Corporate Information

Board of Directors

Iqbal Ali Lakhani	Chairman
Mohammad Shahid	Chief Executive Officer
Zulfiqar Ali Lakhani	
Amin Mohammed Lakhani	
Tasleemuddin Ahmed Batlay	
A. Aziz H. Ebrahim	
Farooq Hasan	Nominee Director (NIT)
Muhammad Asif	Nominee Director (NIT)

Advisor

Sultan Ali Lakhani

Audit Committee

Iqbal Ali Lakhani	Chairman
Zulfiqar Ali Lakhani	
Tasleemuddin Ahmed Batlay	
Farooq Hasan	Nominee Director (NIT)

Company Secretary

Mansoor Ahmed

Auditors

BDO Ebrahim & Co.
Chartered Accountants

Bankers

Citi Bank N.A
Deutche Bank Ltd
Faysal Bank Ltd
Habib Bank Ltd
JS Bank Ltd
KASB Bank Ltd
Oman International Bank S. A. O. G
The Hongkong and Shanghai Banking Corporation Ltd

Shares Registrar

Ferguson Associates (Pvt) Ltd
State Life Building No. 2-A, 4th Floor, Off I.I. Chundrigar Road,
Karachi-74000.

Registered Office

Lakson Square, Building No. 2, Sarwar Shaheed Road,
Karachi-74200.
Phone: 021-5698000
Fax: 021-5683410, 5684336

Factory

17-B, Sector 29, Korangi Industrial Township,
Karachi-75180.
Phones: 021-5017164, 5015544
Fax: 021-5017161, 5015739

Web Presence

https://www.listedcompanies.com.pk/merit.asp
http://www.meritpack.com

Notice of Meeting

NOTICE IS HEREBY GIVEN that the 28th Annual General Meeting of MERIT PACKAGING Limited will be held on Wednesday September 24, 2008 at 09:30 a.m. at Avari Towers Hotel, Fatima Jinnah Road, Karachi to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited financial statements for the year ended June 30, 2008 with the Directors' and Auditors' reports thereon.

2. To declare a dividend by way of issue of bonus shares @ 15% i.e. in the proportion of three shares for every twenty existing shares held by the members as recommended by the Board of Directors.

3. To appoint auditors and fix their remuneration.

SPECIAL BUSINESS

4. To consider, subject to declaration of dividend as above, to capitalize a sum of Rs.6,186,320 by way of issue of 618,632 fully paid bonus shares of Rs.10/- each and if thought fit to pass an ordinary resolution in the matter.

The statement under section 160 of the Companies Ordinance, 1984 and draft of the ordinary resolution to be passed in the above matter is annexed.

By Order of the Board

(MANSOOR AHMED)
Company Secretary

Dated: August 26, 2008

NOTES:

1. The share transfer books of the Company will remain closed from September 18, 2008 to September 24, 2008 both days inclusive. Transfers received in order by the Shares Registrar of the Company M/s. FAMCO Associates (Private) Limited, State Life Building No.2-A, 4th Floor, I.I. Chundrigar Road, Karachi upto September 17, 2008 will be considered in time for entitlement of the bonus shares.

2. A member who has deposited his/her shares into Central Depository Company of Pakistan Limited, must bring his/her participant's ID number and CDC account/sub-account number alongwith original Computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting.

3. A member entitled to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend, speak and vote instead of him/her.

4. Forms of proxy to be valid must be properly filled-in/executed and received by the Company not later than forty-eight hours before the time of the meeting.

5. Members are requested to notify the Shares Registrar of the Company promptly of any change in their addresses.

6. Members who have not yet submitted photocopy of their Computerized National Identity Cards (CNIC) are requested to send the same to our Shares Registrar at the earliest.

7. Form of proxy is enclosed herewith.

Statement Under Section 160 Of The Companies Ordinance, 1984

Pertaining to item No. 4

The Board of Directors has recommended to the members of the Company to declare final dividend by way of issue of fully paid bonus shares @ 15% for the year ended June 30, 2008. Subject to approval of the Board of Directors' recommendation as above, the resolution as under will be considered to be passed by the members as an ordinary resolution:

"RESOLVED THAT:

i) a sum of Rs.6,186,320 out of the profit for the year ended June 30, 2008 be capitalized and applied in making payment in full of 618,632 ordinary shares of Rs.10/- each and that the said shares be allotted as fully paid up bonus shares to those members of the Company whose names appear in the register of members on September 24, 2008 @ 15% i.e. in the proportion of 3 shares for every 20 existing shares held by the members and that such new shares shall rank pari passu in all respects with the existing ordinary shares of the Company;

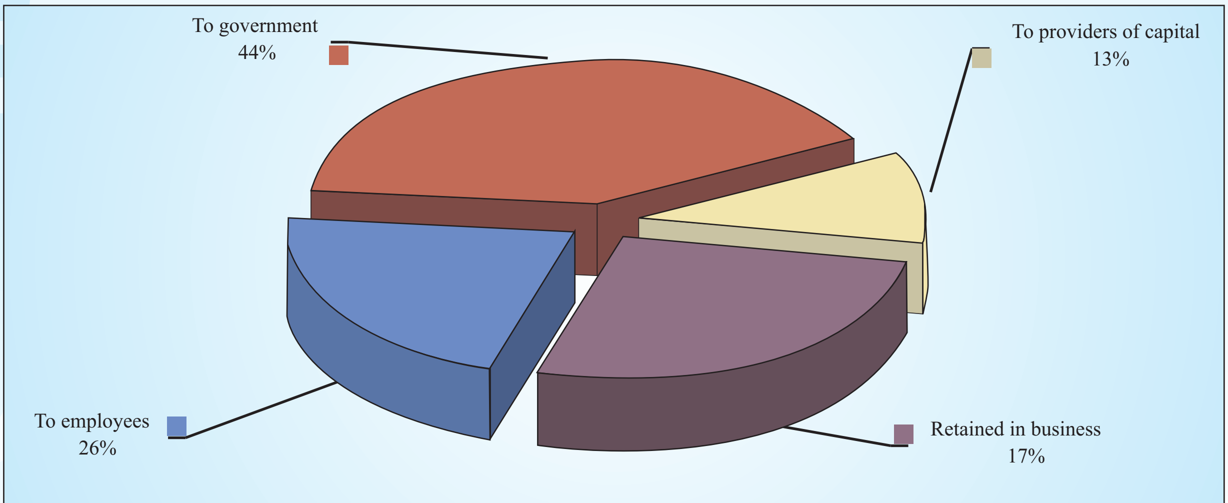
ii) in the event of any member holding less than 20 shares or a number of shares which is not an exact multiple of 20, the fractional entitlements of shares of such members shall be consolidated into whole new shares and the Directors of the Company be and are hereby authorized to arrange sale of the shares constituted thereby in such manner as they may think fit and to pay the proceeds of the sale to such of the members according to their entitlement;

iii) for the purpose of giving effect to the above, the Directors be and are hereby authorized to take all necessary steps in the matter and to settle any question or difficulties that may arise with regard to the distribution of the said new shares as they think fit."

The Directors are interested in the business to the extent of their entitlement of bonus shares as ordinary shareholders.

Statement of Value Added and its Distribution

Particulars	2008 Rs. in 000's	%	2007 Rs. in 000's	%
Value added				
Gross Sales	652,215		673,574	
Material and services	(429,961)		(420,011)	
Other income	1,649		598	
	223,903	100	254,161	100
Distribution				
To employees				
Salaries, wages and other benefits	56,501		52,415	
Workers' profit participation fund	580		2,450	
	57,081	26	54,865	22
To government				
Sales tax & Special Excise Duty	94,497		87,832	
Company taxation	3,854		16,134	
Workers welfare fund	221		931	
	98,572	44	104,897	41
To providers of capital				
Financial charges on borrowed fund	29,395		25,962	
	29,395	13	25,962	10
Retained in business				
Depreciation / impairment	31,903		39,324	
Retained profits	6,952		29,113	
	38,855	17	68,437	27
	223,903	100	254,161	100

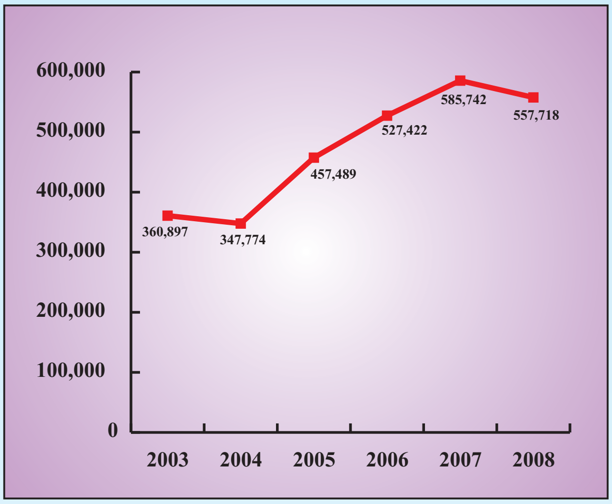


Six Years Key Operating and Financial Data

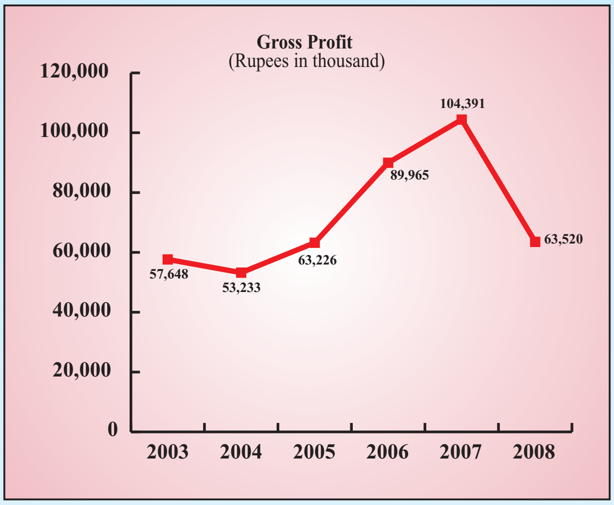
(Rs in 000's)

	2008	2007	2006	2005	2004	2003
Trading results						
Sales	557,718	585,742	527,422	457,489	347,774	360,897
Gross profit	63,520	104,391	89,965	63,226	53,233	57,648
Profit before taxation	10,806	45,248	43,042	31,006	32,597	34,677
Profit after taxation	6,952	29,113	27,526	20,095	21,566	22,450
Dividend						
Cash	0%	0%	35%	35%	35%	35%
Stock	0%	50%	0%	0%	0%	0%
Payout ratio	0%	0%	35%	48%	45%	43%
Financial position						
Total capital employed	586,041	403,403	391,594	377,058	118,534	114,525
Property, plant and equipment	602,370	422,923	393,771	357,736	69,768	73,976
Shareholder equity	154,962	146,260	122,405	101,710	89,660	77,717
Long term liabilities	288,234	118,511	132,221	148,467	22,368	33,429
Deferred taxation	48,628	42,664	37,465	24,586	6,506	3,379
Others						
Number of employees (at year end)	223	201	201	206	205	197
Capital expenditure	218,740	70,789	71,390	190,041	4,380	23,304
Contribution to national exchequer	70,737	46,562	41,851	39,824	27,501	39,216
Ratios						
Gross profit	11.39%	17.82%	17.06%	13.82%	15.31%	15.97%
Profit before taxation	1.94%	7.72%	8.16%	6.78%	9.37%	9.61%
Profit after taxation	1.25%	4.97%	5.22%	4.39%	6.20%	6.22%
Return on equity	4.49%	19.90%	22.49%	19.76%	24.05%	28.89%
Return on capital employed	1.19%	7.22%	7.03%	5.33%	18.19%	19.60%
Current ratio	0.89 : 1	0.80 : 1	0.93 : 1	1.13 : 1	2.59 : 1	1.88 : 1
Debt / equity ratio	59 : 41	40 : 60	44 : 56	46 : 54	29 : 71	40 : 60
Inventory days	82	57	63	50	47	52
Receivable days	23	14	19	20	20	17
Others						
Earning per share - (Rs.)	1.69	7.06	6.67	4.87	5.23	5.44
Break-up value per share (Rs.)	37.57	53.20	44.52	36.99	32.61	28.27
Market Value (Rs.)	90.97	132.90	77.00	58.70	74.00	53.50
Price earning ratio	53.97	18.83	11.54	12.05	14.15	9.83

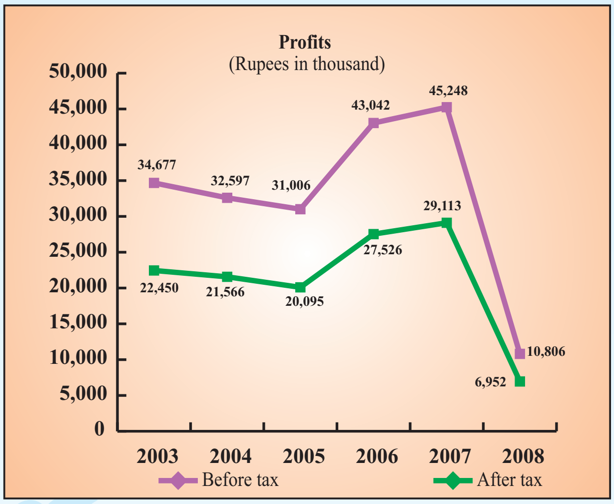
Graphs



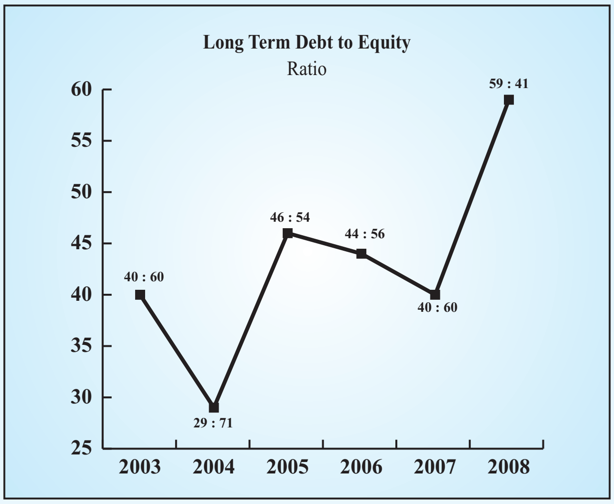
600,000
500,000
400,000
300,000
200,000
100,000
0
360,897
347,774
457,489
527,422
585,742
557,718
2003
2004
2005
2006
2007
2008



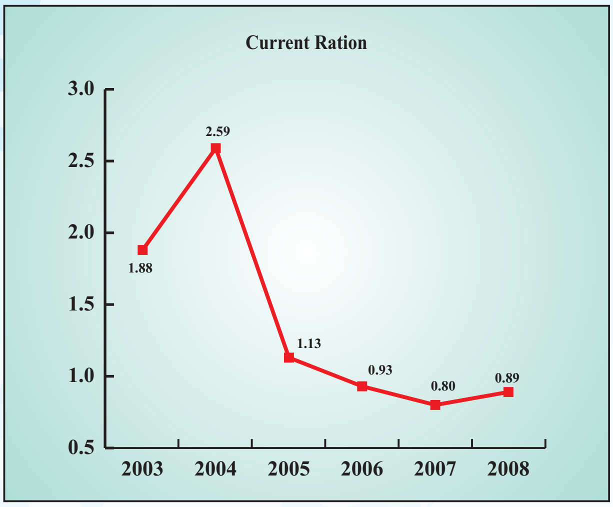
Gross Profit
(Rupees in thousand)
120,000
100,000
80,000
60,000
40,000
20,000
0
57,648
53,233
63,226
89,965
104,391
63,520
2003
2004
2005
2006
2007
2008



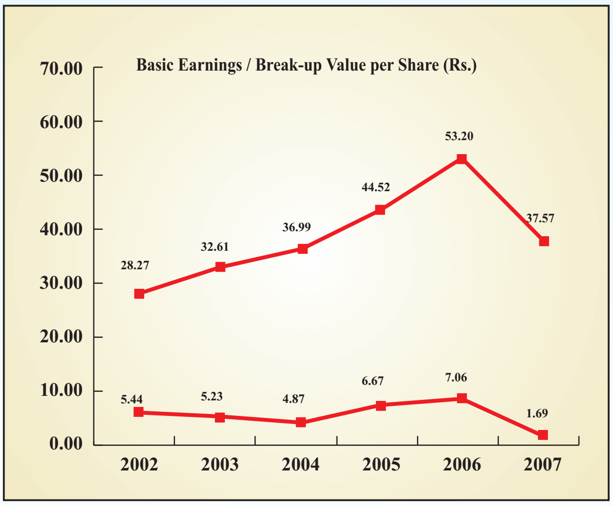
Profits
(Rupees in thousand)
50,000
45,000
40,000
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
34,677
32,597
31,006
43,042
45,248
10,806
22,450
21,566
20,095
27,526
29,113
6,952
2003
2004
2005
2006
2007
2008
Before tax
After tax



Long Term Debt to Equity
Ratio
60
55
50
45
40
35
30
25
40 : 60
29 : 71
46 : 54
44 : 56
40 : 60
59 : 41
2003
2004
2005
2006
2007
2008



Current Ration
3.0
2.5
2.0
1.5
1.0
0.5
1.88
2.59
1.13
0.93
0.80
0.89
2003
2004
2005
2006
2007
2008



Basic Earnings / Break-up Value per Share (Rs.)
70.00
60.00
50.00
40.00
30.00
20.00
10.00
0.00
28.27
32.61
36.99
44.52
53.20
37.57
5.44
5.23
4.87
6.67
7.06
1.69
2002
2003
2004
2005
2006
2007

Directors' Report

The Directors are pleased to present their 28th annual report together with the audited financial statements of the Company for the year ended June 30, 2008.

ECONOMIC OUTLOOK

The economy is witnessing a tough time due to deterioration in key macroeconomic indicators in view of combination of adverse domestic and international developments. Economic growth at 5.8% in 2007-08 is lower than the budget estimates; however Pakistan's economy has grown at an average rate of 7% during the last five years. The growth of this magnitude not only shows its resilience but also provides a source of optimism that through a combination of adjustments and reforms Pakistan can regain the growth momentum.

Power shortages, disturbed law and order situation, huge increase in oil prices, rise in inflation, rapid increase in interest rates, and substantial unfavorable current account balance are some of the major issues which need immediate attention by the government.

BUSINESS REVIEW

The effects of inflation along with an increase in interest and foreign exchange rates also significantly affected the performance of packaging industry as prices of paper & board being our main raw material along with other industrial inputs has increased at a considerable pace during the current year.

FINANCIAL REVIEW

- **Results for the year**

Following are the comparative financial results for the year 2008 with comparative of last year:

	2008	2007
	Rs. in 000's	Rs. in 000's
Net sales	557,718	585,742
Gross profit	63,520	104,391
Profit from operations	40,202	71,209
Profit before tax	10,806	45,247
Profit after tax	6,952	29,113
Earning per share	1.69	7.06

The lower sales and profit are mainly as a result of rationalization of selling prices due to marketing competition, lower orders from one of the major customer whose production was disturbed due to aftermath of late December 2007 unfortunate incident in the country and delay in commencement of new production resources due to foreign erectors delaying their visit to the country in view of law and order situation in the first half of the financial year.

Directors' Report

- **Dividend**

  The Board is pleased to propose a final dividend by way of issue of bonus share @ 15% (2007:50%)

- **Appropriations of profit**

  The appropriation has been approved by the Board of Directors are as follows:

	Rs. in 000's
Un-appropriated profit brought forward (Restated)	2,217
Profit after taxation	6,952
Transfer from surplus on revaluation of fixed assets	1,751
Un-appropriated profit carried forward	10,920
Subsequent Effects	
Proposed final dividend by way of issue of bonus share @ 15% in the proportion of three share for every twenty existing shares held by the members.	6,186
Transfer to general reserve	4,000

INVESTMENTS

The timely investments made for the new production resources and other related Capex will result in increased production and will also allow more flexibility in production capabilities, further lowering down our wastage levels besides simultaneously streamlining our operations.

The board is thankful to the sponsor directors for their support in carrying out these investments

The company with the commissioning of Gravure set up will add versatility and new dimensions to our product portfolio.

CONTRIBUTION TO NATIONAL ECONOMY

In the year under review, the Company has paid Rs. 70.737 million in the form of duties and taxes as compared to Rs. 46.562 million in the last year.

Directors' Report

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The directors are pleased to report that all the necessary steps have been taken to comply with the requirements of the Code of Corporate Governance as required by Securities & Exchange Commission of Pakistan (SECP). A statement to this effect is annexed.

SAFETY, SECURITY, HEALTH AND ENVIRONMENT (SSHE)

Merit Packaging is committed to ensure safety of employees and production facilities. Vigorous internal and external training, where necessary, is meant to control accidents to ensure safety of employees, equipments and wastage of products. In order to provide better working conditions and in compliance with our quality assurance requirements, most of our factory premises has now been fully air conditioned.

HUMAN RESOURCE DEVELOPMENT

Human resource development remains vital for success of operations. Employees are encouraged to participate in training programs, seminars and workshops where they can enhance their capabilities and to allow them cope with the latest technological changes.

SOCIAL RESPONSIBILITY AND CITIZENSHIP

We believe in strictly abiding by our social responsibility and being responsible corporate citizens, we always come forward to extend all out help to fellow citizens whenever needed.

AUDITORS

The present auditor M/s BDO Ebrahim & Co., Chartered Accountants retire and have offered themselves for reappointment. The Audit Committee and the Board of Directors of the Company have endorsed their appointment for shareholders consideration at the forthcoming Annual General Meeting. The external auditors have been given satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The financial statements together with the notes thereon have been drawn up by the management in conformity with the Companies Ordinance, 1984. These Statements present fairly the Company's state of affairs, the results of its operations, cash flow and changes in equity.

- Proper books of accounts of the Company have been maintained by the Company.
- Accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

Directors' Report

- The system of internal controls and other such procedures, which are in place, are being continuously reviewed by the Internal Audit function. The process of review continues as an ongoing process to further strengthen the controls and bring improvements in the system.
- There are no doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance as detailed in the Listing Regulations.
- The summary of financial data for the last six years of the Company.
- Information about taxes and levies is given in the notes to the Financial Statements.

MATERIAL CHANGES

There have been no material changes since June 30, 2008 and the Company has not entered into any commitment, which would affect its financial position at the date.

PATTERN OF SHAREHOLDING

A statement showing the pattern of shareholding of the Company and additional information as at June 30, 2008 is annexed to this report.

The Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, their spouses and minor children did not carry out any transaction in the shares of the Company during the year.

STATEMENT OF ETHICS AND BUSINESS PRACTICES

The Board has adopted the Statement of Ethics and Business Practices to establish standards of conduct for the directors and employees, which has duly been signed by all the directors and employees in acknowledgment of their understanding and acceptance of the code of conduct.

STAFF RETIREMENT BENEFIT FUNDS

The value of investment made by the staff retirement benefit funds based on their respective audited accounts as at December 31, 2007 and June 30, 2008 respectively are as follows:

	Rs. in 000's
Provident Fund	52,166
Gratuity Fund	7,568

Directors' Report

BOARD OF DIRECTORS' MEETINGS AND ATTENDANCE

In 2007-08, the Board of Directors held four (4) meetings on a quarterly basis to review its complete cycle of activities. The attendance record of the Directors is as follows:

Director's name	No. of meetings attended
Mr. Iqbal Ali Lakhani - (Chairman)	1
Mr. Zulfiqar Ali Lakhani	3
Mr. Amin Mohammad Lakhani	3
Mr. Tasleemuddin Ahmed Batlay	4
Mr. A. Aziz H. Ebrahim	4
Mr. Farooq Hasan - (Nominee of National Investment Trust Limited)	3
Mr. Muhammad Asif - (Nominee of National Investment Trust Limited)	4
Mr. Mohammad Shahid - (Managing Director & Chief Executive)	4

Leave of absence was granted to Directors who could not attend some of the Board meetings.

BUSINESS RISKS AND CHALLENGES

The Management has been taking appropriate measures to thwart business risk through the adoption of advanced technology and product diversification.

FUTURE OUTLOOK

The upcoming year poses stiff challenges for the company in the wake of rising costs of production due to extremely high raw material costs as well as other costs directly attributable to energy and general overheads. This is primarily due to high level of inflation prevailing in the economy, a fast depreciating rupee and a sharp increase in interest rates all hampering our ability to optimize our profits through cost minimization.

We are confident that with the investments we have made in last two years we will be able to overcome the challenges faced presently by the business community in the country. Nonetheless government policies to reverse the unprecedented up surge in cost of doing business will have an over-bearing effect on the future of profit margins on 2007-08.

CUSTOMERS AND STAKEHOLDERS

The company gives great importance to all its stakeholders and strives to accommodate their interests in the best possible way. We provide our valued customers with the highest quality packaging material at competitive prices. Accordingly, production facilities are upgraded on a timely basis keeping customers' requirements in mind.

Directors' Report

AUDIT COMMITTEE

An Audit Committee of the Board has been in existence since the enforcement of the Code of Corporate Governance, which presently comprises of four non-executive directors (including its Chairman). During the year, five meetings of the Committee were held. The Committee has its terms of reference which were determined by the Board of Directors in accordance with the guidelines provided in the Listing Regulations.

The accounts of the company and relevant public announcements were reviewed by the Audit Committee before approval by the Board.

ISO CERTIFICATION

The implementation if ISO 9001:2000 system helps the Company to remain efficient and customer focused. The confidence of our costumers has increased due to consistent quality of our products and better service standards.

ERP IMPLEMENTATION

Merit Packaging Limited is adopting various strategies to meet growing business demands, enhance productivity and efficiency. The Company has launched an ERP project to implement Oracle E-Business Suit, which is recognized as one of the most comprehensive ERP solutions in the world. We have completed some of the core modules of Financial and supply Chain and the whole project is expected to be completed in the first half of the financial year 2008-09.

GRATITUDE

We believe that the hard work and sincere efforts of the entire workforce of company has allowed the company to withstand the competitive challenges it continuously faces. The Directors recognize and record appreciation of their work and hope that they would make the coming year even successful.

On behalf of the Board of Directors

IQBAL ALI LAKHANI
Chairman

Karachi: August 26, 2008

BDO

BDO Ebrahim & Co.
Chartered Accountants

2nd Floor, Block-C, Lakson Square Building No. 1
Sarwar Shaheed Road, Karachi-74200, Pakistan.
Telephone :5683030, 5683189, 5683498, 5683703
Telefax :5684239
Email :info@bdoebrahim.com.pk
Website :http://www.bdoebrahim.com.pk

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **MERIT PACKAGING LIMITED** to comply with the Listing Regulations No. 37 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Limited, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2008.

KARACHI

DATED: August 26, 2008

BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the code of Corporate Governance contained in listing regulations of Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The board comprises eight directors, including the CEO, who is the only executive director. The Company encourages representation of independent non-executive directors on its Board including those representing minority interests. There are seven non-executive directors, one of whom is the Chairman whilst two represent the National Investment Trust Limited.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, DFI, or an NBFI. None of the directors of the Company are members of a stock exchange.

4. No casual vacancy occurred in the Board during the year under review.

5. The Company has adopted and circulated a " Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the Company.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates of which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. During the year, four meetings of the Board of Directors were held. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The board has arranged orientation courses for its directors to apprise them of their duties and responsibilities and to brief them regarding the amendments in the Companies Ordinance/Corporate Law.

10. The Chief Financial Officer, Company Secretary and Head of Internal Auditor were appointed after the implementation of Corporate Governance. Remuneration, terms and conditions for these positions have been approved by the Board.

11. The directors' report for this year has been prepared in compliance with the requirement of the Code and fully describes the salient matters required to be disclosed.

Statement of Compliance with the Code of Corporate Governance

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee. It comprises of four members, all of whom are non-executive directors including the Chairman of the committee.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has setup an effective internal audit function managed by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis.

18. The statutory auditors of the Company have confirmed that:

    i. They have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan.

    ii. They or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and

    iii. The firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. We confirm that all other material principles contained in the Code have been complied with.

Karachi: August 26, 2008

IQBAL ALI LAKHANI
Chairman

MOHAMMAD SHAHID
Chief Executive Officer

Pattern of Holding of Shares

held by the shareholders as at June 30, 2008

Number of shareholders	Shareholding From	To		Total number of shares held
159	1	100	shares	8,474
221	101	500	shares	67,811
89	501	1,000	shares	75,796
106	1,001	5,000	shares	244,062
9	5,001	10,000	shares	56,717
4	10,001	15,000	shares	46,900
1	15,001	20,000	shares	16,600
4	20,001	25,000	shares	95,950
3	25,001	30,000	shares	77,348
1	45,001	50,000	shares	46,500
1	270,001	275,000	shares	273,853
1	460,001	465,000	shares	463,375
1	565,001	570,000	shares	568,882
1	590,001	595,000	shares	594,909
1	610,001	615,000	shares	612,807
1	870,001	875,000	shares	874,231
603				4,124,215

Categories of shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	8,705	0.21
Associated Companies, undertakings and related parties	2,180,341	52.87
National Investment Trust Ltd.	1,233,464	29.91
Banks Development Financial Institutions, Non Banking Financial Institutions.	25,000	0.61
Insurance Companies	NIL	–
Modarabas and Mutual Funds	NIL	–
Share holders holding 10%	1,906,488	46.23
General Public		
Local	676,705	16.41
Foreign	NIL	–

Note: Some of the shareholders are reflected in more than one category

Mohammad Shahid
Chief Executive Officer

Details of Pattern of Shareholding as per requirements of Code of Corporate Governance

				Shares held
a)	**Associated Companies, Undertakings and Related Parties**			
	1.	Siza (Pvt) Ltd		273,853
	2.	Siza Services (Pvt) Ltd		568,882
	3.	Siza Commodities (Pvt) Ltd		463,375
	4.	Premier Fashions (Pvt) Ltd		874,231
b)	**NIT**			
	1.	National Investment Trust Limited		25,748
	2.	National Bank of Pakistan, Trustee Deptt.		1,207,716
c)	**Directors, CEO and their spouses and minor children**			
	1.	Mr. Iqbal Ali Lakhani	Director	2,470
	2.	Mr. Zulfiqar Ali Lakhani	Director	750
	3.	Mr. Amin Mohammed Lakhani	Director	2,602
	4.	Mr. Tasleemuddin Ahmed Batlay	Director	750
	5.	Mr. A. Aziz H. Ebrahim	Director	750
	6.	Mr. Mohammad Shahid	Director/CEO	750
	7.	Mrs. Ronak Iqbal Lakhani W/o Mr. Iqbal Ali Lakhani		156
	8.	Mrs. Fatima Lakhani W/o Mr. Zulfiqar Ali Lakhani		237
	9.	Mrs. Saira Amin Lakhani W/o Mr. Amin Mohammed Lakhani		240
	10.	Mr. Farooq Hasan	Nominee of NIT	NIL
	11.	Mr. Muhammad Asif	Nominee of NIT	NIL
d)	**Executives**			NIL
e)	**Public Sector Companies and Corporations**			NIL
f)	**Banks, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Companies, Modaraba and Mutual Funds, [other than those reported at (b)]**			25,000
g)	**Shareholders holding 10% or more [other than those reported at a(2), a(3), a(4) & b(2)]**			NIL
h)	**Individuals and other than those mention above**			676,705
				4,124,215

Financial Statements

for the year ended June 30, 2008

Contents

BDO Ebrahim & Co.
Chartered Accountants

2nd Floor, Block-C, Lakson Square Building No. 1
Sarwar Shaheed Road, Karachi-74200, Pakistan.
Telephone :5683030, 5683189, 5683498, 5683703
Telefax :5684239
Email :info@bdoebrahim.com.pk
Website :http://www.bdoebrahim.com.pk

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **MERIT PACKAGING LIMITED** as at June 30, 2008 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied except for the change as stated in note:2.4.1 or the note to the financial statement with which we concern;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2008 and of the profit, its cash flows and changes in equity for the year then ended; and

d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

KARACHI

DATED: August 26, 2008

CHARTERED ACCOUNTANTS

Balance Sheet
as at June 30, 2008

	Note	2008 Rupees	Restated 2007 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	3	585,072,909	371,255,919
Capital work-in-progress	4	17,297,236	51,666,796
		602,370,145	422,922,715
Intangible assets	5	2,796,214	801,595
Long-term loans	6	545,958	436,754
Long-term deposits and prepayments	7	8,125,653	7,371,168
		613,837,970	431,532,232
CURRENT ASSETS			
Stores and spares	8	27,025,117	19,044,238
Stock-in-trade	9	110,681,409	61,714,496
Trade debts	10	55,750,760	26,755,052
Loans and advances	11	672,906	535,568
Trade deposits and short-term prepayments	12	110,557	2,210,982
Other receivables	13	35,938	345,687
Tax refund due from government	14	11,874,068	–
Taxation - net	15	21,321,458	3,298,480
Cash and bank balances	16	696,211	270,259
		228,168,424	114,174,762
TOTAL ASSETS		842,006,394	545,706,994
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
8,000,000 (2007: 8,000,000) ordinary shares of Rs.10/- each		80,000,000	80,000,000
Issued, subscribed and paid-up capital	17	41,242,150	27,494,770
Reserves	18	113,719,612	118,764,685
		154,961,762	146,259,455
SURPLUS ON REVALUATION OF FIXED ASSETS	19	94,217,223	95,967,736
NON CURRENT LIABILITIES			
Long-term financing	20	245,000,000	75,000,000
Liabilities against assets subject to finance leases	21	43,233,658	43,511,467
Deferred taxation	22	48,627,999	42,664,199
		336,861,657	161,175,666
CURRENT LIABILITIES			
Trade and other payables	23	76,377,274	38,495,348
Financial charges payable	24	9,008,633	3,072,452
Short-term financing	25	96,592,552	57,701,265
Current portion of long-term liabilities	26	73,987,293	43,035,072
		255,965,752	142,304,137
CONTINGENCIES AND COMMITMENTS	27		
TOTAL EQUITY AND LIABILITIES		842,006,394	545,706,994

The annexed notes 1 to 51 form an integral part of these financial statements.

IQBAL ALI LAKHANI
Chairman

MOHAMMAD SHAHID
Chief Executive Officer

Profit and Loss Account
for the year ended June 30, 2008

	Note	2008 Rupees	Restated 2007 Rupees
Sales	28	557,718,038	585,741,789
Cost of sales	29	(494,197,603)	(481,351, 013)
Gross profit		63,520,435	104,390,776
General and administrative expenses	30	(14,921,329)	(17,061,102)
Selling and distribution expenses	31	(7,259,350)	(6,421,248)
Other operating income	32	1,648,607	597,697
Other operating expenses	33	(2,786,772)	(10,296,685)
		(23,318,844)	(33,181,338)
Operating profit		40,201,591	71,209,438
Financial charges	34	(29,395,427)	(25,962,341)
Profit before taxation		10,806,164	45,247,097
Taxation	35	(3,854,372)	(16,133,598)
Profit after taxation		6,951,792	29,113,499
Earnings per share - basic and diluted	37	1.69	7.06

Appropriations have been reflected in the statements of changes in equity.

The annexed notes 1 to 51 form an integral part of these financial statements.

IQBAL ALI LAKHANI
Chairman

MOHAMMAD SHAHID
Chief Executive Officer

Cash Flow Statement
for the year ended June 30, 2008

	Note	2008 Rupees	Restated 2007 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	40	11,781,450	114,648,931
Taxes paid		(16,184,453)	(4,079,731)
Financial charges paid		(23,459,246)	(24,567,945)
Long-term loans		(109,204)	(377,014)
Long-term deposits and prepayments		1,267,515	(1,456,250)
Net (use in)/cash generated from operating activities		(26,703,938)	84,167,991
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(218,740,326)	(70,789,434)
Intangible assets		(1,994,619)	(801,595)
Proceeds from sale of operating fixed assets	3.5	8,300,607	2,886,752
Net cash used in investing activities		(212,434,338)	(68,704,277)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from liabilities against assets subject to finance leases		15,376,100	31,370,690
Proceeds from long term financing		230,000,000	–
Repayments of long-term financing		(30,000,000)	(30,000,000)
Repayments of liabilities against assets subject to finance leases		(14,701,688)	(16,645,076)
Dividend paid		(1,471)	(9,600,764)
Net cash generated from / (used in) financing activities		200,672,941	(24,875,150)
Net decrease in cash and cash equivalents		(38,465,335)	(9,411,436)
Cash and cash equivalents at the beginning of the year		(57,431,006)	(48,019,570)
Cash and cash equivalents at the end of the year		(95,896,341)	(57,431,006)
CASH AND CASH EQUIVALENTS COMPRISE			
Cash and bank balances	16	696,211	270,259
Short-term financing	25	(96,592,552)	(57,701,265)
		(95,896,341)	(57,431,006)

The annexed notes 1 to 51 form an integral part of these financial statements.

IQBAL ALI LAKHANI
Chairman

MOHAMMAD SHAHID
Chief Executive Officer

Statement of Changes in Equity
for the year ended June 30, 2008

	Issued, subscribed and paid-up capital	Reserves			Total
		General reserve	Unappropriated profit	Total	
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at July 1, 2006 as previously reported	27,494,770	64,500,000	30,409,801	94,909,801	122,404,571
Effect of change in accounting policy with respect to capitalization of borrowing cost (note 2.4.1)	—	—	2,444,753	2,444,753	2,444,753
Balance as at July 1, 2006 (restated)	27,494,770	64,500,000	32,854,554	97,354,554	124,849,324
Final dividend for the year ended June 30, 2006	–	–	(9,623,170)	(9,623,170)	(9,623,170)
Net profit for the year ended June 30, 2007	–	–	29,113,499	29,113,499	29,113,499
Transfer from surplus on revaluation of fixed assets (note 19)	–	–	1,919,802	1,919,802	1,919,802
Transfer to general reserve	–	20,000,000	(20,000,000)	–	–
Balance as at June 30, 2007 (restated	27,494,770	84,500,000	34,264,685	118,764,685	146,259,455
Bonus shares issued at the rate of one share for every two shares held	13,747,380	–	(13,747,380)	(13,747,380)	–
Net profit for the year ended June 30, 2008	–	–	6,951,792	6,951,792	6,951,792
Transfer from surplus on revaluation of fixed assets (note 19)	–	–	1,750,513	1,750,513	1,750,513
Transfer to general reserve	–	18,300,000	(18,300,000)	–	–
Balance as at June 30, 2008	41,242,150	102,800,000	10,919,610	113,719,610	154,961,760

The annexed notes 1 to 51 form an integral part of these financial statements.

IQBAL ALI LAKHANI
Chairman

MOHAMMAD SHAHID
Chief Executive Officer

Notes to the Financial Statements
for the year ended June 30, 2008

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards (IAS) / International Financial Reporting Standards (IFRSs) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

Amendments to the following Standards and interpretations have been published that are mandatory to the financial statements of the Company covering accounting periods beginning on or after the following effective date:

IAS 1	Presentation of Financial Statements	Effective from January 01, 2009
IAS 23	Borrowing Costs	Effective from January 01, 2009
IAS 27	Consolidated and Separate Financial Statement	Effective from January 01, 2009
IFRS 3	Business Combinations	Effective from January 01, 2009
IFRS 7	Financial Instruments Disclosures	Effective from April 28, 2008
IFRS 8	Operating Segments	Effective from January 01, 2009
IFRIC12	Service Concession Arrangements	Effective from January 01, 2008
IFRIC13	Customer Loyalty Programs	Effective from July 01, 2008
IFRIC14	The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interactions	Effective from January 01, 2008

Adoption of the above amendments may only impact the extent of disclosures presented in the future financial statements.

Standards, amendments and interpretations effective beginning on or after December 06, 2006.

The new series of standards called "International Financial Reporting Standards" (IFRSs) have been introduced and seven IFRSs have been issued by IASB and out of these, the following four IFRSs have been adopted by the Securities Exchange Commission of Pakistan vide SRO 1228 (1) /2006 dated December 06, 2007 effective for the date of relevant notification.

IFRS - 2 Share based Payments
IFRS - 3 Business Combinations
IFRS - 5 Non-Current Assets held for Sale and Discontinued Operations
IFRS - 6 Exploration for and Evaluation of Mineral Resources.

Notes to the Financial Statements
for the year ended June 30, 2008

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention, except for revaluation of certain property, plant and equipment and recognition of certain employees retirement benefits at present value.

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgements that effect the application of policies and reported amount, of assets and liabilities and income and expenses. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

Judgements and estimates made by the management that may have a significant risk of material adjustments to the financial statements in subsequent years are disclosed in note 36.

2.3 Functional and presentation currency

These financial statements are presented in Pak rupee, which is the functional and presentation currency for the Company and rounded off to the nearest rupee.

2.4 Change in accounting policy and accounting estimates

2.4.1 During the year the Company has changed its accounting policy for treatment of borrowing costs attributable to the acquisition and construction of a qualifying asset. Previously the Company charged the borrowing costs to profit and loss account in the period in which these are incurred. Now in accordance with the allowed alternative treatment of IAS-23 "Borrowing Cost", the Company has capitalized borrowing cost as part of the cost of that asset. This change results in a more appropriate presentation of borrowing costs and the cost of the assets in the Company's financial statements.

The change in accounting policy has been accounted for retrospectively, and the comparative information has been restated. Opening balance of un-appropriated profit for the period prior to July 01, 2006 has been increased by Rs. 2.445 million. The effect of significant changes are tabulated below:

	2008	2007
	Rs. in 000's	Rs. in 000's
Balance Sheet		
Increase in operating fixed assets	10,650	3,385
Increase in capital work in progress	376	-
Increase in reserves	7,167	2,201
Increase in deferred taxation	3,859	1,184
Profit and loss account		
Increase in cost of goods sold	432	376
Decreased in financial charges	8,073	-
Increase/(decrease) in taxation	2,674	(132)

Notes to the Financial Statements
for the year ended June 30, 2008

2.4.2 Effective from current year, the Company has changed the depreciation method from reducing balance to straight line. The Company has reassessed pattern of flow of economic benefits to the enterprise associated with the fixed assets and the remaining useful lives of its operating assets and considers that the net book values of its operating fixed assets as at June 30, 2007 will be more appropriately written-off over the remaining useful lives of the assets under the straight line method. The depreciation rates have also been revised to reflect the useful lives of the assets after the change in the depreciation method.

The above change would result in more accurate allocation of depreciation expenses to the accounting period in which depreciable assets are utilized by the Company. Had this estimate not been revised, the profit for the year and the carrying value of fixed assets would have been lower by Rs. 7.202 million.

2.5 Property, plant and equipment

2.5.1 Owned

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any, except for leasehold land, building on leasehold land and plant and machinery which are stated at revalued amount less accumulated depreciation, if any. Capital work in progress is stated at cost.

Depreciation is charged using the straight line method, whereby the cost or revalued amount of an asset less estimated residual value, if not insignificant, is written off over its estimated useful life at the following annual rates:

Building / improvements on leasehold land	2.50% to 3.33%
Plant and machinery	2.50% to 20%
Furniture and fixtures	3.33% to 20%
Vehicles	3.33% to 25%
Office equipment	3.57% to 20%
Computer equipment	5% to 33.33%
Factory tools and equipment	2.86% to 20%
Electrical installations	3.33% to 4%
Leased plant and machinery	5% to 8.33%

The asset's residual values and useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant. Full month's depreciation is charged on addition, while no depreciation is charged in the month of disposal or deletion of assets.

Incremental depreciation charged for the period on revalued assets is transferred from surplus on revaluation of fixed assets to unappropriated profit during the year.

Maintenance costs and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized when it is probable that respective future economic benefits will flow to the Company and the cost of the item can be measured reliably and the assets so replaced, if any, are retired.

Gains and losses on disposal of property, plant and equipment are taken to the profit and loss account, and the related surplus on revaluation is transferred directly to unappropriated profit.

Notes to the Financial Statements
for the year ended June 30, 2008

2.5.2 Leased

Finance leases

Leases where the Company has substantially all the risk and reward of ownership are classified as finance leases. Assets subject to finance lease are stated at lower of present value of minimum lease payments under the lease agreement and the fair value of leased assets. The related obligations under the lease less financial charges allocated to future period are shown as liabilities.

Depreciation is charged on these assets by applying the reducing balance method at the rate given in note 2.5.1 to the financial statements.

Financial charge is calculated at the rate implicit in the lease.

Operating leases

Lease payments under operating leases (net of any incentives received from the lessor) are charged to profit and loss account on a straight line basis over the respective lease term.

2.5.3 Capital work-in-progress

Capital work-in-progress represents expenditure on property, plant and equipment which are in the course of construction and installation. Transfers are made to relevant property, plant and equipment category as and when assets are available for use. Capital work-in-progress is stated at cost less any identified impairment loss.

2.5.4 Intangible assets

These are stated at cost less accumulated amortization and impairment loss, if any. Amortization is charged to profit and loss account over the useful life of the asset on a systematic basis applying the straight line method.

Software development costs are only capitalized to the extent that future economic benefits are expected to be derived by the Company.

2.6 Stores and spares

Stores and spares are stated at cost which is determined by using weighted average method except for goods in transit and in bond which are valued at cost comprising invoice value plus other charges paid thereon. Adequate provision is made for slow moving and obsolete items.

2.7 Stock-in-trade

Stock in trade are stated at lower of weighted average cost and net realisable value, except for goods in transit and in bond which are stated at cost. Cost of work-in-process and finished goods comprises cost of direct material, labour and appropriate portion of manufacturing overheads. Adequate provision is made for slow moving and obsolete items.

Net realisable value signifies the estimated selling price in the ordinary course of business less cost necessary to be incurred to make the sale.

Notes to the Financial Statements
for the year ended June 30, 2008

2.8 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount being the fair value. Provision is made against debts considered doubtful of recovery whereas debt considered irrecoverable are written off.

2.9 Taxation

2.9.1 Current

Provision for current taxation is the higher of the amount computed on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, and minimum tax computed at the prescribed rate on turnover.

2.9.2 Deferred

Deferred tax is recognized using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets or liabilities in the financial statements and the corresponding tax bases. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

The Company recognizes deferred tax assets / liability on deficit / surplus on revaluation of fixed assets which is adjusted against the related deficit / surplus.

2.10 Surplus on revaluation of fixed assets

Surplus arising on revaluation of fixed assets is transferred to "Surplus on Revaluation of Fixed Assets Account" and amount equal to incremental depreciation charged during the period net of deferred tax effect is transferred to profit and loss account. Impairment loss is adjusted against surplus carried for the impaired assets.

2.11 Borrowings and their cost

Borrowings are initially recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method.

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of that asset.

2.12 Trade and other payables

Liabilities for trade and other amounts payable are stated at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

2.13 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

2.14 Cash and bank balance

Cash in hand and at bank are carried at nominal amounts.

2.15 Impairment losses

The Company assesses at each balance sheet date whether there is any indication that assets other than stores and spares and stock in trade and deferred tax assets may be impaired. If such an indication exists, the recoverable amount of the assets is estimated in order to determine the extent of impairment loss, if any. Where carrying values exceed the estimated recoverable amount, assets are written down to the recoverable amounts and the resulting impairment loss is recognized as expense in the profit and loss account, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease.

The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

2.16 Financial instruments

All the financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. All the financial assets and financial liabilities recognized are initially measured at cost, which is the fair value of the consideration given or received respectively. In subsequent period, these are measured at fair value, amortized cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statement associated with each item. Any gain or loss on recognition / derecognition of the financial assets and financial liabilities is taken to profit and loss account currently.

2.17 Offsetting of financial assets and financial liabilities

Financial asset and financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.18 Foreign currency translation

Transactions in foreign currencies are translated into Pak rupees at the exchange rates prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange differences are recognized in the profit and loss account.

2.19 Employee retirement benefits

2.19.1 Defined benefit plan

The Company operates an approved funded gratuity scheme for all its permanent employees who have attained retirement age or died during service period and have served for the minimum qualification period. Contributions are made to the fund on the basis of actuarial recommendations. The actuarial valuation was carried out at June 30, 2008 using the Projected Unit Credit Method in accordance with IAS-19 "Employee Benefits". The Company's policy with regards to actuarial gains/losses is to follow minimum recommendation approach under IAS-19 (note 39).

2.19.2 Defined contribution plan

The Company operates a recognized provident fund scheme covering all permanent employees. Equal contributions are made to the fund by the Company and the employees in accordance with the rules of the scheme.

2.19.3 Compensated absences

The liability in respect of compensated absences of employees is accounted for in the period in which the absences accrue.

2.20 Revenue recognition

Sales are recorded on dispatch of goods to customers.

Scrap sales are recognized when delivery is made to customers.

Profit on bank deposit and commission on insurance premium is recognized on accrual basis.

2.21 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and balance with banks. Cash and cash equivalents also include bank overdrafts / short term financing that are repayable on demand and form an integral part of the Company's cash management.

2.22 Dividend

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividend is approved.

2.23 Related parties transactions

Transactions with related parties are based at an arm's length price method and the transfer price is determined in accordance with the comparable uncontrolled price method.

Notes to the Financial Statements

for the year ended June 30, 2008

3. OPERATING FIXED ASSETS

3.1 Reconciliation of the carrying amount of operating fixed assets

Description	Leasehold land	Building/ improvements on leasehold land	Plant and machinery	Furniture and fixtures	Vehicles	Office equipment	Computer equipment	Factory tools and equipment	Electrical installation	Leased Plant and machinery	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Net carrying value basis year ended June 30, 2008											
Opening net book value	85,555,550	25,131,013	166,833,566	419,905	3,322,791	497,324	1,015,159	14,773,210	9,331,704	64,375,697	371,255,919
Additions (Cost)	–	25,336,163	190,654,177	86,188	3,247,900	701,498	742,598	12,141,423	4,823,839	15,376,100	253,109,886
Transfer from leased assets to own assets (NBV)	–	–	11,631,559	–	–	–	–	–	–	(11,631,559)	–
Disposals (NBV)	–	–	(7,345,612)	(4,429)	–	(29,001)	–	(10,698)	–	–	(7,389,740)
Depreciation charge	–	(1,937,805)	(20,229,338)	(95,908)	(769,070)	(229,903)	(539,398)	(3,278,656)	(475,923)	(4,347,155)	(31,903,156)
Intertransfer adjustment (NBV)	–	–	–	2,576	194,370	(609)	16,832	(213,169)	–	–	–
Closing net book value	85,555,550	48,529,371	341,544,352	408,332	5,995,991	939,309	1,235,191	23,412,110	13,679,620	63,773,083	585,072,909
Gross carrying value basis year ended June 30, 2008											
Cost / revaluation	85,555,550	68,740,348	424,540,412	981,399	7,922,835	2,205,877	4,557,476	40,101,523	15,967,507	75,246,790	725,819,717
Accumulated depreciation	–	(20,210,977)	(82,996,060)	(573,067)	(1,926,844)	(1,266,568)	(3,322,285)	(16,689,413)	(2,287,887)	(11,473,707)	(140,746,808)
Net book value	85,555,550	48,529,371	341,544,352	408,332	5,995,991	939,309	1,235,191	23,412,110	13,679,620	63,773,083	585,072,909
Net carrying value basis year ended June 30, 2007											
Opening net book value	85,555,550	24,739,783	172,132,780	523,881	969,778	552,015	837,280	16,982,491	8,342,927	54,048,705	364,685,190
Additions (Cost)	–	2,974,293	8,100,262	–	4,443,540	141,970	541,981	2,408,458	1,988,805	31,370,690	51,969,999
Transfer from leased assets to own assets (NBV)	–	–	14,762,250	–	–	–	–	–	–	(14,762,250)	–
Disposals (NBV)	–	–	(1,286,189)	(1,981)	(1,750,225)	(4,881)	(3,933)	(543,816)	–	–	(3,591,025)
Depreciation charge	–	(2,583,063)	(19,533,814)	(101,995)	(340,302)	(191,780)	(360,169)	(4,073,923)	(1,000,028)	(6,281,448)	(34,466,522)
Impairment loss	–	–	(7,341,723)	–	–	–	–	–	–	–	(7,341,723)
Closing net book value	85,555,550	25,131,013	166,833,566	419,905	3,322,791	497,324	1,015,159	14,773,210	9,331,704	64,375,697	371,255,919
Gross carrying value basis year ended June 30, 2007											
Cost / revaluation	85,555,550	43,404,185	249,639,000	927,329	4,212,600	1,752,479	3,768,878	28,827,625	11,143,668	78,970,690	508,202,004
Accumulated depreciation	–	(18,273,172)	(75,463,711)	(507,424)	(889,809)	(1,255,155)	(2,753,719)	(14,054,415)	(1,811,964)	(14,594,993)	(129,604,362)
Accumulated impairment loss	–	–	(7,341,723)	–	–	–	–	–	–	–	(7,341,723)
Net book value	85,555,550	25,131,013	166,833,566	419,905	3,322,791	497,324	1,015,159	14,773,210	9,331,704	64,375,697	371,255,919

	Note	2008 Rupees	2007 Rupees
3.2 The depreciation charge for the year has been allocated as follows:			
Cost of sales	29	30,702,252	33,685,479
General and administrative expenses	30	874,547	632,833
Selling and distribution expenses	31	326,357	148,210
		31,903,156	34,466,522

3.3 The Company has revalued its leasehold land, building/improvement on leasehold land and plant and machinery on September 01, 2004 by an independent valuer M/s. Akbani and Javed Associates on the basis of market value. This revaluation resulted in net surplus of Rs.114.063 million. Revalued assets having revaluation surplus of Rs. 3.965 million (2007: Rs. 2.771 million) have been sold as at balance sheet date.

The incremental value of the leasehold land, building/improvement on leasehold land and plant and machinery so revalued are being depreciated over the remaining useful lives of these assets at the date of revaluation.

Out of the revaluation surplus, an amount of Rs.99.209 million including land remains undepreciated as at June 30, 2008 (2007: Rs.101.902 million).

3.4 Had there been no revaluation, the net book value of the specific classes of property, plant and equipment would have been as follows:

	Net book value	
	2008	2007
	Rupees	Rupees
Leasehold land	608,737	608,737
Building / Improvements on leasehold land	37,005,279	12,753,285
Plant and machinery	338,806,277	158,870,988
	376,420,293	172,233,010

3.5 The following operating assets were disposed off during the year:

Description	Cost/ Revaluation	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyer
	Rupees	Rupees	Rupees	Rupees		
Plant and machinery	2,162,625	1,865,950	296,675	347,826	Negotiation	Zain Traders - Karachi
	1,990,000	1,753,129	236,871	266,087	Negotiation	M.Ayoob Khan - Karachi
	26,366,043	21,258,900	5,107,143	6,235,000	Negotiation	Print Parts and Equipment - Ontario, Canada
	4,334,097	2,629,174	1,704,923	1,391,304	Negotiation	Azad Pakistan Press - Karachi
	34,852,765	27,507,153	7,345,612	8,240,217		
Other assets having book value below Rs. 50,000 each	639,408	595,280	44,128	60,390		
Total - 2008	35,492,173	28,102,433	7,389,740	8,300,607		
Total - 2007	8,813,526	5,222,501	3,591,025	2,886,752		

Notes to the Financial Statements
for the year ended June 30, 2008

4. CAPITAL WORK-IN-PROGRESS

Description	Cost: As at July 01, 2007	Additions during the year	Transferred to operating fixed assets	As at June 30, 2008
	Rupees	Rupees	Rupees	Rupees
Building / improvements on leasehold land	12,348,900	23,917,660	25,336,163	10,930,397
Plant and machinery (Note 4.1)	37,901,808	154,357,619	190,654,177	1,605,250
Factory tools and equipment	1,416,088	10,725,335	12,141,423	–
Electrical installations	–	8,188,112	4,823,839	3,364,273
Advances to suppliers	–	1,397,316	–	1,397,316
Total - 2008	51,666,796	198,586,042	232,955,602	17,297,236
Total - 2007	32,847,361	65,661,943	46,842,508	51,666,796

4.1 Plant and machinery transferred to operating fixed assets includes cost of trial production of Rs. 1.302 million (2007: nil). Breakup of that cost is as follows:

	Rupees
Raw material consumed	1,118,436
Store and spares consumed	9,001
Power and fuel	18,001
Salaries, wages and other benefits	156,600
	1,302,038

	Note	**2008 Rupees**	2007 Rupees
5. INTANGIBLE ASSETS			
Advance for computer software	5.1	1,602,131	801,595
Consultancy		600,000	–
Others		594,083	–
		2,796,214	801,595

5.1 This includes licencing expenditure incurred on acquiring and implementing Enterprise Resource Planning (ERP) software which is in implementation phase as at the balance sheet date.

Notes to the Financial Statements
for the year ended June 30, 2008

	Note	2008 Rupees	2007 Rupees

6. LONG-TERM LOANS

	Note	2008 Rupees	2007 Rupees
(secured - considered good)			
Due from employees	6.1	739,974	619,730
Current portion shown under current asset	11	(194,016)	(182,976)
		545,958	436,754

6.1 These represent interest free loans provided to employees for the purchase of motor vehicles in accordance with the terms of employment and are secured by original registration documents of vehicle and demand promissory notes. The loans are repayable over a period of five years in equal monthly installments. The maximum amount due from the employees calculated with reference to month-end balance was Rs.0.805 million (2007: Rs. 0.726 million).

7. LONG-TERM DEPOSITS AND PREPAYMENTS

	Note	2008 Rupees	2007 Rupees
Deposits			
Security deposits			
Leases		6,755,874	8,009,069
Others		1,369,779	1,367,779
		8,125,653	9,376,848
Less: Current portion shown under current assets	12	–	(2,022,000)
		8,125,653	7,354,848
Prepayments		–	16,320
		8,125,653	7,371,168

8. STORES AND SPARES

	Note	2008 Rupees	2007 Rupees
Store in hand		11,848,021	6,182,277
Spares in hand		17,860,344	15,129,869
		29,708,365	21,312,146
Provision for slow moving and obsolete stores and spares		(2,683,248)	(2,267,908)
		27,025,117	19,044,238

8.1 Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

9. STOCK-IN-TRADE

	Note	2008 Rupees	2007 Rupees
Raw materials			
In hand		88,506,431	42,335,199
In transit		1,617,755	1,593,521
		90,124,186	43,928,720
Packing materials		1,660,953	704,814
		91,785,139	44,633,534
Less: Provision for slow moving and obsolete stock in trade		(937,006)	(582,761)
		90,848,133	44,050,773
Work-in-process		11,434,924	8,894,693
Finished goods		8,398,352	8,769,030
		110,681,409	61,714,496

Notes to the Financial Statements
for the year ended June 30, 2008

	Note	2008 Rupees	2007 Rupees
10. TRADE DEBTS			
(Unsecured - considered good)			
Due from associated undertakings	10.1	3,907,891	921,382
Others		51,842,869	25,833,670
		55,750,760	26,755,052

10.1 This comprises amount receivable from:

		2008 Rupees	2007 Rupees
Century Paper & Board Mills Limited		1,652,166	741,579
GAM Corporation (Private) Limited		497,375	108,560
Siza Foods (Private) Limited		275,187	71,243
Colgate Palmolive (Pakistan Limited		1,483,163	–
		3,907,891	921,382

	Note	2008 Rupees	2007 Rupees
11. LOANS AND ADVANCES			
(Considered good)			
Loans			
Current portion of long-term loans	6	194,016	182,976
Advances			
To suppliers		478,890	339,765
Against import		–	12,827
		478,890	352,592
		672,906	535,568
12. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Trade deposits	7	–	2,022,000
Prepayments		110,557	188,982
		110,557	2,210,982
13. OTHER RECEIVABLES			
(Considered good)			
Due from associated undertakings		1,390	13,679
Due from gratuity fund	39.2	–	331,888
Others		34,548	120
		35,938	345,687
14. TAX REFUND DUE FROM GOVERNMENT			
Special excise duty receivable		1,490,320	–
Sales tax receivables		10,383,748	–
		11,874,068	–

Notes to the Financial Statements
for the year ended June 30, 2008

15. TAXATION - NET

The income tax assessments of the Company have been finalised by the Income Tax Department upto tax year 2007 (accounting year ended June 30, 2007) and adequate provisions have been made in the financial statement for the year ended June 30, 2008 (tax year 2008).

	2008	2007
	Rupees	Rupees

16. CASH AND BANK BALANCES

	2008 Rupees	2007 Rupees
Cash with banks in current accounts	467,515	172,563
Cash in hand	228,696	97,696
	696,211	270,259

17. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Number of ordinary shares of Rs.10/- each 2008	Number of ordinary shares of Rs.10/- each 2007		**2008 Rupees**	2007 Rupees
1,890,000	1,890,000	Fully paid in cash	18,900,000	18,900,000
2,234,215	859,477	Issued as fully paid bonus shares	22,342,150	8,594,770
4,124,215	2,749,477		41,242,150	27,494,770
2,180,341	1,232,985	Shares held by associated undertakings	21,803,410	12,329,850

18. RESERVES

	2008 Rupees	2007 Rupees
Revenue		
General reserve	102,800,000	84,500,000
Unappropriated profit	10,919,612	34,264,686
	113,719,612	118,764,686

	Note	2008 Rupees	2007 Rupees
19. SURPLUS ON REVALUATION OF FIXED ASSETS			
Gross Surplus			
Balance as at July 01,		101,902,077	107,340,208
Adjustment to realisable value on account of impairment of revalued property, plant and equipment during the year - (net of deferred tax)		–	(1,614,982)
Related deferred tax liability		–	(869,606)
		–	(2,484,588)
Transfer to unappropriated profit in respect of disposal of revalued property, plant and equipment during the year - (net of deferred tax)		(775,844)	(388,771)
Related deferred tax liability		(417,762)	(209,339)
		(1,193,606)	(598,110)
Transfer to unappropriated profit in respect of incremental depreciation charged during the year - (net of deferred tax)		(974,669)	(1,531,031)
Related deferred tax liability		(524,822)	(824,402)
		(1,499,491)	(2,355,433)
Surplus on revaluation of fixed assets as at June 30,		99,208,980	101,902,077
Related deferred tax effect:			
Balance as at July 01,		(5,934,341)	(7,837,688)
Revalued property, plant and equipment impaired during the year		–	869,606
Transferred to unappropriated profit in respect of revalued property, plants and equipment disposed during the year		417,762	209,339
Incremental depreciation charged during the year		524,822	824,402
	22	(4,991,757)	(5,934,341)
		94,217,223	95,967,736

19.1 Under the requirements of the Companies Ordinance, 1984 the Company cannot use the surplus, except for setting off the losses arising out of the disposal of the revalued assets, losses arising out of the subsequent revaluation of assets and to set-off any incremental depreciation arising as a result of revaluation.

Notes to the Financial Statements
for the year ended June 30, 2008

	Note	2008 Rupees	2007 Rupees
20. LONG TERM FINANCING			
From banking company - secured			
Morabaha financing	20.1	75,000,000	105,000,000
Less: Current portion shown under current liabilities	26	(30,000,000)	(30,000,000)
		45,000,000	75,000,000
Unsecured			
From sponsor	20.2	230,000,000	–
Less: Current portion shown under current liabilities	26	(30,000,000)	–
		200,000,000	–
		245,000,000	75,000,000

20.1 This facility has been obtained from Faysal Bank Limited amounting to Rs. 150.000 million (2007: Rs. 150.000 million) for purchase of plant and machinery. The rate of mark-up is 1.75% over the three months average rate of Karachi Inter-Bank Offered Rates (KIBOR) payable quarterly. The rate of mark-up on default is 2% per annum over and above the mark-up rates applicable.

The tenure of financing is six years including one year grace period. The finance facility is repayable in twenty equal quarterly installments commencing from March 2006. The purchase price of the facility is Rs.197.503 million.

The finance facility is secured against first pari passu charge on all current and future property, plant and equipment of the Company to the extent of Rs. 200.000 million (incorporating a 25% margin), including equitable mortgage on land and building.

20.2 This facility has been obtained from a sponsor for the purpose of financing capital expenditure of the Company. The rate of mark-up is three months average rate of Karachi Inter-Bank Offered Rates (KIBOR) payable quarterly. The tenure of financing is five year and is repayable in twenty equal installments commencing from July 2008.

21. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

	Note	2008 Rupees	2007 Rupees
Secured			
Balance as July 01		56,546,539	41,820,925
Additions during the year		–	31,370,690
		56,546,539	73,191,615
Payments / adjustments during the year		674,412	(16,645,076)
		57,220,951	56,546,539
Payable within one year shown under current liabilities	26	(13,987,293)	(13,035,072)
		43,233,658	43,511,467

This represents finance leases entered into with financial institutions for plant and machinery. Financing rates ranging from 11.99% to 16.30% (2007: 9.50% to 13.13%) per annum have been used as a discounting factor. At the end of the lease period the ownership of assets shall be transferred to the Company on payment of residual value amounting to Rs.6.756 million (2007: Rs.7.897 million). These facilities are secured by demand promissory notes and security deposits, equal to the residual value of the leased assets.

Notes to the Financial Statements
for the year ended June 30, 2008

The future minimum lease payments to which the Company is committed under the lease agreement and the periods in which they will become due are as follows:

	2008			2007		
	Upto one Year	**One to five Years**	**Total**	Upto one Year	One to five Years	Total
	Rupees	**Rupees**	**Rupees**	Rupees	Rupees	Rupees
Minimum lease payments outstanding				18,698,562	51,861,796	70,560,358
Less: Financial charges not due				(5,663,490)	(8,350,329)	(14,013,819)
Present value of minimum lease payments				13,035,072	43,511,467	56,546,539
Payable within one year shown under current liabilities				(13,035,072)	–	(13,035,072)
				–	43,511,467	43,511,467

	Note	2008 Rupees	2007 Rupees
22. DEFERRED TAXATION			
Deferred taxation is composed of:			
Taxable temporary differences:			
Surplus on revaluation of fixed assets	19		5,934,341
Other taxable temporary differences			43,048,690
Gross deferred tax liabilities			48,983,031
Deductible temporary differences:			
Carried forward tax losses			–
Provision for turnover tax			4,721,998
Provision for slow moving and obsolete items			997,734
Provision for compensated absences			599,100
Gross deferred tax assets			(6,318,832)
			42,664,199
23. TRADE AND OTHER PAYABLES			
Creditors	23.1		30,370,637
Accrued liabilities			3,670,938
Sales tax and special excise duty payable - net			826,726
Workers' profit participation fund	23.2		2,450,226
Workers' welfare fund			931,086
Short term advances			–
Retention money payable			–
Short term deposits			50,601
Unclaimed dividend			129,598
Others			65,536
			38,495,348

23.1 This includes Nil (2007: Rs. 9.601 million) payable in foreign currency equivalent to Pak Rupee.

	Note	2008 Rupees	2007 Rupees
23.2 Workers' profit participation fund balance comprises as follows:			
Balance as at July 01,		2,450,226	2,265,350
Add: Allocation for the year	33	580,353	2,450,226
Interest on funds utilised in the Company's business	34	36,921	29,438
		3,067,500	4,745,014
Less: Amount paid during the year		(2,487,147)	(2,294,788)
		580,353	2,450,226

24. FINANCIAL CHARGES PAYABLE

	Note	2008 Rupees	2007 Rupees
Mark-up accrued on secured:			
Long-term financing		504,411	589,784
Liabilities against assets subject to finance leases		961,989	996,493
Short-term financing		2,756,156	1,486,175
Mark-up accrued on unsecured:			
Long-term financing		4,786,077	–
		9,008,633	3,072,452

25. SHORT-TERM FINANCING

	Note	2008 Rupees	2007 Rupees
From banking companies - secured			
Running finance	25.1	96,592,552	57,701,265

25.1 The Company has short term running finance facilities under mark-up arrangements in aggregate of Rs. 145.000 million (2007: Rs. 145.000 million) from various commercial banks having mark-up at rates ranging from 10.39% to 14.81% (2007: 10.11% to 12.65%) per annum calculated on a daily product basis and payable quarterly. The unutilised balance at the end of the year was Rs. 48.407 million (2007: Rs. 87.299 million).

The Company also has a facility for opening letters of credit under mark-up arrangements as at June 30, 2008 amounting to Rs. 95.000 million (2007: Rs. 225.000 million) from various commercial banks. The unutilised balance at the end of the year was Rs. 68.236million (2007: Rs. 129.915 million).

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

26. CURRENT PORTION OF LONG-TERM LIABILITIES

	Note	2008 Rupees	2007 Rupees
Long-term financing	20	60,000,000	30,000,000
Liabilities against assets subject to finance leases	21	13,987,293	13,035,072
		73,987,293	43,035,072

Notes to the Financial Statements
for the year ended June 30, 2008

27. CONTINGENCIES AND COMMITMENTS

27.1 Contingencies

There is no contingent liability as at the balance sheet date.

27.2 Commitments

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

- Capital expenditure under letters of credit amounted to Rs.26.764 million (2007: Rs. 94.209 million).
- Capital expenditure excluding letters of credit under contractual obligation amounted to Rs.10.704 million (2007: Rs.9.511 million).
- Capital expenditure for intangible asset under contractual obligation amounted to Rs. 1.400 million (2007: Rs.0.802 million).
- Stores, spares and raw materials under letters of credit amounted to Nil (2007: Rs.0.876 million).
- Stores, spares and raw materials under contractual obligation amounted to Rs.1.655 million (2007: Rs.2.842 million).

Notes to the Financial Statements
for the year ended June 30, 2008

	Note	2008 Rupees	Restated 2007 Rupees
28. SALES			
Gross sales		652,214,916	673,573,605
Sales tax		(88,919,757)	(87,831,816)
Special excise duty		(5,577,121)	-
		557,718,038	585,741,789
29. COST OF SALES			
Materials consumed		372,493,360	365,647,102
Salaries, wages and other benefits	29.1	42,049,174	36,387,016
Packing material consumed		8,489,192	7,167,786
Outsource services		3,891,879	809,589
Stores and spares consumed		14,523,332	17,156,960
Power and fuel		14,113,428	12,397,772
Depreciation	3.2	30,702,252	33,685,479
Rent, rates and taxes		329,140	330,881
Repairs and maintenance		4,452,820	5,693,094
Vehicle running expenses		298,062	219,028
Insurance		2,719,648	2,146,963
Lease rentals		61,574	88,268
Printing and stationery		148,329	101,137
Communication charges		275,206	159,499
Traveling and conveyance		1,152,635	600,897
Fees and subscription		149,549	117,215
Other expenses		517,576	421,190
Manufacturing cost		496,367,156	483,129,876
Opening work-in-process		8,894,693	3,593,221
Closing work-in-process		(11,434,924)	(8,894,693)
		(2,540,231)	(5,301,472)
Cost of goods manufactured		493,826,925	477,828,404
Opening stock of finished goods		8,769,030	12,291,639
Closing stock of finished goods		(8,398,352)	(8,769,030)
		370,678	3,522,609
		494,197,603	481,351,013

29.1 Salaries, wages and other benefits include Rs. 2.529 million (2007: Rs. 2.430 million) in respect of staff retirement benefits.

Notes to the Financial Statements
for the year ended June 30, 2008

	Note	2008 Rupees	Restated 2007 Rupees
30. GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries and other benefits	30.1	10,955,563	13,060,140
Repairs and maintenance		157,965	202,975
Vehicle running expenses		748,401	861,768
Insurance		177,976	147,290
Lease rentals		61,573	381,722
Printing and stationery		314,677	263,371
Communication charges		402,733	332,455
Traveling and conveyance		262,582	114,789
Fees and subscription		125,213	60,002
Depreciation	3.2	874,547	632,833
Advertisement		93,610	45,060
Service fee to associated undertakings		365,498	618,852
Electricity charges		21,003	19,743
Rent, rates and taxes		108,129	61,458
Software License Fee		86,736	123,668
Others		165,123	134,976
		14,921,329	17,061,102

30.1 Salaries and other benefits include Rs.0.982 million (2007: Rs.1.470 million) in respect of staff retirement benefits.

	Note	2008 Rupees	Restated 2007 Rupees
31. SELLING AND DISTRIBUTION EXPENSES			
Salaries and other benefits	31.1	3,496,176	2,968,309
Repairs and maintenance		41,571	64,976
Vehicle running expenses		383,568	392,791
Insurance		59,911	36,670
Lease rentals		–	88,393
Printing and stationery		72,852	49,223
Communication charges		231,667	176,641
Traveling and conveyance		250,655	137,136
Cartage outward		2,328,683	2,246,000
Export expenses		–	19,160
Fees and subscription		29,766	–
Depreciation	3.2	326,357	148,210
Advertisement		8,250	71,700
Others		29,894	22,039
		7,259,350	6,421,248

31.1 Salaries and other benefits include Rs.0.366 million (2007: Rs.0.365 million) in respect of staff retirement benefits.

Notes to the Financial Statements
for the year ended June 30, 2008

	Note	2008 Rupees	Restated 2007 Rupees
32. OTHER OPERATING INCOME			
Insurance agency commission from associated undertaking		528,677	355,548
Scrap sales		204,613	160,917
Gain on disposal of operating fixed assets		910,867	–
Export rebate		–	36,534
Creditors written back		4,450	–
Foreign exchange gain		–	39,248
Miscellaneous		–	5,450
		1,648,607	597,697
33. OTHER OPERATING EXPENSES			
Legal and professional		490,271	498,168
Auditors' remuneration:			
Statutory audit		176,000	153,000
Special reports and sundry services		144,175	102,000
Out-of-pocket expenses		71,360	61,595
		391,535	316,595
Commission on sale of machine		325,496	–
Impairment loss		–	4,857,135
Workers' profit participation fund	23.2	580,353	2,450,226
Workers' welfare fund		220,534	931,086
Provision for slow moving and obsolete items		769,585	539,202
Loss on disposal of operating fixed assets		–	704,273
Foreign exchange loss		8,998	–
		2,786,772	10,296,685
34. FINANCIAL CHARGES			
Mark-up / interest on :			
Long-term financing		15,812,857	14,251,177
Lease finances		6,919,618	6,456,527
Short-term financing		6,330,711	4,966,551
Workers' profit participation fund	23.2	36,921	29,438
		29,100,107	25,703,693
Bank charges and commission		295,320	258,648
		29,395,427	25,962,341

Notes to the Financial Statements
for the year ended June 30, 2008

	Note	2008 Rupees	Restated 2007 Rupees
35. TAXATION			
Current - for the year		2,788,590	11,380,820
- for prior years		(176,020)	13,743
		2,612,570	11,394,563
Deferred		1,241,802	4,739,035
	35.1	3,854,372	16,133,598

35.1 Relation between tax expenses and accounting profit is as follows:

	Effective tax rate 2008 Percentage	Effective tax rate (Restated) 2007 Percentage
Applicable tax rate	35.00	35.00
Tax effect of expenses that are not deductible in determining taxable profit	146.94	36.43
Tax effect of expenses that are deductible in determining taxable profit	(545.29)	(34.76)
Tax effect of available tax losses	361.96	(11.56)
Tax effect of turnover tax	24.79	-
Tax effect under presumption tax regime	2.41	0.04
Tax effect of adjustments in respect of prior years	(1.63)	0.03
Net effect of deferred tax liability arising due to taxable temporary differences	11.49	10.47
	0.67	0.65
	35.67	35.65

36. ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company's main accounting policies affecting its result of operations and financial condition are set out in note 2. Judgements and assumptions have been required by the management in applying the Company's accounting policies in many areas. Actual results may differ from estimates calculated using these judgements and assumptions. Key sources of estimation, uncertainty and critical accounting judgements are as follows:

Notes to the Financial Statements
for the year ended June 30, 2008

36.1 Income tax

The Company takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

36.2 Defined benefit plan

Certain actuarial assumptions have been adopted by external professional valuer (as disclosed in note 39) for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

36.3 Property, plant and equipment

The estimates for revalued amounts, if any, of different classes of property, plant and equipment, are based on valuation performed by external professional valuers and recommendation of technical teams of the Company. The said recommendations also include estimates with respect to residual values and depreciable lives. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipments with a corresponding effect on the depreciation charge and impairment.

	2008	Restated 2007
	Rupees	Rupees
37. EARNINGS PER SHARE - BASIC AND DILUTED		
Profit after taxation for the year	6,951,792	29,113,499
Weighted average number of ordinary shares outstanding	4,124,215	4,124,215
Earnings per share - basic and diluted	1.69	7.06

37.1 Earnings per share for the year June 30, 2007 have been restated in accordance with the requirements of International Accounting Standards 33 " Earnings per share" on account of issue of bonus shares.

38. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in their meeting held on August 26, 2008 has proposed bonus shares issue @ 15% (2007: 50%) i.e. in the proportion of three bonus share for every twenty existing shares held and transfer to general reserve from un-appropriated profit of Rs. 4 million (2007: Rs. 18.3 million) subject to the approval of the members at the Annual General Meeting to be held on September 24 , 2008.

Notes to the Financial Statements
for the year ended June 30, 2008

39. DEFINED BENEFIT PLAN

39.1 General description

The scheme provides for terminal benefits for all its permanent employees who qualify for the scheme at varying percentages of last drawn basic salary. The percentage depends on the number of service years with the Company. Annual charge is based on actuarial valuation carried out as at June 30, 2008, using the Projected Unit Credit Method.

39.2 Asset recognised in balance sheet

	Note	**2008** Rupees	2007 Rupees
Fair value of plan assets	39.3	12,087,000	10,716,000
Present value of defined benefit obligation	39.4	(20,677,000)	(18,400,000)
		(8,590,000)	(7,684,000)
Actuarial gains to be recognised for the later period		(1,238,000)	(2,426,000)
Unrecognized non-vested past service cost to be recognised in the later period		9,828,000	10,441,888
Recognised asset	13	–	331,888

39.3 Movement in the fair value of plan assets

	Note	2008	2007
Fair value as at July 01		10,716,000	7,253,000
Expected return on plan assets		1,071,000	508,000
Actuarial (losses) / gains		(950,000)	388,000
Contribution by the employer		1,854,000	2,809,000
Benefits paid		(604,000)	(242,000)
Fair value as at June 30	39.2	12,087,000	10,716,000

39.4 Movement in the defined benefit obligation

	Note	2008	2007
Obligation as at July 01		(18,400,000)	(17,178,000)
Current service cost		(886,000)	(845,000)
Interest cost		(1,840,000)	(1,718,000)
Actuarial losses / (gains)		(155,000)	1,099,000
Benefits paid		604,000	242,000
Obligation as at June 30	39.2	(20,677,000)	(18,400,000)

39.5 Expenses recognised in profit and loss account

	2008	2007
Current service cost	886,000	845,000
Interest cost	1,840,000	1,718,000
Expected return on plan assets	(1,072,000)	(508,000)
Actuarial gains recognised	(84,000)	-
Past service cost non-vested	614,000	614,000
	2,184,000	2,669,000
Actual return on plan assets	122,000	896,000

Notes to the Financial Statements
for the year ended June 30, 2008

39.6 Composition of the fair value of plan assets

	2008		2007	
	Rupees	**Percentage**	Rupees	Percentage
Certificate of investment	3,995,000	33%	3,987,000	37%
Term Finance certificate	558,000	5%	596,000	6%
Mutual fund	3,120,000	26%	3,153,000	29%
Cash with banks	4,414,000	36%	2,980,000	28%
	12,087,000		10,716,000	

	2008	2007
	Percentage	Percentage

39.7 Principal actuarial assumptions

	2008 Percentage	2007 Percentage
Following were the significant actuarial assumptions used in the valuation:		
Discount rate per annum	12%	10%
Expected rate of return on plan assets per annum	12%	10%
Expected rate of increase in salary per annum	11%	9%

	2008	2007	2006	2005	2004
	Rupees	Rupees	Rupees	Rupees	Rupees

39.8 Comparison of five years

	2008 Rupees	2007 Rupees	2006 Rupees	2005 Rupees	2004 Rupees
As at June 30,					
Fair value of plan assets	12,087,000	10,716,000	7,252,000	4,792,000	–
Present value of defined benefit obligation	(20,677,000)	(18,400,000)	(17,178,000)	(16,872,000)	(14,506,000)
Deficit in the plan	(8,590,000)	(7,684,000)	(9,926,000)	(12,080,000)	(14,506,000)
Experience adjustments					
Actuarial (gain) / loss on plan assets	950,000	(388,000)	246,000	–	–
Actuarial (gain) / loss on plan liabilities	155,000	(1,099,000)	(1,595,000)	410,000	936,000

Notes to the Financial Statements
for the year ended June 30, 2008

	Note	2008 Rupees	2007 Rupees
40. CASH GENERATED FROM OPERATIONS			
Profit before taxation		10,806,164	45,247,097
Adjustment for non-cash charges and other items:			
Loss / (gain) on disposal of operating fixed assets		(910,867)	704,273
Financial charges		29,395,427	25,962,341
Depreciation		31,903,156	34,466,522
Impairment loss		–	4,857,135
Provision for slow moving and obsolete items		769,585	539,202
		61,157,301	66,529,473
Profit before working capital changes		71,963,465	111,776,570
Working capital changes	40.1	(60,182,015)	2,872,361
		11,781,450	114,648,931

40.1 Working capital changes

	2008 Rupees	2007 Rupees
(Increase) / decrease in current assets:		
Stores and spares	(8,396,219)	(6,300,388)
Stock-in-trade	(49,321,158)	(5,222,019)
Trade debts	(28,995,708)	(202,914)
Loans and advances	(137,337)	(455,884)
Short term prepayments	78,425	74,736
Other receivables	309,749	(153,367)
Tax refund due from government	(11,874,068)	–
	(98,336,316)	(12,259,836)
Increase / (decrease) in current liabilities:		
Trade and other payables (excluding unclaimed dividend)	38,154,301	15,132,197
	(60,182,015)	2,872,361

Notes to the Financial Statements
for the year ended June 30, 2008

41. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amounts charged in the financial statements for remuneration, including all benefits to chief executive and executives of the Company were as follows:

	2008			2007		
	Chief Executive	**Executives**	**Total**	Chief Executive	Executives	Total
	Rupees	**Rupees**	**Rupees**	Rupees	Rupees	Rupees
Managerial remuneration	1,702,032	2,751,768	4,453,800	1,509,360	4,752,164	6,261,524
House rent	710,940	1,159,440	1,870,380	552,780	1,044,900	1,597,680
Bonus	282,597	454,328	736,925	242,925	457,235	700,160
Retirement benefits	423,960	775,686	1,199,646	402,540	829,929	1,232,469
Motor vehicle expenses	157,058	507,130	664,188	159,932	491,261	651,193
Medical Allowances	169,272	271,452	440,724	145,464	264,830	410,294
Utilities	33,533	–	33,533	21,103	–	21,103
Total	3,479,392	5,919,804	9,399,196	3,034,104	7,840,319	10,874,423
Number of persons	1	5	6	1	4	5

41.1 The chief executive and executives are also provided with free use of Company maintained cars.

41.2 Aggregate amount charged in these financial statements in respect of directors fee is Rs.0.007 million (2007: Rs.0.004 million). No remuneration was paid to any director other than the Chief Executive.

42. 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	**2008** **Rupees**	2007 Rupees
Associated companies	Sales and services of goods (including fixed assets)	21,944,885	386,567,132
	Purchases of goods and services (including fixed assets)	390,930,826	362,889,976
	Rent and allied charges	104,963	546,139
	Insurance agency commission income	528,677	355,548
	Dividend paid	–	1,829,500
	Insurance claim received	40,000	5,450
	Issue of bonus shares (No. of shares)	666,692	–
Sponsor	Long term financing	230,000,000	–
	Markup on long term financing	11,503,477	–
	Issue of bonus shares (no. of shares)	3,408	–
Retirement benefit plans	Contribution towards employees retirement benefits plans	3,877,293	4,264,362
Key management personnel	Compensation in respect of:		
	Short term employee benefits	7,154,144	9,641,954
	Retirement benefits	1,064,542	1,232,469

43. CAPACITY AND PRODUCTION

Printing is a service industry involving the processing of printing material on a mix of different size machines having 1 to 6 colour units. The paper and board used is dependent on the customers' requirements ranging from 38 gsm to 450 gsm of a large variety of products involving several processes during and post printing. Due to many variables and complexities involved, the capacity is not determinable.

44. LIQUIDITY RISK

Liquidity risk is the risk that the Company will be unable to meet its funding requirements, to guard against the risk. The Company has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents. The maturity profile is monitored to ensure adequate liquidity is maintained.

Notes to the Financial Statements
for the year ended June 30, 2008

45. YIELD / MARK-UP RATE RISK

Yield/mark-up rate risk is the risk that the value of the financial instruments will fluctuate due to changes in the market yield/mark-up rates. Sensitivity to yield/mark-up rate risk arises from mismatches of financial assets and financial liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The Company is exposed to yield / mark-up rate risk in respect of the following:

			2008				
			Exposed to yield/mark-up rate risk				Not exposed to yield/ mark-up rate risk
	Effective yield / mark-up rate	Total	Maturity upto one year	Maturity over one year to five years	Maturity over five years	Sub-total	
	%	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Financial assets							
Long-term loans	–	739,974	–	–	–	–	739,974
Long-term deposits	–	8,125,653	–	–	–	–	8,125,653
Trade debts	–	55,750,760	–	–	–	–	55,750,760
Advances	–	478,890	–	–	–	–	478,890
Other receivables	–	35,938	–	–	–	–	35,938
Cash and bank balances	–	696,211	–	–	–	–	696,211
		65,827,426	–	–	–	–	65,827,426
Financial liabilities							
Long–term financing	10.13 - 14.44	305,000,000	60,000,000	245,000,000	–	305,000,000	–
Liabilities against assets subject to finance leases	15.06 - 16.24	57,220,951	13,987,293	43,233,658	–	57,220,951	–
Trade and other payables	26.25	75,791,489	580,353	–	–	580,353	75,211,136
Financial charges payable	10.13 - 16.24	9,008,633	9,008,633	–	–	9,008,633	–
Short-term financing	11.07 - 14.81	96,592,552	96,592,552	–	–	96,592,552	–
		(543,613,625)	(180,168,831)	(288,233,658)	–	(468,402,489)	(75,211,136)
On balance sheet gap		(477,786,199)	(180,168,831)	(288,233,658)	–	(468,402,489)	(9,383,710)
Off balance sheet items							
Financial commitments							
Capital expenditure excluding letters of credit		12,103,888	–	–	–	–	12,103,888
Stores, spare and raw material under contractual obligations		1,655,119	–	–	–	–	1,655,119
		(13,759,007)	–	–	–	–	(13,759,007)
Total gap		(491,545,206)	(180,168,831)	(288,233,658)	–	(468,402,489)	(23,142,717)

Notes to the Financial Statements
for the year ended June 30, 2008

	2007						
			Exposed to yield/mark-up rate risk				Not exposed
	Effective yield / mark-up rate	Total	Maturity upto one year	Maturity over one year to five years	Maturity over five years	Sub-total	to yield/ mark-up rate risk
	%	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Financial assets							
Long-term loans	–	619,730	–	–	–	–	619,730
Long-term deposits	–	9,376,848	–	–	–	–	9,376,848
Trade debts	–	26,755,052	–	–	–	–	26,755,052
Advances–		352,592	–	–	–	–	352,592
Other receivables	–	345,687	–	–	–	–	345,687
Cash and bank balances	–	270,259	–	–	–	–	270,259
		37,720,168	–	–	–	–	37,720,168
Financial liabilities							
Long–term financing	11.39	105,000,000	30,000,000	75,000,000	–	105,000,000	–
Liabilities against assets subject to finance leases	11.36 - 12.93	56,546,539	13,035,072	43,511,467	–	56,546,539	–
Trade and other payables	12.00	37,668,622	2,450,226	–	–	2,450,226	35,218,396
Financial charges payable	11.02 - 12.63	3,072,452	3,072,452	–	–	3,072,452	–
Short-term financing	11.02 - 12.63	57,701,265	57,701,265	–	–	57,701,265	–
		(259,988,878)	(106,259,015)	(118,511,467)	–	(224,770,482)	(35,218,396)
On balance sheet gap		(222,268,710)	(106,259,015)	(118,511,467)	–	(224,770,482)	2,501,772
Off balance sheet items							
Financial commitments							
Capital expenditure excluding letters of credit		10,312,302	–	–	–	–	10,312,302
Stores, spare and raw material under contractual obligations		2,841,821	–	–	–	–	2,841,821
		(13,154,123)	–	–	–	–	(13,154,123)
Total gap		(235,422,833)	(106,259,015)	(118,511,467)	–	(224,770,482)	(10,652,351)

46. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Notes to the Financial Statements
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The Company is exposed to credit risk on loans, deposits, trade debts and others. The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities, where applicable. Details of composition are given below:

	2008			
	Loans and deposits	**Trade debts**	**Others**	**Total**
	Rupees	**Rupees**	**Rupees**	**Rupees**
Cable and electrical goods	–	1,563,121	5,000	1,568,121
Engineering	–	65,748	183,500	249,248
Financial	6,768,374	–	467,515	7,235,889
Food and allied industries	–	24,294,008	–	24,294,008
Fuel and energy	1,349,829	–	3,664	1,353,493
Insurance	–	–	1,390	1,390
Paper and board	–	1,652,166	–	1,652,166
Pharmaceuticals	–	4,873,452	–	4,873,452
Technology and Communication	6,450	–	60,387	66,837
Tobacco	–	18,828,646	–	18,828,646
Textile	–	1,472,327	–	1,472,327
Soap and Detergents	–	2,686,371	–	2,686,371
Others	740,974	314,921	371,444	1,427,339
	8,865,627	55,750,760	1,092,900	65,709,287

	2007			
	Loans and deposits	Trade debts	Others	Total
	Rupees	Rupees	Rupees	Rupees
Cable and electrical goods	–	603,346	–	603,346
Engineering	–	–	349,715	349,715
Financial	8,021,569	–	214,722	8,236,291
Food and allied industries	–	8,513,092	–	8,513,092
Fuel and energy	1,349,829	–	3,075	1,352,904
Insurance	–	–	13,679	13,679
Paper and board	–	785,854	–	785,854
Pharmaceuticals	–	272,634	–	272,634
Technology and Communication	4,450	–	70,187	74,637
Tobacco	–	16,580,126	–	16,580,126
Others	620,730	–	411,939	1,032,669
	9,996,578	26,755,052	1,063,317	37,814,947

Notes to the Financial Statements
for the year ended June 30, 2008

47. FOREIGN EXCHANGE RISK MANAGEMENT

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. In appropriate cases, the management takes out forward contracts to mitigate the risk. On-balance sheet items exposed to foreign currency risk consists of liability as disclosed in note 23.1. Off-balance sheet items exposed to foreign currency risk consist of commitments under letters of credit and contractual obligations as disclosed in note 27.2.

48. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of all financial assets and financial liabilities reflected in the financial statements approximate their fair value. Fair value is determined on the basis of objective evidence at each reporting date.

49. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors on ___________.

50. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison. However, no significant re-arrangement have been made.

51. GENERAL

Figures have been rounded off to the nearest rupee.

IQBAL ALI LAKHANI
Chairman

MOHAMMAD SHAHID
Chief Executive Officer