

MERIT PACKAGING LIMITED



**CONDENSED INTERIM
FINANCIAL STATEMENTS
FOR THE QUARTER ENDED
SEPTEMBER 30, 2018**



A Lakson Group Company

MERIT PACKAGING LIMITED
FIRST QUARTER REPORT
SEPTEMBER 2018

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**MERIT PACKAGING LIMITED
FIRST QUARTER REPORT
SEPTEMBER 2018**

CORPORATE INFORMATION

Board of Directors

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

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

Bankers (Continued)

MCB Bank Limited
MCB Islamic Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Soneri Bank Limited
United Bank Limited - Ameen

Shares Registrar

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

Registered Office

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

Karachi Factory

17-B, Sector 29, Korangi Industrial Township
Karachi

Lahore Factory

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

Website

www.meritpack.com

MERIT PACKAGING LIMITED
FIRST QUARTER REPORT
SEPTEMBER 30, 2018

DIRECTORS' REVIEW

The Directors of your Company are pleased to present the review of performance together with quarterly un-audited financial statements for the first quarter ended September 30, 2018. Following are the comparative financial results for the first quarter ended September 30, 2018 with comparative results for the same period last year:

| | Quarter Ended | |
|----------------------------|------------------------------|-----------------------|
| | September 30, 2018 | September 30, 2017 |
| | <i>(Rupees in thousand)</i> | |
| Net sales | 615,659 | 541,428 |
| Gross (loss) / profit | (12,129) | 51,646 |
| Operating (loss) / profit | (33,279) | 31,052 |
| (Loss) / Profit before tax | (80,635) | 488 |

The net sales turnover during the period under review amounted to Rs. 615 million as compared to Rs. 541 million for the same financial period last year, showing an increase of Rs. 74 million or 14%. Company's pre-tax loss for the period under review is Rs. 81 million as compared to pre-tax profit of Rs 0.488 million for the same period last year.

Company's performance was effected in this quarter primarily due to operational breakdown of our printing machines installed in Karachi Factory, coupled with generally lower volumes during this period as compared to other quarters of the financial year, our manufacturing and administrative cost could not be recovered fully. This unforeseen low performance of old machines installed in Karachi Factory impacted the financial results.

Competition in the printing and packaging industry continues to put pressure on margins, moreover increased cost of input has had an adverse impact causing reduction in our contribution margin.

FUTURE OUTLOOK

Merit Packaging has recently opened LC for the import of a state-of art seven colours Heidelberg double coater offset printing machine from Germany fully loaded with inter-deck dryers for replacement of old printing machines. The induction of this new machine will ensure uninterrupted production with more value added jobs to broad based customers in Pakistan, besides reduction in production overheads.

In order to overcome the existing problems and to meet future contingencies, measures are being adopted to streamline our business operations and also maximize capacity utilization, adoption of the above will play a positive role in the future performance of the Company.

The directors, therefore, look forward with confidence that with increased sales volume, operational efficiencies and cost control measures in the remaining year, our performance is expected to improve.

On behalf of the Board of Directors


IQBAL ALI LAKHANI
CHAIRMAN


SHAHID AHMED KHAN
CHIEF EXECUTIVE OFFICER

Karachi: October 26, 2018

ڈائریکٹرز کا جائزہ

آپ کی کمپنی کے ڈائریکٹرز بڑی مسرت کے ساتھ 30 ستمبر 2018ء کو ختم ہونے والی پہلی سہ ماہی کے لئے کارکردگی کا جائزہ مع مختصر عبوری غیر آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔ 30 ستمبر 2018ء کو ختم ہونے والی پہلی سہ ماہی اور گزشتہ سال اسی مدت کے لئے مسابقتی مالیاتی نتائج درج ذیل ہیں:

| مختتمہ سہ ماہی | | |
|----------------|----------------|-------------------|
| 30 ستمبر 2017ء | 30 ستمبر 2018ء | |
| (ہزار روپے) | (ہزار روپے) | |
| 541,428 | 615,659 | خالص فروخت |
| 51,646 | (12,129) | مجموعی منافع |
| 31,052 | (33,279) | آپریٹنگ منافع |
| 488 | (80,635) | قبل از ٹیکس منافع |

زیر جائزہ سہ ماہی کے دوران خالص فروخت گزشتہ سال اسی مدت کے لئے 541 ملین روپے کے مقابلے میں 616 ملین روپے رہا جو 74 ملین روپے یا 14% کا اضافہ دکھاتا ہے۔ گزشتہ سال اسی مدت میں ریکارڈ کئے گئے 0.488 ملین روپے قبل از ٹیکس منافع کے مقابلے میں زیر جائزہ سہ ماہی کے دوران 81 ملین روپے کا قبل از ٹیکس نقصان رہا۔ کراچی فیکٹری میں نصب پرنٹنگ مشینوں میں آپریشنل خرابی اور مالی سال کے بقیہ سہ ماہیوں کے مقابلے میں فروخت کے کم حجم کی وجہ سے کمپنی کی کارکردگی زیر جائزہ سہ ماہی کے دوران متاثر رہی، جس کی وجہ سے کمپنی کی مینوفیکچرنگ اور انتظامی لاگت پوری طرح وصول نہ ہو سکی۔ کراچی فیکٹری میں نصب پرانی مشینوں کی غیر متوقع کم کارکردگی مالیاتی نتائج پر اثر انداز ہوئی۔

پرنٹنگ اور پیکجنگ کی صنعت میں مقابلہ مارجن پر دباؤ جاری رکھے ہوئے ہے اس کے علاوہ خام مال کے دام میں اضافہ اپنے منفی اثر کے ساتھ ہمارے مارجن میں کمی کا باعث رہا ہے۔

مستقبل کی توقعات

کمپنی نے پرانی مشینوں کو بدلنے کیلئے حال ہی میں جرمنی سے انٹریڈیک ڈرائیورز کے ساتھ فلی لوڈڈ جدید ترین سیون کلر ہائیڈلبرگ (Heidelberg) ڈبل کوٹر آفسیٹ پرنٹنگ مشین امپورٹ کرنے کیلئے ایل سی کھولی ہے۔ اس مشین کی شمولیت پیداواری اخراجات میں کمی کے ساتھ زیادہ ویلیو ایڈیشن کے ساتھ بلا تعطل پیداوار کے ساتھ ساتھ پاکستان کے وسیع حلقوں میں موجود کسٹمرز کو پراڈکٹس کی فراہمی یقینی بنائے گی۔

موجودہ مسائل پر قابو پانے اور مستقبل کے امکانات کو پورا کرنے کیلئے ہمارے کاروباری کاروائیوں کو کارگر بنانے اور پیداواری صلاحیت کو بڑھانے کیلئے اقدامات اپنائے جا رہے ہیں۔ یہ اقدامات کمپنی کی مستقبل کی کارکردگی میں ایک مثبت کردار ادا کریں گے۔

لہذا ڈائریکٹرز پر اعتماد ہیں کہ سال کے بقیہ مدت میں بڑھتی ہوئی فروخت، آپریشنل استعداد کار اور قیمت کنٹرول کرنے کے اقدامات ہماری کارکردگی کو بہتر بنانے میں معاون ثابت ہوں گے۔

بورڈ آف ڈائریکٹرز کی جانب سے



شاہد احمد خان
چیف ایگزیکٹو آفیسر



اقبال علی لاکھانی
چیرمین

کراچی: 26 اکتوبر 2018

MERIT PACKAGING LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)
AS AT SEPTEMBER 30, 2018

| | | (Un-audited) September 30, 2018 | (Audited) June 30, 2018 |
|---|------|---------------------------------------|----------------------------|
| | Note | Rupees in 000's | |
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 8 | 2,265,709 | 2,153,549 |
| Capital work in progress | | 112,843 | 107,527 |
| | | 2,378,552 | 2,261,076 |
| Intangible assets | | 1,023 | 1,092 |
| Long-term loans and advances | | 704 | 514 |
| Long-term deposits | | 13,746 | 13,763 |
| Deferred taxation | 9 | 70,713 | 63,292 |
| | | 2,464,738 | 2,339,737 |
| CURRENT ASSETS | | | |
| Stores and spares | | 110,697 | 97,317 |
| Stock-in-trade | | 429,156 | 384,901 |
| Trade debts (unsecured - considered good) | | 682,886 | 609,587 |
| Loans and advances | | 6,285 | 3,403 |
| Trade deposits and short-term prepayments | | 4,124 | 1,646 |
| Other receivables | | 63 | - |
| Tax refund due from Government | | 297,250 | 285,809 |
| Taxation-net | | 50,322 | 35,888 |
| Cash and bank balances | | 6,290 | 7,788 |
| | | 1,587,073 | 1,426,339 |
| TOTAL ASSETS | | 4,051,811 | 3,766,076 |
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorized share capital 100,000,000 (June 30, 2018: 100,000,000) ordinary shares of Rs.10/- each | | 1,000,000 | 1,000,000 |
| Issued, subscribed and paid-up capital 80,628,398 (June 30, 2018: 80,628,398) ordinary shares of Rs. 10/- each | | 806,284 | 806,284 |
| Capital Reserve Surplus on revaluation of property, plant & equipment | 10 | 330,441 | 213,604 |
| Revenue Reserve Accumulated losses | | (90,733) | (23,788) |
| | | 1,045,992 | 996,100 |
| NON-CURRENT LIABILITIES | | | |
| Sub-ordinated loan | | 100,000 | 100,000 |
| Long-term financing | 11 | 1,021,315 | 1,066,830 |
| Long-term deposits | | 515 | 542 |
| | | 1,121,830 | 1,167,372 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 557,785 | 544,054 |
| Mark-up accrued | | 44,185 | 24,709 |
| Short-term borrowings | 12 | 1,048,184 | 800,006 |
| Un-claimed dividend | | 129 | 129 |
| Current portion of long-term financing | | 233,706 | 233,706 |
| | | 1,883,989 | 1,602,604 |
| CONTINGENCIES AND COMMITMENTS | 13 | | |
| TOTAL EQUITY AND LIABILITIES | | 4,051,811 | 3,766,076 |

The annexed notes from 1 to 25 form an integral part of these condensed interim financial statements.


IQBAL ALI LAKHANI


SHAHID AHMED KHAN


MUHAMMAD AAQIL JAH


MERIT PACKAGING LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2018

| | | (Un-audited) September 30, 2018 | (Un-audited) September 30, 2017 |
|--|------|---------------------------------------|---------------------------------------|
| | Note | Rupees in 000's | |
| Sales - net | 14 | 615,659 | 541,428 |
| Cost of sales | 15 | (627,788) | (489,782) |
| Gross (loss) / profit | | (12,129) | 51,646 |
| General and administrative expenses | | (11,605) | (12,004) |
| Selling and distribution expenses | | (9,296) | (9,047) |
| Other operating income | | 411 | 1,257 |
| Other operating expenses | | (660) | (800) |
| | | (21,150) | (20,594) |
| Operating (loss) / profit | | (33,279) | 31,052 |
| Financial charges | | (47,356) | (30,564) |
| (Loss) / Profit before taxation | | (80,635) | 488 |
| Taxation | 16 | 13,348 | - |
| (Loss) / profit after taxation | | (67,287) | 488 |
| (Loss) / Earnings per share - basic and diluted (Rs) | 17 | (0.83) | 0.01 |

The annexed notes from 1 to 25 form an integral part of these condensed interim financial statements.


IQBAL ALI LAKHANI
CHAIRMAN


SHAHID AHMED KHAN
CHIEF EXECUTIVE OFFICER


MUHAMMAD AAQIL JAH
CHIEF FINANCIAL OFFICER


MERIT PACKAGING LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2018

| | | <u>(Un-audited)</u> September 30, 2018 | <u>(Un-audited)</u> September 30, 2017 |
|---|------|--|--|
| | Note | Rupees in 000's | |
| (Loss) / profit for the period | | (67,287) | 488 |
| <u>Other comprehensive income:</u> | | | |
| Surplus on revaluation of property, plant and equipment | 10.1 | 123,106 | - |
| Deferred tax thereon | | (5,927) | - |
| | | 117,179 | - |
| Total comprehensive income for the period | | 49,892 | 488 |

The annexed notes from 1 to 25 form an integral part of these condensed interim financial statements.


IQBAL ALI LAKHANI
CHAIRMAN


SHAHID AHMED KHAN
CHIEF EXECUTIVE OFFICER



MUHAMMAD AAQIL JAH
CHIEF FINANCIAL OFFICER


MERIT PACKAGING LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2018

| | (Un-audited) September 30, 2018 | (Un-audited) September 30, 2017 |
|---|---------------------------------------|---------------------------------------|
| Note | Rupees in 000's | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash used in operations | 18 (135,070) | (56,186) |
| Taxes paid | (14,434) | (3,476) |
| Financial charges paid | (27,880) | (14,256) |
| Long-term loans and advances | (190) | 26 |
| Long-term deposits | (10) | - |
| Net cash used in operating activities | (177,584) | (73,892) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital expenditure | (26,921) | (80,072) |
| Purchase of intangible assets | - | (120) |
| Proceeds from sale of property, plant and equipment | 344 | 75 |
| Net cash used in investing activities | (26,577) | (80,117) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from long term financing | 12,912 | 33,495 |
| Proceeds from short term borrowings (excluding running finance) | 180,000 | - |
| Repayment of long-term financing | (58,427) | (23,215) |
| Net cash generated from financing activities | 134,485 | 10,280 |
| Net increase / (decrease) in cash and cash equivalents | (69,676) | (143,729) |
| Cash and cash equivalents at beginning of the period | (792,218) | (486,339) |
| Cash and cash equivalents at end of the period | (861,894) | (630,068) |
| CASH AND CASH EQUIVALENTS COMPRISE: | | |
| Cash and bank balances | 6,290 | 9,902 |
| Short-term running finances | (868,184) | (639,970) |
| | (861,894) | (630,068) |

The annexed notes from 1 to 25 form an integral part of these condensed interim financial statements.


IQBAL ALI LAKHANI
CHAIRMAN


SHAHID AHMED KHAN
CHIEF EXECUTIVE OFFICER


MUHAMMAD AAQIL JAH
CHIEF FINANCIAL OFFICER


MERIT PACKAGING LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2018

| | Issued, subscribed and paid-up capital | Capital Reserve | Revenue Reserves | | Total | Total |
|--|---|---|---------------------|---------------------|----------|-----------|
| | | Surplus on Revaluation of Property, Plant & Equipment | General Reserves | Accumulated Loss | | |
| Rupees in 000's | | | | | | |
| Balance as at July 1, 2017 | 403,142 | 214,348 | 106,800 | (111,127) | (4,327) | 613,163 |
| Total comprehensive income for the period ended September 30, 2017: | | | | | | |
| (Loss) / profit for the period | - | - | - | 488 | 488 | 488 |
| Other comprehensive income for the period ended September 30, 2017 - net of tax | - | - | - | - | - | - |
| | - | - | - | 488 | 488 | 488 |
| Transferred to unappropriated profit on account of incremental depreciation - net of tax | - | (156) | - | 156 | 156 | - |
| Balance as at September 30, 2017 | 403,142 | 214,192 | 106,800 | (110,483) | (3,683) | 613,651 |
| Balance as at July 1, 2018 | 806,284 | 213,604 | 106,800 | (130,588) | (23,788) | 996,100 |
| Total comprehensive income for the period ended September 30, 2018: | | | | | | |
| (Loss) / profit for the period | - | - | - | (67,287) | (67,287) | (67,287) |
| Other comprehensive income for the period ended September 30, 2018 - net of tax | - | 117,179 | - | - | - | 117,179 |
| | - | 117,179 | - | (67,287) | (67,287) | 49,892 |
| Transferred to unappropriated profit on account of incremental depreciation - net of tax | - | (342) | - | 342 | 342 | - |
| Balance as at September 30, 2018 | 806,284 | 330,441 | 106,800 | (197,533) | (90,733) | 1,045,992 |

The annexed notes from 1 to 25 form an integral part of these condensed interim financial statements.


IQBAL ALI LAKHANI
CHAIRMAN


SHAHID AHMED KHAN
CHIEF EXECUTIVE OFFICER


MUHAMMAD AAQIL JAH
CHIEF FINANCIAL OFFICER

MERIT PACKAGING LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2018

1. NATURE AND STATUS OF THE COMPANY

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

2. GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

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

3. BASIS OF PREPARATION

3.1 Statement of compliance

These condensed interim financial statements are unaudited and being submitted to the shareholders as required under section 237 of the Companies Act, 2017 and the listing regulations of the Pakistan Stock Exchange.

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, 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 the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

These condensed interim financial statements 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, 2018, which have been prepared in accordance with approved accounting standards as applicable in Pakistan. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last declared financial statements.

The comparative statement of financial position presented in these condensed interim financial statements have been extracted from the annual audited financial statements of the Company for the year ended June 30, 2018, 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 statements for the period ended September 30, 2017.

3.2 Basis of measurement

These condensed interim 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.

The condensed interim financial statement, except for the condensed interim statement of cash flow, has been prepared following accrual basis of accounting.

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

3.3 Functional and presentation currency

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

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

- a) During the period ended September 30, 2018, 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. 336.481 million (2018: Rs. 213.604 million).
- b) For related party transactions, please refer the disclosure made in note 19 of these condensed interim financial statements.

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted and methods of computation followed in the preparation of these condensed interim financial statements are same as those for the preceding annual financial statements for the year ended June 30, 2018.

6. 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.

7. ESTIMATES

The preparation of condensed interim financial statements 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, 2018.

| | | Un-audited September 30, 2018 | Audited June 30, 2018 |
|--|------|-------------------------------------|--------------------------|
| | Note | Rupees in 000's | |
| 8. PROPERTY, PLANT AND EQUIPMENT | | | |
| Opening net book value (NBV) | | 2,153,549 | 1,386,982 |
| Addition (at cost) during the period / year | 8.1 | 21,606 | 859,731 |
| Revaluation surplus recognized during the period | | 123,106 | - |
| | | 2,298,261 | 2,246,713 |
| Disposals (NBV) during the period / year | | (344) | (13) |
| Depreciation charged during the period / year | | (32,208) | (93,151) |
| | | (32,552) | (93,164) |
| | | 2,265,709 | 2,153,549 |

| | Un-audited September 30, 2018 | Audited June 30, 2018 |
|--|-------------------------------------|--------------------------|
| | Rupees in 000's | |
| 8.1 Detail of additions (at cost) during the period / year are as follows: | | |
| Building / improvements on leasehold land | - | 31,029 |
| Plant and machinery | 21,006 | 799,875 |
| Furniture and fixtures | - | 386 |
| Vehicles | 491 | 1,459 |
| Office equipment | 109 | 1,303 |
| Computer equipment | - | 7,724 |
| Electrical installation | - | 17,955 |
| | 21,606 | 859,731 |

8.2 Fair value measurement

8.2.1 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 and Javed Associates on the basis of market value.

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

Out of the revaluation surplus, an amount of Rs. 330.441 million (2018: Rs. 213.604 million) including revaluation surplus on land, remains undepreciated as at September 30, 2018.

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

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

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

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

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

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

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

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

| | Note | Un-audited | Audited |
|---|------|-----------------------|---------------|
| | | September 30, 2018 | June 30, 2018 |
| | | Rupees in 000's | |
| Opening balance (level 3 recurring fair values) | | 1,698,382 | 976,775 |
| Additions - Cost | | 21,006 | 799,875 |
| Revaluation Surplus | | 20,029 | - |
| Depreciation charge | | (27,830) | (78,268) |
| Closing balance (level 3 recurring fair values) | | 1,711,587 | 1,698,382 |

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

9. DEFERRED TAXATION

Total deferred tax asset arising due to timing difference calculated at applicable tax rates as at balance sheet date amounted to Rs. 200.777 million (2018: Rs. 175.855 million) debit. Out of this deferred tax asset of Rs. 130.065 million (2018: Rs. 112.562 million) has not been recognized in these financial statements in accordance with the stated accounting policy of the Company. Deferred tax asset has only been recognized to the extent of excess deductible temporary differences over and above taxable temporary differences, capable of being reversed in the ensuing years. The deferred tax asset as at September 30, 2018 primarily includes an asset on unadjusted tax credit available on capital expenditure at a rate of 10% under section 65B of Income Tax Ordinance, 2001, recognized on June 30, 2018.

10. SURPLUS ON REVALUATION OF PROPERTY, PLANT & EQUIPMENT

Gross surplus:

| | | | |
|--|------|---------|---------|
| Opening balance | | 217,231 | 218,471 |
| Surplus recognized during the period | 10.1 | 123,106 | - |
| Transfer to unappropriated profit in respect of incremental depreciation charged during the year - (net of deferred tax) | | (342) | (880) |
| Related deferred tax liability | | (141) | (360) |
| | | (483) | (1,240) |
| Closing balance | | 339,854 | 217,231 |

Related deferred tax effect:

| | | | |
|---|--|---------|---------|
| Balance as at July 01, | | (3,627) | (4,124) |
| On surplus recognized during the year | | (5,927) | 137 |
| Incremental depreciation charge during the year | | 141 | 360 |
| | | (9,413) | (3,627) |
| | | 330,441 | 213,604 |

10.1 Surplus recognized during the period on:

| | | | |
|---|--|---------|---|
| Leasehold land | | 102,667 | - |
| Building / Improvements on leasehold land | | 410 | - |
| Plant and machinery | | 20,029 | - |
| | | 123,106 | - |

| | Note | Un-audited September 30, 2018 | Audited June 30, 2018 |
|---|------|-------------------------------------|--------------------------|
| Rupees in 000's | | | |
| 11. LONG TERM FINANCING | | | |
| Secured | | | |
| From banking companies | 11.1 | 815,021 | 860,536 |
| Less: Current portion shown under current liabilities | | (233,706) | (233,706) |
| | | 581,315 | 626,830 |
| Unsecured | | | |
| From associated undertaking | 11.2 | 440,000 | 440,000 |
| Less: Current portion shown under current liabilities | | - | - |
| | | 440,000 | 440,000 |
| | | 1,021,315 | 1,066,830 |

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 equipment of the Company. The effective rate of mark-up ranging from 7.51% to 8.67% payable quarterly (June 30, 2018: 6.73% to 7.91%). The tenure of this financing facility is five to six 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 2021. The rate of markup is 0.50% over last business day of three months KIBOR of preceding quarter. During the period, the effective mark-up rate was 7.43% per annum (June 30, 2018: 6.74% per annum).

12. SHORT TERM BORROWINGS

| | | | |
|-----------------------------|------|-----------|---------|
| Secured | | | |
| From banking companies | | | |
| Running finance | 12.1 | 868,184 | 800,006 |
| Unsecured | | | |
| From associated undertaking | 12.2 | 180,000 | - |
| | | 1,048,184 | 800,006 |

12.1 The Company has short term running finance facilities from various banks under mark-up arrangements in aggregate amount of Rs. 1,170.000 million (2018: Rs. 1,170.000 million) having mark-up at rates ranging from 7.68% to 8.73% (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. 301.818 million (June 30, 2018: Rs. 369.995 million).

12.2 This short term borrowing facility has been 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 were no significant changes in the contingent liabilities of the Company since the last annual balance sheet date.

| | Un-audited September 30, 2018 | Audited June 30, 2018 |
|--|-------------------------------------|-------------------------------------|
| | Rupees in 000's | |
| 13.2 Commitments | | |
| The Company was committed as at the balance sheet date as follows: | | |
| Capital expenditure under letter of credit | 391,014 | 395,518 |
| Stores, spares and raw materials under letter of credit | 766 | - |
| Stores, spares and raw materials under contractual obligation | 3,719 | 9,547 |
| | | |
| | Un-audited September 30, 2018 | Un-audited September 30, 2017 |
| | Rupees in 000's | |
| 14. SALES - NET | | |
| Gross sales | 680,390 | 632,891 |
| Less: Sales tax | (64,731) | (91,463) |
| | 615,659 | 541,428 |
| 15. COST OF SALES | | |
| Materials consumed | 485,806 | 381,209 |
| Salaries, wages and other benefits | 45,934 | 38,014 |
| Packing material consumed | 11,819 | 11,827 |
| Outsourced services | 5,179 | 5,693 |
| Stores and spares consumed | 13,311 | 13,100 |
| Power and fuel | 21,873 | 14,559 |
| Depreciation | 31,557 | 20,047 |
| Amortization | 21 | 15 |
| Rent, rates and taxes | 7,013 | 4,478 |
| Repairs and maintenance | 3,048 | 2,383 |
| Vehicle running expenses | 641 | 229 |
| Insurance | 3,502 | 2,422 |
| Ijara lease rentals | 49 | 48 |
| Printing and stationery | 148 | 293 |
| Communication charges | 461 | 194 |
| Travelling and conveyance | 443 | 274 |
| Fee and subscription | 75 | - |
| Software license fee | 249 | 439 |
| Other expenses | 653 | 877 |
| Manufacturing cost | 631,782 | 496,101 |
| Opening work-in-process | 61,446 | 42,882 |
| Closing work-in-process | (81,067) | (46,063) |
| | (19,621) | (3,181) |
| Cost of goods manufactured | 612,161 | 492,920 |
| Opening stock of finished goods | 57,414 | 52,056 |
| Closing stock of finished goods | (41,787) | (55,194) |
| | 15,627 | (3,138) |
| | 627,788 | 489,782 |

16. TAXATION

- 16.1 The current period's total tax liability of the Company amounting to Rs. 7.700 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 capitalized. Unadjusted tax credit of Rs. 76.895 million is available for adjustment against two subsequent years' tax charge.
- 16.2 Deferred tax asset has only been recognized to the extent of excess deductible temporary differences over and above taxable temporary differences, capable of being reversed in the ensuing years. The computation for deferred taxation incorporates assumptions regarding utilization of tax losses carried forward, turnover taxes and tax credits. Deferred tax is computed at the rate of 29% on account of changes made to Income Tax Ordinance, 2001 through Finance Act 2018, applicable to the expected period when temporary differences are expected to be reversed / utilized.

| | Note | Un-audited September 30, 2018 | Un-audited September 30, 2017 |
|--|------|-------------------------------------|-------------------------------------|
| | | Rupees in 000's | |
| 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: | | | |
| (Loss) / profit for the period | | (67,287) | 488 |
| | | | (Restated) |
| Weighted average number of ordinary shares (in thousands) | | 80,628 | 43,248 |
| (Loss) / Earnings per share (Rs) | | (0.83) | 0.01 |
| 18. CASH GENERATED FROM OPERATIONS | | | |
| Profit before taxation | | (80,635) | 488 |
| Adjustment for non-cash items and other items: | | | |
| Gain on disposal of operating fixed assets | | - | (75) |
| Financial charges | | 47,356 | 30,564 |
| Depreciation | | 32,208 | 20,652 |
| Amortization | | 68 | 14 |
| | | 79,632 | 51,155 |
| Profit before working capital changes | | (1,003) | 51,643 |
| Working capital changes | 18.1 | (134,067) | (107,829) |
| | | (135,070) | (56,186) |
| 18.1 Working capital changes | | | |
| (Increase) / decrease in current assets: | | | |
| Stores and spares | | (13,380) | (7,465) |
| Stock-in-trade | | (44,255) | (17,260) |
| Trade debts | | (73,299) | (123,905) |
| Loans and advances | | (2,882) | (7,105) |
| Trade deposits and short term prepayments | | (2,478) | (14,597) |
| Other receivables | | (63) | (2,516) |
| Tax refund due from Government | | (11,441) | (3,723) |
| | | (147,798) | (176,571) |
| Increase in current liabilities: | | | |
| Trade and other payables (excluding unclaimed dividend) | | 13,731 | 68,742 |
| | | (134,067) | (107,829) |

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:

| | | Un-audited September 30, 2018 | Un-audited September 30, 2017 |
|---------------------------|---|-------------------------------------|-------------------------------------|
| | | Rupees in 000's | |
| Relation with the Company | Nature of transaction | | |
| Group companies | Sales of goods and services | 128,917 | 65,663 |
| | Purchases of goods and services | 375,375 | 285,875 |
| | Rent and allied charges | 80 | 37 |
| | Insurance agency commission income | - | 667 |
| | Insurance claim | 240 | 331 |
| | Mark-up on long-term financing | 10,113 | 9,038 |
| | Mark-up on short-term financing | 1,193 | 4,184 |
| | Short-term financing obtained | 180,000 | - |
| Retirement benefit plans | Contribution towards employees retirement benefit plans | 3,089 | 2,056 |
| Key management personnel | Compensation in respect of: | | |
| | Short term employee benefits | 5,706 | 5,007 |
| | Retirement benefits | 423 | 295 |
| | | Un-audited September 30, 2018 | (Audited) June 30, 2018 |
| | | Rupees in 000's | |
| 19.2 | Period / year end balances | | |
| | Receivable from related parties | 53,634 | 53,565 |
| | Payable to related parties | 304,077 | 281,846 |
| | 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 | 180,000 | - |
| | Mark-up payable to associated undertaking | 11,306 | - |

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

20. 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.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND 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.

The Company's financial risk management objective and policies are consistent with that disclosed in the financial statements for the year ended June 30, 2018.

22. 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.

23. CORRESPONDING FIGURES

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

24. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial statements were authorized for issue by the Board of Directors of the Company on October 26, 2018.

25. GENERAL

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


IQBAL ALI LAKHANI
CHAIRMAN


SHAHID AHMED KHAN
CHIEF EXECUTIVE OFFICER



MUHAMMAD AAQIL JAH
CHIEF FINANCIAL OFFICER





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
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