



# **MERIT PACKAGING LIMITED**

**CONDENSED INTERIM  
FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED  
SEPTEMBER 30, 2019**



A Lakson Group Company



**MERIT PACKAGING LIMITED**  
**FIRST QUARTER REPORT**  
**SEPTEMBER 2019**

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**MERIT PACKAGING LIMITED**  
**FIRST QUARTER REPORT**  
**SEPTEMBER 2019**

**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

**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., Shahra-e-Faisal, Karachi.  
Email : info.shares@famco.com.pk  
Phone : (021) 34380101 - 5  
Fax : (021) 34380106  
Website : www.famco.com.pk

**Registered Office**

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

**Karachi Factory**

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

**Lahore Factory**

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

**Website**

www.meritpack.com

**MERIT PACKAGING LIMITED**  
**FIRST QUARTER REPORT**  
**SEPTEMBER 2019**

**DIRECTORS' REVIEW**

The Directors of your Company are pleased to present the performance review together with the quarterly un-audited financial statements for the first quarter ended September 30, 2019. The comparative financial results for the first quarter ended September 30, 2019 with comparative results for the same period last year is tabulated below:

	Quarter Ended	
	September 30, 2019	September 30, 2018
	( Rupees in thousand)	
Net sales	486,633	615,659
Gross loss	(55,201)	(3,564)
Operating loss	(84,156)	(33,279)
Loss before tax	(179,695)	(80,635)

The net sales turnover during the period under review amounted to Rs. 487 million as compared to Rs. 615 million for the same financial period last year. Company's pre-tax loss for the period under review is Rs.180 million as compared to pre-tax profit of Rs 81 million for the same period last year.

The Company's performance was affected in this quarter primarily due to shifting of the Lahore manufacturing unit from the old premises to a new longer location in Lahore, in addition to the new Heidelberg double coater installed in Karachi factory started production. However at the commencement a lot of time was consumed in development on new and existing jobs with the result full production was not available from this machine. Further generally lower volumes due to seasonal impact during this period also resulted in lower sales. The other factor is the increase in the financial charges due to increase in KIBOR and higher utilization of borrowings obtained for CAPEX and working capital requirements.

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

**FUTURE OUTLOOK**

The induction of new state-of art seven colours Heidelberg double coater offset printing machine from Germany fully loaded with inter-deck dryers will ensure uninterrupted production with more value added jobs to broad based customers in Pakistan, besides reduction in production overheads.

The shifting of Lahore operations from the old premises to a new location is almost completed. This decision was taken to accommodate larger volumes and requirement of our major customers.

Karachi factory will be able to produce higher volumes with value added jobs with the operation of new double coater machine. The Company is working on capital restructuring and efficient utilization of assets not contributing positively towards the Company.

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



**TASLEEMUDDIN AHMED BATLAY**  
**DIRECTOR**



**SHAHID AHMED KHAN**  
**CHIEF EXECUTIVE OFFICER**

ڈائریکٹرز کا جائزہ

آپ کی کمپنی کے ڈائریکٹرز بڑی مسرت کے ساتھ 30 ستمبر 2019ء 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 2019ء 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 2019ء	30 ستمبر 2018ء	
(ہزار روپے)	(ہزار روپے)	
486,633	615,659	خالص فروخت
(55,201)	(3,564)	مجموعی نقصان
(84,156)	(33,279)	آپریٹنگ نقصان
(179,695)	(80,635)	قبل از ٹیکس نقصان

زیر جائزہ سہ ماہی کے دوران خالص فروخت گزشتہ سال اسی مدت کے لئے 615 ملین روپے کے مقابلے میں 487 ملین روپے رہا۔ گزشتہ سال اسی مدت میں ریکارڈ کئے گئے 81 ملین روپے قبل از ٹیکس نقصان کے مقابلے میں زیر جائزہ سہ ماہی کے دوران 180 ملین روپے کا قبل از ٹیکس نقصان رہا۔

لاہور کے پیداواری یونٹ کی پرانی جگہ سے نئی اور بہتر جگہ منتقلی اور کراچی میں ایک نئی ہائیڈلبرگ (Heidelberg) ڈبل کوٹر آفسیٹ پرنٹنگ مشین کی تنصیب کی وجہ سے کمپنی کی کارکردگی زیر جائزہ سہ ماہی کے دوران متاثر رہی۔ البتہ شروع میں پرانے اور نئے جابز کی تکمیل میں کافی وقت لگا جس کی وجہ سے اس مشین کی مکمل پیداواری صلاحیت حاصل نہ ہو سکی۔ مزید اس سہ ماہی کے دوران موسمی اثرات کی وجہ سے گرتا ہوا حجم کم فروخت کا باعث بنا۔ دیگر عوامل میں بڑھتے ہوئے مالیاتی اخراجات بھی شامل ہیں جو کہ KIBOR میں اضافہ اور CAPEX کے لیے درکار زیادہ قرضوں اور سرمایہ کار کے تقاضوں کے ساتھ بالائی اخراجات میں اضافہ کی وجہ سے بڑھا۔

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

جرمنی سے انٹرڈیک ڈرائیورز کے ساتھ فلی لوڈ ڈیڈ ترین سیون کلر ہائیڈلبرگ (Heidelberg) ڈبل کوٹر آفسیٹ پرنٹنگ 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۔ لاہور کے آپریٹنگ پرانی جگہ سے نئے بہتر اور وسیع مقام پر منتقلی تقریباً مکمل ہو چکی ہے، یہ فیصلہ ہمارے اہم خریداروں کے وسیع آرڈرز کے حجم اور ضروریات کو مد نظر رکھتے ہوئے کیا گیا تھا۔

کراچی کی فیکٹری بھی اب نئے ڈبل کوٹر مشین کی وجہ سے زیادہ حجم اور ویلیو ایڈیشن کے ساتھ کام کرنے کے قابل ہوگی۔ آپ کی کمپنی سرمائے کی تنظیم نو اور مثبت کردار ادا کرنے والے اثاثوں کے بہتر استعمال پر کام کر رہی ہے۔

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



شاہد احمد خان  
چیف ایگزیکٹو آفیسر



تسلیم الدین احمد باٹلے  
ڈائریکٹر

**MERIT PACKAGING LIMITED**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)**  
**AS AT SEPTEMBER 30, 2019**

		(Un-audited) September 30, 2019	(Audited) June 30, 2019
	Note	Rupees in 000's	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	3,000,881	2,373,584
Capital work in progress		41,991	669,149
		3,042,872	3,042,733
Intangible assets		761	823
Long-term loans and advances		492	531
Long-term deposits		10,272	11,295
Deferred taxation	8	124,743	97,627
		3,179,140	3,153,009
<b>CURRENT ASSETS</b>			
Stores and spares		76,238	67,117
Stock-in-trade		499,054	547,387
Trade debts (unsecured - considered good)		426,101	406,754
Loans and advances		9,187	7,063
Trade deposits and short-term prepayments		3,618	1,523
Other receivables		2,808	872
Tax refund due from Government		380,022	394,525
Taxation-net		56,394	40,809
Cash and bank balances		5,378	4,140
		1,458,800	1,470,190
<b>TOTAL ASSETS</b>		4,637,940	4,623,199
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital			
100,000,000 (June 30, 2019: 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, 2019: 80,628,398) ordinary shares of Rs. 10/- each		806,284	806,284
Surplus on revaluation of property, plant & equipment		329,097	329,411
Capital reserve			
Equity portion of loan - associated company		237,323	216,299
Accumulated losses		(486,053)	(333,788)
		886,651	1,018,206
<b>NON-CURRENT LIABILITIES</b>			
Sub-ordinated loan		80,153	80,225
Long-term financing	9	1,290,721	1,361,823
Long-term deposits		418	436
		1,371,292	1,442,484
<b>CURRENT LIABILITIES</b>			
Trade and other payables		938,179	826,177
Mark-up accrued		65,469	54,418
Short-term borrowings	10	1,089,713	1,012,701
Un-claimed dividend		129	129
Current portion of long-term financing		286,507	269,084
		2,379,997	2,162,509
<b>TOTAL EQUITY AND LIABILITIES</b>		4,637,940	4,623,199

**CONTINGENCIES AND COMMITMENTS**

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The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.



**TASLEEMUDDIN AHMED BATLAY**  
**DIRECTOR**



**SHAHID AHMED KHAN**  
**CHIEF EXECUTIVE OFFICER**



**MUHAMMAD AAQIL JAH**  
**CHIEF FINANCIAL OFFICER**

**MERIT PACKAGING LIMITED**  
**CONDENSED INTERIM STATEMENT OF PROFIT AND LOSS (UN-AUDITED)**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2019**

		(Un-audited) September 30, 2019	(Un-audited) September 30, 2018
	Note	Rupees in 000's	
Sales - net	12	486,633	615,659
Cost of sales	13	(541,834)	(619,223)
Gross loss		(55,201)	(3,564)
General and administrative expenses		(21,871)	(20,170)
Selling and distribution expenses		(6,970)	(9,296)
Other operating income		1,181	411
Other operating expenses		(1,295)	(660)
		(28,955)	(29,715)
Operating loss		(84,156)	(33,279)
Financial charges		(95,539)	(47,356)
Loss before taxation		(179,695)	(80,635)
Taxation	14	27,116	13,348
Loss after taxation		(152,579)	(67,287)
Loss per share - basic and diluted (Rs)	15	(1.89)	(0.83)

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.



**TASLEEMUDDIN AHMED BATLAY**  
**DIRECTOR**



**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, 2019**

	(Un-audited) September 30, 2019	(Un-audited) September 30, 2018
	Rupees in 000's	
Loss for the period	(152,579)	(67,287)
<u>Other comprehensive income:</u>		
Surplus on revaluation of property, plant and equipment	-	123,106
Deferred tax thereon	-	(5,927)
	-	117,179
Total comprehensive (loss) / income for the period	(152,579)	49,892

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.



**TASLEEMUDDIN AHMED BATLAY**  
**DIRECTOR**



**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, 2019**

	Issued, subscribed and paid-up capital	Surplus on Revaluation of Property, Plant & Equipment	Capital Reserve	Revenue Reserves		Total	Total
			Equity portion of loan from associated company	General Reserves	Accumulated Loss		
				Rupees in 000's			
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 for the period	-	-	-	-	(67,287)	(67,287)	(67,287)
Other comprehensive income for the period - 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
Balance as at July 1, 2019	806,284	329,411	216,299	106,800	(440,588)	(333,788)	1,018,206
Total comprehensive income for the period ended September 30, 2019:							
Loss for the period	-	-	-	-	(152,579)	(152,579)	(152,579)
Other comprehensive income for the period - net of tax	-	-	-	-	-	-	-
	-	-	-	-	(152,579)	(152,579)	(152,579)
Transferred to unappropriated profit on account of incremental depreciation - net of tax	-	(314)	-	-	314	314	-
Transaction with owners Equity portion of loan	-	-	21,024	-	-	-	21,024
Balance as at September 30, 2019	806,284	329,097	237,323	106,800	(592,853)	(486,053)	886,651

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.

  
**TASLEEMUDDIN AHMED BATLAY**  
**DIRECTOR**

  
**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, 2019**

		(Un-audited) September 30, 2019	(Un-audited) September 30, 2018
	Note	Rupees in 000's	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated/(used) in operations	16	143,585	(135,070)
Taxes paid		(56,394)	(14,434)
Financial charges paid		(64,838)	(27,880)
Long-term loans and advances		39	(190)
Long-term deposits		1,005	(10)
Net cash generated/(used) in operating activities		23,397	(177,584)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(46,794)	(26,921)
Proceeds from sale of property, plant and equipment		-	344
Net cash used in investing activities		(46,794)	(26,577)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long term financing		-	12,912
Proceeds from short term borrowings (excluding running finance)		300,000	180,000
Repayment of long-term financing		(52,377)	(58,427)
Repayment of short term financing		(100,000)	-
Net cash generated from financing activities		147,623	134,485
Net increase / (decrease) in cash and cash equivalents		124,226	(69,676)
Cash and cash equivalents at beginning of the period		(858,561)	(792,218)
Cash and cash equivalents at end of the period		(734,335)	(861,894)
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>			
Cash and bank balances		5,378	6,290
Short-term running finances		(739,713)	(868,184)
		(734,335)	(861,894)

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.



**TASLEEMUDDIN AHMED BATLAY**  
**DIRECTOR**



**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, 2019**

**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 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.

**2. GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS**

The registered office of the Company is located at Lakson Square Building No. 2, Sarwar Shaheed Road, Karachi, Pakistan. The two factories of the Company are located at Plot No. 17-B, Sector 29, Korangi Industrial Township, Karachi, Pakistan, and 5 Kilometer, Raiwind Manga Road, Near Glamour Adda, Lahore, Pakistan.

**3. BASIS OF PREPARATION**

**3.1 Statement of compliance**

These 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 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.

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, 2019, 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, 2019, whereas the comparative condensed interim profit and loss accounts, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows are extracted from the unaudited condensed interim financial statements for the period ended September 30, 2018.

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

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

## 4. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS

During the period ended September 30, 2019, the Company has shifted its Lahore factory from its existing rented premises to a new location at Manga Road with the larger space and better infrastructure available for uninterrupted production of our offset north division.

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.

## 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, 2019.

## 6. 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, 2019.

		Un-audited September 30, 2019	Audited June 30, 2019
	Note	Rupees in 000's	
<b>7. PROPERTY, PLANT AND EQUIPMENT</b>			
Opening net book value (NBV)		2,373,584	2,195,365
Addition (at cost) during the period / year	7.1	673,952	216,680
Revaluation surplus recognized during the period		-	123,106
		3,047,536	2,535,151
Disposals (NBV) during the period / year		-	(352)
Depreciation charged during the period / year		(46,655)	(161,215)
		(46,655)	(161,567)
		3,000,881	2,373,584
<b>7.1 Detail of additions (at cost) during the period / year are as follows:</b>			
Building / improvements on leasehold land		34,272	43,425
Plant and machinery		636,846	139,079
Cylinders and dies		2,758	32,568
Vehicles		-	491
Office equipment		-	109
Computer equipment		76	858
Electrical installation		-	150
		673,952	216,680

## 8. DEFERRED TAXATION

Total deferred tax asset arising due to timing difference calculated at applicable tax rates as at balance sheet date amounted to Rs. 312.199 million (2019: Rs. 235.101 million) debit. Out of this balance, deferred tax asset of Rs. 187.456 million (2019: Rs. 137.474 million) has not been recognized in these financial statements in accordance with the stated accounting policy of the Company. 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. 71.352 million (2019: Rs. 57.458 million), which is carried forward and adjustable against future tax liability for two years including minimum tax on turnover.

		Un-audited September 30, 2019	Audited June 30, 2019
	Note	Rupees in 000's	
<b>9. LONG TERM FINANCING</b>			
Secured			
From banking companies	9.1	1,030,577	1,082,954
Less: Current portion shown under current liabilities		(286,507)	(269,084)
		744,070	813,870
Unsecured			
From associated undertaking	9.2	690,000	690,000
Add : Notional mark up		64,172	47,035
Less : Present value adjustment		(207,521)	(189,082)
		546,651	547,953
		1,290,721	1,361,823

9.1 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 ranging from 12.37% to 14.49% payable quarterly (June 30, 2019: 9.64% to 10.57%). The tenure of this financing facility is five to six years including one year grace period.

9.2 This loan has been obtained from associated undertakings amounting to an aggregate of Rs. 690 million (June 30, 2019: Rs. 690 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.

9.3 During the last year, the repayment of loan and markup thereon was rescheduled, resulting in a complete waiver of markup at the rates stipulated in the agreement 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 13.47% per annum, which is determined to be the transaction price at which a similar transaction could be executed between unrelated parties.

## 10. SHORT TERM BORROWINGS

Secured			
From banking companies			
Running finance	10.1	739,713	862,701
Unsecured			
From associated undertaking	10.2	350,000	50,000
From Director's spouse	10.3	-	100,000
		1,089,713	1,012,701

10.1 The Company has short term running finance facilities from various banks under mark-up arrangements in aggregate amount of Rs. 1,170 million (June 30, 2019: Rs. 1,170 million) having mark-up at rates ranging from 13.74% to 15.98% (June 30, 2019: 9.84% to 11.33%) per annum calculated on a daily product basis and payable quarterly.

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

10.3 This short-term borrowing facility (interest free loan) was obtained from Director's spouse and is repaid during the period.

## 11. CONTINGENCIES AND COMMITMENTS

### 11.1 Contingencies

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

### 11.2 Commitments

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

Stores, spares and raw materials under letter of credit

Stores, spares and raw materials under contractual obligation

Un-audited September 30, 2019	Audited June 30, 2019
Rupees in 000's	
6,400	-
8,075	9,482

## 12. SALES - NET

Gross sales

Less: Sales tax

Un-audited September 30, 2019	Un-audited September 30, 2018
Rupees in 000's	
568,580	707,122
(81,947)	(91,463)
486,633	615,659

## 13. COST OF SALES

Materials consumed

Salaries, wages and other benefits

Packing material consumed

Outsourced services

Stores and spares consumed

Power and fuel

Depreciation

Amortization

Rent, rates and taxes

Repairs and maintenance

Vehicle running expenses

Insurance

Ijara lease rentals

Printing and stationery

Communication charges

Travelling and conveyance

Fee and subscription

Software license fee

Other expenses

Manufacturing cost

Opening work-in-process

Closing work-in-process

Cost of goods manufactured

Opening stock of finished

Closing stock of finished goods

414,867	485,806
37,323	38,485
11,087	11,819
4,528	5,179
7,053	13,311
16,533	21,873
45,769	31,286
20	20
7,990	6,890
4,112	2,934
405	601
3,517	3,484
73	49
78	118
395	411
456	443
274	75
114	249
122	184
554,716	623,217
83,031	61,446
(98,160)	(81,067)
(15,129)	(19,621)
539,587	603,596
72,984	57,414
(70,737)	(41,787)
2,247	15,627
541,834	619,223

## 14. TAXATION

- 14.1 The current period's total tax liability of the Company amounting to Rs. 7.391 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. 124.329 million is available for adjustment against two subsequent years' tax charge.
- 14.2 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, 2019	Un-audited September 30, 2018
		Rupees in 000's	
<b>15. LOSS PER SHARE - BASIC AND DILUTED</b>			
There is no dilutive effect on the basic earnings per share of the Company, which is based on:			
Loss for the period		(152,579)	(67,287)
Weighted average number of ordinary shares (in thousands)		80,628	80,628
Loss per share (Rs)		(1.89)	(0.83)
<b>16. CASH GENERATED / (USED) IN OPERATIONS</b>			
Loss before taxation		(179,695)	(80,635)
Adjustment for non-cash items and other items:			
Financial charges		95,539	47,356
Depreciation		46,655	32,208
Amortization		62	68
		142,256	79,632
Loss before working capital changes		(37,439)	(1,003)
Working capital changes	16.1	181,024	(134,067)
		143,585	(135,070)
<b>16.1 Working capital changes</b>			
(Increase) / decrease in current assets:			
Stores and spares		(9,121)	(13,380)
Stock-in-trade		48,333	(44,255)
Trade debts		(19,347)	(73,299)
Loans and advances		(2,124)	(2,882)
Trade deposits and short term prepayments		(2,095)	(2,478)
Other receivables		(1,936)	(63)
Tax refund due from Government		55,312	(11,441)
		69,022	(147,798)
Increase in current liabilities:			
Trade and other payables (excluding unclaimed dividend)		112,002	13,731
		181,024	(134,067)



## 17. TRANSACTIONS WITH RELATED PARTIES

17.1 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, 2019	Un-audited September 30, 2018
		Rupees in 000's	
Relation with the Company	Nature of transaction		
Group companies	Sales of goods and services	46,944	128,917
	Purchases of goods and services	276,051	375,375
	Rent and allied charges	63	80
	Insurance agency commission income	707	-
	Insurance claim	241	240
	Mark-up on long-term financing	-	10,113
	Mark-up on short-term financing	-	1,193
	Short-term financing obtained	300,000	180,000
	Repayment of short-term financing	100,000	-
	Capital contribution	21,024	-
	Notional mark-up on long-term financing	17,137	-
	Notional mark-up on subordinated loan	2,513	-
Retirement benefit plans	Contribution towards employees retirement benefit plans	2,928	3,089
Key management personnel	Compensation in respect of:		
	Short term employee benefits	5,606	5,706
	Retirement benefits	382	423
		Un-audited September 30, 2019	(Audited) June 30, 2019
		Rupees in 000's	
17.2	Period / year end balances		
	Receivable from associated companies	35,005	17,647
	Payable to associated companies	706,541	544,281
	Long-term financing from associated company	546,651	547,953
	Sub-ordinated loan	80,153	80,225
	Short-term financing from associated companies	350,000	50,000
	Short-term financing from director's spouse	-	100,000

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

## **18. 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.

## **19. 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, 2019.

## **20. 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.

## **21. 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.

## **22. DATE OF AUTHORIZATION FOR ISSUE**

This condensed interim financial statements were authorized for issue by the Board of Directors of the Company on October 28, 2019.

## **23. GENERAL**

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



**TASLEEMUDDIN AHMED BATLAY**  
DIRECTOR



**SHAHID AHMED KHAN**  
CHIEF EXECUTIVE OFFICER










**MUHAMMAD AAQIL JAH**  
CHIEF FINANCIAL OFFICER










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