ANNUAL REPORT 2012

MERIT PACKAGING LIMITED

Contents

Corporate Information

Board of Directors

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

Advisor

Sultan Ali Lakhani

Audit Committee

Iqbal Ali Lakhani	Chairman
Zulfiqar Ali Lakhani	
Tasleemuddin Ahmed Batlay	

Human Resource and Remuneration Commitee

Iqbal Ali Lakhani	Chairman
Tasleemuddin Ahmed Batlay	
Shahid Ahmed Khan	

Company Secretary

Mansoor Ahmed

Auditors

BDO Ebrahim & Co.
Chartered Accountants

Bankers

Askari Bank Limited
Habib Bank Limited
HSBC Bank Middle East Limited
JS Bank Limited
Oman International Bank S. A. O. G.
Soneri Bank Limited

Shares Registrar

FAMCO Associates (Pvt) Ltd
State Life Building No. 1-A, 1st Floor,
Off I.I. Chundrigar Road, Karachi-74000

Registered Office

Lakson Square, Building No. 2,
Sarwar Shaheed Road, Karachi-74200
Phone: 021-35698000
Faxes: 021-35683410, 35684336

Factory

17-B, Sector 29, Korangi Industrial Township, Karachi-75180
Phones: 021-35017164, 35015544
Faxes: 021-35017161, 35015739

Web Presence

www.meritpack.com

Notice of Meeting

NOTICE IS HEREBY GIVEN that the 32nd Annual General Meeting of MERIT PACKAGING LIMITED will be held on Wednesday, October 10, 2012 at 10:30 a.m. at Auditorium of Institute of Chartered Accountants of Pakistan, Clifton, Karachi to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited financial statements for the year ended June 30, 2012 together with the Directors' and Auditors' Reports thereon.

2. To appoint auditors and fix their remuneration.

SPECIAL BUSINESS

3. To consider and approve the amendments/alterations in some of the clauses of Articles of Association of the Company.

Statement under section 160 of the Companies Ordinance, 1984 in the above matter containing draft of the resolution to be passed as special resolution pertaining to item No. 3 is annexed.

By Order of the Board

(MANSOOR AHMED)
Company Secretary

Dated: September 05, 2012

NOTES:

1. The share transfer books of the Company will remain closed from October 04, 2012 to October 10, 2012, 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 03, 2012 will be considered 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 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 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 at the Company's Registered Office at Lakson Square, Building No.2, Sarwar Shaheed Road, Karachi not later than 48 hours before the time of the meeting.

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

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

7. Form of Proxy is enclosed herewith.

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984

PERTAINING TO ITEM NO. 3

A. The Board of Directors recommend to the members to make certain amendments/alterations in some of the clauses of Articles of Association of the Company to make them consistent with the Companies Ordinance, 1984.

B. The Directors are interested to the extent of shares held by them and the privileges attached thereto only.

C. The resolution as under will be considered to be passed by the members as special resolution:

"RESOLVED THAT THE AMENDMENTS/ALTERATIONS AS UNDER BE MADE IN THE ARTICLES OF ASSOCIATION OF THE COMPANY:

1) Delete the words 'within eighteen months from the date of its incorporation and thereafter' and substitute the word "four" in place of "six" in line-4 in clause-27. The revised clause-27 shall be as under:

The Company shall hold, in addition to any other meeting, a General Meeting, as its Annual General Meeting, once at least in every calendar year within a period of four months following the close of its financial year and not more than fifteen months after the holding of its last preceding Annual General Meeting, and shall specify the meeting as such in the notice calling it. Subject to the provisions of Section 158, the Annual General Meeting, shall be held at such time and place as the Directors shall determine.

2) Substitute the word "ten" in place of "five" in line-3 in clause-31. The revised clause-31 shall be as under:

No business shall be transacted at any General Meeting unless a quorum of Members is present. Save as in these Articles otherwise provided, ten Members present in person who represent not less than 25% of the total voting power either on their own account or as proxies shall be a quorum.

3) Substitute the entire clause 53(1). 'The ordinary remuneration of a Director other than the regularly paid Chief Executive and full time working Directors shall not exceed rupees five hundred per meeting of the Board of Directors or a Committee of such Board attended by him'. The revised clause 53(1) shall be as under:

The remuneration to be paid to any Director, other than the regularly paid Chief Executive and full time working Directors, for attending the meetings of Board of Directors or a Committee of such Board shall be a minimum of rupees five thousand per meeting per Director or as approved by the Company or the Board of Directors from time to time.

4) Delete the words ‘one of their body’ in line-1 and figure and word ‘198 and’ in line 2 in clause-58. The revised clause-58 shall be as under:

The Directors shall appoint Chief Executive in accordance with the provisions of Section 199, and may designate such Chief Executive as Managing Director, and may from time to time, remove such Managing Director from office in accordance with the provisions of Section 202.

5) Delete the words 'one of their body to be the' and substitute the word 'one' in place of 'Director' in last line of clause-59. The revised clause-59 shall be as under:

The Directors may, from time to time, appoint Deputy Managing Director either for a fixed term or without any limitation as to the period for which he is to hold such office and may, from time to time, remove him from office and appoint another one in his place.

6) Substitute the words "once in each quarter" in place of "twice" in line-3 and insert the words '/Chairman' after the word 'Director' and before the word 'shall in line-4 in clause-61. The revised clause-61 shall be as under:

The Directors may meet together for the despatch of business, adjourn, and otherwise regulate their meetings, as they think fit provided that the Directors shall meet at least once in each quarter of a year. A Director may, and the Secretary on the requisition of a Director/Chairman shall, at any time, summon a meeting of the Directors. It shall not be necessary to give notice of a meeting of Directors to any Director for the time being absent from Karachi.

7) Insert the words, "Board Meetings through audio/video conferencing can be held when physical presence of some directors is not possible at the venue of the meeting. The participation of such directors through audio/video conferencing shall be treated as attendance and if required even to complete a quorum and for meeting requirements and passing of resolutions of all other businesses, contracts and agreements etc." between the words and dots "greater." and "If all" in clause-62. The revised clause-62 shall be as under:

The quorum necessary for the transaction of the business of the Directors shall be one third of their number or four, whichever is greater. Board Meetings through audio/video conferencing can be held when physical presence of some directors is not possible at the venue of the meeting. The participation of such directors through audio/video conferencing shall be treated as attendance and if required even to complete a quorum and for meeting requirements and passing of resolutions of all other businesses, contracts and agreements etc. If all the Directors of the Company except one are disqualified from voting, the matter shall be decided by the Company in General Meeting. A meeting of Directors at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions by or under these Articles for the time being vested in or exercisable by the Directors generally. The continuing Directors may act notwithstanding any vacancy in their body provided that their number is not reduced below the number fixed by or in accordance with these Articles as the necessary quorum of Directors.

8) Insert the words "or through courier service or any other mode" between the words "registered post" and "to the registered" in clause-88. The revised clause-88 shall be as under:

Any dividend or other moneys payable in cash on or in respect of a share may be paid by cheque or warrant sent by registered post or through courier service or any other mode to the registered address of the Member or person entitled thereto and in case of joint holders to the registered address of that one of the joint holders who is first named on the Register, or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque or warrants shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders may direct and payment of the cheque or warrant if purporting to be duly endorsed shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby.

Directors' Report

The Board of Directors is pleased to present the 32nd Annual Report together with audited financial statements of the Company for the year ended June 30, 2012.

PERFORMANCE OUTLOOK

Economic and Industry Overview

Financial year 2011-12 turned out to be another challenging year for the printing and packaging industry. Some of the notable factors being: overall higher levels of inflation coupled with lower demand, power shortages, disturbed law and order situation alongwith exchange rates deterioration. Together, these went on to significantly affect the performance of printing and packaging industry.

Financial Performance

	2012	2011
	Rs. in 000's	Rs. in 000's
Sales- net	1,693,802	1,753,881
Gross profit	136,439	164,425
Operating profit	79,778	111,817
Financial charges	104,388	95,195
(Loss) /profit before taxation	(24,610)	16,622
(Loss)/earnings per share	(5.54)	2.17

Net sales for the year ended June 30, 2012 are Rs 1.7 billion compared to Rs 1.8 billion in the last financial year witnessing an underlying sales reduction of 3.43%. Intense competition in the industry restricted us to undertake price increases while realignment of order by a customer accounted for the decline in volumes sold. Financial costs rose despite a reduction in credit rates due to higher average fund utilization. On an overall basis this translated into a pre-tax loss for the year amounting to Rs.24.6 million as compared to pre-tax profit of Rs.16.6 million made last year. Severe competition in the industry continues to pose difficulty in immediately transferring the impact of incremental costs to customers thereby adversely affecting your Company's profit margins.

In view of challenges faced by your Company, it has been decided that no appropriation is made on account of dividend for the time being.

CONTRIBUTION TO NATIONAL ECONOMY

Your Company is a noteworthy contributor to the national economy. During the year, the Company has contributed Rs. 138.54 million in the form of duties and taxes to the National Exchequer as compared to Rs. 124.04 million in the last year.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The statement of Compliance with the Code of Corporate Governance is annexed with the report.

Directors' Report

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

Management of the Company is committed to complying with best practices of code of corporate governance. As required under the Code of Corporate Governance, the Directors are pleased to state as follows:

- The financial statements, prepared by the management of the Company present its state of affairs fairly, the results of its operations, cash flow and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- 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.
- Summary of key operating and financial data for the last six years is annexed to this report.

SAFETY, SECURITY, HEALTH AND ENVIRONMENT

Your Company places Safety, Security, Health and Environment at the heart of its business agenda. It is committed to ensure protection of employees, production facilities and products at all times. Internal and external trainings are conducted to prevent accidents to ensure safety of employees, equipments and wastage of products. The management has been continually improving management system standards by striving to inculcate safety consciousness round the clock amongst its employees. Most of the factory premises are now fully air-conditioned and greenery has been increased as we undertake to reduce our carbon footprint impact by increasingly adopting environmental friendly measures.

CORPORATE SOCIAL RESPONSIBILITY

Helping human society to prosper in the 21st century requires that we recognize the importance of living in balance with our physical environment and treating each other with dignity and equity. Merit Packaging offers to help inspire corporate and community social responsibility.

The importance on corporate social responsibility especially concerns about conserving natural resources and improving healthy lifestyles and environment has gained importance. Your Company, in its own humble way, envisages improving upon these areas within its resources.

Merit Packaging has never overlooked the expectations of its stakeholders. It realizes its national and moral obligations ever so strongly. It believes in strictly abiding by its social responsibility as a responsible corporate entity, extending help to citizen whenever needed.

Directors' Report

Your Company believes that the time is always right to do what is right, it believes it is in business to serve people, to help solve problems, to use and employ the ingenuity of its workers to improve the lives of people around.

Merit Packaging is working on programs to conserve water; to provide clean and orderly facilities and has initiated solid waste management programs besides other health safety and environmental issues.

HUMAN CAPITAL DEVELOPMENT

Merit Packaging Limited focuses on providing best development opportunities to its people, ensuring development of a diversely skilled workforce equipped with innovative ideas. Employees are encouraged to participate in training programs, seminars and workshops where they can enhance their capabilities. This would allow them to cope with the latest technological advancements. Your Company has kept talent retention a top priority and going forward with it plans on raising the bar further up for People, Place, Performance and One Team policies.

AUDITORS

The present Auditors Messrs BDO Ebrahim & Co., Chartered Accountants retire and being eligible, offer themselves for re-appointment for the financial year ending June 30, 2013. They have been given satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan and the firm is in full compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics, as adopted by ICAP. The Audit Committee and the Board of Directors of the Company endorse their re-appointment for shareholders consideration at the forthcoming Annual General Meeting.

MATERIAL CHANGES

There have been no material changes since June 30, 2011. 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 ended June 30, 2012.

PATTERN OF SHAREHOLDING

A statement showing the pattern of shareholding of the Company and such other information as at June 30, 2012, 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 involving shares of the Company during the year.

CODE OF CONDUCT

The Board has adopted the Code of Conduct to establish professional standards and corporate values to promote integrity for those charged with governance, senior management and other employees of the Company. Appropriate steps have been taken to disseminate the Code of Conduct throughout the Company along-with supporting policies and procedures and these shall be put on the Company's website.

Directors' Report

STAFF RETIREMENT BENEFIT FUNDS

The value of investments made by the staff retirement benefit funds based on their respective audited accounts as at December 31, 2011 and June 30, 2012 respectively is as follows:

	(Rupees in 000s)
Provident Fund	81,916
Gratuity Fund	27,410

BOARD OF DIRECTORS

Election of Directors

During the year under review elections of Directors of the Company were conducted on May 4, 2012 and all existing directors were re-elected for the next term of three years. The Board would like to place on record its appreciation for the valuable contribution made by its members during the last term and expects them to continue providing valuable guidance in the future in their respective fields.

Meetings of Board of Directors

During the financial year four Board Meetings were held and attended by the Directors as follows on a quarterly basis to review Company's complete cycle of activities:

Directors	No. of meetings attended
Mr. Iqbal Ali Lakhani - (Chairman)	3
Mr. Zulfiqar Ali Lakhani	1
Mr. Amin Mohammed Lakhani	2
Mr. Tasleemuddin Ahmed Batlay	3
Mr. Mohammad Shahid	4
Mr. Shahid Ahmed Khan	3
Mr. Sheikh AsimRafiq (Nominee of National Investment Trust Limited)	4
Mr. Mohammad Yousuf Memon (Nominee of National Investment Trust Limited)	4

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

The revised terms and conditions of a full time working Director and Chief Executive of the Company was approved by the Board for the current term upto May 04, 2015 as under:

Remuneration : The gross aggregate annual remuneration not exceeding Rs. 8,000,000 (Rupees eight million only). This will include house rent allowance.

Perquisites and allowances

Conveyance, Provident Fund, Bonuses, Medical, Leave, Utilities at Residence, Telephone and Retirement benefits : As per Company's policy, rules and regulations in force from time to time.

Directors' Report

Mr. Mohammad Shahid, full time working Director and Chief Executive of the Company and being shareholder of the Company has interest to the extent of remuneration and avail perquisites, benefits and allowances to which he is entitled.

AUDIT COMMITTEE

Audit Committee comprises of three members, all of whom are non-executive Directors. Terms of reference of the Committee have been determined by Board of Directors in accordance with the guidelines provided in Listing Regulations. During the financial year four Audit Committee Meetings were held and attended by members as follows on a quarterly basis to review its complete cycle of activities:

Members	No. of meetings attended
Mr. Iqbal Ali Lakhani - (Chairman)	3
Mr. Zulfiqar Ali Lakhani	2
Mr. Tasleemuddin Ahmed Batlay	4

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

HUMAN RESOURCE AND REMUNERATION COMMITTEE

The Board in accordance with the Code of Corporate Governance has constituted a Human Resource and Remuneration (HR&R) Committee comprises of the following three Directors:

Mr. Iqbal Ali Lakhani	- Chairman
Mr. Tasleemuddin A. Batlay	- Member
Mr. Shahid Ahmed Khan	- Member

The Board of Directors has set out terms of reference for the HR&R Committee.

As the Committee was formed close to the financial year it has yet to hold its meeting.

QUALITY MANAGEMENT

Your Company places quality management at the heart of its activities and strives to achieve operational excellence by continuously raising the customer satisfaction bar for itself. The management of your Company is proud to be an ISO 9001:2008, ISO 22000:2005 and HACCP Certified Company now. This organization-wide approach allows us to understand precisely what customers need, ensure implementation of best business practices for quality and food systems management and consistently deliver accurate solutions. Going forward, we look to become compliant with ISO 14001:2004 (Environmental Management System) & SEDEX/SA 8000 (Social Accountability) standards, that will further strengthen our position as the premier quality manufacturer in the industry. All these measures help in retaining and consolidating the Company's current status as an approved vendor to big corporate customers.

BUSINESS RISKS AND FUTURE OUTLOOK

Intense business competition in the printing and packaging industry has brought severe pressure on volume and profit margin. Despite the aforementioned challenges, management of your Company has been continuously taking appropriate measures to prevent business risks through the adoption of modern technology and product diversification.

Directors' Report

Efforts are being made to widen the customer base, improving the quality of products and services and gradually transferring the impact of incremental costs to customers by increasing selling prices. The addition of additional gravure capacity in the country has further aggravated intense competition in the gravure segment resulting in still lower profit margins. Bearing this in mind, concerted efforts are in hand to address this issue that has adversely affected the overall financial performance of the Company. Capital restructuring is under consideration to improve financial stability of the Company. The Directors are confident that augmented sales, operational efficiencies and better selling prices would help create synergy that will reduce the existing pressure on our bottom line.

GRATITUDE

The Directors are grateful to all shareholders, customers, financial institutions, vendors and employees for their continued cooperation, understanding and support.

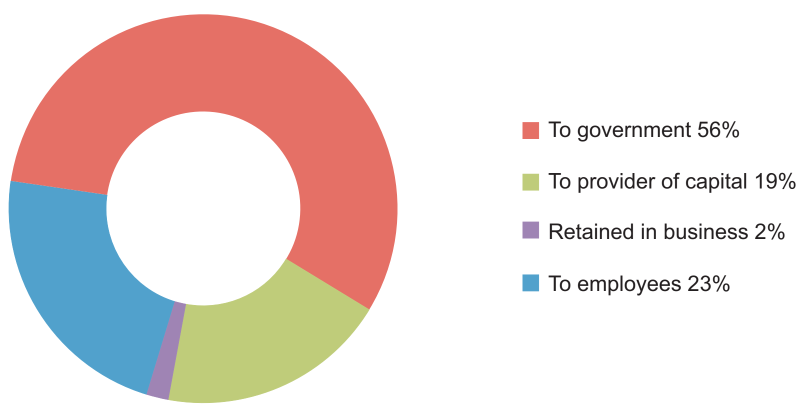
On behalf of the Board of Directors

IQBAL ALI LAKHANI
Chairman

Karachi: August 29, 2012

Statement of Value added and its distribution

Particulars	2012 Rs. in 000's	%	2011 Rs. in 000's	%
Value added				
Gross Sales	1,999,337		2,107,592	
Material and services	(1,461,186)		(1,482,239)	
Other income	6,113		4,648	
	544,264	100	630,001	100
Distribution				
To employees				
Salaries, wages and other benefits	122,737		110,718	
Workers profit participation fund	-		893	
	122,737	23	111,611	18
To government				
Sales tax & Special Excise Duty	305,489		353,532	
Company taxation	1,670		6,347	
Workers welfare fund	-		339	
	307,159	56	360,218	57
To providers of capital				
Financial charges on borrowed fund	104,388	19	95,195	15
Retained in business				
Depreciation	35,252		51,719	
Amortisation of intangible assets	1,008		983	
Retained (loss)/profit	(26,280)		10,275	
	9,980	2	62,977	10
	544,264	100	630,001	100



Six years key operating and financial data

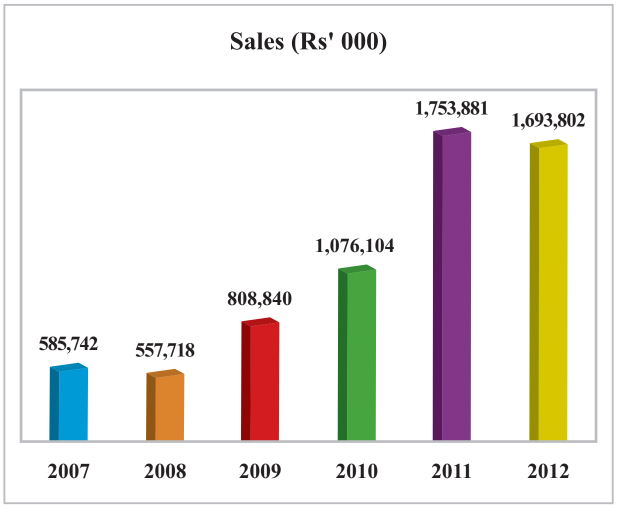
Rupees in thousands

	2012	2011	2010	2009	2008	2007
Trading results						
Sales	1,693,802	1,753,881	1,076,104	808,840	557,718	585,742
Gross profit	136,439	164,425	91,597	42,702	63,956	104,391
(Loss)/profit before taxation	(24,610)	16,622	(28,780)	(56,218)	10,806	45,248
(Loss)/profit after taxation	(26,280)	10,275	(18,692)	(37,346)	6,952	29,113
Dividend						
Cash	0%	0%	0%	0%	0%	0%
Stock	0%	0%	0%	0%	15%	50%
Payout ratio	0%	0%	0%	0%	0%	0%
Financial position						
Total capital employed	805,108	604,792	704,428	638,349	586,041	403,403
Property, plant and equipment	665,875	619,653	652,746	685,482	602,370	422,923
Shareholder equity	86,674	111,868	100,792	118,639	154,962	146,260
Long term liabilities	540,081	354,361	452,391	352,270	288,234	118,511
Deferred taxation	3,868	2,870	14,751	30,101	48,628	42,664
Others						
Number of employees (at year end)	255	275	274	274	223	201
Capital expenditure	28,090	20,386	19,248	84,456	218,740	70,789
Contribution to national exchequer	138,539	124,040	58,310	56,178	70,737	46,562
Ratios						
Gross profit	8.06%	9.37%	8.51%	5.28%	11.47%	17.82%
(Loss)/profit before taxation	-1.45%	0.95%	-2.67%	-6.95%	1.94%	7.72%
(Loss)/profit after taxation	-1.55%	0.59%	-1.74%	-4.62%	1.25%	4.97%
Return on equity	-30.32%	9.18%	-18.55%	-31.48%	4.49%	19.90%
Return on capital employed	-3.26%	1.70%	-2.65%	-5.85%	1.19%	7.22%
Current ratio	1.25 : 1	0.97 : 1	1.09 : 1	0.82 : 1	0.89 : 1	0.80 : 1
Debt / equity ratio	67 : 33	65 : 35	67 : 33	61 : 39	59 : 41	40 : 60
Inventory days	62	58	68	66	82	57
Receivable days	61	50	48	30	23	14
Others						
Earning per share - (Rs.)	(5.54)	2.17	(3.94)	(7.87)	1.47	6.14
Break-up value per share (Rs.)	18.27	23.59	21.25	25.01	37.57	53.20
Market Value (Rs.)	20.93	25.84	18.00	26.99	90.97	132.90
Price earning ratio	(3.78)	11.93	(4.56)	(3.43)	61.88	21.64

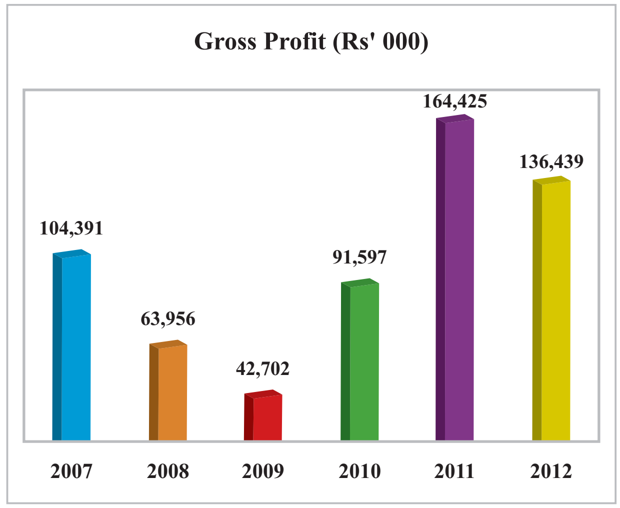
Vertical & Horizontal Analysis

	2012		2011		2010		2009		2008		2007	
	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%
VERTICAL ANALYSIS												
PROFIT & LOSS ACCOUNT												
Sales - net	1,693,802	100%	1,753,881	100%	1,076,104	100%	808,840	100%	557,718	100%	585,742	100%
Cost of sales	1,557,363	92%	1,589,456	91%	984,507	91%	766,139	95%	493,762	89%	481,351	82%
Gross profit	136,439	8%	164,425	9%	91,597	9%	42,702	5%	63,956	11%	104,391	18%
Operating expenses	56,661	3%	52,608	3%	43,380	4%	31,314	4%	23,755	4%	33,181	6%
Operating profit	79,778	5%	111,817	6%	48,217	4%	11,387	1%	40,201	7%	71,210	12%
Financial charges	104,388	6%	95,195	5%	76,997	7%	67,605	8%	29,395	5%	25,962	4%
(Loss)/profit before taxation	(24,610)	-1%	16,622	1%	(28,780)	-3%	(56,218)	-7%	10,806	2%	45,248	8%
(Loss)/profit after taxation	(26,280)	-2%	10,275	1%	(18,692)	-2%	(37,346)	-5%	6,952	1%	29,113	5%
BALANCE SHEET												
Assets												
Property, plant and equipment	665,875	50%	619,653	48%	652,746	55%	685,482	70%	602,370	72%	422,923	77%
Other non-current assets	7,564	1%	7,632	1%	10,397	1%	14,379	1%	11,468	1%	8,609	2%
Current Assets	659,545	49%	645,852	51%	517,509	44%	282,561	29%	228,168	27%	114,175	21%
Total Assets	1,332,984	100%	1,273,137	100%	1,180,652	100%	982,422	100%	842,006	100%	545,707	100%
Equity & Liabilities												
Share capital & reserves	86,674	7%	111,868	9%	100,792	9%	118,639	12%	154,962	18%	146,260	27%
Surplus on revaluation of fixed assets	174,485	12%	135,693	11%	136,493	12%	137,338	14%	94,217	11%	95,968	17%
Non-current liabilities	543,949	41%	357,231	28%	467,142	39%	382,371	39%	336,862	40%	161,175	30%
Current liabilities	527,876	40%	668,345	52%	476,225	40%	344,074	35%	255,965	31%	142,304	26%
Total equity and Liabilities	1,332,984	100%	1,273,137	100%	1,180,652	100%	982,422	100%	842,006	100%	545,707	100%
HORIZONTAL ANALYSIS												
PROFIT & LOSS ACCOUNT												
Sales - net	1,693,802	289%	1,753,881	299%	1,076,104	184%	808,840	138%	557,718	95%	585,742	100%
Cost of sales	1,557,363	324%	1,589,456	330%	984,507	205%	766,139	159%	493,762	103%	481,351	100%
Gross profit	136,439	131%	164,425	158%	91,597	88%	42,702	41%	63,956	61%	104,391	100%
Operating expenses	56,661	171%	52,608	159%	43,380	131%	31,314	94%	23,755	72%	33,181	100%
Operating profit	79,778	112%	111,817	157%	48,217	68%	11,387	16%	40,201	56%	71,210	100%
Financial charges	104,388	402%	95,195	367%	76,997	297%	67,605	260%	29,395	113%	25,962	100%
(Loss)/profit before taxation	(24,610)	-54%	16,622	37%	(28,780)	-64%	(56,218)	-124%	10,806	24%	45,248	100%
(Loss)/profit after taxation	(26,280)	-90%	10,275	35%	(18,692)	-64%	(37,346)	-128%	6,952	24%	29,113	100%
BALANCE SHEET												
Assets												
Property, plant and equipment	665,875	157%	619,653	147%	652,746	154%	685,482	162%	602,370	142%	422,923	100%
Other non-current assets	7,564	88%	7,632	89%	10,397	121%	14,379	167%	11,468	133%	8,609	100%
Current Assets	659,545	578%	645,852	566%	517,509	453%	282,561	247%	228,168	200%	114,175	100%
Total Assets	1,332,984	244%	1,273,137	233%	1,180,652	216%	982,422	180%	842,006	154%	545,707	100%
Equity & Liabilities												
Share capital & reserves	86,674	59%	111,868	76%	100,792	69%	118,639	81%	154,962	106%	146,260	100%
Surplus on revaluation of fixed assets	174,485	182%	135,693	141%	136,493	142%	137,338	143%	94,217	98%	95,968	100%
Non-current liabilities	543,949	337%	357,231	222%	467,142	290%	382,371	237%	336,862	209%	161,175	100%
Current liabilities	527,876	371%	668,345	470%	476,225	335%	344,074	242%	255,965	180%	142,304	100%
Total equity and Liabilities	1,332,984	244%	1,273,137	233%	1,180,652	216%	982,422	180%	842,006	154%	545,707	100%

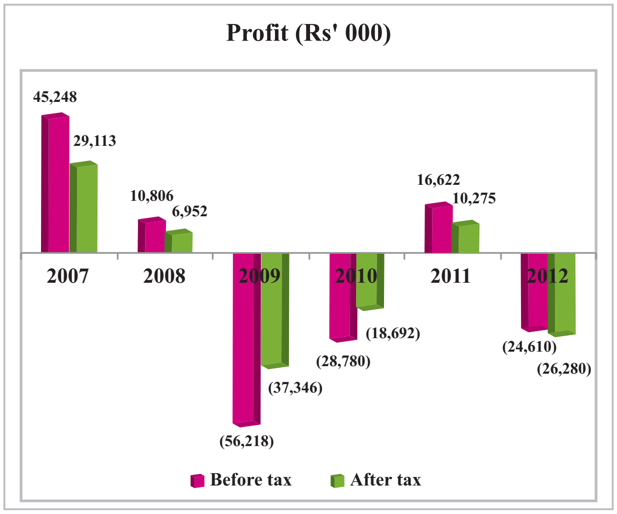
Graphs



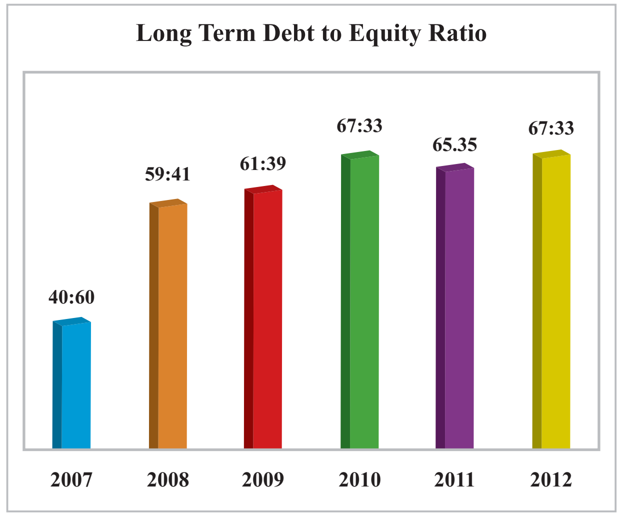
Sales (Rs' 000)
585,742
557,718
808,840
1,076,104
1,753,881
1,693,802
2007
2008
2009
2010
2011
2012



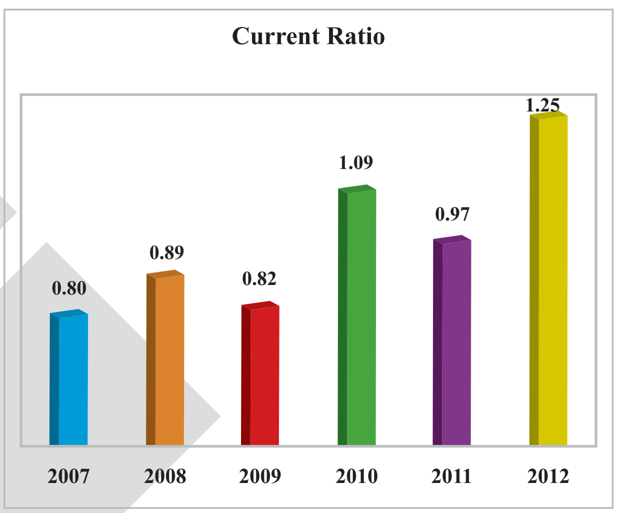
Gross Profit (Rs' 000)
104,391
63,956
42,702
91,597
164,425
136,439
2007
2008
2009
2010
2011
2012



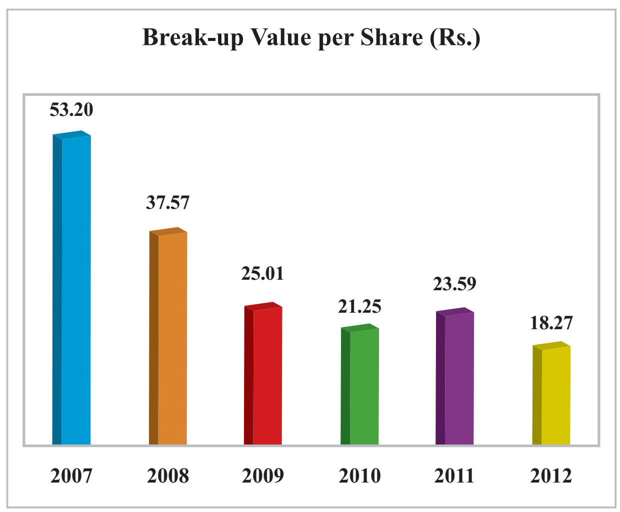
Profit (Rs' 000)
45,248
29,113
10,806
6,952
(56,218)
(37,346)
(28,780)
(18,692)
16,622
10,275
(24,610)
(26,280)
2007
2008
2009
2010
2011
2012
Before tax
After tax



Long Term Debt to Equity Ratio
40:60
59:41
61:39
67:33
65.35
67:33
2007
2008
2009
2010
2011
2012



Current Ratio
0.80
0.89
0.82
1.09
0.97
1.25
2007
2008
2009
2010
2011
2012



Break-up Value per Share (Rs.)
53.20
37.57
25.01
21.25
23.59
18.27
2007
2008
2009
2010
2011
2012

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Pakistan

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 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, the Listing Regulations of Karachi Stock Exchange (Guarantee) Limited require 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, 2012.

BDO Ebrahim & Co.

CHARTERED ACCOUNTANTS
Engagement Partner: Zulfikar Ali Causer

KARACHI

DATED: August 29, 2012

Statement of Compliance with the Code of Corporate Governance

for the year ended June 30, 2012

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive Directors and Directors representing minority interests on its Board of Directors. The newly elected Board comprises of the following:

Category	Names
Independent Director	Mr. Mohammad Yousuf Memon
Executive Directors	M/s Mohammad Shahid and Shahid Ahmed Khan
Non-Executive Directors	M/s Iqbal Ali Lakhani, Zulfiqar Ali Lakhani, Amin Mohammed Lakhani, Tasleemuddin Ahmed Batlay and Sheikh Asim Rafiq

2. The Directors have confirmed that none of them is serving as a Director on more than seven 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, a DFI or an NBFI or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. The election of Directors was held during the year in which eight Directors were elected for a term of three years. No casual vacancy occurred on the Board during the current year.

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates 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, including appointment and determination of remuneration and terms and conditions of employment of the CEO has been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. In accordance with the criteria specified on clause (xi) of CCG, four Directors of the Company are exempted from the requirement of directors' training program and rest of the Directors to be trained within specified time.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

Statement of Compliance with the Code of Corporate Governance

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

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

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

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

15. The Board has formed an Audit Committee. It comprises three members, of whom all are Non-Executive Directors including the Chairman of the Committee.

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

17. The Board has formed a Human Resource and Remuneration Committee. It comprises three members, of whom two are Non-Executive Directors including the Chairman of the Committee.

18. The Board has set up an effective internal audit function managed by suitably qualified and experienced personnel for the purpose and are conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the 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. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. We confirm that all other material principles enshrined in the CCG have been complied with except for the requirement of Chairman of Audit Committee to be an independent Director, toward which reasonable progress is being made by the Company to seek compliance.

Karachi: August 29, 2012

IQBAL ALI LAKHANI
Chairman

MOHAMMAD SHAHID
Chief Executive Officer

Pattern of Holding of Shares

held by the shareholders as at June 30, 2012

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

Number of shareholders	Shareholding From	To		Total number of shares held
223	1	100	Shares	5,882
197	101	500	Shares	58,516
76	501	1,000	Shares	56,076
121	1,001	5,000	Shares	260,757
25	5,001	10,000	Shares	176,278
6	10,001	15,000	Shares	74,558
6	15,001	20,000	Shares	105,406
1	20,001	25,000	Shares	24,739
3	25,001	30,000	Shares	83,602
1	35,001	40,000	Shares	35,250
1	45,001	50,000	Shares	46,000
1	50,001	55,000	Shares	51,200
2	65,001	70,000	Shares	133,433
1	85,001	90,000	Shares	90,000
1	310,001	315,000	Shares	314,930
1	345,001	350,000	Shares	349,615
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	1,005,001	1,010,000	Shares	1,005,365
670	Total			4,742,847

Categories of shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouses and minor children	9,645	0.20
Associated Companies, undertakings and related parties	2,509,858	52.92
National Investment Trust Ltd. & National Bank of Pakistan - Trustee Deptt.	731,373	15.42
Banks, Development Financial Institutions, Non-Banking Financial Institutions.	65,127	1.37
Insurance Companies	NIL	–
Modarabas and Mutual Funds	349,615	7.37
Share holders holding 10%	2,876,605	60.65
General Public		
Local	1,077,229	22.71
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
i)	**ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES**		
1.	SIZA (Private) Limited		314,930
2.	SIZA Services (Pvt) Limited		654,214
3.	SIZA Commodities (Pvt) Limited		532,881
4.	Premier Fashions (Pvt) Limited		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		859
9.	Mr. Bilal Ali Lakhani		234
10.	Mr. Danish Ali Lakhani		359
11.	Miss Sanam Iqbal Lakhani		35
12.	Miss Misha Lakhani		234
ii)	**MUTUAL FUND**		
	Golden Arrow Selected Stocks Fund Limited		349,615
iii)	**DIRECTORS, THEIR SPOUSE 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. Mohammad Shahid	Director & Chief Executive	862
6.	Mr. Shahid Ahmed Khan	Director	500
7.	Mr. Sheikh Asim Rafiq	Nominee of NIT	NIL
8.	Mr. Mohammad Yousuf Memon	Nominee of NIT	NIL
9.	Mrs. Ronak Iqbal Lakhani W/o. Iqbal Ali Lakhani		179
10.	Mrs. Fatima Lakhani W/o. Zulfiqar Ali Lakhani		272
11.	Mrs. Saira Amin Lakhani W/o. Amin Mohammed Lakhani		276
iv)	**EXECUTIVES**		NIL
v)	**PUBLIC SECTOR COMPANIES AND CORPORATIONS**		NIL
vi)	**BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE COMPANIES, INSURANCE COMPANIES, TAKAFUL MODARABAS AND PENSION FUNDS:**		796,500
vii)	**SHAREHOLDERS HOLDING 5% OR MORE [Other than those reported at i(1), i(2), i(3), i(4) and ii]**		
	National Bank of Pakistan		684,145
viii)	**INDIVIDUALS AND OTHER THAN THOSE MENTIONED ABOVE**		1,077,229

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

BDO

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **MERIT PACKAGING LIMITED** as at June 30, 2012 and the related profit and loss account, statement of comprehensive income, 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, statement of comprehensive income, 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, 2012 and of the loss, comprehensive loss, its cash flows and changes in equity for the year then ended; and

d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

KARACHI

DATED: August 29, 2012

BDO Ebrahim & Co.

CHARTERED ACCOUNTANTS

Engagement Partner: Zulfikar Ali Causer

Balance Sheet
as at June 30, 2012

	Note	2012 Rupees	2011 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	665,875,282	619,653,478
Intangible assets	7	1,986,314	2,994,477
Long-term loans and advances	8	2,086,256	652,662
Long-term deposits	9	3,490,447	3,984,107
		673,438,299	627,284,724
CURRENT ASSETS			
Stores and spares	10	53,903,595	52,653,184
Stock-in-trade	11	276,126,690	255,363,351
Trade debts	12	264,988,576	300,931,522
Loans and advances	13	5,350,211	758,838
Trade deposits and short-term prepayments	14	2,358,054	5,529,869
Other receivables	15	362,419	187,027
Tax refund due from government	16	27,329,906	23,570,358
Taxation - net	17	28,005,222	6,309,081
Cash and bank balances	18	1,120,695	548,796
		659,545,368	645,852,026
TOTAL ASSETS		1,332,983,667	1,273,136,750
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
30,000,000 (2011: 8,000,000) ordinary shares of Rs.10/- each		300,000,000	80,000,000
Issued, subscribed and paid-up capital	19	47,428,470	47,428,470
Reserves	20	39,245,578	64,439,805
		86,674,048	111,868,275
SURPLUS ON REVALUATION OF FIXED ASSETS	21	174,484,675	135,692,592
NON-CURRENT LIABILITIES			
Long-term financing	22	540,000,000	352,000,000
Liabilities against assets subject to finance leases	23	-	1,779,875
Long-term deposits		81,000	581,000
Deferred taxation	24	3,867,991	2,870,011
		543,948,991	357,230,886
CURRENT LIABILITIES			
Trade and other payables	25	182,405,153	148,648,211
Financial charges payable	26	10,642,039	7,484,918
Short-term borrowings	27	333,052,625	413,620,185
Current portion of long-term liabilities	28	1,776,136	98,591,683
		527,875,953	668,344,997
CONTINGENCIES AND COMMITMENTS	29		
TOTAL EQUITY AND LIABILITIES		1,332,983,667	1,273,136,750

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

IQBAL ALI LAKHANI
Chairman

MOHAMMAD SHAHID
Chief Executive Officer

Profit and Loss Account
for the year ended June 30, 2012

	Note	2012 Rupees	2011 Rupees
Sales - net	30	1,693,802,259	1,753,880,843
Cost of sales	31	(1,557,363,068)	(1,589,456,196)
Gross profit		136,439,191	164,424,647
General and administrative expenses	32	(35,217,452)	(30,245,972)
Selling expenses	33	(24,829,852)	(23,115,913)
Other operating income	34	6,113,188	4,647,552
Other operating expenses	35	(2,727,512)	(3,893,230)
		(56,661,628)	(52,607,563)
Operating profit		79,777,563	111,817,084
Financial charges	36	(104,388,045)	(95,194,754)
(Loss)/profit before taxation		(24,610,482)	16,622,330
Taxation	37	(1,669,925)	(6,347,021)
(Loss)/profit for the year		(26,280,407)	10,275,309
(Loss)/earnings per share - basic and diluted	38	(5.54)	2.17

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

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

IQBAL ALI LAKHANI
Chairman

MOHAMMAD SHAHID
Chief Executive Officer

Statement of Comprehensive Income
for the year ended June 30, 2012

	2012	2011
	Rupees	Rupees
(Loss)/profit for the year	(26,280,407)	10,275,309
Other comprehensive income	-	-
Total comprehensive (loss)/income for the year	(26,280,407)	10,275,309

Surplus arising on revaluation of assets has been reported in accordance with the requirements of the Companies Ordinance, 1984 in a separate account below equity.

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

IQBAL ALI LAKHANI
Chairman

MOHAMMAD SHAHID
Chief Executive Officer

Cash Flow Statement

for the year ended June 30, 2012

	Note	2012 Rupees	2011 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	41	158,208,632	33,072,255
Taxes paid		(40,355,068)	(12,775,033)
Financial charges paid		(101,230,924)	(95,484,265)
Long-term loans and advances		(1,433,594)	(604,736)
Long-term deposits		(3,143,409)	3,064,015
Net cash generated from/(used in) operating activities		12,045,637	(72,727,764)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(28,089,825)	(20,385,742)
Intangible assets		-	(135,000)
Proceeds from sale of operating fixed assets	6.5	4,642,000	1,912,619
Net cash (used in) investing activities		(23,447,825)	(18,608,123)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term financing (excluding running finance)		-	100,000,000
Repayment of long-term financing		-	(15,000,000)
Repayment of liabilities against assets subject to finance leases		(7,458,353)	(14,867,697)
Repayment of short term financing (excluding running finance)		(90,000,000)	-
Net cash (used in)/generated from financing activities		(97,458,353)	70,132,303
Net decrease in cash and cash equivalents		(108,860,541)	(21,203,584)
Cash and cash equivalents at beginning of the year		(223,071,389)	(201,867,805)
Cash and cash equivalents at end of the year		(331,931,930)	(223,071,389)
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash and bank balances	18	1,120,695	548,796
Short-term borrowings	27	(333,052,625)	(223,620,185)
		(331,931,930)	(223,071,389)

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

IQBAL ALI LAKHANI
Chairman

MOHAMMAD SHAHID
Chief Executive Officer

Statement of Changes in Equity
for the year ended June 30, 2012

	Issued, subscribed and paid-up capital	Reserves			Total
		General reserve	Unappropriated loss	Total	
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at June 30, 2010	47,428,470	106,800,000	(53,436,000)	53,364,000	100,792,470
Transfer from surplus on revaluation of fixed assets (note 21)	-	-	800,496	800,496	800,496
Comprehensive income for the year ended June 30, 2011	-	-	10,275,309	10,275,309	10,275,309
Balance as at June 30, 2011	47,428,470	106,800,000	(42,360,195)	64,439,805	111,868,275
Transfer from surplus on revaluation of fixed assets (note 21)	-	-	1,086,180	1,086,180	1,086,180
Comprehensive loss for the year ended June 30, 2012	-	-	(26,280,407)	(26,280,407)	(26,280,407)
Balance as at June 30, 2012	47,428,470	106,800,000	(67,554,422)	39,245,578	86,674,048

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

IQBAL ALI LAKHANI
Chairman

MOHAMMAD SHAHID
Chief Executive Officer

Notes to the Financial Statements
for the year ended June 30, 2012

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 the requirements of the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and approved financial reporting standards as applicable in Pakistan. Approved financial reporting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance and of the said directives have been followed.

2.2 Basis of measurement

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

These financial statements are 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. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

3.1 Amendments that are effective in current year but not relevant to the Company

The Company has adopted the amendments to the following accounting standards which became effective during the year:

		Effective date (annual periods beginning on or after)
	Conceptual Framework for Financial Reporting	September 2010
IFRS 1	First time Adoption of International Financial Reporting Standards	July 01, 2011
IFRS 7	Financial Instruments: Disclosures	July 01, 2011
IAS 24	Related Party Disclosures	January 01, 2011
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	January 01, 2011

In May 2010, International Accounting Standards Board issued amendments to various accounting standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

Notes to the Financial Statements
for the year ended June 30, 2012

		Effective date (annual periods beginning on or after)
Issued in May 2010		
IFRS 1	First time Adoption of International Financial Reporting Standards	January 01, 2011
IFRS 7	Financial Instruments: Disclosures	January 01, 2011
IAS 1	Presentation of Financial Statements	January 01, 2011
IAS 34	Interim Financial Reporting	January 01, 2011
IFRIC 13	Customer Loyalty Programmes	January 01, 2011

3.2 Amendments not yet effective

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

IFRS 1	First-time Adoption of International Financial Reporting Standards - Amendments for government loan with a below-market rate of interest when transitioning to IFRSs and amendments resulting from Annual Improvements 2009-2011 Cycle (repeat application, borrowing costs)	January 01, 2013
IFRS 7	Financial Instruments Disclosures - Amendments related to the offsetting of assets and liabilities and deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	January 01, 2013
IFRS 9	Financial Instruments - Reissue to include requirements for the classification and measurement of financial liabilities and incorporate existing derecognition requirements	January 01, 2015
IFRS 9	Financial Instruments - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	January 01, 2015
IAS 1	Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	July 01, 2012
IAS 1	Presentation of Financial Statements - Amendments resulting from Annual Improvements 2009-2011 Cycle (comparative information)	January 01, 2013
IAS 12	Income Taxes - Limited scope amendment (recovery of underlying assets)	January 01, 2012
IAS 16	Property, Plant and Equipment - Amendments resulting from Annual Improvements 2009-2011 Cycle (servicing equipment)	January 01, 2013
IAS 19	Employee Benefits - Amended standard resulting from the post-employment benefits and termination benefits projects	January 01, 2013
IAS 32	Financial Instruments: Presentation - Amendments relating to the offsetting of assets and liabilities	January 01, 2014
IAS 32	Financial Instruments: Presentation - Amendments resulting from Annual Improvements 2009-2011 Cycle (tax effect of equity distributions)	January 01, 2013
IAS 34	Interim Financial Reporting - Amendments resulting from Annual Improvements 2009-2011 Cycle (interim reporting of segment assets)	January 01, 2013

3.3 Standards or interpretations not yet effective

The following International Financial Reporting Standards or interpretations issued by IASB would be effective from the dates mentioned below against the respective standard or interpretation:

Notes to the Financial Statements
for the year ended June 30, 2012

		Effective date (annual periods beginning on or after
IFRS 10	Consolidated Financial Statements	January 01, 2013
IFRS 11	Joint Arrangements	January 01, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13	Fair Value Measurement	January 01, 2013
IAS 27	Separate Financial Statements	January 01, 2013
IAS 28	Investments in Associates and Joint Ventures	January 01, 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

The Company expects that the adoption of the above amendments and interpretations of the standards will not affect the Company's financial statements in the period of initial application.

4. CHANGE IN ESTIMATE

The Company has reassessed the remaining useful lives and residual values of its operating assets on the basis of evaluations carried out internally and externally. This would result in a more accurate allocation of depreciation expenses to the accounting periods in which depreciable assets are utilised by the Company. The changes in accounting estimates have been applied prospectively in the financial statements as per the requirements of International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Had there been no change in estimates, the loss before taxation for the year and the carrying values of fixed assets would have been higher and lower by Rs.16.672 million respectively. Further, on account of revision in residual values, the aggregate accumulated depreciation over the remaining useful lives of the assets shall be lower by Rs.62.930 million.

5. 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.

5.1 Property, plant and equipment

5.1.1 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 loss 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 loss.

5.1.2 Leased

Finance leases

Leases where the Company has substantially all the risk and reward of ownership are classified as finance

Notes to the Financial Statements
for the year ended June 30, 2012

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 6.1 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.

5.1.3 Capital work-in-progress

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

5.2 Intangible assets

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

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

5.3 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.

Spare parts of capital nature which can be used only in connection with an item of property, plant and equipment are classified as operating fixed assets under "Plant and machinery" category and are depreciated over a time period not exceeding the useful life of the related assets.

5.4 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.

5.5 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 debts considered irrecoverable are written off.

5.6 Taxation

5.6.1 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.

Notes to the Financial Statements
for the year ended June 30, 2012

5.6.2 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 asset/liability on deficit/surplus on revaluation of fixed assets which is adjusted against the related deficit/surplus.

5.7 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 year net of deferred tax effect is transferred to profit and loss account. Impairment loss is adjusted against surplus carried for the impaired assets.

5.8 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.

5.9 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.

5.10 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.

5.11 Cash and bank balances

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

5.12 Impairment losses

The Company assesses at each balance sheet date whether there is any indication that assets other than stores and spares, 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.

Notes to the Financial Statements
for the year ended June 30, 2012

5.13 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 initially measured at cost, which is the fair value of the consideration given or received respectively. In subsequent periods, 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.

5.14 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.

5.15 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.

5.16 Employee retirement benefits

5.16.1Defined 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, 2012 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 40).

5.16.2 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.

5.16.3 Compensated absences

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

5.17 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 are recognised on accrual basis.

5.18 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.

Notes to the Financial Statements
for the year ended June 30, 2012

5.19 Dividend and appropriation to reserves

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

5.20 Share capital

Share capital is classified as equity and recognized at the face value. Incremental costs directly attributable to the issue of new shares are shown as a deduction in equity.

5.21 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the period.

5.22 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.

5.23 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:

5.23.1 Defined Benefit Plan

Certain actuarial assumptions have been adopted by external professional valuer (as disclosed in note 40) 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.

5.23.2 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 tax authorities at the assessment stage and where the Company considers that it's view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

5.23.3 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 equipment with a corresponding affect on the depreciation charge and impairment.

5.23.4 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.

Notes to the Financial Statements
for the year ended June 30, 2012

6. PROPERTY, PLANT AND EQUIPMENT

6.1 The following is the statement 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, 2012											
Opening net book value	128,333,325	73,923,535	323,037,689	2,347,201	13,912,606	1,622,946	1,486,196	26,792,467	15,802,620	32,394,893	619,653,478
Addition (at cost)	-	-	18,738,545	946,839	3,644,750	1,598,431	198,500	2,463,696	97,150	401,914	28,089,825
Transfer	-	-	19,091,137	-	-	-	-	-	-	(19,091,137)	-
Revaluation	8,555,555	7,449,031	40,739,751	-	-	-	-	-	-	-	56,744,337
Disposal (NBV)	-	-	(1,989,408)	-	(1,352,985)	(18,200)	-	-	-	-	(3,360,593)
Depreciation charged	-	(3,206,616)	(21,918,970)	(637,577)	(2,337,002)	(577,560)	(911,386)	(3,943,176)	(813,355)	(906,123)	(35,251,765)
Closing net book value	136,888,880	78,165,950	377,698,744	2,656,463	13,867,369	2,625,617	773,310	25,312,987	15,086,415	12,799,547	665,875,282
Gross carrying value basis year ended June 30, 2012											
Cost / revaluation	136,888,880	117,501,801	625,363,120	4,692,836	21,991,410	5,415,935	6,306,824	53,962,590	20,474,682	16,031,329	1,008,629,407
Accumulated depreciation	-	(39,335,851)	(247,664,376)	(2,036,373)	(8,124,041)	(2,790,318)	(5,533,514)	(28,649,603)	(5,388,267)	(3,231,782)	(342,754,125)
Net book value	136,888,880	78,165,950	377,698,744	2,656,463	13,867,369	2,625,617	773,310	25,312,987	15,086,415	12,799,547	665,875,282
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, 2011											
Opening net book value	128,333,325	72,366,803	326,631,822	1,210,176	14,843,344	1,175,084	2,355,592	29,783,929	16,587,269	56,578,007	649,865,351
Addition (at cost)	-	5,734,651	8,739,076	1,595,551	3,051,000	990,847	307,865	2,551,819	-	295,366	23,266,175
Transfer	-	-	20,661,470	-	-	-	-	-	-	(20,661,470)	-
Disposal (NBV)	-	-	-	-	(1,731,425)	-	(27,148)	-	-	-	(1,758,573)
Depreciation charged	-	(4,177,919)	(32,994,679)	(458,526)	(2,250,313)	(542,985)	(1,150,113)	(5,543,281)	(784,649)	(3,817,010)	(51,719,475)
Closing net book value	128,333,325	73,923,535	323,037,689	2,347,201	13,912,606	1,622,946	1,486,196	26,792,467	15,802,620	32,394,893	619,653,478
Gross carrying value basis year ended June 30, 2011											
Cost / revaluation	128,333,325	105,022,823	506,182,169	3,745,997	19,730,660	3,845,504	6,108,324	51,498,894	20,377,532	48,063,687	892,908,915
Accumulated depreciation	-	(31,099,288)	(183,144,480)	(1,398,796)	(5,818,054)	(2,222,558)	(4,622,128)	(24,706,427)	(4,574,912)	(15,668,794)	(273,255,437)
Net book value	128,333,325	73,923,535	323,037,689	2,347,201	13,912,606	1,622,946	1,486,196	26,792,467	15,802,620	32,394,893	619,653,478
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, 2012

	Note	2012 Rupees	2011 Rupees
6.2 The depreciation charge for the year has been allocated as follows:			
Cost of sales	31	32,866,993	49,233,648
General and administrative expenses	32	1,429,127	1,608,268
Selling expenses	33	955,645	877,559
		35,251,765	51,719,475

6.3 The Company has revalued its leasehold land, building/improvement on leasehold land and plant and machinery on September 01, 2004, June 25, 2009 and June 30,2012 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.215.687 million (2011: Rs. 158.943). Revalued assets having revaluation surplus of Rs. 9.153 million (2011: Rs. 8.753 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.195.056 million including land remains undepreciated as at June 30, 2012 (2011: Rs.139.983 million).

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

	Net book value	
	2012 Rupees	2011 Rupees
Leasehold land	608,737	608,737
Building / improvements on leasehold land	62,428,856	64,921,307
Plant and machinery	334,659,639	319,781,454
	397,697,232	385,311,498

6.5 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 & Machinery	2,381,312	1,491,950	889,362	2,500,000	Negotiation	Ammara Commercial Printers Pvt Ltd - Karachi
	1,787,260	687,214	1,100,046	750,000	Negotiation	Al Madinah Plastic Pvt Ltd - Karachi
	4,168,572	2,179,164	1,989,408	3,250,000		
Vehicle	1,384,000	31,015	1,352,985	1,380,000	Negotiation	Mohammad Ali Kundan - Karachi
Office equipments	28,000	9,800	18,200	12,000	Claim	Century Insurance Co Ltd - Karachi (An Associated Company)
Total - 2012	5,580,572	2,219,979	3,360,593	4,642,000		
Total - 2011	4,077,669	2,319,096	1,758,573	1,912,619		

Notes to the Financial Statements
for the year ended June 30, 2012

	Note	2012 Rupees	2011 Rupees
7. INTANGIBLE ASSETS			
Net carrying value basis			
Opening book value		2,994,477	3,842,890
Addition		-	135,000
		2,994,477	3,977,890
Amortisation charged	7.1	(1,008,163)	(983,413)
Closing net book value		1,986,314	2,994,477
Gross carrying value basis			
Cost		5,040,817	5,040,817
Accumulated amortisation		(3,054,503)	(2,046,340)
Closing net book value		1,986,314	2,994,477
Amortisation rate per annum		20%	20%

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

	Note	2012 Rupees	2011 Rupees
Cost of sales	31	441,523	431,712
General and administrative expenses	32	380,219	404,527
Selling expenses	33	186,421	147,174
		1,008,163	983,413

8. LONG-TERM LOANS AND ADVANCES

	Note	2012 Rupees	2011 Rupees
Loans			
(Secured - considered good)			
Due from employees	8.1	453,992	211,996
Current portion shown under current assets	13	(113,004)	(53,004)
		340,988	158,992
(Unsecured - considered good)			
Advances		1,745,268	493,670
		2,086,256	652,662

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.

9. LONG-TERM DEPOSITS

	Note	2012 Rupees	2011 Rupees
Deposits			
Security deposits			
Leases			
Long-term deposit under finance lease		768,805	3,905,874
Current portion shown under current assets	14	(768,805)	(3,137,069)
		-	768,805
Others		3,490,447	3,215,302
		3,490,447	3,984,107

Notes to the Financial Statements
for the year ended June 30, 2012

	Note	2012 Rupees	2011 Rupees
10. STORES AND SPARES			
Stores			
In hand		29,561,071	29,163,470
In transit		-	1,168
		29,561,071	29,164,638
Spares			
In hand		25,100,515	26,113,417
In transit		1,518,947	1,250,451
		26,619,462	27,363,868
		56,180,533	56,528,506
Provision for slow moving and obsolete stores and spares	10.2	(2,276,938)	(3,875,322)
		53,903,595	52,653,184

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 beginning of the year	3,875,322	3,394,640
(Reversal) / provision for the year	(1,598,384)	480,682
Balance at end of the year	2,276,938	3,875,322

	Note	2012 Rupees	2011 Rupees
11. STOCK-IN-TRADE			
Raw materials			
In hand		214,906,823	217,496,316
In transit		5,895	3,583,379
		214,912,718	221,079,695
Packing materials		4,394,379	1,913,361
		219,307,097	222,993,056
Provision for slow moving and obsolete stock in trade	11.1	(1,153,704)	(1,011,233)
		218,153,393	221,981,823
Work-in-process	31	52,819,117	21,418,839
Finished goods	31	5,154,180	11,962,689
		276,126,690	255,363,351

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

Balance at beginning of the year	1,011,233	1,169,057
Provision/(reversal) for the year	142,471	(157,824)
Balance at end of the year	1,153,704	1,011,233

	Note	2012 Rupees	2011 Rupees
12. TRADE DEBTS			
(Unsecured - considered good)			
Due from associated undertakings	12.1	18,420,105	41,897,980
Others		248,380,583	260,845,654
		266,800,688	302,743,634
Provision for doubtful debts		(1,812,112)	(1,812,112)
		264,988,576	300,931,522

Notes to the Financial Statements
for the year ended June 30, 2012

		Note	2012 Rupees	2011 Rupees
12.1	This comprises amount receivable from:			
	Century Paper & Board Mills Limited		3,221,664	2,845,177
	GAM Corporation (Private) Limited		438,100	298,800
	Siza Foods (Private) Limited		413,400	205,425
	Tetley Clover (Private) Limited		9,918,988	22,035,451
	Colgate Palmolive Pakistan Limited		4,427,953	16,513,127
			18,420,105	41,897,980
13.	**LOANS AND ADVANCES**			
	Loans (secured-considered good)			
	Current portion of long-term loans	8	113,004	53,004
	Advances (unsecured-considered good)			
	To suppliers		5,237,207	705,834
			5,350,211	758,838
14.	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Deposits			
	Current portion of long term deposits	9	768,805	3,137,069
	Others		1,243,000	2,143,000
			2,011,805	5,280,069
	Prepayments		346,249	249,800
			2,358,054	5,529,869
15.	**OTHER RECEIVABLES**			
	(Unsecured-considered good)			
	Due from associated undertakings	15.1	18,510	110,292
	Others		343,909	76,735
			362,419	187,027

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

		Note	2012 Rupees	2011 Rupees
16.	**TAX REFUND DUE FROM GOVERNMENT**			
	Sales tax and special excise duty receivable		15,109,014	12,131,142
	Income tax refundable		12,220,892	11,439,216
			27,329,906	23,570,358

17. TAXATION - NET

The income tax assessments of the Company have been finalized upto tax year 2011 (accounting year ended June 30, 2011). Adequate provisions have been made in these financial statements for the year ended June 30, 2012 (tax year 2012).

Notes to the Financial Statements
for the year ended June 30, 2012

	Note	2012 Rupees	2011 Rupees
18. CASH AND BANK BALANCES			
Cash with banks in current accounts		208,129	171,257
Cash in hand		912,566	377,539
		1,120,695	548,796

19. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Number of ordinary shares of Rs.10/- each 2012	2011		2012 Rupees	2011 Rupees
1,890,000	1,890,000	Fully paid in cash	18,900,000	18,900,000
2,852,847	2,852,847	Issued as fully paid bonus shares	28,528,470	28,528,470
4,742,847	4,742,847		47,428,470	47,428,470
2,507,390	2,507,390	Shares held by associated undertakings	25,073,900	25,073,900

	Note	2012 Rupees	2011 Rupees
20. RESERVES			
Revenue			
General reserve		106,800,000	106,800,000
Unappropriated loss		(67,554,422)	(42,360,195)
		39,245,578	64,439,805
21. SURPLUS ON REVALUATION OF FIXED ASSETS			
Gross surplus			
Balance as at July 01,		139,983,051	141,214,583
Surplus recognized during the year		56,744,337	-
		196,727,388	141,214,583
Transfer to unappropriated profit in respect of disposal of revalued property, plant and equipment during the year - (net of deferred tax)		(251,501)	-
Related deferred tax liability		(135,423)	-
		(386,924)	-
Transfer to unappropriated profit in respect of incremental depreciation charged during the year - (net of deferred tax)		(834,679)	(800,496)
Related deferred tax liability		(449,442)	(431,036)
		(1,284,121)	(1,231,532)
Surplus on revaluation of fixed assets as at June 30,		195,056,343	139,983,051
Related deferred tax effect:			
Balance as at July 01,		(4,290,459)	(4,721,495)
On surplus recognized during the year		(16,866,074)	-
Transferred to unappropriated profit in respect of revalued property, plants and equipment disposed during the year		135,423	-
Incremental depreciation charge during the year		449,442	431,036
	24	(20,571,668)	(4,290,459)
		174,484,675	135,692,592

Notes to the Financial Statements
for the year ended June 30, 2012

21.1 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 fixed assets and to set-off any incremental depreciation arising as a result of revaluation.

	Note	**2012 Rupees**	2011 Rupees
22. LONG TERM FINANCING			
Unsecured			
From Sponsors	22.1	540,000,000	440,000,000
Current portion shown under current liabilities	28	-	(88,000,000)
		540,000,000	352,000,000

22.1 This facility has been obtained from Sponsors of the Company for the purpose of financing capital expenditure and working capital of the Company. The rate of mark-up is 10% per annum payable on quarterly basis (2011: 10% per annum). The amount was repayable in twenty equal quarterly installments commencing from July 2011. During the year, the repayments have been rescheduled to twenty equal quarterly installments commencing from July 2013.

23. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

	Note	2012	2011
Secured			
Balance as July 01		12,371,558	27,239,255
Payments during the year		(10,595,422)	(14,867,697)
		1,776,136	12,371,558
Payable within one year shown under current liabilities	28	(1,776,136)	(10,591,683)
		-	1,779,875

This represents finance leases entered into with financial institutions for plant and machinery. Financing rate of 14.15% (2011: 15.75% to 16.24%) per annum has 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.0.769 million (2011: Rs.3.906 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:

	2012			2011		
	Upto one Year Rupees	**One to five Years Rupees**	**Total Rupees**	Upto one Year Rupees	One to five Years Rupees	Total Rupees
Minimum lease payments outstanding	1,811,673	–	1,811,673	11,428,056	1,820,012	13,248,068
Financial charges not yet due	(35,537)	–	(35,537)	(836,373)	(40,137)	(876,510)
Present value of minimum lease payments	1,776,136	–	1,776,136	10,591,683	1,779,875	12,371,558
Payable within one year shown under current liabilities	(1,776,136)	–	(1,776,136)	(10,591,683)	–	(10,591,683)
	–	–	–	–	1,779,875	1,779,875

Notes to the Financial Statements
for the year ended June 30, 2012

	Note	2012 Rupees	2011 Rupees
24. DEFERRED TAXATION			
Deferred taxation comprises of:			
Taxable temporary differences:			
Surplus on revaluation of fixed assets	21	20,571,668	4,290,459
Other taxable temporary differences		105,571,038	105,764,702
Gross deferred tax liabilities		126,142,706	110,055,161
Deductible temporary differences:			
Carried forward tax losses		(84,924,189)	(78,388,989)
Turnover tax		(34,569,952)	(25,569,239)
Provision for slow moving and obsolete items		(1,200,725)	(1,710,294)
Provision for doubtful debts		(634,239)	(634,239)
Provision for compensated absences		(945,610)	(882,389)
Gross deferred tax assets		(122,274,715)	(107,185,150)
		3,867,991	2,870,011

	Note	2012 Rupees	2011 Rupees
25. TRADE AND OTHER PAYABLES			
Creditors	25.1	173,024,905	123,555,916
Accrued liabilities		6,131,042	10,981,703
Payable to gratuity fund	40.2	583,741	41,861
Sales tax and special excise duty payable - net		-	10,382,715
Workers' welfare fund	35	-	339,231
Workers' profit participation fund	35	-	892,714
Advances from customers		344,803	553,968
Retention money payable		-	97,125
Short term deposits		5,000	5,000
Unclaimed dividend		129,143	129,143
Others		2,186,519	1,668,835
		182,405,153	148,648,211

25.1 This includes Rs. 0.037 million (2011: Rs. 2.654 million) payable in foreign currency equivalent to Pak Rupees. It includes amount payable to related parties aggregating to Rs. 92.227 million (2011: Rs. 54.483 million).

	2012 Rupees	2011 Rupees
26. FINANCIAL CHARGES PAYABLE		
Mark-up accrued on secured:		
Short-term borrowings	10,631,886	7,260,202
Liabilities against assets subject to finance leases	10,153	224,716
	10,642,039	7,484,918

Notes to the Financial Statements
for the year ended June 30, 2012

	Note	2012 Rupees	2011 Rupees
27. SHORT-TERM BORROWINGS			
From banking companies - secured			
Running finance	27.1	333,052,625	223,620,185
Term finance	27.2	-	90,000,000
		333,052,625	313,620,185
From sponsors - unsecured	27.3	-	100,000,000
		333,052,625	413,620,185

27.1 The Company has short term running finance facilities under mark-up arrangements aggregating to Rs.485.000 million (2011: Rs.275.000 million) from various commercial banks having mark-up at rates ranging from 12.92% to 13.79% (2011: 14.71% to 15.62%) per annum calculated on a daily product basis and payable quarterly. The unutilised balance at the end of the year was Rs.151.947 million (2011: Rs.51.380 million).

The Company has also a facility for opening letters of credit under mark-up arrangements as at June 30, 2012 amounting to Rs. 245.000 million (2011: Rs. 235.000 million) from various commercial banks. The unutilized balance at the end of the year was Rs. 245.000 million (2011: Rs. 235.000 million).

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

27.2 The corresponding figure represents finance obtained at interest rate of 14.78% per annum repaid in September, 2011. This finance was secured by way of pari passu hypothecation charge on stock-in-trade and trade debts.

27.3 During the year, this financing has been rescheduled and accordingly transferred to "Long-term financing."

28. CURRENT PORTION OF LONG-TERM LIABILITIES

	Note	2012 Rupees	2011 Rupees
Long-term financing	22	-	88,000,000
Liabilities against assets subject to finance leases	23	1,776,136	10,591,683
		1,776,136	98,591,683

29. CONTINGENCIES AND COMMITMENTS

29.1 **Contingencies**

29.1.1 Post dated cheques amounting to Rs.2.414 million (2011: Rs. 4.104 million) have been issued to customs authorities as security in respect of the differential amount of statutory duty and concessionary duties at the time of customs clearance of goods. In the event of withdrawal of concession, the utilization of goods shall be subject to statutory duties in which case cheques issued will be encashable.

Notes to the Financial Statements
for the year ended June 30, 2012

29.2 Commitments

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

Stores, spares and raw materials under contractual obligations amounted to Rs. 1.813 million (2011: Rs.4.442 million).

	Note	2012 Rupees	2011 Rupees
30. SALES - NET			
Gross sales		1,999,337,402	2,107,591,557
Sales tax		(305,489,273)	(327,182,190)
Special excise duty		-	(26,350,219)
Commission		(45,870)	(178,305)
		1,693,802,259	1,753,880,843
31. COST OF SALES			
Materials consumed		1,347,596,819	1,342,573,628
Salaries, wages and other benefits	31.1	85,734,874	80,632,077
Packing material consumed		32,051,584	30,063,851
Outsourced services		6,581,878	8,300,073
Stores and spares consumed		27,088,156	31,503,082
Power and fuel		33,033,918	27,331,706
Depreciation	6.2	32,866,993	49,233,648
Amortisation	7.1	441,523	431,712
Rent, rates and taxes		2,808,600	4,691,987
Repairs and maintenance		3,353,025	5,326,652
Vehicle running expenses		1,154,805	820,759
Insurance		4,261,574	4,406,030
Printing and stationery		974,943	731,445
Communication charges		1,225,519	1,120,763
Traveling and conveyance		686,830	490,239
Fees and subscription		416,274	253,400
Software license fee		345,952	255,445
Other expenses		1,331,570	1,147,638
Manufacturing cost		1,581,954,837	1,589,314,135
Opening work-in-process		21,418,839	20,038,371
Closing work-in-process	11	(52,819,117)	(21,418,839)
		(31,400,278)	(1,380,468)
Cost of goods manufactured		1,550,554,559	1,587,933,667
Opening stock of finished goods		11,962,689	13,485,218
Closing stock of finished goods	11	(5,154,180)	(11,962,689)
		6,808,509	1,522,529
		1,557,363,068	1,589,456,196

31.1 Salaries, wages and other benefits include Rs. 6.052 million (2011: Rs. 5.689 million) in respect of staff retirement benefits.

Notes to the Financial Statements
for the year ended June 30, 2012

	Note	2012 Rupees	2011 Rupees
32. GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries and other benefits	32.1	27,074,925	22,073,947
Depreciation	6.2	1,429,127	1,608,268
Amortisation	7.1	380,219	404,527
Rent, rates and taxes		241,530	218,610
Repairs and maintenance		355,564	407,719
Vehicle running expenses		1,886,717	1,608,325
Insurance		283,956	228,641
Printing and stationery		437,750	364,478
Communication charges		1,139,813	1,239,565
Traveling and conveyance		907,704	1,053,991
Fees and subscription		164,179	98,819
Software license fee		269,314	244,733
Service fee to associated undertakings		528,432	495,475
Advertisement		-	34,820
Electricity charges		46,908	43,000
Others		71,314	121,054
		35,217,452	30,245,972

32.1 Salaries, wages and other benefits include Rs. 2.755 million (2011: Rs. 2.096 million) in respect of staff retirement benefits.

	Note	2012 Rupees	2011 Rupees
33. SELLING EXPENSES			
Salaries and other benefits	33.1	9,926,724	8,011,803
Depreciation	6.2	955,645	877,559
Cartage outward		9,141,451	9,850,768
Vehicle running expenses		1,810,963	1,225,091
Repairs and maintenance		54,721	69,168
Insurance		188,209	172,074
Printing and stationery		4,978	14,835
Communication charges		685,718	726,909
Traveling and conveyance		885,744	1,296,093
Fees and subscription		12,785	5,594
Software license fee		115,292	85,168
Advertisement		556,559	298,549
Amortisation	7.1	186,421	147,174
Rent, rates and taxes		-	68,177
Others		304,642	266,951
		24,829,852	23,115,913

33.1 Salaries, wages and other benefits include Rs. 1.001 million (2011: Rs. 0.800 million) in respect of staff retirement benefits.

	Note	2012 Rupees	2011 Rupees
34. OTHER OPERATING INCOME			
Insurance agency commission from associated undertaking		708,965	739,728
Scrap sales		4,031,389	3,150,228
Gain on disposal of property, plant and equipment		1,281,407	154,046
Foreign exchange gain		-	153,497
Others		91,427	450,053
		6,113,188	4,647,552

Notes to the Financial Statements
for the year ended June 30, 2012

	Note	2012 Rupees	2011 Rupees
35. OTHER OPERATING EXPENSES			
Legal and professional		1,996,463	1,084,472
Auditors' remuneration:			
Statutory audit		250,000	250,000
Special reports and sundry services		101,000	116,000
Out-of-pocket expenses		99,100	40,000
		450,100	406,000
Commission on brokerage		202,000	150,000
Workers' profit participation fund	25	-	892,714
Workers' welfare fund	25	-	339,231
Provision for doubtful debts	12	-	906,056
Bad debt expense written-off		-	108,757
Director fee		8,000	6,000
Foreign exchange loss		70,949	-
		2,727,512	3,893,230
36. FINANCIAL CHARGES			
Mark-up / interest on :			
Long-term financing		44,120,545	44,643,846
Lease finances		597,714	2,110,569
Short-term borrowings		58,603,083	47,298,287
Interest on workers profit participation fund		31,697	-
		103,353,039	94,052,702
Bank charges and commission		1,035,006	1,142,052
		104,388,045	95,194,754
37. TAXATION			
Current		17,062,962	18,160,132
Prior		475,058	68,240
Deferred		(15,868,095)	(11,881,351)
	37.1	1,669,925	6,347,021

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

	Effective tax rate 2012 Percentage	2011 Percentage
Applicable tax rate	35.00	35.00
Tax effect of expenses that are not deductible in determining taxable profit	(53.01)	115.92
Tax effect of flood surcharge	-	3.06
Tax effect of expenses that are deductible in determining taxable profit	56.57	(107.24)
Tax effect of available tax losses	(39.58)	(42.13)
Tax effect of turnover tax	(69.04)	105.75
Tax effect under presumption tax regime	0.72	(1.11)
Tax effect of adjustments in respect of prior years	(9.77)	0.18
Net effect of deferred tax liability arising due to taxable temporary differences	72.32	(71.25)
	(41.79)	3.18
	(6.79)	38.18

Notes to the Financial Statements
for the year ended June 30, 2012

	Note	2012 Rupees	2011 Rupees
38. (LOSS)/EARNINGS PER SHARE - BASIC AND DILUTED			
(Loss)/profit for the year		(26,280,407)	10,275,309
Weighted average number of ordinary shares outstanding		4,742,847	4,742,847
(Loss)/earnings per share - basic and diluted		(5.54)	2.17

39. EVENTS AFTER THE BALANCE SHEET DATE

There were no appropriations declared by the Board of Directors in their meeting held on August 29, 2012.

40. DEFINED BENEFIT PLAN

40.1 **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, 2012, using the Projected Unit Credit Method.

40.2 **Liability recognised in balance sheet**

	Note	2012 Rupees	2011 Rupees
Fair value of plan assets	40.4	30,319,992	23,119,926
Present value of defined benefit obligation	40.5	(38,078,192)	(33,908,500)
		(7,758,200)	(10,788,574)
Actuarial gains to be recognised in later periods		2,568,359	4,604,613
Unrecognized non-vested past service cost to be recognised in later periods		4,606,100	6,142,100
Closing net liability	25	(583,741)	(41,861)

40.3 **Movement of the liability recognized in the balance sheet**

	Note	2012 Rupees	2011 Rupees
Opening net liability		(41,861)	(130,477)
Charge for the year		(5,655,989)	(5,375,831)
Contribution to fund made during the year		5,114,109	5,464,447
Closing net liability		(583,741)	(41,861)

40.4 **Movement in the fair value of plan assets**

	Note	2012 Rupees	2011 Rupees
Fair value as at July 01		23,119,926	17,452,523
Expected return on plan assets		3,540,758	2,411,486
Actuarial losses		(683,096)	(421,865)
Contribution by the employer		5,114,109	5,464,447
Benefits paid		(771,705)	(1,786,665)
Fair value as at June 30	40.2	30,319,992	23,119,926

Notes to the Financial Statements
for the year ended June 30, 2012

	Note	2012 Rupees	2011 Rupees
40.5 Movement in the defined benefit obligation			
Obligation as at July 01		(33,908,500)	(29,775,500)
Current service cost		(2,765,283)	(2,277,084)
Interest cost		(4,693,170)	(3,754,747)
Actuarial gain		2,517,056	112,166
Benefits paid		771,705	1,786,665
Obligation as at June 30	40.2	(38,078,192)	(33,908,500)
40.6 Expenses recognised in profit and loss account			
Current service cost		2,765,283	2,277,084
Interest cost		4,693,170	3,754,747
Expected return on plan assets		(3,540,758)	(2,411,486)
Actuarial gains recognised		202,294	219,486
Past service cost non-vested		1,536,000	1,536,000
		5,655,989	5,375,831
Actual return on plan assets		2,857,662	1,989,621

40.7 **Composition of the fair value of plan assets**

	2012 Rupees	2012 Percentage	2011 Rupees	2011 Percentage
T bills	21,808,912	72%	-	0%
Term finance certificate	602,457	2%	593,312	3%
Mutual fund	5,733,007	19%	20,375,320	88%
Cash with banks	2,175,616	7%	2,151,294	9%
	30,319,992		23,119,926	

40.8 The expected contribution to funded gratuity scheme for the year ending June 30, 2013 is Rs. 4.564 million.

	2012 Percentage	2011 Percentage
40.9 Principal actuarial assumptions		
Following were the significant actuarial assumptions used in the valuation:		
Discount rate per annum	12.50%	14.00%
Expected rate of return on plan assets per annum	12.00%	14.00%
Expected rate of increase in salary per annum	11.50%	13.00%

Notes to the Financial Statements
for the year ended June 30, 2012

	2012	2011	2010	2009	2008
	Rupees	Rupees	Rupees	Rupees	Rupees
40.10 Comparison of five years					
As at June 30,					
Fair value of plan assets	30,319,992	23,119,926	17,452,523	15,427,000	12,087,000
Present value of defined benefit obligation	(38,078,192)	(33,908,500)	(29,775,500)	(26,785,000)	(20,677,000)
Deficit in the plan	(7,758,200)	(10,788,574)	(12,322,977)	(11,358,000)	(8,590,000)
Experience adjustments					
Actuarial (gain) / loss on plan assets	683,096	421,865	4,674,000	764,000	950,000
Actuarial (gain) / loss on plan liabilities	(2,517,056)	(112,166)	(1,523,000)	1,837,000	155,000

	Note	2012	2011
		Rupees	Rupees
41. CASH GENERATED FROM OPERATIONS			
(Loss)/profit before taxation		(24,610,482)	16,622,330
Adjustment for non-cash charges and other items:			
Gain on disposal of property, plant and equipment		(1,281,407)	(154,046)
Financial charges		104,388,045	95,194,754
Depreciation		35,251,765	51,719,475
Amortisation		1,008,163	983,413
Provision for slow moving and obsolete items		(1,455,913)	322,858
Provision for doubtful debts		-	906,056
		137,910,653	148,972,510
Profit before working capital changes		113,300,171	165,594,840
Working capital changes	41.1	44,908,461	(132,522,585)
		158,208,632	33,072,255
41.1 Working capital changes			
Decrease/(increase) in current assets:			
Stores and spares		347,974	(17,125,140)
Stock-in-trade		(20,905,810)	(1,565,456)
Trade debts		35,942,946	(121,016,627)
Loans and advances		(4,591,374)	(119,332)
Trade deposits and short-term prepayments		3,171,815	1,385,085
Other receivables		(175,391)	(88,187)
Tax refund due from government		(2,977,872)	3,603,211
		10,812,288	(134,926,446)
Increase in current liabilities:			
Trade and other payables (excluding unclaimed dividend)		34,096,173	2,403,861
		44,908,461	(132,522,585)

Notes to the Financial Statements
for the year ended June 30, 2012

42. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

The aggregate amounts charged in the financial statements for remuneration, including all benefits to Chief Executive, Director and Executives of the Company were as follows:

	2012				2011			
	Chief Executive	Director	Executives	Total	Chief Executive	Director	Executives	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	2,295,264	2,345,232	7,497,545	12,138,041	2,101,716	710,776	5,798,808	8,611,300
House rent	1,008,276	1,051,176	3,341,796	5,401,248	921,180	318,456	2,584,356	3,823,992
Bonus	373,434	389,322	1,294,337	2,057,093	341,651	–	960,018	1,301,669
Retirement benefits	605,476	210,744	1,906,915	2,723,135	964,715	63,860	1,777,743	2,806,318
Motor vehicle expenses	270,522	222,522	1,452,608	1,945,652	227,508	67,596	983,642	1,278,746
Medical Allowances	224,064	233,592	742,619	1,200,275	204,708	70,768	574,296	849,772
Utilities	38,817	–	–	38,817	10,227	–	–	10,227
Total	4,815,853	4,452,588	16,235,820	25,504,261	4,771,705	1,231,456	12,678,863	18,682,024
Number of persons	1	1	8	10	1	1	6	8

42.1 The Chief Executive and Executives are also provided with free use of Company maintained cars.

42.2 Aggregate amount charged during the year in these financial statements in respect of Directors' fee is Rs.8,000 (2011: Rs.6,000).

43. 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, 2012

Relation with the Company	Nature of transaction	Note	2012 Rupees	2011 Rupees
Associated companies	Sales of goods and services		201,615,132	267,674,642
	Purchases of goods and services		932,049,250	917,276,286
	Rent and allied charges		179,088	281,482
	Insurance agency commission income		708,965	739,728
	Insurance claim received		12,000	160,431
Sponsors	Markup on long term financing		44,120,545	43,999,998
	Short term financing obtained		–	210,000,000
	Repayment of short term financing		–	110,000,000
	Markup on short term financing		10,027,398	7,063,013
Retirement benefit plans	Contribution towards employees retirement benefits plans		9,505,090	8,541,625
Key management personnel	Compensation in respect of:			
	Short term employee benefits	43.2	16,383,535	14,481,416
	Retirement benefits		2,088,873	2,527,036

43.1 Year end balances

Receivable from related parties	18,438,615	42,008,272
Payable to related parties	92,810,868	55,461,529
Long-term financing from sponsors	540,000,000	440,000,000
Short-term borrowings from sponsors	–	100,000,000

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

44. 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, 2012

45. FINANCIAL ASSETS AND LIABILITIES

	2012					
		Exposed to yield/mark-up rate risk				Not exposed to yield/ mark-up rate risk
	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	453,992	–	–	–	–	453,992
Long-term deposits	3,490,447	–	–	–	–	3,490,447
Trade debts	264,988,576	–	–	–	–	264,988,576
Short-term deposits	2,011,805	–	–	–	–	2,011,805
Other receivables	362,419	–	–	–	–	362,419
Cash and bank balances	1,120,695	–	–	–	–	1,120,695
	272,427,934	–	–	–	–	272,427,934
Financial liabilities						
Long-term financing	540,000,000	–	432,000,000	108,000,000	540,000,000	–
Liabilities against assets subject to finance leases	1,776,136	1,776,136	–	–	1,776,136	–
Long-term deposits	81,000	–	–	–	–	81,000
Trade and other payables	182,405,153	–	–	–	–	182,405,153
Financial charges payable	10,642,039	10,642,039	–	–	10,642,039	–
Short-term borrowings	333,052,625	333,052,625	–	–	333,052,625	–
	(1,067,956,953)	(345,470,800)	(432,000,000)	(108,000,000)	(885,470,800)	(182,486,153)
On balance sheet gap	(795,529,019)	(345,470,800)	(432,000,000)	(108,000,000)	(885,470,800)	89,941,781
Off balance sheet items						
Financial commitments						
Stores, spares and raw material under contractual obligations	1,813,278	–	–	–	–	1,813,278
	(1,813,278)	–	–	–	–	(1,813,278)
Total gap	(797,342,297)	(345,470,800)	(432,000,000)	(108,000,000)	(885,470,800)	88,128,503

Notes to the Financial Statements
for the year ended June 30, 2012

	2011					
		Exposed to yield/mark-up rate risk				Not exposed
	Total	Maturity upto one year	Maturity over one year to five years	Maturity over five years	Sub-total	to yield/ mark-up rate risk
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Financial assets						
Long-term loans	211,996	–	–	–	–	211,996
Long-term deposits	3,984,107	–	–	–	–	3,984,107
Trade debts	300,931,522	–	–	–	–	300,931,522
Short-term deposits	5,280,069	–	–	–	–	5,280,069
Other receivables	187,027	–	–	–	–	187,027
Cash and bank balances	548,796	–	–	–	–	548,796
	311,143,517	–	–	–	–	311,143,517
Financial liabilities						
Long-term financing	440,000,000	88,000,000	352,000,000	–	440,000,000	–
Liabilities against assets subject to finance leases	12,371,558	10,591,683	1,779,875	–	12,371,558	–
Long-term deposits	581,000	–	–	–	–	581,000
Trade and other payables	138,265,496	892,714	–	–	892,714	137,372,782
Financial charges payable	7,484,918	7,484,918	–	–	7,484,918	–
Short-term borrowings	413,620,185	413,620,185	–	–	413,620,185	–
	(1,012,323,157)	(520,589,500)	(353,779,875)	–	(874,369,375)	(137,953,782)
On balance sheet gap	(701,179,640)	(520,589,500)	(353,779,875)	–	(874,369,375)	173,189,735
Off balance sheet items						
Financial commitments						
Stores, spares and raw material under contractual obligations	4,441,781	–	–	–	–	4,441,781
	(4,441,781)	–	–	–	–	(4,441,781)
Total gap	(705,621,421)	(520,589,500)	(353,779,875)	–	(874,369,375)	168,747,954

Notes to the Financial Statements
for the year ended June 30, 2012

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

46.1 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.

46.2 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 regulatory 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:

	2012	2011
	(Rupees in thousands)	
Loans and deposits	5,956	9,476
Trade debts	264,989	300,932
Other receivables	362	187
Bank balances	208	171
	271,515	310,766
The aging of trade receivable at the reporting date is:		
Not past due	184,608	231,640
Past due 1-30 days	50,780	48,514
Past due 30-90 days	24,347	6,761
Past due 90 days	5,254	14,017
	264,989	300,932

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.

The exposure to banks is managed by dealing with variety of major banks and monitoring exposure limits on continuous basis. The rating of banks ranges from A1 to A1+.

Notes to the Financial Statements
for the year ended June 30, 2012

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.

46.3 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:

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	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	541,776	724,221	15,423	26,926	157,961	409,150	114,761
Long term deposits	81	81	–	–	–	81	–
Trade and other payables	182,405	182,405	182,405	–	–	–	–
Financial charges payable	10,642	10,642	10,642	–	–	–	–
Short term borrowings	333,053	333,053	333,053	–	–	–	–
	1,067,957	1,250,402	541,523	26,926	157,961	409,231	114,761

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	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	452,372	558,332	63,862	74,184	119,535	300,751	–
Long term deposits	581	581	–	–	–	581	–
Trade and other payables	148,551	148,551	148,551	–	–	–	–
Financial charges payable	7,485	7,485	7,485	–	–	–	–
Retention money payable	97	97	97	–	–	–	–
Short term borrowings	413,620	413,620	413,620	–	–	–	–
	1,022,706	1,128,666	633,615	74,184	119,535	301,332	–

Notes to the Financial Statements
for the year ended June 30, 2012

46.4 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.

46.4.1 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:

	2012	2011
	(Rupees in thousands)	
Foreign bills payable	37	2,654
Contractual obligations	1,813	4,442
Net exposure	1,850	7,096

The following significant exchange rates have been applied

	Average rate		**Reporting date rate**	
	2012	2011	**2012**	2011
	(Rupees)			
USD to PKR	89.64	85.73	94.20	86.05

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**	
	2012	2011	**2012**	2011
	(Rupees in thousands)			
Effect on (loss) or profit	185	710	185	710

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.

46.4.2 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, 2012

	2012	2011	2012	2011
	Effective rate		Carrying amount	
	(In percent)		(Rupees in thousands)	
Financial Liabilities				
Variable rate instruments				
Long term loans	14.15%	15.26%	1,776	12,372
Short term borrowings	13.90%	14.41%	333,053	223,620

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 2011.

	Profit and loss	
	100 bp Increase	100 bp Decrease
As at June 30, 2012		
Cash flow sensitivity - Variable rate financial liabilities (Rs' 000)	(3,348)	3,348
As at June 30, 2011		
Cash flow sensitivity - Variable rate financial liabilities (Rs' 000)	(2,360)	2,360

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

47. 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.

48. CAPITAL MANAGEMENT

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

Notes to the Financial Statements
for the year ended June 30, 2012

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

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

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

49. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on August 29, 2012 by the Board of Directors of the Company.

50. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison, the effect of which is not significant.

51. GENERAL

Figures have been rounded off to the nearest rupee.

IQBAL ALI LAKHANI
Chairman

MOHAMMAD SHAHID
Chief Executive Officer

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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 10th day of October 2012 and at any adjournment thereof.

Signed this ______________ day of ______________ 2012.

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.

ANNUAL REPORT 2012

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website: www.meritpack.com