

Quarterly Report

September 30, 2010



Merit Packaging Limited
ISO 9001:2008 certified

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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 Asif	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

Directors' Review

The Directors of your Company are pleased to present their review of the performance together with un-audited financial statements for the first quarter ended September 30, 2010.

OPERATING RESULTS

Following are the operating results for the first quarter ended September 30, 2010 with comparative figures for the same period last year:

	Quarter ended	
	September 30, 2010	September 30, 2009
	Rs. in thousands	
Net sales	369,237	205,491
Gross profit	35,175	5,580
Profit / (loss) from operations	23,413	(4,846)
Profit / (loss) before tax	719	(22,408)

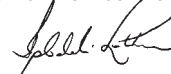
The sales turnover increased from Rs. 205 million to Rs. 369 million in quarter ending September 2010 showing an increase of Rs. 164 million or 80%. This was possible due to further streamlining of operations and continuous improvement in the quality of product and services. High sales and optimum capacity utilization is the salient feature of our financial performance of this quarter. Concerted efforts to expand our customer base and market share have started to yield return in form of higher operational profitability. We have now managed to successfully overcome teething problems formerly faced in the Gravure unit. The first quarter of this financial year was resultantly profitable.

FUTURE OUTLOOK

In view of intense competition, adequate measures have been taken for more efficient production operations, maximum capacity utilization and ensuring customer satisfaction. This has opened up new avenues of higher production, lower wastages and effective cost controls.

Accordingly, the Directors are confident that the company's market share and profitability will further improve.

On behalf of the Board of Directors



IQBAL ALI LAKHANI

Chairman

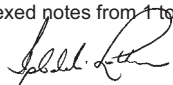
Karachi: October 25, 2010

Condensed Interim Balance Sheet

as at September 30, 2010 (Un-audited)

		September 30, 2010 (Un-audited)	June 30, 2010 (Audited)
	Note	Rs. in 000's	Rs. in 000's
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	6	643,641	649,865
Capital work-in-progress	7	3,090	2,880
		646,731	652,745
Intangible assets		3,598	3,843
Long-term loans		-	48
Long-term deposits		6,507	6,507
		656,836	663,143
CURRENT ASSETS			
Stores and spares		38,593	36,009
Stock-in-trade		251,709	253,640
Trade debts (unsecured - considered good)		241,660	180,821
Loans and advances		1,988	639
Trade deposits and short-term prepayments		13,397	6,915
Other receivables		923	99
Tax refund due from government		25,576	29,231
Taxation - net		17,664	9,705
Cash and bank balances		491	450
		592,001	517,509
TOTAL ASSETS		1,248,837	1,180,652
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
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		54,035	53,364
		101,463	100,792
SURPLUS ON REVALUATION OF FIXED ASSETS		136,293	136,493
NON-CURRENT LIABILITIES			
Long-term financing	8	418,000	440,000
Liabilities against assets subject to finance leases		7,717	12,351
Long-term deposits		40	40
Deferred taxation		11,307	14,752
		437,064	467,143
CURRENT LIABILITIES			
Trade and other payables		136,955	146,245
Financial charges payable		20,109	7,774
Short-term financing		374,023	292,317
Current portion of long-term liabilities		42,930	29,888
		574,017	476,224
CONTINGENCIES AND COMMITMENTS	9		
TOTAL EQUITY AND LIABILITIES		1,248,837	1,180,652

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


IQBAL ALI LAKHANI
Chairman

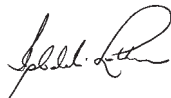

MOHAMMAD SHAHID
Chief Executive Officer

Condensed Interim Profit and Loss Account

For the period ended September 30, 2010 (Un-audited)

	Note	Quarter ended	
		September 30, 2010	September 30, 2009
		Rs. in 000's	Rs. in 000's
Sales - net	10	369,237	205,491
Cost of sales	11	(334,062)	(199,911)
Gross profit		35,175	5,580
General and administrative expenses		(7,128)	(6,247)
Selling expenses		(4,798)	(3,882)
Other operating income		760	308
Other operating expenses		(596)	(605)
		(11,762)	(10,426)
Operating profit / (loss)		23,413	(4,846)
Financial charges		(22,694)	(17,562)
Profit / (loss) before taxation		719	(22,408)
Taxation		(248)	7,855
Profit / (loss) after taxation		471	(14,553)
Earnings / (loss) per share - basic and diluted	12	Rs. 0.10	Rs. (3.07)

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



IQBAL ALI LAKHANI
Chairman



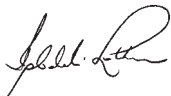
MOHAMMAD SHAHID
Chief Executive Officer

Condensed Interim Statement of Comprehensive Income

For the period ended September 30, 2010 (Un-audited)

	Note	Quarter ended	
		September 30, 2010	September 30, 2009
		Rs. in 000's	Rs. in 000's
Profit / (loss) for the period		471	(14,553)
Other comprehensive income		-	-
Total comprehensive profit / (loss) for the period		471	(14,553)

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 September 30, 2010 (Un-audited)

	Note	Quarter ended	
		September 30, 2010	September 30, 2009
		Rs. in 000's	Rs. in 000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	13	(39,564)	(38,570)
Taxes paid		(11,652)	(3,684)
Financial charges paid		(10,359)	(17,589)
Long-term loans		48	32
Net cash used in operating activities		(61,527)	(59,811)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(6,546)	(2,257)
Proceeds from sale of operating fixed assets		-	545
Net cash used in investing activities		(6,546)	(1,712)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term finances (excluding running finance)		100,000	40,000
Repayment of long-term financing		(7,500)	(7,500)
Repayment of liabilities against assets subject to finance leases		(6,092)	(5,248)
Net cash generated from financing activities		86,408	27,252
Net increase/(decrease) in cash and cash equivalents		18,335	(34,271)
Cash and cash equivalents at the beginning of the period		(201,867)	(147,598)
Cash and cash equivalents at the end of the period		(183,532)	(181,869)
CASH AND CASH EQUIVALENTS COMPRISE			
Cash and bank balances		491	534
Short-term financing		(184,023)	(182,403)
		(183,532)	(181,869)

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 September 30, 2010 (Un-audited)

	Issued, subscribed and paid-up capital	Reserves			Total
		General reserve	Unappropriated profit	Total	
	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's	Rs. in 000's
Balance as at July 1, 2009	47,428	106,800	(35,590)	71,210	118,638
Transfer from surplus on revaluation of fixed assets	-	-	223	223	223
Total comprehensive loss for the period ended September 30, 2009	-	-	(14,553)	(14,553)	(14,553)
	-	-	(14,330)	(14,330)	(14,330)
Balance as at September 30, 2009	47,428	106,800	(49,920)	56,880	104,308
Balance as at July 1, 2010	47,428	106,800	(53,436)	53,364	100,792
Transfer from surplus on revaluation of fixed assets	-	-	200	200	200
Total comprehensive income for the period ended September 30, 2010	-	-	471	471	471
	-	-	671	671	671
Balance as at September 30, 2010	47,428	106,800	(52,765)	54,035	101,463

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 September 30, 2010 (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 September 30, 2010 (Un-audited)

		September 30, 2010	June 30, 2010
	Note	Un-audited Rs. in 000's	Audited Rs. in 000's
6. OPERATING FIXED ASSETS			
Opening net book value (NBV)		649,865	682,915
Additions (cost) during the period / year	6.1	6,336	18,934
		656,201	701,849
Disposals (NBV) during the period / year	6.2	-	(2,675)
Depreciation charged during the period / year		(12,560)	(49,309)
		(12,560)	(51,984)
		643,641	649,865
6.1 Detail of additions during the period / year are as follows:			
Building / improvements on leasehold land		3,578	1,633
Plant and machinery		862	4,634
Furniture and fixtures		224	688
Vehicles		145	6,840
Office equipment		936	364
Computer equipment		166	1,425
Factory tools and equipment		425	928
Electrical installation		-	258
Leased plant and machinery		-	2,164
		6,336	18,934
6.2 Detail of disposals (net book value) during the period / year are as follows:			
Plant and machinery		-	121
Vehicles		-	984
Factory tools and equipment		-	1,561
Electrical installation		-	9
		-	2,675
7. CAPITAL WORK-IN-PROGRESS			
Building improvements on leasehold land		-	2,880
Plant and machinery		3,090	-
		3,090	2,880
8. LONG TERM FINANCING			
From banking company - secured			
Morabaha financing		7,500	15,000
Less: Current portion shown under current liabilities		(7,500)	(15,000)
		-	-
Unsecured			
From sponsor	8.1	440,000	440,000
Less: Current portion shown under current liabilities		(22,000)	-
		418,000	440,000
		418,000	440,000

Notes to the Condensed Interim Financial Statements

For the period ended September 30, 2010 (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.

	September 30, 2010	June 30, 2010
	Un-audited	Audited
	Rs. in 000's	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 letters of credit	15,700	-
Stores, spares and raw materials under contractual obligation	4,674	1,518

	Quarter ended	
	September 30, 2010	September 30, 2009
	Rs. in 000's	Rs. in 000's
	Note	
9. SALES - NET		
Gross sales	440,598	242,878
Sales tax	(67,669)	(35,359)
Special excise duty	(3,692)	(2,028)
	(71,361)	(37,387)
	369,237	205,491
11. COST OF SALES		
Materials consumed	265,020	145,241
Salaries, wages and other benefits	19,025	16,271
Packing material consumed	5,696	3,906
Outsource services	2,424	4,545
Stores and spares consumed	8,006	6,047
Power and fuel	6,926	4,871
Depreciation	11,928	11,849
Amortisation	108	61
Rent, rates and taxes	1,220	340
Repairs and maintenance	1,085	1,352
Vehicle running expenses	188	147
Insurance	1,018	1,053
Printing and stationery	195	94
Communication charges	276	199
Travelling and conveyance	146	334
Fees and subscription	20	27
Software license fee	64	15
Other expenses	169	166
Manufacturing cost	323,514	196,518
Opening work-in-process	20,038	9,853
Closing work-in-process	(15,505)	(5,744)
	4,533	4,109
Cost of goods manufactured	328,047	200,627
Opening stock of finished goods	13,485	5,943
Closing stock of finished goods	(7,470)	(6,659)
	6,015	(716)
	334,062	199,911

Notes to the Condensed Interim Financial Statements

For the period ended September 30, 2010 (Un-audited)

	Quarter ended	
	September 30, 2010	September 30, 2009
	Rs. in 000's	Rs. in 000's
12. EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED		
Profit / (loss) after taxation for the period	471	(14,553)
Weighted average number of ordinary shares (in thousands)	4,743	4,743
Earnings / (loss) per share - basic and diluted (Rupees)	0.10	(3.07)
13. CASH USED IN OPERATIONS		
Profit / (loss) before taxation	719	(22,408)
Adjustment for non-cash charges and other items:		
Gain on disposal of operating fixed assets	-	(34)
Financial charges	22,694	17,562
Depreciation	12,560	12,289
Amortisation	245	245
Provision for slow moving and obsolete items	369	222
	35,868	30,284
Profit before working capital changes	36,587	7,876
Working capital changes	(76,151)	(46,446)
	(39,564)	(38,570)
13.1 Working capital changes		
(Increase) / decrease in current assets:		
Stores and spares	(2,723)	(6,867)
Stock-in-trade	1,701	(41,671)
Trade debts	(60,839)	(12,938)
Loans and advances	(1,349)	148
Trade deposits and short term prepayments	(6,482)	(6,411)
Other receivables	(824)	(634)
Tax refund due from government	3,655	(262)
	(66,861)	(68,635)
(Decrease) / increase in current liabilities:		
Trade and other payables (excluding unclaimed dividend)	(9,290)	22,189
	(76,151)	(46,446)
14. TRANSACTIONS WITH RELATED PARTIES		
<p>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:</p>		

Notes to the Condensed Interim Financial Statements

For the period ended September 30, 2010 (Un-audited)

Relation with the Company	Nature of transaction	Quarter ended	
		September 30, 2010	September 30, 2009
		Rs. in 000's	Rs. in 000's
Associated companies	Sales of goods and services (including fixed assets)	60,605	23,477
	Purchases of goods and services (including fixed assets)	215,141	182,566
	Rent and allied charges	122	59
	Insurance agency commission income	165	152
	Mark-up on short-term financing	-	455
Sponsors	Mark-up on long-term financing	11,090	7,814
	Short-term financing obtained	100,000	120,000
	Mark-up on short-term financing	384	559
Retirement benefit plans	Contribution towards employees retirement benefits plans	2,089	1,738
Key management personnel	Compensation in respect of: Short term employee benefits	3,880	3,892
	Retirement benefits	564	489

15. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison. Significant changes made during the period for more appropriate 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)	74
Cost of sales (salaries, wages and other benefits)	Selling expenses (salaries, and other benefits)	6

16. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue by the Board of Directors of the Company on October 25, 2010.

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

1ST QUARTERLY REPORT 2010-11