

Annual Report 2023



# Annual Report 2023

illuminating your packaging journey

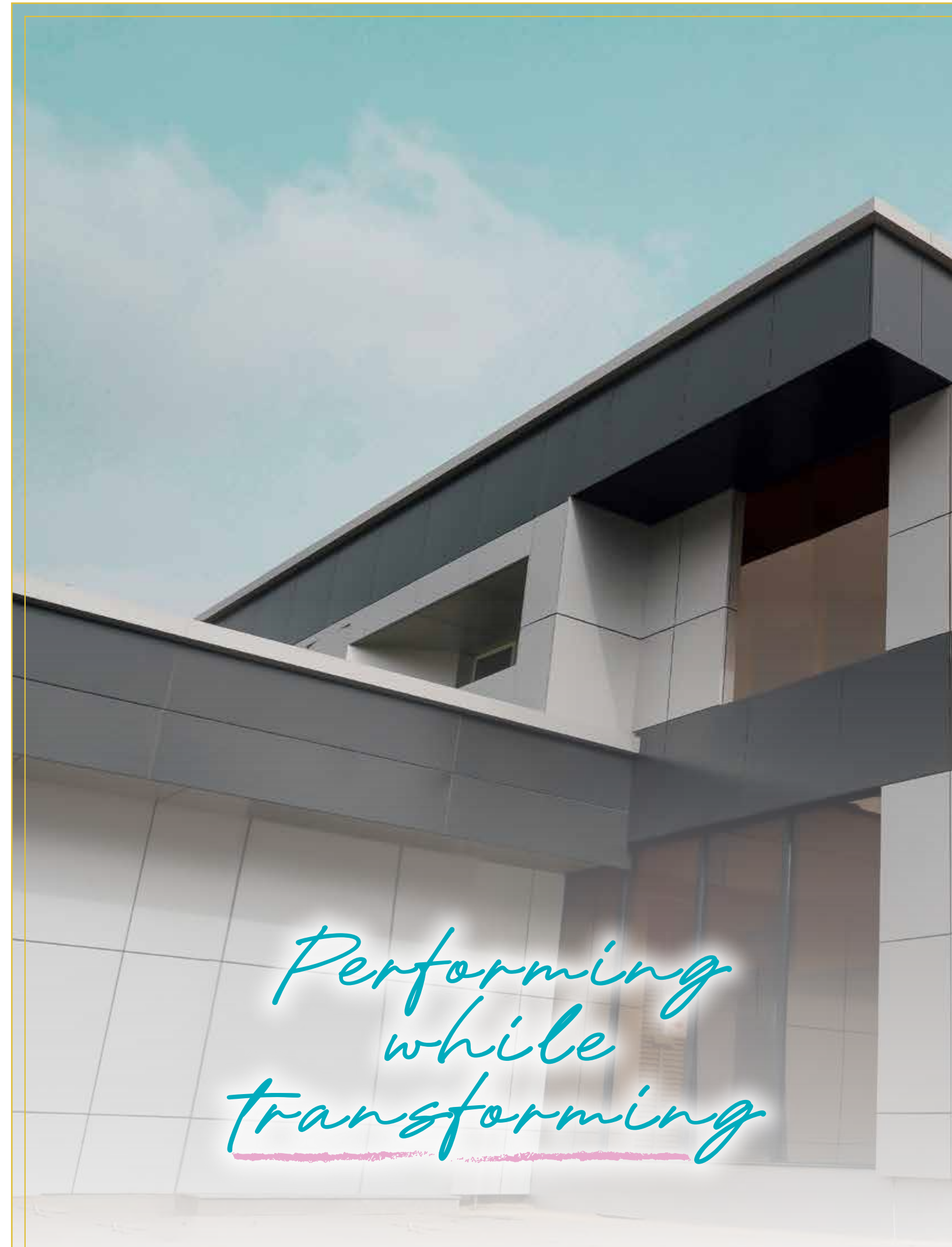
Merit Packaging Limited



✉ [info@meritpack.com](mailto:info@meritpack.com)

🌐 [www.meritpack.com](http://www.meritpack.com)

🏠 17-B, Sec 29, Korangi Industrial Area, Karachi-75180/Pakistan



## OUR OFFSET PORTFOLIO



## OUR FLEXIBLE PORTFOLIO





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# Welcome to Merit Packaging Limited!

Being the leading packaging company, we believe that packaging is not just a means of protecting products but is an integral part of the overall branding and customer experience. Our mission is to illuminate the packaging journey for our clients by providing innovative and sustainable solutions that enhance their products and exceed their expectations. With years of experience and expertise in the industry, we work closely with our clients to understand their unique needs and deliver customized packaging solutions that help them stand out in the market. From design to delivery, our team of professionals is committed to delivering exceptional customer service and ensuring that the packaging experience is seamless from start to finish.

We are pleased to present the annual report for Merit Packaging Limited, a company that believes in illuminating the packaging journey. This report highlights our achievements, challenges, and progress during the fiscal year 2023. In a dynamic business environment, we have continued to pursue excellence in packaging solutions, driven by innovation, sustainability and customer satisfaction.

Our wide range of packaging solutions caters to various industries, including food and beverage, pharmaceuticals, and consumer goods.

# IQBAL ALI LAKHANI

## CHAIRMAN



### **Mr. Iqbal Ali Lakhani**

has over 45 years of top management experience in group companies in finance, marketing, manufacturing industry and government relations. His special interests include marketing, finance, total quality management and re-engineering.

Mr. Lakhani is Chairman of the Corporate Boards of 4 Lakson Group Companies which are listed on the Stock Exchange covering a diversified range of businesses such as paper & paperboard, soap, detergents, toothpaste, printing & packaging and insurance. The spectrum of 36 unlisted public & private Companies includes Surgical Instruments Media (T.V. & Print), software development & consultancy, travel & tourism, aviation industry, investment & mutual funds, ISP-broad band & Data Centre, Business Process Outsourcing house into call Centre & I.T.

He is also Trustee of Hasanali & Gulbanoo Lakhani Foundation (A Lakson Group Welfare Trust), providing educational and medical facilities to the needy and deserving people and helping in other social activities. He is also Trustee of Lakson Medical Trust and R & I Trust.

### **Recognition at National Level:**

- Awarded Sitara-e- Imtiaz by Govt. of Pakistan for his philanthropy work (2019).

### **Important Positions Held:**

- Charter Member of The Indus Entrepreneurs
- Member Board of Trustees of the Layton Rahmatullah Benevolent Trust.
- Held the position of Director of Pakistan Business Council
- Chairman Cigarette Manufacturers Association of Pakistan,
- Chairman Aga Khan Economic Planning Board for Pakistan
- Vice President American Business Council of Pakistan.

### **Education:**

- Acquired his Bachelor Degree from the University of California – Berkeley.
- Remained member of the PSI-National Accounting Fraternity; Honor Student's Society and Phi Beta Kappa.
- Recipient of departmental award for outstanding undergraduate achievement.

# MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

The past year has been a remarkable one for Merit Packaging Limited. We have continued our mission of innovation, transformation and efficiency through a customer-centric approach. Our ability to adapt to the evolving needs of the packaging industry has enabled us to stay at the forefront of innovation and maintain our competitive edge.

We have achieved significant milestones during this reporting period, enabling us to expand our customer base and forge stronger relationships. Our commitment to operational excellence has been unwavering. We have made strategic investments in our manufacturing facilities, technologies and processes to enhance efficiency and productivity. These enhancements have not only strengthened our capabilities but also allowed us to deliver products of exceptional quality and reliability.

At Merit Packaging Limited, we understand that our success is deeply interconnected with the wellbeing of our employees and the communities in which we operate. We have taken significant strides in fostering employee wellbeing, providing a supportive work environment and promoting work-life balance. Our employee wellness programs, mentorship initiatives and leadership development workshops have empowered our employees to thrive both personally and professionally.

We also recognize our responsibility as a corporate citizen. We actively engage in community outreach programs and contribute to causes that make a positive impact on society. Looking ahead, we are filled with optimism and determination. We will strive to stay at the forefront of emerging trends and technologies in the packaging industry. We plan to drive growth through significant investments in human capital, company infrastructure and cutting-edge technology, reaffirming our commitment to innovation and excellence.



"In closing, I extend my heartfelt gratitude to our esteemed sponsors for their unwavering support and belief in our management, especially during challenging times. Secondly, I wish to convey my sincere thanks to our dedicated shareholders, exceptional employees, loyal customers and invaluable partners for remaining steadfast in our journey. Together, we will continue to illuminate the packaging journey, setting new standards of excellence and shaping the future of the industry."

A stylized, handwritten signature in black ink, consisting of a large 'A' and 'C' intertwined.

Amir Ahmed Chapra  
C.E.O



## OUR VISION

“Performing while transforming.”

## OUR MISSION

"We are dedicated to providing sustainable packaging solutions that redefine industry standards and empower our partners' success."

## OUR VALUES

Our values and priorities have helped our business to continue to forge ahead during the unprecedented challenges of the past year.



INTEGRITY



DIVERSITY &  
INCLUSION



SUSTAINABILITY



INNOVATION



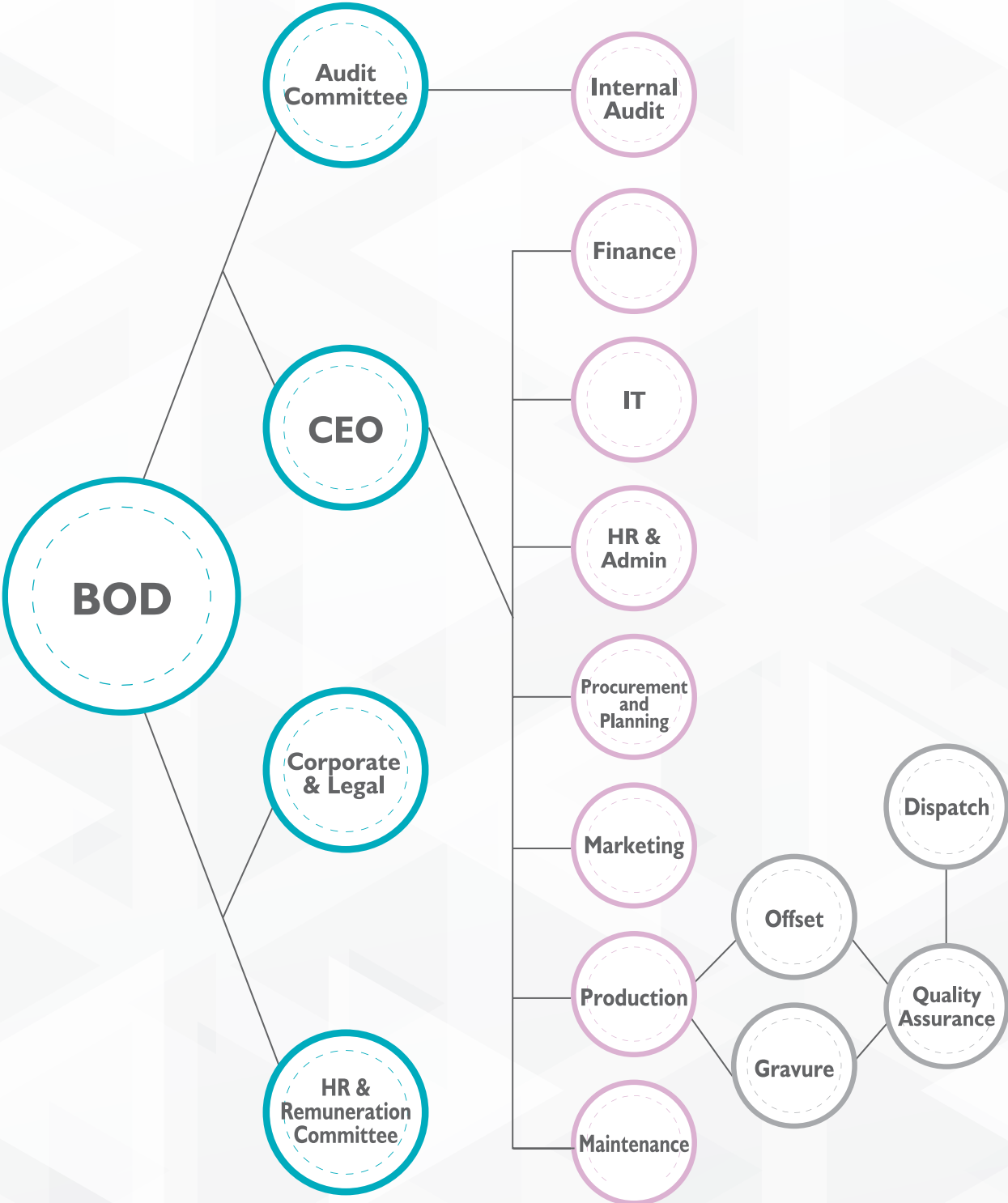
TEAM WORK



PARTNERSHIP



# ORGANIZATIONAL STRUCTURE



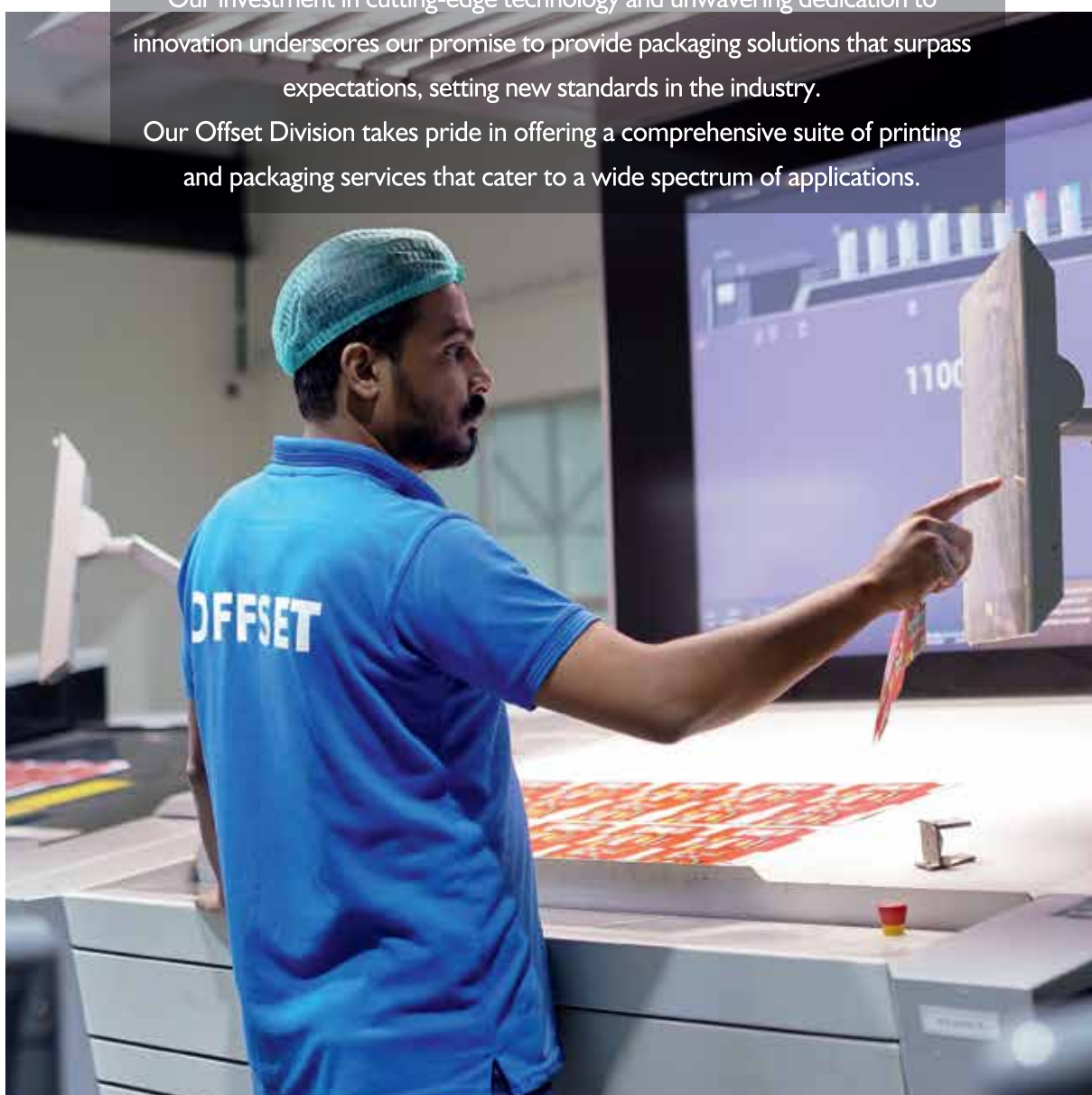
At Merit Packaging Limited, we are committed to providing the best quality packaging solutions to our customers. We are aligning our processes and introducing new strategies to optimize our production capacity for continuous improvement, while simultaneously taking steps to ensure the safety of our people and products. We deal with offset and flexible printing & packaging. To achieve this, Merit Packaging Limited is equipped with state-of-the-art machines and technology.

## OFFSET DIVISION

At the Offset Division of Merit Packaging Limited, we transcend conventional goals and ideas by embodying a proactive approach to achieving our objectives.

Our investment in cutting-edge technology and unwavering dedication to innovation underscores our promise to provide packaging solutions that surpass expectations, setting new standards in the industry.

Our Offset Division takes pride in offering a comprehensive suite of printing and packaging services that cater to a wide spectrum of applications.



# PREPRESS



Our prepress department is equipped with a Kodak Thermal Plate-setter. Renowned for delivering unmatched accuracy, stability, and reliability, the Kodak Thermal Plate-setter minimizes plate remakes, reduces variable adjustments, and enhances print quality.

# COLOR MANAGEMENT



**GMG Color Management Software:-** Additionally, the recent integration of GMG Color Management Software empowers us with precise color management, leading to optimized ink consumption and superior print quality. This advantage sets us apart by minimizing errors and elevating productivity.

# PRINTING

We house four advanced printing machines, i.e., Heidelberg, Komori etc. These machines are capable of achieving a maximum printing speed of 18,000 impressions per hour. These machines are meticulously customized to produce innovative and special printing effects, ensuring that our packaging designs captivate and engage.



# DIE CUTTING

The division boasts seven cutting-edge Creasing & Cutting Machines, including four BOBST and three Iberica machines and a Foiling Machine. Operating at a maximum cutting speed of 7500 sheets/hour, these machines excel at precision cutting, stripping, and blanking, enhancing the efficiency and quality of our products.



# FOLDING & GLUING

Our Folding & Gluing department features six high-speed pasting machines sourced from renowned manufacturers such as BOBST, VEGA, and Duran. These machines exhibit can run at a staggering speed of 400m/min and specialize in pasting laminated and metalized boxes, providing an aesthetic touch to the final product.



# FLEXIBLE PACKAGING DIVISION

In addition to our Offset Division, our Flexible Packaging Division contributes to our commitment to excellence in packaging. This unit houses a nine Coloured BOBST printing machine as well as two solvent-based and solvent less lamination machines, three slitting machines, and two Rewinders. This comprehensive setup ensures that we can deliver flexible packaging solutions with unparalleled quality and versatility.



## PRINTING



## LAMINATION



## SLITTING



## REWINDING





# CORPORATE SOCIAL RESPONSIBILITY

At Merit Packaging Limited, we firmly believe in giving back to society and operating in an ethical and sustainable manner. In line with our commitment to corporate social responsibility, we initiated several initiatives to contribute to the communities in which we operate. These initiatives included supporting local educational institutions, promoting recycling programs and engaging in volunteer activities; like plantation and blood donation drive.







Plantation Drive



Ration Distribution



Blood Donation Drive



Meat Distribution



# PEOPLE & CULTURE

Merit Packaging Limited believes in the holistic wellbeing of its employees and the communities in which it operates. The company has implemented various initiatives to support employee wellbeing, promote work-life balance, and contribute to the betterment of the community. Here is a detailed analysis of the initiatives taken:

## i. WORK-LIFE BALANCE SUPPORT:

Merit Packaging Limited understands the importance of work-life balance in maintaining employee wellbeing. The company promotes a culture of work-life balance through awareness campaigns, workshops on stress management, and encouraging employees to take breaks and vacations to recharge.

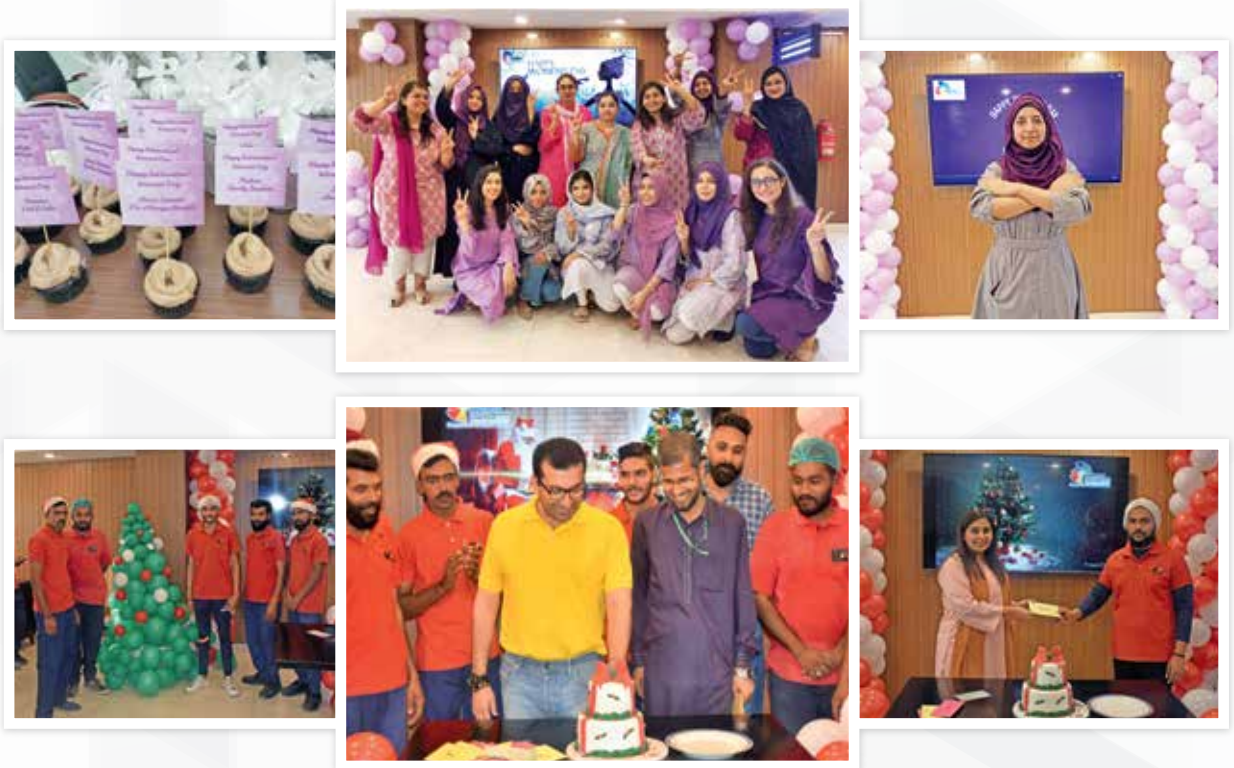


## ii. COMMUNITY ENGAGEMENT AND VOLUNTEERING:

Merit Packaging Limited actively engages in community outreach programs and encourages employee volunteering. The company supports various social causes such as education, healthcare and environmental conservation. Merit Packaging Limited also collaborates with local organizations and non-profit groups to support community development projects and provide resources for underprivileged communities.

### iii. DIVERSITY AND INCLUSION PROGRAMS:

Merit Packaging Limited fosters a diverse and inclusive workplace by promoting equal opportunities and respect for all employees. The company values diversity and actively supports initiatives that celebrate different cultures, backgrounds, and perspectives. Diversity and inclusion training programs are conducted to raise awareness, build empathy, and create an inclusive work environment where every employee feels valued and respected.



### iv. EMPLOYEE RECOGNITION AND REWARDS:

Merit Packaging Limited acknowledges and appreciates employee contributions through a robust recognition and rewards program. Outstanding performance, innovation and contributions to the community are recognized and rewarded, fostering a culture of appreciation and motivation. These initiatives demonstrate Merit Packaging Limited's commitment to prioritizing the wellbeing of its employees and the communities it serves.



## v. MENTORSHIP PROGRAMS:

Merit Packaging Limited recognizes the value of mentorship in personal and professional growth. The company has implemented mentorship programs that connect experienced leaders with employees seeking guidance and support.

Mentors provide valuable insights, share their experiences, offer advice, and help mentees navigate their career paths within the organization.

These mentorship programs foster a culture of learning, knowledge sharing, and career development, while also building strong relationships and networks within the company.



## vi. SUCCESSION PLANNING AND TALENT DEVELOPMENT:

Merit Packaging Limited places emphasis on succession planning to ensure a smooth transition of leadership roles and maintain continuity in the organization's growth.

Through talent development initiatives, the company identifies high-potential employees and provides them with targeted training, exposure to different areas of the business, and opportunities for career advancement.

Succession planning and talent development programs help build a strong leadership bench and ensure the availability of capable leaders to drive the company's future success in a dynamic and competitive business environment.



# Our People



FINANCE



INFORMATION TECHNOLOGY



HR & ADMIN



INTERNAL AUDIT



MARKETING



PLANNING



QUALITY



PRE-PRESS



MAINTENANCE



HVAC



DISPATCH



SUPPLY CHAIN



HSE



STORE



GRAVURE PRODUCTION





OFFSET PRODUCTION



OFFSET-PRINTING



OFFSET-CREASING & CUTTING



OFFSET-BREAKING



OFFSET-FOLDING & GLUING



## **MR. AMIN MOHAMMED LAKHANI**

### **DIRECTOR**

An MBA in Finance and International Business from The Wharton School of Business, University of Pennsylvania (USA) and holder of Bachelor of Science in Industrial Engineering from Stanford University (USA), Mr. Amin Mohammed Lakhani is part of the Executive Leadership Team of Lakson Group of Companies.

Mr. Amin Mohammed Lakhani is Chief Executive Officer of SIZA Foods (Private) Limited, the franchise holders of McDonald's restaurants in Pakistan, a world known Multinational Corporation serving fast foods. Under his dynamic leadership, SIZA has succeeded in a short period of 24 years in making McDonald's a household name in Pakistan, expanding the network of its restaurants to 43 in key cities of the country. He has also won "Golden Arches Award" 2011 from McDonald's Corporation, the highest award an owner operator can receive from McDonald's.

His rich experience in finance, marketing, management and production spanning over 32 years has enabled him to serve as CEO of 12 unlisted public and private limited companies, Director on the Corporate Boards of 4 Lakson Group companies listed on Stock Exchange in Pakistan and Director in 11 other unlisted public and private limited companies of the Lakson Group.

Mr. Lakhani is the Honorary Consul General of Singapore in Pakistan since July 1992. Previously he served as Singapore's Honorary Consul since April 1989. Acknowledging his services the Republic of Singapore awarded him "The Public Service Star".

Mr. Lakhani actively participates in social activities. He is a Founder Member of Pakistan Chapter of Young Presidents' Organization, and served as the local Chapter's chairman for the 2006-07 term. He is a Member of Stanford Alumni Association as well as of The Wharton Alumni Association. He is an ardent sport enthusiast and his favourite sporting activities include riding, playing polo, tennis and golf. He has widely travelled around the globe and takes interest in international/current affairs.

Mr. Lakhani strongly believes in Lakson Group's philosophy of paying back to the society. He is a Trustee of Hasanali & Gulbanoo Lakhani Foundation, a Lakson Group welfare trust. The Foundation provides educational and medical facilities to the deserving and needy persons and helps people in other areas and also a Trustee of Amin, Saira and Anika Lakhani (ASAL) Foundation.

## **MS. ANUSHKA LAKHANI** **DIRECTOR**

Ms. Anushka Lakhani has a BSE from Wharton School of Business, University of Pennsylvania and a MBA from Harvard Business School. She serves as Director on the Corporate Board of 03 Group Companies that are listed on Stock Exchange and also Director on 06 Public un-listed and Private Companies of the Group.

## **MR. FARRUKH SHAUKET ANSARI** **DIRECTOR**

Mr. Ansari brings over thirty years of rich and diversified experience in Commercial, Corporate & Investment banking as well as corporate sector. He has held senior management positions over the last twenty five years and was CEO of a major NBFi between 2003-2011 and played a key role in the development of SME sector in Pakistan. He was instrumental in setting up of an investment banking arm of a foreign bank in Pakistan and establishing a new bank in South Africa.

He has advised on numerous fund raising, acquisition and privatization transactions over his carrier. He possesses rich experience in restricting and rehabilitation of projects in distress. He is highly respected as a Leader in his field with respect to special focus on restructuring and project turnaround.

He has served on various advisory committees of the Government and the board of Karachi Stock Exchange as a representative of the Government of Pakistan. He also served on the Board of Directors Commercial Banks, Leasing, Modaraba, Insurance, Asset Management, Petroleum and Food Products Companies.

He obtained his MBA degree from IBA, Karachi in 1983 and Certificate in MIS from US Department of Agriculture School, Washington D.C. in 1990. He is also a Certified Director from the first batch of Pakistan Institute of Corporate Governance. He is an investment advisor to some of the leading Business families in Pakistan. Apart from his professional commitments, he enjoys reading, traveling and experiencing new cultures.

## **MR. AFTAB AHMAD** **DIRECTOR**

Mr. Aftab Ahmad is presently the Director of two listed companies including Chief Executive Officer of one Company. He joined Lakson Group of Companies in 1984 as Deputy General Manager (Technical) of Century Paper & Board Mills Limited (CPBM), and has also served as G. M. Operations and Director Operations of CPBM.

Prior to joining Lakson Group, he has worked in Packages Limited in Pakistan, Saigal Brothers and Azzawya Oil Refinery in Libya. Under his Dynamic Leadership, CPBM become Market Leader in the field of Packaging. With his engineering background he successfully implemented the mega project of Century's new board machine PM-07, thereby building CPBM brand image for quality and reliability in the market.

## **MR. AHMED MUNAF DIRECTOR**

Mr. Ahmed Munaf Lodhikawala is the proprietor of M-Tex, which indents Polyester yarn, and is the sole agent for the Polyester yarn in the Pakistan market for Hangzhou Zhongli / Zhongcai China yarn. He has more than 15 years of experience in leading businesses. Apart from this he also has interests in running a Textile Weaving mill, Real Estate projects, Car Dealerships along with exporting Hand Knotted Carpets from Pakistan.

Mr. Ahmed was also recently Appointed Convener of Federation of Pakistan Chamber of Commerce & Industry (FPCCI) Central Standing Committee on Polyester Filament Yarn. He has also been nominated for the National Committee (Pakistan Chapter) for Developing-8 Countries Chamber of Commerce & Industry (D-8 CCI).

Mr. Ahmed is also the Chief Patron of IMO (International Memon Organization) Young Memons (with over 1 million global members) which is one of the largest Memon organizations in the world. IMO is also involved in significant social work across Pakistan where it helps underprivileged individuals improve their lot through scholarships along with improving access to sports and helping the memon community navigate tough times. Mr. Ahmed also devotes his time to helping advance the cause of education where he is the Vice President of Jetpur Memon Association (JMA) for the years 2018-2021 and also serves as the Chairman of the Education Board of the JMA. They have started a white fund scholarship for all kinds of students including Masters Programmes and currently supporting around 1,500-1,700 Students with support of WMO (World Memon Organization) and JMA. He has also served as a member of the Managing Committee for Karachi Club for the years 2019-2020.

Mr. Ahmed also believes in the concept of shareholder activism where he along with a group of other like minded investors help managements to improve their businesses creating value for both major and minority shareholders alike.

## **MR. AGHA SHAH WALIULLAH** **DIRECTOR**

Mr. Agha is an Advocate of the High Courts of Pakistan; certified Director from PICG, Graduate member of the Chartered Institute of Legal Executives, England and Wales and qualified to practice law in England & Wales as a Solicitor.

Having over 20 years of experience in corporate compliance, corporate finance and corporate/commercial banking including treasury and trade and more.

He is serving as Director (non-executive) on the Board of Directors of Merit Packaging Limited; Chief Executive Officer of Ice Animations (Private) Limited and Education Fund for Sindh, in addition to his role as the Director of Corporate, Legal and IP of Lakson Group of Companies.

Prior to joining Lakson Group, he worked at Philip Morris Pakistan Limited, Barclays Bank PLC, Standard Chartered Bank Limited and Mandviwalla & Zafar.

Mr. Agha holds law degree from Holborn College, University of London, London and post-graduation diploma (Legal Practice Course) from Inns of Court School of Law, London.

# CORPORATE CALENDAR

<b>Audit Committee Meeting</b>	September 8, 2022	To consider the audited accounts for the year ended June 30, 2022
<b>BOD Meeting</b>	September 12, 2022	To approve audited accounts for the year ended June 30, 2022
<b>Annual General Meeting</b>	October 19, 2022	To consider the annual accounts for the year ended June 30, 2022
<b>Audit Committee Meeting</b>	October 24, 2022	To consider the quarterly accounts for the period ended September 30, 2022
<b>BOD Meeting</b>	October 26, 2022	To approve the quarterly accounts for the period ended September 30, 2022
<b>Audit Committee Meeting</b>	February 21, 2023	To consider half yearly accounts for the period ended December 31, 2022
<b>BOD Meeting</b>	February 27, 2023	To approve half yearly accounts for the period ended December 31, 2022
<b>Audit Committee Meeting</b>	April 14, 2023	To consider nine months accounts for the period ended March 31, 2023
<b>BOD Meeting</b>	April 18, 2023	To approve nine months accounts for the period ended March 31, 2023

# **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 Associates (Private) Limited**

8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shakra-e-Faisal, Karachi.  
Website : [www.famco.com.pk](http://www.famco.com.pk) | Email : [info.shares@famco.com.pk](mailto:info.shares@famco.com.pk)  
Phone : (021) 34380101- 5 | Fax : (021) 34380106

## **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**

UAN: +9221 38892147 Ext. 1014, 1008 | Phone Number: 0341-2464451  
Email: [info@meritpack.com](mailto:info@meritpack.com) | Web: [www.meritpack.com](http://www.meritpack.com)

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 43rd Annual General Meeting of MERIT PACKAGING LIMITED will be held on Thursday, October 19, 2023 at 03:00 p.m. at ICAP Auditorium, Chartered Accountants Avenue, Clifton, Karachi, as well as through Electronic means/Video link facility to transact the following business:

## ORDINARY BUSINESS

1. To receive, consider and adopt the audited financial statements of the Company for the year ended June 30, 2023 together with the Directors' and Auditors' reports thereon.
2. To appoint Auditors and fix their remuneration.

## SPECIAL BUSINESS

3. To approve the circulation of Annual Report (including the Audited Financial Statements, Auditors' Report, Directors' Report, Chairman's Review Report) to the Members of the Company through QR enabled code and weblink, in accordance with Section 223 of the Companies Act, 2017 as allowed vide SECP's S.R.O.389(1) /2023 dated March 21, 2023.

**"RESOLVED THAT** Merit Packaging Limited (the 'Company') be and is hereby authorized to circulate its Annual Report including Audited Financial Statements, Auditors' Report, Directors' Report, Chairman's Review Report and other reports contained therein to Members of the Company through QR enabled code and weblink."

4. To consider to pass the following resolutions as special resolution:
  - a) **"RESOLVED THAT** the transactions carried out in normal course of business with associated companies/ related parties as disclosed in Note No. 42 of the financial statements for the year ended June 30, 2023 be and are hereby ratified and approved."
  - b) **"RESOLVED THAT** the Chief Executive Officer of the Company be and is hereby authorized to approve all the transactions carried out and to be carried out in normal course of business with associated companies/ related parties during the ensuing year ending June 30, 2024 and in this connection the Chief Executive Officer be and is hereby also authorized to take any and all necessary actions and sign/execute any and all such documents/indentures as may be required in this regard on behalf of the Company."

Statement under section 134 of the Companies Act, 2017 in the above matters mentioned in the Nos. 3 and 4 is annexed.

By Order of the Board



**MANSOOR AHMED**  
Company Secretary

Karachi: September 22, 2023

## NOTES:

1. The share transfer books of the Company will remain closed from October 12, 2023 to October 19, 2023 (both days inclusive). Transfers received in order by the Shares Registrar of the Company, M/s. FAMCO Associates (Private) Limited, 8-F, near Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi up to the close of business on October 11, 2023 will be treated in time for the purpose of attending the annual general meeting.



## 2. Participation in the AGM via physical presence or through video conferencing

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

b. Participation in the AGM proceedings via physical presence or through video link facility:

The arrangement for attending the AGM through electronic means will be as under:

a. To facilitate our members who want to attend AGM through Zoom application - a video link facility will be provided.

b. Shareholders interested in attending the AGM through Zoom application are hereby requested to get themselves registered with the Company Secretary office by providing the following details at the earliest but not later than 48 hours before the time of AGM (i.e., before 03:00 p.m. on October 17, 2023) through following means:

i) Mobile/WhatsApp: 0315 5008228

ii) E-mail: mansoor@lakson.com.pk

Shareholders are advised to mention Name, CNIC Number, Folio/CDC Account Number, cell number and email ID for identification.

Upon receipt of the above information from the interested shareholders, the Company will send the login credentials at their e-mail address. On the date of AGM, shareholders will be able to login and participate in the AGM proceedings through their smartphone/computer devices.

In view of the above, the Shareholders can also provide their comments/suggestions for the proposed agenda items of the AGM by using the aforesaid means.

## 3. Requirements for appointing Proxies

a. A member entitled to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend, speak and vote instead of him/her, and a proxy so appointed shall have such rights, as respects attending, speaking and voting at the meeting as are available to a member. A proxy must be a member of the Company.

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

c. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

d. Copies of CNIC or the valid passport of the beneficial owners and the proxy shall be furnished along with the proxy form.

e. The proxy shall produce his original CNIC or original valid passport at the time of the Meeting.

f. In case of a corporate entity, the Board of Directors' resolution / Power of Attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

#### **4. Updation of shareholder addresses/other particulars:**

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

Further, to comply with requirements of section 119 of the Companies Act, 2017 and Regulation 19 of the Companies (General Provisions and Forms) Regulations, 2018, all CDC and shareholders are requested to provide their email address and cell phone numbers incorporated / updated in their physical folio or CDC account.

#### **5. Electronic Transmission of Annual Reports and Notices**

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

#### **6. Conversion of Physical Shares into CDC Account**

The Securities and Exchange Commission of Pakistan has issued a letter No. CSD/ED/Misc./2016-639-640 dated March 26, 2021 addressed to all listed companies drawing attention towards the provision of Section 72 of the Companies Act, 2017 (Act) which requires all companies to replace shares issued by them in physical form with shares to be issued in the Book-Entry-form within a period not exceeding four years from the date of the promulgation of the Act.

In order to ensure full compliance with the provisions of the aforesaid Section 72 and to benefit from the facility of holding shares in the Book-Entry-Form, the shareholders who still hold shares in physical form are requested to convert their shares in the Book-Entry-Form, as soon as possible.

The shareholders may contact their Broker, CDC Participant or CDC Investor Account Service Provider for assistance in opening a CDS Account and subsequent conversion of the physical shares into book-entry form. It would facilitate the shareholders in many ways including safe custody of shares, avoidance of formalities required for the issuance of duplicate shares, etc.

#### **7. Unclaimed Dividend / Shares under Section 244 of the Companies Act, 2017**

An updated list for unclaimed dividend/shares of the Company is available on the Company's website [www.meritpack.com](http://www.meritpack.com). These are unclaimed dividend/shares which have remained unclaimed or unpaid for a period of three years from the date these have become due and payable. Claims can be lodged by shareholders on Claim Forms as are available on the Company's website. Claims Forms must be submitted to the Company's Shares Registrar for receipt of dividend/shares.

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

**9.** Form of Proxy is enclosed and is also available on Company's website: [www.meritpack.com](http://www.meritpack.com).

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

The statement sets out the material facts concerning the Special Business given in agenda item Nos. 3 and 4 of the Notice will be considered to be passed by the members. The purpose of the Statement is to set forth the material facts concerning such Special Business.

Agenda Item No. 3 Circulation of Annual Audited Financial Statements through QR enabled code and weblink.

The Securities and Exchange Commission of Pakistan (SECP) through its Notification No. S.R.O.389(1)/2023 dated March 21, 2023 has allowed the companies to circulate the Annual Audited Financial Statements to its Members/ Shareholders through Quick Response (QR) enabled code and weblink. The notice of meeting shall be dispatched to Members as per requirements of the Companies Act, 2017 on their registered address, containing the QR code and the weblink address to view and download the Annual Audited Financial Statements together with the Reports and documents required to be annexed thereto under the Companies Act, 2017.

Considering the optimum use of advancements in technology and in order to fulfil the Company's corporate social responsibility to the environment and sustainability, Members approval is sought for the circulation of the Annual Report (including Annual Audited Financial Statements and other reports contained therein) to the Members of the Company through QR enabled code and weblink in accordance with S.R.O. 389(1)/2023 dated March 21, 2023.

Agenda Item No. 4(a) of the Notice – Transactions carried out with associated companies/related parties during the year ended June 30, 2023 to be passed as a Special Resolution.

The transactions carried out in normal course of business with associated companies/related parties were being approved by the Board as recommended by the Audit Committee on quarterly basis pursuant to Clause 15 of Listed Companies (Code of Corporate Governance) Regulations, 2019.

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

In view of the above, the transactions conducted during the financial year ended June 30, 2023. with associated companies/related parties shown in Note No.42 of the financial statements for the year ended June 30, 2023 are being placed before the shareholders for their consideration and approval/ratification.

Agenda Item No. 4(b) of the Notice – Authorization to the Chief Executive Officer for the transactions carried out and to be carried out with associated companies during the ensuing year ending June 30, 2024 to be passed as a Special Resolution.

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

In order to comply with the provisions of Clause 15 of Listed Companies (Code of Corporate Governance) Regulations, 2019, the shareholders may authorize the Chief Executive Officer to approve transactions carried out and to be carried out in normal course of business with associated companies/related parties during the ensuing year ending June 30, 2024.

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

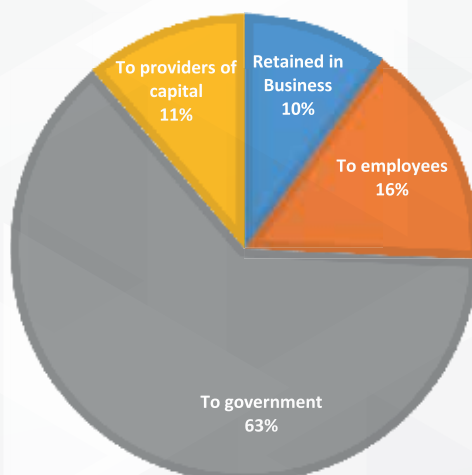
# OTHER FINANCIAL INFORMATION

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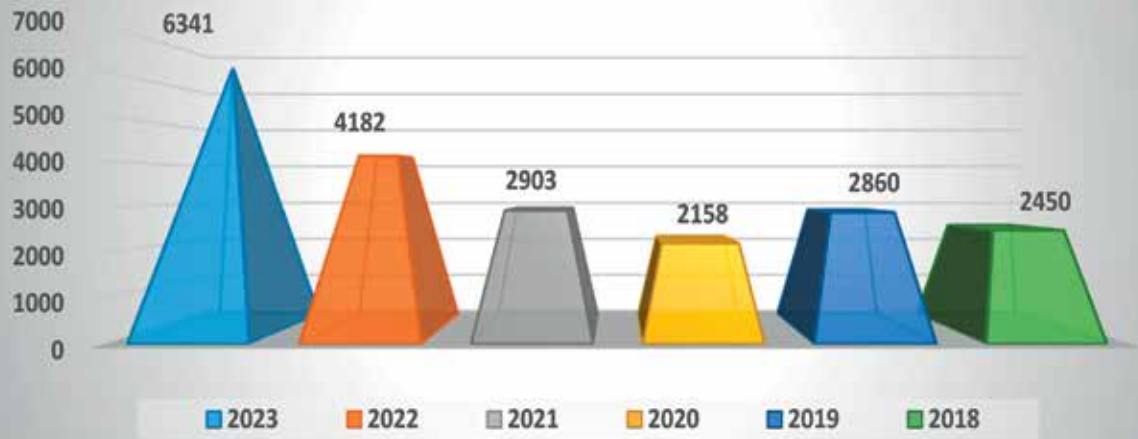
## Statement of Value Added & its Distribution

Particulars	2023		2022	
	Amount (Rs. '000)	%	Amount (Rs. '000)	%
<b>Value added</b>				
Gross Sales	7,446,010		4,893,949	
Material and services	(5,609,817)		(3,649,698)	
Other income	33,312		20,401	
	<b>1,869,505</b>	<b>100%</b>	<b>1,264,652</b>	<b>100%</b>
<b>Distribution</b>				
To employees				
Salaries, wages and other benefits	293,278	16%	267,143	21%
To government				
Sales tax	1,105,387		712,302	
Company taxation	71,066		(2,227)	
Workers welfare fund	2,513		-	
	<b>1,178,966</b>	<b>63%</b>	<b>710,075</b>	<b>56%</b>
To providers of capital				
Financial charges on borrowed fund	209,953	11%	132,325	10%
Retained in business				
Depreciation	189,410		192,095	
Amortisation of intangible assets	168		340	
Notional Markup on loan from sponsors	134,332		130,843	
Loss for the period	(136,602)		(168,169)	
	<b>187,308</b>	<b>10%</b>	<b>155,109</b>	<b>-12%</b>
	<b>1,869,505</b>	<b>100%</b>	<b>1,264,652</b>	<b>100%</b>

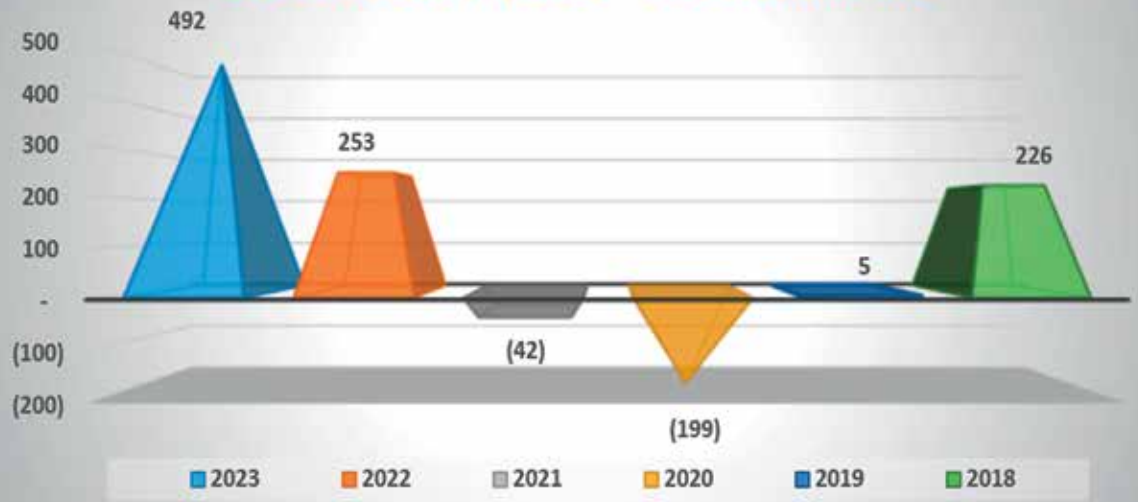
■ Retained in Business   
 ■ To employees   
 ■ To government   
 ■ To providers of capital



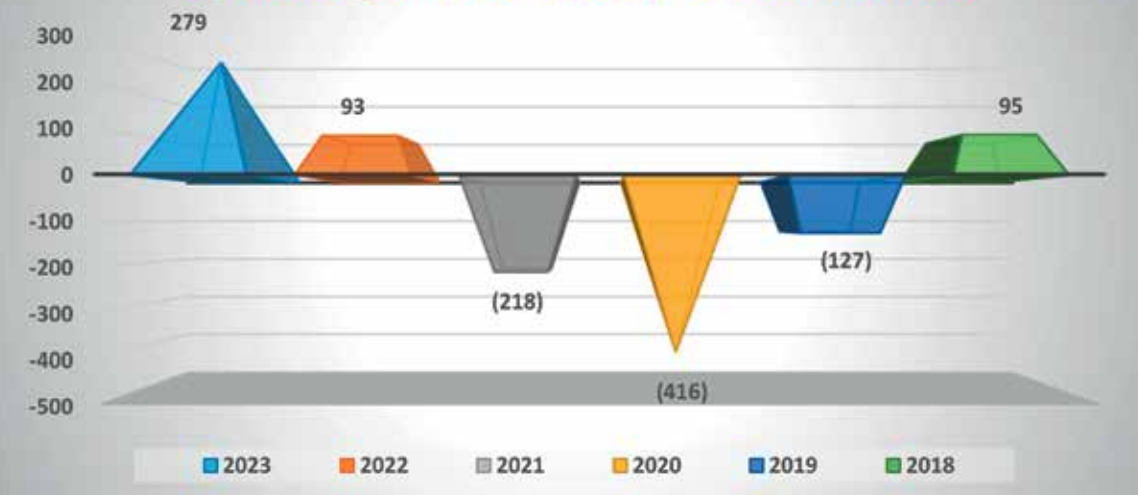
## Sales - Rs. in millions

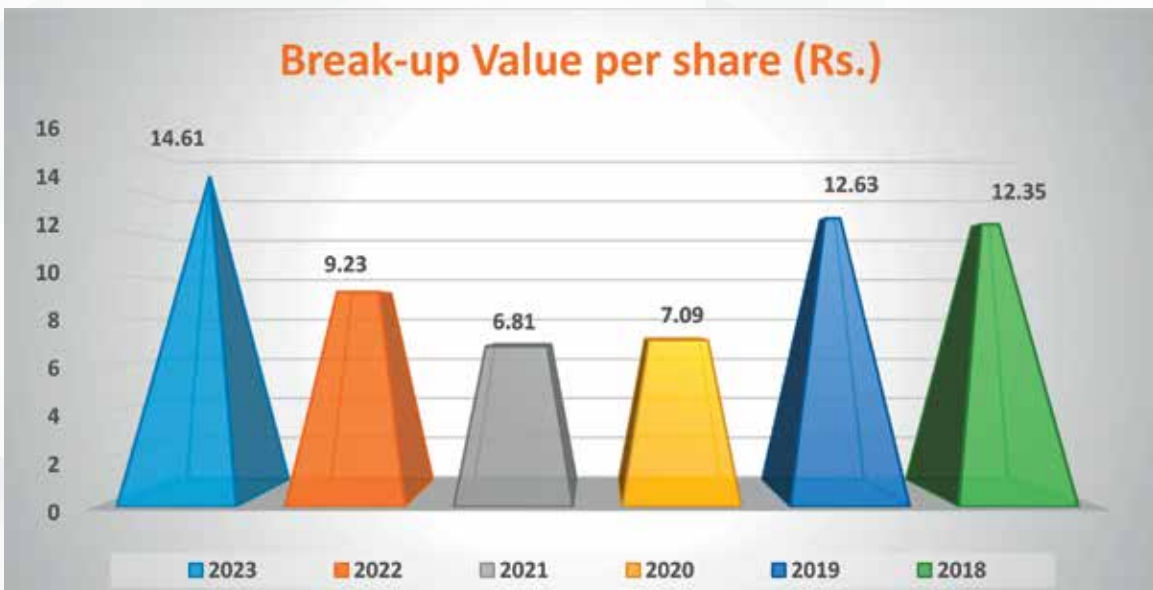
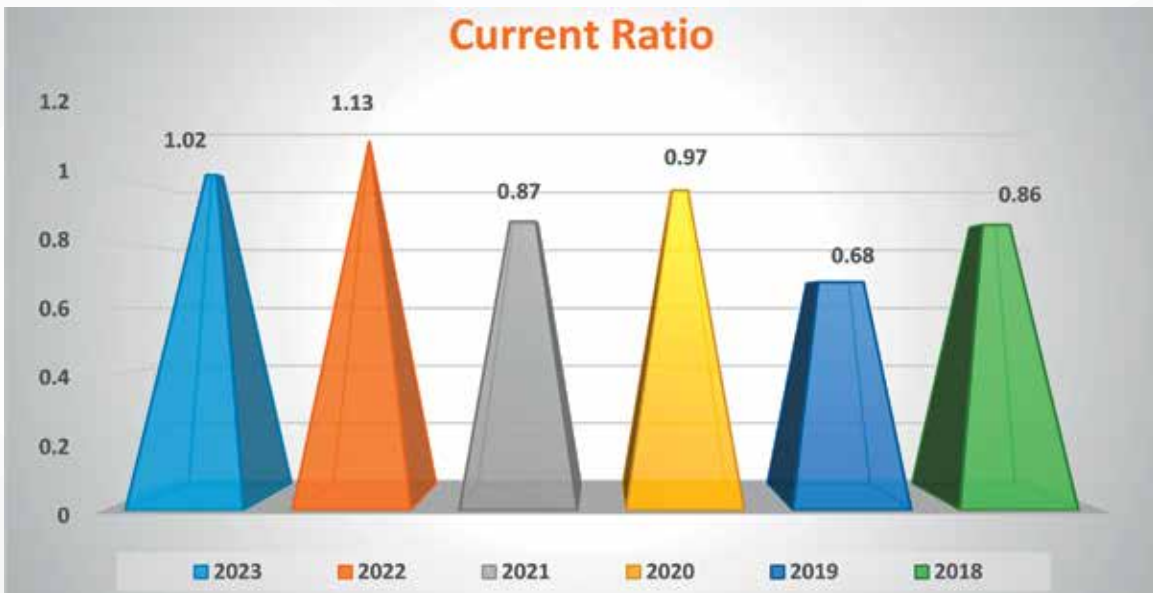


## Gross Profit / (Loss) - Rs. in millions



## Operating Profit / (Loss) - Rs. in millions





## VERTICAL ANALYSIS

	2023		2022	
	Rs. '000	%	Rs. '000	%
<b>PROFIT &amp; LOSS ACCOUNT</b>				
Sales - net	6,340,624	100%	4,181,647	100%
Cost of sales	(5,849,026)	-92%	(3,928,730)	-94%
Gross profit/(loss)	491,597	8%	252,917	6%
Operating expenses	(212,848)	-3%	(160,146)	-4%
Operating profit/(loss)	278,749	4%	92,771	2%
Financial charges	(344,285)	-5%	(263,168)	-6%
Profit/(loss) before taxation	(65,536)	-1%	(170,396)	-4%
Profit/(loss) after taxation	(136,602)	-2%	(168,169)	-4%
<b>BALANCE SHEET</b>				
<b>Assets</b>				
Property, plant and equipment	4,430,917	62%	2,988,530	54%
Other non-current assets	12,493	0%	237,130	4%
Current Assets	2,679,294	38%	2,313,493	42%
<b>Total Assets</b>	<b>7,122,703</b>	<b>100%</b>	<b>5,539,153</b>	<b>100%</b>
<b>Equity &amp; Liabilities</b>				
Share capital & reserves	2,922,228	41%	1,845,514	33%
Non-current liabilities	1,568,046	22%	1,641,496	30%
Current liabilities	2,632,429	37%	2,052,143	37%
<b>Total equity and Liabilities</b>	<b>7,122,703</b>	<b>100%</b>	<b>5,539,153</b>	<b>100%</b>

## HORIZONTAL ANALYSIS

	2023		2022	
	Rs. '000	%	Rs. '000	%
<b>PROFIT &amp; LOSS ACCOUNT</b>				
Sales - net	6,340,624	52%	4,181,647	44%
Cost of sales	(5,849,026)	49%	(3,928,730)	33%
Gross profit/(loss)	491,597	94%	252,917	-697%
Operating expenses	(212,848)	33%	(160,146)	-9%
Operating profit/(loss)	278,749	200%	92,771	-143%
Financial charges	(344,285)	31%	(263,168)	-20%
Profit/(loss) before taxation	(65,536)	-62%	(170,396)	-69%
Profit/(loss) after taxation	(136,602)	-19%	(168,169)	-70%
<b>BALANCE SHEET</b>				
<b>Assets</b>				
Property, plant and equipment	4,430,917	148%	2,988,530	99%
Other non-current assets	12,493	5%	237,130	130%
Current Assets	2,679,294	116%	2,313,493	131%
<b>Total Assets</b>	<b>7,122,703</b>	<b>129%</b>	<b>5,539,153</b>	<b>111%</b>
<b>Equity &amp; Liabilities</b>				
Share capital & reserves	2,922,228	158%	1,845,514	336%
Non-current liabilities	1,568,046	96%	1,641,496	68%
Current liabilities	2,632,429	128%	2,052,143	102%
<b>Total equity and Liabilities</b>	<b>7,122,703</b>	<b>129%</b>	<b>5,539,153</b>	<b>111%</b>



2021		2020		2019		2018	
Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%
2,902,559	100%	2,158,386	100%	2,859,838	100%	2,449,541	100%
(2,944,958)	-101%	(2,357,089)	-109%	(2,854,539)	-100%	(2,223,722)	-91%
(42,399)	-1%	(198,703)	-9%	5,299	0%	225,819	9%
(175,354)	-6%	(217,727)	-10%	(131,833)	-5%	(130,423)	-5%
(217,753)	-8%	(416,430)	-19%	(126,534)	-4%	95,396	4%
(326,963)	-11%	(353,011)	-16%	(223,923)	-8%	(135,258)	-6%
(544,716)	-19%	(769,441)	-36%	(350,457)	-12%	(39,862)	-2%
(564,978)	-19%	(692,679)	-32%	(310,536)	-11%	(8,264)	0%

3,028,233	61%	2,884,732	61%	3,042,733	66%	2,302,892	61%
182,415	4%	185,098	4%	110,276	2%	78,661	2%
1,765,083	35%	1,643,658	35%	1,470,190	32%	1,384,523	37%
4,975,731	100%	4,713,488	100%	4,623,199	100%	3,766,076	100%

549,316	11%	571,294	12%	1,018,206	22%	996,100	26%
2,408,284	48%	2,449,405	52%	1,442,483	31%	1,167,372	31%
2,018,131	41%	1,692,789	36%	2,162,509	47%	1,602,604	43%
4,975,731	100%	4,713,488	100%	4,623,198	100%	3,766,076	100%

2021		2020		2019		2018	
Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%
2,902,559	34%	2,158,386	-25%	2,859,838	17%	2,449,541	36%
(2,944,958)	25%	(2,357,089)	-17%	(2,854,539)	28%	(2,223,722)	37%
(42,399)	-79%	(198,703)	-3850%	5,299	-98%	225,819	23%
(175,354)	-19%	(217,727)	65%	(131,833)	1%	(130,423)	61%
(217,753)	-48%	(416,430)	229%	(126,534)	-233%	95,396	-7%
(326,963)	-7%	(353,011)	58%	(223,923)	66%	(135,258)	35%
(544,716)	-29%	(769,441)	120%	(350,457)	779%	(39,862)	-1536%
(564,978)	-18%	(692,679)	123%	(310,536)	3658%	(8,264)	-125%

3,028,233	105%	2,884,732	95%	3,042,733	132%	2,302,892	121%
182,415	99%	185,098	168%	110,276	140%	78,661	172%
1,765,083	107%	1,643,658	112%	1,470,189	106%	1,384,523	126%
4,975,731	106%	4,713,488	102%	4,623,198	123%	3,766,076	124%

549,316	96%	571,294	56%	1,018,206	102%	996,100	162%
2,408,284	98%	2,449,405	170%	1,442,483	124%	1,167,372	90%
2,018,131	119%	1,692,789	78%	2,162,509	135%	1,602,604	141%
4,975,731	106%	4,713,488	102%	4,623,198	123%	3,766,076	124%

## Six Years Key Operating and Financial Data

	Rupees in thousands					
	2023	2022	2021	2020	2019	2018
<b>Trading results</b>						
Sales	6,340,624	4,181,647	2,902,559	2,158,386	2,859,838	2,449,541
Gross profit/(loss)	491,597	252,917	(42,399)	(198,702)	5,299	225,819
Profit/(loss) before taxation	(65,536)	(170,396)	(544,716)	(769,441)	(350,457)	(39,862)
Profit/(loss) after taxation	(136,602)	(168,169)	(564,978)	(692,679)	(310,536)	(8,264)
<b>Financial position</b>						
Total capital employed	4,490,274	3,487,010	2,957,600	3,020,699	2,460,689	2,163,472
Property, plant and equipment	4,430,917	2,988,530	3,028,233	2,884,732	3,042,733	2,302,892
Shareholder equity	2,922,228	1,845,514	549,316	571,294	1,018,206	996,100
Long term liabilities	1,568,046	1,641,496	2,408,284	2,449,405	1,442,483	1,167,372
Deferred taxation	29,464	231,698	176,482	174,091	97,627	63,293
<b>Others</b>						
Number of employees (at year end)	194	188	206	264	257	304
Capital expenditure	240,402	155,471	48,308	97,497	778,303	481,665
Contribution to national exchequer	285,771	119,945	135,183	213,959	221,077	144,301
<b>Ratios</b>						
Gross profit/(loss)	7.75%	6.05%	-1.46%	-9.21%	0.19%	9.22%
Profit/(loss) before taxation	-1.03%	-4.07%	-18.77%	-35.65%	-12.25%	-1.63%
Profit/(loss) after taxation	-2.15%	-4.02%	-19.46%	-32.09%	-10.86%	-0.34%
Return on equity	-4.67%	-9.11%	-102.85%	-121.25%	-30.50%	-0.83%
Return on capital employed	-3.04%	-4.82%	-19.10%	-22.93%	-12.62%	-0.38%
Current ratio	1.02 : 1	1.13 : 1	0.87 : 1	0.97 : 1	0.68 : 1	0.86 : 1
Debt / equity ratio	35 : 65	50 : 50	84 : 16	81 : 19	63 : 37	58 : 42
Inventory days	46	58	66	83	60	58
Receivable days	74	77	75	81	65	74
<b>Others</b>						
(Loss)/Earnings per share - (Rs.) - restated	(0.68)	(1.13)	(7.01)	(8.59)	(3.85)	(0.14)
Break-up value per share (Rs.)	14.61	9.23	6.81	7.09	12.63	12.35
Market Value (Rs.)	8.80	8.79	17.66	11.89	29.77	22.50
Price earning ratio	N / A	N / A	N / A	N / A	N / A	N / A

# CHAIRMAN'S REVIEW

It's my privilege to present the Annual Report of Merit Packaging Limited for the year ended June 30, 2023.

The economy of Pakistan faced extreme pressure during the outgoing year. With a meager 0.29% GDP growth, the Large Scale Manufacturing witnessed downswing. The Government of Pakistan's steps to curtail imports to avert the default caused a contraction of 2.94% in the industrial sector. Further various challenges like political turmoil, falling foreign currency reserves, massive devaluation of PKR and unprecedented increase in policy rates made the business environment difficult. However, the Company with its unwavering commitment to navigate itself through difficult situations and ensure its continuity succeeded in reducing its loss.

## Review of financial performance

Despite these macroeconomic challenges, the Company has been able to sustain growth momentum and registered a considerable increase in revenue by 51% to Rs. 6,340 million and consequently declared a reasonable operating profit of Rs. 278 million, however, the same could not be significantly translated into the bottom-line due to hefty surge in finance costs. The management is more focused towards production efficiency, cost reductions, and some strategic initiatives and is quite hopeful that we will be able to turnaround the Company in the near future.

## Board's Function, Decision-Making, and Evaluation

I am pleased to announce that the Board of Directors has diligently fulfilled its responsibilities and roles, playing a significant role in guiding the Company's strategic initiatives. Special attention was given to critical risk areas, and the Board consistently participated in shaping the Company's strategic direction. Recognizing the importance of well-defined corporate governance protocols, the Board is aware of its responsibility in preserving and enhancing stakeholder interests. Each Director, including those designated as Independent, actively participated and contributed to the Board's decision-making procedures. Additionally, the Board conducted its yearly self-evaluation in compliance with the provisions outlined in the Code of Corporate Governance.

## Acknowledgment

I want to express my gratitude to our shareholders, customers, bankers, and staff for their confidence and assistance throughout these difficult circumstances. I also wish to convey my appreciation to the members of the Board, the CEO, and all employees for their invaluable dedication and support to our organization.

Karachi: August 31, 2023



IQBAL ALI LAKHANI  
Chairman

# CHAIRMAN'S REVIEW (URDU)

## چیئر مین کا جائزہ

جون 30، 2023 کو ختم ہونے والے سال کے لئے میرٹ پیکیجنگ لمیٹڈ کی سالانہ رپورٹ پیش کرنا میرا اعزاز ہے۔

سبکدوش ہونے والے سال کے دوران پاکستان کی معیشت کو انتہائی دباؤ کا سامنا کرنا پڑا۔ معمولی 0.29% جی ڈی پی کی نمو کے ساتھ، بڑے اسکیل مینوفیکچرنگ میں کمی دیکھنے میں آئی۔ حکومت پاکستان کے ڈیفالٹ کو روکنے کے لئے درآمدات کو کم کرنے کے اقدامات سے صنعتی شعبے میں 2.94 فیصد کمی واقع ہوئی۔ مزید یہ کہ سیاسی انتشار، غیر ملکی کرنسی کے ذخائر میں کمی، پی کے آر کی بڑے پیمانے پر قدر میں کمی، اور پالیسی کی شرحوں میں بے مثال اضافے جیسے مختلف چیلنجوں نے کاروباری ماحول کو مشکل بنا دیا۔ تاہم، کمپنی مشکل حالات کے ذریعہ خود کو نیوگیٹ کرنے کے لئے اپنی اہل وابستگی کے ساتھ اور اس کے تسلسل کو یقینی بنانے سے اس کے نقصان کو کم کرنے میں کامیاب ہو گئی۔

## مالی کارکردگی کا جائزہ

ان معاشی چیلنجوں کے باوجود، کمپنی ترقی کی رفتار کو برقرار رکھنے میں کامیاب رہی ہے اور آمدنی میں 51 فیصد اضافے سے 6,340 ملین روپے رجسٹر کیا ہے اور اس کے نتیجے میں 278 ملین روپے کا معقول آپریٹنگ منافع حاصل کیا۔ تاہم، مالی اخراجات میں بھاری اضافے کی وجہ سے 278 ملین روپے، اس کو نمایاں طور پر خالص منافع میں تبدیل نہیں کیا جاسکتا۔ انتظامیہ پیداوار کی کارکردگی، لاگت میں کمی، اور کچھ اسٹریٹجک اقدامات کی طرف زیادہ توجہ مرکوز کرتی ہے اور یہ بات پر امید ہے کہ ہم مستقبل قریب میں کمپنی کو تبدیل کر سکیں گے۔

## بورڈ کا فنکشن، فیصلہ سازی، اور تشخیص

مجھے یہ اعلان کرتے ہوئے خوشی ہو رہی ہے کہ بورڈ آف ڈائریکٹرز نے کمپنی کے اسٹریٹجک اقدامات کی رہنمائی میں نمایاں کردار ادا کرتے ہوئے اپنی ذمہ داریوں اور کرداروں کو پوری طرح سے پورا کیا ہے۔ خطرے کے اہم علاقوں پر خصوصی توجہ دی گئی، اور بورڈ نے کمپنی کی اسٹریٹجک سمت کی تشکیل میں مستقل طور پر حصہ لیا۔ اچھی طرح سے طے شدہ کارپوریٹ گورننس پروٹوکول کی اہمیت کو تسلیم کرتے ہوئے، بورڈ اسٹیک ہولڈر مفادات کے تحفظ اور بڑھانے میں اپنی ذمہ داری سے واقف ہے۔ ہر ڈائریکٹر، بشمول آزاد نامزد کردہ افراد سمیت، فعال طور پر حصہ لیا اور بورڈ کے فیصلہ سازی کے طریقہ کار میں حصہ لیا۔ مزید برآں، بورڈ نے کارپوریٹ گورننس کے ضابطہ اخلاق میں بیان کردہ دفعات کی تعمیل میں اپنی سالانہ خود تشخیص کی۔

## اعتراف

میں ان مشکل حالات میں اپنے حصص یافتگان، صارفین، بینکروں اور عملے سے ان کے اعتماد اور مدد کے لئے اظہار تشکر کرنا چاہتا ہوں۔ میں بورڈ کے ممبروں، سی ای او، اور تمام ملازمین کو ہماری تنظیم کو ان کی انمول لگن اور مدد کے لئے بھی اپنی تعریف کرنا چاہتا ہوں۔



اقبال علی لاکھانی  
چیئر مین

تاریخ: 31 اگست، 2023

# DIRECTORS' REPORT TO THE MEMBERS

## FOR THE YEAR ENDING JUNE 30, 2023.

The Board of Directors of Merit Packaging Limited is pleased to present the Annual Report along with the Company's Audited Financial Statements for the year ended June 30, 2023.

This Directors' Report has been prepared in accordance with Section 227 of the Companies Act, 2017, Listed Companies (Code of Corporate Governance) Regulations 2019, and will be submitted to the members at the 43rd Annual General Meeting to be held on October 19, 2023.

## PRINCIPAL ACTIVITIES

For principal activities of the Company please refer to Note 1 of the Financial Statements.

## BUSINESS AND ECONOMIC ENVIRONMENT

The outgoing year of 2022-23 has been exceedingly challenging for businesses, especially Large-Scale Manufacturing. Political turmoil continued to impact the country's economy. On the domestic front, foreign exchange reserves dropped to a critical level due to high international fuel and commodity prices and soaring trade deficit resulted in exorbitant inflation. The floods of 2022 further intensified the economic turmoil and fueled inflation. To combat inflationary pressure, the State Bank of Pakistan increased the discount rate to an unprecedented level along with import restrictions in order to slow down the depletion of foreign reserves. These measures by SBP further aggravated the economic and business environment of the Country.

On the international front, the Russia-Ukraine conflict has driven international fuel and commodity prices upwards with disruption in the global supply chain and production.

In order to combat these challenges, the management of the Company kept close relationships with key suppliers and maintained strong ties with customers. Furthermore, the management remained cognizant of production costs.

## FINANCIAL PERFORMANCE

During the tough economic situations, the Company's turnaround remained on track with a few speed bumps. Core Operating profit improved to PKR 295mn in FY23 from PKR 82.6mn in FY22, an improvement of 257% YoY. Operating Profit for FY23 improved to 278.7mn from PKR 92.8mn in FY22, up by 200%. On a Net profit basis, the company incurred a Loss of PKR 136.6mn in FY23 from PKR 168.1mn in FY22 with Financial charges and Tax accounting for this along with some one-off impairments booked on receivables. The company booked a one-off impairment of PKR 40mn in FY23 to further clean the balance sheet. The Loss per Share clocked in at PKR 0.68 in FY23 from PKR 0.84 in FY22.

The topline of the Company has been increasing steadily over the years. Materializing the opportunities to improve margin by delivering quality products to customers at reduced costs. The management is negotiating with other well-known customers to take them on board and increase its volume and revenue in the coming years.

	2023	2022
	Rupees in millions	
Revenue	6,340.62	4,181.65
Gross profit	491.60	252.92
Loss before tax	65.54	170.40
Loss after tax	136.60	168.17

	2023				
	Jun	Mar	Dec	Sep	Total
	Rupees in Millions				
Revenue	1,634.91	1,686.78	1,627.10	1,391.83	6,340.62
Gross profit	149.82	102.29	102.42	136.37	491.60
Profit / (loss) before tax	(36.72)	(10.82)	(37.54)	19.54	(65.54)
Profit / (loss) after tax	(44.99)	(28.54)	(66.51)	3.44	(136.60)

In the year 2022-23, Merit Packaging Limited increased its topline by 51.63 % which is Rs. 2,159 million higher than last year. The company's finance cost increased due to an exorbitant increase in discount rate which eroded the bottom line. There is an element of financial charges on the sponsor loan which is not paid out but expensed. This helps improve cash generation for the company.

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During the year, the Company prepaid two long-term loans that amounted to Rs. 11.21 million. Subsequently, the Company prepaid another long-term loan of Rs. 14.16 million. This early repayment saved a potential markup of Rs. 4.65 million had the loans been carried on till the date of respective maturities.

Even in these tough times, the company was able to generate cash from operations even in the face of a massive capex of PKR 240mn.

#### **DIVIDEND PAYOUT**

Although the Company's financial performance has improved significantly in recent years, however, it is still sustaining losses in the bottomline. Therefore, no dividend has been declared.

#### **PATTERN OF SHAREHOLDING**

The pattern of shareholding is presented on page 103 of the annual report.

#### **EARNING PER SHARE**

The basic Loss per Share of the Company was Re. 0.68 (2022: Re. 0.84).

#### **CORPORATE SOCIAL RESPONSIBILITY**

At Merit Packaging Limited, we go beyond being a mere company. We're a community-centric organization deeply devoted to giving back and creating positive societal change. Aligned with its commitment to corporate social responsibility, the organization actively participates in numerous social endeavors aimed at enhancing the quality of life for residents near its manufacturing sites and the surrounding regions. The company consistently extends assistance to individuals in need, offering vital support during times of emergencies or natural disasters. With a vision of fostering an improved environment, a stronger economy, and a better Pakistan, the company remains dedicated to contributing to esteemed charitable organizations and meaningful social initiatives. Details of CSR activities carried out during the year are given in the CSR section of the Annual Report.

## **SAFETY, SECURITY, HEALTH, AND ENVIRONMENT**

We firmly prioritize the safety and well-being of our employees and the preservation of the environment. Through unwavering leadership commitment, we ensure the protection of our workforce, assets, and surroundings by implementing a robust control framework and fostering a strong SSHE culture throughout our business. Concurrently, we remain dedicated to addressing environmental concerns by setting ambitious sustainability goals aimed at minimizing our long-term environmental footprint.

The Company's production facilities have been in compliance with industry safety standards. We have a specialized department responsible for overseeing the objectives to ensure adherence to the best practices. The department also conducts regular fire and safety training for the staff. Due to the Company's strong dedication to strict SSHE compliance, no significant accidents were reported during the year.

## **CORPORATE AND FINANCIAL REPORTING FRAMEWORK**

- The financial statements prepared by the management of the Company present its state of affairs fairly, the result of its operations, cash flows, and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements, and any departure therefrom has been adequately disclosed and explained.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no significant doubts about the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance.
- Key operating and financial data for the last six (6) years in a summarized form is annexed.
- There is nothing outstanding against your Company on account of taxes, duties, levies, and charges except for those which occur in the normal course of business.
- The Company maintains Provident and Gratuity Fund accounts for its employees. Stated below are the values of the investments of the funds as of June 30, 2023.

• Provident Fund	Rs. 97.367 million
• Gratuity Fund	Rs. 74.345 million

## **RELATED PARTY TRANSACTIONS**

All related party transactions, during the year 2023, were placed before the Audit Committee and the Board for their review and approval. These transactions were duly reviewed by the Audit Committee and approved by the Board in their respective meetings. All these transactions were executed at an arm's length transaction and are in line with the policy with related parties approved by the Board. The Company also maintains a full record of all such transactions, along with the terms and conditions.

## **BOARD OF DIRECTORS**

The total number of Directors on the board is 8. Its composition is as follows:

Male Directors	7
Female Director	1
<b>A Independent Directors</b>	<b>2</b>
Mr. Farrukh Shauket Ansari	
Mr. Ahmed Munaf	
<b>B Non-Executive Directors</b>	<b>5</b>
Mr. Iqbal Ali Lakhani – Chairman	
Mr. Amin Mohammed Lakhani	
Mr. Aftab Ahmad	
Ms. Anushka Lakhani	
Mr. Agha Shah Waliullah	

C Executive Director 1  
Mr. Amir Ahmed Chapra

D Female Director 1  
Ms. Anushka Lakhani

During the year, 4 meetings of the Board of Directors were convened. The attendance record of each director is as follows:

<b>Name of Director</b>	<b>Meetings Attended</b>
Mr. Iqbal Ali Lakhani	4
Mr. Amin Mohammed Lakhani	4
Ms. Anushka Lakhani	3
Mr. Aftab Ahmad	4
Mr. Farrukh Shauket Ansari	4
Mr. Ahmed Munaf	4
Mr. Agha Shah Waliullah	4
Mr. Amir Ahmed Chapra-CEO	4

During the year, 4 meetings of the Audit Committee were convened. The attendance record of each member is as follows:

<b>Name of Director</b>	<b>Meetings Attended</b>
Mr. Farrukh Shauket Ansari	4
Mr. Amin Mohammed Lakhani	4
Mr. Ahmed Munaf	4

During the year, 1 meeting of the Human Resource and Remuneration Committee was convened. The attendance record of each member is as follows:

<b>Name of Director</b>	<b>Meetings Attended</b>
Mr. Farrukh Shauket Ansari	1
Mr. Amin Mohammed Lakhani	1
Mr. Aftab Ahmad	1

The pattern of shareholding is annexed to the report.

Loss per share (LPS) during the year was Re. 0.68 compared to Re. 0.84 last year.

## **DIRECTORS' REMUNERATION**

The significant features and key elements of Directors' Remuneration are as follows:

- Independent and Non-Executive Directors are only entitled to receive fixed fees in lieu of remuneration of the Board and the Committee meetings.
- The Board is authorized to determine the remuneration of its Directors for attending meetings of the Board and Committee
- The detail of Directors' remuneration is disclosed in Note 44 of the Financial Statements for the year ended June 30, 2023.

## **PERFORMANCE EVALUATION OF BOARD OF DIRECTORS AND BOARD COMMITTEES**

The Company carries out an annual evaluation of the Board of Directors, its Committees, and Individual Directors as part of the Code of Corporate Governance. A strict level of confidentiality is exercised by the Company Secretary upon receipt of completed questionnaires. The contents of the report are evaluated and areas that require improvement are identified.



## **STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE**

The Company has fully complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019. Statement of Compliance is provided under the relevant section of the report.

## **RISK MANAGEMENT**

The Company faces several legal, regulatory, and operational risks. There is an Internal Controls and Risk Management Framework in place which ensures that appropriate risk mitigation plans exist and are working effectively. Any significant issues are escalated to higher management and the Board.

The Board of Directors maintained a vigilant oversight of the socio-economic landscape and the associated internal and external risks that could potentially affect the secure and seamless functioning and outcomes of the Company. In their role as guardians of stakeholder interests, the Directors diligently worked to recognize and alleviate risks over the course of the year. They pinpointed potential risks, evaluated their implications for the Company, and devised approaches to minimize their impact on the business. These approaches were overseen across the Company's structure, with the Audit Committee playing a monitoring role.

Strategic risks are managed by the Board of Directors with the assistance of country leadership while operational risks are managed by the leadership team. The most eminent risk faced by the Company is the pricing and availability of raw materials. Due to the volatility of the economy, the pricing of raw materials is unpredictable. To mitigate the impact, the Company has established close working relations with major suppliers. This helped the Company manage its pricing while securing the smooth supply of raw materials.

## **INTERNAL AUDIT AND CONTROLS**

The Company has implemented a capable internal audit and control system, providing impartial validation to the Board concerning the adequacy and effectiveness of internal controls. In accordance with the Company's risk governance structure, the Audit Committee approves the annual internal audit schedule to maintain the effectiveness and independence of the Internal Audit function. The Directors are confident that the internal control framework is thoughtfully designed and received proper implementation and oversight throughout the year.

## **SUBSEQUENT EVENTS**

No material changes or commitments affecting the financial position of the Company have occurred between the end of the financial year of the Company and the date of this report.

## **PATTERN OF SHAREHOLDING**

The pattern of shareholding along with categories of shareholders as of June 30, 2023, as required under section 227 of the Companies Act 2017 is presented on page 103 to 106 of the annual report.

## **AUDITORS**

The present external auditors, M/s BDO Ebrahim & Co., Chartered Accountants, have completed the annual audit for the year ended June 30, 2023. The auditors shall retire at the conclusion of the Annual General Meeting on October 19, 2023, and being eligible, have offered themselves for reappointment for the year 2024.

## **FUTURE PROSPECTS**

The current economic situation coupled with the international conflict between Russia and Ukraine is expected to continue. The political turmoil is further putting excessive pressure on the already precarious state of the economy. Furthermore, the constant high discount rate and import rationing by SBP are exacerbating the business environment. These unwarranted circumstances pose significant challenges for the Company. However, a recent deal with the International Monetary Fund (IMF) in the shape of a Stand-By-Agreement (SBA) lifted some pressure off the economy through the inflow of loans from the IMF and other multilateral. We expect further stability of the economy with political stability expected after the election this year. Despite these challenges, the Company is making all efforts to keep and increase its profitability through engagement with key suppliers, customers, and financial institutions. We are ensuring to insulate the Company from these challenges and navigate it through these difficult socio-economic situations. We have started working with our customers to increase localization in packaging solutions for them which will not only help them but also help improve our margins going forward.

## ACKNOWLEDGEMENT

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. We are markedly grateful to the sponsors for their continual support and guidance in testing situations especially in terms of the financial support they extended from time to time to the company in the shape of the right shares and interest-free sponsor loans. This support from sponsors helped the Company to reemerge and continue towards profitability.

On behalf of the Board of Directors



IQBAL ALI LAKHANI  
Chairman

Karachi: August 31, 2023



Amir Ahmed Chapra  
Chief Executive Officer

## بعد کے واقعات

کمپنی کے مالی سال کے اختتام اور اس رپورٹ کی تاریخ کے درمیان کمپنی کی مالی حیثیت کو متاثر کرنے والے کوئی مادی تبدیلیاں یا وعدے نہیں ہوئے ہیں۔

## شیر ہولڈنگ کا پیٹرن

کمپنیز ایکٹ 2017 کے سیکشن 227 کے تحت درکار 30 جون 2023 تک حصص یافتگان کی اقسام کے ساتھ شیر ہولڈنگ کا پیٹرن سالانہ رپورٹ کے صفحہ 103 سے 106 پر پیش کیا گیا ہے۔

## آڈیٹرز

موجودہ بیرونی آڈیٹرز، بی ڈی اوبر ایبیم اور کمپنی، چارٹرڈ اکاؤنٹنٹس نے 30 جون، 2023 کو ختم ہونے والے سال کے لئے سالانہ آڈٹ مکمل کیا ہے۔ آڈیٹرز 19 اکتوبر 2023 کو سالانہ جنرل اجلاس کے اختتام پر ریٹائر ہوں گے، اور اہل ہونے کے ناطے، سال 2023 کے لئے دوبارہ تقرری کے لئے خود کو پیش کیا ہے۔

## مستقبل کے امکانات

توقع کی جا رہی ہے کہ روس اور یوکرین کے مابین بین الاقوامی تنازعہ کے ساتھ موجودہ معاشی صورتحال جاری رہے گی۔ سیاسی ہنگامہ معیشت کی پہلے سے ہی غیر یقینی صورتحال پر مزید باؤ ڈال رہا ہے۔ مزید برآں، ایس بی پی کے ذریعہ مستقل اعلیٰ سود کی شرح اور درآمدی کنٹرول خراب کاروباری ماحول کو بڑھا رہا ہے۔ یہ غیر ضروری حالات کمپنی کے لئے اہم چیلنج ہیں۔ تاہم بین الاقوامی مالیاتی فنڈ (آئی ایم ایف) کے ساتھ اسٹیٹڈ بائی معاہدے (ایس بی اے) کی شکل میں حالیہ معاہدے نے آئی ایم ایف اور قرضوں کی آمد کے ذریعے معیشت پر کچھ دباؤ اٹھایا دیگر کثیر الجہتی۔ ہم اس سال انتخابات کے بعد متوقع سیاسی استحکام کے ساتھ معیشت کے مزید استحکام کی توقع کرتے ہیں۔ ان چیلنجوں کے باوجود، کمپنی کلیدی سپلائرز، صارفین اور مالیاتی اداروں کے ساتھ مشغولیت کے ذریعے اپنے منافع کو برقرار رکھنے اور بڑھانے کی تمام کوششیں کر رہی ہے۔ ہم کمپنی کو ان چیلنجوں سے بچانے اور ان مشکل سماجی و معاشی حالات سے نکلنے کو یقینی بنا رہے ہیں۔ ہم نے اپنے صارفین کے ساتھ مل کر ان کے لئے پیکیجنگ کے حل میں لوکلائزیشن بڑھانے کے لئے کام کرنا شروع کیا ہے جو نہ صرف ان کی مدد کرے گا بلکہ آگے بڑھنے والے اپنے مارجن کو بہتر بنانے میں بھی مدد فراہم کرے گا۔

## اعتراف

انتظامیہ ان تمام صارفین، مالیاتی اداروں، عملے کے ممبران، سپلائرز اور حصص یافتگان سے اظہار تشکر کرنا چاہے گی جو کمپنی کے ساتھ ان کی مسلسل حمایت اور تعاون کے لئے وابستہ ہیں۔ ہم مشکل حالات میں اسپانسرز کے مسلسل تعاون اور رہنمائی کے لیے خاص طور پر شکر گزار ہیں خاص طور پر اس مالی تعاون کے حوالے سے جو انہوں نے وقتاً فوقتاً کمپنی کو صحیح حصص کے ذریعے اور بغیر سود کے اسپانسر قرضوں کے ذریعے فراہم کی۔

بورڈ آف ڈائریکٹرز کی جانب سے



عامر احمد چھاپرا  
چیف ایگزیکٹو آفیسر



اقبال علی لاکھانی  
چیرمین

تاریخ: 31 اگست، 2023

## بورڈ آف ڈائریکٹرز اور بورڈ کمیٹیوں کی کارکردگی کا جائزہ

کمپنی کارپوریٹ گورننس کے کوڈ کے حصے کے طور پر بورڈ آف ڈائریکٹرز، اس کی کمیٹیوں اور انفرادی ڈائریکٹرز کی سالانہ تشخیص کرتی ہے۔ مکمل سوالناموں کی وصولی کے بعد کمپنی کے سکریٹری کے ذریعہ رازداری کی ایک سخت سطح کا استعمال کیا جاتا ہے۔ رپورٹ کے مندرجات کا اندازہ کیا جاتا ہے اور جن علاقوں میں بہتری کی ضرورت ہوتی ہے ان کی نشاندہی کی جاتی ہے۔

## کوڈ آف کارپوریٹ گورننس کے ساتھ تعمیل کا بیان

کمپنی نے لسٹڈ کمپنیوں (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 کی ضروریات کی مکمل تعمیل کی ہے۔ تعمیل کا بیان رپورٹ کے متعلقہ حصے کے تحت فراہم کیا گیا ہے۔

## رسک مینجمنٹ

کمپنی کو متعدد قانونی، ریگولیٹری اور آپریشنل خطرات کا سامنا ہے۔ ایک اندرونی کنٹرول اور رسک مینجمنٹ فریم ورک موجود ہے جو اس بات کو یقینی بناتا ہے کہ خطرے سے تخفیف کے مناسب منصوبے موجود ہوں اور مؤثر طریقے سے کام کر رہے ہوں۔ کسی بھی اہم امور کو اعلیٰ انتظامیہ اور بورڈ تک بڑھایا جاتا ہے۔

بورڈ آف ڈائریکٹرز نے سماجی و معاشی زمین کی تزئین کی نگرانی اور اس سے وابستہ داخلی اور بیرونی خطرات کی نگرانی برقرار رکھی جو ممکنہ طور پر کمپنی کے محفوظ اور ہموار کام اور نتائج کو متاثر کر سکتی ہے۔ اسٹیک ہولڈر مفادات کے سرپرستوں کی حیثیت سے اپنے کردار میں ڈائریکٹرز نے سال کے دوران خطرات کو تسلیم کرنے اور ان کے خاتمے کے لئے تدبیریں سے کام لیا۔ انہوں نے ممکنہ خطرات کی نشاندہی کی، کمپنی کے لئے ان کے مضمرات کا اندازہ کیا اور کاروبار پر ان کے اثرات کو کم سے کم کرنے کے لئے نقطہ نظر وضع کیا آڈٹ کمیٹی نے مانیٹرنگ کا کردار ادا کرتے ہوئے کمپنی کے ڈھانچے میں ان طریقوں کی نگرانی کی گئی۔ اسٹریٹجک خطرات کا انتظام بورڈ آف ڈائریکٹرز کے ذریعہ ملکی قیادت کی مدد سے کرتے ہیں جبکہ آپریشنل خطرات کا انتظام قیادت کی ٹیم کے ذریعہ کیا جاتا ہے۔ کمپنی کو سب سے نمایاں خطرہ خام مال کی قیمتوں اور دستیابی کا سامنا کرنا پڑتا ہے۔ معیشت کی اتار چڑھاؤ کی وجہ سے، خام مال کی قیمتوں کا تعین غیر متوقع ہے۔ اثرات کو کم کرنے کے لئے کمپنی نے بڑے سپلائرز کے ساتھ قریبی تعلقات قائم کیے ہیں۔ اس سے کمپنی کو خام مال کی ہموار فراہمی کو حاصل کرتے ہوئے اپنی قیمتوں کا انتظام کرنے میں مدد ملی۔

## انٹرنل آڈٹ اور کنٹرول

کمپنی نے داخلی کنٹرول کی اہلیت اور تاثیر سے متعلق بورڈ کو غیر جانبدارانہ توثیق فراہم کرتے ہوئے ایک قابل داخلی آڈٹ اور کنٹرول سسٹم نافذ کیا ہے۔ کمپنی کے رسک گورننس ڈھانچے کے مطابق، آڈٹ کمیٹی داخلی آڈٹ فنکشن کی تاثیر اور آزادی کو برقرار رکھنے کے لئے سالانہ داخلی آڈٹ شیڈول کی منظوری دیتی ہے۔ ڈائریکٹرز کو یقین ہے کہ داخلی کنٹرول فریم ورک سوچ کے ساتھ ڈیزائن کیا گیا ہے اور سال بھر اس پر عمل درآمد اور نگرانی حاصل کی جاتی ہے۔

ڈائریکٹر کا نام	اجلاسوں میں شرکت کی تعداد
جناب اقبال علی لاکھانی (چیئرمین)	4
جناب امین محمد لاکھانی	4
محترمہ انوشکا لاکھانی	3
جناب آفتاب احمد	4
جناب فرخ شوکت انصاری	4
جناب احمد مناف	4
جناب آغا شاہ ولی اللہ	4
جناب عامر احمد چھاپرا (CEO)	4

سال کے دوران، آڈٹ کمیٹی کے 4 اجلاس طلب کیے گئے۔ ہر ممبر کی حاضری کاریکارڈ مندرجہ ذیل ہے۔

ڈائریکٹر کا نام	اجلاسوں میں شرکت کی تعداد
جناب فرخ شوکت انصاری	4
جناب امین محمد لاکھانی	4
جناب احمد مناف	4

سال کے دوران، ہیومن ریسورس اینڈ معاوضہ کمیٹی کا 11 اجلاس طلب کیا گیا۔ ہر ممبر کی حاضری کاریکارڈ مندرجہ ذیل ہے۔

ڈائریکٹر کا نام	اجلاسوں میں شرکت کی تعداد
جناب فرخ شوکت انصاری	1
جناب امین محمد لاکھانی	1
جناب آفتاب احمد	1

شیر ہولڈنگ کاپیٹن رپورٹ سے منسلک ہے۔

مالی سال 22 میں پاکستانی روپیہ 0.84 کے مقابلے میں مالی سال 23 میں پاکستانی روپیہ 0.68 فی شیر نقصان ہوا۔

#### ڈائریکٹرز کا معاوضہ

ڈائریکٹرز کے معاوضہ کی اہم خصوصیات اور کلیدی عناصر مندرجہ ذیل ہیں:

- آزاد اور غیر ایگزیکٹو ڈائریکٹرز صرف بورڈ اور کمیٹی کے اجلاسوں کے معاوضے کے بدلے مقررہ فیس وصول کرنے کے حقدار ہیں۔
- بورڈ کو بورڈ اور کمیٹی کے اجلاسوں میں شرکت کے لئے اپنے ڈائریکٹرز کے معاوضے کا تعین کرنے کا اختیار ہے۔
- جون 2023 کو ختم ہونے والے سال کے مالی بیانات کے نوٹ 44 میں ڈائریکٹرز کے معاوضے کی تفصیل ظاہر کی گئی ہے۔

## متعلقہ پارٹی کی منتقلی

سال 2023 کے دوران متعلقہ پارٹی سے متعلق تمام لین دین کو آڈٹ کمیٹی اور بورڈ کے سامنے ان کے جائزے اور منظوری کے لئے رکھا گیا تھا۔ آڈٹ کمیٹی کے ذریعہ ان لین دین کا باقاعدگی سے جائزہ لیا گیا اور بورڈ نے ان کی متعلقہ میٹنگوں میں اس کی منظوری دی۔ یہ تمام لین دین بازو کی لمبائی کے لین دین پر عمل میں لایا گیا تھا اور بورڈ کے ذریعہ منظور شدہ متعلقہ فریقوں کے ساتھ پالیسی کے مطابق ہیں۔ کمپنی شرائط و ضوابط کے ساتھ ساتھ اس طرح کے تمام لین دین کا بھی ایک مکمل ریکارڈ برقرار رکھتی ہے۔

## بورڈ آف ڈائریکٹرز

بورڈ میں ڈائریکٹرز کی کل تعداد 8 ہے۔ اس کی تشکیل مندرجہ ذیل ہے:

7 مرد ڈائریکٹرز

1 خاتون ڈائریکٹر

2 خود مختار ڈائریکٹرز

• جناب فرورخ شوکت انصاری

• جناب احمد منف

5 غیر ایگزیکٹو ڈائریکٹرز

• جناب اقبال علی لاکھانی - چیئرمین

• جناب امین محمد لاکھانی

• جناب افتاب احمد

• محترمہ انوشکا لاکھانی

• جناب آغا شاہ ولی اللہ

1 ایگزیکٹو ڈائریکٹر

جناب عامر احمد چھاپرا

1 خاتون ڈائریکٹر

• محترمہ انوشکا لاکھانی

سال کے دوران، بورڈ آف ڈائریکٹرز کے 14 اجلاس طلب کیے گئے۔ ہر ڈائریکٹر کی حاضری کا ریکارڈ مندرجہ ذیل ہے۔

جس کا مقصد اپنی مینو فیچرنگ سائٹوں اور آس پاس کے علاقوں کے قریب رہائشیوں کے معیار زندگی کو بڑھانا ہے۔ کمپنی مستقل طور پر ضرورت مند افراد کے لئے امداد میں توسیع کرتی ہے، جو ہنگامی صورتحال یا قدرتی آفات کے اوقات میں اہم مدد کی پیش کش کرتی ہے۔ بہتر ماحول، مضبوط معیشت اور بہتر پاکستان کو فروغ دینے کے وزن کے ساتھ، کمپنی قابل احترام رہا ہی تنظیموں اور معنی خیز معاشرتی اقدامات میں حصہ ڈالنے کے لئے وقف ہے۔ سال کے دوران کی جانے والی سی ایس آر سرگرمیوں کی تفصیلات سالانہ رپورٹ کے سی ایس آر سیکشن میں دی جاتی ہیں۔

### حفاظت، سلامتی، صحت، اور ماحولیات

ہم اپنے ملازمین کی حفاظت اور فلاح و بہبود اور ماحولیات کے تحفظ کو مضبوطی سے ترجیح دیتے ہیں۔ غیر متزلزل قیادت کے عزم کے ذریعہ، ہم اپنے پورے کاروبار میں مضبوط کنٹرول فریم ورک کو نافذ کر کے اور ایس ایس ایچ ای کی مضبوط ثقافت کو فروغ دے کر اپنی افرادی قوت، اثاثوں اور گردونواح کے تحفظ کو یقینی بناتے ہیں۔ بیک وقت، ہم اپنے طویل مدتی ماحولیاتی نقوش کو کم سے کم کرنے کے مقصد سے پائیداری کے مہتو کا کنکشی اہداف کا تعین کر کے ماحولیاتی خدشات کو دور کرنے کے لئے وقف ہیں۔

کمپنی کی پیداواری سہولیات صنعت کی حفاظت کے معیارات کی تعمیل میں ہیں۔ ہمارے پاس ایک خصوصی محکمہ ہے جو بہترین طریقوں پر عمل پیرا ہونے کو یقینی بنانے کے مقاصد کی نگرانی کے لئے ذمہ دار ہے۔ محکمہ عملے کے لئے باقاعدگی سے آگ اور حفاظت کی تربیت بھی کرتا ہے۔ ایس ایس ایچ ای کی سخت تعمیل کے لئے کمپنی کی مضبوط لگن کی وجہ سے سال کے دوران کوئی خاص حادثات رپورٹ نہیں ہوئے۔

### کارپوریٹ اور مالی رپورٹ فریم ورک

- کمپنی کے انتظام کے ذریعہ تیار کردہ مالی بیانات اپنی صورتحال کو منصفانہ طور پر پیش کرتے ہیں، اس کی کارروائیوں کا نتیجہ، نقد بہاؤ، اور ایکویٹی میں تبدیلی۔
- کمپنی کے اکاؤنٹ کی مناسب کتابیں برقرار رکھی گئی ہیں۔
- مالی بیانات کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیاں مستقل طور پر لاگو کی گئیں ہیں اور اکاؤنٹنگ کا تخمینہ معقول اور دانشمندانہ فیصلے پر مبنی ہے۔
- بین الاقوامی مالیاتی رپورٹنگ معیارات، جیسا کہ پاکستان میں قابل اطلاق ہیں، مالی بیانات کی تیاری میں پیروی کی گئی ہے، اور اس کے بعد سے ہونے والی کسی بھی روانگی کا مناسب انکشاف اور وضاحت کی گئی ہے۔
- داخلی کنٹرول کا نظام ڈیزائن میں مستحکم ہے اور اس پر موثر انداز میں عمل درآمد اور نگرانی کی گئی ہے۔
- کمپنی کی تشویش کے طور پر جاری رکھنے کی صلاحیت کے بارے میں کوئی خاص شکوک و شبہات نہیں ہیں۔
- کارپوریٹ گورننس کے بہترین طریقوں سے کوئی مادی روانگی نہیں ہوئی ہے۔
- ایک مختصر شکل میں پچھلے چھ سالوں کے لئے کلیدی آپریٹنگ اور مالی اعداد و شمار کو منسلک کیا گیا ہے۔
- ٹیکس، فرائض، محصولات اور چارجز کی وجہ سے آپ کی کمپنی کے خلاف کوئی معاوضہ نہیں ہے سوائے ان کے جو کاروبار کے معمول کے مطابق ہوتے ہیں۔
- کمپنی اپنے ملازمین کے لئے پروویڈنٹ اور گریجویٹ فنڈ اکاؤنٹ برقرار رکھتی ہے۔ 30 جون 2023 تک فنڈز کی سرمایہ کاری کی اقدار ذیل میں رکھی گئی ہیں۔

97.367 ملین روپے

74.345 ملین روپے

• پروویڈنٹ فنڈ

• گریجویٹ فنڈ

(ملین روپے)		
2022	2023	
4,181.65	6,340.62	فروخت خالص
252.92	491.60	مجموعی منافع
170.40	65.54	قبل از ٹیکس نقصان
168.17	136.60	بعد از ٹیکس نقصان

(ملین روپے)					
ٹوٹل	ستمبر	دسمبر	مارچ	جون	
6,340.62	1,391.83	1,627.10	1,686.78	1,634.91	فروخت خالص
491.60	136.37	102.42	102.99	149.82	مجموعی منافع
(65.54)	19.54	(37.54)	(10.82)	(36.72)	قبل از ٹیکس منافع / نقصان
(136.60)	3.44	(66.51)	(28.54)	(44.99)	بعد از ٹیکس منافع / نقصان

سال 2022-23 میں میرٹ پیکیجنگ لمیٹڈ نے اپنی ٹاپلائن میں 51.63 فیصد اضافہ کیا جو پچھلے سال کے مقابلے میں 2,159 ملین روپے زیادہ ہے۔ شرح سود میں غیر معمولی اضافے کی وجہ سے کمپنی کی مالی لاگت میں اضافہ ہوا جس نے خالص منافع کو ختم کر دیا۔ اسپانسر لون پر مالی چارج کا ایک عنصر موجود ہے جس کی ادائیگی نہیں کی جاتی ہے بلکہ اس میں توسیع کی جاتی ہے۔ اس سے کمپنی کے لئے نقد پیداوار کو بہتر بنانے میں مدد ملتی ہے۔

سال کے دوران کمپنی نے دو طویل مدتی قرضوں کی تیزی سے ادائیگی کی جو 11.21 ملین روپے تھے۔ اس کے بعد، کمپنی نے ایک اور طویل مدتی قرض 14.16 ملین روپے کی ادائیگی نے 4.65 ملین روپے کے ممکنہ سود سے بچایا۔

یہاں تک کہ ان سخت اوقات میں بھی کمپنی بڑے پیمانے پر 240 ملین روپے خرچ کیا۔

### ڈیویڈنڈ ادائیگی

اگرچہ حالیہ برسوں میں کمپنی کی مالی کارکردگی میں نمایاں بہتری آئی ہے، تاہم، یہ اب بھی نقصانات کو برقرار رکھے ہوئے ہے۔ لہذا کسی بھی منافع کا اعلان نہیں کیا گیا ہے۔

### شیئر ہولڈنگ کا پیٹرن

شیئر ہولڈنگ کا پیٹرن سالانہ رپورٹ کے صفحہ 103 پر پیش کیا گیا ہے۔

### آمدنی فی شیئر

مالی سال 22 میں پاکستانی روپیہ 0.84 اور مالی سال 23 میں پاکستانی روپیہ 0.68 فی شیئر نقصان ہوا۔

### کارپوریٹ سماجی ذمہ داری

میرٹ پیکیجنگ لمیٹڈ میں محض کمپنی سے بڑھ کر ہم ایک کمیونٹی سنٹرک تنظیم ہیں جو واپس دینے اور مثبت معاشرتی تبدیلی پیدا کرنے کے لئے گہری عقیدت مند ہیں۔ کارپوریٹ سماجی ذمہ داری سے وابستگی کے ساتھ منسلک، تنظیم متعدد معاشرتی کوششوں میں بڑھ کر حصہ لیتی ہے۔



## ڈائریکٹرز رپورٹ

میرٹ پیکیجنگ لمیٹڈ کے بورڈ آف ڈائریکٹرز 30 جون، 2023 کو ختم ہونے والے سال کے لئے کمپنی کے آڈٹ شدہ مالی بیانات کے ساتھ سالانہ رپورٹ پیش کرنے پر خوش ہیں۔

یہ ڈائریکٹرز رپورٹ کمپنیز ایکٹ، 2017، فہرست کمپنیوں (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کے سیکشن 227 کے مطابق تیار کی گئی ہے اور 19 اکتوبر 2023 کو ہونے والی تینالیسیوں سالانہ جنرل میٹنگ میں ممبروں کو پیش کیا جائے گا۔

### اہم سرگرمیاں

براہ کرم کمپنی کی بنیادی سرگرمی کے لئے مالی بیانات کے نوٹ 1 کا حوالہ دیکھیں۔

### کاروبار اور معاشی ماحول

سبکدوش ہونے والا سال 2022-23 کاروبار، خاص طور پر بڑے پیمانے پر اسکیل مینوفیکچرنگ کے لئے انتہائی مشکل رہا ہے۔ سیاسی ہنگاموں نے ملک کی معیشت کو متاثر کیا۔ مقامی محاذ پر، بین الاقوامی ایندھن اور اجناس کی قیمتوں میں اضافے اور تجارتی خسارے میں اضافے کی وجہ سے زر مبادلہ کے ذخائر سب سے کم سطح پر گر گئے جس کے نتیجے میں افراط زر زیادہ ہوا۔ 2022 کے سیلاب نے معاشی ہنگاموں کو مزید تیز کر دیا اور افراط زر کو ہوا دی۔ افراط زر کے دباؤ سے نمٹنے کے لئے، ریاستی بینک آف پاکستان نے غیر ملکی ذخائر کی کمی کو کم کرنے کے لئے درآمدی پابندیوں کے ساتھ ساتھ سود کی شرح کو غیر معمولی سطح تک بڑھادیا۔ ایس بی پی کے ان اقدامات نے ملک کے معاشی اور کاروباری ماحول کو مزید بڑھا دیا۔

بین الاقوامی محاذ پر، روس-یوکرین تنازعہ نے عالمی سپلائی چین اور پیداوار میں خلل ڈالنے کے ساتھ بین الاقوامی ایندھن اور اجناس کی قیمتوں کو اوپر کی طرف بڑھایا ہے۔ ان چیلنجوں سے نمٹنے کے لئے، کمپنی کے انتظام نے کلیدی سپلائرز کے ساتھ قریبی تعلقات رکھے اور صارفین کے ساتھ مضبوط تعلقات برقرار رکھے۔ مزید برآں، انتظامیہ پیداواری لاگت سے واقف رہی۔

### مالی کارکردگی

سخت معاشی حالات کے دوران، کمپنی کا رخ کچھ رکاوٹوں کے ساتھ ٹریک پر رہا۔ مالی منافع مالی سال 22 میں 252.9 ملین پاکستانی روپیہ سے مالی سال 23 میں 491.6 ملین روپے میں بہتر ہوا، جو سال میں 257 بڑھتی ہے۔ مالی سال 23 کے لئے آپریٹنگ منافع میں مالی سال 22 میں پاکستانی روپے سے 278.7 ملین پاکستانی روپے میں بہتری آئی، جس میں 200 فیصد اضافہ ہوا۔ خالص منافع کی بنیاد پر، اس کمپنی نے مالی سال 22 میں پاکستانی روپے سے مالی سال 22 میں 168.1 ملین سے مالی سال 22 میں 136.6 ملین پاکستانی روپیہ کا نقصان اٹھایا اور اس کے لئے مالی معاوضے اور ٹیکس اکاؤنٹنگ کے ساتھ ساتھ کچھ ایک دفعہ خرابی بھی عائد کی گئی ہے وصول کرنے والے کمپنی نے بیلنس شیٹ کو مزید صاف کرنے کے لئے مالی سال 23 میں پاکستانی روپے کی 40 ملین کی ایک خرابی بک کر لی۔ مالی سال 22 میں پاکستانی روپیہ 0.84 سے مالی سال 23 میں پاکستانی روپیہ 0.68 میں نی شیئر نقصان ہوا۔

کم لاگت پر صارفین کو معیاری مصنوعات کی فراہمی کے ذریعہ مارجن کو بہتر بنانے کے مواقع کو پورا کرتے ہوئے کمپنی کی ٹاپلائن گذشتہ برسوں کے دوران مستقل طور پر بڑھ رہی ہے۔ انتظامیہ دوسرے معروف صارفین کے ساتھ بات چیت کر رہی ہے تاکہ وہ شامل ہوں اور آنے والے سالوں میں اس کے حجم اور محصول میں اضافہ کریں۔

# STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

For the Year Ended June 30, 2023

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

1. The total number of directors are seven as per the following:
  - a. Male 7
  - b. Female 1
2. The composition of the Board is as follows:

Independent Directors	Mr. Farrukh Shauket Ansari Mr. Ahmed Munaf
Other Non-executive Directors	Mr. Iqbal Ali Lakhani – Chairman Mr. Amin Mohammed Lakhani Ms. Anushka Lakhani Mr. Aftab Ahmad Mr. Agha Shah Waliullah
Executive Director	Mr. Amir Ahmed Chapra
Female Director	Ms. Anushka Lakhani

Note: The Board of the Company comprises of eight directors and one-third works out to be 2.67. The fractional requirement has not been rounded up, as two (2) Independent Directors elected by the shareholders in terms of Section 166 of the Companies Act, 2017 who have the requisite competence, skills, knowledge, and experience are considered adequate to discharge and execute their duties competently as per laws and regulations.

3. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company.
4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meetings of the Board.
8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. All the Directors of the Company have completed or are exempted from the requirement of Directors' Training Program.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. Mr. Mansoor Ahmed was assigned the responsibilities of Company Secretary of the Company in addition to his responsibilities in other group companies.

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below:

Audit Committee	Mr. Farrukh Shauket Ansari – Chairman Mr. Amin Mohammed Lakhani – Member Mr. Ahmed Munaf – Member
HR and Remuneration Committee	Mr. Farrukh Shauket Ansari - Chairman Mr. Amin Mohammad Lakhani – Member Mr. Aftab Ahmad - Member Mr. Amir Ahmed Chapra – Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the committees were as per following:
- |                                  |   |                    |
|----------------------------------|---|--------------------|
| a. Audit Committee               | 4 | quarterly meetings |
| b. HR and Remuneration Committee | 1 | annual meeting     |
15. The board has set up an effective internal audit function comprising of personnel who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the Company.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of Regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.
19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 is as follows:

**S.No. Non-Mandatory Requirement**

**1. Nomination Committee:**

The Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors, as it may deem appropriate in its circumstances.

**2. Risk Management Committee:**

The Board may constitute the risk management committee, of such number and class of directors, as it may deem appropriate in its circumstances, to carry out a review of the effectiveness of risk management procedures and present a report to the Board.

**Reg. No. Explanation**

29(1) Currently, the board has not constituted the Nomination Committee. The function of the Nomination Committee is performed by the board.

30(1) Currently, the board has not constituted a separate Risk Management Committee and the function is being performed by the Board.



Iqbal Ali Lakhani  
Chairman



Amir Ahmed Chapra  
Chief Executive Officer

Karachi: August 31, 2023



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**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MERIT PACKAGING LIMITED ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Merit Packaging Limited for the year ended June 30, 2023 in accordance with the requirements of regulation 36 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2023.

**KARACHI**

**DATED:** September 14, 2023

**UDIN:** CR202310166BhPOMiE0g

**BDO EBRAHIM & CO.**

**CHARTERED ACCOUNTANTS**

Engagement Partner: Tariq Feroz Khan

# FINANCIAL STATEMENTS

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

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the annexed financial statements of **Merit Packaging Limited** (the Company), which comprise the statement of financial position as at June 30, 2023, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2023 and of the loss and other comprehensive income, its cash flows and the changes in equity for the year then ended.

#### Basis for Opinion

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

#### Key Audit Matters

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

The following are the Key audit matters:

S. No	Key audit matters	How the matter was addressed in our audit
1.	<b>Revenue and trade debts</b>	
	As disclosed in notes 29 and 12 to the accompanying financial statements, the Company has reported net sales of Rs. 6,340.624 million and related trade debt balances as at the reporting date amounting to Rs. 1,443.552 million. During the year, the Company has reported a significant increase in revenue with a consequential increase in trade debts of 52% and 29.6%, respectively.	<p>We performed a range of audit procedures including the following:</p> <ul style="list-style-type: none"> <li>We obtained an understanding of the process relating to recording revenue from contracts with customers and testing the design and operating effectiveness of relevant key internal controls implemented around the sales and trade receivables cycle;</li> </ul>

S. No	Key audit matters	How the matter was addressed in our audit
	<p>The revenue and related trade debts are largely susceptible to the risk of completeness/accuracy and existence/valuation respectively, which may misstate the Company's reported financial performance and position as at the reporting date.</p> <p>Moreover, trade debt balances are also subject to management estimates to ascertain expected credit losses, if any, as at the reporting date.</p> <p>Therefore, given the risks involved, we identified revenue recognition along with the related increase in trade debts as a key audit matter</p>	<ul style="list-style-type: none"> <li>• We performed a test of details on revenue recognized during the year, on a sample basis, including review of order receipt, invoicing, and dispatched;</li> <li>• We performed cut-off procedures on transactions occurring either immediately before or after the year's end to assess the recording of revenue in the correct accounting period;</li> <li>• We performed analytical procedures to ascertain the reasoning of major fluctuations;</li> <li>• We scanned for any manual journal entries relating to revenue recorded during the year, particularly at year-end, which were considered to be material or met other specific risk-based criteria for inspecting underlying documentation;</li> <li>• We circularized confirmation to the sample of debtors with the outstanding balance at the year's end;</li> <li>• We considered the appropriateness of expected credit losses (ECL) against trade receivables as per the Company's policy; and</li> <li>• We considered the adequacy of the related disclosures presented in the financial statements and assessed these in accordance with applicable accounting standards and requirements of the Companies Act, 2017.</li> </ul>
2.	<p><b>Revaluation of Operating Fixed Assets and Capital Expenditure</b></p>	
	<p>As of the reporting date, the operating fixed assets of the Company amount to Rs. 4,292.848 million, as disclosed in note 6 of the annexed financial statements, which represents 60% of total assets. During the year the Company has revalued its leasehold land, building/improvements on leasehold land, and plant and machinery, resulting in a surplus on revaluation amounting to Rs. 1,391.502 million.</p> <p>Further, the Company has also made a significant capital expenditure amounting to Rs. 240.402 million during the year which has been disclosed in note 7 of the annexed financial statements.</p>	<p>Our audit work includes a number of procedures, among others:</p> <ul style="list-style-type: none"> <li>• We assessed and tested the design and operation of its key controls over capital expenditure, including testing the amounts capitalized to supporting evidence, and evaluating whether assets were capitalized in accordance with required recognition criteria;</li> <li>• We obtained the external valuer's report and understood the key estimates considered by the valuer in assessing the fair value of assets revalued;</li> <li>• We assessed the competency, capability and objectivity of the external valuer engaged by the Company;</li> </ul>

S. No	Key audit matters	How the matter was addressed in our audit
	<p>Significant levels of revaluation and capital expenditure require consideration of key areas of significant judgments, estimates, and assumptions and ascertaining the appropriateness of valuation techniques used in assessing the fair values of the nature of the costs incurred to ensure that their capitalization in operating fixed assets.</p> <p>Additionally, determining the availability of assets for use and estimating their useful lives and residual value involve significant considerations.</p> <p>Accordingly, we have considered this to be a key audit matter.</p>	<ul style="list-style-type: none"> <li>• We assessed the reasonableness of the significant judgments, estimates &amp; and assumptions made by the valuer including the appropriateness of valuation techniques;</li> <li>• We also assessed the useful economic lives assigned concerning the Company's historical experience, including assessing the level of fully depreciated assets held by the Company; and</li> <li>• We evaluated the adequacy of the disclosures presented in the financial statements regarding property, plant, and equipment by the applicable financial reporting framework.</li> </ul>

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

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

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

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

### Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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



## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

## **Report on Other Legal and Regulatory Requirements**

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

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

- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows and together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

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



**BDO EBRAHIM & CO.  
CHARTERED ACCOUNTANTS**

**KARACHI**

**DATED:** September 14, 2023

**UDIN:** AR2023101666uGFQZrnT

# STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2023

	Note	2023 Rupees	2022 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipments			
Operating fixed assets	6	4,292,848,588	2,911,270,415
Capital work in progress	7	138,067,924	77,259,839
		4,430,916,512	2,988,530,254
Intangible assets	8	243,695	411,950
Long-term deposits	9	12,249,187	5,019,677
Deferred taxation	24	-	231,698,458
		4,443,409,394	3,225,660,339
<b>CURRENT ASSETS</b>			
Stores and spares	10	66,162,871	81,877,412
Stock-in-trade	11	763,974,549	700,740,532
Trade debts	12	1,443,551,693	1,113,834,633
Loans and advances	13	28,617,255	38,948,213
Trade deposits and short-term prepayments	14	1,915,000	3,122,371
Other receivables	15	28,050,140	107,053
Tax refund due from Government	16	341,375,591	368,015,653
Cash and bank balances	18	5,646,512	6,846,936
		2,679,293,611	2,313,492,803
		7,122,703,005	5,539,153,142
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital			
200,000,000 (June 30, 2022: 200,000,000) ordinary shares of Rs. 10/- each	19	2,000,000,000	2,000,000,000
Issued, subscribed and paid-up capital	20	1,999,584,270	1,999,584,270
Capital reserve			
Surplus on revaluation of property, plant and equipment	21	1,883,552,429	799,735,200
Equity portion of loan - associated company		622,381,448	521,201,641
Share Premium Reserve		298,325,000	298,325,000
Revenue reserves			
General reserves		106,800,000	106,800,000
Accumulated losses		(1,988,415,289)	(1,880,131,926)
		2,922,227,858	1,845,514,185
<b>NON-CURRENT LIABILITIES</b>			
Sub-ordinated loan	22	238,767,487	233,995,331
Long-term financing	23	1,299,814,564	1,407,487,160
Deferred taxation	24	29,463,626	-
Long-term deposits		-	13,200
		1,568,045,677	1,641,495,691
<b>CURRENT LIABILITIES</b>			
Trade and other payables	25	1,734,532,319	1,092,307,837
Mark-up accrued	26	48,158,525	21,064,066
Short-term borrowings	27	676,683,429	698,866,008
Current portion of deferred capital grant		-	293,922
Current portion of long-term financing	23	127,160,599	210,874,911
Un-claimed dividend		129,143	129,143
Taxation - net	17	45,765,455	28,607,379
		2,632,429,470	2,052,143,266
		7,122,703,005	5,539,153,142
<b>TOTAL EQUITY AND LIABILITIES</b>			
<b>CONTINGENCIES AND COMMITMENTS</b>			
	28		

The annexed notes from 1 to 52 form an integral part of these financial statements.



**Aftab Ahmad**  
Director



**Amir Ahmed Chapra**  
Chief Executive Officer



**Umair Ahmed**  
Chief Financial Officer

# STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED JUNE 30, 2023

		2023	2022
	Note	Rupees	Rupees
Revenue	29	6,340,623,574	4,181,646,875
Cost of sales	30	(5,849,026,445)	(3,928,729,810)
Gross profit		491,597,129	252,917,065
General and administrative expenses	31	(109,004,812)	(99,117,483)
Selling and distribution expenses	32	(87,252,291)	(71,230,572)
Other income	33	33,312,310	20,401,114
Other operating expenses	34	(49,903,304)	(10,198,799)
		(212,848,097)	(160,145,740)
Operating profit		278,749,032	92,771,325
Financial charges	35	(344,284,711)	(263,167,657)
Loss before taxation		(65,535,679)	(170,396,332)
Taxation	36	(71,066,264)	2,227,214
Loss for the year		(136,601,943)	(168,169,118)
			<b>(Restated)</b>
Loss per share - basic and diluted	37	(0.68)	(0.84)

The annexed notes from 1 to 52 form an integral part of these financial statements.



**Aftab Ahmad**  
Director



**Amir Ahmed Chapra**  
Chief Executive Officer



**Umair Ahmed**  
Chief Financial Officer

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2023

		2023	2022
	Note	Rupees	Rupees
Loss for the year		(136,601,943)	(168,169,118)
<b>Other comprehensive income</b>			
Items that will not be reclassified subsequently to statement of profit or loss:			
Actuarial gain / (loss) on remeasurement of post employment benefit plans	38.1.2	35,106,022	(1,905,687)
Impact of deferred tax		(10,180,746)	552,649
		24,925,276	(1,353,038)
Surplus on revaluation of property, plant and equipment	21	1,391,501,542	-
Impact of deferred tax		(304,291,009)	-
		1,087,210,533	-
Total comprehensive income / (loss) for the year		975,533,866	(169,522,156)

The annexed notes from 1 to 52 form an integral part of these financial statements.



**Aftab Ahmad**  
Director



**Amir Ahmed Chapra**  
Chief Executive Officer



**Umair Ahmed**  
Chief Financial Officer

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 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-----								
<b>Balance as at June 30, 2021</b>	806,283,980	805,184,644	-	537,219,187	1,342,403,831	106,800,000	(1,706,171,430)	(1,599,371,430)	549,316,381
Total comprehensive loss for the year ended June 30, 2022									
Loss for the year	-	-	-	-	-	-	(168,169,118)	(168,169,118)	(168,169,118)
Other comprehensive loss - net of tax	-	-	-	-	-	-	(1,353,038)	(1,353,038)	(1,353,038)
	-	-	-	-	-	-	(169,522,156)	(169,522,156)	(169,522,156)
Transaction with owners									
Equity portion of loan - note 23	-	-	-	(16,017,546)	(16,017,546)	-	-	-	(16,017,546)
Issue of ordinary right shares @ 148% at a premium of Rs. 2.5 per share	1,193,300,290	-	298,325,000	-	298,325,000	-	(9,887,784)	(9,887,784)	1,481,737,506
	1,193,300,290	-	298,325,000	(16,017,546)	282,307,454	-	(9,887,784)	(9,887,784)	1,465,719,960
Transferred to accumulated losses on account of incremental depreciation (net of tax) - note 21	-	(5,449,444)	-	-	(5,449,444)	-	5,449,444	5,449,444	-
<b>Balance as at June 30, 2022</b>	1,999,584,270	799,735,200	298,325,000	521,201,641	1,619,261,841	106,800,000	(1,880,131,926)	(1,773,331,926)	1,845,514,185
Total comprehensive income for the year ended June 30, 2023									
Loss for the year	-	-	-	-	-	-	(136,601,943)	(136,601,943)	(136,601,943)
Other comprehensive income - net of tax	-	1,087,210,533	-	-	1,087,210,533	-	24,925,276	24,925,276	1,112,135,809
	-	1,087,210,533	-	-	1,087,210,533	-	(111,676,667)	(111,676,667)	975,533,866
Transaction with owners									
Equity portion of loan - note 23	-	-	-	101,179,807	101,179,807	-	-	-	101,179,807
Transferred to accumulated losses on account of incremental depreciation (net of tax) - note 21	-	(3,393,304)	-	-	(3,393,304)	-	3,393,304	3,393,304	-
<b>Balance as at June 30, 2023</b>	1,999,584,270	1,883,552,429	298,325,000	622,381,448	2,804,258,877	106,800,000	(1,988,415,289)	(1,881,615,289)	2,922,227,858

The annexed notes from 1 to 52 form an integral part of these financial statements.



**Aftab Ahmad**  
Director



**Amir Ahmed Chapra**  
Chief Executive Officer



**Umair Ahmed**  
Chief Financial Officer

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023 Rupees	2022 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	39	778,125,052	29,783,606
Taxes paid - net		(107,217,859)	(35,087,619)
Financial charges paid		(182,858,048)	(137,440,180)
Long-term deposits		(7,242,710)	(20,454)
Net cash generated from/ (used in) operating activities		480,806,435	(142,764,647)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure made during the year	7.1	(240,401,582)	(155,470,642)
Proceeds from sale of property, plant and equipments		356,950	3,154,150
Long-term deposits		-	96,000
Net cash used in investing activities		(240,044,632)	(152,220,492)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long-term financing - Sponsors		-	(790,000,000)
Repayment of long-term financing - Financial institution		(219,767,149)	(306,040,157)
Proceeds from short term financing - Sponsors		-	250,000,000
Repayment of short term borrowings - Sponsors		-	(250,000,000)
Receipt from issue of right share - net		-	1,481,737,506
Ijarah lease rentals payment - net		(12,499)	(773,797)
Net cash (used in) / generated from financing activities		(219,779,648)	384,923,552
Net increase in cash and cash equivalents		20,982,155	89,938,413
Cash and cash equivalents at beginning of the year		(692,019,072)	(781,957,485)
Cash and cash equivalents at end of the year	41	(671,036,917)	(692,019,072)

The annexed notes from 1 to 52 form an integral part of these financial statements.



**Aftab Ahmad**  
Director



**Amir Ahmed Chapra**  
Chief Executive Officer



**Umair Ahmed**  
Chief Financial Officer

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 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 year ended June 30, 2023 amounting to Rs. 136.602 million (2022: Rs. 168.169 million) and its accumulated losses stood as at June 30, 2023 amounted to Rs. 1,988.415 million (2022: Rs. 1,880.131 million). Overall performance of the company has improved from last period as the Company has earned operating profit of Rs. 278.749 million (2022: Rs. 92.771 million). The said operating profit represents better market competitive margin from customers, an increase in volume from existing customers, and effective operational cost management. During the year, the Company has rescheduled its interest-free loan from associated undertakings amounting to Rs.650 million, with an additional Rs. 450 million being restructured after the reporting date. This measure was taken to enhance the Company’s financial flexibility. The Company also intends to further review its operating costs, streamline operations, and create strategies to achieve sustained profitability.

## 2. GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

The geographical Location and addresses of the Company’s business units / immovable assets are as under:

Business Unit	Address
- Registered office	Lakson Square Building No. 2, Sarwar Shaheed Road, Karachi, Pakistan.
- Factory	Plot No. 17-B, Sector 29, Korangi Industrial Area, Karachi, Pakistan.

## 3. BASIS OF PREPARATION

### 3.1 Statement of compliance

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

- ‘International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act , 2017 (“the Act”); and
- Provisions of and directives issued under the Act.

Where provisions of and directives issued under the Act differ from the IFRS Standards, the provisions of and directives issued under the Act, are followed.

### 3.2 Basis of measurement

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

## 3.3 Functional and presentation currency

The financial statements are presented in Pakistani rupees (“Rs”), which is the Company’s functional and presentation currency.

## 4. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED APPROVED ACCOUNTING AND REPORTING STANDARDS

### 4.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2023

The following standards, amendments and interpretations are effective for the year ended June 30, 2023. These standards, amendments and interpretations are either not relevant to the Company’s operations or did not have significant impact on the financial statements other than certain additional disclosures.

	<b>Effective date (annual periods beginning on or after)</b>
Amendments to IFRS 3 ‘Business Combinations’ - Reference to the conceptual framework	January 01, 2022
Amendments to IFRS 16 ‘Leases’ - Extended practical relief regarding Covid - 19 related rent concessions	January 01, 2022
Amendments to IAS 37 ‘Provisions, Contingent Liabilities and Contingent Assets’ - Onerous Contracts - Cost of fulfilling a contract	January 01, 2022

### 4.2 New accounting standards, amendments and interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Company’s operations or are not expected to have significant impact on the Company’s financial statements other than certain additional disclosures.

	<b>Effective date (annual periods beginning on or after)</b>
Amendments to IFRS 7 ‘Financial Instruments: Disclosures’ - Supplier finance arrangements	January 01, 2024
Amendments to IFRS 16 ‘Leases’ - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 1 ‘Presentation of Financial Statements’ - Disclosure of Accounting Policies	January 01, 2024
Amendments to IAS 1 ‘Presentation of Financial Statements’ - Non-current liabilities with covenants	January 01, 2024
Amendments to IAS 7 ‘Statement of Cash Flows’ - Supplier finance arrangements	January 01, 2024
Amendments to IAS 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’ - Definition of Accounting Estimates	January 01, 2023
Amendments to IAS 12 ‘Income Taxes’ - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023

Certain annual improvements have also been made to a number of IFRSs.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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

IFRS 1 First Time Adoption of International Financial Reporting Standards

IFRS 17 Insurance Contracts

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 5.1 Property, plant and equipment

#### 5.1.1 Owned

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

Depreciation is charged using the straight line method at the specified rates as disclosed in note 6 of the financial statements, whereby the cost or revalued amount of an asset less estimated residual value, if not insignificant, is written off over its estimated useful life.

The asset's residual values and useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant. Full month's depreciation is charged on addition except in case of revaluation where revaluation is conducted in the last reporting month the impact of depreciation on the revalued amount is not recognised given the fact that the amount is immaterial. Whereas, no depreciation is charged in the month of disposal or deletion of assets.

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

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

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

#### 5.1.2 Leased

##### a) Right of use assets

The right-of-use asset is initially measured at the amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of cost to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using straight line method from the date of commencement date to the earlier of the end of useful life of the right of use asset or the end of the lease term. The estimated useful lives of the right of use assets are determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by the impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

##### b) Lease liability

The lease liability is initially measured at the present value of the future lease payments over the lease term, discounted using the specific incremental borrowing rate. Subsequently, lease liabilities are measured at amortized cost using the effective interest rate method.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

It is remeasured when there is a change in future lease payments arising from a change in the rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

## 5.1.3 Capital work-in-progress

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

## 5.2 Intangible assets

Intangible assets are recognized when it is probable that the expected future economic benefits will flow to the Company. Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses, if any. Cost of the intangible asset (i.e. computer softwares) includes purchase cost and directly attributable expenses incidental to bring the asset for its intended use.

Expenditure which enhances the performance of computer software beyond its original specification and useful life is recognized as a capital improvement and added to the original cost of the software.

Amortization is provided on a straight line basis at the rates disclosed in note 8 to the financial statements. Amortization on addition to intangible assets is charged from the month of addition while no amortization is charged for the month of disposal or deletion of assets. Costs associated with maintaining computer softwares are recognized as an expense as and when incurred.

## 5.3 Stores and spares

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

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

## 5.4 Stock-in-trade

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

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

## 5.5 Trade debts and other receivables

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

## 5.6 Taxation

### 5.6.1 Current

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

## 5.6.2 Deferred

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

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

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

## 5.7 Surplus on revaluation of property, plant and equipment

Any revaluation increase arising on the revaluation of land, buildings, leasehold improvements and plant and machinery is recognised in other comprehensive income and presented as a separate component of equity as "Revaluation surplus on property, plant and equipment", except to the extent that it reverses a revaluation decrease for the same asset.

Previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation of land, buildings, leasehold improvements and plant and machinery is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation surplus on property, plant and equipment relating to a previous revaluation of that asset.

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

## 5.8 Borrowings and their cost

Borrowings are recognized initially at fair value net of transaction cost incurred.

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

## 5.9 Trade and other payables

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

## 5.10 Provisions

A provision is recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and amount of that obligation can be measured reliably. Provisions are not recognised for future operating losses. Provisions are reviewed at each statement of financial position date and adjusted to reflect current best estimates.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

## 5.11 Impairment losses

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

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

## 5.12 Contingencies

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

## 5.13 Financial instruments

### 5.13.1 Financial assets

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

#### Amortized cost

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

- (i) it is held with in a business model whose objective is to hold assets to collect contractual cash flows; and
- (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

#### Impairment

The Company recognizes loss allowance for Expected Credit Losses (ECLs) on financial assets measured at amortized cost and contract assets. The Company measures loss allowance at an amount equal to lifetime ECLs under simplified approach and 12 months life time under general approach.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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

## 5.13.2 Financial liabilities

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

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

## 5.14 Offsetting of financial assets and financial liabilities

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

## 5.15 Foreign currency translation

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

## 5.16 Employee retirement benefits

### 5.16.1 Defined benefit plan

The Company has a gratuity scheme for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. The Gratuity Fund is maintained by a trust created and duly approved. Contributions to the fund are made based on actuarial recommendations. The most recent actuarial valuation was carried out at June 30, 2023 using the projected unit credit method (refer note 38). The rereasurement gains/losses as per actuarial valuation done at financial year end are recognized immediately in other comprehensive income and all other expenses are recognized in accordance with IAS 19 "Employee Benefits" in the statement of profit or loss.

### 5.16.2 Defined contribution plan

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

### 5.16.3 Leave encashment

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

## 5.17 Revenue recognition

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

## **Revenue from contracts with customers**

### **Sale of goods**

Sale of goods is recognized when the Company has transferred control of the products to the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

### **Contract assets**

Contract assets arise when the Company performs its performance obligations by transferring goods to a customer before the customer pays its consideration or before payment is due.

### **Contract liabilities**

Contract liability is the obligation of the Company to transfer goods to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Company performs its performance obligations under the contract.

### **Others**

Scrap sales are recognized on delivery to customers at realized amounts.

Profit on bank deposit is accrued on time proportion basis by reference to the principle outstanding and the applicable rate of return.

## **5.18 Cash and cash equivalents**

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

## **5.19 Dividend and appropriation to reserves**

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

## **5.20 Share capital**

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

## **5.21 Earnings / loss per share**

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

## **5.22 Related parties transactions**

Transactions with related parties are based on the terms agreed by the Board and the transfer price is determined in accordance with the comparable uncontrolled price method.

## **5.23 Segment reporting**

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

## 5.24 Significant accounting judgements and critical accounting estimates / assumptions

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates, assumptions and judgments are continually evaluated and are based on historic experience and other factors including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

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

### 5.24.1 Property, plant and equipment

The estimates for revalued amounts, if any, of different classes of property, plant and equipment, are based on valuation performed by external and internal professional valuers and recommendation of technical teams of the Company. The said recommendations also include estimates with respect to residual values and depreciable lives. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment.

### 5.24.2 Stores, spares and stock in trade

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

### 5.24.3 Trade debts and other receivables

An estimated provision is made on the basis of lifetime expected credit loss model as explained in note whereas debts considered irrecoverable are written off.

### 5.24.4 Defined benefit plan

Certain actuarial assumptions have been adopted as disclosed in note 38 to these financial statements for valuation of present value of defined benefit obligation and fair value of plan assets. Any changes in these assumptions in future years might affect actuarial gains / losses recognized in those years with corresponding effect on carrying amount of defined benefit plan liability / asset.

### 5.24.5 Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgement as the outcome of the future events cannot be predicted with certainty. The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non-occurrence of the uncertain future events.

### 5.24.6 Provision for taxation

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

## 6 Operating fixed assets

The following is the statement of operating fixed assets:

Description	Leasehold land (note 6.1)	Building / Improvements on leasehold land	Plant and ma- chinery (note 6.4)	Cylinders and dies	Furniture and fixtures	Vehicles	Office equipment	Computer equipment	Electrical installation	Total
<b>Net carrying value basis</b>										
<b>year ended June 30, 2023</b>										
Opening net book value	769,999,950	224,961,723	1,844,945,040	580,287	4,163,274	6,390,582	4,965,193	8,438,452	46,825,914	2,911,270,415
Addition (at cost) - note 7.1	-	87,021,830	56805755	-	3,223,678	-	25,981,294	5,936,940	624,000	179,593,497
Revaluation surplus - note 21.1	342,222,200	39,981,450	1,009,297,892	-	-	-	-	-	-	1,391,501,542
Disposal (NBV) - note 6.3	-	-	(25,000)	-	(7)	-	-	(81,450)	-	(106,457)
Depreciation charged - note 6.6	-	(10,359,755)	(166,724,594)	(580,287)	(998,402)	(1,087,083)	(2,995,540)	(2,608,521)	(4,056,226)	(189,410,409)
<b>Closing net book value (refer note 6.2)</b>	<b>1,112,222,150</b>	<b>341,605,248</b>	<b>2,744,299,093</b>	<b>-</b>	<b>6,388,543</b>	<b>5,303,499</b>	<b>27,950,946</b>	<b>11,685,421</b>	<b>43,393,688</b>	<b>4,292,848,588</b>
<b>Gross carrying value basis</b>										
<b>year ended June 30, 2023</b>										
Cost / revalued amount	1,112,222,150	454,007,926	3,717,552,831	6,180,629	15,185,238	17,942,017	39,945,796	24,178,749	72,118,657	5,459,333,993
Accumulated depreciation	-	(111,891,434)	(959,957,817)	(6,180,629)	(8,796,695)	(12,638,518)	(11,994,850)	(12,493,328)	(28,664,769)	(1,152,618,040)
Accumulated impairment	-	(511,244)	(13,295,921)	-	-	-	-	-	(60,200)	(13,867,365)
<b>Closing net book value (refer note 6.2)</b>	<b>1,112,222,150</b>	<b>341,605,248</b>	<b>2,744,299,093</b>	<b>-</b>	<b>6,388,543</b>	<b>5,303,499</b>	<b>27,950,946</b>	<b>11,685,421</b>	<b>43,393,688</b>	<b>4,292,848,588</b>
Depreciation rate (% per annum)	-	2.0% to 5.83%	2.90% to 33.33%	40%	6.67% to 33.33%	6.67% to 33.33%	5.88% to 50%	4% to 50%	4% to 50%	-
<b>Net carrying value basis</b>										
<b>year ended June 30, 2022</b>										
Opening net book value	769,999,950	223,476,924	1,946,602,462	3,909,777	3,718,203	7,158,952	2,478,347	8,170,929	39,616,812	3,005,132,356
Addition (at cost) note 7.1	-	10,563,071	71,637,005	-	1,179,400	448,500	4,364,487	1,892,066	11,227,001	101,311,530
Disposal (NBV) note 6.3	-	-	(2,176,947)	-	-	(124,980)	(219,513)	-	(556,769)	(3,078,209)
Depreciation charged note 6.6	-	(9,078,272)	(171,117,480)	(3,329,490)	(734,329)	(1,091,890)	(1,658,128)	(1,624,543)	(3,461,130)	(192,095,262)
<b>Closing net book value (refer note 6.2)</b>	<b>769,999,950</b>	<b>224,961,723</b>	<b>1,844,945,040</b>	<b>580,287</b>	<b>4,163,274</b>	<b>6,390,582</b>	<b>4,965,193</b>	<b>8,438,452</b>	<b>46,825,914</b>	<b>2,911,270,415</b>
<b>Gross carrying value basis</b>										
<b>year ended June 30, 2022</b>										
Cost / revalued amount	769,999,950	327,004,646	2,652,486,869	6,180,629	12,108,720	17,942,017	13,964,503	18,350,409	71,494,657	3,889,532,400
Accumulated depreciation	-	(101,531,679)	(794,245,908)	(5,600,342)	(7,945,446)	(11,551,435)	(8,999,310)	(9,911,957)	(24,608,543)	(964,394,620)
Accumulated impairment	-	(511,244)	(13,295,921)	-	-	-	-	-	(60,200)	(13,867,365)
<b>Closing net book value (refer note 6.2)</b>	<b>769,999,950</b>	<b>224,961,723</b>	<b>1,844,945,040</b>	<b>580,287</b>	<b>4,163,274</b>	<b>6,390,582</b>	<b>4,965,193</b>	<b>8,438,452</b>	<b>46,825,914</b>	<b>2,911,270,415</b>
Depreciation rate (% per annum)	-	2.0% to 5.83%	2.90% to 33.33%	40%	6.67% to 33.33%	6.67% to 33.33%	5.88% to 50%	4% to 50%	4% to 50%	-

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

6.2 The cost of fully depreciated assets which are still in use as at June 30, 2023 is Rs. 212.431 million (2022: Rs. 87.72 million) having written down value of Rs. 3.946 million (2022: Rs. 3.531 million).

6.3 During the year, the Company made disposals having net book value amounting to Rs. 0.106 million (2022: Rs. 3.078 million) and cost amounting to Rs 1.293 million (2022: Rs. 36.096 million)

6.4 Plant and machinery includes capital spares amounting to Rs. 235.895 million (2022: Rs. 216.351 million) having written down value of Rs. 89.961 million (2022: Rs. 100.306 million).

6.5 Effect of revaluation was incorporated on June 30, 2023 and have not subject to depreciation

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023 Rupees	2022 Rupees
<b>6.6 The depreciation charge for the year has been allocated as follows:</b>			
Cost of sales	30	184,573,951	189,475,259
General and administrative expenses	31	4,217,287	2,122,156
Selling and distribution expenses	32	619,171	497,847
		<u>189,410,409</u>	<u>192,095,262</u>

**6.7** The Company had 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, July 2, 2018, June 1, 2021 by an independent valuer M/s. Akbani & Javed Associates and on June 27, 2023 by an independent valuer M/s Joseph Lobo (Private) Limited on the basis of market value.

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

Revaluation surplus amounting to Rs. 1,391.502 million includes revaluation surplus on land which remains undepreciated as at June 30, 2023.

In current year, estimated forced sales value of revalued assets was Rs. 3,358.501 million.

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

	Net book value	
	2023 Rupees	2022 Rupees
Leasehold land	608,737	608,737
Building / Improvements on leasehold land	290,510,685	213,848,610
Plant and machinery	1,702,101,587	1,812,045,426
	<u>1,993,221,009</u>	<u>2,026,502,773</u>

## **6.9 Fair value measurement**

**6.9.1** Fair value of property, plant and equipment are based on the valuations carried out by an independent valuer on the basis of market value.

**6.9.2** 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.

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.

### **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:

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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

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

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

	Note	2023 Rupees	2022 Rupees
Opening balance (level 3 recurring fair values)		1,844,945,040	1,946,602,462
Additions - Cost		56,805,755	71,637,005
Disposals (NBV)		(25,000)	(2,176,947)
Revaluation surplus		1,009,297,892	-
Depreciation charge		(166,724,594)	(171,117,480)
Closing balance (level 3 recurring fair values)		<u>2,744,299,093</u>	<u>1,844,945,040</u>
<b>6.9.4</b> There were no transfers between levels 2 and 3 for recurring fair value measurements during the year.			
<b>7 CAPITAL WORK-IN-PROGRESS</b>			
This comprises of:			
Civil works		138,067,924	33,266,687
Plant and machinery		-	43,993,152
	7.1	<u>138,067,924</u>	<u>77,259,839</u>
<b>7.1 Movement of carrying amount</b>			
Opening balance		77,259,839	23,100,727
Additions (at cost)		240,401,582	155,470,642
Transfer to operating fixed assets		(179,593,497)	(101,311,530)
Closing balance		<u>138,067,924</u>	<u>77,259,839</u>
<b>8 INTANGIBLE ASSETS</b>			
<b>Net carrying value basis</b>			
Opening book value		411,950	751,946
Amortisation charge	8.1	(168,255)	(339,996)
Closing net book value		<u>243,695</u>	<u>411,950</u>
<b>Gross carrying value basis</b>			
Cost		6,932,800	6,932,800
Accumulated amortisation		(6,689,105)	(6,520,850)
<b>Net book value</b>		<u>243,695</u>	<u>411,950</u>
Amortisation rate (% per annum)		20	20

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023 Rupees	2022 Rupees
<b>8.1</b>	The amortisation for the year has been allocated as follows:		
Cost of sales	30	20,717	80,152
General and administrative expenses	31	132,564	214,921
Selling and distribution expenses	32	14,974	44,923
		<u>168,255</u>	<u>339,996</u>
<b>9</b>	<b>LONG-TERM DEPOSITS</b>		
Power and fuel		12,225,237	4,995,727
Others	9.1	23,950	23,950
		<u>12,249,187</u>	<u>5,019,677</u>
<b>9.1</b>	These deposits do not carry any interest or markup and are not recoverable within one year.		
<b>10</b>	<b>STORES AND SPARES</b>		
Stores			
In hand		13,671,164	31,346,307
In transit		1,462,001	-
		<u>15,133,165</u>	<u>31,346,307</u>
Spares			
In hand		40,229,970	56,822,764
In transit		11,509,683	3,351,459
		<u>51,739,653</u>	<u>60,174,223</u>
Provision for slow moving and obsolete store and spares		66,872,818	91,520,530
	10.1	(709,947)	(9,643,118)
		<u>66,162,871</u>	<u>81,877,412</u>
<b>10.1</b>	Provision for slow moving and obsolete stores and spares comprises:		
Balance at beginning of the year		9,643,118	8,899,939
Provision made for the year		709,947	743,179
Reversal during the year	10.2	(9,643,118)	-
Balance at end of the year		<u>709,947</u>	<u>9,643,118</u>
<b>10.2</b>	The Company has reversed the provision against the slow-moving stock, as items against which provisions were recognized in prior periods are consumed during the year.		
<b>11</b>	<b>STOCK-IN-TRADE</b>		
	Note	2023 Rupees	2022 Rupees
Raw materials			
In hand		695,001,424	607,965,725
In transit		-	21,550,872
		<u>695,001,424</u>	<u>629,516,597</u>
Packing materials		21,980,956	11,994,607
		<u>716,982,380</u>	<u>641,511,204</u>
Provision for slow moving and obsolete Stock in trade	11.1	(1,328,632)	(5,799,107)
		<u>715,653,748</u>	<u>635,712,097</u>
Work-in-process	30	33,173,969	33,128,065
Finished goods	30	15,146,832	31,900,370
		<u>763,974,549</u>	<u>700,740,532</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

	2023 Rupees	2022 Rupees
<b>11.1</b> Provision for slow moving and obsolete stock in trade comprises:		
Balance at beginning of the year	5,799,107	6,168,715
Provision made for the year	1,328,632	-
Reversal during the year	(5,799,107)	(369,608)
Balance at end of the year	1,328,632	5,799,107

**11.2** The Company has reversed the provision against the slow-moving stock, as items against which provisions were recognized in prior periods are consumed during the year.

	2023 Rupees	2022 Rupees
<b>12 TRADE DEBTS</b>		
(Unsecured - considered good)		
Due from associated companies	570,135,211	245,089,953
Others	873,416,482	868,744,680
	1,443,551,693	1,113,834,633
Considered doubtful	48,680,709	8,618,665
Allowance for expected credit losses	(48,680,709)	(8,618,665)
	1,443,551,693	1,113,834,633
<b>12.1</b> This comprises of amounts receivable from:		
Century Paper and Board Mills Limited	19,091,503	15,800,115
Colgate-Palmolive (Pakistan) Limited	548,626,334	228,527,038
Caraway (Private) Limited	2,417,374	762,800
	570,135,211	245,089,953
<b>12.2</b> The aging of related party balances at the reporting date is as follows:		
Not past due	517,870,996	9,737,601
Past due 1-30 days	12,259,109	173,654,090
Past due 30-90 days	37,370,257	55,567,196
Past due over 90 days	2,634,849	6,131,066
	570,135,211	245,089,953

**12.3** The maximum amount due from related parties at the end of any month during the year was Rs.570.135 million (2022: Rs. 245.089 million).

	2023 Rupees	2022 Rupees
<b>12.4 Allowance for expected credit losses</b>		
Balance at beginning of the year	8,618,665	2,535,143
Loss allowance made during the year	40,062,044	6,083,522
Balance at end of the year	48,680,709	8,618,665

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023 Rupees	2022 Rupees
<b>13 LOANS AND ADVANCES</b>			
Advances (Unsecured - considered good)			
To employees	13.1	1,279,311	92,373
To suppliers	13.2	27,337,944	38,855,840
		<u>28,617,255</u>	<u>38,948,213</u>
<b>13.1</b>	These advances are granted to employees of the Company for the purpose of its business which do not carry mark-up.		
<b>13.2</b>	This represents amount paid as advances to suppliers for future supplies of goods.		
<b>14 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
Security deposits			
Income tax refundable	14.1	765,000	1,515,000
	14.2	1,150,000	1,607,371
		<u>1,915,000</u>	<u>3,122,371</u>
<b>14.1</b>	This represents short term deposits in the normal course of business and does not carry any interest or mark-up.		
<b>14.2</b>	This includes prepaid insurance premium of Rs. 1.050 million (2022: Rs. 1.050 million) to M/s Century Insurance Company Limited, an associated company.		
<b>15 OTHER RECEIVABLES</b>			
Unsecured-considered good			
Due from associated company	38.1.1	359,606	54,859
Receivable from gratuity fund		26,452,240	-
Others		1,238,294	52,194
		<u>28,050,140</u>	<u>107,053</u>
<b>16 TAX REFUND DUE FROM GOVERNMENT</b>			
Sales tax and special excise duty	16.1	287,376,089	240,699,480
Income tax		53,999,502	127,316,173
		<u>341,375,591</u>	<u>(8,478,358)</u>
<b>16.1</b>	It includes sales tax refunds due from the government amounting to Rs. 156 million pertaining to financial year 2013 to 2020. These refunds are in the process of appeal. Based on the opinion from a legal advisor, the management is confident that these refunds are expected to be recovered in due course.		
<b>17 TAXATION - NET</b>	Note	2023 Rupees	2022 Rupees
Advance tax		33,901,188	23,829,405
Provision for taxation	36	(79,666,643)	(52,436,784)
		<u>(45,765,455)</u>	<u>(28,607,379)</u>
<b>17.1</b>	The income tax assessments of the Company have been finalised upto Tax Year 2022 (accounting year ended June 30, 2022).		

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

18 CASH AND BANK BALANCES	2023 Rupees	2022 Rupees
Cash in hand	1,114,151	466,040
Cash at bank		
Islamic mode	1,498,883	5,332,498
Conventional mode	3,033,478	1,048,398
	4,532,361	6,380,896
	5,646,512	6,846,936

19 AUTHORIZED SHARE CAPITAL	Number of ordinary shares of Rs.10/- each			2023	2022
	2023	2022			
	Number of shares				
	200,000,000	200,000,000	Ordinary shares of Rs. 10/- each	2,000,000,000	2,000,000,000

20 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL	Number of ordinary shares of Rs.10/- each			2023	2022
	2023	2022			
	197,105,580	197,105,580	Fully paid in cash	1,971,055,800	1,971,055,800
	2,852,847	2,852,847	Issued as bonus shares fully paid	28,528,470	28,528,470
	199,958,427	199,958,427		1,999,584,270	1,999,584,270
	163,034,000	163,034,000	Shares held by associated undertakings	1,630,340,000	1,630,340,000

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

21 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	Note	2023 Rupees	2022 Rupees
Balance as at July 01,		812,129,227	819,804,500
Net surplus recognised during the year	21.1	1,391,501,542	-
Transfer to accumulated losses in respect of incremental depreciation charged during the year - (net of deferred tax)		(3,393,304)	(5,449,444)
Related deferred tax impact		(1,248,674)	(2,225,829)
		1,386,859,564	(7,675,273)
Surplus on revaluation of operating fixed assets as at June 30,		2,198,988,791	812,129,227
Related deferred tax effect:			
Balance as at July 01,		(12,394,027)	(14,619,856)
Effect of surplus recognized during the year		(304,291,009)	-
Incremental depreciation charge during the year	24	1,248,674	2,225,829
		(315,436,362)	(12,394,027)
		1,883,552,429	799,735,200
<b>21.1</b> Surplus recognized during the year on:			
Leasehold land	6	342,222,200	-
Building / improvements on leasehold land	6	39,981,450	-
Plant and machinery	6 & 6.9.3	1,009,297,892	-
		1,391,501,542	-

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023 Rupees	2022 Rupees
<b>22 SUBORDINATED LOAN - UNSECURED</b>			
From associated undertakings			
Opening balance	22.1&22.2	233,995,331	225,381,199
Unwinding of loan		4,772,156	8,614,132
		<u>238,767,487</u>	<u>233,995,331</u>
<b>22.1</b>	These subordinated loans have been obtained from associated undertakings amounting to an aggregate of Rs. 250 million (2022: Rs. 250 million) for the purpose of financing the capital expenditure requirement, to support the working capital and for funding business activities. The interest on these loans has been waived for a period of three years from the date of the agreements, resulting in reduction in face value of this loan, due to presence of a below market element. These loans have been measured at amortized cost, determined by discounting future cash flows with the prevailing market rate ranging from 7.43% to 7.79% per annum, which is determined to be the transaction price at which a similar transaction could be executed between unrelated parties.		
<b>22.2</b>	This loan shall remain sub-ordinated to the financing facilities extended by the banks to the Company. The loan shall not be repaid until the entire amount of financing facilities and any payments due in respect of financing facilities or any other finance extended / provided by the banks to the Company, have been paid in full by the Company to the banks and the banks have notified to the sponsors of such payments; and / or the banks otherwise give any permission in writing to the Company to make full or part of the payments due under the long term financing to the associated undertakings.		
<b>23 LONG TERM FINANCING</b>			
<b>Secured</b>			
<b>From banking companies</b>			
Islamic mode			
Al-Baraka Bank (Pakistan) Limited		-	35,137,503
Dubai Islamic Bank Pakistan Limited		234,118,503	333,984,023
BankIslami Pakistan Limited		-	25,000,000
United Bank Limited - Ameen		37,088,839	54,826,976
		<u>271,207,342</u>	<u>448,948,502</u>
Conventional mode			
Habib Bank Limited		-	23,142,655
JS Bank Limited		14,162,500	33,045,834
		<u>14,162,500</u>	<u>56,188,489</u>
Less: Current portion shown under - current liabilities		<u>(127,160,599)</u>	<u>(210,874,911)</u>
	23.1	<u>158,209,243</u>	<u>294,262,080</u>
<b>Unsecured</b>			
<b>From associated undertakings</b>			
Opening balance		1,113,225,080	1,676,978,943
Unwinding of loan		129,560,048	122,228,591
Paid during the year		-	(702,000,000)
Adjustment in lieu of early redemption		-	16,017,546
Equity component on restructuring of loan during the year		<u>(101,179,807)</u>	<u>-</u>
	23.2	<u>1,141,605,321</u>	<u>1,113,225,080</u>
		<u>1,299,814,564</u>	<u>1,407,487,160</u>
<b>23.1</b>	These loans have been obtained from banking companies for the purpose of financing capital expenditure and secured against first pari passu charge on specific property, plant and equipments of the Company. The effective rate of mark-up was 9.73% to 23.32% (2022: 8.05% to 11.19%) payable quarterly. The tenure of these financing facilities is five to six years including one year grace period.		



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

**23.2** These loans have been obtained from associated undertakings amounting to an aggregate of Rs. 1,200 million (2022: Rs. 1,200 million) for the purpose of financing the capital expenditure requirement and to support the working capital and for funding business activities. The interest on these loans has been waived for a period of three years from the date of the agreements, resulting in reduction in face value of this loan, due to presence of a below market element. These loans have been measured at amortized cost, determined by discounting future cash flows with the prevailing market rate ranging from 7.43% to 17.04% per annum, which is determined to be the transaction price at which a similar transaction could be executed between unrelated parties. It includes an amount of loan of Rs. 650 million which was restructured during the year, measuring at amortized cost with a discount factor as stated above. The related winding effect amounts to Rs. 101.17 million has been recognized as equity component on the long term loan.

24 DEFERRED CAPITAL GRANT	Note	2023	2022
		Rupees	Rupees
Deferred taxation comprises of:			
Taxable temporary differences:			
Surplus on revaluation of fixed assets	21	315,436,362	12,394,026
Accelerated tax depreciation allowance		309,840,937	308,170,268
Gross deferred tax liabilities		(625,277,299)	(320,564,294)
Deductible temporary differences:			
Unabsorbed tax depreciation		599,188,762	543,807,167
Turnover tax		292,582,745	212,916,102
Employee retirement benefit		(10,180,746)	552,649
Provision for slow moving and obsolete items		(3,887,058)	4,478,245
Provision for doubtful debts		11,617,993	2,499,413
Provision for compensated absences		(925,278)	925,278
Gross deferred tax assets		888,396,418	765,178,854
Deferred tax asset not recognized	24.2	263,119,119	444,614,560
		(292,582,745)	(212,916,102)
		(29,463,626)	231,698,458

**24.1** Total deferred tax asset arising due to timing difference calculated at applicable tax rates as at reporting date amounted to Rs. 263.119 million (2022: Rs. 444.614 million). The deferred tax asset amounting to Rs. 292.583 million on account of turnover tax (2022: Rs. 212.916 million) has not been recognized in these financial statements in accordance with the stated accounting policy of the Company.

**24.2** Deferred tax asset has been recognized to the extent of excess deductible temporary differences over and above taxable temporary differences.

25 TRADE AND OTHER PAYABLES	Note	2023	2022
		Rupees	Rupees
Creditors	25.1	1,697,768,471	1,055,812,291
Accrued liabilities		33,438,412	24,825,831
Payable to gratuity fund	38.1.1	-	10,628,441
Advances from customers		561,344	551,886
Workers' Welfare Fund		2,763,995	250,956
Others		97	238,432
		1,734,532,319	1,092,307,837

**25.1** This includes an amount of Rs. 12.227 million (2022: Rs. 18.612 million) payable in foreign currency equivalent to Pakistani Rupees and amount payable to associated companies amounting to Rs. 964.124 million (2022: Rs. 697.809 million).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023 Rupees	2022 Rupees
<b>26 MARK-UP ACCRUED</b>			
Short-term borrowings		37,454,986	10,948,482
Long term financing		10,703,539	10,115,584
		<u>48,158,525</u>	<u>21,064,066</u>
<b>27 SHORT-TERM BORROWINGS</b>			
Running finance	27.1	<u>676,683,429</u>	<u>698,866,008</u>

**27.1** The Company has short term running finance facilities from various banks under mark-up arrangements in aggregate amount of Rs. 870 million (2022: Rs. 870 million) having mark-up at rates ranging from 15.16% to 23.73% (2022: 9.09% to 11.61%) per annum calculated on a daily utilization basis and payable quarterly. The unutilized balance at the end of the year was Rs. 193.317 million (2022: Rs. 171.134 million).

The Company also has a facility for opening letters of credit under mark-up arrangements as at June 30, 2023 amounting to Rs. 445 million (June 30, 2022: Rs. 445 million) from various commercial banks. The unutilized balance at the end of the year was Rs. 445 million (June 30, 2022: Rs. 445 million).

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

## 28 CONTINGENCIES AND COMMITMENTS

### 28.1 Contingencies

There was no contingent liability as at June 30, 2023 (2022: None)

### 28.2 Commitments

**28.2.1** There are commitments amounting to Rs. 31.67 million against the purchase of stores, spares and raw materials under contractual obligation as at June 30, 2023. (2022: Rs. 25.003 million).

	Note	2023 Rupees	2022 Rupees
<b>29 REVENUE</b>			
Gross sales			
Local sales		7,448,380,382	4,896,534,395
Less:			
Sales tax		(1,105,386,558)	(712,302,109)
Sales return		(2,370,250)	(2,585,411)
		<u>(1,107,756,808)</u>	<u>(714,887,520)</u>
		<u>6,340,623,574</u>	<u>4,181,646,875</u>
<b>30 COST OF SALES</b>			
Materials consumed	30.1	4,794,279,951	3,128,111,194
Packing material consumed	30.2	127,766,943	84,312,830
Stores and spares consumed		181,656,144	80,226,365
Salaries, wages and other benefits	30.3	211,820,662	186,128,235
Outsourced services		16,474,074	17,886,785
Power and fuel		211,468,507	115,301,258
Depreciation	6.5 & 6.6	184,573,951	189,475,259
Amortisation	8.1	20,717	80,152

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023 Rupees	2022 Rupees
Rent, rates and taxes		11,100,270	8,984,868
Repairs and maintenance		50,658,178	27,015,990
Vehicle running expenses		7,950,318	3,635,768
Insurance		19,004,423	14,121,015
Ijarah lease rentals		-	208,287
Printing and stationery		1,945,857	1,861,111
Communication charges		2,385,955	1,524,905
Travelling and conveyance		3,403,258	1,354,561
Fees and subscription		2,520,298	926,241
Software license fee		433,924	734,396
Other expenses		4,855,381	2,802,302
Manufacturing cost		5,832,318,811	3,864,691,522
Opening work-in-process		33,128,065	73,130,776
Closing work-in-process	11	(33,173,969)	(33,128,065)
		(45,904)	40,002,711
Cost of goods manufactured		5,832,272,907	3,904,694,233
Opening stock of finished goods		31,900,370	55,935,947
Closing stock of finished goods	11	(15,146,832)	(31,900,370)
		16,753,538	24,035,577
		<u>5,849,026,445</u>	<u>3,928,729,810</u>
<b>30.1 Material consumed</b>			
Balance at the beginning of the year		607,965,725	388,304,644
Purchases during the year		4,881,315,653	3,347,772,275
Balance at the end of the year		(695,001,424)	(607,965,725)
		<u>4,794,279,954</u>	<u>3,128,111,194</u>
<b>30.2 Packing material consumed</b>			
Balance at the beginning of the year		11,994,607	10,941,658
Purchases during the period		137,753,292	85,365,778
Balance at the end of the year		(21,980,956)	(11,994,607)
		<u>127,766,943</u>	<u>84,312,829</u>
<b>30.3</b> Salaries and other benefits include Rs. 4.707 million (2022: Rs. 6.232 million) in respect of staff retirement benefits.			
<b>31 GENERAL AND ADMINISTRATIVE EXPENSES</b>			
Salaries and other benefits	31.1	72,471,070	72,369,217
Depreciation	6.6	4,217,287	2,122,156
Amortisation	8.1	132,564	214,921
Rent, rates and taxes		1,333,460	1,380,908
Repairs and maintenance		5,139,224	4,380,032
Ijarah lease rentals		12,498	565,510
Vehicle running expenses		6,156,257	5,000,654
Insurance		924,563	1,079,696
Printing and stationery		2,471,196	1,365,283
Communication charges		3,955,331	2,964,664
Travelling and conveyance		3,789,585	1,552,412
Fees and subscription		1,906,521	1,432,320
Software license fee		1,641,879	1,123,396
Service fee to associated company		3,230,142	2,710,416
Electricity charges		132,213	65,524
Others		1,491,022	790,374
		<u>109,004,812</u>	<u>99,117,483</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

**31.1** Salaries and other benefits include Rs. 2.303 million (2022: Rs. 3.143 million) in respect of staff retirement benefits.

	Note	2023 Rupees	2022 Rupees
<b>32 SELLING AND DISTRIBUTION EXPENSES</b>			
Salaries and other benefits	32.1	8,986,258	8,645,122
Depreciation	6.6	619,171	497,847
Amortisation	8.1	14,974	44,923
Repairs and maintenance		44,769	185,759
Vehicle running expenses		2,408,419	1,295,812
Insurance		68,486	206,925
Printing and stationery		7,156	41,742
Communication charges		860,895	783,558
Travelling and conveyance		973,022	709,415
Software license fee		167,047	282,719
Advertisement		12,000	-
Cartage outward		72,963,618	58,345,704
Others		126,476	191,046
		<u>87,252,291</u>	<u>71,230,572</u>
<b>32.1</b> Salaries and other benefits include Rs. 0.210 million (2022: Rs. 0.297 million) in respect of staff retirement benefits.			
<b>33 OTHER INCOME</b>			
Scrap sales		32,707,894	17,727,447
Gain on disposal of operating fixed assets		250,493	75,941
Rent Income		60,000	60,000
Exchange gain		-	44,778
Others		293,923	2,492,948
		<u>33,312,310</u>	<u>20,401,114</u>
<b>34 OTHER OPERATING EXPENSES</b>			
Legal and professional charges		5,001,708	2,266,438
Auditors' remuneration:			
Statutory audit		500,000	500,000
Special reports and sundry services		134,488	124,650
Out-of-pocket expenses		200,000	200,619
Director fees		834,488	825,269
Workers welfare fund		500,000	650,000
Provision for slow moving & obsolete items	10.1 & 11.1	2,513,039	-
Allowance for expected credit losses	12.4	-	373,570
Exchange loss		40,062,044	6,083,522
Donations	34.1	152,025	-
		840,000	-
		<u>49,903,304</u>	<u>10,198,799</u>
<b>34.1</b> None of the directors or their spouses had any interest in any of the donee during the year.			
<b>35 FINANCIAL CHARGES</b>			
Mark-up / interest on:			
Sub-ordinated loan		4,772,156	8,614,132
Long-term financing		199,566,518	193,025,439
Short-term borrowings		139,055,780	59,743,906
		<u>343,394,454</u>	<u>261,383,477</u>
Bank charges and commission		890,257	1,784,180
		<u>344,284,711</u>	<u>263,167,657</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023 Rupees	2022 Rupees
<b>36 TAXATION</b>			
Current	17	79,666,643	52,436,784
Prior		44,709,292	-
Deferred		(53,309,671)	(54,663,998)
		<u>71,066,264</u>	<u>(2,227,214)</u>

**36.1** The current year's total tax liability of the Company amounting to Rs. 79.667 million is covered under Section 113 "Minimum tax" of the Income Tax Ordinance, 2001.

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

## 37 LOSS PER SHARE - BASIC AND DILUTED

	2023	2022
Loss for the year (Rupees)	<u>(136,601,943)</u>	<u>(168,169,118)</u>
		<b>(Restated)</b>
Weighted average number of ordinary shares outstanding	<u>199,958,427</u>	<u>199,958,427</u>
Loss per share - basic and diluted (Rupee)	<u>(0.68)</u>	<u>(0.84)</u>

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

## 38 RETIREMENT BENEFIT

### 38.1 Defined benefit plan

The scheme provides for terminal benefits for all its permanent employees who qualify for the scheme at varying percentages of last drawn basic salary. The percentage depends on the number of service years with the Company. Annual charge is based on actuarial valuation carried out as at June 30, 2023, using the Projected Unit Credit Actuarial Cost Method.

The Company faces the following risks on account of gratuity:

**Salary Increase Risk** - the risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

**Longevity Risks** - The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

**Withdrawal Risk** - The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023 Rupees	2022 Rupees
<b>38.1.1 Asset / (liability) recognised in statement of financial position</b>			
Fair value of plan assets	38.1.3	72,107,509	38,725,969
Present value of defined benefit obligation	38.1.4	(45,655,269)	(49,354,410)
Closing net asset / (liability)	15 & 25	<u>26,452,240</u>	<u>(10,628,441)</u>
<b>38.1.2 Movement of the asset / (liability) recognized in the statement of financial position</b>			
Opening net liability		(10,628,441)	(9,372,879)
Charge for the year	38.1.5	(2,636,518)	(3,949,532)
Remeasurement gains / (losses) recognized in other comprehensive income	38.1.6	35,106,022	(1,905,687)
Contribution made during the year	38.1.3	4,611,177	4,599,657
Closing net asset / (liability)		<u>26,452,240</u>	<u>(10,628,441)</u>
<b>38.1.3 Movement in the fair value of plan assets</b>			
Fair value as at July 01	38.1.5	38,725,969	42,723,847
Interest income on plan assets	38.1.5	6,975,652	4,126,115
Remeasurement - Actuarial gains / (losses)		28,698,315	(5,198,595)
Contribution by the employer	38.1.4	4,611,177	4,599,657
Benefits paid	38.1.1	(6,903,604)	(7,525,055)
Fair value as at June 30		<u>72,107,509</u>	<u>38,725,969</u>
<b>38.1.4 Movement in the present value of defined benefit obligation</b>			
Obligation as at July 01	38.1.5	(49,354,410)	(52,096,726)
Current service cost	38.1.5	(3,530,074)	(3,242,227)
Interest cost	38.1.6	(6,082,096)	(4,833,420)
Remeasurement - Actuarial gains	38.1.3	6,407,707	3,292,908
Benefits paid	38.1.1	6,903,604	7,525,055
Obligation as at June 30		<u>(45,655,269)</u>	<u>(49,354,410)</u>
<b>38.1.5 Expenses recognised in statement of profit or loss</b>			
Current service cost	38.1.4	3,530,074	3,242,227
Interest cost	38.1.4	6,082,096	4,833,420
Present value of defined benefit obligation	38.1.3	(6,975,652)	(4,126,115)
Expense for the year	38.1.2	2,636,518	3,949,532
Actual return on plan assets		<u>(4,673,147)</u>	<u>(1,082,185)</u>
<b>38.1.6 Remeasurement gains / (losses) recognized in other comprehensive income</b>			
Remeasurement gain on defined benefit obligation	38.1.4	6,407,707	3,292,908
Remeasurement gains / (losses) on plan assets	38.1.3	28,698,315	(5,198,595)
Remeasurement gains / (losses) -net		<u>35,106,022</u>	<u>(1,905,687)</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

## 38.1.7 Composition of the fair value of plan assets

	2023		2022	
	Rupees	Percentage	Rupees	Percentage
Debt	15,807,791	22%	1,540,232	4%
Equity and Mutual fund	39,064,181	54%	16,832,091	43%
Cash with banks	17,235,537	24%	20,353,646	53%
	<u>72,107,509</u>		<u>38,725,969</u>	

**38.1.8** The expected return in lieu of defined benefit plan for the year ending June 30, 2024 is Rs. 0.591 million. This is the amount by which the net defined benefit asset is expected to increase. The amount of remeasurement to be recognised in other comprehensive income will be worked out in the next financial year.

## 38.1.9 Principal actuarial assumptions

Following were the significant actuarial assumptions used in the valuation:

Valuation discount rate per annum  
 Valuation discount rate - Statement of profit and loss  
 Expected rate of return on plan assets per annum  
 Expected rate of increase in salary per annum (short term)  
 Expected rate of increase in salary per annum (long term)

Mortality Rates  
 Retirement Assumption

2023	2022
Percentage	Rupees
16.25%	13.25%
13.25%	10.00%
16.25%	13.25%
15.25%	11.25%
15.25%	12.25%

SLIC 2001 - 2005 Age 60      SLIC 2001 - 2005 Age 60

## 38.1.10 Sensitivity analysis

Current liability  
 +1% discount rate  
 -1% discount rate  
 +1% salary increase rate  
 -1% salary increase rate

2023	
Rupees	Percentage
45,655,269	
42,559,500	-6.781%
49,220,768	7.810%
49,240,873	7.854%
42,491,490	-6.930%

## 38.1.11 Maturity Profile

Year 2024  
 Year 2025  
 Year 2026  
 Year 2027  
 Year 2028  
 Year 2029  
 Year 2030  
 Year 2031  
 Year 2032  
 Year 2033  
 Year 2034 onwards

Undiscounted Payments
1,011,783
7,231,290
3,441,349
11,889,928
8,533,028
7,412,476
6,015,432
3,559,873
11,014,037
9,184,055
4,156,849,833
7 Years

The average duration of the defined benefit obligation is

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

## 38.2 Defined contribution plan

The Company has contributory provident fund scheme for benefit of all its permanent employees under the title of "Merit Packaging Limited - Employees Contributory Provident Fund Trust". The fund is maintained by the Trustees and all decisions regarding investments and distribution of income etc. are made by the Trustees. According to the Trustees, investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules made thereunder.

39	CASH GENERATED FROM OPERATIONS	Note	2023	2022
			Rupees	Rupees
	Loss before taxation		(65,535,679)	(170,396,332)
	Adjustment for non-cash items and other items:			
	Gain on disposal of property, plant and equipment		(250,493)	(75,941)
	Financial charges		344,284,711	263,167,657
	Depreciation		189,410,409	192,095,262
	Amortisation		168,255	339,996
	Capital Grant Income		(293,923)	(2,492,948)
	Allowance for expected credit losses		40,062,044	6,083,522
	Provision for slow moving stock, stores and spares		-	373,571
	Provision for leave encashment		-	360,984
	Ijarah lease rentals		12,499	773,797
			<u>573,393,502</u>	<u>460,625,900</u>
	Profit before working capital changes		507,857,823	290,229,568
	Working capital changes	39.1	270,267,229	(260,445,962)
			<u>778,125,052</u>	<u>29,783,606</u>
39.1	Working capital changes			
	(Increase) / decrease in current assets:			
	Stores and spares		15,714,541	4,068,634
	Stock-in-trade		(63,234,017)	(163,779,272)
	Trade debts		(369,779,104)	(468,318,309)
	Loans and advances		10,330,958	1,307,545
	Trade deposits and short-term prepayments		1,207,371	(497,371)
	Other receivables		(1,490,847)	13,033,687
	Tax refund due from Government (excluding income tax refundable)		26,640,062	62,625,821
			<u>(380,611,036)</u>	<u>(551,559,265)</u>
	Increase in current liabilities:			
	Trade and other payables		650,878,265	291,113,303
			<u>270,267,229</u>	<u>(260,445,962)</u>

## 40 RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

Description	2023		Total
	Liabilities		
	Subordinated Loan	Long Term Financing	
	-----Rupees-----		
Balance as at July 1, 2022	233,995,331	1,618,362,071	1,852,357,402
Impact of notional mark up	4,772,156	129,560,048	134,332,204
Equiry component on rescheduling of long term loan	-	(101,179,807)	(101,179,807)
Repayment of long-term financing - Banks	-	(219,767,150)	(219,767,150)
Balance as at June 30, 2023	<u>238,767,487</u>	<u>1,426,975,162</u>	<u>1,665,742,649</u>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

41	CASH AND CASH EQUIVALENTS:	Note	2023	2022
			Rupees	Rupees
	Cash and bank balances	18	5,646,512	6,846,936
	Short-term borrowings	17	(676,683,429)	(698,866,008)
			<u>(671,036,917)</u>	<u>(692,019,072)</u>

## 42 TRANSACTIONS WITH RELATED PARTIES

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

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

Nature of transaction	Nature of Relation	Basis of Relation	2023	2022
			Rupees	Rupees
<b>Sales of goods, Services and Reimbursement of expenses:</b>				
Colgate Palmolive Pakistan Limited	Associated company	Common Director	2,753,615,159	1,109,746,030
Century Paper & Board Mills Limited	Associated company	Common Director	173,601,771	114,468,554
Cyber Internet Services (Private) Limited	Associated company	Common Director	60,000	922,470
GAM Corporation (Private) Limited	Associated company	Common Director	-	549,990
Caraway (Private) Limited	Associated company	Common Director	3,614,728	7,056,767
<b>Purchase of goods, services and Reimbursement of expenses:</b>				
Century Paper & Board Mills Limited	Associated company	Common Director	3,211,173,542	2,244,337,040
Century Insurance Company Limited	Associated company	Common Director	23,913,113	20,550,870
Princeton Travels (Private) Limited	Associated company	Common Director	1,230,023	1,182,905
Lakson Business Solutions Limited	Associated company	Common Director	3,655,134	2,140,890
SIZA Services (Private) Limited	Associated company	Common Director and 24.20% shares held	2,814,847	2,739,175
Cyber Internet Services (Private) Limited	Associated company	Common Director	2,839,351	1,848,963
Sybrid (Private) Limited	Associated company	Common Director	1,669,542	670,210
<b>Rent &amp; Other Allied Charges</b>				
Hassanali & Gulbano Lakhani Foundation	Associated company	Trustee	363,473	385,823
<b>Insurance claim</b>				
Century Insurance Company Limited	Associated company	Common Director	2,236,626	1,151,714
<b>Loan Repayment</b>				
SIZA (Private) Limited	Associated company	Common Director and 24.90% shares held	-	893,956,850
Premier Fashions (Private) Limited	Associated company	Common Director and 21.20% shares held	-	150,000,000

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

			2023	2022
			Rupees	Rupees
<b>Right Issued to related parties</b>				
SIZA (Private) Limited	Associated company	Common Director and 24.90% shares held	-	524,691,625
SIZA Services (Pvt.) Limited	Associated company	Common Director and 24.20% shares held	-	450,546,188
SIZA Commodities (Pvt.) Limited	Associated company	Common Director and 11.24% shares held	-	167,591,050
Premier Fashions (Pvt.) Limited	Associated company	Common Director and 21.20% shares held	-	316,187,263
Right Issued to Directors		0.72% shares held	-	2,349,838
Other related parties			-	57,238
<b>Others</b>				
Remuneration and other benefits	Key Management Personnel	Employees	18,697,682	24,024,951
Contribution to Staff Retirement Benefit Plans	Employees Fund		7,220,031	9,671,334

## 42.1 Year end balances

Receivable from associated companies	570,135,211	245,144,812
Payable to associated companies	964,124,084	697,809,161
Long-term financing from associated companies	1,141,605,321	1,113,225,080
Sub-ordinated loan	238,767,487	233,995,331

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

## 43 REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

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

	2023			2022		
	Chief Executive	Executives	Total	Chief Executive	Executives	Total
	Rupees			Rupees		
Managerial remuneration	8,519,436	4,727,197	13,246,633	8,519,436	3,938,108	12,457,544
House rent	3,829,560	2,114,046	5,943,606	3,829,560	1,760,650	5,590,210
Bonus	709,653	258,971	968,624	1,418,831	821,866	2,240,697
Retirement benefits	766,428	174,694	941,122	638,690	455,377	1,094,067
Motor vehicle expenses	702,140	695,318	1,397,488	539,232	860,955	1,400,187
Medical allowances	851,004	469,783	1,320,787	851,004	391,242	1,242,246
Total	15,378,251	8,440,009	23,818,260	15,796,753	8,228,198	24,024,951
Number of persons	1	5	6	1	4	5

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

- 43.1** The current and corresponding year figures include remunerations of Company's Executives whose basic salary exceeds twelve hundred thousand rupees in a financial year.
- 43.2** The company also provides vehicles for use of Chief Executive and certain Executives.
- 43.3** Aggregate amount charged in these financial statements in respect of directors fee is Rs. 0.500 million (2022: Rs. 0.650 million) paid to three non-executive Directors.

## 44 CAPACITY AND PRODUCTION

Printing is a service industry involving the processing of printing material on a mix of different size machines having 1 to 9 colour units. The paper and board used is dependent on the customers' requirements ranging from 215 gsm to 370 gsm of a large variety of products involving several processes during and post printing. Due to many variables and complexities involved, the capacity is not determinable.

## 45 FINANCIAL INSTRUMENTS BY CATEGORY

### Financial assets as per statement of financial position

#### Amortized cost

	2023 Rupees	2022 Rupees
Long-term deposits	12,249,187	5,019,677
Trade debts	1,443,551,693	1,113,834,633
Short-term deposits	765,000	1,515,000
Other receivables	1,597,900	107,053
Cash and bank balances	5,646,512	6,846,936
	<u>1,463,810,292</u>	<u>1,127,323,299</u>

### Financial liabilities as per statement of financial position

#### Amortized cost

Subordinated loan	238,767,487	233,995,331
Long-term financing including current portion	1,426,975,163	1,618,362,071
Long-term deposits	-	13,200
Trade and other payables	1,734,532,319	1,092,307,837
Mark-up accrued	48,158,525	21,064,066
Short-term borrowings	676,683,429	698,866,008
	<u>4,125,116,923</u>	<u>3,664,608,513</u>

## 46 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### 46.1 Risk management policies

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

### 46.2 Credit risk

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

## Exposure to credit risk

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

	2023 Rupees	2022 Rupees
Loans and deposits	-	6,534,677
Trade debts	1,443,551,693	1,113,834,633
Other receivables	28,050,140	107,053
Bank balances	4,532,361	6,380,896
	<u>1,476,134,194</u>	<u>1,126,857,259</u>
The aging of trade receivable at the reporting date is:		
Not past due	1,180,464,861	48,018,471
Past due 1-30 days	168,108,363	512,875,049
Past due 30-90 days	92,618,561	342,107,891
Past due 90 days	2,359,908	210,833,222
	<u>1,443,551,692</u>	<u>1,113,834,633</u>

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

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

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

## Concentration of credit risk

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

## Impaired assets

Impairment on account of trade debts amounts to Rs 40.062 million (2022: Rs.6.083 million).

## 46.3 Liquidity risk

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

	2023						
	Carrying Amount	Contractual Cash Flows	Six months or less	Six to Twelve months	One to two years	Two to five years	Over five years
	(Rupees in thousands)						
Subordinated loan	238,767	250,000	150,000	100,000	-	-	-
Long term financing	1,426,975	1,485,370	1,172,274	156,499	109,773	46,824	-
Trade and other payables	1,758,894	1,758,894	1,758,894	-	-	-	-
Mark-up accrued	48,159	48,159	48,159	-	-	-	-
Short term borrowings	676,683	676,683	676,683	-	-	-	-
	<u>4,149,479</u>	<u>4,219,107</u>	<u>3,806,011</u>	<u>256,499</u>	<u>109,773</u>	<u>46,824</u>	<u>-</u>

	2022						
	Carrying Amount	Contractual Cash Flows	Six months or less	Six to Twelve months	One to two years	Two to five years	Over five years
	(Rupees in thousands)						
Subordinated loan	233,995	264,795	8,702	8,897	13,200	233,996	-
Long term financing	1,618,362	1,810,047	137,384	279,005	350,511	1,043,147	-
Long term deposits	13	13	-	-	-	-	-
Trade and other payables	1,092,308	1,092,308	1,092,308	-	-	-	-
Mark-up accrued	21,064	21,064	21,064	-	-	-	-
Short term borrowings	698,866	698,866	698,866	-	-	-	-
	<u>3,664,608</u>	<u>3,887,093</u>	<u>1,958,093</u>	<u>287,902</u>	<u>402,544</u>	<u>1,277,156</u>	<u>-</u>

## 46.4 Market risk

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

### 46.4.1 Currency risk

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

	2023	2022
	(Rupees in thousands)	
Foreign bills payable	12,227	18,613

The following significant exchange rates have been applied:

	Average rate		Reporting date rate	
	2023	2022	2023	2022
	----- (Rupees) -----			
	248.11	177.92	286.59	204.85

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

At reporting date, if the PKR had strengthened by 10% against the US Dollar with all other variables held constant, post-tax loss / profit for the year would have been lower / higher by the amount shown below, mainly as a result of net foreign exchange gain / loss on net foreign currency exposure at reporting date.

	Average rate		Reporting date rate	
	2023	2022	2023	2022
	(Rupees in thousands)			
<b>Effect on (loss) or profit</b>	1,223	1,861	1,223	1,861

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

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

## 46.4.2 Interest rate risk

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

	2023	2022	2023	2022
	Effective rate (In percent)		Carrying amount (Rupees in thousands)	
<b>Financial liabilities</b>				
Variable rate instruments				
Long term loans	17.25%	9.83%	1,426,975	1,618,362
Sub-ordinated loan	7.79%	7.79%	238,767	233,995
Short term borrowings	18.69%	10.22%	676,683	698,866

### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2022.

	Profit and loss	
	100 bp increase	100 bp decrease
As at June 30, 2023		
Cash flow sensitivity -		
Variable rate financial liabilities (Rs' 000)	(23,424)	23,424
As at June 30, 2022		
Cash flow sensitivity -		
Variable rate financial liabilities (Rs' 000)	(25,512)	25,512

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

## 47 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.

The proportion of debt to equity at the year end is:

	2023	2022
	<b>(Rupees in thousands)</b>	
Total long term loans - note 22 & 23	1,665,743	1,641,482
Total equity	2,922,228	1,845,514
Total capital	4,587,971	3,945,486
Gearing ratio	36.31%	41.60%

## 48 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

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

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

There are no transfers during the reporting date. (2022: None)

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

## 49 NUMBER OF EMPLOYEES

Number of employees as at June 30,

Average number of employees during the year

	2023	2022
Number of employees as at June 30,	194	188
Average number of employees during the year	189	196

## 50 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on August 31, 2023 by the Board of Directors of the Company.

## 51 CORRESPONDING FIGURES

These corresponding figures have been reclassified and rearranged where necessary to facilitate comparison, however there has been no significant reclassification.

## 52 GENERAL

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



**Aftab Ahmad**  
Director



**Amir Ahmed Chapra**  
Chief Executive Officer



**Umair Ahmed**  
Chief Financial Officer



# PATTERN OF SHAREHOLDING

HELD BY THE SHAREHOLDERS AS AT JUNE 30, 2023

Incorporation Number K-206/5831  
CUIN Registration NO. 0007464

No. of Shareholders	Shareholdings			Total Number of Shares held
	From	To		
398	1	100	Shares	6,823
244	101	500	Shares	96,011
202	501	1,000	Shares	187,854
405	1,001	5,000	Shares	1,146,291
135	5,001	10,000	Shares	1,077,950
53	10,001	15,000	Shares	684,548
33	15,001	20,000	Shares	600,139
32	20,001	25,000	Shares	761,955
12	25,001	30,000	Shares	354,522
9	30,001	35,000	Shares	297,960
13	35,001	40,000	Shares	498,389
12	40,001	45,000	Shares	517,102
21	45,001	50,000	Shares	1,033,300
7	50,001	55,000	Shares	369,000
7	55,001	60,000	Shares	414,220
5	60,001	65,000	Shares	315,547
5	65,001	70,000	Shares	344,500
6	70,001	75,000	Shares	434,500
1	75,001	80,000	Shares	78,500
2	80,001	85,000	Shares	170,000
3	90,001	95,000	Shares	280,000
8	95,001	100,000	Shares	796,000
1	105,001	110,000	Shares	110,000
1	110,001	115,000	Shares	112,000
1	115,001	120,000	Shares	119,000
4	120,001	125,000	Shares	498,000
3	125,001	130,000	Shares	383,127
2	135,001	140,000	Shares	273,132
1	145,001	150,000	Shares	150,000
1	180,001	185,000	Shares	183,000
1	195,001	200,000	Shares	200,000
2	210,001	215,000	Shares	425,000

No. of Shareholders	Shareholdings			Total Number of Shares held
	From	To		
2	220,001	225,000	Shares	449,000
1	225,001	230,000	Shares	226,000
1	230,001	235,000	Shares	232,000
1	240,001	245,000	Shares	240,500
2	265,001	270,000	Shares	533,000
1	285,001	290,000	Shares	288,500
1	325,001	330,000	Shares	329,500
1	345,001	350,000	Shares	350,000
1	450,001	455,000	Shares	451,000
2	495,001	500,000	Shares	994,500
1	525,001	530,000	Shares	526,093
1	640,001	645,000	Shares	642,000
1	800,001	805,000	Shares	804,500
1	850,001	855,000	Shares	854,500
1	865,001	870,000	Shares	866,000
1	970,001	975,000	Shares	974,000
2	995,001	1,000,000	Shares	1,998,000
1	1,095,001	1,100,000	Shares	1,100,000
1	1,225,001	1,230,000	Shares	1,229,000
1	1,245,001	1,250,000	Shares	1,250,000
1	4,605,001	4,610,000	Shares	4,609,464
1	5,055,001	5,060,000	Shares	5,058,500
1	22,465,001	22,470,000	Shares	22,466,260
1	42,385,001	42,390,000	Shares	42,386,185
1	48,390,001	48,395,000	Shares	48,391,907
1	49,785,001	49,790,000	Shares	49,789,648
<b>1,660</b>				<b>199,958,427</b>

Categories of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	1,509,335	0.75
Associated Companies, undertakings and related parties	163,042,009	81.54
NIT and ICP	4,609,464	2.31
Banks, Development Financial Institutions, Non Banking Financial Institutions	385	0.00
Insurance Companies	50,000	0.03
Modarabas and Mutual Funds	642,000	0.32
Shareholders holding 10%	163,034,000	81.53
General Public		
a. Local	26,024,388	13.01
b. Foreign	NIL	-
Others	4,080,846	2.04

NOTE: Some of the shareholders are reflected in more than one category.

# DETAILS OF PATTERN OF SHAREHOLDING

FOR THE YEAR ENDED JUNE 30, 2023

<b>i) ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES</b>	<b>SHARES HELD</b>
1. SIZA (Private) Limited	49,789,648
2. SIZA Services (Pvt.) Limited	48,391,907
3. SIZA Commodities (Pvt.) Limited	22,466,260
4. Premier Fashions (Pvt.) Limited	42,386,185
5. Sultan Ali Lakhani	597
6. Shaista Sultan Ali Lakhani	334
7. Fatima Lakhani	674
8. Babar Ali Lakhani	2,710
9. Bilal Ali Lakhani	580
10. Danish Ali Lakhani	977
11. Natasha Lakhani	2,137
<b>ii) MODARABAS AND MUTUAL FUNDS</b>	
1. CDC – Trustee National Investment (Unit) Trust	4,609,464
2. CDC – Trustee Golden Arrow Stock Fund	642,000
<b>iii) DIRECTORS, THEIR SPOUSES AND MINOR CHILDREN</b>	
1. Iqbal Ali Lakhani	Chairman 126,985
2. Amin Mohammed Lakhani	Director 126,142
3. Anushka Lakhani	Director 36,341
4. Aftab Ahmad	Director 124,000
5. Agha Shah Waliullah	Director 501
6. Farrukh Shauket Ansari	Director 1,240
7. Ahmed Munaf	Director 1,033,000
8. Ronak Iqbal Lakhani W/o. Iqbal Ali Lakhani	443
9. Saira Amin Lakhani W/o. Amin Mohammed Lakhani	684
<b>iv) EXECUTIVES</b>	NIL
<b>v) PUBLIC SECTOR COMPANIES AND CORPORATIONS</b>	NIL
<b>vi) BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE COMPANIES, INSURANCE COMPANIES, TAKAFUL MODARABAS AND PENSION FUNDS:</b>	112,932
<b>vii) SHAREHOLDERS HOLDING 5% OR MORE [Other than those reported at i(1), i(2), i(3), i(4)]</b>	NIL
<b>viii) INDIVIDUALS AND OTHER THAN THOSE MENTIONED ABOVE</b>	30,102,686
	<u>199,958,427</u>

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

# FORM OF PROXY

I/We \_\_\_\_\_

of \_\_\_\_\_

a member of **M E R I T P A C K A G I N G L I M I T E D**

here by appoint \_\_\_\_\_

of \_\_\_\_\_

or failing him \_\_\_\_\_

of \_\_\_\_\_

to act as my/our proxy and to vote for me/us and on my/our behalf at the Annual General Meeting of the Shareholders of the Company to be held on the 19<sup>th</sup> day of October 2023 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2023.

Folio No.	CDC Participant ID No.	CDC Account/ Sub-Account No.	No. of shares held	
				Signature

Witness 1  
 Signature \_\_\_\_\_  
 Name \_\_\_\_\_  
 CNIC No. \_\_\_\_\_  
 Address \_\_\_\_\_

Witness 2  
 Signature \_\_\_\_\_  
 Name \_\_\_\_\_  
 CNIC No. \_\_\_\_\_  
 Address \_\_\_\_\_

**Notes:**

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

# FORM OF PROXY

مختار نامہ (پراکسی فارم)

میں / ہم \_\_\_\_\_ ساکن  
 \_\_\_\_\_ ساکن  
 بحیثیت رکن (ممبر) میرٹ پیکیجنگ لمیٹڈ مقرر کرتا / کرتی ہوں / کرتے ہیں مسلمی / مسماہ \_\_\_\_\_ ساکن  
 \_\_\_\_\_ ساکن  
 کو یا ان کی غیر حاضری میں مسلمی / مسماہ \_\_\_\_\_ ساکن  
 \_\_\_\_\_ ساکن

کو جو خود بھی میرٹ پیکیجنگ لمیٹڈ کا رکن ہے کہ وہ بطور میرٹ / ہمارا مختار نامہ (پراکسی) میرٹ پیکیجنگ لمیٹڈ کے سالانہ اجلاس عام میں جو 19 اکتوبر 2023 کو منعقد ہو رہا ہے یا اس کے کسی ملتوی شدہ اجلاس میں کرے اور وہ میرٹ / ہمارے جگہ میرٹ / ہمارے طرف سے حق رائے دہی استعمال کرے۔

مورخہ \_\_\_\_\_ 2023 کو میرے ہمارے دستخط سے جاری ہوا۔

دستخط

فولیو نمبر	سی ڈی سی کھاتہ نمبر	حصص کی تعداد

گواہ نمبر \_\_\_\_\_ دستخط \_\_\_\_\_  
 گواہ نمبر ۲ \_\_\_\_\_ دستخط \_\_\_\_\_  
 نام \_\_\_\_\_ نام \_\_\_\_\_  
 کمپیوٹرائزڈ قومی شناختی کارڈ نمبر \_\_\_\_\_ کمپیوٹرائزڈ قومی شناختی کارڈ نمبر \_\_\_\_\_  
 پتہ \_\_\_\_\_ پتہ \_\_\_\_\_  
 ہدایات:

- مختار (پراکسی) کا کمپنی کا رکن (ممبر) ہونا ضروری ہے۔
- ممبر (رکن) کے دستخط، نمونہ شدہ دستخط / اندارج شدہ دستخط سے مماثلت ہونا ضروری ہے۔
- سی ڈی سی اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر کو مختار نامہ (پراکسی فارم) کے ہمراہ کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ منسلک کرنا ضروری ہے۔ کارپوریٹ ادارے کے نمائندوں کو معمول کے مطابق دستاویزات ساتھ لانا ضروری ہے۔
- مختار نامہ (پراکسی فارم) مکمل پُر شدہ کمپنی کے رجسٹرڈ آفس میں اجلاس کے مقرر وقت سے کم از کم ۴۸ گھنٹے قبل جمع کرنا ضروری ہے۔