

# Quarterly Report

**March 31, 2011**



**Merit Packaging Limited**  
ISO 9001:2008 certified

---

# 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 Statements .....	9-14

---

## Corporate Information

---

### Board of Directors

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

### Advisor

Sultan Ali Lakhani

### Audit Committee

Iqbal Ali Lakhani	Chairman
Zulfiqar Ali Lakhani	
Tasleemuddin Ahmed Batlay	

### Company Secretary

Mansoor Ahmed

### Auditors

BDO Ebrahim & Co.  
Chartered Accountants

### Bankers

Citibank N.A.  
Faysal Bank Limited  
Habib Bank Limited  
HSBC Bank Middle East Limited  
JS Bank Limited  
Oman International Bank 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.  
Phones: 021-35017164, 35015544  
Faxes: 021-35017161, 35015739

### Web Presence

[www.meritpack.com](http://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 third quarter ended March 31, 2011.

### OPERATING RESULTS

Following are the operating results for the nine months and quarter ended March 31, 2011 with comparative figures for the same period last year:

	Nine months ended		Quarter ended	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
	Rs. in Thousand		Rs. in Thousand	
Net sales	1,257,513	736,557	468,243	296,342
Gross profit	120,906	60,060	43,939	34,332
Profit from operations	82,316	27,980	29,433	23,783
Financial charges	70,540	56,137	24,008	19,595
Profit/(loss) before tax	11,776	(28,157)	5,425	4,188
Earnings/(loss) per share	Rs.1.67	Rs. (3.72)	Rs. 0.77	Rs. 0.73

By the grace of Allah, we have been able to achieve highest ever sales amounting to Rs. 1.258 billion during the first nine months of 2010-11 which is an increase of Rs. 521 million or 71% from the corresponding period last year. This is a significant achievement in the wake of increasingly adverse macro-economic environment resulting in mounting business challenges for the printing and packaging industry.

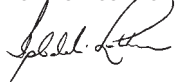
Persistent efforts towards improving business performance by continuous revamping and realignment of our operations and expanding our customer base have yielded return in the form of higher profitability of the Company with profit before tax recorded at Rs. 12 million for the nine months ended March 2011 as against the loss of Rs.28 million in the comparative period.

### FUTURE OUTLOOK

Pro-active measures are being adopted to streamline business operations and to facilitate better cost management. Our marketing efforts are geared towards provision of quality products and services to our customers.

Accordingly, the Directors are confident that with increased sales and optimal capacity utilization, your Company's market share and profitability will stand further improved.

On behalf of the Board of Directors

  
**IQBAL ALI LAKHANI**  
Chairman

Karachi: April 26, 2011

# Condensed Interim Balance Sheet

as at March 31, 2011 (Un-audited)

		March 31, 2011 (Un-audited) Rs. in 000's	June 30, 2010 (Audited) Rs. in 000's
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment			
Operating fixed assets	6	628,718	649,865
Capital work-in-progress	7	-	2,880
		628,718	652,745
Intangible assets		3,107	3,843
Long-term loans and advances		172	48
Long-term deposits		3,781	6,507
		635,778	663,143
<b>CURRENT ASSETS</b>			
Stores and spares		50,776	36,009
Stock-in-trade		259,311	253,640
Trade debts (unsecured - considered good)		304,319	180,821
Loans and advances		2,777	639
Trade deposits and short-term prepayments		8,964	6,915
Other receivables		121	99
Tax refund due from government		23,518	29,231
Taxation - net		8,753	9,705
Cash and bank balances		934	450
		659,473	517,509
<b>TOTAL ASSETS</b>		<b>1,295,251</b>	<b>1,180,652</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital			
8,000,000 (June 30, 2010: 8,000,000) ordinary shares of Rs.10/- each		80,000	80,000
Issued, subscribed and paid-up capital			
4,742,847 (June 30, 2010: 4,742,847) ordinary shares of Rs.10/- each		47,428	47,428
Reserves		61,873	53,364
		109,301	100,792
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>		<b>135,893</b>	<b>136,493</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing	8	374,000	440,000
Liabilities against assets subject to finance leases		2,753	12,351
Long-term deposits		581	40
Deferred taxation		5,794	14,752
		383,128	467,143
<b>CURRENT LIABILITIES</b>			
Trade and other payables		190,986	146,245
Financial charges payable		36,019	7,774
Short-term financing		363,473	292,317
Current portion of long-term liabilities		76,451	29,888
		666,929	476,224
<b>CONTINGENCIES AND COMMITMENTS</b>	9		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,295,251</b>	<b>1,180,652</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, 2011 (Un-audited)

	Note	Nine months ended		Quarter ended	
		March 31, 2011 Rs. in 000's	March 31, 2010 Rs. in 000's	March 31, 2011 Rs. in 000's	March 31, 2010 Rs. in 000's
Sales - net	10	1,257,513	736,577	468,243	296,342
Cost of sales	11	(1,136,607)	(676,517)	(424,304)	(262,010)
Gross profit		120,906	60,060	43,939	34,332
General and administrative expenses		(22,065)	(18,704)	(7,513)	(5,822)
Selling expenses		(15,713)	(12,878)	(5,776)	(4,992)
Other operating income		2,971	1,118	1,170	526
Other operating expenses		(3,783)	(1,616)	(2,387)	(261)
		(38,590)	(32,080)	(14,506)	(10,549)
Operating profit		82,316	27,980	29,433	23,783
Financial charges		(70,540)	(56,137)	(24,008)	(19,595)
Profit / (loss) before taxation		11,776	(28,157)	5,425	4,188
Taxation		(3,867)	10,494	(1,778)	(728)
Profit / (loss) after taxation		7,909	(17,663)	3,647	3,460
Earnings / (loss) per share - basic and diluted	12	Rs. 1.67	Rs.(3.72)	Rs. 0.77	Rs.0.73

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

  
**IQBAL ALI LAKHANI**  
 Chairman

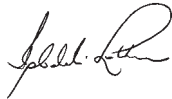
  
**MOHAMMAD SHAHID**  
 Chief Executive Officer

## Condensed Interim Statement of Comprehensive Income

For the period ended March 31, 2011 (Un-audited)

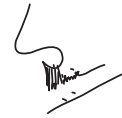
	Nine months ended		Quarter ended	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's
Profit / (loss) for the period	7,909	(17,663)	3,647	3,460
Other comprehensive income	-	-	-	-
Total comprehensive income / (loss) for the period	7,909	(17,663)	3,647	3,460

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



**IQBAL ALI LAKHANI**  
Chairman

MERIT PACKAGING LIMITED



**MOHAMMAD SHAHID**  
Chief Executive Officer

# Condensed Interim Cash Flow Statement

For the period ended March 31, 2011 (Un-audited)

	Note	Nine months ended	
		March 31, 2011	March 31, 2010
		Rs. in 000's	Rs. in 000's
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from/(used in) operations	13	21,179	(25,056)
Taxes paid		(9,817)	1,481
Financial charges paid		(42,296)	(55,158)
Long-term loans and advances		(123)	96
Long-term deposits		3,267	(84)
Net cash used in operating activities		(27,790)	(78,721)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(15,718)	(13,010)
Proceeds from sale of operating fixed assets		1,872	1,796
Net cash used in investing activities		(13,846)	(11,214)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Short term finances (excluding running finance)		100,000	100,000
Repayment of long-term financing		(15,000)	(22,500)
Repayment of liabilities against assets subject to finance leases		(14,036)	(13,442)
Net cash generated from financing activities		70,964	64,058
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>29,328</b>	<b>(25,877)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>(201,867)</b>	<b>(147,597)</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>(172,539)</b>	<b>(173,474)</b>
<b>CASH AND CASH EQUIVALENTS COMPRISE</b>			
Cash and bank balances		934	731
Short-term financing		(173,473)	(174,205)
		(172,539)	(173,474)

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, 2011 (Un-audited)

	Issued, subscribed and paid-up capital Rs. in 000's	Reserves			Total Rs. in 000's
		General reserve Rs. in 000's	Unappropriated loss Rs. in 000's	Sub total Rs. in 000's	
Balance as at July 1, 2009	47,428	106,800	(35,590)	71,210	118,638
Transfer from surplus on revaluation of fixed assets	-	-	646	646	646
Total comprehensive loss for period ended March 31, 2010	-	-	(17,663)	(17,663)	(17,663)
	-	-	(17,017)	(17,017)	(17,017)
<b>Balance as at March 31, 2010</b>	<b>47,428</b>	<b>106,800</b>	<b>(52,607)</b>	<b>54,193</b>	<b>101,621</b>
Balance as at July 1, 2010	47,428	106,800	(53,436)	53,364	100,792
Transfer from surplus on revaluation of fixed assets	-	-	600	600	600
Total comprehensive income for period ended March 31, 2011	-	-	7,909	7,909	7,909
	-	-	8,509	8,509	8,509
<b>Balance as at March 31, 2011</b>	<b>47,428</b>	<b>106,800</b>	<b>(44,927)</b>	<b>61,873</b>	<b>109,301</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, 2011 (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.

These condensed interim financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

The disclosures made in these condensed interim financial statements have, however, been limited in accordance with the requirements of International Financial Reporting Standard (IFRS) IAS-34, Interim Financial Reporting. They do not include all the information and disclosures made in the annual published financial statements and should be read in conjunction with financial statements of the company for the year ended June 30, 2010.

### 2.2 Functional and presentation currency

These condensed interim financial statements have been presented in Pakistan 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 financial statements are the same as those for the preceding published annual financial statements for the year ended June 30, 2010.

## 4. ESTIMATES

The preparation of condensed interim financial statements 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, 2010.

## 5. TAXATION

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

## Notes to the Condensed Interim Financial Statements

For the period ended March 31, 2011 (Un-audited)

	Note	March 31, 2011 Un-audited Rs. in 000's	June 30, 2010 Audited Rs. in 000's
<b>6. OPERATING FIXED ASSETS</b>			
Opening net book value (NBV)		649,865	682,915
Additions (cost) during the period / year	6.1	18,599	18,934
		668,464	701,849
Disposals (NBV) during the period / year	6.2	(1,731)	(2,675)
Depreciation charged during the period / year		(38,015)	(49,309)
		(39,746)	(51,984)
		628,718	649,865
6.1 Detail of additions during the period / year are as follows:			
Building / improvements on leasehold land		5,735	1,633
Plant and machinery		5,954	4,634
Furniture and fixtures		1,362	688
Vehicles		3,051	6,840
Office equipment		991	364
Computer equipment		308	1,425
Factory tools and equipment		1,052	928
Electrical installation		-	258
Leased plant and machinery		146	2,164
		18,599	18,934
6.2 Detail of disposals (net book value) during the period / year are as follows:			
Plant and machinery		-	121
Vehicles		1,731	984
Factory tools and equipment		-	1,561
Electrical installation		-	9
		1,731	2,675
<b>7. CAPITAL WORK-IN-PROGRESS</b>			
Building improvements on leasehold land		-	2,880
		-	2,880
<b>8. LONG TERM FINANCING</b>			
From banking company - secured			
Morabaha financing		-	15,000
Less: Current portion shown under current liabilities		-	(15,000)
		-	-
Unsecured			
From sponsor	8.1	440,000	440,000
Less: Current portion shown under current liabilities		(66,000)	-
		374,000	440,000
		374,000	440,000

## Notes to the Condensed Interim Financial Statements

For the period ended March 31, 2011 (Un-audited)

- 8.1 This facility has been obtained from sponsors of the Company for the purpose of financing capital expenditure and working capital of the Company. The rate of mark-up is 10% payable on quarterly basis (June 30, 2010: 10%). The amount is repayable in twenty equal quarterly installments commencing from July 2011.

	March 31, 2011 Un-audited Rs. in 000's	June 30, 2010 Audited Rs. in 000's
--	---	---

### 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	5,525	-
Stores, spares and raw materials under contractual obligation	20,550	1,518

	Nine months ended		Quarter ended	
	March 31, 2011 Rs. in 000's	March 31, 2010 Rs. in 000's	March 31, 2011 Rs. in 000's	March 31, 2010 Rs. in 000's
<b>10. SALES - NET</b>				
Gross sales	1,505,831	869,362	562,426	349,955
Sales tax	(234,208)	(125,482)	(87,970)	(50,667)
Special excise duty	(13,932)	(7,298)	(6,035)	(2,946)
Commission	(178)	(5)	(178)	-
	(248,318)	(132,785)	(94,183)	(53,613)
	1,257,513	736,577	468,243	296,342

## Notes to the Condensed Interim Financial Statements

For the period ended March 31, 2011 (Un-audited)

	Nine months ended		Quarter ended	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's
<b>11. COST OF SALES</b>				
Materials consumed	960,122	522,986	357,935	212,547
Salaries, wages and other benefits	58,525	49,020	19,843	17,103
Packing material consumed	20,550	13,938	7,342	5,515
Outsource services	6,982	12,169	2,649	2,853
Stores and spares consumed	24,861	21,223	6,927	6,815
Power and fuel	20,414	13,181	6,274	3,789
Depreciation	36,141	35,555	12,106	11,777
Amortisation	324	184	108	61
Rent, rates and taxes	3,515	1,941	1,153	741
Repairs and maintenance	3,966	3,519	1,383	558
Vehicle running expenses	587	547	210	208
Insurance	3,251	3,329	1,153	1,186
Printing and stationery	389	372	105	121
Communication charges	845	617	289	213
Travelling and conveyance	411	763	131	240
Fees and subscription	115	108	61	26
Software license fee	192	61	64	15
Other expenses	821	593	347	219
Manufacturing cost	1,142,011	680,106	418,080	263,987
Opening work-in-process	20,038	9,853	31,568	8,526
Closing work-in-process	(27,832)	(13,957)	(27,832)	(13,957)
	(7,794)	(4,104)	3,736	(5,431)
Cost of goods manufactured	1,134,217	676,002	421,816	258,556
Opening stock of finished goods	13,485	5,943	13,583	8,882
Closing stock of finished goods	(11,095)	(5,428)	(11,095)	(5,428)
	2,390	515	2,488	3,454
	1,136,607	676,517	424,304	262,010

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

Profit / (loss) after taxation for the period	7,909	(17,663)	3,647	3,460
Weighted average number of ordinary shares (in thousands)	4,743	4,743	4,743	4,743
Earnings / (loss) per share - basic and diluted (Rupees)	1.67	(3.72)	0.77	0.73

# Notes to the Condensed Interim Financial Statements

For the period ended March 31, 2011 (Un-audited)

	Note	Nine months ended	
		March 31, 2011	March 31, 2010
		Rs. in 000's	Rs. in 000's
<b>13. CASH GENERATED FROM/(USED IN) OPERATIONS</b>			
Profit / (loss) before taxation		11,776	(28,157)
Adjustment for non-cash charges and other items:			
(Gain) / loss on disposal of operating fixed assets		(140)	406
Financial charges		70,540	56,137
Depreciation		38,015	36,910
Amortisation		736	736
Provision for doubtful debts		906	
Provision for slow moving and obsolete items		(17)	628
		<b>110,040</b>	<b>94,817</b>
Profit before working capital changes		121,816	66,660
Working capital changes	13.1	(100,637)	(91,716)
		<b>21,179</b>	<b>(25,056)</b>
<b>13.1 Working capital changes</b>			
(Increase) / decrease in current assets:			
Stores and spares		(15,010)	(4,362)
Stock-in-trade		(5,411)	(72,552)
Trade debts		(124,404)	(72,419)
Loans and advances		(2,138)	1,502
Trade deposits and short term prepayments		(2,049)	(4,393)
Other receivables		(22)	(1,432)
Tax refund due from government		3,655	-
		<b>(145,379)</b>	<b>(153,656)</b>
(Decrease) / increase in current liabilities:			
Trade and other payables (excluding unclaimed dividend)		44,742	61,940
		<b>(100,637)</b>	<b>(91,716)</b>

## 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:

Relation with the Company	Nature of transaction	Nine months ended		Quarter ended	
		March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
		Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's
Associated companies	Sales of goods and services (including fixed assets)	193,530	95,804	72,424	15,248
	Purchases of goods and services (including fixed assets)	659,064	547,597	181,649	182,766
	Rent and allied charges	226	432	46	150
	Insurance agency commission income	514	477	183	168
	Insurance claim received	120	-	-	-

## Notes to the Condensed Interim Financial Statements

For the period ended March 31, 2011 (Un-audited)

Relation with the Company	Nature of transaction	Nine months ended		Quarter ended	
		March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
		Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's
Sponsors	Mark-up on short-term borrowings	-	455	-	-
	Short-term borrowings repayment	-	80,000	-	-
	Mark-up on long-term financing	33,030	23,271	10,849	7,644
	Short-term financing obtained	130,000	320,000	30,000	100,000
	Short-term financing repayment	30,000	190,000	-	100,000
	Mark-up on short-term financing	4,416	3,434	1,742	1,650
Retirement benefit plans	Contribution towards employee retirement benefits plans	6,325	5,339	2,132	1,818
Key management personnel	Compensation in respect of: Short term employee benefits	10,545	7,529	3,311	2,233
	Retirement benefits	1,863	1,467	632	489

### 15. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison. Significant changes during the period for more presentation are as follows:

#### Profit and loss account

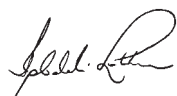
From	To	Rs. in 000's
Cost of sales (Salaries, wages and other benefits)	General and administrative expenses (Salaries and other benefits)	806
Selling expenses (Salaries and other benefits)	General and administrative expenses (Salaries and other benefits)	93

### 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 26, 2011.

### 17. GENERAL

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



**IQBAL ALI LAKHANI**  
Chairman

MERIT PACKAGING LIMITED



**MOHAMMAD SHAHID**  
Chief Executive Officer