



Half Yearly Report

Period Ended December 31, 2023

illuminating your packaging journey

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CORPORATE INFORMATION BOARD OF DIRECTORS

Mr. Iqbal Ali Lakhani (Chairman)
Mr. Amin Mohammed Lakhani
Ms. Anushka Lakhani
Mr. Aftab Ahmad
Mr. Agha Shah Waliullah
Mr. Farrukh Shauket Ansari
Mr. Ahmed Munaf

ADVISOR

Mr. Sultan Ali Lakhani

AUDIT COMMITTEE

Mr. Farrukh Shauket Ansari (Chairman)
Mr. Amin Mohammed Lakhani
Mr. Ahmed Munaf

HUMAN RESOURCE AND REMUNERATION COMMITTEE

Mr. Farrukh Shauket Ansari (Chairman)
Mr. Amin Mohammed Lakhani
Mr. Amir Ahmed Chapra
Mr. Aftab Ahmad

CHIEF EXECUTIVE OFFICER

Mr. Amir Ahmed Chapra

CHIEF FINANCIAL OFFICER

Mr. Umair Ahmed

COMPANY SECRETARY

Mr. Mansoor Ahmed

AUDITORS

BDO Ebrahim & Co.
Chartered Accountants

BANKERS - CONVENTIONAL

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

BANKERS - ISLAMIC

Meezan Bank Limited
United Bank Limited – Ameen
Al-Baraka Bank (Pakistan) Limited
BankIslami Pakistan Limited
Dubai Islamic Bank Pakistan Limited
Habib Bank Limited - Islamic Banking
MCB Islamic Bank Limited

SHARES REGISTRAR

FAMCO Share Registration Services (Private) Limited

8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shakra-e-Faisal, Karachi.
Website : www.famcosrs.com | Email : info.shares@famcosrs.com
Phone: (021) 34380101-5, (021) 34384621-23

REGISTERED & HEAD OFFICE

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

KARACHI FACTORY

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

MARKETING DIVISIONS

Karachi Factory | Lahore Office

CONTACT US

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DIRECTORS' REPORT TO THE MEMBERS

Dear Shareholders,

The Board of Directors is pleased to present the financial results of the Company for the half-year ended December 31, 2023.

Overview

Pakistan's economy is under pressure. Although PKR parity has shown stability, however, an ongoing economic downturn could impact the parity in the near future. International conflicts and shipping route disruption through the Suez Canal impact commodity prices therefore, there could be an upward surge in imported material affecting the cost of production. Furthermore, the continuous high discount rate and political instability exacerbate the economic crunch.

During the half-year under review, the Company's performance showed slight improvement despite overwhelming challenges. The top line of the Company improved on the back of the increase in prices however, depleting Purchasing Power of the general public influenced the drop in volumes of FMCG which resultantly influenced the Company's sales quantity.

Operating performance

Even amid economic challenges, you would be pleased to note that your company is making progress. For the half-year ended, the Net Revenue surged to PKR 3.54 billion which is higher by 0.52 billion (17.43%) as compared to the corresponding period last year. The Gross margins exhibited growth rising from 7.9% to 8.1% during the half-year.

The operating profit of the Company reached PKR 177.97 million as against PKR 146.61 million during the same period last year which is higher by PKR 31.36 million (21.39%). Financial charges during the period eroded the operating profit earned which is PKR 215.27 million against PKR 146.62 million during the same period last year. The financial charges mainly increased due to the upward revision of the discount rate of certain sponsors' loans upon roll-over. Consequently, the Company reported a Net loss of PKR 61.35 million (LPS: Re. 0.31), in contrast to the previous year's figure of Rs. 63.07 million (LPS: Re. 0.32) for the half-year ended December 2022.

Sale and leaseback of Land and Building

The Extraordinary General Meeting (EOGM) of the Company convened on February 15, 2024. During this meeting, both the Board of Directors and the management provided a thorough analysis, considering various factors including the Company's debt and maturity profile. A comprehensive briefing was presented to the members, emphasizing the strategic significance of the proposal for the Sale and Leaseback transaction of the factory's land and building. This transaction was highlighted for its potential to significantly alleviate the Company's debt burden and substantially enhance its overall financial standing.

As a result of the presentation and deliberations, the Company's shareholders duly approved the sale and leaseback transaction of the Land and Building with a related party during the EOGM. This resolution entails the sale of the Land and Building at a valuation of PKR 1.56 billion, with the proceeds earmarked to settle outstanding loans.

Future prospects

The prevailing economic standstill presents heightened challenges within the business landscape. While certain macroeconomic indicators show signs of improvement, attributed to specific governmental initiatives aimed at strengthening the PKR against the USD, the sustained effectiveness of these measures and reductions in discount rates will determine their long-term impact. Our management remains vigilant, actively monitoring these conditions, and implementing requisite strategies to guide the Company adeptly through these formidable circumstances.

Acknowledgment

The management would like to express its gratitude to all customers, financial institutions, staff members, suppliers, and shareholders who have been associated with the Company for their continued support and cooperation. It would like to especially thank its sponsors for their continued support during the turbulent times and guidance to drive the Company towards growth and advancement.

On behalf of the Board of Directors



Iqbal Ali Lakhani
Chairman



Amir Ahmed Chapra
Chief Executive Officer

Karachi: February 28, 2024



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INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS TO THE MEMBERS MERIT PACKAGING LIMITED

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **MERIT PACKAGING LIMITED** ("the Company") as at December 31, 2023 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, condensed interim statement of cash flows and notes to the condensed interim financial statements for the half year ended December 31, 2023 (here-in-after referred as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with approved accounting standards as applicable in Pakistan for interim financial statements. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Statements Performed by the Independent Auditor of the Entity." A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with approved accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Other matter

The figures for the quarters ended December 31, 2023 and December 31, 2022 in the condensed interim statement of profit or loss and condensed interim statement of other comprehensive income have not been reviewed and we do not express a conclusion on them.

The engagement partner on the review resulting in this independent auditor's report is Tariq Feroz Khan.

KARACHI

DATED: February 28, 2024

BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

UDIN: RR202310166XJy9fNs1

BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2023

	Note	December 31, 2023 (Un-Audited)	June 30, 2023 (Audited)
----Rupees in thousands----			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipments	6	4,334,335	4,292,848
Operating fixed assets	7	75,715	138,068
Capital work in progress		4,410,050	4,430,916
Intangible assets		198	244
Long-term deposits		12,249	12,249
		4,422,497	4,443,409
CURRENT ASSETS			
Stores and spares		72,315	66,163
Stock-in-trade		665,068	763,975
Trade debts	8	1,526,068	1,443,551
Loans and advances		64,203	28,617
Trade deposits and short-term prepayments		21,033	1,915
Other receivables	9	27,691	28,050
Tax refund due from Government		311,364	295,611
Cash and bank balances		12,970	5,647
		2,700,712	2,633,529
		7,123,209	7,076,938
TOTAL ASSETS			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
200,000,000 (June 30, 2023: 200,000,000) ordinary shares of Rs. 10/- each		2,000,000	2,000,000
Issued, subscribed and paid-up capital		1,999,584	1,999,584
Capital reserve			
Surplus on revaluation of property, plant and equipment		1,855,840	1,883,552
Equity portion of loan - associated company		845,462	622,382
Share Premium Reserve		298,325	298,325
Revenue reserves			
General reserves		106,800	106,800
Accumulated losses		(2,022,052)	(1,988,415)
		3,083,959	2,922,228
NON-CURRENT LIABILITIES			
Sub-ordinated loan		248,102	238,767
Long-term financing	10	1,096,098	1,299,815
Deferred taxation		9,089	29,464
		1,353,289	1,568,046
CURRENT LIABILITIES			
Trade and other payables		1,700,781	1,734,532
Mark-up accrued		39,886	48,159
Short-term borrowings		851,518	676,683
Current portion of long-term financing	10	93,647	127,161
Un-claimed dividend		129	129
		2,685,961	2,586,664
		7,123,209	7,076,938
TOTAL EQUITY AND LIABILITIES			
CONTINGENCIES AND COMMITMENTS			
	11		

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.



Iqbal Ali Lakhani
Director



Amir Ahmed Chapra
Chief Executive Officer



Umair Ahmed
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)

FOR THE PERIOD ENDED DECEMBER 31, 2023

	Note	Half year ended		Quarter ended	
		December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
-----Rupees in thousands-----					
Sales - net	12	3,544,769	3,018,931	1,790,240	1,627,097
Cost of sales		(3,257,513)	(2,780,137)	(1,659,545)	(1,524,676)
Gross profit		287,256	238,794	130,695	102,421
General and administrative expenses		(68,014)	(51,454)	(37,539)	(26,723)
Selling and distribution expenses		(44,973)	(48,346)	(24,736)	(23,893)
Other income		9,143	12,502	5,745	3,351
Other operating expenses		(5,444)	(4,882)	3,442	(2,134)
		(109,288)	(92,180)	(53,088)	(49,399)
Operating profit		177,968	146,614	77,607	53,022
Financial charges		(215,267)	(164,615)	(107,992)	(90,559)
Loss before taxation		(37,299)	(18,001)	(30,385)	(37,537)
Taxation	13	(24,050)	(45,073)	(14,213)	(28,974)
Loss for the period		(61,349)	(63,074)	(44,598)	(66,511)
Loss per share - basic and diluted (Rupee)	14	(0.31)	(0.32)	(0.22)	(0.33)


The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.



Iqbal Ali Lakhani
Director



Amir Ahmed Chapra
Chief Executive Officer



Umair Ahmed
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF **COMPREHENSIVE INCOME (UN-AUDITED)** FOR THE PERIOD ENDED DECEMBER 31, 2023

	Half year ended		Quarter ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	-----Rupees in thousands-----			
Loss for the period	(61,349)	(63,074)	(44,598)	(66,511)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	<u>(61,349)</u>	<u>(63,074)</u>	<u>(44,598)</u>	<u>(66,511)</u>

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.



Iqbal Ali Lakhani
Director



Amir Ahmed Chapra
Chief Executive Officer



Umair Ahmed
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED DECEMBER 31, 2023

	Capital Reserves				Revenue Reserves			Total	
	Issued, subscribed and paid-up capital	Surplus on revaluation of property, plant and equipment	Share Premium Reserve	Equity portion of loan from associated company	Sub Total	General Reserve	Accumulated losses		Sub Total
-----Rupees in Thousands-----									
Balance as at July 01, 2022 (Audited)	1,999,584	799,735	298,325	521,202	1,619,262	106,800	(1,880,132)	(1,773,332)	1,845,514
Total comprehensive loss for the period ended Dec 31, 2022									
Loss for the period	-	-	-	-	-	-	(63,074)	(63,074)	(63,074)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Transferred to unappropriated profit on account of incremental depreciation (net of tax)	-	(1,833)	-	-	(1,833)	-	1,833	1,833	-
Balance as at December 31, 2022 (Un-audited)	1,999,584	797,902	298,325	521,202	1,617,429	106,800	(1,941,373)	(1,834,573)	1,782,440
Balance as at July 01, 2023 (Audited)	1,999,584	1,883,552	298,325	622,382	2,804,259	106,800	(1,988,415)	(1,881,615)	2,922,228
Total comprehensive loss for the period ended Dec 31, 2023									
Loss for the period	-	-	-	-	-	-	(61,349)	(61,349)	(61,349)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Transaction with owners									
Equity portion of loan	-	-	-	223,080	223,080	-	-	-	223,080
Transferred to unappropriated profit on account of incremental depreciation (net of tax)	-	(27,712)	-	-	(27,712)	-	27,712	27,712	-
Balance as at December 31, 2023 (Un-audited)	1,999,584	1,855,840	298,325	845,462	2,999,627	106,800	(2,022,052)	(1,915,252)	3,083,959

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.



Iqbal Ali Lakhani
Director



Amir Ahmed Chapra
Chief Executive Officer



Umair Ahmed
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

FOR THE PERIOD ENDED DECEMBER 31, 2023

	Note	Half year ended	
		December 31, 2023	December 31, 2022
----Rupees in thousands----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	15	207,451	176,249
Taxes paid		(45,917)	(11,723)
Financial charges paid		(130,279)	(88,665)
Long-term deposits, loans and advances - net		-	(7,243)
Net cash generated from operating activities		31,255	68,618
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(100,791)	(54,321)
Proceeds from sale of property, plant and equipment		99	-
Net cash used in investing activities		(100,692)	(54,321)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term financing - Banks		(98,075)	(135,697)
Ijarah lease rentals payment - net		-	(12)
Net cash used in financing activities		(98,075)	(135,709)
Net decrease in cash and cash equivalents		(167,512)	(121,412)
Cash and cash equivalents at beginning of the period		(671,036)	(692,019)
Cash and cash equivalents at end of the period		(838,548)	(813,431)
CASH AND CASH EQUIVALENTS:			
Cash and bank balances		12,970	6,151
Short-term borrowings		(851,518)	(819,582)
		(838,548)	(813,431)

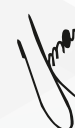
The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.



Iqbal Ali Lakhani
Director



Amir Ahmed Chapra
Chief Executive Officer



Umair Ahmed
Chief Financial Officer

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE PERIOD ENDED DECEMBER 31, 2023

1 NATURE AND STATUS OF THE COMPANY

- 1.1 Merit Packaging Limited ("the Company") was incorporated on January 28, 1980 in Pakistan as a public limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and is listed on the Pakistan Stock Exchange. The Company is mainly engaged in the manufacture and sale of printing and packaging materials.
- 1.2 The Company incurred loss for the half year ended December 31, 2023 amounting to Rs. 61.349 million (December 31, 2022: Rs. 63.074 million) and its accumulated losses as at December 31, 2023 stood at Rs. 2,022.052 million (June 30, 2023: Rs. 1,988.415 million). Overall performance of the company has been improved from last interim period as the Company has earned operating profit of Rs. 177.968 million (December 31, 2022: Rs. 146.614 million). The management's assessment to the said operating profit represents better market competitive margin from customers, increase in volume from existing customers and effective operational cost management. The Company has better prospects of future profitability as per its financial projections based on its current competitive position in the market. Further, subsequent to the period end, the Company has also initiate a transaction of sale and lease back with its related party as referred in note 6.3 of the financial statements that would likely to improve the profitability of the Company.

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 factory of the Company is located at Plot No. 17-B, Sector 29, Korangi Industrial Area, Karachi, Pakistan.

3 BASIS OF PREPARATION

3.1 Statement of compliance

These condensed interim financial statements of the Company for the half year ended December 31, 2023 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
- Provisions of and directives issued under the Companies Act, 2017 along with part VIII A of the repealed Companies Ordinance, 1984; and

Where the provisions of and directives issued under the Companies Act, 2017 differ from 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 the 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, 2023 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 annual financial statements.

The comparative statement of financial position presented in these condensed interim financial statements has been extracted from the annual audited financial statements of the Company for the year ended June 30, 2023, whereas the comparative condensed interim statement of profit or loss, 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 half year ended December 31, 2022.

3.2 Functional and presentation currency

This condensed interim financial statements is presented in Pakistan rupee ('Rupees' or 'Rs.'), which is the Fund's functional and presentational currency.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE PERIOD ENDED DECEMBER 31, 2023

4 MATERIAL ACCOUNTING POLICIES

The Company adopted the narrow-scope amendments to the International Accounting Standard (IAS) 1, Presentation of Financial Statements which have been effective for annual reporting periods beginning on or after 1 January 2023. Although the amendments did not result in any changes to accounting policy themselves, they will impact the accounting policy information disclosed in the annual financial statements.

The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose 'significant accounting policies' with 'material accounting policy information'. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

These amendments had no effect on the interim condensed financial statements of the Company as they relate to disclosures of accounting policies in the annual financial statements rather than interim financial statements. The amendments are expected to be applicable for the accounting policy disclosures in the annual financial statements of the Company.

However, the accounting policies and methods of computation followed for the preparation of these condensed interim financial statements are the same as those applied in preparing the annual audited financial statements for the year ended June 30, 2023.

4.1 Initial application of standards, amendments or an interpretation to existing standards

a) Standards, amendments and interpretations to accounting standards that are effective in the current period

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on July 01, 2023, but are considered not to be relevant or expected to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these condensed interim financial statements.

b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

There are certain standards, amendments to the accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2024, but are considered not to be relevant or expected to have any significant effect on the Company's operations and are, therefore, not detailed in these condensed interim financial statements.

5 ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

5.1 The preparation of condensed interim financial statements requires management to make certain judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, 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, 2023.

5.2 Property, plant, and equipment

Depreciation is charged on property, plant, and equipment, except land, capitalized during the year from the month the asset is available for use up to the month immediately preceding the disposal.

During the period effective on July 01, 2023, the Company reassessed its accounting estimate for depreciation rate and depreciation method due to more experience, modern technology and to better reflect the consumption of the asset's economic benefits and align the accounting practices with industry best standards. The Company changes its depreciation method from the straight-line method to the reducing balance method. The revision of depreciation rate and change of depreciation method are accounted for prospectively as a change in the accounting estimate and has no retrospective effect on prior financial periods.

The change in estimate affect the current period and future years' depreciation charge, carrying amount of assets, and profit after tax. The effect of the change in estimate on current period and future years on the following:

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE PERIOD ENDED DECEMBER 31, 2023

	Current Period		Subsequent Years			
	December 31, 2023	June 30, 2024	June 30, 2025	June 30, 2026	June 30, 2027	June 30, 2028
	----- Rupees in thousands -----					
Increase/ (decrease) in depreciation charge	(49,189)	(98,378)	(73,714)	(72,257)	(52,061)	(49,915)
Increase / (decrease) in carrying amount	49,189	98,378	73,714	72,257	52,061	49,915
Increase / (decrease) in profit after tax	83,949	167,897	97,838	97,346	77,461	75,533

Depreciation is charged on assets as follows:

	Depreciation rate effective on July 01, 2023	Depreciation rate for year ended June 30, 2023
Buildings	10%	2% to 5.83%
Plant and machinery	7%	2.90% to 33.33%
Furniture and fixtures	10%	6.67% to 33.33%
Motor vehicles	10%	6.67% to 33.33%
Office equipment	10%	5.88% to 50%

Nature of the Change:

The change in depreciation rate and depreciation method involves changing of depreciation rate and the depreciation method from a straight line to a reducing balance method. This change is applied to the whole property, plant, and equipment except for computers and accessories which remained on a straight-line basis. The decision to make this change is based on a thorough review of the company's accounting policies and a determination that the new method better reflects the pattern in which the assets contribute to the entity's future economic benefits.

6	OPERATING FIXED ASSETS	Note	December 31, 2023	June 30, 2023
			(Un-Audited)	(Audited)
			----Rupees in thousands----	
	Opening net book value (NBV)		4,292,848	2,911,270
	Additions during the period / year at cost	6.1	163,144	179,593
	Revaluation surplus recognized during the period / year		-	1,391,501
			4,455,992	4,482,364
	Disposals during the period / year at NBV		(100)	(106)
	Depreciation charge for the period / year		(121,557)	(189,410)
			(121,657)	(189,516)
	Closing net book value (NBV)		4,334,335	4,292,848
6.1	Detail of additions (at cost) during the period / year are as follows:			
	Building / improvements on leasehold land		71,450	87,022
	Plant and machinery		35,612	56,806
	Furniture and fixtures		8,748	3,223
	Office equipment		7,712	25,981
	Computer equipment		3,447	5,937
	Electrical installation		36,175	624
			163,144	179,593

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE PERIOD ENDED DECEMBER 31, 2023

- 6.2** In accordance with International Accounting Standard (IAS) 8, the entity has revised its depreciation method, constituting a change in accounting estimate. The company has transitioned from the previous depreciation method, Straight Line Method, to the new depreciation method, Reducing Balance Method, effective from July 01, 2023. The change is prospective and has no retrospective effect on prior financial periods.

This change is deemed necessary to better reflect the consumption of the asset's economic benefits and align our accounting practices with industry best standards. The adoption of the reducing balance method is expected to provide a more accurate representation of the economic realities of our business operations.

Had there been no change in the accounting estimate, the loss after tax for the period ended December 31, 2023 would have been higher by Rs 83.949 million and carrying value of property, plant and equipment as at that date would have been lower by Rs 49.189 million.

- 6.3** The Board of Directors of the Company in their meeting held on January 09, 2024 approved the disposal of the Land and Factory Building thereon keeping in view the analyses of the Audit Committee, the fair market value recommendations by valuation firms in Pakistan. The Board of Directors resolved the same considering the liabilities of the Company and made note of the maturity of loans due on the Company. The Board would like to continue operation uninterruptedly and a related group entity has agreed to purchase and leaseback the land and factory building to allow the company to maintain continuous operations. The Board of Directors of the Company approved a simultaneous arrangement of the sale of Land and Building and leaseback from its related party, SIZA Services (Private) Limited, to settle the pressing liabilities of the company. Under the arrangement, land and factory building of the company will be sold for an aggregate sale consideration of Rs. 1,554 million assessed by the independent valuer. The matter was considered at the Extraordinary General Meeting (EOGM) held on February 15, 2024. The transaction was approved by the members at the EOGM. Accordingly, the effect of these adjustments are not reflected in these condensed interim financial statement.

The proceeds from this arrangement will be utilized to settle the loans towards the lenders, including the related parties.

	Note	December 31, 2023	June 30, 2023
		(Un-Audited)	(Audited)
---Rupees in thousands---			
7 CAPITAL WORK IN PROGRESS			
This comprises of:			
Civil works		25,895	138,068
Plant and machinery		49,820	-
	7.1	<u>75,715</u>	<u>138,068</u>
7.1 Movement of carrying amount			
Opening balance		138,068	77,260
Additions (at cost) during the period / year		100,791	240,401
		<u>238,859</u>	<u>317,661</u>
Transfer to operating fixed assets during the period / year		(163,144)	(179,593)
Closing balance		<u>75,715</u>	<u>138,068</u>
8 TRADE DEBTS			
Unsecured - considered good			
Due from associated companies		507,683	570,135
Others		1,018,385	873,416
		<u>1,526,068</u>	<u>1,443,551</u>
Unsecured - considered doubtful			
Others		48,681	48,681
Allowance for expected credit losses		(48,681)	(48,681)
		<u>1,526,068</u>	<u>1,445,574</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE PERIOD ENDED DECEMBER 31, 2023

	December 31, 2023 (Un-Audited)	June 30, 2023 (Audited)
	----Rupees in thousands----	
9 OTHER RECEIVABLES		
Unsecured-considered good		
Due from associated company	-	360
Receivable from gratuity fund	26,452	26,452
Others	1,239	1,238
	27,691	28,050
10 LONG TERM FINANCING		
Secured		
From banking companies	187,295	285,370
Less: Current portion shown under current liabilities	(93,647)	(127,161)
	93,648	158,209
Unsecured - From associated undertaking		
Opening balance	1,141,606	1,113,225
Add : Notional mark up	83,924	129,560
Less : Present value adjustment	(223,080)	(101,179)
	1,002,450	1,141,606
	1,096,098	1,299,815

11 CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

There were no contingencies as at December 31, 2023.

11.2 Commitments

There are commitments amounting to Rs. 50.37 million against the purchase of capital stores, spares and raw materials under contractual obligation as at December 31, 2023. (June 30, 2023: Rs. 31.67 million).

	Half year ended		Quarter ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	-----Rupees in thousands-----			
12 SALES - NET				
Gross sales				
Local sales	4,186,768	3,534,614	2,115,328	1,905,953
Less:				
Sales tax	(638,058)	(514,352)	(322,243)	(277,675)
Sales return	(3,941)	(1,331)	(2,845)	(1,181)
	(641,999)	(515,683)	(325,088)	(278,856)
	3,544,769	3,018,931	1,790,240	1,627,097

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE PERIOD ENDED DECEMBER 31, 2023

	Half year ended		Quarter ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
-----Rupees in thousands-----				
13 TAXATION				
Current	44,424	37,888	22,084	20,380
Prior	-	49,890	-	49,890
Deferred	(20,374)	(42,705)	(7,871)	(41,296)
	<u>24,050</u>	<u>45,073</u>	<u>14,213</u>	<u>28,974</u>

13.1 Provision for current taxation is based on minimum / turnover tax at the current rates of taxation after taking into account tax credits (if any). Income subject to final tax has been taxed accordingly.

13.2 Total deferred tax liability arising due to timing difference calculated at applicable tax rates as at reporting date amounted to Rs. 327.919 million (June 30, 2023: Rs. 263.119 million). Out of this balance, deferred tax asset amounting to Rs. 337.006 million (June 30, 2023: Rs. 292.583 million) has not been recognized in these financial statements in accordance with the stated accounting policy of the Company.

14 (LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED

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

	Half year ended		Quarter ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Loss for the period (Rupees in thousand)	(61,349)	(63,074)	(44,598)	(66,511)
Weighted average number of ordinary shares (in thousand)	199,958	199,958	199,958	199,958
Loss per share (Rupee)	(0.31)	(0.32)	(0.22)	(0.33)

	Half year ended	
	December 31, 2023	December 31, 2022
Note -----Rupees in thousands-----		
15 CASH GENERATED FROM OPERATIONS		
Loss before taxation	(37,299)	(18,001)
Adjustment for non-cash and other items:		
Financial charges	215,267	164,615
Depreciation	121,557	92,813
Amortization	46	123
Loss on disposal of property, plant and equipment	1	-
Government grants	-	(294)
Ijarah lease rentals	-	12
	<u>336,871</u>	<u>257,269</u>
Profit before working capital changes	299,572	239,268
Working capital changes	15.1 (92,121)	(63,019)
	<u>207,451</u>	<u>176,249</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE PERIOD ENDED DECEMBER 31, 2023

December 31, **December 31,**
2023 **2022**

----Rupees in thousands----

15.1 Working capital changes

(Increase) / decrease in current assets:

Stores and spares	(6,152)	(12,311)
Stock-in-trade	98,907	(63,416)
Trade debts	(82,517)	(403,552)
Loans and advances	(35,586)	(6,469)
Trade deposits and short term prepayments	(19,118)	(10,418)
Other receivables	359	(1,939)
Tax refund due from Government	(14,261)	17,704
	(58,368)	(480,401)

(Decrease) / increase in current liabilities:

Trade and other payables	(33,753)	417,382
	(92,121)	(63,019)

16 TRANSACTIONS WITH RELATED PARTIES

16.1 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:

Nature of transaction	Nature of Relation	Basis of Relation	Half year ended		Quarter ended	
			December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
					Rupees	Rupees
Sales of goods, Services and Reimbursement of expenses:						
Colgate Palmolive Pakistan Limited	Associated company	Common Director	1,591,400	1,078,244	767,413	555,309
Century Paper & Board Mills Limited	Associated company	Common Director	92,991	93,017	46,168	50,280
Cyber Internet Services (Private) Limited	Associated company	Common Director	-	60	-	-
Caraway (Private) Limited	Associated company	Common Director	3,671	642	1,276	444
SIZA Foods (Private) Limited	Associated company	Common Director	1,396	-	1,396	-
Purchase of goods, services and Reimbursement of expenses:						
Century Paper & Board Mills Limited	Associated company	Common Director	1,728,491	1,806,075	839,788	887,173
Century Insurance Company Limited	Associated company	Common Director	10,773	12,059	6,812	7,180
Princeton Travels (Private) Limited	Associated company	Common Director	2,486	547	2,021	327
Lakson Business Solutions Limited	Associated company	Common Director	2,014	1,405	1,007	968
SIZA Services (Private) Limited	Associated company	Common Director and 24.20% shares held	1,738	1,314	869	657
Cyber Internet Services (Private) Limited	Associated company	Common Director	1,431	980	604	577
Sybrid (Private) Limited	Associated company	Common Director	-	1,273	-	1,273
Rent & Other Allied Charges						
Hassanali & Gulbano Lakhani Foundation	Associated company	Trustee	205	112	96	56
Insurance claim						
Century Insurance Company Limited	Associated company	Common Director	1,100	759	683	295
Others						
Remuneration and other benefits	Key Management Personnel		12,725	7,967	6,863	3,984
Contribution to Staff Retirement Benefit Plans	Employees Fund		4,592	4,510	-	2,238

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE PERIOD ENDED DECEMBER 31, 2023

December 31, 2023 (Un-Audited)	June 30, 2023 (Audited)
----Rupees in thousands----	

16.2 Period / year end balances:

Receivable from associated companies	507,683	570,135
Payable to associated companies	995,383	964,124
Long-term financing from associated company	1,002,450	1,141,605
Sub-ordinated loan	248,102	238,767

16.3 The above transactions with related parties are at agreed terms on normal commercial rates as per duly approved by the Board of Directors.

17 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 currency 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, 2023.

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The carrying values of all financial assets and liabilities reflected in the condensed interim financial statements approximate their fair values. Fair value is the amount 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.

19 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and better presentation.

20 GENERAL

20.1 This condensed interim financial statements is unaudited and has been reviewed by the auditors. Furthermore, the figures for the quarter ended December 31, 2023 as reported in this condensed interim financial statements has not been subject to limited scope review by the auditors.

20.2 Figures have been rounded off to the nearest thousand rupees unless stated otherwise.

21 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue by the Board of Directors of the Company on February 28, 2024



Iqbal Ali Lakhani
Director



Amir Ahmed Chapra
Chief Executive Officer



Umair Ahmed
Chief Financial Officer

OUR OFFSET PORTFOLIO



OUR FLEXIBLE PORTFOLIO

