے مختصر عبوری غیر آڈٹ شدہ مالیاتی گوشوارے پیش کرنا آپ کی کمپنی کے ڈائریکٹرز کے لیے باعث مسرت ہے۔

مالیاتی اور آپریشنل کارکردگی

نومہ اور مختتمہ تیسری سہ ماہی 31 مارچ 2017ء کے لیے غیر آڈٹ شدہ مالیاتی نتائج کا موازنہ درج ذیل ہے:


| مختتمہ سہ ماہی | | مختتمہ نومہ | | |
|----------------|----------------|--------------|------------------|-------------------|
| 31 مارچ 2016 | 31 مارچ 2017 | 31 مارچ 2016 | 31 مارچ 2017 | |
| (ہزار روپے) | | (ہزار روپے) | | |
| 402,802 | 458,755 | 1,231,789 | 1,360,045 | خالص سیلز |
| 35,378 | 48,753 | 94,716 | 132,526 | مجموعی منافع |
| 22,594 | 28,583 | 63,594 | 72,914 | آپریٹنگ منافع |
| 4,794 | 565 | 7,947 | 3,545 | قبل از ٹیکس منافع |

زیر جائزہ مدت کے دوران خالص سیلز کی مالیت گزشتہ سال اسی مدت کے لیے 1.23 ارب روپے کے مقابلے میں 1.36 ارب روپے رہی جو 128 ملین روپے یا 10% اضافہ دکھاتی ہے۔ زیر جائزہ مدت کے لیے قبل از ٹیکس منافع گزشتہ سال اسی مدت میں ریکارڈ کیے گئے 7.9 ملین روپے کے مقابلے میں 3.5 ملین روپے ہے۔

سخت مقابلے اور مختلف مسائل سے عہدہ برآ ہونے، کمپنی کے اثاثوں اور انفراسٹرکچر میں نئی روح پھونکنے کے لیے ان شعبوں میں خاطر خواہ اخراجات کی بدولت کاروبار کو بہتر بنانے پر بھرپور توجہ دی گئی۔ ان اخراجات سے کاروبار کے نئے راستے کھلے ہیں جس کے نتیجے میں تمام لوکیشنز پر تجارتی سرگرمیوں کے ابتدائی مراحل میں مثبت نتائج متوقع ہے۔ طویل مدت میں یہ توقع کی جاتی ہے کہ لاہور میں فیکچرنگ یونٹ اور گریویٹ (Gravure) پرنٹنگ کے پوری رفتار سے کمرشل آپریشنز شروع کرنے کے ساتھ از حد شدت سے درکار اضافی آمدنی پیدا ہوگی جس سے آپ کی کمپنی کی مجموعی مالیاتی پوزیشن بہتر ہوگی اور مستقبل کے امکانات کے حوالے سے مالیاتی استحکام پیدا ہوگا۔

لہذا ڈائریکٹرز پر اعتماد ہے کہ سیلز میں اضافہ اور گنجانش سے زیادہ سے زیادہ استفادہ، استعداد کار کے ساتھ مل کر کمپنی کا مارکیٹ شیئر بہتر بنائیں گے اور ہمارے حتمی منافع پر دباؤ کم کریں گے۔

بورڈ آف ڈائریکٹرز کی جانب سے



اقبال علی لاکھانی
چیئرمین

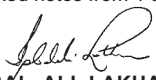
کراچی: 26 اپریل 2017

Condensed Interim Balance Sheet

As at March 31, 2017 (Un-audited)

| | Note | March 31, 2017 (Un-audited) Rs. in 000's | June 30, 2016 (Audited) Rs. in 000's |
|--|------|---|---|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 6 | 1,392,443 | 928,705 |
| Capital work in progress | 7 | 465,810 | 539,288 |
| | | 1,858,253 | 1,467,993 |
| Intangible assets | | 58 | 87 |
| Long-term loans and advances | | 520 | 676 |
| Long-term deposits | | 8,828 | 6,370 |
| | | 1,867,659 | 1,475,126 |
| CURRENT ASSETS | | | |
| Stores and spares | | 100,706 | 81,851 |
| Stock-in-trade | | 288,134 | 297,712 |
| Trade debts (unsecured - considered good) | 8 | 403,022 | 296,304 |
| Loans and advances | | 15,542 | 7,516 |
| Trade deposits and short-term prepayments | | 12,633 | 13,415 |
| Other receivables | 9 | 313 | 22,134 |
| Tax refund due from Government | | 246,194 | 180,485 |
| Taxation-net | | 25,806 | 33,322 |
| Cash and bank balances | | 11,426 | 1,436 |
| | | 1,103,776 | 934,175 |
| TOTAL ASSETS | | 2,971,435 | 2,409,301 |
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorized share capital 70,000,000 (June 30, 2016: 70,000,000) ordinary shares of Rs.10/- each | 10 | 700,000 | 700,000 |
| Issued, subscribed and paid-up capital 40,314,199 (June 30, 2016: 40,314,199) ordinary shares of Rs. 10/- each | | 403,142 | 403,142 |
| Accumulated losses | | (32,774) | (36,998) |
| | | 370,368 | 366,144 |
| SURPLUS ON REVALUATION OF FIXED ASSETS | | 214,438 | 215,117 |
| NON CURRENT LIABILITIES | | | |
| Sub-ordinated loan | | 100,000 | 100,000 |
| Long-term financing | 11 | 1,276,537 | 668,491 |
| Long-term deposits | | 656 | 141 |
| | | 1,377,193 | 768,632 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 262,135 | 177,721 |
| Mark-up accrued | | 40,239 | 12,122 |
| Short-term borrowings | 12 | 615,179 | 822,459 |
| Current portion of long-term financing | | 91,883 | 47,106 |
| | | 1,009,436 | 1,059,408 |
| CONTINGENCIES AND COMMITMENTS | 13 | | |
| TOTAL EQUITY AND LIABILITIES | | 2,971,435 | 2,409,301 |

The annexed notes from 1 to 24 form an integral part of this condensed interim financial information.


IQBAL ALI LAKHANI
Chairman


SHAHID AHMED KHAN
Chief Executive Officer

Condensed Interim Profit and Loss Account

For the period ended March 31, 2017 (Un-audited)

| | Note | Nine months ended | | Quarter ended | |
|--|------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | | March 31, 2017 Rs. in 000's | March 31, 2016 Rs. in 000's | March 31, 2017 Rs. in 000's | March 31, 2016 Rs. in 000's |
| Sales - net | 14 | 1,360,045 | 1,231,789 | 458,755 | 402,802 |
| Cost of sales | 15 | (1,227,519) | (1,137,073) | (410,002) | (367,424) |
| Gross profit | | 132,526 | 94,716 | 48,753 | 35,378 |
| General and administrative expenses | | (32,260) | (25,185) | (11,991) | (8,751) |
| Selling expenses | | (26,315) | (26,187) | (8,373) | (7,676) |
| Other income | | 2,191 | 22,616 | 744 | 4,939 |
| Other operating expenses | | (3,228) | (2,366) | (550) | (1,296) |
| | | (59,612) | (31,122) | (20,170) | (12,784) |
| Operating profit | | 72,914 | 63,594 | 28,583 | 22,594 |
| Financial charges | | (69,369) | (55,647) | (28,018) | (17,800) |
| Profit before taxation | | 3,545 | 7,947 | 565 | 4,794 |
| Taxation | 16 | - | - | - | - |
| Profit after taxation | | 3,545 | 7,947 | 565 | 4,794 |
| Earnings per share - basic and diluted (Rupees) | 17 | Rs.0.09 | Rs.0.20 | Rs.0.01 | Rs.0.12 |

The annexed notes from 1 to 24 form an integral part of this condensed interim financial information.


IQBAL ALI LAKHANI
Chairman


SHAHID AHMED KHAN
Chief Executive Officer

Condensed Interim Statement of Comprehensive Income

For the period ended March 31, 2017 (Un-audited)

| | Nine months ended | | Quarter ended | |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | March 31, 2017 Rs. in 000's | March 31, 2016 Rs. in 000's | March 31, 2017 Rs. in 000's | March 31, 2016 Rs. in 000's |
| Profit for the period | 3,545 | 7,947 | 565 | 4,794 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the period | 3,545 | 7,947 | 565 | 4,794 |

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

The annexed notes from 1 to 24 form an integral part of this condensed interim financial information.


IQBAL ALI LAKHANI
Chairman


SHAHID AHMED KHAN
Chief Executive Officer

Condensed Interim Cash Flow Statement

For the period ended March 31, 2017 (Un-audited)

| | Note | Nine months ended | |
|--|------|-----------------------------------|-----------------------------------|
| | | March 31, 2017 Rs. in 000's | March 31, 2016 Rs. in 000's |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from operations | 18 | 51,642 | 50,840 |
| Taxes (paid)/refund | | (10,805) | 2,209 |
| Financial charges paid | | (41,251) | (36,250) |
| Long-term loans and advances | | 156 | (728) |
| Long-term deposits | | (1,943) | (909) |
| Net cash (used in)/generated from operating activities | | (2,201) | 15,162 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Capital expenditure | | (433,678) | (566,533) |
| Proceeds from sale of operating fixed assets | | 326 | 2,140 |
| Net cash used in investing activities | | (433,352) | (564,393) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from long term financing | | 682,001 | 196,847 |
| Short term borrowings (excluding running finance) | | (200,000) | 200,000 |
| Repayment of long term financing | | (29,178) | (5,625) |
| Net cash generated from financing activities | | 452,823 | 391,222 |
| Net increase/(decrease) in cash and cash equivalents | | 17,270 | (158,009) |
| Cash and cash equivalents at beginning of the period | | (521,023) | (361,927) |
| Cash and cash equivalents at end of the period | | (503,753) | (519,936) |
| CASH AND CASH EQUIVALENTS COMPRISE: | | | |
| Cash and bank balances | | 11,426 | 5,532 |
| Short-term running finance | | (515,179) | (525,468) |
| | | (503,753) | (519,936) |

The annexed notes from 1 to 24 form an integral part of this condensed interim financial information.


IQBAL ALI LAKHANI
Chairman


SHAHID AHMED KHAN
Chief Executive Officer

Condensed Interim Statement of Changes in Equity

For the period ended March 31, 2017 (Un-audited)

| | Issued, subscribed and paid-up capital Rs. in 000's | General reserve Rs. in 000's | Reserves | | Total Rs. in 000's |
|--|--|------------------------------------|-------------------------------------|-----------------------|-----------------------|
| | | | Accumulated loss Rs. in 000's | Total Rs. in 000's | |
| Balance as at July 1, 2015 | 403,142 | 106,800 | (152,712) | (45,912) | 357,230 |
| Incremental depreciation net of deferred tax effect charged during the period transferred from surplus on revaluation of property, plant and equipment | - | - | 2,138 | 2,138 | 2,138 |
| Total comprehensive income for the nine months ended March 31, 2016 | - | - | 7,947 | 7,947 | 7,947 |
| Balance as at March 31, 2016 | 403,142 | 106,800 | (142,627) | (35,827) | 367,315 |
| Balance as at July 1, 2016 | 403,142 | 106,800 | (143,798) | (36,998) | 366,144 |
| Incremental depreciation net of deferred tax effect charged during the period transferred from surplus on revaluation of property, plant and equipment | - | - | 679 | 679 | 679 |
| Total comprehensive income for the nine months ended March 31, 2017 | - | - | 3,545 | 3,545 | 3,545 |
| Balance as at March 31, 2017 | 403,142 | 106,800 | (139,574) | (32,774) | 370,368 |

The annexed notes from 1 to 24 form an integral part of this condensed interim financial information.


IQBAL ALI LAKHANI
Chairman


SHAHID AHMED KHAN
Chief Executive Officer

Notes to the Condensed Interim Financial Information

For the period ended March 31, 2017 (Un-audited)

1. NATURE AND STATUS OF THE COMPANY

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information of the Company for the nine months ended March 31, 2017 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

This condensed interim financial information is unaudited and is being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984.

This condensed interim financial information does not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company as at and for the year ended June 30, 2016 which have been prepared in accordance with approved accounting standards as applicable in Pakistan.

The comparative balance sheet presented in this condensed interim financial information has been extracted from the annual audited financial statements of the Company for the year ended June 30, 2016, whereas the comparative condensed interim profit and loss accounts, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity are extracted from the unaudited condensed interim financial information for the period ended March 31, 2016.

2.2 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention, except for the recognition of certain staff retirement benefits at present value.

This condensed interim financial information has been prepared following accrual basis of accounting except for cash flow information.

2.3 Functional and presentation currency

This condensed interim financial information has been presented in Pak Rupees, which is the functional and presentation currency of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies adopted and methods of computation followed in the preparation of this condensed interim financial information are same as those for the preceding annual financial statements for the year ended June 30, 2016.

3.2 The Company has adopted all the new standards and amendments to standards, including any consequential amendments to other standards which are applicable for the financial year beginning on July 1, 2016. The adoption of these new and amended standards did not have material impact on the Company's condensed interim financial information.

Notes to the Condensed Interim Financial Information

For the period ended March 31, 2017 (Un-audited)

4. TAXATION

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

5. ESTIMATES

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and key sources of estimation of uncertainty are the same as those that were applied to the financial statements for the year ended June 30, 2016.

| | Note | March 31, 2017 Un-audited Rs. in 000's | June 30, 2016 Audited Rs. in 000's |
|---|------|---|---|
| 6. PROPERTY, PLANT AND EQUIPMENTS | | | |
| Opening net book value (NBV) | | 928,705 | 686,595 |
| Additions (at cost) during the period / year | 6.1 | 507,156 | 237,435 |
| Revaluation surplus during the period / year | | - | 44,684 |
| | | 1,435,861 | 968,714 |
| Disposals (NBV) during the period / year | 6.2 | (279) | (1,594) |
| Depreciation charged during the period / year | | (43,139) | (44,127) |
| Impairment reversal (net) during the period / year | | - | 5,712 |
| | | (43,418) | (40,009) |
| | | 1,392,443 | 928,705 |
| 6.1 Detail of additions (at cost) during the period / year are as follows: | | | |
| Building / improvements on leasehold land | | 21,707 | 59,524 |
| Plant and machinery | | 446,446 | 173,654 |
| Furniture and fixtures | | 5,820 | 710 |
| Vehicles | | 1,825 | 2,632 |
| Office equipment | | 2,141 | 622 |
| Computer equipment | | 1,158 | 265 |
| Electrical Installation | | 28,059 | 28 |
| | | 507,156 | 237,435 |
| 6.2 Detail of disposals (net book value) during the period / year are as follows: | | | |
| Plant and machinery | | - | 714 |
| Vehicles | | 279 | 880 |
| | | 279 | 1,594 |

6.3 Fair value measurement

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

Notes to the Condensed Interim Financial Information

For the period ended March 31, 2017 (Un-audited)

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

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

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

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

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

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

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

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

| | March 31, 2017 Un-audited Rs. in 000's | June 30, 2016 Audited Rs. in 000's |
|--|---|---|
| Opening balance (level 3 recurring fair values) | 569,925 | 444,695 |
| Additions - Cost | 446,446 | 173,654 |
| Disposals - WDV | - | (714) |
| Depreciation charge | (34,990) | (35,731) |
| Impairment charge | - | (37) |
| Impairment reversal | - | 5,007 |
| Deficit included in surplus on revaluation of fixed assets | - | (16,949) |
| Closing balance | 981,381 | 569,925 |
| 7. CAPITAL WORK-IN-PROGRESS | | |
| This comprises of: | | |
| Civil works | 64,658 | 63,329 |
| Plant and machinery | 401,152 | 475,959 |
| | 465,810 | 539,288 |

Notes to the Condensed Interim Financial Information

For the period ended March 31, 2017 (Un-audited)

| | | March 31, 2017 Un-audited Rs. in 000's | June 30, 2016 Audited Rs. in 000's |
|-----|---|---|---|
| | Note | | |
| 7.1 | Movement of carrying amount is as follows: | | |
| | Opening balance | 539,288 | 69,046 |
| | Additions (at cost) during the period / year | 433,678 | 707,677 |
| | | 972,966 | 776,723 |
| | Transfer to operating fixed assets during the period / year | (507,156) | (237,435) |
| | Closing balance | 465,810 | 539,288 |

7.2 This includes borrowing cost capitalised amounting to Rs. 28.278 million (June 30, 2016: Rs. 30.266 million) as per IAS 23. The rate of capitalization is 6.96% (June 30, 2016: 7.78%) per annum.

8. TRADE DEBTS

| | | | |
|-----------------------------------|--|---------|---------|
| (Unsecured - considered good) | | | |
| Due from associated companies | | 35,040 | 16,612 |
| Others | | 367,982 | 279,692 |
| | | 403,022 | 296,304 |
| (Unsecured - considered doubtful) | | | |
| Others | | 1,150 | - |
| Provision for doubtful debts | | (1,150) | - |
| | | - | - |
| | | 403,022 | 296,304 |

9. OTHER RECEIVABLES

| | | | |
|----------------------------------|--|-----|--------|
| (Unsecured-considered good) | | | |
| Due from associated undertakings | | 37 | 17,518 |
| Receivable from gratuity fund | | - | 1,460 |
| Others | | 276 | 3,156 |
| | | 313 | 22,134 |

10. AUTHORISED CAPITAL

During the period, the Shareholders of the Company in their Extra Ordinary General Meeting held on March 31, 2017, have approved the increase in the Authorized Capital of the Company from Rs. 700.000 million to Rs. 1,000.000 million.

Notes to the Condensed Interim Financial Information

For the period ended March 31, 2017 (Un-audited)

| | Note | March 31, 2017 Un-audited Rs. in 000's | June 30, 2016 Audited Rs. in 000's |
|---|------|---|---|
| 11. LONG TERM FINANCING | | | |
| Secured | | | |
| From banking company | 11.1 | 928,420 | 275,597 |
| Current portion shown under current liabilities | | (91,883) | (47,106) |
| | | 836,537 | 228,491 |
| Unsecured | | | |
| From associated undertaking | 11.2 | 440,000 | 440,000 |
| | | 1,276,537 | 668,491 |

11.1 This Diminishing Musharaka facility has 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 ranging from 6.58% to 7.90% payable quarterly (June 30, 2016: 7.28% to 8.15%). The tenure of this financing facility is five years including one year grace period.

11.2 This loan has been obtained from an associated undertaking. An aggregate amount of Rs. 540 million was received out of which Rs. 100 million has been converted into subordinated loan. It is to be repaid in twenty equal quarterly installments commencing from July 2018. The rate of mark-up is 0.50% over last business day of three months KIBOR of preceding quarter. During the period, the effective mark-up rate was 6.62% per annum (June 30, 2016: 7.49% per annum).

12. SHORT TERM BORROWINGS

| | | | |
|-----------------------------|------|---------|---------|
| Secured | | | |
| From banking companies | | | |
| Running finance | 12.1 | 515,179 | 522,459 |
| Unsecured | | | |
| From associated undertaking | 12.2 | 100,000 | 300,000 |
| | | 615,179 | 822,459 |

12.1 These carry mark up ranging from 7.00% to 7.62% (June 30, 2016: 7.31% to 8.03%) per annum.

12.2 This short term borrowing facility obtained from an Associated Company. The rate of markup was 0.50% over last business day of three months KIBOR of preceding quarter.

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

There is no significant change in the contingent liabilities of the Company since the last annual balance sheet date.

13.2 Commitments

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

| | | |
|---|-------|--------|
| Capital expenditure under letter of credit | - | 98,340 |
| Stores, spares and raw materials under letter of credit | - | 6,969 |
| Stores, spares and raw materials under contractual obligation | 3,104 | 1,210 |

Notes to the Condensed Interim Financial Information

For the period ended March 31, 2017 (Un-audited)

| | Nine months ended | | Quarter ended | |
|------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | March 31, 2017 | March 31, 2016 | March 31, 2017 | March 31, 2016 |
| | Un-audited Rs. in 000's | Un-audited Rs. in 000's | Un-audited Rs. in 000's | Un-audited Rs. in 000's |
| 14. SALES - NET | | | | |
| Gross sales | 1,591,931 | 1,440,979 | 536,739 | 471,107 |
| Sales tax | (231,886) | (209,190) | (77,984) | (68,305) |
| | 1,360,045 | 1,231,789 | 458,755 | 402,802 |
| 15. COST OF SALES | | | | |
| Materials consumed | 922,499 | 890,056 | 313,337 | 304,249 |
| Salaries, wages and other benefits | 96,689 | 76,276 | 32,430 | 28,111 |
| Packing material consumed | 32,778 | 28,972 | 11,025 | 10,675 |
| Outsource services | 27,476 | 45,332 | 5,800 | 10,964 |
| Stores and spares consumed | 34,375 | 27,491 | 12,180 | 9,238 |
| Power and fuel | 30,876 | 33,253 | 9,427 | 8,859 |
| Depreciation | 41,399 | 32,554 | 17,930 | 10,954 |
| Amortisation | 10 | 10 | 3 | 3 |
| Rent, rates and taxes | 8,723 | 8,680 | 3,955 | 2,909 |
| Repairs and maintenance | 3,955 | 4,067 | 1,358 | 1,254 |
| Vehicle running expenses | 1,054 | 615 | 378 | 269 |
| Insurance | 6,089 | 3,801 | 2,611 | 1,259 |
| Printing and stationery | 727 | 429 | 227 | 174 |
| Communication charges | 840 | 649 | 328 | 240 |
| Travelling and conveyance | 533 | 615 | 207 | (96) |
| Fees and subscription | 667 | 779 | 306 | 177 |
| Software license fee | 629 | 364 | 399 | 122 |
| Leasing rentals | 47 | - | 47 | - |
| Other expenses | 1,952 | 1,573 | 755 | 679 |
| Manufacturing cost | 1,211,318 | 1,155,516 | 412,703 | 390,040 |
| Opening work-in-process | 63,106 | 43,948 | 41,777 | 37,574 |
| Closing work-in-process | (42,753) | (56,431) | (42,753) | (56,431) |
| | 20,353 | (12,483) | (976) | (18,857) |
| Cost of goods manufactured | 1,231,671 | 1,143,033 | 411,727 | 371,183 |
| Opening stock of finished goods | 37,207 | 19,835 | 39,634 | 22,036 |
| Closing stock of finished goods | (41,359) | (25,795) | (41,359) | (25,795) |
| | (4,152) | (5,960) | (1,725) | (3,759) |
| | 1,227,519 | 1,137,073 | 410,002 | 367,424 |

Notes to the Condensed Interim Financial Information

For the period ended March 31, 2017 (Un-audited)

16. TAXATION

16.1 The current period's total tax liability of the Company amounting to Rs.13.721 million is covered under Section 113 "Minimum tax" of the Income Tax Ordinance, 2001. This has been fully adjusted against tax credit under section 65B at the rate 10% on the cost of plant and machinery capitalised during the year. Unadjusted tax credit of Rs. 30.924 million is available for adjustment against two subsequent years' tax charge.

16.2 The applicable income tax rate for Tax Year 2017 was reduced to 31% on account of changes made to Income Tax Ordinance 2001 through Finance Act 2015. Therefore, deferred tax is computed at the rate of 31% applicable to the period when temporary differences are expected to be reversed / utilised.

16.3 Deferred tax asset arising due to timing difference, carry forward tax losses, turnover taxes and unutilized tax credits calculated at applicable tax rates as at balance sheet date amounted to Rs.56.199 million debit. Deferred tax asset has not been recognized in this condensed interim financial information in accordance with the stated accounting policy of the Company. The computation for deferred taxation incorporates assumptions regarding utilization of tax losses carried forward, turnover taxes and tax credits.

17. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

| | Nine months ended | | Quarter ended | |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| | March 31, 2017 | March 31, 2016 | March 31, 2017 | March 31, 2016 |
| | Un-audited Rs. in 000's | Un-audited Rs. in 000's | Un-audited Rs. in 000's | Un-audited Rs. in 000's |
| Profit for the period | 3,545 | 7,947 | 565 | 4,794 |
| Weighted average number of ordinary shares (in thousands) | 40,314 | 40,314 | 40,314 | 40,314 |
| Earnings per share (Rupees) | 0.09 | 0.20 | 0.01 | 0.12 |

| | Note | Nine months ended | |
|--|------|---|---|
| | | March 31, 2017 Un-audited Rs. in 000's | March 31, 2016 Un-audited Rs. in 000's |
| 18. CASH GENERATED FROM OPERATIONS | | | |
| Profit before taxation | | 3,545 | 7,947 |
| Adjustment for non-cash items and other items: | | | |
| Gain on disposal of operating fixed assets | | (47) | (546) |
| Financial charges | | 69,369 | 55,647 |
| Depreciation | | 43,139 | 33,928 |
| Amortisation | | 29 | 49 |
| | | 112,490 | 89,078 |
| Profit before working capital changes | | 116,035 | 97,025 |
| Working capital changes | 18.1 | (64,393) | (46,185) |
| | | 51,642 | 50,840 |

Notes to the Condensed Interim Financial Information

For the period ended March 31, 2017 (Un-audited)

| | Nine months ended | |
|---|----------------------------|----------------------------|
| | March 31, 2017 | March 31, 2016 |
| | Un-audited Rs. in 000's | Un-audited Rs. in 000's |
| 18.1 Working capital changes | | |
| (Increase) / decrease in current assets: | | |
| Stores and spares | (18,855) | (18,781) |
| Stock-in-trade | 9,578 | (49,756) |
| Trade debts | (106,717) | (55,508) |
| Loans and advances | (8,025) | (4,911) |
| Trade deposits and short term prepayments | 781 | (4,627) |
| Other receivables | 21,822 | 83,970 |
| Tax refund due from government | (47,388) | (81,634) |
| | (148,804) | (131,247) |
| Increase in current liabilities: | | |
| Trade and other payables (excluding unclaimed dividend) | 84,411 | 85,062 |
| | (64,393) | (46,185) |

19. TRANSACTIONS WITH RELATED PARTIES

19.1 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:

| Relation with the Company | Nature of transaction | Nine months ended | | Quarter ended | |
|------------------------------|--|----------------------------|----------------------------|----------------------------|----------------------------|
| | | March 31, 2017 | March 31, 2016 | March 31, 2017 | March 31, 2016 |
| | | Un-audited Rs. in 000's | Un-audited Rs. in 000's | Un-audited Rs. in 000's | Un-audited Rs. in 000's |
| Associated companies | Sales of goods and services | 131,595 | 105,618 | 52,405 | 27,327 |
| | Purchases of goods and services | 756,795 | 801,822 | 270,198 | 305,781 |
| | Rent and allied charges | 156 | 154 | 48 | 50 |
| | Insurance agency commission income | 900 | 525 | 300 | 175 |
| | Insurance claim | 541 | 20,327 | 525 | 4,032 |
| | Mark-up on long-term financing | 26,631 | 30,856 | 8,814 | 9,882 |
| | Mark-up on short-term financing | 8,411 | 20 | 54 | 20 |
| | Short-term financing obtained | 100,000 | 100,000 | 100,000 | 100,000 |
| | Repayment of short-term financing | 300,000 | - | - | - |
| Directors | Short-term financing obtained | - | 350,000 | - | 100,000 |
| | Repayment of short-term financing | - | 250,000 | - | 163,000 |
| | Mark-up on short-term financing | - | 2,331 | - | 80 |
| Retirement benefit plans | Contribution towards employees retirement benefits plans | 5,071 | 4,966 | 1,823 | 1,823 |
| Key management personnel | Compensation in respect of: | | | | |
| | Short term employee benefits | 14,285 | 12,479 | 3,827 | 4,742 |
| | Retirement benefits | 787 | 723 | 250 | 263 |

Notes to the Condensed Interim Financial Information

For the period ended March 31, 2017 (Un-audited)

| | March 31, 2017 Un-audited Rs. in 000's | June 30, 2016 Audited Rs. in 000's |
|--|---|---|
| 19.2 Period / year end balances | | |
| Receivable from associated undertakings | 35,077 | 35,590 |
| Payable to associated undertakings | 99,399 | 73,288 |
| Long-term financing payable to associated undertaking | 440,000 | 440,000 |
| Sub-ordinated loan | 100,000 | 100,000 |
| Short-term financing payable to associated undertaking | 100,000 | 300,000 |
| Mark-up payable to associated undertaking | 21,174 | 456 |

19.3 The above transactions with related parties are at arm's length based on normal commercial rates.

20. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objective and policies are consistent with that disclosed in the financial statements for the year ended June 30, 2016.

21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

Notes to the Condensed Interim Financial Information

For the period ended March 31, 2017 (Un-audited)

During the period ended March 31, 2017, there were no transfers between level 1 and level 2 fair value measurements and no transfers into or out of Level 3 fair value measurements.

The carrying values of all financial assets and liabilities reflected in this condensed interim financial information approximate their fair values.

22. CORRESPONDING FIGURES


Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison, the effect of which is not material.

23. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial information was authorized for issue by the Board of Directors of the Company on April 26, 2017.

24. GENERAL

Amounts have been rounded off to the nearest thousand of rupees.



IQBAL ALI LAKHANI
Chairman



SHAHID AHMED KHAN
Chief Executive Officer

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