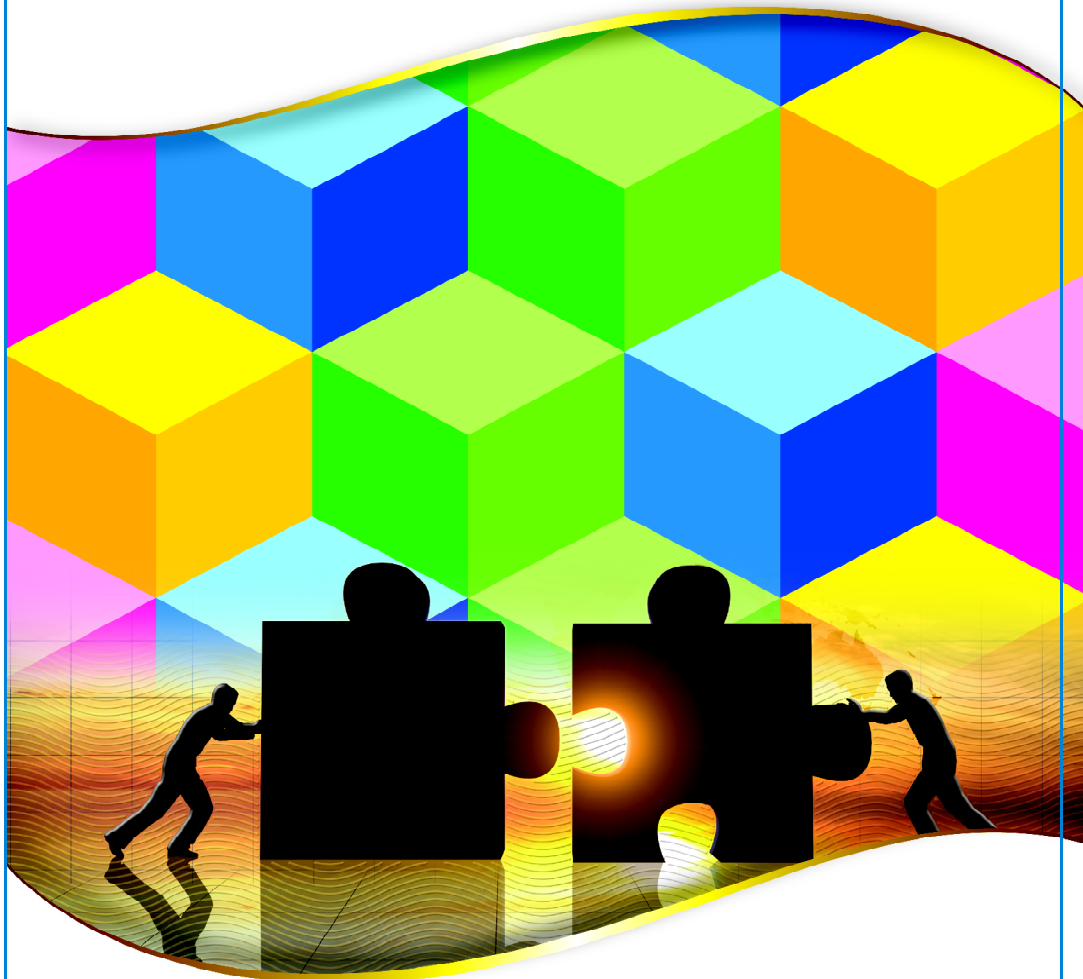




A Lakson Group Company



Merit Packaging Limited



1st Quarterly  
Report 2015-16

## Contents

Corporate Information	2
Directors' Review	3
Condensed Interim Balance Sheet	4
Condensed Interim Profit & Loss Account	5
Condensed Interim Statement of Comprehensive Income	6
Condensed Interim Cash Flow Statement	7
Condensed Interim Statement of Changes in Equity	8
Notes to the Condensed Interim Financial Information	9-15

## Corporate Information

### Board of Directors

Iqbal Ali Lakhani  
Zulfiqar Ali Lakhani  
Amin Mohammed Lakhani  
Tasleemuddin Ahmed Batlay  
Shahid Ahmed Khan  
Shaikh Muhammad Barinuddin  
Sheikh Asim Rafiq  
Farrukh Shauket Ansari

Chairman

Chief Executive Officer  
Independent Director  
Nominee Director (NIT)  
Nominee Director (NIT)

### Advisor

Sultan Ali Lakhani

### Audit Committee

Shaikh Muhammad Barinuddin  
Zulfiqar Ali Lakhani  
Tasleemuddin Ahmed Batlay

Chairman

### Human Resource and Remuneration Committee

Iqbal Ali Lakhani  
Tasleemuddin Ahmed Batlay  
Shahid Ahmed Khan

Chairman

### 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  
JS Bank Limited  
MCB Bank Limited  
Meezan Bank Limited  
National Bank of Pakistan  
NIB 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., Shahr-e-Faisal,  
Karachi.

### Registered Office

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

### Factory

17-B, Sector 29, Korangi Industrial Township,  
Karachi-75180.  
Phone: 021-35017180, 021-35017164  
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, 2015.

### OPERATING RESULTS

Following are the comparative financial results for the first quarter ended September 30, 2015 and the same period last year respectively:

	Quarter ended	
	September 30, 2015	September 30, 2014
	Rs. in thousands	
Net sales	427,721	444,904
Gross profit	26,236	40,311
Operating profit	19,583	26,058
Profit before tax	507	1,460

The sales turnover during the quarter amounted to Rs. 428 million, as compared to Rs. 445 million for the same period last year, showing a decrease of Rs. 17 million. Pre-tax profit for the period under review is Rs. 0.5 million as compared to Rs. 1.5 million recorded for the same period last year.

Company's performance was affected primarily due to suspension of production of gravure printing as a result of fire in the main production area. However outsourcing of production where required were done through contract manufacturing.

Insurance claim related to the fire policy has been received; claim under the loss of profit policy is still under process as lodging of claim shall be finalized after re-start of production in Gravure division.

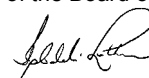
### FUTURE OUTLOOK

To overcome the existing problems and to meet future requirements, your Company is continuously improving its operational capabilities through investments by adding new generation machines, upgrading of the existing ones including enhancement of infrastructure and installation of a manufacturing unit in Lahore to cater the market of central and northern parts of the Country. Operation of gravure division with the induction of new machines is expected to enhance our capabilities and will bring in positive results. Similarly measures to enhance performance capabilities of offset division will result in enhance production of quality product besides capabilities to print value added jobs.

Operational changes have been made and optimum measures are being taken to sustain growth by focusing more attention on health of machines, streamlining operational performance and optimization of resources.

We are confident that improved sales, operational efficiencies and customers' satisfaction in terms of product quality and services will help in releasing pressure on the bottom line in next quarters.

On behalf of the Board of Directors



**IQBAL ALI LAKHANI**  
Chairman

Karachi: October 28, 2015

## Condensed Interim Balance Sheet

As at September 30, 2015 (Un-audited)

		September 30, 2015 (Un-audited)	June 30, 2015 (Audited)
	Note	Rs. in 000's	Rs. in 000's
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	679,598	686,595
Capital work-in-progress	7	197,704	69,046
		877,302	755,641
Intangible assets		133	150
Long-term loans and advance		1,040	-
Long-term deposits		7,417	6,367
		885,892	762,158
<b>CURRENT ASSETS</b>			
Stores and spare		77,751	72,882
Stock-in-trade		289,566	263,543
Trade debts (Unsecured - considered good)		403,964	306,593
Loans and advances		15,346	3,892
Trade deposits and short-term prepayments		20,576	4,879
Other receivables	8	46,196	105,513
Tax refund due from Government		82,111	82,935
Taxation - net		45,311	41,692
Cash and bank balances		8,696	46,437
		989,517	928,366
<b>TOTAL ASSETS</b>		<b>1,875,409</b>	<b>1,690,524</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised share capital			
70,000,000 (June 30, 2015: 70,000,000) ordinary shares of Rs.10/- each		700,000	700,000
Issued, subscribed and paid-up capital			
40,314,199 (June 30, 2015: 40,314,199) ordinary shares of Rs.10/- each		403,142	403,142
Accumulated loss		(44,693)	(45,913)
		358,449	357,229
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>		<b>164,502</b>	<b>165,215</b>
<b>NON-CURRENT LIABILITIES</b>			
Sub-ordinated loan	9	100,000	100,000
Long-term financing	10	485,500	513,125
		585,500	613,125
<b>CURRENT LIABILITIES</b>			
Trade and other payables		173,307	121,139
Mark-up accrued		22,042	8,577
Short-term borrowings		527,109	408,364
Current portion of long-term financing		44,500	16,875
		766,958	554,955
<b>CONTINGENCIES AND COMMITMENTS</b>	11		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,875,409</b>	<b>1,690,524</b>

The annexed notes from 1 to 19 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 September 30, 2015 (Un-audited)

	Note	Quarter ended	
		September 30, 2015	September 30, 2014
		Rs. in 000's	Rs. in 000's
Sales - net	12	427,721	444,904
Cost of sales	13	(401,485)	(404,593)
Gross profit		26,236	40,311
General and administrative expenses		(7,954)	(7,686)
Selling and distribution expenses		(9,063)	(6,728)
Other income	8.1	10,758	747
Other operating expenses		(394)	(586)
		(6,653)	(14,253)
Operating profit		19,583	26,058
Financial charges		(19,076)	(24,598)
Profit before taxation		507	1,460
Taxation		-	(4,470)
Profit/(loss) after taxation		507	(3,010)
Earnings/(loss) per share - basic and diluted (Rupees)	14	Rs.0.01	Rs.(0.07)

The annexed notes from 1 to 19 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 September 30, 2015 (Un-audited)

	Quarter ended	
	September 30, 2015	September 30, 2014
	Rs. in 000's	Rs. in 000's
Profit/(loss) for the period	507	(3,010)
Other comprehensive income	-	-
Total comprehensive income/(loss) for the period	507	(3,010)

The annexed notes from 1 to 19 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 September 30, 2015 (Un-audited)

	Note	Quarter ended	
		September 30, 2015	September 30, 2014
		Rs. in 000's	Rs. in 000's
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash used in operations	15	(28,831)	(58,140)
Taxes refund/(paid)		12,937	(19,423)
Financial charges paid		(5,611)	(6,369)
Long-term loans and advances		(1,040)	-
Long-term deposits		(1,050)	(134)
Net cash used in operating activities		(23,595)	(84,066)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(133,279)	(31,025)
Proceeds from sale of operating fixed assets		388	251
Net cash used in investing activities		(132,891)	(30,774)
Net decrease in cash and cash equivalents		(156,486)	(114,840)
Cash and cash equivalents at beginning of the period		(361,927)	(338,311)
Cash and cash equivalents at end of the period		(518,413)	(453,151)
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>			
Cash and bank balances		8,696	2,745
Short-term running finance		(527,109)	(455,896)
		(518,413)	(453,151)

The annexed notes from 1 to 19 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 September 30, 2015 (Un-audited)

	Issued, subscribed and paid-up capital	General reserve	Reserves Accumulated loss	Total	Total
	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's
Balance as at July 1, 2014	403,142	106,800	(169,026)	(62,226)	340,916
Transfer from surplus on revaluation of fixed assets	-	-	736	736	736
Total comprehensive loss for the quarter ended September 30, 2014	-	-	(3,010)	(3,010)	(3,010)
Balance as at September 30, 2014	403,142	106,800	(171,300)	(64,500)	338,642
Balance as at July 1, 2015	403,142	106,800	(152,713)	(45,913)	357,229
Transfer from surplus on revaluation of fixed assets	-	-	713	713	713
Total comprehensive income for the quarter ended September 30, 2015	-	-	507	507	507
<b>Balance as at September 30, 2015</b>	<b>403,142</b>	<b>106,800</b>	<b>(151,493)</b>	<b>(44,693)</b>	<b>358,449</b>

The annexed notes from 1 to 19 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 September 30, 2015 (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

This condensed interim financial information is unaudited and are being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984.

This condensed interim financial information of the Company for the quarter ended September 30, 2015 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 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 for the year ended June 30, 2015.

#### 2.2 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention, except for revaluation of certain property, plant and equipment and recognition of certain staff 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 is same as those for the preceding annual financial statements for the year ended June 30, 2015.

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

### 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.

## Notes to the Condensed Interim Financial Information

For the period ended September 30, 2015 (Un-audited)

### 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, 2015.

	Note	September 30, 2015 Un-audited	June 30, 2015 Audited
		Rs. in 000's	Rs. in 000's
<b>6. PROPERTY, PLANT AND EQUIPMENTS</b>			
Opening net book value (NBV)		686,595	657,329
Additions (at cost) during the period / year	6.1	4,622	149,320
		691,217	806,649
Disposals (NBV) during the period / year	6.2	(362)	(49,637)
Depreciation charged during the period / year		(11,257)	(47,461)
Impairment charged during the period / year		-	(22,956)
		(11,619)	(120,054)
		679,598	686,595
6.1 Detail of additions (at cost) during the period / year are as follows:			
Building / improvements on leasehold land		155	2,959
Plant and machinery		2,544	109,605
Furniture and fixtures		-	206
Vehicles		-	3,706
Office equipment		-	876
Computer equipment		-	3,284
Factory tools and equipment		1,923	23,760
Electrical Installation		-	4,924
		4,622	149,320
6.2 Detail of disposals (net book value) during the period / year are as follows:			
Plant and machinery		-	33,262
Furniture and fixtures		-	310
Vehicles		362	880
Office equipment		-	64
Computer equipment		-	27
Factory tools and equipment		-	12,201
Electrical Installation		-	2,893
		362	49,637
<b>7. CAPITAL WORK-IN-PROGRESS</b>			
This comprises of:			
Civil works		27,315	12,310
Plant and machinery		170,389	56,736
		197,704	69,046



## Notes to the Condensed Interim Financial Information

For the period ended September 30, 2015 (Un-audited)

	Note	September 30, 2015 Un-audited Rs. in 000's	June 30, 2015 Audited Rs. in 000's
<b>8. OTHER RECEIVABLES</b>			
Unsecured-considered good	8.1	46,196	105,513
<p>8.1 In order to record true financial status of the Company we have incorporated an amount of Rs.10 million as claim against the Insurance policy of loss of profit for the period ended September 30, 2015. This amount according to our assessment and discussions with the Insurance Company and the Surveyor is on a lower side as compared to the full amount of claim for this period. According to the Insurance Company and Surveyor the process of filing and realizing Insurance claim under this policy can only be processed once the full amount of claim is ascertained and the company has restarted its commercial production. We are hoping to restart commercial production of gravure printing by the end of third quarter of the current financial year thereafter full amount will be ascertained and claim will be finalized accordingly.</p>			
<b>9. SUBORDINATED LOAN - UNSECURED</b>			
From associated undertakings	9.1	100,000	100,000
<p>9.1 This subordinated loan has been obtained from an associated undertaking. The rate of markup is 0.9% over last business day of three months KIBOR of preceding quarter. During the period, the effective mark-up rate was 7.91% per annum (June 30, 2015: 10.40% 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.</p>			
<b>10. LONG TERM FINANCING</b>			
Secured			
From banking company	10.1	90,000	90,000
Less: Current portion shown under current liabilities		(22,500)	(16,875)
		67,500	73,125
Unsecured			
From associated undertaking	10.2	440,000	440,000
Less: Current portion shown under current liabilities		(22,000)	-
		418,000	440,000
		485,500	513,125

## Notes to the Condensed Interim Financial Information

For the period ended September 30, 2015 (Un-audited)

10.1 This loan has been obtained from a financial institute for the purpose of financing capital expenditure and secured against first pari passu charge on specific property, plant and equipments of the Company to the extent of Rs.100 million (incorporating a 10% margin). The rate of mark-up is 1.50% over the six months rate of KIBOR payable quarterly. The tenure of this financing facility is five years including one year grace period. It is to be repaid in sixteen equal quarterly installments commencing from December 2015.

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 (Note 9). It is to be repaid in twenty equal quarterly installments commencing from July 2016. The rate of markup is 0.9% over last business day of three months KIBOR of preceding quarter. During the period, the effective mark-up rate was 7.91% per annum (June 30,2015: 10.40% per annum).

### 11. CONTINGENCIES AND COMMITMENTS

#### 11.1 Contingencies

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

	September 30, 2015 Un-audited Rs. in 000's	June 30, 2015 Audited Rs. in 000's
Note		

#### 11.2 Commitments

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

Capital expenditure under letter of credit	190,486	172,260
Stores, spares and raw materials under letter of credit	2,090	-
Stores, spares and raw materials under contractual obligation	888	5,961
	September 30, 2015 Un-audited Rs. in 000's	September 30, 2014 Un-audited Rs. in 000's
<b>12. SALES - NET</b>		
Gross sales	500,542	519,150
Sales tax	(72,821)	(74,246)
	427,721	444,904



## Notes to the Condensed Interim Financial Information

For the period ended September 30, 2015 (Un-audited)

	Quarter ended	
	September 30, 2015	September 30, 2014
	Rs. in 000's	Rs. in 000's
<b>13. COST OF SALES</b>		
Materials consumed	299,889	348,576
Salaries, wages and other benefits	25,009	19,914
Packing material consumed	8,781	8,388
Outsource services	18,866	6,250
Stores and spares consumed	9,891	8,318
Power and fuel	12,240	12,200
Depreciation	10,790	10,882
Amortisation	3	3
Rent, rates and taxes	2,921	2,074
Repairs and maintenance	1,306	955
Vehicle running expenses	162	216
Insurance	1,257	1,199
Printing and stationery	87	108
Communication charges	196	222
Travelling and conveyance	389	44
Fees and subscription	338	13
Software license fee	121	110
Other expenses	369	217
Manufacturing cost	392,615	419,689
Opening work-in-process	43,948	39,195
Closing work-in-process	(34,583)	(51,897)
	9,365	(12,702)
Cost of goods manufactured	401,980	406,987
Opening stock of finished goods	19,835	11,545
Closing stock of finished goods	(20,330)	(13,939)
	(495)	(2,394)
	401,485	404,593

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

Profit/(loss) for the period	507	(3,010)
Weighted average number of ordinary shares outstanding (in thousands)	40,314	40,314
Earnings/(loss) per share (Rupees)	0.01	(0.07)

## Notes to the Condensed Interim Financial Information

For the period ended September 30, 2015 (Un-audited)

	Note	Quarter ended	
		September 30, 2015	September 30, 2014
		Rs. in 000's	Rs. in 000's
<b>15. CASH USED IN OPERATIONS</b>			
Profit before taxation		507	1,460
Adjustment for non-cash items and other items:			
Gain on disposal of operating fixed assets		(26)	-
Financial charges		19,076	24,598
Depreciation		11,257	11,257
Amortisation		16	16
		30,323	35,871
Profit before working capital changes		30,830	37,331
Working capital changes	15.1	(59,661)	(95,471)
		(28,831)	(58,140)
<b>15.1 Working capital changes</b>			
(Increase) / decrease in current assets:			
Stores and spares		(4,870)	(15,175)
Stock-in-trade		(26,022)	(53,079)
Trade debts		(97,371)	(38,071)
Loans and advances		(11,454)	(2,882)
Trade deposits and short term prepayments		(15,697)	(10,141)
Other receivables		59,317	(469)
Tax refund due from government		(15,732)	(10,531)
		(111,829)	(130,348)
Increase in current liabilities:			
Trade and other payables (excluding unclaimed dividend)		52,168	34,877
		(59,661)	(95,471)

## 16. 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 Information

For the period ended September 30, 2015 (Un-audited)

Relation with the Company	Nature of transaction	Quarter ended	
		September 30, September 30,	
		2015	2014
		Rs. in 000's	Rs. in 000's
Associated companies	Sales of goods and services	42,931	45,532
	Purchases of goods and services	280,940	287,073
	Rent and allied charges	30	67
	Insurance agency commission income	175	150
	Insurance claim	10,000	-
	Mark-up on long-term financing	10,766	15,067
Retirement benefit plans	Contribution towards employees retirement benefits plans	1,635	1,422
Key management personnel	Compensation in respect of: Short term employee benefits	3,814	2,641
	Retirement benefits	227	178

### 17. 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.

### 18. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial information was authorized for issue by the Board of Directors of the Company on October 28, 2015.

### 19. GENERAL

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

  
**IQBAL ALI LAKHANI**  
Chairman

  
**SHAHID AHMED KHAN**  
Chief Executive Officer







**MERIT PACKAGING LIMITED**

A Lakson Group Company

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