

# Quarterly Report

**March 31, 2013**



Merit Packaging Limited

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## Corporate Information

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### 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 and 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  
HSBC Bank Oman S. A. O. G.  
Soneri Bank Limited

### Shares Registrar

FAMCO Associates (Pvt) Ltd  
State Life Building No. 1-A, 1st Floor, Off I.I. Chundrigar Road,  
Karachi-74000.

### Registered Office

Lakson Square, Building No. 2, Sarwar Shaheed Road,  
Karachi-74200  
Phone: 021-35698000  
Faxes: 021-35683410, 35684336

### Factory

17-B, Sector 29, Korangi Industrial Township,  
Karachi-75180.  
Phone: 021-35017164, 021-35017180  
Email: info@meritpack.com

### Web Presence

www.meritpack.com

## Directors' Review

Directors of your Company are pleased to present the condensed interim un-audited financial statements of the Company for the third quarter ended March 31, 2013.

### FINANCIAL AND OPERATIONAL PERFORMANCE

Comparison of the un-audited financial results for the nine months and quarter ended March 31, 2013 is as follows:

	Nine months ended		Quarter ended	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
	Rs. in 000's		Rs. in 000's	
Net sales	1,095,219	1,311,983	389,674	432,715
Gross profit	56,261	120,569	32,246	40,700
Operating profit	14,395	81,081	19,717	25,838
Financial charges	(74,057)	(78,796)	(23,386)	(25,135)
(Loss)/Profit before tax	(59,662)	2,285	(3,669)	703

During the nine months ended March 2013, your Company achieved net sales of Rs. 1,095 million against turnover of Rs. 1,312 million of the corresponding period last year. Pre-tax loss for the period under review is Rs 59.7 million as compared to pre-tax profit of Rs 2.3 million for same period last year.

Reasons for decrease in our overall profitability are mainly attributable to stiff competition and unforeseen operational breakdown of one of the key machines, leading to erosion of profit margins and resultant loss. However, persistent efforts to optimize business performance have resulted in a significant reduction of losses in the third quarter.

### FUTURE OUTLOOK

Additional measures are being taken to streamline our business operations. In particular, continued cost-controls are now in place and increased maintenance of machinery is being done for maximum capacity utilization with high quality levels.

Accordingly, the directors are confident that your Company's market share and profit margins will improve.

On behalf of the Board of Directors

  
**IQBAL ALI LAKHANI**  
Chairman

Karachi: April 23, 2013

# Condensed Interim Balance Sheet

as at March 31, 2013 (Un-audited)

		March 31, 2013 (Un-audited)	June 30, 2012 (Audited)
	Note	Rs. in 000's	Rs. in 000's
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment			
Operating fixed assets	6	653,834	665,875
Intangible assets		1,293	1,986
Long-term loans and advance		2,210	2,086
Long-term deposits		3,491	3,491
		660,828	673,438
<b>CURRENT ASSETS</b>			
Stores and spares		70,855	53,904
Stock-in-trade		282,041	276,127
Trade debts (Unsecured - considered good)		278,013	264,989
Loans and advances		2,563	5,350
Trade deposits and short-term prepayments		6,199	2,358
Other receivables		1,043	362
Tax refund due from government		32,782	27,330
Taxation - net		7,036	28,005
Cash and bank balances		853	1,121
		681,385	659,546
<b>TOTAL ASSETS</b>		<b>1,342,213</b>	<b>1,332,984</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised share capital			
30,000,000 (June 30, 2012: 30,000,000) ordinary shares of Rs.10/- each		300,000	300,000
Issued, subscribed and paid-up capital			
4,742,847 (June 30, 2012: 4,742,847) ordinary shares of Rs.10/- each		47,428	47,428
Reserves		(19,794)	39,246
		27,634	86,674
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>		<b>172,199</b>	<b>174,485</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing	7	459,000	540,000
Long-term deposits		81	81
Deferred taxation	8	-	3,868
		459,081	543,949
<b>CURRENT LIABILITIES</b>			
Trade and other payables		209,039	182,405
Financial charges payable		21,921	10,642
Short-term financing		371,339	333,053
Current portion of long-term liabilities		81,000	1,776
		683,299	527,876
<b>CONTINGENCIES AND COMMITMENTS</b>	9		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,342,213</b>	<b>1,332,984</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 March 31, 2013 (Un-audited)

	Note	Nine months ended		Quarter ended	
		March 31, 2013 Rs. in 000's	March 31, 2012 Rs. in 000's	March 31, 2013 Rs. in 000's	March 31, 2012 Rs. in 000's
Sales - net	10	1,095,219	1,311,983	389,674	432,715
Cost of sales	11	(1,038,958)	(1,191,414)	(357,428)	(392,015)
Gross profit		56,261	120,569	32,246	40,700
General and administrative expenses		(24,366)	(24,372)	(7,903)	(8,407)
Selling expenses		(19,406)	(17,483)	(5,846)	(6,930)
Other operating income		3,793	4,751	2,103	994
Other operating expenses		(1,887)	(2,384)	(883)	(519)
		(41,866)	(39,488)	(12,529)	(14,862)
Operating profit		14,395	81,081	19,717	25,838
Financial charges		(74,057)	(78,796)	(23,386)	(25,135)
(Loss)/profit before taxation		(59,662)	2,285	(3,669)	703
Taxation		(1,664)	(3,709)	(1,975)	(487)
(Loss)/profit after taxation		(61,326)	(1,424)	(5,644)	216
(Loss)/earnings per share - basic and diluted	12	Rs.(12.93)	Rs.(0.30)	Rs.(1.19)	Rs.0.05

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

  
**IQBAL ALI LAKHANI**  
Chairman

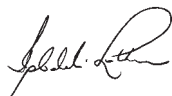
  
**MOHAMMAD SHAHID**  
Chief Executive Officer

## Condensed Interim Statement of Comprehensive Income

For the period ended March 31, 2013 (Un-audited)

	Nine months ended		Quarter ended	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's
(Loss)/profit for the period	(61,326)	(1,424)	(5,644)	216
Other comprehensive income	-	-	-	-
Total comprehensive (loss)/income for the period	(61,326)	(1,424)	(5,644)	216

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 March 31, 2013 (Un-audited)

	Note	Nine months ended	
		March 31, 2013	March 31, 2012
		Rs. in 000's	Rs. in 000's
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	13	30,158	43,514
Taxes refund/(paid)		13,142	(32,638)
Financial charges paid		(62,779)	(62,995)
Long-term loans and advances		(124)	(1,246)
Long-term deposits		-	429
Net cash (used in) operating activities		(19,603)	(52,936)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(20,843)	(18,215)
Intangible assets		(70)	-
Proceeds from sale of operating fixed assets		3,738	4,641
Net cash (used in) investing activities		(17,175)	(13,574)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Short term finances (excluding running finance)		40,000	-
Repayment of liabilities against assets subject to finance leases		(1,776)	(9,624)
Net cash generated from/(used in) financing activities		38,224	(9,624)
Net increase/(decrease) in cash and cash equivalents		1,446	(76,134)
Cash and cash equivalents at the beginning of the period		(331,932)	(223,071)
Cash and cash equivalents at the end of the period		(330,486)	(299,205)
<b>CASH AND CASH EQUIVALENTS COMPRISE</b>			
Cash and bank balances		853	1,259
Short-term financing		(331,339)	(300,464)
		(330,486)	(299,205)

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 March 31, 2013 (Un-audited)

	Issued, subscribed and paid-up capital Rs. in 000's	General reserve Rs. in 000's	Reserves		Total Rs. in 000's
			Unappropriated loss Rs. in 000's	Sub total Rs. in 000's	
Balance as at July 1, 2011	47,428	106,800	(42,360)	64,440	111,868
Transfer from surplus on revaluation of fixed assets	-	-	733	733	733
Total comprehensive loss for the period ended March 31, 2012	-	-	(1,424)	(1,424)	(1,424)
	-	-	(691)	(691)	(691)
<b>Balance as at March 31, 2012</b>	<b>47,428</b>	<b>106,800</b>	<b>(43,051)</b>	<b>63,749</b>	<b>111,177</b>
Balance as at July 1, 2012	47,428	106,800	(67,554)	39,246	86,674
Transfer from surplus on revaluation of fixed assets	-	-	2,286	2,286	2,286
Total comprehensive loss for the period ended March 31, 2013	-	-	(61,326)	(61,326)	(61,326)
	-	-	(59,040)	(59,040)	(59,040)
<b>Balance as at March 31, 2013</b>	<b>47,428</b>	<b>106,800</b>	<b>(126,594)</b>	<b>(19,794)</b>	<b>27,634</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

# Notes to the Condensed Interim Financial Statements

For the period ended March 31, 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 nine months period ended March 31, 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, 2012.

### 2.2 Basis of measurement

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, 2012. The following standards, amendments and interpretations of approved accounting standards became effective during the period, however, these do not have a significant impact on the Company's condensed interim financial statements:

IAS 1	Presentation of Financial Statements
IAS 12	Income Taxes

# Notes to the Condensed Interim Financial Statements

For the period ended March 31, 2013 (Un-audited)

## 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, 2012.

## 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.

	Note	March 31, 2013 Un-audited Rs. in 000's	June 30, 2012 Audited Rs. in 000's
<b>6. OPERATING FIXED ASSETS</b>			
Opening net book value (NBV)		665,875	619,653
Additions (cost) during the period / year	6.1	20,843	28,091
Revaluation		-	56,744
		686,718	704,488
Disposals (NBV) during the period / year	6.2	(3,016)	(3,361)
Depreciation charged during the period / year		(29,868)	(35,252)
		(32,884)	(38,613)
		653,834	665,875
6.1 Detail of additions (cost) during the period / year are as follows:			
Building / improvements on leasehold land		59	-
Plant and machinery		16,546	18,739
Furniture and fixtures		304	947
Vehicles		1,135	3,645
Office equipment		73	1,598
Computer equipment		326	199
Factory tools and equipment		2,400	2,464
Electrical Installation		-	97
Leased plant and machinery		-	402
		20,843	28,091
6.2 Detail of disposals (net book value) during the period / year are as follows:			
Plant and machinery		138	1,989
Vehicles		2,878	1,354
Office Equipments		-	18
		3,016	3,361
<b>7. LONG TERM FINANCING</b>			
Unsecured			
From sponsor	7.1	540,000	540,000
Less: Current portion shown under current liabilities		(81,000)	-
		459,000	540,000

## Notes to the Condensed Interim Financial Statements

For the period ended March 31, 2013 (Un-audited)

- 7.1 This facility has been obtained from Sponsors for the purpose of financing capital expenditure and working capital of the Company. The rate of mark-up is 10% per annum payable on quarterly basis (June 30, 2012: 10% per annum). According to the repayment schedule, the amount is repayable in twenty equal quarterly installments commencing from July 2013.

	March 31, 2013 Un-audited Rs. in 000's	June 30, 2012 Audited Rs. in 000's
<b>8. DEFERRED TAXATION</b>		
Deferred taxation	-	3,868

- 8.1 Deferred tax asset arising due to timing difference calculated at applicable tax rates as at balance sheet date amounted to Rs. 27.504 million debit. Deferred tax asset has not been recognized in these financial statements in accordance with the stated accounting policy of the Company.

### 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	4,777	-
Stores, spares and raw materials under contractual obligation	2,912	1,813

	Nine months ended		Quarter ended	
	March 31, 2013 Rs. in 000's	March 31, 2012 Rs. in 000's	March 31, 2013 Rs. in 000's	March 31, 2012 Rs. in 000's
<b>10. SALES - NET</b>				
Gross sales	1,265,973	1,550,805	450,469	510,102
Sales tax	(170,754)	(238,776)	(60,795)	(77,341)
Commission	-	(46)	-	(46)
	(170,754)	(238,822)	(60,795)	(77,387)
	1,095,219	1,311,983	389,674	432,715

## Notes to the Condensed Interim Financial Statements

For the period ended March 31, 2013 (Un-audited)

	Nine months ended		Quarter ended	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's
<b>11. COST OF SALES</b>				
Materials consumed	831,392	1,025,292	292,623	340,573
Salaries, wages and other benefits	66,700	61,800	20,819	21,218
Packing material consumed	24,501	24,045	8,665	8,527
Outsource services	15,385	3,831	4,770	1,829
Stores and spares consumed	20,971	24,230	7,372	7,520
Power and fuel	24,537	25,637	6,809	6,348
Depreciation	28,313	24,232	9,462	8,197
Amortisation	338	331	114	110
Rent, rates and taxes	2,509	1,989	918	727
Repairs and maintenance	3,029	2,676	1,508	966
Vehicle running expenses	914	857	235	322
Insurance	3,363	3,118	1,146	1,067
Printing and stationery	503	790	201	290
Communication charges	893	845	198	253
Travelling and conveyance	259	556	50	127
Fees and subscription	309	274	175	63
Software license fee	304	192	101	64
Other expenses	1,080	1,040	414	357
Manufacturing cost	1,025,300	1,201,735	355,580	398,558
Opening work-in-process	52,819	21,419	33,770	27,142
Closing work-in-process	(36,802)	(36,168)	(36,802)	(36,168)
	16,017	(14,749)	(3,032)	(9,026)
Cost of goods manufactured	1,041,317	1,186,986	352,548	389,532
Opening stock of finished goods	5,154	11,963	12,393	10,018
Closing stock of finished goods	(7,513)	(7,535)	(7,513)	(7,535)
	(2,359)	4,428	4,880	2,483
	1,038,958	1,191,414	357,428	392,015

## 12. EARNINGS PER SHARE - BASIC AND DILUTED

(Loss)/profit after taxation for the period	(61,326)	(1,424)	(5,644)	216
Weighted average number of ordinary shares (in thousands)	4,743	4,743	4,743	4,743
(Loss)/earnings per share - basic and diluted (Rupees)	(12.93)	(0.30)	(1.19)	0.05

## Notes to the Condensed Interim Financial Statements

For the period ended March 31, 2013 (Un-audited)

	Note	Nine months ended	
		March 31, 2013	March 31, 2012
		Rs. in 000's	Rs. in 000's
<b>13. CASH GENERATED FROM OPERATIONS</b>			
(Loss)/profit before taxation		(59,662)	2,285
Adjustment for non-cash charges and other items:			
Gain on disposal of operating fixed assets		(722)	(1,281)
Financial charges		74,057	78,796
Depreciation		29,868	26,060
Amortisation		763	757
		103,966	104,332
Profit before working capital changes		44,304	106,617
Working capital changes	13.1	(14,146)	(63,103)
		30,158	43,514
<b>13.1 Working capital changes</b>			
(Increase) / decrease in current assets:			
Stores and spares		(16,951)	174
Stock-in-trade		(5,914)	(15,784)
Trade debts		(13,024)	(27,221)
Loans and advances		2,787	(5,725)
Trade deposits and short term prepayments		(3,841)	(678)
Other receivables		(681)	133
Tax refund due from government		(3,157)	-
		(40,781)	(49,101)
Increase in current liabilities:			
Trade and other payables (excluding unclaimed dividend)		26,635	(14,002)
		(14,146)	(63,103)

## 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 March 31, 2013 (Un-audited)

Relation with the Company	Nature of transaction	Nine months ended		Quarter ended	
		March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
		Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's
Associated companies	Sales of goods and services	140,509	159,363	55,377	46,090
	Purchases of goods and services	710,965	713,591	322,328	287,120
	Rent and allied charges	163	135	46	41
	Insurance agency commission income	528	527	179	184
	Insurance claim received	354	12	354	12
Sponsor	Mark-up on long-term financing	40,537	33,151	13,315	10,970
	Mark-up on short-term financing	-	7,534	-	2,493
Retirement benefit plans	Contribution towards employees retirement benefits plans	6,197	6,557	2,035	2,219
Key management personnel	Compensation in respect of: Short term employee benefits	10,483	11,412	3,246	3,092
	Retirement benefits	1,476	1,561	492	465

### 15. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison.

### 16. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue by the Board of Directors of the Company on April 23, 2013.

### 17. GENERAL

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

  
**IQBAL ALI LAKHANI**  
Chairman

MERIT PACKAGING LIMITED

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**MOHAMMAD SHAHID**  
Chief Executive Officer

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