3655

Annual Report

2009

Merit Packaging Limited
ISO 9001-2000 certified

Contents

Corporate Information

Board of Directors

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

Advisor
Sultan Ali Lakhani

Audit Committee

Iqbal Ali Lakhani	Chairman
Zulfiqar Ali Lakhani	
Tasleemuddin Ahmed Batlay	

Company Secretary
Mansoor Ahmed

Auditors
BDO Ebrahim & Co.
Chartered Accountants

Bankers
Citi Bank N.A.
Deutsche Bank Limited
Faysal Bank Limited
Habib Bank Limited
HSBC Bank Middle East Limited
JS Bank Limited
Oman International Bank S. A. O. G.
Soneri Bank Limited

Shares Registrar
FAMCO Associates (Pvt) Ltd
State Life Building No. 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
Faxes: 021-5683410, 5684336

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

Web Presence
http://www.meritpack.com

Notice of Meeting

NOTICE IS HEREBY GIVEN that the 29th Annual General Meeting of MERIT PACKAGING LIMITED will be held on Friday October 23, 2009 at 11:00 a.m. at Avari Towers Hotel, Fatima Jinnah Road, Karachi to transact the following business:

1. To receive, consider and adopt the audited financial statements for the year ended June 30, 2009 with the Directors' and Auditors' reports thereon.

2. To appoint auditors and fix their remuneration.

By Order of the Board

(MANSOOR AHMED)
Company Secretary

Dated : September 25, 2009

NOTES:

1. The share transfer books of the Company will remain closed from October 17, 2009 to October 23, 2009 both days inclusive. Transfers received in order by the Shares Registrar of the Company M/s. FAMCO Associates (Private) Limited, State Life Building No.1-A, 1st Floor, I.I.Chundrigar Road, Karachi upto October 16, 2009 will be treated in time for the purpose of attendance of Annual General Meeting.

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 at its registered office at Lakson Square, Building No.2, Sarwar Shaheed Road, Karachi not later than forty-eight hours before the time of the meeting.

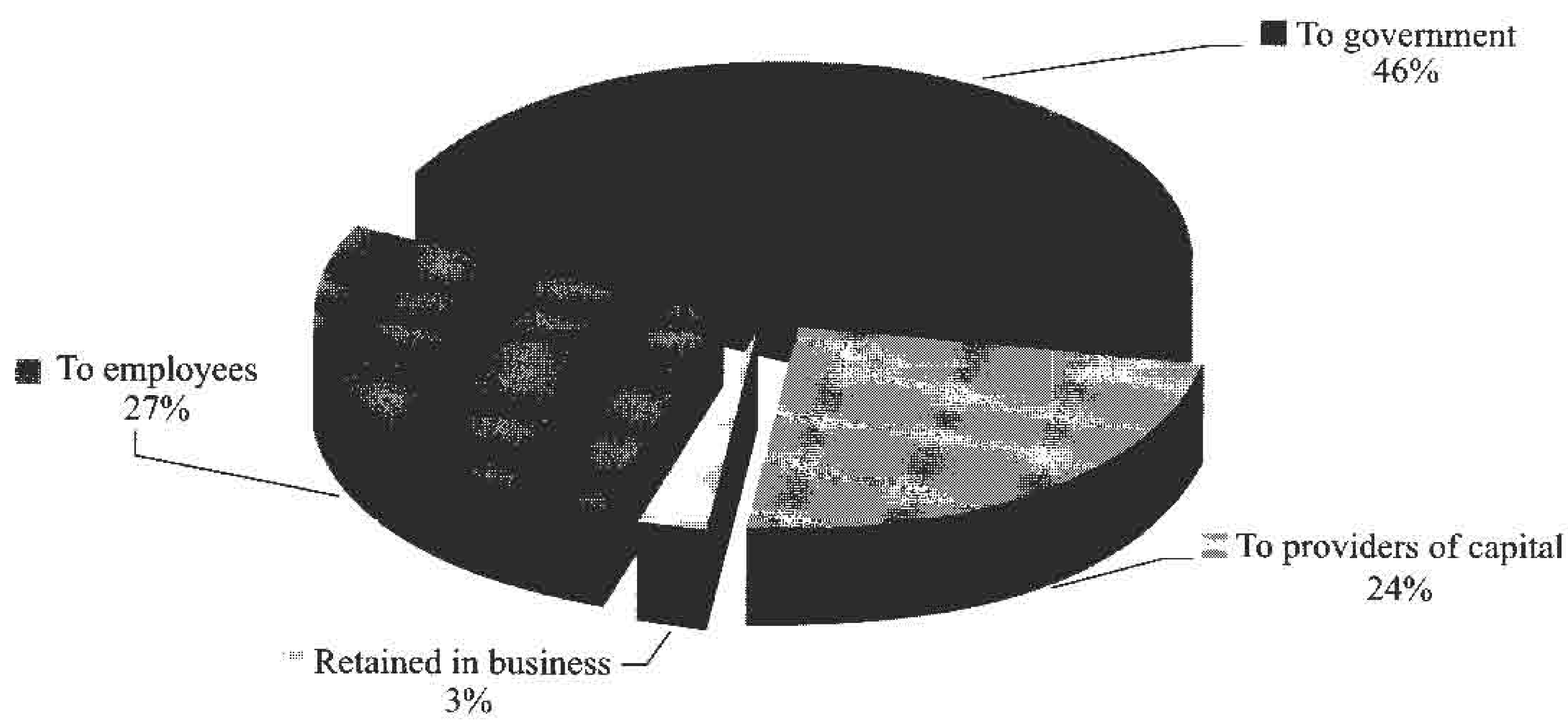
5. Members are requested to notify the Shares Registrar of the Company promptly of any change in their addresses.

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 of Value Added and its Distribution

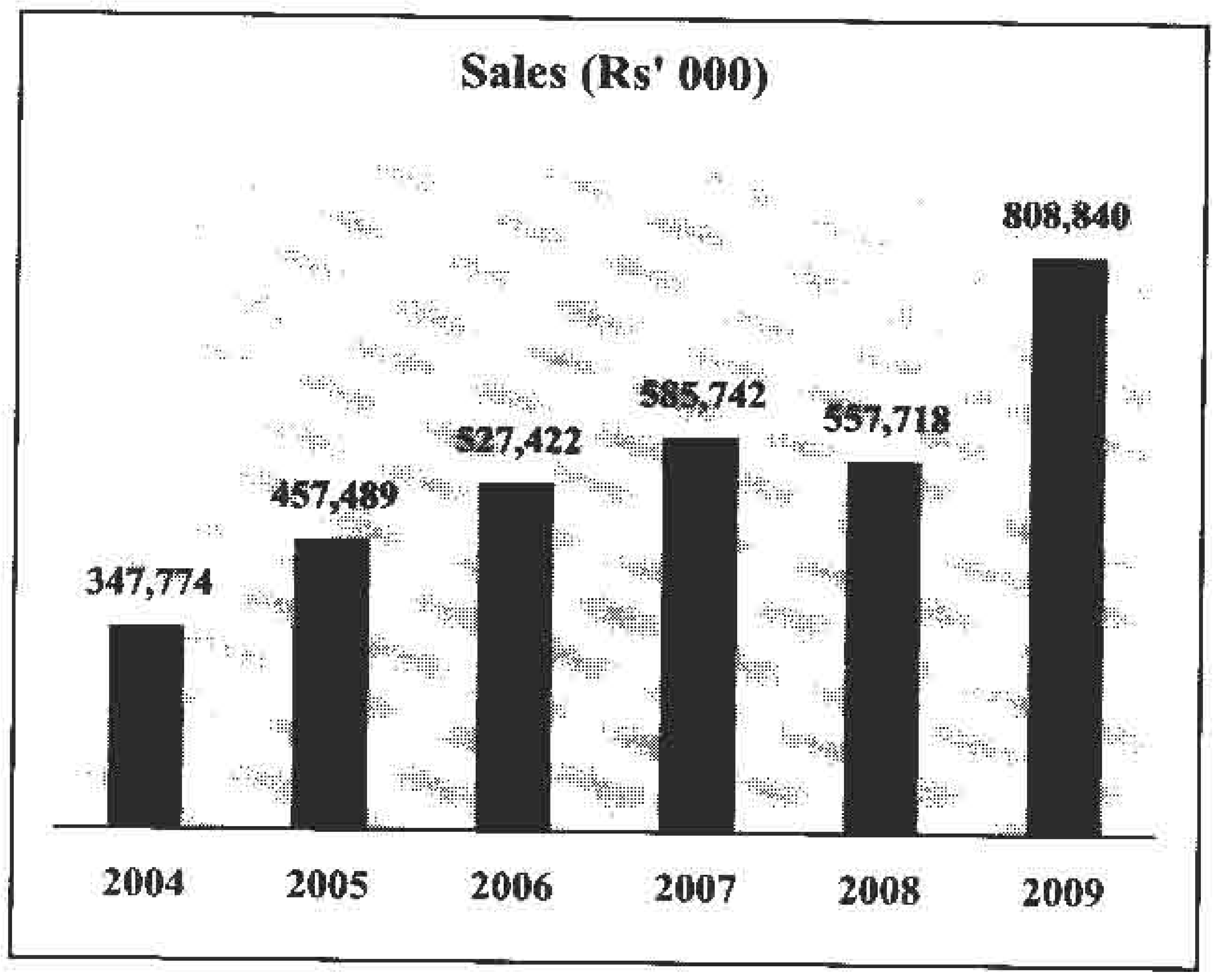
Particulars	2009 Rs. in 000's	%	2008 Rs. in 000's	%
Value added				
Gross Sales	954,726		652,215	
Material and services	(677,783)		(429,837)	
Other income	1,512		1,649	
	278,455	100	224,027	100
Distribution				
To employees				
Salaries, wages and other benefits	76,378		56,625	
Workers' profit participation fund	–		580	
	76,378	27	57,205	26
To government				
Sales tax & Special Excise Duty	145,886		94,497	
Company taxation	(18,872)		3,854	
Workers welfare fund	(5)		221	
	127,009	46	98,572	44
To providers of capital				
Financial charges on borrowed fund	67,605	24	29,395	13
Retained in business				
Depreciation / impairment	44,727		31,903	
Amortisation of intangible assets	82		–	
Retained (loss) / profits	(37,346)		6,952	
	7,463	3	38,855	17
	278,455	100	224,027	100



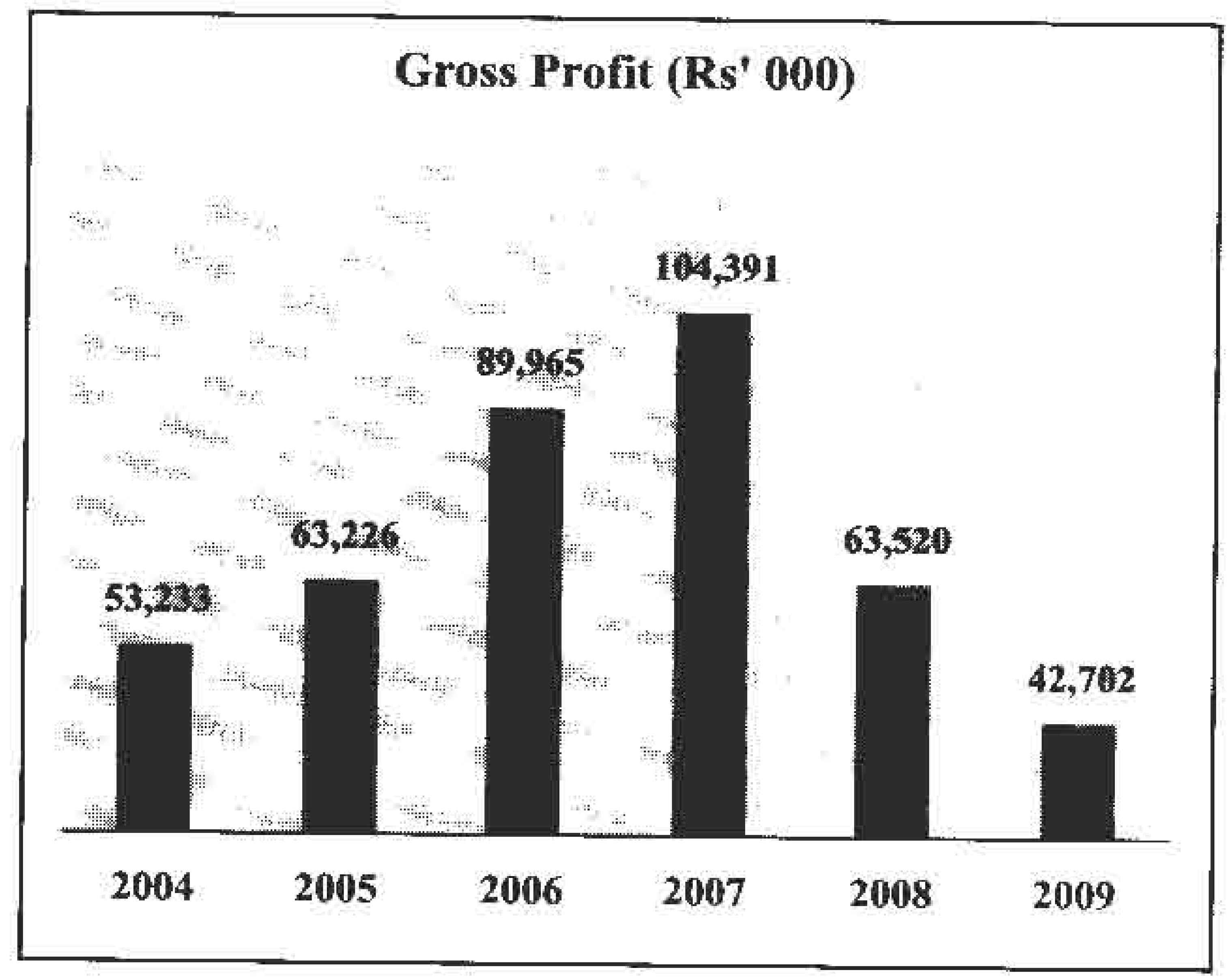
Six Years Key Operating and Financial Data

	Rupees in thousands					
	2009	2008	2007	2006	2005	2004
Trading results						
Sales	**808,840**	557,718	585,742	527,422	457,489	347,774
Gross profit	**42,702**	63,956	104,391	89,965	63,226	53,233
(Loss)/Profit before taxation	**(56,218)**	10,806	45,248	43,042	31,006	32,597
(Loss)/Profit after taxation	**(37,346)**	6,952	29,113	27,526	20,095	21,566
Dividend						
Cash	**0%**	0%	0%	35%	35%	35%
Stock	**0%**	15%	50%	0%	0%	0%
Payout ratio	**0%**	0%	0%	35%	48%	45%
Financial position						
Total capital employed	**638,349**	586,041	403,403	391,594	377,058	118,534
Property, plant and equipment	**685,482**	602,370	422,923	393,771	357,736	69,768
Shareholder equity	**118,639**	154,962	146,260	122,405	101,710	89,660
Long term liabilities	**352,270**	288,234	118,511	132,221	148,467	22,368
Deferred taxation	**30,101**	48,628	42,664	37,465	24,586	6,506
Others						
Number of employees (at year end)	**274**	223	201	201	206	205
Capital expenditure	**84,456**	218,740	70,789	71,390	190,041	4,380
Contribution to national exchequer	**56,178**	70,737	46,562	41,851	39,824	27,501
Ratios						
Gross profit	**5.28%**	11.47%	17.82%	17.06%	13.82%	15.31%
(Loss)/Profit before taxation	**(6.95%)**	1.94%	7.72%	8.16%	6.78%	9.37%
(Loss)/Profit after taxation	**(4.62%)**	1.25%	4.97%	5.22%	4.39%	6.20%
Return on equity	**(31.48%)**	4.49%	19.90%	22.49%	19.76%	24.05%
Return on capital employed	**(5.85%)**	1.19%	7.22%	7.03%	5.33%	18.19%
Current ratio	**0.82 : 1**	0.89 : 1	0.80 : 1	0.93 : 1	1.13 : 1	2.59 : 1
Debt / equity ratio	**61 : 39**	59 : 41	40 : 60	44 : 56	46 : 54	29 : 71
Inventory days	**66**	82	57	63	50	47
Receivable days	**30**	23	14	19	20	20
Others						
Earning per share - (Rs.)	**(7.87)**	1.47	6.14	5.80	4.24	4.55
Break-up value per share (Rs.)	**25.01**	37.57	53.20	44.52	36.99	32.61
Market Value (Rs.)	**26.99**	90.97	132.90	77.00	58.70	74.00
Price earning ratio	**(3.43)**	62.06	21.65	13.27	13.85	16.27

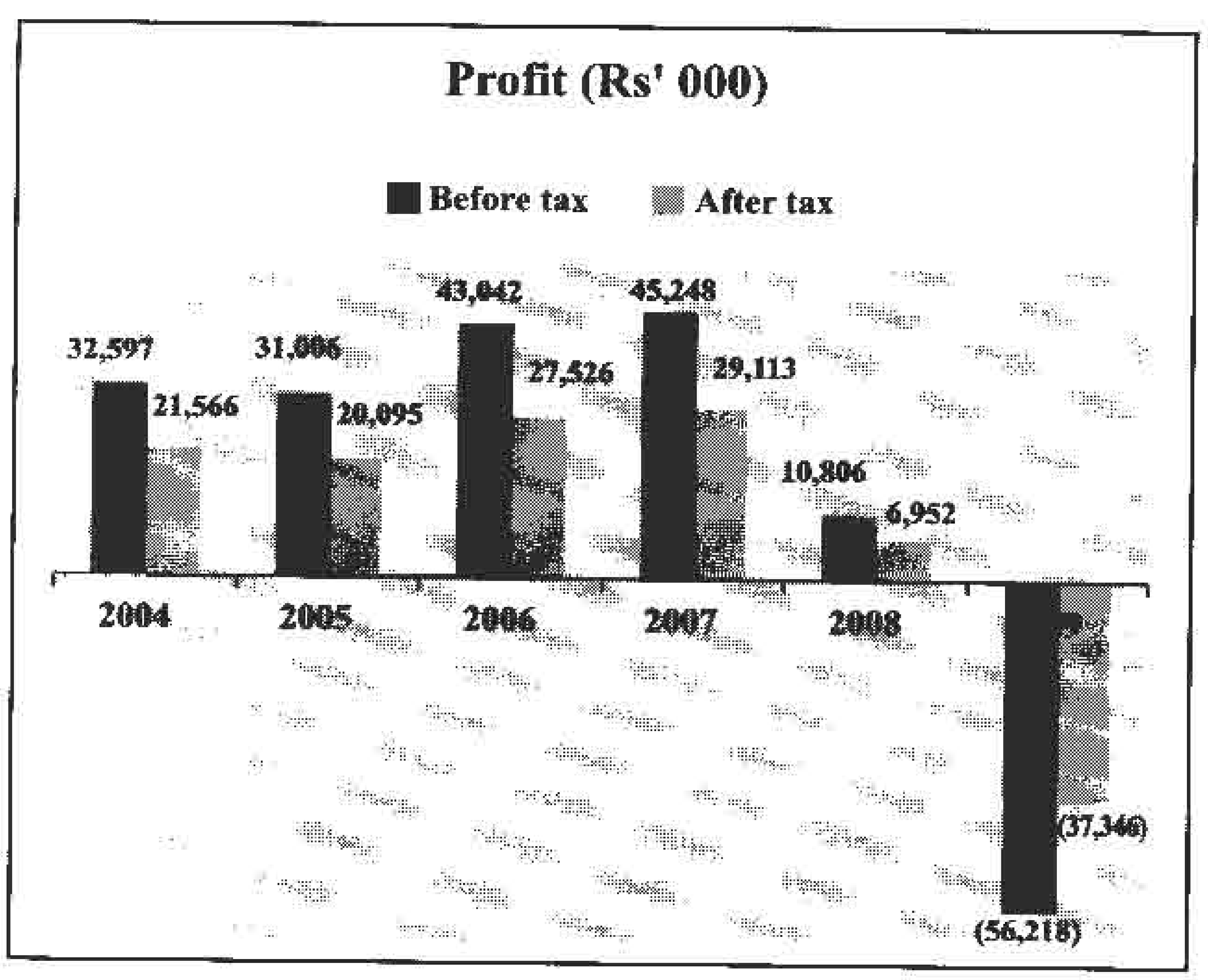
Graphs



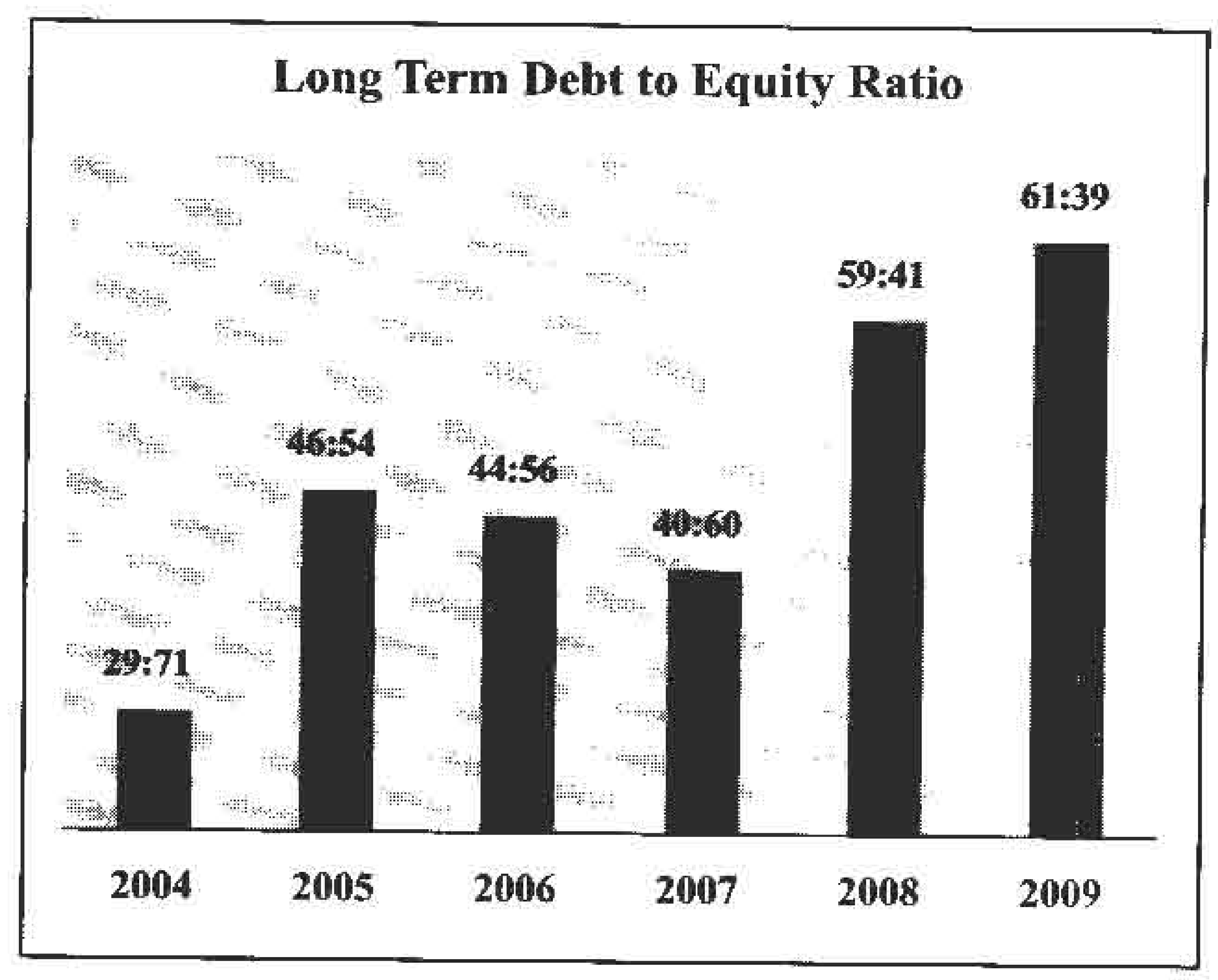
Sales (Rs' 000)
347,774
457,489
527,422
585,742
557,718
808,840
2004
2005
2006
2007
2008
2009



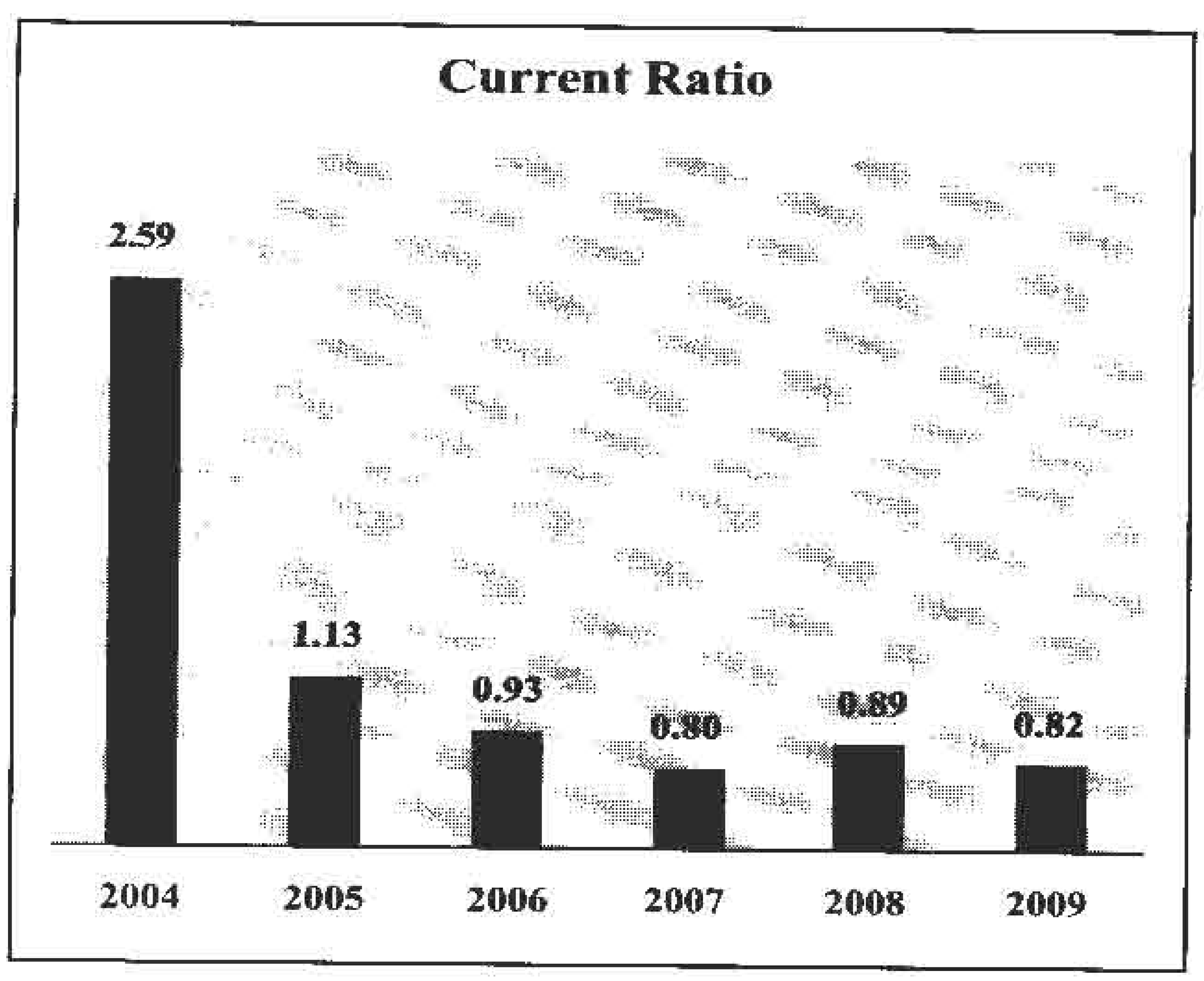
Gross Profit (Rs' 000)
53,233
63,226
89,965
104,391
63,520
42,702
2004
2005
2006
2007
2008
2009



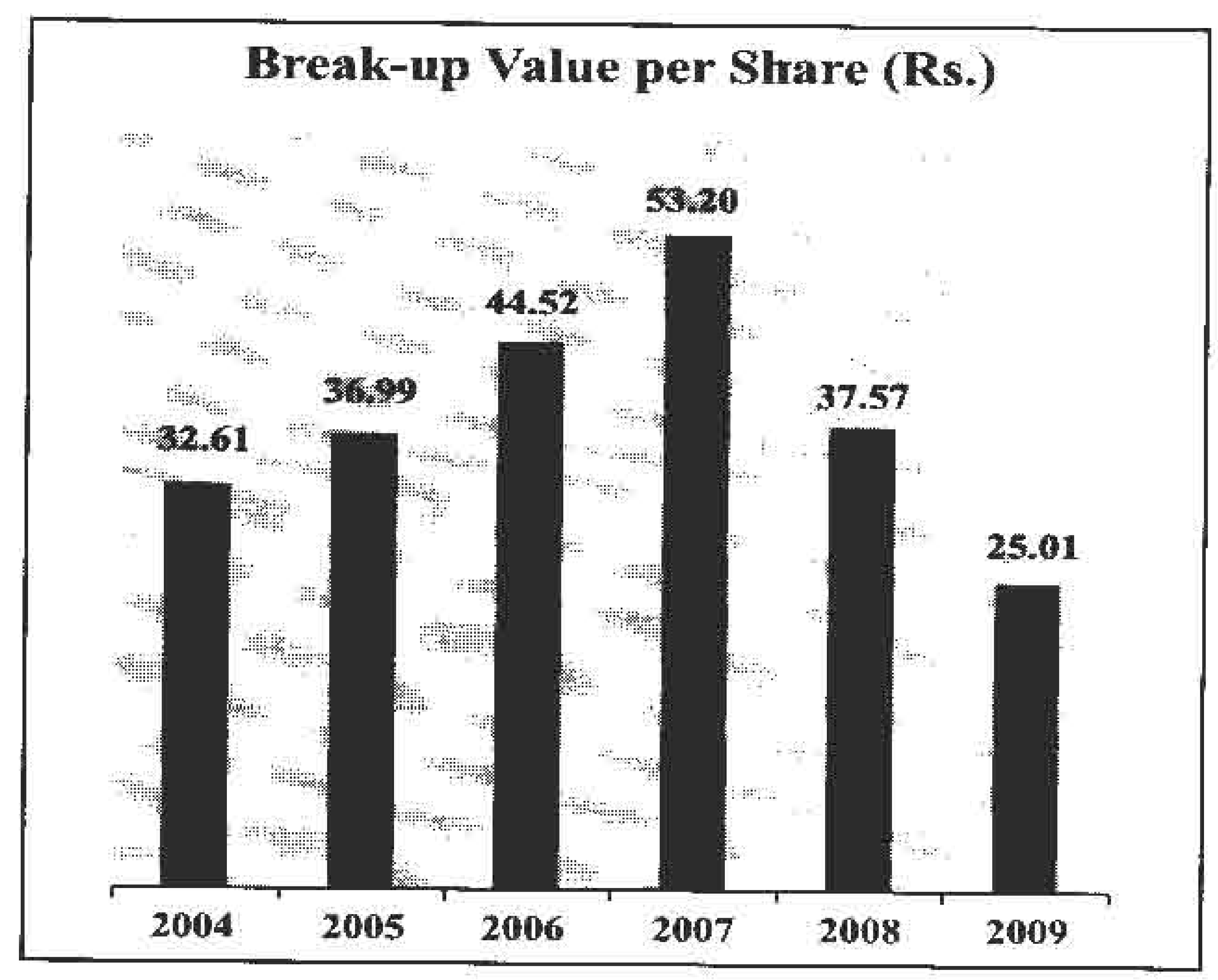
Profit (Rs' 000)
Before tax
After tax
32,597
21,566
31,006
20,095
43,042
27,526
45,248
29,113
10,806
6,952
(37,346)
(56,218)
2004
2005
2006
2007
2008



Long Term Debt to Equity Ratio
29:71
46:54
44:56
40:60
59:41
61:39
2004
2005
2006
2007
2008
2009



Current Ratio
2.59
1.13
0.93
0.80
0.89
0.82
2004
2005
2006
2007
2008
2009



Break-up Value per Share (Rs.)
32.61
36.99
44.52
53.20
37.57
25.01
2004
2005
2006
2007
2008
2009

Directors' Report

The Directors are pleased to present their 29th annual report together with the audited financial statements of the Company for the year ended June 30, 2009.

ECONOMIC OUTLOOK

The year 2008-09 has been full of challenges as the economy failed to achieve the target set for the fiscal year and grew at a modest rate of 2% with manufacturing sector posing a negative rate of 3.3% compared to last year.

THE PRINTING INDUSTRY

Intense competition in the printing & packaging industry has made it difficult to immediately transfer the incremental costs to customers. Costs increased mainly on account of higher raw material prices and escalated overheads. This coupled with sharp depreciation of exchange parity, increased mark-up levels and soaring inflationary pressures significantly hampered the performance of packaging industry.

FINANCIAL PERFORMANCE

- **Results for the year**

	2009	2008
	Rs. in 000's	Rs. in 000's
Net sales	**808,840**	557,718
Gross profit	**42,702**	63,956
Profit from operations	**11,387**	40,202
(Loss)/profit before tax	**(56,218)**	10,806
(Loss)/profit after tax	**(37,346)**	6,952
(Loss)/earning per share	**(7.87)**	1.47

All time high sales resulting from aggressive capacity utilization strategy followed by the company is the salient feature of year 2008-09. This has been a challenging year for your company as it marched towards completion of its Gravure Film Business Unit and operational optimization of its enhanced production capacity. In spite of adverse economic factors, your company has registered the highest ever sales of Rs. 808.84 million representing a 45% increase as compared to last year.

However despite efforts by the management, profit margins remained depressed during the year as our end pricing could not keep up with the significant upsurge in input costs, increasing overheads together with amplified financial charges due to rising markup rates and higher borrowings required for working capital requirements. Recessionary pressures continue to hinder expected demand increase causing difficulties in optimum utilisation of our production capacity. All these factors have culminated in a pretax loss of Rs. 56 million for the year 2008-09 for the first time.

Directors' Report

APPROPRIATIONS

These turbulent times did have a marked impact on our current year financial performance resulting in a net loss after tax of Rs. 37.346 million. The Board of Directors has therefore, proposed a nil dividend for the year ended June 30, 2009 (2008: Dividend - nil : Bonus shares - 15%).

CAPITAL EXPENDITURE

Merit Packaging Limited has been investing on a continuous basis and during the current year capital expenditure stood at Rs. 84 million.

These ongoing investments have enabled the company to improve and increase its production capacity, facilitating greater technical flexibility and streamlining of our operations all of which are expected to result in the materialization of future growth opportunities.

CONTRIBUTION TO NATIONAL ECONOMY

During the year under review, the Company has contributed Rs. 56.178 million in the form of duties and taxes to the National Exchequer as compared to Rs. 70.737 million in the last year.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance as required by Securities & Exchange Commission of Pakistan (SECP), relevant for the year ended June 30, 2009 have been adopted and duly complied by the Company. A statement to this effect is annexed.

SAFETY, SECURITY, HEALTH AND ENVIRONMENT (SSHE)

Merit Packaging Limited continues to demonstrate its strong commitment to all aspects of safety, security, health and environment concerned with our day to day business operations. In order to provide better working conditions and in compliance with our quality assurance requirements, the top management regularly reviews and provides policy guidelines to all business units.

HUMAN RESOURCE DEVELOPMENT

A comprehensive training programme is drawn out every year to develop and improve skills of our employees through in-house, external and abroad training programmes. Merit Packaging Limited is, thus investing both in physical and human capital to enable the Company to achieve a competitive advantage necessary to survive in the current business environment.

Directors' Report

AUDITORS

The present auditor M/s BDO Ebrahim & Co., Chartered Accountants retire and being eligible, have offered themselves for reappointment for the year ended June 30, 2010. 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 and the firm is fully compliant with International Federation of Accountants (IFAC) guidelines on code of ethics, as adopted by ICAP.

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.
- 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, 2009 and the Company has not entered into any commitment, which would affect its financial position at the date except for those mentioned in the audited financial statements for the year.

Directors' Report

PATTERN OF SHAREHOLDING

A statement showing the pattern of shareholding of the Company and additional information as at June 30, 2009, whose disclosure is required under the reporting framework, 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

Performance with integrity is pivotal to operating at Merit Packaging Limited. The Board of Directors has adopted the Statement of Ethics and Business Practices to establish standards of conduct for the directors and employees. This has 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, 2008 and June 30, 2009 respectively are as follows:

	Rs. in 000's
Provident Fund	44,950
Gratuity Fund	7,790

BOARD OF DIRECTORS

The election of Board of Directors for a fresh term of three years took place on May 04, 2009. Nominee of National Investment Trust Limited Mr. Farooq Hasan retired. In his place, Mr. Kaleem Uddeen Ahmad was nominated on the Board of Director by the National Investment Trust Limited. The Board wishes to place on record the valuable contribution made by the outgoing Director Mr. Farooq Hassan and welcomes the new Director Mr. Kaleem Uddeen Ahmad on the Board of the Company.

In 2008-09, 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:

Directors' Report

Director's name	No. of meetings attended
Mr. Iqbal Ali Lakhani	3
Mr. Zulfiqar Ali Lakhani	3
Mr. Amin Mohammad Lakhani	3
Mr. Tasleemuddin Ahmed Batlay	3
Mr. A. Aziz H. Ebrahim	4
Mr. Mohammad Shahid	4
Mr. Farooq Hasan (Nominee of National Investment Trust Limited- retired on May 04, 2009)	4
Mr. Muhammad Asif (Nominee of National Investment Trust Limited)	2
Mr. Kaleem Uddeen Ahmad (Nominee of National Investment Trust Limited- elected on May 04, 2009)	-

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

BUSINESS RISKS AND CHALLENGES

The Management continues to make untiring efforts and take appropriate measures to thwart business risks through the adoption of advanced technology and product diversification.

FUTURE OUTLOOK

Several steps have been taken in order to overcome the losses encountered in the year under review. The Marketing department has been adequately revamped to utilize our enhanced capacity and our budgeted sales for 2009-10 are expected to increase by 30% to 40%. We are focusing our efforts towards optimum utilization of working capital facilities by rationalizing stock levels to minimize borrowing and financial costs. Having taken these steps we continue to have a long-term optimistic outlook and expect that the year 2009-10 would allow your company to recapture its strong financial and operational performance.

AUDIT COMMITTEE

Pursuant to the Election of Directors held on May 04, 2009, the Audit Committee has been re-constituted. The Audit Committee comprises of three non-executive directors (including its Chairman). The terms of reference of the Committee have been determined by the Board of Directors in accordance with the guidelines provided in the Listing Regulations and advised to the Committee for the compliance. The Committee held five meetings during the year. The accounts of the company and relevant public announcements were reviewed by the Audit Committee before approval by the Board.

Directors' Report

ISO CERTIFICATION

The implementation of 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

The Company has successfully implemented Financials and supply chain modules of Oracle E-Business Suit, which is recognized as one of the most comprehensive ERP solutions in the world. All the Modules are running satisfactorily. The adoption of this Suit will enable Merit Packaging Limited to meet growing business demands, enhance productivity and efficiency. The integrated system has resulted in achieving an end-to-end view across Company's lines of business with consistent financial and operational information.

GRATITUDE

The Directors recognize and record appreciation of the sincere efforts of our entire workforce, as well as customers and shareholders. Merit Packaging Limited values it customers and aims to meet their needs. We would also like to extend our gratitude to the financial institutions and our stakeholders, who play a vital role in the success of the Company. We look forward to meeting their expectations to the best of our abilities and making the upcoming year even successful.

On behalf of the Board of Directors

IQBAL ALI LAKHANI
Chairman

Karachi: September 25, 2009

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 Regulation 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 the 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub-regulation (xiii) of Listing Regulation 37 notified by The Karachi Stock Exchange (Guarantee) Limited vide Circular KSE/-269 dated January 19, 2009 requires the company to place before the board of directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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, 2009.

KARACHI

DATED: September 25, 2009

BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS
Engagement Partner: Qasim E. Causer

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance.

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

1. The Company encourages representation of independent non-executive directors on its Board of Directors including those representing minority interests. At present the Board includes eight directors, including the CEO, who is the only executive director whilst two represent the National Investment Trust Limited (NIT). The Election of the Directors was held on May 04, 2009 in which Mr. Kaleem Uddeen Ahmad had been elected as a nominee director of NIT in place of Mr. Farooq Hassan.

2. The directors of the Company 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 alongwith the dates on 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 have been taken by the Board including appointment, determination of remuneration and terms and conditions of employment of Chief Executive Officer (CEO).

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 in time.

9. The Board ensures arrangement of orientation courses for its directors to apprise them of their duties and responsibilities and to keep them informed of enforcement of new laws, rules and regulations and amendments thereof.

10. The Board has approved the appointment of the CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment. There was no new appointment of CFO, Company Secretary and Head of Internal Audit during the year.

11. The Directors' report for the year ended June 30, 2009 has been prepared in compliance with the requirements 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. All material information as required under the relevant rules, has been provided to the Stock Exchange and to the Securities and Exchange Commission of Pakistan within the prescribed time limit.

14. 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.

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

16. The Board has formed an audit committee. It comprises of three members, all of them are non-executive directors.

17. 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.

18. The Board has set-up 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.

19. 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.

20. 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.

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

Karachi: September 25, 2009

IQBAL ALI LAKHANI
Chairman

MOHAMMAD SHAHID
Chief Executive Officer

Pattern of Holding of Shares

held by the shareholders as at June 30, 2009

Incorporation No. K-206/5831/ CUIN No. 0007464

Number of shareholders	Shareholding From	To		Total number of shares held
160	1	100	shares	6,692
230	101	500	shares	61,109
105	501	1,000	shares	76,465
143	1,001	5,000	shares	288,604
16	5,001	10,000	shares	93,482
7	10,001	15,000	shares	92,210
3	15,001	20,000	shares	52,590
4	25,001	30,000	shares	111,202
2	30,001	35,000	shares	64,230
1	310,001	315,000	shares	314,930
1	530,001	535,000	shares	532,881
1	650,001	655,000	shares	654,214
1	680,001	685,000	shares	684,145
1	700,001	705,000	shares	704,728
1	1,005,001	1,010,000	shares	1,005,365
676				4,742,847

Categories of shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	10,007	0.21
Associated Companies, undertakings and related parties	2,509,295	52.91
National Investment Trust Ltd. & National Bank of Pakistan - Trustee Deptt.	1,418,483	29.91
Banks Development Financial Institutions, Non Banking Financial Institutions.	345	–
Insurance Companies	NIL	–
Modarabas and Mutual Funds	NIL	–
Share holders holding 10%	3,581,333	75.51
General Public		
Local	804,717	16.97
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		314,930
2.	Siza Services (Pvt) Ltd		654,214
3.	Siza Commodities (Pvt) Ltd		532,881
4.	Premier Fashions (Pvt) Ltd		1,005,365
5.	Mrs. Gulbanoo Lakhani		172
6.	Mr. Sultan Ali Lakhani		241
7.	Mrs. Shaista Sultan Ali Lakhani		334
8.	Mr. Babar Ali Lakhani		296
9.	Mr. Bilal Ali Lakhani		234
10.	Mr. Danish Ali Lakhani		359
11.	Miss Sanam Iqbal Lakhani		35
12.	Miss Misha Lakhani		234
b)	**NIT**		
1.	National Investment Trust Limited		29,610
2.	National Bank of Pakistan, Trustee Deptt.		1,388,873
c)	**Directors, CEO and their spouses and minor children**		
1.	Mr. Iqbal Ali Lakhani	Director	2,840
2.	Mr. Zulfiqar Ali Lakhani	Director	862
3.	Mr. Amin Mohammed Lakhani	Director	2,992
4.	Mr. Tasleemuddin Ahmed Batlay	Director	862
5.	Mr. A. Aziz H. Ebrahim	Director	862
6.	Mr. Mohammad Shahid	Director & Chief Executive	862
7.	Mrs. Ronak Iqbal Lakhani W/o Iqbal Ali Lakhani		179
8.	Mrs. Fatima Lakhani W/o Zulfiqar Ali Lakhani		272
9.	Mrs. Saira Amin Lakhani W/o Amin Mohammed Lakhani		276
10.	Mr. Muhammad Asif	Nominee of NIT	NIL
11.	Mr. Kaleem Uddeen Ahmad	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)]**		345
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 mentioned above**		804,717
			4,742,847

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

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **MERIT PACKAGING LIMITED** as at June 30, 2009 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;

   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, 2009 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.

KARACHI

DATED: September 25, 2009

CHARTERED ACCOUNTANTS

Balance Sheet
as at June 30, 2009

	Note	2009 Rupees	2008 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	5	682,914,732	585,072,909
Capital work-in-progress	6	2,567,442	17,297,236
		685,482,174	602,370,145
Intangible assets	7	4,824,053	2,796,214
Long-term loans	8	175,942	545,958
Long-term deposits	9	9,378,653	8,125,653
		699,860,822	613,837,970
CURRENT ASSETS			
Stores and spares	10	28,901,357	27,025,117
Stock-in-trade	11	111,183,404	110,681,409
Trade debts	12	100,766,565	55,750,760
Loans and advances	13	2,270,752	672,906
Short-term prepayments		94,007	110,557
Other receivables	14	748,593	35,938
Tax refund due from government	15	12,079,003	11,874,068
Taxation - net	16	25,935,239	21,321,458
Cash and bank balances	17	582,574	696,211
		282,561,494	228,168,424
TOTAL ASSETS		982,422,316	842,006,394
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
8,000,000 (2008: 8,000,000) ordinary shares of Rs.10/- each		80,000,000	80,000,000
Issued, subscribed and paid-up capital	18	47,428,470	41,242,150
Reserves	19	71,210,313	113,719,610
		118,638,783	154,961,760
SURPLUS ON REVALUATION OF FIXED ASSETS	20	137,338,504	94,217,223
NON-CURRENT LIABILITIES			
Long-term financing	21	325,000,000	245,000,000
Liabilities against assets subject to finance leases	22	27,270,040	43,233,658
Deferred taxation	23	30,101,206	48,627,999
		382,371,246	336,861,657
CURRENT LIABILITIES			
Trade and other payables	24	55,447,885	76,377,276
Financial charges payable	25	14,312,243	9,008,633
Short-term financing	26	228,180,186	96,592,552
Current portion of long-term liabilities	27	46,133,469	73,987,293
		344,073,783	255,965,754
CONTINGENCIES AND COMMITMENTS	28		
TOTAL EQUITY AND LIABILITIES		982,422,316	842,006,394

Note: The annexed notes 1 to 50 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, 2009

	Note	2009 Rupees	2008 Rupees
Sales - net	29	808,840,065	557,718,038
Cost of sales	30	(766,138,538)	(493,761,707)
Gross profit		42,701,527	63,956,331
General and administrative expenses	31	(20,244,495)	(16,119,810)
Selling and distribution expenses	32	(11,287,162)	(7,259,350)
Other operating income	33	1,512,230	1,648,607
Other operating expenses	34	(1,294,641)	(2,024,187)
		(31,314,068)	(23,754,740)
Operating profit		11,387,459	40,201,591
Financial charges	35	(67,605,099)	(29,395,427)
(Loss)/profit before taxation		(56,217,640)	10,806,164
Taxation	36	18,871,630	(3,854,372)
(Loss)/profit after taxation		(37,346,010)	6,951,792
(Loss)/earnings per share - basic and diluted	37	(7.87)	1.47

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

Note: The annexed notes 1 to 50 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, 2009

	Note	2009 Rupees	2008 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in)/generated from operations	40	(14,387,013)	11,781,450
Taxes paid		(5,220,065)	(16,184,453)
Financial charges paid		(62,301,490)	(23,459,246)
Long-term loans		370,016	(109,204)
Long-term deposits		(1,253,000)	1,267,515
Net cash used in operating activities		(82,791,552)	(26,703,938)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(84,456,156)	(218,740,326)
Intangible assets		(2,109,603)	(1,994,619)
Proceeds from sale of operating fixed assets	5.6	1,473,483	8,300,607
Net cash used in investing activities		(85,092,276)	(212,434,338)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from liabilities against assets subject to finance leases		–	15,376,100
Proceeds from long term financing		80,000,000	230,000,000
Short term financing (excluding running finance)		80,000,000	–
Repayments of long-term financing		(30,000,000)	(30,000,000)
Repayments of liabilities against assets subject to finance leases		(13,817,442)	(14,701,688)
Dividend paid		–	(1,471)
Net cash generated from financing activities		116,182,558	200,672,941
Net decrease in cash and cash equivalents		(51,701,270)	(38,465,335)
Cash and cash equivalents at the beginning of the year		(95,896,342)	(57,431,006)
Cash and cash equivalents at the end of the year		(147,597,612)	(95,896,341)
CASH AND CASH EQUIVALENTS COMPRISE			
Cash and bank balances	17	582,574	696,211
Short-term financing	26	(148,180,186)	(96,592,552)
		(147,597,612)	(95,896,341)

Note: The annexed notes 1 to 50 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, 2009

	Issued, subscribed and paid-up capital Rupees	Reserves			Total Rupees
		General reserve Rupees	Unappropriated profit Rupees	Total Rupees	
Balance as at June 30, 2007	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)	–
Transfer to general reserve	–	18,300,000	(18,300,000)	–	–
Transfer from surplus on revaluation of fixed assets (note 20)	–	–	1,750,513	1,750,513	1,750,513
Net profit for the year ended June 30, 2008	–	–	6,951,792	6,951,792	6,951,792
Balance as at June 30, 2008	41,242,150	102,800,000	10,919,610	113,719,610	154,961,760
Bonus shares issued at the rate of three shares for every twenty shares held	6,186,320	–	(6,186,320)	(6,186,320)	–
Transfer to general reserve	–	4,000,000	(4,000,000)	–	–
Transfer from surplus on revaluation of fixed assets (note 20)	–	–	1,023,033	1,023,033	1,023,033
Net loss for the year ended June 30, 2009	–	–	(37,346,010)	(37,346,010)	(37,346,010)
Balance as at June 30, 2009	47,428,470	106,800,000	(35,589,687)	71,210,313	118,638,783

Note: The annexed notes 1 to 50 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, 2009

1. NATURE AND STATUS OF THE COMPANY

Merit Packaging Limited ("the Company") was incorporated on January 28, 1980 in Pakistan as a public limited Company under the Companies Ordinance, 1984 and is listed on the Karachi Stock Exchange. The registered office of the Company is situated at Lakson Square Building No. 2, Sarwar Shaheed Road, Karachi. The Company is mainly engaged in the manufacture and sale of printing and packaging materials.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for the measurement of derivative financial instruments at fair value and recognition of certain staff retirements benefits at present value.

These financial statements have been prepared following accrual basis of accounting except for cash flow information.

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.

3. Standards, interpretations and amendments to published approved accounting standards that have been or are not yet effective:

3.1 Standards, interpretations and amendments that have been effective during the year

- IFRS 7 – Financial Instruments: Disclosures (effective for annual periods beginning on or after 28 April 2008) supersedes IAS 30 – Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 – Financial Instruments: Disclosure and Presentation. The application of the standard did not have significant impact on the Company's financial statements other than increase in disclosures.

- IAS 29 – Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008). The Company does not have any operations in Hyperinflationary Economies and, therefore, the application of the standard did not affect the Company's financial statements.

- IFRIC 13 - Customer Loyalty Programmes (effective for annual periods begining on or after 01 July 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. TThe application of IFRIC 13 did not affect the Company's financial statements.

- IFRIC 14 – IAS 19- The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008) clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements for such assets.

3.2 Standards, interpretations and amendments to the published approved accounting standards that are relevant but not yet effective

The following standards, interpretations and amendments to approved accounting standards, effective for accounting periods beginning as mentioned there against are either not relevant to the Company's current operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

Revised IAS 1 - Presentation of Financial Statements	Effective from January 01, 2009
Revised IAS 23 - Borrowing Costs	Effective from January 01, 2009
Ammended IAS 27 - Consolidated and Separate Financial Statement	Effective from July 01, 2009
Amendments to IAS 32 - Financial Instruments	Effective from January 01, 2009
Amendments to IAS 39 - Financial Instruments: Recognition and Measurement	Effective from July 01, 2009
Amendment to IFRS 2 - Share-based Payment	Effective from January 01, 2009
Revised IFRS 3 - Business Combinations	Effective from July 01, 2009
IFRS 8 - Operating Segments	Effective from January 01, 2009
IFRIC 15 - Agreement for the Construction of Real Estate	Effective from January 01, 2009
IFRIC 16 - Hedge of Net Investment in a Foreign Operation	Effective from October 01, 2008
IFRIC 17 - Distribution of Non-Cash Assets to Owners	Effective from July 01, 2009

The IASB's annual improvements project published in May 2008, contains a number of amendments which would generally be applicable for financial periods beginning on or after January 1, 2009. These amendments extend to 35 standards and include changes in terminology and accounting requirements.

4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Property, plant and equipment

4.1.1 Owned

These 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.

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.

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 capitalised 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.

4.1.2 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 obligation under the lease less financial charges allocated to future period are shown as liabilities.

Depreciation is charged on these assets by applying the straight line method at the rate given in note 5.1 to the financial statements.

Financial charges are 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.

4.1.3 Capital Work-in-progress

Capital work-in-progress represents expenditure on property, plant and equipment which are in the course of construction and installation. Transfer 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.

4.2 Intangible Assets

These are stated at cost less accumulated amortisation and impairment loss, if any. Amortisation 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.

4.3 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.

4.4 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, 2009

4.5 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount being the fair value of the consideration to be received in future. An estimated provision is made against debts considered doubtful of recovery whereas debt considered irrecoverable are written off.

4.6 Taxation

4.6.1 Current

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

4.6.2 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 and 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 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.

4.7 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.

4.8 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.

4.9 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.

4.10 Provisions

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, 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 obligation. Provisions are determined by discounting future cash flows at appropriate discount rate where ever required. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

Notes to the Financial Statements
for the year ended June 30, 2009

4.11 Cash in hand and at bank are carried at nominal amount.

4.12 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.

4.13 Financial instruments

All the financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. All the financial assets and financial liabilities are recognised 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, amortised 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.

4.14 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 recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

4.15 Foreign currency translation

Transactions in foreign currencies are translated into Pak rupees at the exchange rates prevailing at the date of transactions. 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 recognised in the profit and loss account.

4.16 Employee retirement benefits

4.16.1 Defined benefit plan

The Company operates an approved funded gratuity scheme for all its permanent employees who have attained retirement age, died or resigned 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, 2009 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 recommended approach under IAS-19 (note 39).

4.16.2 Defined contribution plan

The Company operates a recognised 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.

Notes to the Financial Statements
for the year ended June 30, 2009

4.16.3 Compensated absences

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

4.17 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 recognised on an accrual basis.

4.18 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.

4.19 Dividend and appropriation to reserve

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

4.20 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.

4.21 Significant accounting judgements and critical accounting estimates / assumptions

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The matters involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

4.21.1 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.

4.21.2 Provision for Taxation

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.

4.21.3 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 affect on the depreciation charge and impairment.

Notes to the Financial Statements
for the year ended June 30, 2009

4.21.4 Stores, spares and stock-in-trade

The Company has made estimates for realizable amount of slow moving and obsolete stores, spares and stock-in-trade to determine provision for slow moving and obsolete items. Any future change in estimated realizable amounts might affect carrying amount of stores, spares and stock-in-trade with corresponding affect on amounts recognized in profit and loss account as provision/reversal.

5. OPERATING FIXED ASSETS

5.1 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, 2009											
Opening net book value (NBV)	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
Additions/ transfer/revaluation (at cost)	42,777,775	28,899,088	42,798,324	480,700	6,194,258	569,009	1,891,935	16,198,423	4,164,681	91,898	144,066,091
Disposals (NBV)	-	-	(1,020,244)	-	(440,566)	(36,320)		-		-	(1,497,130)
Depreciation charged	-	(2,745,690)	(30,050,932)	(137,029)	(1,079,627)	(318,218)	(960,922)	(4,039,957)	(726,449)	(4,668,314)	(44,727,138)
Closing net book value	128,333,325	74,682,769	353,271,500	752,003	10,670,056	1,153,780	2,166,204	35,570,576	17,117,852	59,196,667	682,914,732
Gross carrying value basis year ended June 30, 2009											
Cost / revaluation	128,333,325	97,639,436	464,200,905	1,462,099	13,319,477	2,490,261	6,449,411	56,299,946	20,132,188	75,338,688	865,665,736
Accumulated depreciation/impairment	-	(22,956,667)	(110,929,405)	(710,096)	(2,649,421)	(1,336,481)	(4,283,207)	(20,729,370)	(3,014,336)	(16,142,021)	(182,751,004)
Net book value	128,333,325	74,682,769	353,271,500	752,003	10,670,056	1,153,780	2,166,204	35,570,576	17,117,852	59,196,667	682,914,732
Depreciation rate (% per annum)	-	2.50% to 3.33%	2.50% to 20%	3.33% to 20%	3.33% to 25%	3.57% to 20%	5% to 33.33%	2.86% to 20%	3.33 to 4%	5% to 8.33%	
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)
Intertransfer of assets	-	-	-	2,576	194,370	(609)	16,832	(213,169)	-	-	-
Depreciation charged	-	(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)
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/impairment	-	(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
Depreciation rate (% per annum)	-	2.50% to 3.33%	2.50% to 20%	3.33% to 20%	3.33% to 25%	3.57% to 20%	5% to 33.33%	2.86% to 20%	3.33 to 4%	5% to 8.33%	

Notes to the Financial Statements
for the year ended June 30, 2009

	Note	2009 Rupees	2008 Rupees
5.2 The depreciation charge for the year has been allocated as follows:			
Cost of sales	30	43,059,678	30,702,252
General and administrative expenses	31	1,207,576	874,547
Selling and distribution expenses	32	459,884	326,357
		44,727,138	31,903,156

5.3 This includes balance amounting to Rs.44.880 million which has been recognised as surplus on revaluation of property, plant and equipment during the year.

5.4 The company has revalued its leasehold land, building/improvement on leasehold land and plant and machinery on September 01, 2004 and on June 25, 2009 by an independent valuer M/s. Akbani and Javed Associates on the basis of market value. This revaluation resulted in net surplus aggregating to Rs.158.943 million. Revalued assets having revaluation surplus of Rs.8.738 million (2008: Rs. 7.792 million) have been sold to the 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.142.515 million including land remains undepreciated as at June 30, 2009 (2008: Rs.99.209 million).

5.5 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 2009 Rupees	Net book value 2008 Rupees
Leasehold land	608,737	608,737
Building / Improvements on leasehold land	63,968,204	37,005,279
Plant and machinery	349,195,431	338,806,277
	413,772,372	376,420,293

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

Description	Cost revaluation Rupees	Accumulated depreciation Rupees	Book value Rupees	Sale proceeds Rupees	Mode of disposal	Particulars of buyer
Plant and machinery	3,137,831	2,117,587	1,020,244	862,069	Negotiation	Mehmood Art Press - Karachi.
Vehicle	397,616	-	397,616	399,000	Negotiation	Ocean Traders - Karachi
	400,000	357,050	42,950	172,414	Negotiation	Tritex Cottn Mills Limited - Karachi
	797,616	357,050	440,566	571,414		(An associated Company)
Office equipment	284,625	248,305	36,320	40,000	Negotiation	Shirazi Trading Co. (Pvt) Ltd - Karachi.
Total - 2009	**4,220,072**	**2,722,942**	**1,497,130**	**1,473,483**		
Total - 2008	35,492,173	28,102,433	7,389,740	8,300,607		

Notes to the Financial Statements
for the year ended June 30, 2009

6. CAPITAL WORK-IN-PROGRESS

	Cost			
Description	As at July 01, 2008	Additions during the year	Transferred to operating fixed assets	As at June 30, 2009
	Rupees	Rupees	Rupees	Rupees
Building / improvements on leasehold land	10,930,397	20,492,024	28,854,979	2,567,442
Plant and machinery	1,605,250	39,134,816	40,740,066	–
Electrical installations	3,364,273	800,408	4,164,681	–
Advances to suppliers	1,397,316	–	1,397,316	–
Total - 2009	17,297,236	60,427,248	75,157,042	2,567,442
Total - 2008	51,666,796	198,586,042	232,955,602	17,297,236

	Note	2009 Rupees	2008 Rupees
7. INTANGIBLE ASSETS			
Net carrying value basis year ended June 30, 2009			
Opening Book Value		2,796,214	801,595
Addition		2,109,603	1,994,619
		4,905,817	2,796,214
Amortisation charge	7.1	(81,764)	–
Closing net book value		4,824,053	2,796,214
Gross carrying value basis year ended June 30, 2009			
Cost		4,905,817	2,796,214
Accumulated amortisation		(81,764)	–
Net book value		4,824,053	2,796,214
Amortisation rate per annum		20%	–

7.1 The amortisation charge for the year has been allocated as follows:

	Note	2009 Rupees	2008 Rupees
Cost of sales	30	20,441	–
General and administrative expenses	31	40,882	–
Selling and distribution expenses	32	20,441	–
		81,764	–

8. LONG-TERM LOANS

	Note	2009 Rupees	2008 Rupees
(Secured - considered good)			
Due from employees	8.1 & 8.2	303,958	739,974
Current portion shown under current asset	13	(128,016)	(194,016)
		175,942	545,958

8.1 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.

8.2 Chief Executive Officer and Directors have not taken any loans and advances from the Company.

Notes to the Financial Statements
for the year ended June 30, 2009

	Note	2009 Rupees	2008 Rupees
9. LONG-TERM DEPOSITS			
Deposits			
Security doposits			
Leases		6,755,874	6,755,874
Others		2,622,779	1,369,779
		9,378,653	8,125,653
10. STORES AND SPARES			
Store			
In hand		14,252,173	11,848,021
In transit		344,141	–
		14,596,314	11,848,021
Spares			
In hand		17,576,368	17,860,344
In transit		57,223	–
		17,633,591	17,860,344
		32,229,905	29,708,365
Provision for slow moving and obsolete stores and spares	10.2	(3,328,548)	(2,683,248)
		28,901,357	27,025,117

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

10.2 Provision for slow moving and obsolete stores and spares comprises:

Balance at the begining of the year		2,683,248	2,267,908
Provision for the year		864,244	600,138
Reversal for the year		(200,944)	(184,798)
Balance at end of the year		3,328,548	2,683,248

11. STOCK-IN-TRADE			
Raw materials			
In hand		94,540,013	88,506,431
In transit		1,659	1,617,755
		94,541,672	90,124,186
Packing materials		1,973,767	1,660,953
		96,515,439	91,785,139
Provision for slow moving and obsolete stock in trade	11.1	(1,128,877)	(937,006)
		95,386,562	90,848,133
Work-in-process	30	9,853,488	11,434,924
Finished goods	30	5,943,354	8,398,352
		111,183,404	110,681,409

11.1 Provision for slow moving and obsolete stock in trade comprises:

Balance at beginning of the year		937,006	582,757
Provision for the year		681,679	547,568
Reversal for the year		(489,808)	(193,319)
Balance at end of the year		1,128,877	937,006

Notes to the Financial Statements
for the year ended June 30, 2009

	Note	2009 Rupees	2008 Rupees
12. TRADE DEBTS			
(Unsecured - considered good)			
Due from associated undertakings	12.1	11,073,103	3,907,891
Others		89,693,462	51,842,869
		100,766,565	55,750,760

12.1 This comprises amount receivable from:

		2009 Rupees	2008 Rupees
Century Paper & Board Mills Limited		1,046,258	1,652,166
GAM Corporation (Private) Limited		243,902	497,375
Siza Foods (Private) Limited		245,625	275,187
Tetley Clover (Private) Limited		4,268,214	–
Colgate Palmolive (Pakistan Limited		5,269,104	1,483,163
		11,073,103	3,907,891

	Note	2009 Rupees	2008 Rupees
13. LOANS AND ADVANCES			
Loans (Secured-considered good)			
Current portion of long-term loans	8	128,016	194,016
Advances (Unsecured-considered good)			
To suppliers		2,142,736	478,890
		2,270,752	672,906
14. OTHER RECEIVABLES			
(Unsecured -considered good)			
Due from associated undertakings	14.1	623,313	1,390
Others		125,280	34,548
		748,593	35,938

14.1 This represents amount receivable from Century Insurance Company Limited, in respect of insurance agency commission.

		2009 Rupees	2008 Rupees
15. TAX REFUND DUE FROM GOVERNMENT			
Sales tax receivables		10,588,683	10,383,748
Special excise duty receivable		1,490,320	1,490,320
		12,079,003	11,874,068

16. TAXATION - NET

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

		2009 Rupees	2008 Rupees
17. CASH AND BANK BALANCES			
Cash with banks in current accounts		226,795	467,515
Cash in hand		355,779	228,696
		582,574	696,211

Notes to the Financial Statements
for the year ended June 30, 2009

	2009 Rupees	2008 Rupees

18. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Number of ordinary shares of Rs.10/- each 2009	2008		2009 Rupees	2008 Rupees
1,890,000	1,890,000	Fully paid in cash	18,900,000	18,900,000
2,852,847	2,234,215	Issued as fully paid bonus shares	28,528,470	22,342,150
4,742,847	4,124,215		47,428,470	41,242,150
2,507,390	2,180,341	Shares held by associated undertakings	25,073,900	21,803,410

19. RESERVES

	2009 Rupees	2008 Rupees
Revenue		
General reserve	106,800,000	102,800,000
Unappropriated profit	(35,589,687)	10,919,610
	71,210,313	113,719,610

20. SURPLUS ON REVALUATION OF FIXED ASSETS

	2009 Rupees	2008 Rupees
Gross Surplus		
Balance as at July 01,	99,208,980	101,902,077
Surplus recognised during the year	44,880,142	–
	144,089,122	101,902,077
Transfer to unappropriated profit in respect of disposal of revalued property, plant and equipment during the year - (net of deferred tax)	(273,848)	(775,844)
Related deferred tax liability	(147,458)	(417,762)
	(421,306)	(1,193,606)
Transfer to unappropriated profit in respect of incremental depreciation charged during the year - (net of deferred tax)	(749,185)	(974,669)
Related deferred tax liability	(403,409)	(524,822)
	(1,152,594)	(1,499,491)
Surplus on revaluation of fixed assets as at June 30,	142,515,222	99,208,980
Related deferred tax effect:		
Balance as at July 01,	(4,991,757)	(5,934,341)
On surplus recognised during the year	(735,828)	–
Transferred to unappropriated profit in respect of revalued property, plants and equipment disposed during the year	147,458	417,762
Incremental depreciation charged during the year	403,409	524,822
23	(5,176,718)	(4,991,757)
	137,338,504	94,217,223

Notes to the Financial Statements
for the year ended June 30, 2009

20.1 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.

	Note	2009 Rupees	2008 Rupees
21. LONG TERM FINANCING			
From banking company - secured			
Morabaha financing	21.1	45,000,000	75,000,000
Current portion shown under current liabilities	27	(30,000,000)	(30,000,000)
		15,000,000	45,000,000
Unsecured			
From sponsor	21.2	310,000,000	230,000,000
Current portion shown under current liabilities	27	-	(30,000,000)
		310,000,000	200,000,000
		325,000,000	245,000,000

21.1 This facility has been obtained from Faysal Bank Limited amounting to 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 building.

21.2 This facility has been obtained from sponsors of the Company for the purpose of financing capital expenditure of the Company. The rate of mark-up has been revised to 10% during the period payable quarterly basis (2008: 3month KIBOR). During the year, the repayment of loan has been rescheduled and the amount is now repayable in twenty equal quarterly installments commencing from July 2010.

22. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

	Note	2009 Rupees	2008 Rupees
Secured			
Balance as July 01		57,220,951	56,546,539
Additions during the year		–	15,376,100
		57,220,951	71,922,639
Payments during the year		(13,817,442)	(14,701,688)
		43,403,509	57,220,951
Payable within one year shown under current liabilities	27	(16,133,469)	(13,987,293)
		27,270,040	43,233,658

This represents finance leases entered into with financial institutions for plant and machinery. Financing rates ranging from 12.87% to 18.19% (2008: 11.99% to 16.30%) 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 (2008: Rs.6.756 million). These facilities are secured by demand promissory notes and security deposits, equal to the residual value of the leased assets.

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:

	2009			2008		
	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	20,868,332	30,592,731	51,461,063	20,550,590	50,576,414	71,127,004
Financial charges not due	(4,734,863)	(3,322,691)	(8,057,554)	(6,563,297)	(7,342,756)	(13,906,053)
Present value of minimum lease payments	16,133,469	27,270,040	43,403,509	13,987,293	43,233,658	57,220,951
Payable within one year shown under current liabilities	(16,133,469)	–	(16,133,469)	(13,987,293)	–	(13,987,293)
	–	27,270,040	27,270,040	–	43,233,658	43,233,658

	Note	**2009 Rupees**	2008 Rupees
23. DEFERRED TAXATION			
Deferred taxation is composed of:			
Taxable temporary differences:			
Surplus on revaluation of fixed assets	20	5,176,718	4,991,757
Other taxable temporary differences		104,684,001	87,363,675
Gross deferred tax liabilities		109,860,719	92,355,432
Deductible temporary differences:			
Carried forward tax losses		74,540,062	39,113,867
Provision for turnover tax		2,789,613	2,679,072
Provision for slow moving and obsolete items		1,560,099	1,267,089
Provision for compensated absences		869,739	667,405
Gross deferred tax assets		(79,759,513)	(43,727,433)
		30,101,206	48,627,999

Notes to the Financial Statements
for the year ended June 30, 2009

		Note	2009 Rupees	2008 Rupees
24.	**TRADE AND OTHER PAYABLES**			
	Creditors	24.1	40,274,657	68,486,371
	Accrued liabilities		9,476,381	4,257,610
	Payable to gratuity fund	39.2	781,000	–
	Sales tax and special excise duty payable - net		2,453,475	585,785
	Workers' profit participation fund	24.2	–	580,353
	Workers' welfare fund		–	220,534
	Advance from customers		870,787	599,155
	Retention money payable		723,386	1,148,263
	Short term deposits		12,000	37,000
	Unclaimed dividend		129,653	128,127
	Others		726,546	334,078
			55,447,885	76,377,276

24.1 This includes Rs. 1.16 million (2008: Nil) payable in foreign currency equivalent to Pak Rupee.

24.2 Workers' profit participation fund balance comprises as follows:

	Note	2009 Rupees	2008 Rupees
Balance as at July 01,		580,353	2,450,226
Add: Allocation for the year	34	–	580,353
Interest on funds utilised in the Company's business	35	16,600	36,921
		596,953	3,067,500
Less: Amount paid during the year		(596,953)	(2,487,147)
		–	580,353

		Note	2009 Rupees	2008 Rupees
25.	**FINANCIAL CHARGES PAYABLE**			
	Mark-up accrued on secured:			
	Long-term financing		308,725	504,411
	Liabilities against assets subject to finance leases		834,837	961,989
	Short-term financing		6,056,352	2,756,156
	Mark-up accrued on unsecured:			
	Long-term financing		7,112,329	4,786,077
			14,312,243	9,008,633
26.	**SHORT-TERM FINANCING**			
	From banking companies - secured			
	Running finance	26.1	148,180,186	96,592,552
	From associated company - unsecured	26.2	80,000,000	–
			228,180,186	96,592,552

Notes to the Financial Statements
for the year ended June 30, 2009

26.1 The Company has short term running finance facilities under mark-up arrangements in aggregate of Rs.345.000 million (2008: Rs.145.000 million) from various commercial banks having mark-up at rates ranging from 12.64% to 17.37% (2008: 10.39% to 14.81%) per annum calculated on a daily product basis and payable quarterly. The unutilised balance at the end of the year was Rs.196.820 million (2008: Rs.48.407 million)

The Company has also a facility for opening letters of credit under mark-up arrangements as at June 30, 2009 amounting to Rs. 195.000 million (2008: Rs. 95.000 million) from various commercial banks. The unutilized balance at the end of the year was Rs. 195.000 million (2008: Rs. 68.236 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.

26.2 This facility has been obtained from Siza (Private) Limited for the purpose of working capital requirements of the Company. The rate of mark-up is 10% per annum.

	Note	**2009** Rupees	2008 Rupees
27. CURRENT PORTION OF LONG-TERM LIABILITIES			
Long-term financing	21	30,000,000	60,000,000
Liabilities against assets subject to finance leases	22	16,133,469	13,987,293
		46,133,469	73,987,293

28. CONTINGENCIES AND COMMITMENTS

28.1 Contingencies

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

28.2 Commitments

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

Capital expenditure under letters of credit amounted to Nil (2008: Rs.26.764 million).

Capital expenditure excluding letter of credit under contractual obligation amounted to Rs. 0.026 million (2008: Rs.10.704 million).

Capital expenditure for intangible asset under contractual obligation amounted to Nil (2008: Rs.1.400 million).

Stores, spares and raw materials under contractual obligation amounted to Rs.7.40 million (2008: Rs.1.655 million).

Notes to the Financial Statements
for the year ended June 30, 2009

	Note	2009 Rupees	2008 Rupees
29. SALES - NET			
Gross sales		954,725,905	652,214,916
Sales tax		(137,831,136)	(88,919,757)
Special excise duty		(8,054,704)	(5,577,121)
		808,840,065	557,718,038
30. COST OF SALES			
Materials consumed		584,418,702	372,847,605
Salaries, wages and other benefits	30.1	57,380,180	40,907,112
Packing material consumed		14,676,555	8,489,192
Outsource services		9,091,180	3,891,879
Stores and spares consumed		20,030,280	14,938,672
Power and fuel		18,466,761	14,113,428
Depreciation	5.2	43,059,678	30,702,252
Amortisation	7.1	20,441	–
Rent, rates and taxes		1,182,041	329,140
Repairs and maintenance		6,477,946	4,452,820
Vehicle running expenses		478,483	298,062
Insurance		4,166,394	2,719,648
Lease rentals		–	61,574
Printing and stationery		581,858	148,329
Communication charges		628,834	275,206
Traveling and conveyance		733,098	1,152,635
Fees and subscription		225,827	86,130
Other expenses		483,846	517,576
Manufacturing cost		762,102,104	495,931,260
Opening work-in-process		11,434,924	8,894,693
Closing work-in-process	11	(9,853,488)	(11,434,924)
		1,581,436	(2,540,231)
Cost of goods manufactured		763,683,540	493,391,029
Opening stock of finished goods		8,398,352	8,769,030
Closing stock of finished goods	11	(5,943,354)	(8,398,352)
		2,454,998	370,678
		766,138,538	493,761,707

30.1 Salaries, wages and other benefits include Rs. 4.276 million (2008: Rs. 2.558 million) in respect of staff retirement benefits.

Notes to the Financial Statements
for the year ended June 30, 2009

	Note	2009 Rupees	2008 Rupees
31. GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries and other benefits	31.1	14,325,612	12,193,259
Repairs and maintenance		328,214	157,965
Vehicle running expenses		932,260	748,401
Insurance		198,212	177,976
Lease rentals		–	61,573
Printing and stationery		295,034	314,677
Communication charges		837,701	402,733
Traveling and conveyance		324,752	262,582
Fees and subscription		102,697	92,998
Depreciation	5.2	1,207,576	874,547
Amortisation	7.1	40,882	–
Advertisement		118,730	93,610
Service fee to associated undertakings		1,007,024	365,498
Electricity charges		33,625	21,003
Rent, rates and taxes		134,542	108,129
Software License Fee		47,660	86,736
Others		309,974	158,123
		20,244,495	16,119,810

31.1 Salaries and other benefits include Rs.1.493 million (2008: Rs.1.149 million) in respect of staff retirement benefits.

	Note	2009 Rupees	2008 Rupees
32. SELLING AND DISTRIBUTION EXPENSES			
Salaries and other benefits	32.1	4,672,686	3,523,842
Repairs and maintenance		183,304	41,571
Vehicle running expenses		679,685	383,568
Insurance		88,117	59,911
Printing and stationery		85,597	72,852
Communication charges		502,930	231,667
Traveling and conveyance		461,039	250,655
Cartage outward		3,731,170	2,328,683
Fees and subscription		15,047	2,100
Depreciation	5.2	459,884	326,357
Amortisation	7.1	20,441	–
Advertisement		277,013	8,250
Others		110,249	29,894
		11,287,162	7,259,350

32.1 Salaries and other benefits include Rs.0.503 million (2008: Rs.0.402 million) in respect of staff retirement benefits.

Notes to the Financial Statements
for the year ended June 30, 2009

	Note	2009 Rupees	2008 Rupees
33. OTHER OPERATING INCOME			
Insurance agency commission from associated undertaking		621,923	528,677
Scrap sales		684,369	204,613
Gain on disposal of operating fixed assets		–	910,867
Creditors written back		–	4,450
Foreign exchange gain		205,938	–
		1,512,230	1,648,607

	Note	2009 Rupees	2008 Rupees
34. OTHER OPERATING EXPENSES			
Legal and professional		851,545	490,271
Auditors' remuneration:			
Statutory audit		176,000	176,000
Special reports and sundry services		101,000	144,175
Out-of-pocket expenses		142,690	71,360
		419,690	391,535
Commission on sale of machine		–	325,496
Workers' profit participation fund	24.2	–	580,353
Workers' welfare fund		(5,241)	220,534
Loss on disposal of operating fixed assets		23,647	–
Foreign exchange loss		–	8,998
Director fees		5,000	7,000
		1,294,641	2,024,187

	Note	2009 Rupees	2008 Rupees
35. FINANCIAL CHARGES			
Mark-up / interest on :			
Long-term financing		31,792,794	15,812,857
Lease finances		6,937,658	6,919,618
Short-term financing		27,913,777	6,330,711
Workers' profit participation fund	24.2	16,600	36,921
		66,660,829	29,100,107
Bank charges and commission		944,270	295,320
		67,605,099	29,395,427

	Note	2009 Rupees	2008 Rupees
36. TAXATION			
Current - for the year		181,576	2,788,590
- for prior years		209,415	(176,020)
		390,991	2,612,570
Deferred		(19,262,621)	1,241,802
	36.1	(18,871,630)	3,854,372

Notes to the Financial Statements
for the year ended June 30, 2009

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

	Effective tax rate 2009 Percentage	2008 Percentage
Applicable tax rate	35.00	35.00
Tax effect of expenses that are not deductible in determining taxable profit	(33.45)	146.94
Tax effect of expenses that are deductible in determining taxable profit	62.48	(545.29)
Tax effect of available tax losses	(63.71)	361.96
Tax effect of turnover tax	–	24.79
Tax effect under presumption tax regime	(0.64)	2.41
Tax effect of adjustments in respect of prior years	(1.55)	(1.63)
Net effect of deferred tax liability arising due to taxable temporary differences	35.44	11.49
	(1.43)	0.67
	33.57	35.67

	2009 Rupees	2008 Rupees
37. EARNINGS PER SHARE - BASIC AND DILUTED		
(Loss) / profit after taxation for the year	(37,346,010)	6,951,792
Weighted average number of ordinary shares outstanding	4,742,847	4,742,847
(Loss) / earnings per share - basic and diluted	(7.87)	1.47

37.1 Earning per share for the year June 30, 2008 has been computed in accordance with the requirements of Internatinal 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 September 25, 2009 has proposed a final dividend of nil per share, bonus issue of nil (2008: Dividend nil : Bonus shares - 15%) for approval of the members at the Annual General Meeting to be held on October 23, 2009. In addition, no appropriation to general reserve (2008: Rs. 4.000 million) has been made by the Board of Directors.

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, 2009, using the Projected Unit Credit Method.

Notes to the Financial Statements
for the year ended June 30, 2009

	Note	**2009 Rupees**	2008 Rupees
39.2 Liability recognised in balance sheet			
Fair value of plan assets	39.3	15,427,000	12,087,000
Present value of defined benefit obligation	39.4	(26,785,000)	(20,677,000)
		(11,358,000)	(8,590,000)
Actuarial losses / (gains) to be recognised for the later period		1,363,000	(1,238,000)
Unrecognized non-vested past service cost to be recognised in the later period		9,214,000	9,828,000
Closing net liability	24	(781,000)	–
39.3 Movement in the fair value of plan assets			
Fair value as at July 01		12,087,000	10,716,000
Expected return on plan assets		1,450,000	1,071,000
Actuarial (losses) / gains		(764,000)	(950,000)
Contribution by the employer		2,684,000	1,854,000
Benefits paid		(30,000)	(604,000)
Fair value as at June 30	39.2	15,427,000	12,087,000
39.4 Movement in the defined benefit obligation			
Obligation as at July 01		(20,677,000)	(18,400,000)
Current service cost		(1,039,000)	(886,000)
Interest cost		(2,481,000)	(1,840,000)
Actuarial losses / (gains)		(1,837,000)	(155,000)
Benefits paid		30,000	604,000
Past service cost		(781,000)	–
Obligation as at June 30	39.2	(26,785,000)	(20,677,000)
39.5 Expenses recognised in profit and loss account			
Current service cost		1,039,000	886,000
Interest cost		2,481,000	1,840,000
Expected return on plan assets		(1,450,000)	(1,072,000)
Actuarial gains recognised		–	(84,000)
Past service cost non-vested		1,395,000	614,000
		3,465,000	2,184,000
Actual return on plan assets		686,000	122,000

Notes to the Financial Statements
for the year ended June 30, 2009

39.6 Composition of the fair value of plan assets

	2009		2008	
	Rupees	**Percentage**	Rupees	Percentage
Certificate of investment	3,761,000	25%	3,995,000	33%
Term Finance certificate	536,000	3%	558,000	5%
Mutual fund	3,390,000	22%	3,120,000	26%
Cash with banks	7,740,000	50%	4,414,000	36%
	15,427,000		12,087,000	

39.7 The expected contribution to funded gratuity scheme for the year ending June 30, 2010 is Rs.4,591,000.

	2009	2008
	Percentage	Percentage
39.8 Principal actuarial assumptions		
Following were the significant actuarial assumptions used in the valuation:		
Discount rate per annum	14%	12%
Expected rate of return on plan assets per annum	14%	12%
Expected rate of increase in salary per annum	13%	11%

	2009	2008	2007	2006	2005
	Rupees	Rupees	Rupees	Rupees	Rupees
39.9 Comparison of five years					
As at June 30,					
Fair value of plan assets	15,427,000	12,087,000	10,716,000	7,252,000	4,792,000
Present value of defined benefit obligation	(26,785,000)	(20,677,000)	(18,400,000)	(17,178,000)	(16,872,000)
Deficit in the plan	(11,358,000)	(8,590,000)	(7,684,000)	(9,926,000)	(12,080,000)
Experience adjustments					
Actuarial (gain) / loss on plan assets	764,000	950,000	(388,000)	246,000	246,000
Actuarial (gain) / loss on plan liabilities	1,837,000	155,000	(1,099,000)	(1,595,000)	410,000

Notes to the Financial Statements
for the year ended June 30, 2009

	Note	2009 Rupees	2008 Rupees
40. CASH (USED IN) / GENERATED FROM OPERATIONS			
(Loss) / profit before taxation		(56,217,640)	10,806,164
Adjustment for non-cash charges and other items:			
Loss / (gain) on disposal of operating fixed assets		23,647	(910,867)
Financial charges		67,605,099	29,395,427
Depreciation		44,727,138	31,903,156
Amortisation		81,764	–
Provision for slow moving and obsolete items		837,171	769,585
		113,274,819	61,157,301
Profit before working capital changes		57,057,179	71,963,465
Working capital changes	40.1	(71,444,192)	(60,182,015)
		(14,387,013)	11,781,450

40.1 Working capital changes

	2009 Rupees	2008 Rupees
(Increase) / decrease in current assets:		
Stores and spares	(2,521,541)	(8,396,219)
Stock-in-trade	(693,865)	(49,321,158)
Trade debts	(45,015,805)	(28,995,708)
Loans and advances	(1,597,846)	(137,337)
Short term prepayments	16,550	78,425
Other receivables	(712,655)	309,749
Tax refund due from government	(204,935)	(11,874,068)
	(50,730,097)	(98,336,316)
Increase / (decrease) in current liabilities:		
Trade and other payables (excluding unclaimed dividend)	(20,714,095)	38,154,301
	(71,444,192)	(60,182,015)

Notes to the Financial Statements
for the year ended June 30, 2009

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:

	2009			2008		
	Chief Executive	**Executives**	**Total**	Chief Executive	Executives	Total
	Rupees	**Rupees**	**Rupees**	Rupees	Rupees	Rupees
Managerial remuneration	1,908,168	3,361,224	5,269,392	1,702,032	2,751,768	4,453,800
House rent	834,084	1,495,824	2,329,908	710,940	1,159,440	1,870,380
Bonus	309,393	555,904	865,297	282,597	454,328	736,925
Retirement benefits	436,686	913,468	1,350,154	423,960	775,686	1,199,646
Motor vehicle expenses	184,360	593,953	778,313	157,058	507,130	664,188
Medical Allowances	185,352	332,412	517,764	169,272	271,452	440,724
Utilities	34,000	-	34,000	33,533	-	33,533
Total	3,892,043	7,252,785	11,144,828	3,479,392	5,919,804	9,399,196
Number of persons	1	4	5	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.5,000 (2008: Rs. 7,000). 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:

Notes to the Financial Statements
for the year ended June 30, 2009

Relation with the Company	Nature of transaction	Note	2009 Rupees	2008 Rupees
Associated companies	Sales and services of goods (including fixed assets)		59,309,733	21,944,885
	Purchases of goods and services		501,131,232	390,930,826
	Short term financing		80,000,000	–
	Markup on short term financing		284,931	–
	Rent and allied charges		118,319	104,963
	Insurance agency commission income		621,923	528,677
	Insurance claim received		–	40,000
	Issue of bonus shares (No. of shares)		327,049	666,692
Sponsor	Long term financing		80,000,000	230,000,000
	Markup on long term financing		24,476,713	11,503,477
	Issue of bonus shares (no. of shares)		1,306	3,408
Retirement benefit plans	Contribution towards employees retirement benefits plans		5,615,061	3,877,293
Key management personnel	Compensation in respect of:			
	Short term employee benefits	42.1	9,795,568	7,154,144
	Retirement benefits		1,660,965	1,064,542

42.1 There are no transactions with key management personnel other than under their terms of employment.

42.2 The status of outstanding balances of related parties as at June 30, 2009 are included in "Trade debts" (note 12), "Other receivables" (note 14) and "Trade and other payables" (note 24) respectively.

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.

Notes to the Financial Statements

for the year ended June 30, 2009

44. 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:

	2009						
			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	-	303,958	-	-	-	-	303,958
Long-term deposits	-	9,378,653	-	-	-	-	9,378,653
Trade debts	-	100,766,565	-	-	-	-	100,766,565
Other receivables	-	748,593	-	-	-	-	748,593
Cash and bank balances	-	582,574	-	-	-	-	582,574
		111,780,343	-	-	-	-	111,780,343
Financial liabilities							
Long–term financing	10.00 - 14.73	355,000,000	30,000,000	263,000,000	62,000,000	355,000,000	-
Liabilities against assets subject to finance leases	14.98 - 15.90	43,403,509	16,133,469	27,270,040	-	43,403,509	-
Trade and other payables		52,994,410	-	-	-	-	52,994,410
Finanial charges payable	10.00 - 17.18	14,312,243	14,312,243	-	-	14,312,243	-
Short-term financing	10.00 - 17.18	228,180,186	228,180,186	-	-	228,180,186	-
		(693,890,348)	(288,625,898)	(290,270,040)	(62,000,000)	(640,895,938)	(52,994,410)
On balance sheet gap		(582,110,005)	(288,625,898)	(290,270,040)	(62,000,000)	(640,895,938)	58,785,933
Off balance sheet items							
Financial commitments							
Capital expenditure excluding letters of credit		25,774	-	-	-	-	25,774
Stores, spare and raw material under contractual obligations		7,397,067	-	-	-	-	7,397,067
		(7,422,841)	-	-	-	-	(7,422,841)
Total gap		(589,532,846)	(288,625,898)	(290,270,040)	(62,000,000)	(640,895,938)	51,363,092

Notes to the Financial Statements
for the year ended June 30, 2009

			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
Other receivables	-	35,938	-	-	-	-	35,938
Cash and bank balances	-	696,211	-	-	-	-	696,211
		65,348,536	-	-	-	-	65,348,536
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	75,791,491	580,353	-	-	580,353	75,211,138
Financial charges payable	11.07 - 14.81	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	-
		(543,613,627)	(180,168,831)	(288,233,658)	-	(468,402,489)	(75,211,138)
On balance sheet gap		(478,265,091)	(180,168,831)	(288,233,658)	-	(468,402,489)	(9,862,602)
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		(492,024,098)	(180,168,831)	(288,233,658)	-	(468,402,489)	(23,621,609)

Notes to the Financial Statements
for the year ended June 30, 2009

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

45.1 Risk management policies

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

The Company finances its operations through equity, borrowings and management of working capital with

a view to maintaining an appropriate mix between various sources of finance to minimize risk.

45.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted and arises principally from trade and other receivables. The Company's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines and regulator requirements.

Exposure to credit risk

The carrying amounts of the financial assets represent the maximum credit exposures before any credit enhancements. The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

	2009 Rupees	2008 Rupees
Loans and deposits	9,682	8,866
Trade debts	100,767	55,751
Other receivables	749	36
Cash and bank balances	583	696
	111,781	65,349
The aging of trade receivable at the reporting date is:		
Not past due	60,118	46,905
Past due 1-30 days	21,506	7,026
Past due 30-90 days	12,047	1,514
Past due 90 days	7,096	306
	100,767	55,751

All the trade debtors at balance sheet date are domestic parties.

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Where considered necessary, advance payments are obtained from certain parties. Sales made to certain customers are secured through letters of credit.

Notes to the Financial Statements
for the year ended June 30, 2009

The exposure to banks is managed by dealing with variety of major banks and monitoring exposure limits on continuous basis.

Concentration of credit risk

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly affected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

Impaired assets

During the year no assets have been impaired.

45.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements, if any:

2009

	Carrying Amount	Contractual Cash Flows	Six months or less	Six to Twelve months	One to Two years	Two to Five years	Over Five years
				(Rupees in thousands)			
Long term financing	398,404	524,311	43,408	42,817	123,845	248,161	66,080
Trade and other payables	52,271	52,271	52,271	–	–	–	–
Financial charges payable	14,312	14,312	14,312	–	–	–	–
Retention money payable	723	723	723	–	–	–	–
Short term borrowings	228,180	228,180	228,180	–	–	–	–
	693,890	819,797	338,894	42,817	123,845	248,161	66,080

2008

	Carrying Amount	Contractual Cash Flows	Six months or less	Six to Twelve months	One to Two years	Two to Five years	Over Five years
				(Rupees in thousands)			
Long term financing	362,221	482,080	57,235	59,165	126,725	221,569	17,386
Trade and other payables	74,643	74,643	74,643	–	–	–	–
Financial charges payable	9,009	9,009	9,009	–	–	–	–
Retention money payable	1,148	1,148	1,148	–	–	–	–
Short term borrowings	96,593	96,593	96,593	–	–	–	–
	543,614	663,473	238,628	59,165	126,725	221,569	17,386

45.4 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

a) Currency risk

Foreign currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company's exposure to foreign currency risk is as follows:

	2009	2008
	Rupees	Rupees
Foreign bill payable	1,156	-
Outstanding letter of credits	-	26,764
Contractual obligation	7,397	1,655
Net exposure	8,553	28,419

The following significant exchange rates have been applied.

	Average rate		Reporting date rate	
	2009	2008	**2009**	2008
	(Rupees)			
USD to PKR	79.03	63.06	81.30	68.20

At reporting date, if the PKR had strengthened by 10% against the US Dollar with all other variables held constant, post-tax loss / profit for the year would have been lower/higher by the amount shown below, mainly as a result of net foreign exchange gain on net foreign currency exposure at reporting date.

	Average rate		Reporting date rate	
	2009	2008	**2009**	2008
	(Rupees in thousands)			
Effect on (loss) or profit	855	2,676	855	2,676

The weakening of the PKR against US Dollar would have had an equal but opposite impact on the post tax loss / profits.

The sensitivity analysis prepared is not necessarily indicative of the effects on (loss) / profit for the year and assets / liabilities of the Company.

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from long term loans and short term borrowings. At the balance sheet date the interest rate profile of the Company's interest -bearing financial instruments is as follows:

Notes to the Financial Statements
for the year ended June 30, 2009

	2009	2008	2009	2008
	Effective rate		Carrying amount	
	(In percent)		(Rupees in thousands)	
Financial Liabilities				
Variable rate instruments				
Long term loans	**15.50%**	12.66%	**88,404**	362,221
Short term borrowings	**15.10%**	10.87%	**148,180**	96,593

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

	Profit and loss	
	100 bp Increase	100 bp Decrease
As at June 30, 2009		
Cash flow sensitivity - Variable rate financial liabilities (Rs' 000)	**(2,366)**	**2,366**
As at June 30, 2008		
Cash flow sensitivity - Variable rate financial liabilities (Rs' 000)	(4,588)	4,588

The sensitivity analysis prepared is not necessarily indicative of the effects on (loss) / profit for the year and assets / liabilities of the Company.

46. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in an arm's length transaction.

47. CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

Notes to the Financial Statements
for the year ended June 30, 2009

48. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on September 25, 2009 by the Board of Directors of the Company.

49. CORRESPONDING FIGURES

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

Balance sheet

From	To	Rupees
Accrued liabilities (trade and other payables)	Creditors (trade and other payable)	1,855,922

Profit and loss account

From	To	Rupees
Provision for slow moving obsolete items (other operating expenses)	Material consumed (cost of sales)	354,245
Provision for slow moving and obsolete items (other operating expenses)	Stores and spares consumed (cost of sales)	415,340
Fees and subscription (cost of sales)	Salaries, wages and other benefits (cost of sales)	63,419
Salaries, wages and other benefits (cost of sales)	Salaries, wages and other benefits (general and administrative expenses)	1,205,481
Fees and subscription (general and administrative expenses)	Salaries wages and other benefits (general and administrative expenses)	32,215
Fees and subscription (selling and distribution expenses)	Salaries, wages and other benefits (selling and distribution expenses)	27,666
Other expenses (general and administrative expenses)	Director meeting fees (other operating expenses)	7,000

50. GENERAL

Figures have been rounded off to the nearest rupee.

IQBAL ALI LAKHANI
Chairman

MOHAMMAD SHAHID
Chief Executive Officer

Form of Proxy

I/We ____

of ____

a member of **MERIT PACKAGING LIMITED** hereby appoint ______________________

of ______________________________________ or failing him

____ of

____

who is/are also member/s of Merit Packaging Limited to act as my/our proxy and to vote for me/us and on my/our behalf at the **Annual General Meeting** of the Shareholders of the Company to be held on the 23rd day of October 2009 and at any adjournment thereof.

Signed this ______________ day of ______________ 2009.

Folio No.	CDC Participant ID No.	CDC Account/ Sub-Account No.	No. of Shares Held

Signature over Revenue Stamp

Witness 1

Signature ______________________

Name ______________________

CNIC No. ______________________

Address ______________________

Witness 2

Signature ______________________

Name ______________________

CNIC No. ______________________

Address ______________________

Notes : -

1. The proxy must be a member of the Company.

2. The signature must tally with the specimen signature/s registered with the Company.

3. If a proxy is granted by a member who has deposited his/her shares into Central Depository Company of Pakistan Limited, the proxy must be accompanied with participant's ID number and CDC account/sub-account number alongwith attested photocopies of Computerized National Identity Card (CNIC) or the Passport of the beneficial owner. Representatives of corporate members should bring the usual documents required for such purpose.

4. The Instrument of Proxy properly completed should be deposited at the Registered Office of the Company not less than 48 hours before the time of the meeting.