



A Lakson Group Company



Firmly rooted to deliver

1st Quarterly Report 2014-15

Merit Packaging Limited

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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	Chief Executive Officer
Shaikh Muhammad Barinuddin	Independent Director
Sheikh Asim Rafiq	Nominee Director (NIT)
Muhammad Salman Husain Chawala	Nominee Director (NIT)

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
Habib Bank Limited
JS Bank Limited
MCB 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.
Phone: 021-35698000
Faxes: 021-35686571, 35683410

Factory

17-B, Sector 29, Korangi Industrial Township,
Karachi-75180.
Phone: 021-35017180, 021-35015544
Email: info@meritpack.com

Website

www.meritpack.com



Directors' Review

The Directors of the Company take pleasure in presenting to its shareholders, the quarterly report together with the un-audited financial statements for the first quarter ended September 30, 2014.

Financial and Operational Performance

The comparison of financial results for the first quarter ended September 30, 2014 against same period last year is as follows:

	Quarter ended	
	September 30, 2014	September 30, 2013
	Rs. in thousands	
Net sales	444,904	401,959
Gross profit	40,311	36,720
Operating profit	26,058	23,566
Profit/(Loss) before tax	1,460	(1,551)

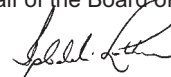
During the first quarter, the Company achieved net sales of Rs. 445 million as compared to Rs. 402 million for corresponding period of last year, representing underlying sales growth of 11%. The pre-tax profit for the period under review was Rs.1.5 million as compared to a loss of Rs.1.6 million for the same period last year.

This has been possible because of our concerted efforts to enhance production capabilities and to improve upon operational efficiency. We are in the process of expanding our customer base by adding new reputed corporate companies. This will help to minimize seasonal impact and maintain better results throughout the year. These measures have now started showing better results in the form of higher profitability.

Intense competition in the printing and packaging industry continues which is creating difficulties to revise selling prices to fully recover enhanced costs. This situation adversely impacts our profit margins. However, we have recently imported machinery and laboratory equipment which will facilitate faster production, lower wastages and help us to simultaneously streamline our operations.

The Directors, therefore, look forward with confidence that sales volume, operational efficiencies and capacity utilization is expected to further improve the Company's market share and profitability than at present.

On behalf of the Board of Directors



IQBAL ALI LAKHANI

Chairman

Karachi: October 28, 2014

Condensed Interim Balance Sheet

As at September 30, 2014 (Un-audited)

		September 30, 2014 (Un-audited) Rs. in 000's	June 30, 2014 (Audited) Rs. in 000's
	Note		
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	658,380	657,330
Capital work-in-progress	7	80,251	61,785
		738,631	719,115
Intangible assets		199	215
Long-term deposits		3,787	3,653
		742,617	722,983
CURRENT ASSETS			
Stores and spares		75,824	60,649
Stock-in-trade		386,280	333,201
Trade debts (Unsecured - considered good)		363,952	325,881
Loans and advances		5,906	3,024
Trade deposits and short-term prepayments		13,170	3,029
Other receivables		1,196	727
Tax refund due from government		70,034	59,502
Taxation - net		36,494	21,541
Cash and bank balances		2,745	7,962
		955,601	815,516
TOTAL ASSETS		1,698,218	1,538,499
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital 70,000,000 (June 30, 2014: 70,000,000) ordinary shares of Rs.10/- each		700,000	700,000
Issued, subscribed and paid-up capital 40,314,199 (June 30, 2014: 40,314,199) ordinary shares of Rs.10/- each		403,142	403,142
Accumulated loss		(64,500)	(62,226)
		338,642	340,916
SURPLUS ON REVALUATION OF FIXED ASSETS		167,785	168,521
NON-CURRENT LIABILITIES			
Sub-ordinated loan	8	100,000	100,000
Long-term financing	9	330,000	352,000
Long-term deposits		41	41
		430,041	452,041
CURRENT LIABILITIES			
Trade and other payables		169,515	134,638
Financial charges payable		26,339	8,110
Short-term borrowings		455,896	346,273
Current portion of long-term financing		110,000	88,000
		761,750	577,021
CONTINGENCIES AND COMMITMENTS	10		
TOTAL EQUITY AND LIABILITIES		1,698,218	1,538,499

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.


IQBAL ALI LAKHANI
 Chairman


SHAHID AHMED KHAN
 Chief Executive Officer



Merit Packaging Limited

Condensed Interim Profit and Loss Account

For the period ended September 30, 2014 (Un-audited)

	Note	Quarter ended	
		September 30, 2014	September 30, 2013
		Rs. in 000's	Rs. in 000's
Sales - net	11	444,904	401,959
Cost of sales	12	(404,593)	(365,239)
Gross profit		40,311	36,720
General and administrative expenses		(7,686)	(7,399)
Selling and distribution expenses		(6,728)	(5,832)
Other income		747	783
Other operating expenses		(586)	(706)
		(14,253)	(13,154)
Operating profit		26,058	23,566
Financial charges		(24,598)	(25,117)
Profit/(loss) before taxation		1,460	(1,551)
Taxation		(4,470)	(4,042)
Loss after taxation		(3,010)	(5,593)
Loss per share - basic and diluted (Rupees)	13	Rs.(0.07)	Rs.(1.18)

The annexed notes from 1 to 18 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, 2014 (Un-audited)

	Quarter ended	
	September 30, 2014	September 30, 2013
	Rs. in 000's	Rs. in 000's
Loss for the period	(3,010)	(5,593)
Other comprehensive income	-	-
Total comprehensive loss for the period	(3,010)	(5,593)

The annexed notes from 1 to 18 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, 2014 (Un-audited)

	Note	Quarter ended	
		September 30, 2014	September 30, 2013
		Rs. in 000's	Rs. in 000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	14	(58,140)	(22,914)
Taxes paid		(19,423)	(7,017)
Financial charges paid		(6,369)	(11,867)
Long-term loans and advances		-	13
Long-term deposits		(134)	-
Net cash used in operating activities		(84,066)	(41,785)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(31,025)	(3,077)
Proceeds from sale of operating fixed assets		251	-
Net cash used in investing activities		(30,774)	(3,077)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		-	50,000
Short term borrowings (excluding running finance)		-	20,000
Net cash generated from financing activities		-	70,000
Net (decrease)/increase in cash and cash equivalents		(114,840)	25,138
Cash and cash equivalents at beginning of the period		(338,311)	(340,442)
Cash and cash equivalents at end of the period		(453,151)	(315,304)
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash and bank balances		2,745	1,355
Short-term running finances		(455,896)	(316,659)
		(453,151)	(315,304)

The annexed notes from 1 to 18 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, 2014 (Un-audited)

	Issued, subscribed and paid-up capital Rs. in 000's	General reserve Rs. in 000's	Reserves		Total Rs. in 000's	Total Rs. in 000's
			Accumulated loss Rs. in 000's	Total Rs. in 000's		
Balance as at July 1, 2013	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 quarter ended September 30, 2013	-	-	(5,593)	(5,593)	(5,593)	
Balance as at September 30, 2013	47,428	106,800	(158,344)	(51,544)	(4,116)	
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	

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.


IQBAL ALI LAKHANI
 Chairman


SHAHID AHMED KHAN
 Chief Executive Officer



Merit Packaging Limited

Notes to the Condensed Interim Financial Information

For the period ended September 30, 2014 (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, 2014 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, 2014.

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

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, 2014.

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, 2014 (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, 2014.

	Note	September 30, 2014 Un-audited Rs. in 000's	June 30, 2014 Audited Rs. in 000's
6. PROPERTY, PLANT AND EQUIPMENTS			
Opening net book value (NBV)		657,330	655,439
Additions (at cost) during the period / year	6.1	12,558	45,127
		669,888	700,566
Disposals (NBV) during the period / year	6.2	(251)	(532)
Depreciation charged during the period / year		(11,257)	(42,704)
		(11,508)	(43,236)
		658,380	657,330
6.1 Detail of additions (at cost) during the period / year are as follows:			
Building / improvements on leasehold land		606	1,744
Plant and machinery		2,824	20,740
Furniture and fixtures		-	173
Vehicles		-	7,429
Office equipment		173	710
Computer equipment		873	231
Factory tools and equipment		6,440	14,100
Electrical Installation		1,642	-
		12,558	45,127
6.2 Detail of disposals (net book value) during the period / year are as follows:			
Vehicles		251	494
Office Equipment		-	38
		251	532
7. CAPITAL WORK-IN-PROGRESS			
This comprises of:			
Plant and machinery		68,505	50,349
Factory tools and equipments		11,746	11,436
		80,251	61,785
8. SUBORDINATED LOAN - UNSECURED			
From associated undertakings	8.1	100,000	100,000

Notes to the Condensed Interim Financial Information

For the period ended September 30, 2014 (Un-audited)

8.1 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 11.07% per annum (June 30, 2014: 10.59% 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.

		September 30, 2014 Un-audited Rs. in 000's	June 30, 2014 Audited Rs. in 000's
9. LONG TERM FINANCING			
Unsecured			
From associated undertaking	9.1	440,000	440,000
Less: Current portion shown under current liabilities		(110,000)	(88,000)
		330,000	352,000

9.1 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 8). It is to be repaid in twenty equal quarterly installments commencing from July 2014. 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 11.07% per annum (June 30, 2014: 10.59% per annum).

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

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

10.2 Commitments

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

Capital expenditure under letter of credit	-	7,109
Capital expenditure under contractual obligation	-	3,905
Stores, spares and raw materials under letter of credit	-	1,412
Stores, spares and raw materials under contractual obligation	3,605	5,063

Notes to the Condensed Interim Financial Information

For the period ended September 30, 2014 (Un-audited)

	Quarter ended	
	September 30, 2014	September 30, 2013
	Rs. in 000's	Rs. in 000's
11. SALES - NET		
Gross sales	519,150	469,019
Sales tax	(74,246)	(67,060)
	444,904	401,959
12. COST OF SALES		
Materials consumed	348,576	307,842
Salaries, wages and other benefits	19,914	17,358
Packing material consumed	8,388	7,051
Outsource services	6,250	1,523
Stores and spares consumed	8,318	7,788
Power and fuel	12,200	10,656
Depreciation	10,882	9,660
Amortisation	3	114
Rent, rates and taxes	2,074	947
Repairs and maintenance	955	1,100
Vehicle running expenses	216	126
Insurance	1,199	1,037
Printing and stationery	108	113
Communication charges	222	178
Travelling and conveyance	44	187
Fees and subscription	13	100
Software license fee	110	100
Other expenses	217	249
	419,689	366,129
Opening work-in-process	39,195	20,302
Closing work-in-process	(51,897)	(29,881)
	(12,702)	(9,579)
Cost of goods manufactured	406,987	356,550
Opening stock of finished goods	11,545	19,601
Closing stock of finished goods	(13,939)	(10,912)
	(2,394)	8,689
	404,593	365,239



Notes to the Condensed Interim Financial Information

For the period ended September 30, 2014 (Un-audited)

	Note	Quarter ended	
		September 30, 2014	September 30, 2013
		Rs. in 000's	Rs. in 000's
13. LOSS PER SHARE - BASIC AND DILUTED			
Loss for the period		(3,010)	(5,593)
Weighted average number of ordinary shares outstanding (in thousands)		40,314	4,743
Loss per share (Rupees)		(0.07)	(1.18)
14. CASH USED IN OPERATIONS			
Profit/(loss) before taxation		1,460	(1,551)
Adjustment for non-cash items and other items:			
Financial charges		24,598	25,117
Depreciation		11,257	10,071
Amortisation		16	256
		35,871	35,444
Profit before working capital changes		37,331	33,893
Working capital changes	14.1	(95,471)	(56,807)
		(58,140)	(22,914)
14.1 Working capital changes			
(Increase) / decrease in current assets:			
Stores and spares		(15,175)	(1,207)
Stock-in-trade		(53,079)	(3,334)
Trade debts		(38,071)	(107,535)
Loans and advances		(2,882)	(8,322)
Trade deposits and short term prepayments		(10,141)	(3,947)
Other receivables		(469)	247
Tax refund due from government		(10,531)	53
		(130,348)	(124,045)
Increase in current liabilities:			
Trade and other payables (excluding unclaimed dividend)		34,877	67,238
		(95,471)	(56,807)

15. 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, 2014 (Un-audited)

Relation with the Company	Nature of transaction	Quarter ended	
		September 30, September 30,	
		2014	2013
		Rs. in 000's	Rs. in 000's
Associated companies	Sales of goods and services	45,532	46,178
	Purchases of goods and services	287,073	224,574
	Rent and allied charges	67	48
	Insurance agency commission income	150	161
	Long-term financing obtained	-	50,000
	Mark-up on long-term financing	15,067	14,010
Retirement benefit plans	Contribution towards employees retirement benefits plans	1,422	1,369
Key management personnel	Compensation in respect of: Short term employee benefits	2,641	2,924
	Retirement benefits	178	195

16. 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.

17. 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, 2014.

18. GENERAL

Figures have been rounded off to the nearest thousand rupees.


IQBAL ALI LAKHANI
 Chairman


SHAHID AHMED KHAN
 Chief Executive Officer





1st Quarterly
Report 2014-15



MERIT PACKAGING LIMITED
A Lakson Group Company
17-B, Sec 29, Korangi Industrial Area, Karachi-75180/Pakistan
Tel: (92 213) 501 7180, 5544, website: www.meritpack.com