



**Merit Packaging Limited**  
(ISO-9001/14001/22000/HACCP Certified)

Packaging solution  
under one roof



2013-14  
**1st Quarterly report**



A Lakson Group Company



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## Corporate Information

### BOARD OF DIRECTORS

Iqbal Ali Lakhani	Chairman
Zulfiqar Ali Lakhani	
Amin Mohammed Lakhani	
Tasleemuddin Ahmed Batlay	
Shahid Ahmed Khan	
Shaikh Muhammad Barinuddin	Independent Director
Sheikh Asim Rafiq	Nominee Director (NIT)
Mohammad Yousuf Memon	Nominee Director (NIT)
Mohammad Shahid	Chief Executive Officer

### ADVISOR

Sultan Ali Lakhani

### AUDIT COMMITTEE

Shaikh Muhammad Barinuddin	Chairman
Zulfiqar Ali Lakhani	
Tasleemuddin Ahmed Batlay	

### HUMAN RESOURCE & REMUNERATION COMMITTEE

Iqbal Ali Lakhani	Chairman
Tasleemuddin Ahmed Batlay	
Shahid Ahmed Khan	

### COMPANY SECRETARY

Mansoor Ahmed

### AUDITORS

BDO Ebrahim & Co.  
Chartered Accountants

### BANKERS

Askari Bank Limited  
Bank Alfalah Limited  
Habib Bank Limited  
HSBC Bank Middle East Limited  
JS Bank Limited  
Meezan Bank Limited  
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  
Phone: 021-35698000, Faxes: 021-35683410, 35686571

### FACTORY

17-B, Sector 29, Korangi Industrial Township,  
Karachi-75180.  
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Email: info@meritpack.com

### WEBSITE

www.meritpack.com



## Directors' Review

The Directors of your Company are pleased to present their review of the performance together with un-audited financial statements for the first quarter ended September 30, 2013.

### OPERATING RESULTS

Following are the comparative financial results for the first quarter ended September 30, 2013 with comparative results for the same period last year:

	Quarter ended	
	September 30, 2013	September 30, 2012
	Rs. in thousands	
Net sales	401,959	318,502
Gross profit	36,720	2,297
Profit /(Loss) from operations	23,566	(11,715)
Financial charges	25,117	26,227
(Loss) before tax	(1,551)	(37,942)

During the period under review, the net sales amounted to Rs. 402 million as compared to Rs. 319 million for the same financial period last year, showing an increase of Rs. 83 million or 26%. This was made possible due to improvement of our machines, quality of our products and services.

A significant decrease has been recorded in pre-tax loss for the period under review, which came down from Rs. 38 million in the corresponding period last year to Rs. 1.5 million this year. This has been achieved due to concerted efforts to enhance production capabilities; reduced cost of operations, streamlined operations while we expand our customer base with reputed corporate sector organizations. These measures have started to yield results in the form of higher operational profitability.

### FUTURE OUTLOOK

Significant increase in input cost especially in energy sector has resulted in higher cost of production. The Company is making full efforts to pass the impact of such cost escalations to customers, however severe competition in the industry is putting pressure for restricting price increases, thus impacting profit margins. The Company is continuously improving its operational capabilities and health of machines.

Accordingly, the Directors are confident that augmented sales volume, operational efficiencies and recent capital restructuring will improve the Company's market share and profitability.

On behalf of the Board of Directors

**IQBAL ALI LAKHANI**

Chairman

Karachi: October 21, 2013



## Condensed Interim Balance Sheet

as at September 30, 2013 (Un-audited)

		September 30, 2013 (Un-audited)	June 30, 2013 (Audited)
	Note	Rs. in 000's	Rs. in 000's
<b>ASSETS</b>			(Restated)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment			
Operating fixed assets	6	648,444	655,438
Intangible assets		782	1,038
Long-term loans and advance		40	53
Long-term deposits		3,597	3,597
		652,863	660,126
<b>CURRENT ASSETS</b>			
Stores and spares		64,524	63,317
Stock-in-trade		305,434	302,100
Trade debts (Unsecured - considered good)		310,217	202,682
Loans and advances		10,116	1,793
Trade deposits and short-term prepayments		6,031	2,083
Other receivables		984	1,232
Tax refund due from government		38,721	38,774
Taxation - net		10,573	7,597
Cash and bank balances		1,355	922
		747,955	620,500
<b>TOTAL ASSETS</b>		<b>1,400,818</b>	<b>1,280,626</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised share capital			
70,000,000 (June 30, 2013: 30,000,000) ordinary shares of Rs.10/- each		700,000	300,000
Issued, subscribed and paid-up capital			
4,742,847 (June 30, 2013: 4,742,847) ordinary shares of Rs.10/- each		47,428	47,428
Accumulated loss		(51,544)	(46,688)
		(4,116)	740
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>		<b>170,730</b>	<b>171,467</b>
<b>NON-CURRENT LIABILITIES</b>			
Sub-ordinated loan	7	100,000	100,000
Long-term financing	8	465,500	440,000
Long-term deposits		81	81
		565,581	540,081
<b>CURRENT LIABILITIES</b>			
Trade and other payables		214,341	147,102
Financial charges payable		23,123	9,872
Short-term financing		406,659	411,364
Current portion of long-term liabilities		24,500	-
		668,623	568,338
<b>CONTINGENCIES AND COMMITMENTS</b>	9		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,400,818</b>	<b>1,280,626</b>

The annexed notes from 1 to 17 form an integral part of these financial statements.

  
**IQBAL ALI LAKHANI**  
 Chairman

  
**MOHAMMAD SHAHID**  
 Chief Executive Officer



## Condensed Interim Profit and Loss Account

For the period ended September 30, 2013 (Un-audited)

	Note	Quarter ended	
		September 30, 2013	September 30, 2012
		Rs. in 000's	Rs. in 000's
Sales - net	10	401,959	318,502
Cost of sales	11	(365,239)	(316,205)
Gross profit		36,720	2,297
General and administrative expenses		(7,399)	(8,016)
Selling and distribution expenses		(5,832)	(6,086)
Other income		783	677
Other operating expenses		(706)	(587)
		(13,154)	(14,012)
Operating profit/(loss)		23,566	(11,715)
Financial charges		(25,117)	(26,227)
Loss before taxation		(1,551)	(37,942)
Taxation		(4,042)	2,256
Loss after taxation		(5,593)	(35,686)
Loss per share - basic and diluted	12	Rs.(1.18)	Rs.(7.52)

The annexed notes from 1 to 17 form an integral part of these financial statements.

  
IQBAL ALI LAKHANI  
Chairman

  
MOHAMMAD SHAHID  
Chief Executive Officer



## Condensed Interim Statement of Comprehensive Income

For the period ended September 30, 2013 (Un-audited)

	Quarter ended	
	September 30, 2013	September 30, 2012
	Rs. in 000's	Rs. in 000's
		(Restated)
Loss for the period	(5,593)	(35,686)
Re-measurement of defined benefit liability	-	511
Other comprehensive income	-	-
Total comprehensive loss for the period	(5,593)	(35,175)

The annexed notes from 1 to 17 form an integral part of these financial statements.

**IQBAL ALI LAKHANI**  
Chairman

**MOHAMMAD SHAHID**  
Chief Executive Officer



## Condensed Interim Cash Flow Statement

For the period ended September 30, 2013 (Un-audited)

	Note	Quarter ended	
		September 30, 2013	September 30, 2012
		Rs. in 000's	Rs. in 000's
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash used in operations	13	(22,914)	(17,380)
Taxes paid		(7,017)	(1,788)
Financial charges paid		(11,867)	(11,681)
Long-term loans and advances		13	(1,824)
Long-term deposits		-	(769)
Net cash used in operating activities		(41,785)	(33,442)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(3,077)	(5,659)
Proceeds from sale of operating fixed assets		-	288
Net cash used in investing activities		(3,077)	(5,371)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceed from long term financing		50,000	-
Short term finances (excluding running finance)		20,000	50,000
Repayment of liabilities against assets subject to finance leases		-	(1,007)
Net cash generated from financing activities		70,000	48,993
Net increase in cash and cash equivalents		25,138	10,180
Cash and cash equivalents at the beginning of the period		(340,442)	(331,932)
Cash and cash equivalents at the end of the period		(315,304)	(321,752)
<b>CASH AND CASH EQUIVALENTS COMPRISE</b>			
Cash and bank balances		1,355	1,386
Short-term financing		(316,659)	(323,138)
		(315,304)	(321,752)

The annexed notes from 1 to 17 form an integral part of these financial statements.

  
IQBAL ALI LAKHANI  
Chairman

  
MOHAMMAD SHAHID  
Chief Executive Officer





## Condensed Interim Statement of Changes in Equity

For the period ended September 30, 2013 (Un-audited)

	Issued, subscribed and paid-up capital Rs. in 000's	Reserves		Total Rs. in 000's	Total Rs. in 000's
		General reserve Rs. in 000's	Accumulated loss Rs. in 000's		
Balance as at July 1, 2012	47,428	106,800	(67,554)	39,246	86,674
Effect of change in accounting policy (Note 3)	-	-	(2,568)	(2,568)	(2,568)
Balance as at July 1, 2012 (Restated)	47,428	106,800	(70,122)	36,678	84,106
Transfer from surplus on revaluation of fixed assets	-	-	742	742	742
Total comprehensive loss for the period ended September 30, 2012 (Restated)	-	-	(35,175)	(35,175)	(35,175)
	-	-	(34,433)	(34,433)	(34,433)
Balance as at September 30, 2012 (Restated)	47,428	106,800	(104,555)	2,245	49,673
Balance as at July 1, 2013	47,428	106,800	(152,965)	(46,165)	1,263
Effect of change in accounting policy (Note 3)	-	-	(523)	(523)	(523)
Balance as at July 1, 2013 (Restated)	47,428	106,800	(153,488)	(46,688)	740
Transfer from surplus on revaluation of fixed assets	-	-	737	737	737
Total comprehensive loss for the period ended September 30, 2013	-	-	(5,593)	(5,593)	(5,593)
	-	-	(4,856)	(4,856)	(4,856)
Balance as at September 30, 2013	47,428	106,800	(158,344)	(51,544)	(4,116)

The annexed notes from 1 to 17 form an integral part of these financial statements.

  
**IQBAL ALI LAKHANI**  
Chairman

  
**MOHAMMAD SHAHID**  
Chief Executive Officer



## Notes to the Condensed Interim Financial Statements

For the period ended September 30, 2013 (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 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

These condensed interim financial statements are unaudited and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984.

This condensed interim financial report of the Company for the quarter ended September 30, 2013 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.

These condensed interim financial statements do 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, 2013.

#### 2.2 Functional and presentation currency

These condensed interim financial statements have been prepared under the historical cost convention, except for the recognition of certain staff retirement benefits at present value.

These financial statements have been prepared following accrual basis of accounting except for cash flow information.

#### 2.3 Functional and presentation currency

These condensed interim financial statements have been presented in Pak Rupee, which is the functional and presentation currency of the Company.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted and methods of computation followed in the preparation of these condensed interim financial statements are same as those for the preceding annual financial statements for the year ended June 30, 2013 except as described below:

In accordance with IAS 19 (revised) - "Employee Benefits" (effective for annual period beginning on or after January 1, 2013), the Company has changed its accounting policy for recognition of the actuarial/remeasurement gains and losses on employees' retirement benefit plans. The remeasurement gains/losses as per actuarial valuation done at financial year end will now be recognized immediately in other comprehensive income. Previously, these gains/losses in excess of the corridor limit are recognized in profit and loss account over the remaining service life of the employees .



## Notes to the Condensed Interim Financial Statements

For the period ended September 30, 2013 (Un-audited)

The change in accounting policy has been accounted for retrospectively and the comparative figures have thereby been restated. The effect on comparative figures presented is as follows:

**Rs. in 000's**

### **Balance Sheet as at June 30, 2013**

Increase in accumulated loss	
Actuarial losses on retirement benefit plans	523
Increase in trade and other payable	
Gratuity payable	523

### **Statement of Comprehensive Income for the quarter ended September 30, 2012**

Increase in comprehensive income	
Re-measurement of defined benefit liability	511

### **Statement of Changes in Equity**

Increase in accumulated loss July 1, 2012	2,568
Increase in accumulated loss July 1, 2013	523

The other standards, amendments and interpretations of approved accounting standards became effective during the period do not have a significant impact on the Company's condensed interim financial statements.

#### **4. ESTIMATES**

The preparation of condensed interim financial statements require 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, 2013.

#### **5. 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.



## Notes to the Condensed Interim Financial Statements

For the period ended September 30, 2013 (Un-audited)

		September 30, 2013 Un-audited Rs. in 000's	June 30, 2013 Audited Rs. in 000's
	Note		
<b>6. OPERATING FIXED ASSETS</b>			
Opening net book value (NBV)		655,438	665,875
Additions (cost) during the period / year	6.1	3,077	34,945
		658,515	700,820
Disposals (NBV) during the period / year	6.2	-	(5,407)
Depreciation charged during the period / year		(10,071)	(39,975)
		(10,071)	(45,382)
		648,444	655,438
6.1 Detail of additions (cost) during the period / year are as follows:			
Building / improvements on leasehold land		81	275
Plant and machinery		2,996	27,986
Furniture and fixtures		-	340
Vehicles		-	1,135
Office equipment		-	1,790
Computer equipment		-	479
Factory tools and equipment		-	2,940
		3,077	34,945
6.2 Detail of disposals (net book value) during the period / year are as follows:			
Plant and machinery		-	138
Vehicles		-	5,255
Office Equipments		-	14
		-	5,407
<b>7. SUBORDINATED LOAN - UNSECURED</b>			
From associated undertakings	7.1	100,000	100,000

7.1 This subordinated loan has been obtained from an associated undertaking. The rate of markup is 0.9% over average of three months KIBOR of the last five days of preceding quarter. During the period, the effective mark-up rate was 10% per annum (2013: 10.43% per annum). 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.



## Notes to the Condensed Interim Financial Statements

For the period ended September 30, 2013 (Un-audited)

		September 30, 2013 Un-audited Rs. in 000's	June 30, 2013 Audited Rs. in 000's
	Note		
<b>8. LONG TERM FINANCING</b>			
Unsecured			
From associated undertaking	8.1	490,000	440,000
Less: Current portion shown under current liabilities		(24,500)	-
		<b>465,500</b>	440,000

8.1 This loan has been obtained from an associated undertaking. An aggregate amount of Rs. 590 million was received out of which Rs. 100 million has been converted into subordinated loan (Note 7). It is to be repaid in twenty equal quarterly installments commencing from July 2014. The rate of mark-up is 0.9% over average of three months KIBOR of the last five days of preceding quarter. During the period, the effective mark-up rate was 10% per annum (2013: 10.43% per annum).

### 9. CONTINGENCIES AND COMMITMENTS

#### 9.1 Contingencies

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

#### 9.2 Commitments

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

Stores, spares and raw materials under letter of credit	10,775	8,854
Stores, spares and raw materials under contractual obligation	4,822	4,521

	Quarter ended	
	September 30, 2013	September 30, 2012
	Rs. in 000's	Rs. in 000's
<b>10. SALES - NET</b>		
Gross sales	469,019	367,945
Sales tax	(67,060)	(49,443)
	<b>401,959</b>	318,502



## Notes to the Condensed Interim Financial Statements

For the period ended September 30, 2013 (Un-audited)

	Quarter ended	
	September 30, September 30,	
	2013	2012
	Rs. in 000's	Rs. in 000's
<b>11. COST OF SALES</b>		
Materials consumed	307,842	247,362
Salaries, wages and other benefits	17,358	21,685
Packing material consumed	7,051	7,457
Outsource services	1,523	5,603
Stores and spares consumed	7,788	6,386
Power and fuel	10,656	9,275
Depreciation	9,660	9,390
Amortisation	114	110
Rent, rates and taxes	947	769
Repairs and maintenance	1,100	787
Vehicle running expenses	126	277
Insurance	1,037	1,075
Printing and stationery	113	78
Communication charges	178	318
Travelling and conveyance	187	56
Fees and subscription	100	15
Software license fee	100	101
Other expenses	249	295
Manufacturing cost	366,129	311,039
Opening work-in-process	20,302	52,819
Closing work-in-process	(29,881)	(42,482)
	(9,579)	10,337
Cost of goods manufactured	356,550	321,376
Opening stock of finished goods	19,601	5,154
Closing stock of finished goods	(10,912)	(10,325)
	8,689	(5,171)
	365,239	316,205
<b>12. LOSS PER SHARE - BASIC AND DILUTED</b>		
Loss for the period	(5,593)	(35,686)
Weighted average number of ordinary shares outstanding (in thousands)	4,743	4,743
Loss per share - basic and diluted (Rupees)	(1.18)	(7.52)



## Notes to the Condensed Interim Financial Statements

For the period ended September 30, 2013 (Un-audited)

	Note	Quarter ended	
		September 30, 2013	September 30, 2012
		Rs. in 000's	Rs. in 000's
<b>13. CASH GENERATED FROM OPERATIONS</b>			
Loss before taxation		(1,551)	(37,942)
Adjustment for non-cash items and other items:			
Financial charges		25,117	26,227
Depreciation		10,071	9,947
Amortisation		256	252
		35,444	36,426
Profit/(loss) before working capital changes		33,893	(1,516)
Working capital changes	13.1	(56,807)	(15,864)
		(22,914)	(17,380)
<b>13.1 Working capital changes</b>			
(Increase) / decrease in current assets:			
Stores and spares		(1,207)	(1,894)
Stock-in-trade		(3,334)	38,994
Trade debts		(107,535)	(17,295)
Loans and advances		(8,322)	(1,616)
Trade deposits and short term prepayments		(3,947)	(6,348)
Other receivables		247	(671)
Tax refund due from government		53	2,978
		(124,045)	14,148
Increase/(decrease) in current liabilities:			
Trade and other payables (excluding unclaimed dividend)		67,238	(30,012)
		(56,807)	(15,864)

### 14. 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:



## Notes to the Condensed Interim Financial Statements

For the period ended September 30, 2013 (Un-audited)

Relation with the Company	Nature of transaction	Quarter ended	
		September 30, 2013	September 30, 2012
		Rs. in 000's	Rs. in 000's
Associated companies	Sales of goods and services	46,178	42,868
	Purchases of goods and services	224,574	194,942
	Rent and allied charges	48	52
	Insurance agency commission income	161	171
	Long-term financing obtained	50,000	-
	Mark-up on long-term financing	14,010	-
Sponsors	Mark-up on long-term financing	-	13,611
Retirement benefit plans	Contribution towards employees retirement benefits plans	1,369	2,071
Key management personnel	Compensation in respect of: Short term employee benefits	2,924	3,682
	Retirement benefits	195	492

### 15. CORRESPONDING FIGURES

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

### 16. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue by the Board of Directors of the Company on October 21, 2013.

### 17. GENERAL

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

  
IQBAL ALI LAKHANI  
Chairman

  
MOHAMMAD SHAHID  
Chief Executive Officer





**MERIT PACKAGING LIMITED**

A Lakson Group Company

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