



MERIT PACKAGING LIMITED

**CONDENSED INTERIM
FINANCIAL INFORMATION
FOR THE QUARTER ENDED
SEPTEMBER 30, 2020**



A Lakson Group Company

MERIT PACKAGING LIMITED
FIRST QUARTER REPORT
SEPTEMBER 2020

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MERIT PACKAGING LIMITED
FIRST QUARTER REPORT
SEPTEMBER 2020

CORPORATE INFORMATION

Board of Directors

Iqbal Ali Lakhani Chairman
Amin Mohammed Lakhani
Anushka Lakhani
Tasleemuddin Ahmed Batlay
Shaikh Muhammad Barinuddin
Sheikh Asim Rafiq
Farrukh Shauket Ansari
Moin M. Fudda

Advisor

Sultan Ali Lakhani

Chief Executive Officer

Shahid Ahmed Khan

Audit Committee

Shaikh Muhammad Barinuddin Chairman
Amin Mohammed Lakhani
Tasleemuddin Ahmed Batlay

Human Resource and Remuneration Committee

Shaikh Muhammad Barinuddin Chairman
Iqbal Ali Lakhani
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

Bankers (Continued)

MCB Bank Limited
MCB Islamic Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Soneri Bank Limited
United Bank Limited - Ameen

Shares Registrar

FAMCO Associates (Pvt.) Ltd
8-F, Near Hotel Faran, Nursery, Block-6,
P.E.C.H.S., Shahra-e-Faisal, Karachi.
Email : info.shares@famco.com.pk
Phone : (021) 34380101 - 5
Fax : (021) 34380106
Website : www.famco.com.pk

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

5 Kilometer, Raiwind Manga Road,
Near Glamour Adda, Lahore.

Website

www.meritpack.com

FIRST QUARTER REPORT
SEPTEMBER 30, 2020
DIRECTORS' REVIEW

The Directors of your Company are pleased to present the performance review together with the quarterly unaudited financial statements for the first quarter ended September 30, 2020. The comparative financial results for this first quarter ended September 30, 2020 with comparative results for the same period last year are tabulated below:

	Quarter Ended	
	September 30, 2020	September 30, 2019
	<i>(Rupees in thousand)</i>	
Net sales	639,891	486,633
Gross (loss) / profit	(20,211)	(55,201)
Operating loss	(57,170)	(84,156)
Loss before tax	(137,951)	(179,695)

The net sales turnover during the period under review amounted to Rs. 640 million as compared to Rs. 487 million for the same financial period of last year, showing an increase of Rs. 153 million or 31%. Company's pre-tax loss for the period under review is Rs. 138 million as compared to a pre-tax loss of Rs. 180 million for the same corresponding period of the last year.

The Company's performance was adversely affected in this quarter primarily due to low capacity utilization and lesser sales orders from customers together with the seasonal impact in first two months of the quarter. Additionally continued intense competition in the printing and packaging industry continues to put further pressure, resulting in reduced margins.

The directors would like to thank the shareholders for a lively discussion during the Company's Annual General Meeting held on October 23, 2020. We look forward to our continued good relations with the stock exchange and shareholders who give us the time and made valuable suggestions which were noted.

Future Outlook

In order to overcome the existing problems, measures are being adopted to streamline our business operations to maximize capacity utilization. Persistent efforts are being made to implement timely execution of orders. Major impact of input cost increases is being included in our revised prices to customers. Adoption of further cost control measures and optimum maintenance of machinery will play a positive role in these initiatives.

The Lahore operations have been shifted from the old premises to a new location to accommodate larger volumes and requirements of our major customers. Our Karachi offset factory has been able to produce higher volumes with value added jobs after the start of production of the new double coater machine. The performance of Gravure division has also shown an improvement following induction of a new production team. Your Company is actively working to achieve an efficient utilization of the currently unused assets, aiming to contribute positively towards our progress.

The sponsors have provided timely loans to the Company amounting to Rs. 2,040 million as on September 30, 2020. They have also graciously waived financial charges on their entire loan amounting to Rs. 40 million for the 1st quarter ended September 30, 2020.

The directors, look forward with renewed confidence that with increased sales volume, enhanced operational efficiencies towards maximum capacity utilization our performance is expected to improve in the upcoming period.

On behalf of the Board of Directors



SHAHID AHMED KHAN
CHIEF EXECUTIVE OFFICER



TASLEEMUDDIN AHMED BATLAY
DIRECTOR

Karachi: October 27, 2020

ڈائریکٹرز کا جائزہ

آپ کی کمپنی کے ڈائریکٹرز بڑی مسرت کے ساتھ 30 ستمبر 2020ء کو ختم ہونے والی پہلی سہ ماہی کے لئے کارکردگی کا جائزہ مع مختصر عبوری غیر آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔ 30 ستمبر 2020ء کو ختم ہونے والی پہلی سہ ماہی اور گزشتہ سال اسی مدت کے لئے مسابقتی مالیاتی نتائج درج ذیل ہیں:

مختتمہ سہ ماہی

30 ستمبر 2019ء	30 ستمبر 2020ء	
(ہزار روپے)	(ہزار روپے)	
486,633	639,891	خالص فروخت
(55,201)	(20,211)	مجموعی نقصان
(84,156)	(57,170)	آپریٹنگ نقصان
(179,695)	(137,951)	قبل از ٹیکس نقصان

زیر جائزہ سہ ماہی کے دوران خالص فروخت گزشتہ سال اسی مدت کے لئے 487 ملین روپے کے مقابلے میں 640 ملین روپے رہا جو کہ 153 ملین روپے یا 31% فیصد کا اضافہ دکھاتا ہے۔ گزشتہ سال اسی مدت میں ریکارڈ کئے گئے 180 ملین روپے قبل از ٹیکس نقصان کے مقابلے میں زیر جائزہ سہ ماہی کے دوران 138 ملین روپے کا قبل از ٹیکس نقصان رہا

اس سہ ماہی میں بنیادی طور پر کم صلاحیت کے استعمال اور پہلے دو مہینوں میں موسمی اثرات کے ساتھ ساتھ صارفین کی طرف سے کم فروخت آرڈرز کی وجہ سے کمپنی کی کارکردگی بری طرح متاثر ہوئی۔ پرنٹنگ اور پیکجنگ انڈسٹری میں مستقل مسابقت ہم پر مزید باؤ ڈالتی رہی جس کے نتیجے میں ہمارے مارجن میں کمی واقع ہوئی۔ ڈائریکٹرز 23 اکتوبر 2020ء کو منعقدہ کمپنی کی سالانہ جنرل میٹنگ کے دوران بھر پور گفتگو کے لئے شہیر ہولڈرز کا شکریہ ادا کرنا چاہیں گے۔ ہم اسٹاک آپکے بیچ اور شیئرز ہولڈرز کے ساتھ اپنے مستحکم تعلقات کے منتظر ہیں جنہوں نے ہمیں وقت اور قیمتی تجاویز پیش کیں جن پر غور کیا گیا ہے۔


مستقبل کی توقعات


موجودہ پریشانیوں پر قابو پانے کیلئے، ہمارے کاروباری عمل کو ہموار کرنے اور پیداواری صلاحیتوں کو زیادہ سے زیادہ استعمال کرنے کے اقدامات اپنائے جا رہے ہیں۔ فروخت آرڈرز کی بروقت تکمیل کیلئے مستقل کوششیں کی جا رہی ہیں۔ لاگت میں اضافے کے بڑے اثرات کو ہماری نظر ثانی شدہ قیمت فروخت میں شامل کر لیا گیا ہے۔ لاگت پر قابو پانے کے اقدامات کو اپنانا اور مشینری کی زیادہ سے زیادہ بحالی ان اقدامات میں ایک مثبت قرار دیا کرے گی۔

ہمارے بڑے گاہکوں کی بڑی مقدار اور ضروریات کو ایڈجسٹ کرنے کیلئے لاہور آپریشنز کو پرانی جگہ سے نئی جگہ منتقل کر دیا گیا ہے۔ کراچی آفسٹ فیکٹری نئی ڈبل کوٹر مشین سے پیداواری کے آغاز کے بعد ویلیو ایڈڈ کاموں کے ساتھ اعلیٰ مقدار میں پیداوار میں کامیاب رہی ہے۔ نئی پروڈکشن ٹیم کو شامل کرنے کے بعد گرڈ یوٹریژن کی کارکردگی میں بہتری آئی ہے۔ کمپنی اس وقت غیر استعمال شدہ اثاثوں کے مؤثر استعمال پر کام کر رہی ہے جس کا مقصد ہماری ترقی میں مثبت کردار ادا کرنا ہے۔

اسپانسرز نے 30 ستمبر 2020ء تک کمپنی کو 2,040 ملین روپے کے کل قرضے فراہم کئے ہیں۔ انھوں نے 30 ستمبر 2020ء کو ختم ہونے والی پہلی سہ ماہی کیلئے اپنے پورے قرض پر 40 ملین روپے کے مالیاتی چارجز کو بھی احسن طریقے سے معاف کر دیا ہے۔

لہذا ڈائریکٹرز پر اعتماد ہیں کہ فروخت کے بڑھتے ہوئے حجم، آپریشنل اہلیت اور زیادہ سے زیادہ صلاحیت کے استعمال سے آئندہ مدت میں ہماری کارکردگی میں بہتری کی توقع کی جاتی ہے۔


شاہد احمد خان
چیف ایگزیکٹو آفیسر


تسلیم الدین احمد باغ
ڈائریکٹر

کراچی 27 اکتوبر 2020ء

MERIT PACKAGING LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2020

		(Un-audited) September 30, 2020	(Audited) June 30, 2020
	Note	Rupees in 000's	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	2,828,590	2,884,732
Intangible assets		512	574
Long-term loans		252	251
Long-term deposits		10,165	10,182
Deferred taxation	7	146,619	174,091
		2,986,138	3,069,830
CURRENT ASSETS			
Stores and spares		88,354	78,151
Stock-in-trade		535,283	520,444
Trade debts (unsecured - considered good)		651,784	547,514
Loans and advances		17,990	13,063
Trade deposits and short-term prepayments		6,686	1,427
Other receivables		4,145	1,395
Tax refund due from Government		429,655	445,358
Taxation-net		6,082	26,970
Cash and bank balances		16,292	9,335
		1,756,271	1,643,657
		4,742,409	4,713,487
TOTAL ASSETS			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
200,000,000 ordinary shares of Rs.10/- each		2,000,000	2,000,000
Issued, subscribed and paid-up capital			
80,628,398 ordinary shares of Rs. 10/- each		806,284	806,284
Surplus on revaluation of property, plant and equipment		327,386	327,692
Capital reserve			
Equity portion of loan - associated company		465,338	465,338
Revenue reserves			
General reserves		106,800	106,800
Accumulated losses		(1,299,937)	(1,134,820)
		405,871	571,294
NON CURRENT LIABILITIES			
Sub-ordinated loan		94,781	93,084
Long-term financing	8	2,243,892	2,282,435
Long-term deposits		338	347
Long term lease liability		68,163	71,473
Deferred capital grant		2,877	2,066
		2,410,051	2,449,405
CURRENT LIABILITIES			
Trade and other payables		652,051	593,067
Mark-up accrued		37,296	54,465
Short-term borrowings	9	1,044,655	938,534
Un-claimed dividend		129	129
Current portion of lease liabilities		12,179	11,369
Current portion of long-term financing		180,177	95,224
		1,926,487	1,692,788
		4,742,409	4,713,487
TOTAL EQUITY AND LIABILITIES			
CONTINGENCIES AND COMMITMENTS			
	10		

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.



TASLEEMUDDIN AHMED BATLAY
DIRECTOR



SHAHID AHMED KHAN
CHIEF EXECUTIVE OFFICER



MUHAMMAD AAQIL JAH
CHIEF FINANCIAL OFFICER

MERIT PACKAGING LIMITED
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2020

	Note	Quarter ended	
		September 30, 2020	September 30, 2019
		Rupees in 000's	
Sales - net	11	639,891	486,633
Cost of sales	12	(660,102)	(541,834)
Gross loss		(20,211)	(55,201)
General and administrative expenses		(20,750)	(21,871)
Selling and distribution expenses		(15,958)	(6,970)
Other income		1,543	1,181
Other operating expenses		(1,794)	(1,295)
		(36,959)	(28,955)
Operating loss		(57,170)	(84,156)
Financial charges		(80,781)	(95,539)
Loss before taxation		(137,951)	(179,695)
Taxation	13	(27,472)	27,116
Net loss for the period		(165,423)	(152,579)
Loss per share - basic and diluted (Rs)	14	(2.05)	(1.89)

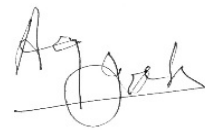
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TASLEEMUDDIN AHMED BATLAY
DIRECTOR



SHAHID AHMED KHAN
CHIEF EXECUTIVE OFFICER



MUHAMMAD AAQIL JAH
CHIEF FINANCIAL OFFICER

MERIT PACKAGING LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2020

	<u>Quarter ended</u>	
	<u>September 30,</u> <u>2020</u>	<u>September 30,</u> <u>2019</u>
Note	<u>———— Rupees in 000's ————</u>	
Net loss for the period	(165,423)	(152,579)
Other comprehensive income:		
Surplus on revaluation of property, plant and equipment	-	-
Deferred tax liability	-	-
	-	-
Total comprehensive loss for the period	<u>(165,423)</u>	<u>(152,579)</u>

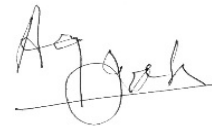
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TASLEEMUDDIN AHMED BATLAY
DIRECTOR



SHAHID AHMED KHAN
CHIEF EXECUTIVE OFFICER



MUHAMMAD AAQIL JAH
CHIEF FINANCIAL OFFICER

MERIT PACKAGING LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2020

	Issued, subscribed and paid-up capital	Surplus on Revaluation of Property, Plant & Equipment	Capital Reserve	Revenue Reserves		Total	Total
			Equity portion of loan from associated company	General Reserves	Accumulated loss		
Rupees in 000's							
Balance as at July 1, 2019	806,284	329,411	216,299	106,800	(440,588)	(333,788)	1,018,206
Total comprehensive loss for the period ended September 30, 2019							
Loss for the period	-	-	-	-	(152,579)	(152,579)	(152,579)
Other comprehensive income - net of tax	-	-	-	-	-	-	-
	-	-	-	-	(152,579)	(152,579)	(152,579)
Transactions with owners							
Equity portion of loan	-	-	21,024	-	-	-	21,024
Transferred to accumulated loss on account of incremental depreciation - net of tax	-	(314)	-	-	314	314	-
Balance as at September 30, 2019	806,284	329,097	237,323	106,800	(592,853)	(486,053)	886,651
Balance as at July 1, 2020	806,284	327,692	465,338	106,800	(1,134,820)	(1,028,020)	571,294
Total comprehensive loss for the period ended September 30, 2020							
Loss for the period	-	-	-	-	(165,423)	(165,423)	(165,423)
Other comprehensive income - net of tax	-	-	-	-	-	-	-
	-	-	-	-	(165,423)	(165,423)	(165,423)
Transferred to accumulated loss on account of incremental depreciation - net of tax	-	(306)	-	-	306	306	-
Balance as at September 30, 2020	806,284	327,386	465,338	106,800	(1,299,937)	(1,193,137)	405,871

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.



TASLEEMUDDIN AHMED BATLAY
DIRECTOR



SHAHID AHMED KHAN
CHIEF EXECUTIVE OFFICER



MUHAMMAD AAQIL JAH
CHIEF FINANCIAL OFFICER

MERIT PACKAGING LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2020

	Note	Quarter ended	
		September 30, 2020	September 30, 2019
Rupees in 000's			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated/(used) in operations	15	(80,432)	144,026
Taxes refund/(paid) - net		38,029	(56,394)
Financial charges paid		(60,650)	(64,838)
Long-term loans and advances		-	39
Long-term deposits		8	1,005
Net cash used in operating activities		(103,045)	23,838
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(5,534)	(46,794)
Ijarah lease rentals payment - net		(266)	(441)
Net cash used in investing activities		(5,800)	(47,235)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term financing		12,180	-
Repayment of long-term financing		-	300,000
Proceeds from short-term financing		-	(52,377)
Repayment of short term borrowings (excluding running finance)		-	(100,000)
Principal paid on long term lease liabilities		(2,499)	-
Net cash generated from financing activities		9,681	147,623
Net decrease in cash and cash equivalents		(99,164)	124,226
Cash and cash equivalents at beginning of the period		(779,199)	(858,561)
Cash and cash equivalents at end of the period		(878,363)	(734,335)
CASH AND CASH EQUIVALENTS:			
Cash and bank balances		16,292	5,378
Short-term running finances		(894,655)	(739,713)
		(878,363)	(734,335)

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.



TASLEEMUDDIN AHMED BATLAY
DIRECTOR



SHAHID AHMED KHAN
CHIEF EXECUTIVE OFFICER



MUHAMMAD AAQIL JAH
CHIEF FINANCIAL OFFICER

MERIT PACKAGING LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2020

1. NATURE AND STATUS OF THE COMPANY

- 1.1 Merit Packaging Limited ("the Company") was incorporated on January 28, 1980 in Pakistan as a public limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and is listed on the Pakistan 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. GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

The registered office of the Company is located at Lakson Square Building No. 2, Sarwar Shaheed Road, Karachi, Pakistan. The two factories of the Company are located at Plot No. 17-B, Sector 29, Korangi Industrial Township, Karachi, Pakistan, and 5 Kilometer, Raiwind Manga Road, Near Glamour Adda, Lahore, Pakistan.

3. BASIS OF PREPARATION

3.1 Statement of compliance

This condensed interim financial information is unaudited and being submitted to the shareholders as required under section 237 of the Companies Act, 2017 and the listing regulations of the Pakistan Stock Exchange.

This condensed interim financial information of the Company for the period ended September 30, 2020 has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ from the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 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 as at and for the year ended June 30, 2020 which have been prepared in accordance with approved accounting standards as applicable in Pakistan. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

The comparative statement of financial position 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, 2020, whereas the comparative condensed interim statement of profit or loss, 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 period ended September 30, 2019 .

3.2 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, recognition of interest free loans obtained from associated companies 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 statement of cash flows.

3.3 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.

4. SIGNIFICANT ACCOUNTING POLICIES

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, 2020.

5. ESTIMATES AND JUDGMENTS

The preparation of condensed interim financial information requires management to make certain judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, 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, 2020.

		Un-audited September 30, 2020	Audited June 30, 2020
	Note	———— Rupees in 000's ————	
6. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	6.1	2,764,130	2,816,481
Right of use assets	6.2	64,460	68,251
		<u>2,828,590</u>	<u>2,884,732</u>

		Un-audited September 30, 2020	Audited June 30, 2020
	Note	———— Rupees in 000's ————	
6.1 Operating fixed assets			
Opening net book value (NBV)		2,816,481	2,373,583
Additions during the period / year at cost	6.1.1	5,534	766,647
		<u>2,822,015</u>	<u>3,140,230</u>
Disposals during the period / year at NBV	6.1.2	-	(7,573)
Depreciation charge for the period / year		(57,885)	(233,613)
Impairment charge for the period / year		-	(82,563)
		<u>(57,885)</u>	<u>(323,749)</u>
		<u>2,764,130</u>	<u>2,816,481</u>
6.1.1 Detail of additions (at cost) during the period / year are as follows:			
Building / improvements on leasehold land		-	72,516
Plant and machinery		4,839	678,374
Cylinders and dies		-	15,407
Office equipment		-	83
Computer equipment		165	267
Electrical installation		530	-
		<u>5,534</u>	<u>766,647</u>
6.1.2 Detail of disposals (net book value) during the period / year are as follows:			
Plant and machinery		-	(1,599)
Electrical installation		-	(5,750)
Vehicles		-	(224)
		<u>-</u>	<u>(7,573)</u>
6.2 Right of use assets			
Opening net book value (NBV)		68,251	83,418
Additions during the period / year at cost		-	-
Depreciation charge for the period / year		(3,791)	(15,167)
		<u>64,460</u>	<u>68,251</u>

7. DEFERRED TAXATION

Total deferred tax asset arising due to timing difference calculated at applicable tax rates as at reporting date amounted to Rs. 289.358 million (June 30, 2020: Rs. 294.868 million) debit. Out of this balance, deferred tax asset amounting to Rs. 142.739 million (June 30, 2020: Rs. 120.777 million) has not been recognized in these financial statements in accordance with the stated accounting policy of the Company.

Deferred tax asset has been recognized to the extent of excess deductible temporary differences over and above taxable temporary differences. The deferred tax asset recognized includes an unadjusted tax credit available on capital expenditure of the tax year 2019 at a rate of 10% under section 65B of Income Tax Ordinance, 2001 amounting to Rs. 7.500 million (June 30, 2020: Rs. 17.180 million), which is carried forward and adjustable against next year's tax liabilities.

	Note	Un-audited September 30, 2020	Audited June 30, 2020
———— Rupees in 000's ————			
8. LONG TERM FINANCING			
Secured			
From banking companies	8.1 & 8.2	929,074	917,703
Less: Current portion shown under current liabilities		(180,177)	(95,224)
		748,897	822,479
Unsecured			
From associated undertaking	8.3	1,494,995	1,459,956
Less: Current portion shown under current liabilities		-	-
		1,494,995	1,459,956
		2,243,892	2,282,435

- 8.1 The Company has approved term finance facility from Habib Bank Limited under Refinancing Scheme of the State Bank of Pakistan specifically for paying salaries and wages to Company's employees. The Company has made drawdown of Rs. 35.345 million (June 30, 2020: Rs. 23.165 million) under this facility. The tenor of the financing is two and half year inclusive 6-Months grace period and are repayable in 8 equal quarterly installments commencing from January 2021. This loan is secured against first pari passu charge on specific property, plant and equipments of the Company.
- 8.2 These loans have been obtained from financial institutions (loan excluding as defined in note 8.1) 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 was 8.33% to 12.28% (June 30, 2020: 13.55% to 15.06%) payable quarterly. The tenure of these financing facilities is five to six years including one year grace period.
- 8.3 These loans have been obtained from associated undertakings amounting to an aggregate of Rs. 1,790 million (June 30, 2020: Rs. 1,790 million) for the purpose of financing the capital expenditure requirement and to support the working capital and for funding business activities. The interest on these loans has been waived for a period of three years from the date of the agreements, resulting in reduction in face value of this loan, due to presence of a below market element. These loans have been measured at amortized cost, determined by discounting future cash flows with the prevailing market rate ranging from 7.43% to 14.36% per annum, which is determined to be the transaction price at which a similar transaction could be executed between unrelated parties.

9. SHORT TERM BORROWINGS

From banking companies - secured			
Running finance	9.1	894,655	788,534
From associated company - unsecured	9.2	150,000	150,000
		1,044,655	938,534
		1,044,655	938,534

9.1 The Company has short term running finance facilities from various banks under mark-up arrangements in aggregate amount of Rs. 1,070 million (June 30, 2020: Rs. 1,170 million) having mark-up at rates ranging from 8.26% to 12.05% (June 30, 2020: 13.61% to 15.70%) per annum calculated on a daily product basis and payable quarterly. The unutilized balance at the end of the period was Rs. 174.809 million (June 30, 2020: Rs. 381.468 million).

The Company also has a facility for opening letters of credit under mark-up arrangements as at September 30, 2020 amounting to Rs. 445 million (June 30, 2020: Rs. 445 million) from various commercial banks. The unutilized balance at the end of the period was Rs. 445 million (June 30, 2020: Rs. 445 million).

These arrangements are secured by pari passu hypothecation charge on stores and spares, stock-in-trade and trade debts.

9.2 This short-term borrowing facility (interest free loan) was obtained from an associated company.

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

In past years, K-Electric offered Industry Support Package (ISPA) to facilitate industries during off-peak hours. On directives/clarification received from Ministry of Energy on January 22, 2020 to discontinue the same and adjust the impact with effect from July 2019, K-Electric accordingly billed previous arrears relating to July to December 2019 amounting to Rs. 6.688 million.

The Company has filed an application in High Court against the above mentioned directive. Based on appeal filed by the Company, the High Court of Sindh provided the stay order for nonpayment of above mentioned arrears. No provision has been made in these financial statements for off peak consumption as the management is of the opinion, based on advice of legal advisor that the Company is not liable to pay and expects that the decision is likely to be in the favor of the Company.

10.2 Commitments

The Company was committed against the purchase of stores, spares and raw materials under contractual obligation amounting to Rs. 2.848 million (June 30, 2020: Rs. 21.527 million).

Un-audited	
Quarter ended	
September 30, 2020	September 30, 2019
Rupees in 000's	

11. SALES - NET

Gross sales		
Local sales	738,891	568,580
Export sales	7,359	-
	746,250	568,580
Less: Sales tax	(106,359)	(81,947)
	639,891	486,633

Un-audited	
Quarter ended	
September 30, 2020	September 30, 2019
Rupees in 000's	

12. COST OF SALES

Materials consumed	851,358	414,867
Salaries, wages and other benefits	30,371	37,323
Packing material consumed	12,998	11,087
Outsourced services	9,497	4,528
Stores and spares consumed	9,384	7,053
Power and fuel	24,132	16,533
Depreciation	61,188	45,769
Amortization	20	20
Rent, rates and taxes	1,702	7,990
Repairs and maintenance	3,312	4,112
Vehicle running expenses	542	405
Insurance	4,697	3,517
Ijara lease rentals	70	73
Printing and stationery	132	78
Communication charges	317	395
Travelling and conveyance	524	456
Fee and subscription	-	274
Software license fee	236	114
Other expenses	187	122
	1,010,667	554,716
Opening work-in-process	(56,988)	83,031
Closing work-in-process	(57,834)	(98,160)
	(114,822)	(15,129)
Cost of goods manufactured	895,845	539,587
Opening stock of finished goods	(129,799)	72,984
Closing stock of finished goods	(105,944)	(70,737)
	(235,743)	2,247
	660,102	541,834

13. TAXATION

- 13.1 The current period's total tax liability of the Company amounting to Rs. 9.680 million is covered under Section 113 "Minimum tax" of the Income Tax Ordinance, 2001. This has been fully adjusted against unadusted tax credit under section 65B on the capitalization of plant and machinery. Unadjusted tax credit of Rs. 7.50 million is available for adjustment against two subsequent years' tax charge.
- 13.2 Deferred tax asset has only been recognized to the extent of excess deductible temporary differences over and above taxable temporary differences, capable of being reversed in the ensuing years. The computation for deferred taxation incorporates assumptions regarding utilization of tax losses carried forward, turnover taxes and tax credits. Deferred tax is computed at the rate of 29% on account of changes made to Income Tax Ordinance, 2001 through Finance Act 2019, applicable to the expected period when temporary differences are expected to be reversed / utilized.

		————— Un-audited —————	
		Quarter ended	
		September 30, 2020	September 30, 2019
Note		————— Rupees in 000's —————	
14.	LOSS PER SHARE - BASIC AND DILUTED		
	There is no dilutive effect on the basic earnings per share of the Company, which is based on:		
	Loss for the period	(165,423)	(152,579)
	Weighted average number of ordinary shares (in thousands)	80,628	80,628
	Loss per share (Rupees)	(2.05)	(1.89)
15.	CASH USED IN OPERATIONS		
	Loss before taxation	(137,951)	(179,695)
	Adjustment for non-cash items and other items:		
	Financial charges	80,781	95,539
	Depreciation	61,676	46,655
	Amortization	62	62
	Capital grant income	(564)	-
	Ijarah lease rentals	266	441
		141,905	142,697
	(Loss) / profit before working capital changes	3,954	(36,998)
	Working capital changes	(84,386)	181,024
		(80,432)	144,026
15.1	Working capital changes		
	Increase in current assets:		
	Stores and spares	(9,915)	(9,121)
	Stock-in-trade	(14,811)	48,333
	Trade debts	(104,271)	(19,347)
	Loans and advances	(4,928)	(2,124)
	Trade deposits and short term prepayments	(5,259)	(2,095)
	Other receivables	(2,749)	(1,936)
	Tax refund due from Government	(1,437)	55,312
		(143,370)	69,022
	(Decrease) / increase in current liabilities:		
	Trade and other payables (excluding unclaimed dividend)	58,984	112,002
		(84,386)	181,024
16.	TRANSACTIONS WITH RELATED PARTIES		
16.1	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:		

		Un-audited	
		Quarter ended	
		September 30, 2020	September 30, 2019
		Rupees in 000's	
Relation with the Company	Nature of transaction		
Associated Companies	Sales of goods and services	136,226	46,944
	Purchases of goods and services	405,889	276,051
	Rent and allied charges	63	63
	Insurance agency commission income	635	707
	Insurance claim	260	241
	Short-term financing obtained	-	300,000
	Repayment of short-term financing	-	100,000
	Retirement benefit plans	Contribution towards employees retirement benefit plans	2,839
Key management personnel	Compensation in respect of:		
	Short term employee benefits	5,050	5,606
	Retirement benefits	325	382
		Un-audited	Audited
		September 30,	June 30,
		2020	2020
		Rupees in 000's	

16.2 Period / year end balances:

Receivable from associated companies	61,384	39,781
Payable to associated companies	445,272	424,088
Long-term financing from associated company	1,494,995	1,459,956
Sub-ordinated loan	94,781	93,084
Short-term financing from associated companies	150,000	150,000

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

17. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The carrying values of all financial assets and liabilities reflected in the condensed interim financial information approximate their fair values. Fair value is the amount 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.

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's objective in managing risks is the creation and protection of share holders' value. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing profitability. The Company is exposed to credit risk, liquidity risk and market risk (which includes interest rate risk and price risk) arising from the financial instruments it holds.

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

The Company's financial risk management objective and policies are consistent with that disclosed in the financial statements for the year ended June 30, 2020.

19. CAPITAL RISK MANAGEMENT

The Company's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders through the optimization of the debt and equity balance.

The Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares or adjust the amount of dividends paid to shareholders.

The Company management believes on maintaining appropriate mix of debt and equity capital and monitors capital on the basis of the net debt to equity ratio. The net debt is defined as long and short term borrowings offset by cash and bank balances. The equity includes ordinary share capital and reserves.

The Company is not subject to any externally imposed capital requirements.

20. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and better presentation. However, no significant reclassification has been made during the period.

21. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue by the Board of Directors of the Company on October 27, 2020.

22. GENERAL

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



**TASLEEMUDDIN AHMED BATLAY
DIRECTOR**



**SHAHID AHMED KHAN
CHIEF EXECUTIVE OFFICER**



**MUHAMMAD AAQIL JAH
CHIEF FINANCIAL OFFICER**



M E R I T

PACKAGING LTD.



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