

MERIT PACKAGING LIMITED



## Half Yearly Report December 2016



A Lakson Group Company

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## Corporate Information

### Board of Directors

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

### Advisor

Sultan Ali Lakhani

### Audit Committee

Shaikh Muhammad Barinuddin	Chairman
Iqbal Ali Lakhani	
Tasleemuddin Ahmed Batlay	

### Human Resource and Remuneration Committee

Iqbal Ali Lakhani	Chairman
Tasleemuddin Ahmed Batlay	
Shahid Ahmed Khan	

### Company Secretary

Mansoor Ahmed

### Auditors

BDO Ebrahim & Co.  
Chartered Accountants

### Bankers

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

### Shares Registrar

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

### Registered Office

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

### Karachi Factory

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

### Lahore Factory

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

### Website

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

## Directors' Review

Directors of your Company are pleased to present the condensed interim un-audited financial statements of the Company together with auditors' review report for the half year ended December 31, 2016.

### FINANCIAL AND OPERATIONAL PERFORMANCE

The comparison of the un-audited financial results for the first half and quarter ended December 31, 2016 is as follows:

	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	(Rupees in thousand)		(Rupees in thousand)	
Net sales	<b>901,290</b>	828,987	<b>496,828</b>	401,266
Gross profit	<b>83,773</b>	59,338	<b>46,370</b>	33,102
Operating profit	<b>44,331</b>	40,999	<b>23,696</b>	21,416
Profit before tax	<b>2,980</b>	3,152	<b>2,331</b>	2,645

During the period under review, the net sales amounted to Rs. 901 million as compared to Rs. 829 million for corresponding period of last year, showing an increase of Rs.72 million or 9%. Pre-tax profit for the period under review is Rs 2.98 million as compared to Rs 3.15 million recorded for the same period last year.

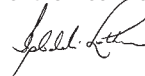
Persistent efforts are being made for improving business performance by revitalizing Company's assets and with improved infrastructure and addition of relevant capital expenditure we will be able to focus on value added jobs.

Lahore manufacturing unit has started partial production and it is expected to start full operations shortly, this will help in generating additional revenue from the markets of central and northern parts of the Country, it will contribute positively towards overall financial position of the Company besides providing reasonable growth prospects.

Commercial operation has just started in Gravure printing, customers are being developed at a rapid pace, it will soon show positive results on the Company's overall operations.

Accordingly, the directors are confident that more investment, optimum capacity utilization coupled with operational efficiencies will help us to improve sales and profitability to consolidate performance.

On behalf of the Board of Directors



**IQBAL ALI LAKHANI**  
Chairman

Karachi: February 24, 2017

## ڈائریکٹرز کا جائزہ

31 دسمبر 2016ء کو ختم ہونے والی ششماہی کے لیے کارکردگی کا جائزہ مع مختصر عبوری غیر آڈٹ شدہ مالیاتی گوشوارے پیش کرنا آپ کی کمپنی کے ڈائریکٹرز کے لیے باعث مسرت ہے۔

### مالیاتی اور آپریشنل کارکردگی

31 دسمبر 2016ء کو ختم ہونے والی پہلی ششماہی اور سہ ماہی کے لیے غیر آڈٹ شدہ مالیاتی نتائج کا موازنہ درج ذیل ہے:

مختتمہ سہ ماہی		مختتمہ ششماہی		
31 دسمبر 2015	31 دسمبر 2016	31 دسمبر 2015	31 دسمبر 2016	
(ہزار روپے)		(ہزار روپے)		
401,266	496,828	828,987	901,290	خالص سیلز
33,102	46,370	59,338	83,773	مجموعی منافع
21,416	23,696	40,999	44,331	آپریٹنگ منافع
2,645	2,331	3,152	2,980	قبل از ٹیکس منافع

زیر جائزہ مدت کے دوران خالص سیلز کی مالیت گزشتہ سال میں اسی مدت کے لیے 829 ملین روپے کے مقابلے میں 901 ملین روپے رہی جو 72 ملین روپے یا 9% اضافہ دکھاتی ہے۔ قبل از ٹیکس منافع گزشتہ سال اسی مدت میں ریکارڈ کیے گئے 3.15 ملین روپے کے مقابلے میں 2.98 ملین روپے زیر جائزہ مدت میں ہے۔


کمپنی کے اثاثوں میں نئی روح پھونکنے اور بہتر انفراسٹرکچر کی بدولت کاروباری کارکردگی بہتر بنانے کے لیے مسلسل کوششیں جاری ہیں اور اور متعلقہ سرمایہ کاری کے اضافے کے ساتھ ہم بہترین مصنوعات پر توجہ مرکوز کرنے کے قابل ہو جائیں گے۔

لاہور میں نوٹیکس پینٹ نے جزوی پیداوار شروع کر دی ہے اور بہت جلد پوری پیداوار شروع ہونے کی توقع ہے، جس سے ملک کے وسطی اور شمالی حصوں سے اضافی آمدنی پیدا کرنے میں مدد ملے گی، جو بڑھوتری کے معقول امکانات کے ساتھ کمپنی کی مجموعی مالیاتی پوزیشن میں مثبت انداز میں حصہ ملانے کی۔

گریویر (Gravure) پرنٹنگ کا حال ہی میں کمیشن آؤٹ پریشن کا آغاز ہوا، کسٹمرز بنانے کا سلسلہ تیز رفتاری سے جاری ہے، جس سے جلد کمپنی کے مجموعی پیداوار پر مثبت نتائج ظاہر ہوں گے۔

لہذا ڈائریکٹرز پر اعتماد ہے کہ مزید سرمایہ کاری اور گنجائش سے زیادہ سے زیادہ استفادہ، استعداد کار بڑھاتے ہوئے سیلز اور منافع کمانے کی اہلیت بہتر بنانے میں ہماری مدد کریں گے تاکہ ہماری کارکردگی مستحکم ہو سکے۔

یورڈ آف ڈائریکٹرز کی جانب سے



اقبال علی لاکھانی  
چیئرمین

کراچی: 24 فروری 2017

## Independent Auditor's Report on review of Condensed Interim Financial Information to the Members

### Introduction

We have reviewed the accompanying condensed interim balance sheet of **MERIT PACKAGING LIMITED** (the "Company") as at December 31, 2016 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in equity and notes to the accounts for the six-month period then ended (here-in-after referred as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at and for the six months period ended December 31, 2016 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

The figures for the quarter ended December 31, 2016 and December 31, 2015 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

Karachi:  
Dated : February 24, 2017



**BDO EBRAHIM & CO.,**

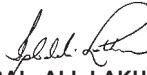
Chartered Accountants  
Engagement Partner: Zulfikar Ali Causer

## Condensed Interim Balance Sheet

As at December 31, 2016 (Un-audited)

	Note	December 31, 2016 (Un-audited) Rs. in 000's	June 30, 2016 (Audited) Rs. in 000's
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	1,369,560	928,705
Capital work in progress	7	341,706	539,288
		<b>1,711,266</b>	<b>1,467,993</b>
Intangible assets		67	87
Long-term loans and advances		572	676
Long-term deposits		8,297	6,370
		<b>1,720,202</b>	<b>1,475,126</b>
<b>CURRENT ASSETS</b>			
Stores and spares		93,087	81,851
Stock-in-trade		275,796	297,712
Trade debts (unsecured - considered good)	8	372,234	296,304
Loans and advances		10,535	7,516
Trade deposits and short-term prepayments		15,588	13,415
Other receivables	9	1,557	22,134
Tax refund due from Government		227,547	180,485
Taxation-net		22,660	33,322
Cash and bank balances		4,967	1,436
		<b>1,023,971</b>	<b>934,175</b>
<b>TOTAL ASSETS</b>		<b>2,744,173</b>	<b>2,409,301</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital 70,000,000 (June 30, 2016: 70,000,000) ordinary shares of Rs.10/- each		<b>700,000</b>	<b>700,000</b>
Issued, subscribed and paid-up capital 40,314,199 (June 30, 2016: 40,314,199) ordinary shares of Rs. 10/- each		<b>403,142</b>	<b>403,142</b>
Accumulated loss		<b>(33,569)</b>	<b>(36,998)</b>
		<b>369,573</b>	<b>366,144</b>
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>		<b>214,668</b>	<b>215,117</b>
<b>NON CURRENT LIABILITIES</b>			
Sub-ordinated loan		<b>100,000</b>	<b>100,000</b>
Long-term financing	10	<b>1,092,035</b>	<b>668,491</b>
Long-term deposits		<b>475</b>	<b>141</b>
		<b>1,192,510</b>	<b>768,632</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		<b>298,188</b>	<b>177,721</b>
Interest and markup accrued		<b>26,285</b>	<b>12,122</b>
Short-term borrowings	11	<b>551,636</b>	<b>822,459</b>
Current portion of long-term financing		<b>91,313</b>	<b>47,106</b>
		<b>967,422</b>	<b>1,059,408</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	12		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,744,173</b>	<b>2,409,301</b>

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

  
**IQBAL ALI LAKHANI**  
Chairman

  
**SHAHID AHMED KHAN**  
Chief Executive Officer

## Condensed Interim Profit and Loss Account

For the period ended December 31, 2016 (Un-audited)

	Note	Half year ended		Quarter ended	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
		Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's
Sales - net	13	901,290	828,987	496,828	401,266
Cost of sales	14	(817,517)	(769,649)	(450,458)	(368,164)
Gross profit		83,773	59,338	46,370	33,102
General and administrative expenses		(20,269)	(16,435)	(10,821)	(8,481)
Selling expenses		(17,942)	(18,511)	(10,777)	(9,448)
Other operating income		1,447	17,677	778	6,919
Other operating expenses		(2,678)	(1,070)	(1,854)	(676)
		(39,442)	(18,339)	(22,674)	(11,686)
Operating profit		44,331	40,999	23,696	21,416
Financial charges		(41,351)	(37,847)	(21,365)	(18,771)
Profit before taxation		2,980	3,152	2,331	2,645
Taxation	15	-	-	-	-
Profit after taxation		2,980	3,152	2,331	2,645
Earnings per share - basic and diluted (Rupees)	16	0.07	0.08	0.06	0.07

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

  
**IQBAL ALI LAKHANI**  
Chairman

  
**SHAHID AHMED KHAN**  
Chief Executive Officer



## Condensed Interim Statement of Comprehensive Income

For the period ended December 31, 2016 (Un-audited)

	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's
Profit for the period	2,980	3,152	2,331	2,645
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>2,980</b>	<b>3,152</b>	<b>2,331</b>	<b>2,645</b>

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

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

  
**IQBAL ALI LAKHANI**  
Chairman

  
**SHAHID AHMED KHAN**  
Chief Executive Officer

## Condensed Interim Cash Flow Statement

For the period ended December 31, 2016 (Un-audited)

	Note	Half year ended	
		December 31, 2016	December 31, 2015
		Rs. in 000's	Rs. in 000's
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	17	110,854	62,800
Taxes (paid) / refunded		(7,659)	6,238
Financial charges paid		(27,188)	(22,263)
Long-term loans and advances		104	(1,475)
Long-term deposits		(1,594)	(1,050)
Net cash generated from operating activities		74,517	44,250
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(267,914)	(446,225)
Proceeds from sale of operating fixed assets		-	1,145
Net cash used in investing activities		(267,914)	(445,080)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long term financing		479,001	196,847
Short term borrowings (excluding running finance)		(300,000)	163,000
Repayment of long-term financing		(11,250)	-
Net cash generated from financing activities		167,751	359,847
Net decrease in cash and cash equivalents		(25,646)	(40,983)
Cash and cash equivalents at beginning of the period		(521,023)	(361,927)
Cash and cash equivalents at end of the period		(546,669)	(402,910)
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>			
Cash and bank balances		4,967	3,687
Short-term running finances		(551,636)	(406,597)
		(546,669)	(402,910)

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

  
**IQBAL ALI LAKHANI**  
Chairman

  
**SHAHID AHMED KHAN**  
Chief Executive Officer

## Condensed Interim Statement of Changes in Equity

For the period ended December 31, 2016 (Un-audited)

	Issued, subscribed and paid-up capital Rs. in 000's	General reserve Rs. in 000's	Reserves		Total Rs. in 000's
			Accumulated loss Rs. in 000's	Total Rs. in 000's	
Balance as at July 1, 2015	403,142	106,800	(152,712)	(45,912)	357,230
Total comprehensive income for the half year					
Profit for the half year ended December 31, 2015	-	-	3,152	3,152	3,152
Other comprehensive income for the half year ended December 31, 2015	-	-	-	-	-
	-	-	3,152	3,152	3,152
Incremental depreciation net of deferred tax effect charged during the period transferred from surplus on revaluation of property, plant and equipment	-	-	1,426	1,426	1,426
<b>Balance as at December 31, 2015</b>	<b>403,142</b>	<b>106,800</b>	<b>(148,134)</b>	<b>(41,334)</b>	<b>361,808</b>
Balance as at July 1, 2016	403,142	106,800	(143,798)	(36,998)	366,144
Total comprehensive income for the half year					
Profit for the half year ended December 31, 2016	-	-	-	-	-
Other comprehensive income for the half year ended December 31, 2016	-	-	2,980	2,980	2,980
Incremental depreciation net of deferred tax effect charged during the period transferred from surplus on revaluation of property, plant and equipment	-	-	449	449	449
<b>Balance as at December 31, 2016</b>	<b>403,142</b>	<b>106,800</b>	<b>(140,369)</b>	<b>(33,569)</b>	<b>369,573</b>

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

  
**IQBAL ALI LAKHANI**  
Chairman

  
**SHAHID AHMED KHAN**  
Chief Executive Officer

## Notes to the Condensed Interim Financial Information

For the period ended December 31, 2016 (Un-audited)

### 1. NATURE AND STATUS OF THE COMPANY

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

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

This condensed interim financial information of the Company for the half year ended December 31, 2016 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

This condensed interim financial information is unaudited but subject to the limited scope review by auditors and is being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984.

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

The comparative balance sheet presented in this condensed interim financial information has been extracted from the annual audited financial statements of the Company for the year ended June 30, 2016, whereas the comparative condensed interim profit and loss accounts, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity are extracted from the unaudited condensed interim financial information for the half year ended December 31, 2015.

#### 2.2 Basis of measurement

This condensed interim financial information have been prepared under the historical cost convention, except for revaluation of certain property, plant and equipment and recognition of certain employees retirement benefits at present value.

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

#### 2.3 Functional and presentation currency

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

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

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

## Notes to the Condensed Interim Financial Information

For the period ended December 31, 2016 (Un-audited)

### 4. TAXATION

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

### 5. ESTIMATES

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

	Note	December 31, 2016	June 30, 2016
		Un-audited Rs. in 000's	Audited Rs. in 000's
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>			
Opening net book value (NBV)		<b>928,705</b>	686,595
Addition (at cost) during the period / year	6.1	<b>465,496</b>	237,435
		<b>1,394,201</b>	924,030
Disposals (NBV) during the period / year	6.2	-	(1,594)
Depreciation charged during the period / year		<b>(24,641)</b>	(44,127)
Revaluation surplus / (reversal)		-	44,684
Impairment charged during the period / year		-	(52)
Impairment reversal		-	5,764
		<b>(24,641)</b>	4,675
		<b>1,369,560</b>	928,705

6.1 Detail of additions (at cost) during the period / year are as follows:

Building / improvements on leasehold land	<b>7,187</b>	59,524
Plant and machinery	<b>431,631</b>	173,654
Furniture and fixtures	<b>5,798</b>	710
Vehicles	<b>740</b>	2,632
Office equipment	<b>1,299</b>	622
Computer equipment	<b>936</b>	265
Electrical installation	<b>17,905</b>	28
	<b>465,496</b>	237,435

6.2 Detail of disposals (net book value) during the period / year are as follows:

Plant and machinery	-	714
Vehicles	-	880
	-	1,594

### 6.3 Fair value measurement

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

## Notes to the Condensed Interim Financial Information

For the period ended December 31, 2016 (Un-audited)

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

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

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

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

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

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

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

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

Note	December 31, 2016	June 30, 2016
	Un-audited Rs. in 000's	Audited Rs. in 000's
Opening balance (level 3 recurring fair values)	569,925	444,695
Additions - Cost	431,631	173,654
Disposals - WDV	-	(714)
Depreciation charge	(20,050)	(35,731)
Impairment charge	-	(37)
Impairment reversal	-	5,007
Deficit included in surplus on revaluation of fixed assets	-	(16,949)
Closing balance (level 3 recurring fair values)	981,506	569,925

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

### 7. CAPITAL WORK-IN-PROGRESS

This comprises of:

Civil works	74,462	63,329
Plant and machinery	267,244	475,959
	7.1	341,706
		539,288

## Notes to the Condensed Interim Financial Information

For the period ended December 31, 2016 (Un-audited)

		December 31, 2016	June 30, 2016
	Note	Un-audited Rs. in 000's	Audited Rs. in 000's
7.1 Movement of carrying amount is as follows:			
Opening balance		539,288	69,046
Additions (at cost) during the period / year	7.2	267,914	707,677
		<b>807,202</b>	776,723
Transfer to operating fixed assets during the period / year		<b>(465,496)</b>	(237,435)
Closing balance		<b>341,706</b>	539,288
7.2 This includes borrowing cost capitalised amounting to Rs. 20.892 million (June 30, 2016: Rs. 30.266 million) as per IAS 23. The rate of capitalization is 7.00% (June 30, 2016: 7.78%) per annum.			
<b>8. TRADE DEBTS</b>			
(Unsecured - considered good)			
Due from associated companies		21,283	16,612
Others		350,951	279,692
		<b>372,234</b>	296,304
(Unsecured - considered doubtful)			
Others		1,150	-
Provision for doubtful debts		<b>(1,150)</b>	-
		-	-
		<b>372,234</b>	296,304
<b>9. OTHER RECEIVABLES</b>			
(Unsecured-considered good)			
Due from associated undertakings		1,200	17,518
Receivable from gratuity fund		-	1,460
Others		357	3,156
		<b>1,557</b>	22,134
<b>10. LONG TERM FINANCING</b>			
Secured			
From banking companies	10.1	743,348	275,597
Less: Current portion shown under current liabilities		<b>(91,313)</b>	(47,106)
		<b>652,035</b>	228,491
Unsecured			
From associated undertaking	10.2	440,000	440,000
Less: Current portion shown under current liabilities		-	-
		<b>440,000</b>	440,000
		<b>1,092,035</b>	668,491

## Notes to the Condensed Interim Financial Information

For the period ended December 31, 2016 (Un-audited)

10.1 This Diminishing Musharaka facility has been obtained from financial institutions for the purpose of financing capital expenditure and secured against first pari passu charge on specific property, plant and equipments of the Company. The effective rate of mark-up ranging from 6.55% to 7.65% payable quarterly (June 30, 2016: 7.28% to 8.15%). The tenure of this financing facility is five years including one year grace period.

10.2 This loan has been obtained from an associated undertaking. An aggregate amount of Rs. 540 million was received out of which Rs. 100 million has been converted into subordinated loan. It is to be repaid in twenty equal quarterly installments commencing from July 2018. The rate of markup is 0.50% over last business day of three months KIBOR of preceding quarter. During the period, the effective mark-up rate was 6.55% per annum (June 30, 2016: 7.49% per annum).

	Note	December 31, 2016 Un-audited Rs. in 000's	June 30, 2016 Audited Rs. in 000's
<b>11. SHORT TERM BORROWINGS</b>			
Secured			
From banking companies			
Running finance	11.1	551,636	522,459
Unsecured			
From associated undertaking	11.2	-	300,000
		<b>551,636</b>	<b>822,459</b>

11.1 These carry mark up ranging from 6.84% to 7.54% (June 30, 2016: 7.31% to 8.03%) per annum.

11.2 This short term borrowing facility obtained from an Associated Company. The rate of markup was 0.85% over last business day of three months KIBOR of preceding quarter.

## 12. CONTINGENCIES AND COMMITMENTS

### 12.1 Contingencies

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

### 12.2 Commitments

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

Capital expenditure under letter of credit	<b>109,280</b>	98,340
Stores, spares and raw materials under letter of credit	-	6,969
Stores, spares and raw materials under contractual obligation	<b>1,451</b>	1,210



## Notes to the Condensed Interim Financial Information

For the period ended December 31, 2016 (Un-audited)

	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	Un-audited Rs. in 000's	Un-audited Rs. in 000's	Un-audited Rs. in 000's	Un-audited Rs. in 000's
<b>13. SALES - NET</b>				
Gross sales	1,055,192	969,872	581,404	469,330
Less: Sales tax	(153,902)	(140,885)	(84,576)	(68,064)
	<b>901,290</b>	<b>828,987</b>	<b>496,828</b>	<b>401,266</b>
<b>14. COST OF SALES</b>				
Materials consumed	609,162	585,807	329,615	285,918
Salaries, wages and other benefits	64,259	48,165	34,782	23,156
Packing material consumed	21,753	18,297	11,987	9,516
Outsourced services	21,676	34,368	15,411	15,502
Stores and spares consumed	22,195	18,253	12,816	8,362
Power and fuel	21,449	24,394	12,783	12,154
Depreciation	23,469	21,600	13,500	10,810
Amortization	7	7	4	4
Rent, rates and taxes	4,768	5,771	2,711	2,850
Repairs and maintenance	2,597	2,813	1,141	1,507
Vehicle running expenses	676	346	356	184
Insurance	3,478	2,542	1,705	1,285
Printing and stationery	500	255	269	168
Communication charges	512	409	167	213
Travelling and conveyance	326	711	280	322
Fee and subscription	361	602	321	264
Software license fee	230	242	115	121
Advertisement and publication	110	-	110	-
Other expenses	1,087	894	670	525
	<b>798,615</b>	<b>765,476</b>	<b>438,743</b>	<b>372,861</b>
Opening work-in-process	63,106	43,948	61,115	34,583
Closing work-in-process	(41,777)	(37,574)	(41,777)	(37,574)
	<b>21,329</b>	<b>6,374</b>	<b>19,338</b>	<b>(2,991)</b>
Cost of goods manufactured	<b>819,944</b>	<b>771,850</b>	<b>458,081</b>	<b>369,870</b>
Opening stock of finished goods	37,207	19,835	32,011	20,330
Closing stock of finished goods	(39,634)	(22,036)	(39,634)	(22,036)
	<b>(2,427)</b>	<b>(2,201)</b>	<b>(7,623)</b>	<b>(1,706)</b>
	<b>817,517</b>	<b>769,649</b>	<b>450,458</b>	<b>368,164</b>

## Notes to the Condensed Interim Financial Information

For the period ended December 31, 2016 (Un-audited)

### 15. TAXATION

15.1 The current period's total tax liability of the Company amounting to Rs. 9.021 million is covered under Section 113 "Minimum tax" of the Income Tax Ordinance, 2001. This has been fully adjusted against tax credit under section 65B at the rate 10% on the cost of plant and machinery capitalised during the year. Unadjusted tax credit of Rs. 35.188 million is available for adjustment against two subsequent years' tax charge.

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

15.3 Deferred tax asset arising due to timing difference, carry forward tax losses, turnover taxes and unutilized tax credits calculated at applicable tax rates as at balance sheet date amounted to Rs. 60.545 million debit. Deferred tax asset has not been recognized in this condensed interim financial information in accordance with the stated accounting policy of the Company. The computation for deferred taxation incorporates assumptions regarding utilization of tax losses carried forward, turnover taxes and tax credits.

### 16. EARNINGS PER SHARE - BASIC AND DILUTED

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

	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	Un-audited	Un-audited	Un-audited	Un-audited
	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's
Profit for the period	2,980	3,152	2,331	2,645
Weighted average number of ordinary shares (in thousands)	40,314	40,314	40,314	40,314
Earnings per share (Rupees)	0.07	0.08	0.06	0.07

	Note	Half year ended	
		December 31, 2016	December 31, 2015
		Un-audited	Un-audited
		Rs. in 000's	Rs. in 000's

### 17. CASH GENERATED FROM OPERATIONS

Profit before taxation		2,980	3,152
Adjustment for non-cash items and other items:			
Gain on disposal of operating fixed assets		-	(69)
Provision for doubtful debts		1,150	-
Financial charges		41,351	37,847
Depreciation		24,641	22,522
Amortization		19	33
		67,161	60,333
Profit before working capital changes		70,141	63,485
Working capital changes	17.1	40,713	(685)
		110,854	62,800

## Notes to the Condensed Interim Financial Information

For the period ended December 31, 2016 (Un-audited)

	Half year ended	
	December 31, 2016	December 31, 2015
	Un-audited Rs. in 000's	Un-audited Rs. in 000's
17.1 Working capital changes		
(Increase) / decrease in current assets:		
Stores and spares	(11,236)	(17,034)
Stock-in-trade	21,916	(21,640)
Trade debts	(77,080)	(51,925)
Loans and advances	(3,018)	(7,935)
Trade deposits and short term prepayments	(2,173)	(13,019)
Other receivables	20,577	87,875
Tax refund due from Government	(28,741)	(65,510)
	(79,755)	(89,188)
Increase in current liabilities:		
Trade and other payables (excluding unclaimed dividend)	120,468	88,503
	40,713	(685)

### 18. TRANSACTIONS WITH RELATED PARTIES

18.1 The related parties comprise of related group companies, local associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and remuneration and benefits to key management personnel under the terms of their employment are as follows:

Relation with the Company	Nature of transaction	Half year ended		Quarter ended	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
		Un-audited Rs. in 000's	Un-audited Rs. in 000's	Un-audited Rs. in 000's	Un-audited Rs. in 000's
Associated companies	Sales of goods and services	79,190	78,291	39,506	35,360
	Purchases of goods and services	486,597	496,041	244,292	215,101
	Rent and allied charges	108	104	44	74
	Insurance agency commission income	600	350	300	175
	Insurance claim	16	16,295	-	6,295
	Mark-up on long-term financing	17,817	20,974	8,425	10,208
	Mark-up on short-term financing	8,356	-	3,139	-
	Repayment of short-term financing	300,000	-	300,000	-
Directors	Short-term financing obtained	-	250,000	-	250,000
	Repayment of short-term financing	-	87,000	-	87,000
	Mark-up on short-term financing	-	2,251	-	2,251
Retirement benefit plans	Contribution towards employees retirement benefit plans	3,248	3,143	1,651	1,508
Key management personnel	Compensation in respect of:				
	Short term employee benefits	10,458	7,737	5,573	3,923
	Retirement benefits	537	460	296	233

## Notes to the Condensed Interim Financial Information

For the period ended December 31, 2016 (Un-audited)

	December 31, 2016 Un-audited Rs. in 000's	June 30, 2016 Audited Rs. in 000's
18.2 Period / year end balances		
Receivable from related parties	22,483	35,590
Payable to related parties	86,287	73,288
Long-term financing payable to associated undertaking	440,000	440,000
Sub-ordinated loan	100,000	100,000
Short-term financing payable to associated undertaking	-	300,000
Mark-up payable to associated undertaking	12,305	456

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

### 19. FINANCIAL RISK MANAGEMENT

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

### 20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

During the half year ended December 31, 2016, there were no transfers between level 1 and level 2 fair value measurements and no transfers into or out of Level 3 fair value measurements.

## Notes to the Condensed Interim Financial Information

For the period ended December 31, 2016 (Un-audited)

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

### 21. CORRESPONDING FIGURES

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

### 22. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue by the Board of Directors of the Company on February 24, 2017.

### 23. GENERAL

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



**IQBAL ALI LAKHANI**  
Chairman



**SHAHID AHMED KHAN**  
Chief Executive Officer















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
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