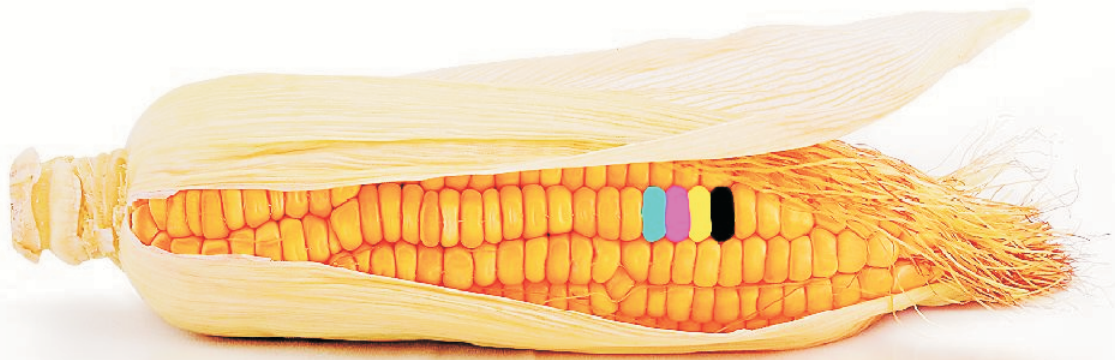


Packaging
Solutions Under
One Roof



ANNUAL REPORT 2010



Merit Packaging Limited

ISO 9001:2008 certified



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Corporate Information

Board of Directors

Iqbal Ali Lakhani	Chairman
Mohammad Shahid	Chief Executive Officer
Zulfiqar Ali Lakhani	
Amin Mohammed Lakhani	
Tasleemuddin Ahmed Batlay	
Shahid Ahmed Khan	
Muhammad Asif	Nominee Director (NIT)
Kaleem Uddeen Ahmad	Nominee Director (NIT)

Advisor

Sultan Ali Lakhani

Audit Committee

Iqbal Ali Lakhani	Chairman
Zulfiqar Ali Lakhani	
Tasleemuddin Ahmed Batlay	

Company Secretary

Mansoor Ahmed

Auditors

BDO Ebrahim & Co.
Chartered Accountants

Bankers

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

Shares Registrar

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

Registered Office

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

Factory

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

Web Presence

www.meritpack.com



Notice of Meeting

NOTICE IS HEREBY GIVEN that the 30th Annual General Meeting of MERIT PACKAGING LIMITED will be held on Friday October 15, 2010 at 10:00 a.m. at Avari Towers Hotel, Fatima Jinnah Road, Karachi to transact the following business:

1. To receive, consider and adopt the audited financial statements for the year ended June 30, 2010 with the Directors' and Auditors' reports thereon.
2. To appoint auditors and fix their remuneration.

By Order of the Board


(MANSOOR AHMED)
Company Secretary

Dated : August 24, 2010

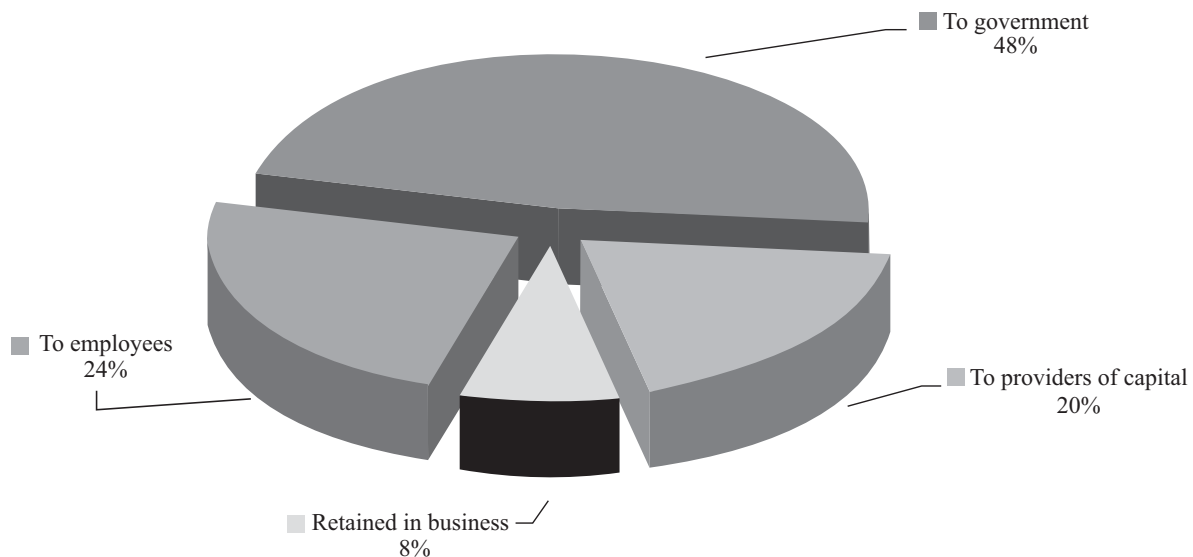
NOTES:

1. The share transfer books of the Company will remain closed from October 09, 2010 to October 15, 2010 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 08, 2010 will be treated in time for the purpose of attendance of Annual General Meeting.
2. A member who has deposited his/her shares into Central Depository Company of Pakistan Limited, must bring his/her participant's ID number and CDC account/sub-account number alongwith original Computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting.
3. A member entitled to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend, speak and vote instead of him/her.
4. Forms of proxy to be valid must be properly filled-in/executed and received by the Company at its registered office at Lakson Square, Building No.2, Sarwar Shaheed Road, Karachi not later than forty-eight hours before the time of the meeting.
5. Members are requested to notify the Shares Registrar of the Company promptly of any change in their addresses.
6. Members who have not yet submitted photocopy of their Computerized National Identity Cards (CNIC) are requested to send the same to our Shares Registrar at the earliest.
7. Form of proxy is enclosed herewith.



Statement of Value Added and its Distribution

Particulars	2010		2009	
	Rs. in 000's	%	Rs. in 000's	%
Value added				
Gross Sales	1,270,466		954,726	
Material and services	(887,046)		(677,783)	
Other income	1,693		1,512	
	385,113	100	278,455	100
Distribution				
To employees				
Salaries, wages and other benefits	92,273	24	76,378	27
To government				
Sales tax & Special Excise Duty	194,334		145,886	
Company taxation	(10,089)		(18,872)	
Workers welfare fund	—		(5)	
	184,245	48	127,009	46
To providers of capital				
Financial charges on borrowed fund	76,997	20	67,605	24
Retained in business				
Depreciation / impairment	49,309		44,727	
Amortisation of intangible assets	981		82	
Retained loss	(18,692)		(37,346)	
	31,598	8	7,463	3
	385,113	100	278,455	100



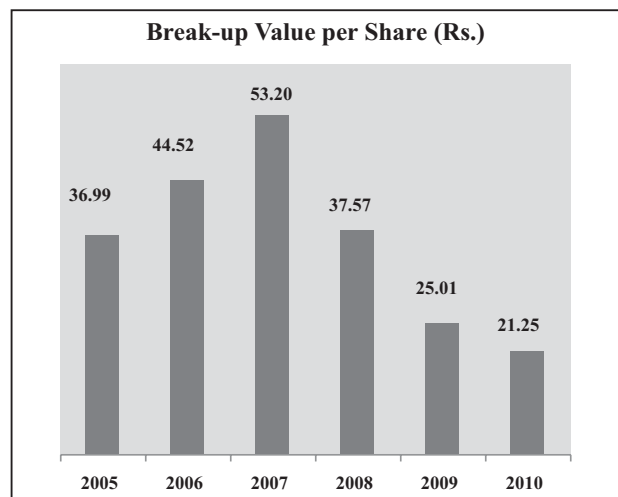
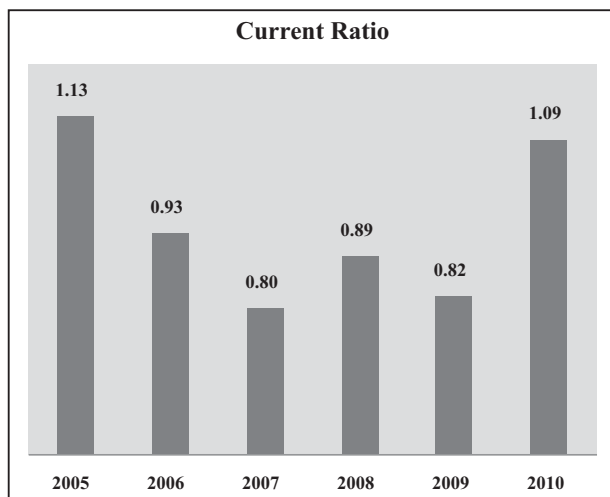
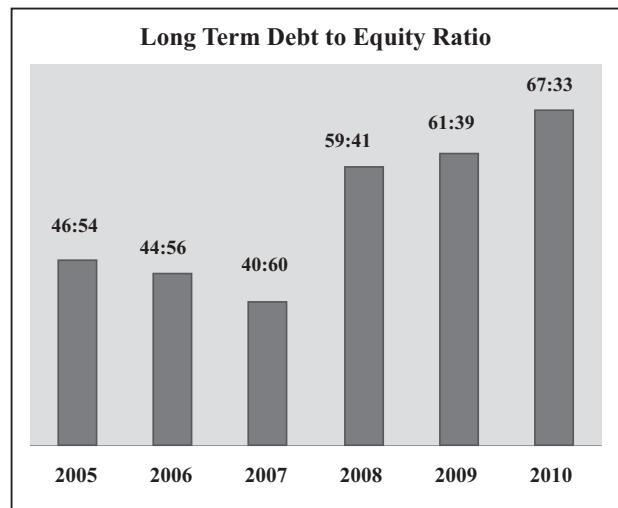
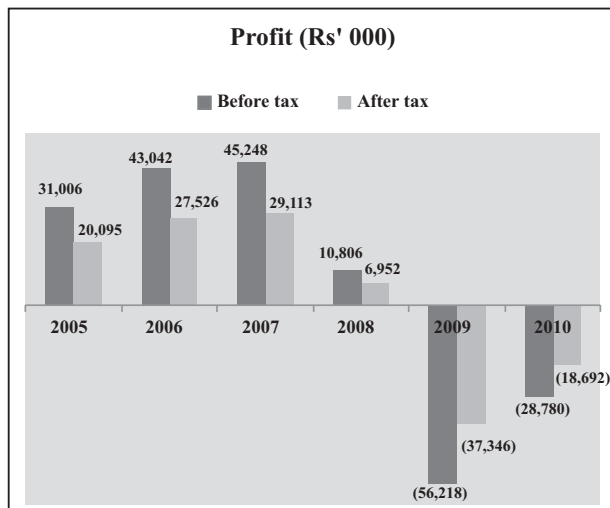
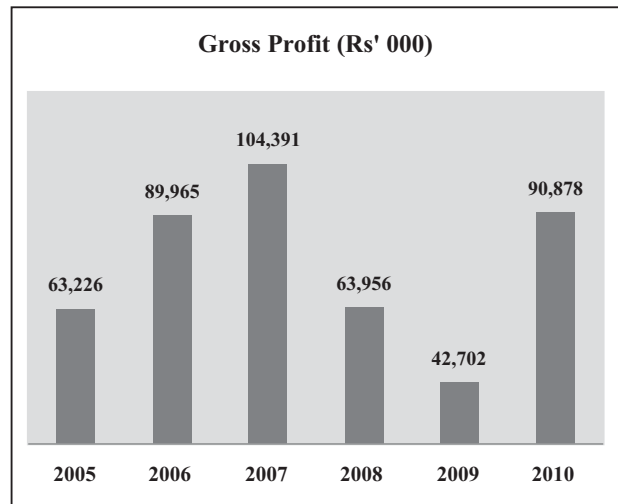
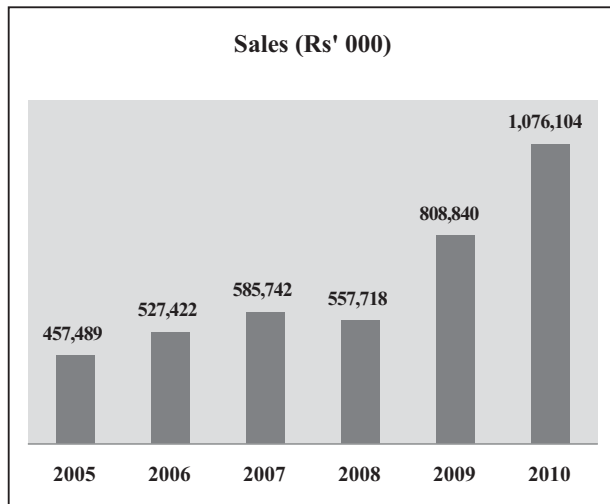


Six Years Key Operating and Financial Data

	Rupees in thousands					
	2010	2009	2008	2007	2006	2005
Trading results						
Sales	1,076,104	808,840	557,718	585,742	527,422	457,489
Gross profit	90,878	42,702	63,956	104,391	89,965	63,226
(Loss) / profit before taxation	(28,780)	(56,218)	10,806	45,248	43,042	31,006
(Loss) / profit after taxation	(18,692)	(37,346)	6,952	29,113	27,526	20,095
Dividend						
Cash	0%	0%	0%	0%	35%	35%
Stock	0%	0%	15%	50%	0%	0%
Payout ratio	0%	0%	0%	0%	35%	48%
Financial position						
Total capital employed	704,428	638,349	586,041	403,403	391,594	377,058
Property, plant and equipment	652,746	685,482	602,370	422,923	393,771	357,736
Shareholder equity	100,792	118,639	154,962	146,260	122,405	101,710
Long term liabilities	452,351	352,270	288,234	118,511	132,221	148,467
Deferred taxation	14,751	30,101	48,628	42,664	37,465	24,586
Others						
Number of employees (at year end)	274	274	223	201	201	206
Capital expenditure	19,248	84,456	218,740	70,789	71,390	190,041
Contribution to national exchequer	58,310	56,178	70,737	46,562	41,851	39,824
Ratios						
Gross profit	8.45%	5.28%	11.47%	17.82%	17.06%	13.82%
(Loss) / profit before taxation	(2.67%)	(6.95%)	1.94%	7.72%	8.16%	6.78%
(Loss) / profit after taxation	(1.74%)	(4.62%)	1.25%	4.97%	5.22%	4.39%
Return on equity	(18.54%)	(31.48%)	4.49%	19.90%	22.49%	19.76%
Return on capital employed	(2.65%)	(5.85%)	1.19%	7.22%	7.03%	5.33%
Current ratio	1.09 : 1	0.82 : 1	0.89 : 1	0.80 : 1	0.93 : 1	1.13 : 1
Debt / equity ratio	67 : 33	61 : 39	59 : 41	40 : 60	44 : 56	46 : 54
Inventory days	83	66	82	57	63	50
Receivable days	40	30	23	14	19	20
Others						
(Loss) / earnings per share - (Rs.)	(3.94)	(7.87)	1.47	6.14	5.80	4.24
Break-up value per share (Rs.)	21.25	25.01	37.57	53.20	44.52	36.99
Market Value (Rs.)	18.00	26.99	90.97	132.90	77.00	58.70
Price earning ratio	(4.57)	(3.43)	62.06	21.65	13.27	13.85



Graphs





Directors' Report

The Directors are pleased to present the 30th annual report together with the audited financial statements for the year ended June 30, 2010.

ECONOMIC OUTLOOK

The economy despite severe challenges in the wake of inflationary and fiscal pressures, energy shortages and a disturbed internal security situation has shown resilience in Financial Year 2009-10 by growing at a modest rate of 4.1%. Large scale manufacturing sector showed a growth of 4.4% in 2009-10.

THE PRINTING AND PACKAGING INDUSTRY

Presence of high rates of inflation along with significant exchange rates deterioration has adversely affected the performance of printing and packaging industry. Additionally, production costs increased as prices of paper & board and other industrial input increased considerably. Intense competition in the industry has made it difficult to pass over the impact of incremental costs to the customers.

FINANCIAL PERFORMANCE

◆ Results for the year

	2010	2009
	Rs. in 000's	Rs. in 000's
Net sales	1,076,104	808,840
Gross profit	90,888	42,702
Profit from operations	48,217	11,387
Financial charges	76,997	67,605
Loss before tax	(28,780)	(56,218)
Loss after tax	(18,692)	(37,346)
Loss per share	Rs.(3.94)	Rs.(7.87)

Concerted efforts made by your Company to expand its customer base as also the market share have started to yield return in form of higher operational profitability and sustainability. All time high sales and optimum capacity utilization strategies form the salient feature of our financial performance of year 2009-10. By the grace of Allah, we have been able to attain highest ever sale amounting to Rs. 1.076 billion representing an increase of 33% as compared to last year.

During the year profit margins remained depressed as our selling rates could not keep up with the continuing upsurge in input costs, increasing overheads together with increasing financial charges due to higher borrowings required for increasing working capital requirements. These factors resulted in a pretax loss of Rs. 28.780 million as compared to Rs. 56.218 million loss last year despite witnessing an impressive operating profit of Rs. 48.217 million for the



Directors' Report

current year. Ongoing improvement is evident from our second half result 2009-10 (Jan 2010-Jun 2010) where the profit before tax has been recorded to Rs.3.565 million as against the first half 2009-10 (Jul 09- Dec 2009) loss of Rs. 32.345 million.

CONTRIBUTION TO NATIONAL ECONOMY

The Company has contributed Rs. 58.310 million to the National exchequer during the year in the form of customs duty, income tax, sales tax and other levies as compared to Rs. 56.178 million in the last year. The Company strongly believes transparency and compliance with all taxation rules and regulations.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The Company's Statement of Compliance with the Code of Corporate Governance is annexed with the report as required by Securities & Exchange Commission of Pakistan (SECP), relevant for the year ended June, 2010.

SAFETY, SECURITY, HEALTH AND ENVIRONMENT (SSHE)

The Company continues to take concrete steps for its strong commitment to promote a safe, secure and healthy environment in our day to day business operations. Employee training is held regularly to ensure better working conditions. In compliance with our quality assurance standards, periodic medical check up of employees is done. First aid equipment and fire fighting equipments are kept operative at all times to ensure a safe and secured working environment.

HUMAN RESOURCE DEVELOPMENT

Our people are our most valued asset. We encourage teamwork and are committed to peaceful working environment for our people. For this purpose, comprehensive training programmes, workshops and seminars are held every year for our employees development. Merit recognises its employees through various recognition programmes including those based on performance.

AUDITORS

The Auditors M/s BDO Ebrahim & Co., Chartered Accountants retire and have offered themselves for reappointment for the year ended June 30, 2011. 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 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 have endorsed their re-appointment for shareholders consideration at the forthcoming Annual General Meeting.



Directors' Report

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- ◆ The financial statements together with the notes thereon have been drawn up by the management in conformity with the Companies Ordinance, 1984. These Statements present fairly the Company's state of affairs, the results of its operations, cash flow and changes in equity.
- ◆ Proper books of accounts of the Company have been maintained by the Company.
- ◆ Accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- ◆ International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- ◆ The system of internal controls and other such procedures, which are in place, are being continuously reviewed by the Internal Audit function. The process of review continues as an ongoing process to further strengthen the controls and bring improvements in the system.
- ◆ There are no doubts upon the Company's ability to continue as a going concern.
- ◆ There has been no material departure from the best practices of corporate governance as detailed in the Listing Regulations.
- ◆ The summary of financial data for the last six years of the Company.
- ◆ Information about taxes and levies is given in the notes to the Financial Statements.

MATERIAL CHANGES

There have been no material changes since June 30, 2010. The Company has not entered into any commitment which would affect its financial position at the date except those mentioned in the audited financial statements for the year.

PATTERN OF SHAREHOLDING

A statement showing the pattern of shareholding of the Company and such other information the disclosure of which is required under the reporting framework, is annexed to this report.

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

STATEMENT OF ETHICS AND BUSINESS PRACTICES

The Board of Directors has adopted the Statement of Ethics and Business Practices to establish standards of conduct for the directors and employees. This has been signed by all the directors and employees in acknowledgment of their understanding and acceptance of the code of conduct. We strongly believe that Ethics and Good Business Practices play a pivotal role in the advancement of the Company in support of our belief to follow these practices for the good of the Company.



Directors' Report

STAFF RETIREMENT BENEFIT FUNDS

The value of investment made by the staff retirement benefit funds based on their respective audited accounts as at December 31, 2009 and June 30, 2010 respectively are as follows:

	Rs. in 000's
Provident Fund	62,902
Gratuity Fund	14,474

BOARD OF DIRECTORS

During the year under review Mr. A. Aziz H. Ebrahim resigned as Director of the Company and Mr. Shahid Ahmed Khan joined as his replacement. The Board wishes to place on record the valuable contribution made by the outgoing Director Mr. A. Aziz H. Ebrahim and welcomes the new Director Mr. Shahid Ahmed Khan on the Board of the Company.

In 2009-10, the Board of Directors held four (4) meetings on a quarterly basis to review its complete cycle of activities. The attendance record of the Directors is as follows:

Director's name	No. of meetings attended
Mr. Iqbal Ali Lakhani	3
Mr. Zulfiqar Ali Lakhani	2
Mr. Amin Mohammed Lakhani	3
Mr. Tasleemuddin Ahmed Batlay	4
Mr. A. Aziz H. Ebrahim (Resigned on December 07, 2009)	2
Mr. Shahid Ahmed Khan (Appointed on December 07, 2009)	2
Mr. Muhammad Asif (Nominee of National Investment Trust Limited)	3
Mr. Kaleem Uddeen Ahmad (Nominee of National Investment Trust Limited)	3
Mr. Mohammad Shahid	4

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



Directors' Report

BUSINESS RISKS AND CHALLENGES

The Management is fully aware of the emerging challenges due to severe competition and continues to make concerted efforts to avert all business risks.

FUTURE OUTLOOK

Recent floods pose serious challenges due to decrease in demand for a number of consumer products. Adequate measures have been taken to streamline business operations and maximize capacity utilization. These will allow our company to achieve greater operational controls to avert the losses. The Marketing department has been revamped to utilize our enhanced capacity and ensuring customer satisfaction always remains our top priority. We are utilising our working capital facilities wisely by rationalizing stock levels in order to minimize borrowing and reduce financial costs.

Gravure business unit forms a major point of concern to us in view of the ongoing heavy losses that have adversely affected the overall financial performance during the year under review. Concerted efforts are in hand to address the teething problems in this new line of business. Your company continues to have a longer-term optimistic outlook and expect that the year 2010-11 would allow us to further regain our financial position.

AUDIT COMMITTEE

The Audit Committee consists of three members all of whom are non-executive directors (including the Chairman). The terms of reference of the Committee have been determined by the Board of Directors in accordance with the guidelines provided in the Listing Regulations and advised to the Committee for compliance. The Committee periodically reviews financial statements of the Company and ensure its compliance with the statutory and regulatory requirements. It held five meetings during the year.

QUALITY MANAGEMENT

The implementation of ISO 9001:2008 system helps the Company to remain efficient and customer focused. The management is fully committed to continuous improvement through employees development and training programmes.

GRATITUDE

The Directors acknowledge the commitment and dedication of the entire workforce as well as the customers. Merit Packaging Ltd is always customer focused. The Directors also extend their gratitude to the financial institutions and stakeholders for their continued support.

On behalf of the Board of Directors

IQBAL ALI LAKHANI
Chairman

Karachi: August 24, 2010



Tel: +92 21 3568 3030
Fax: +92 21 3568 4239
www.bdo.com.pk

2nd Floor, Block-C,
Lakson Square
Building No. 1
Sarwar Shaheed Road
Karachi-74200
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 No.37 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Limited, where the Company is listed.

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

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2010.

KARACHI

DATED: August 24, 2010

CHARTERED ACCOUNTANTS

Engagement Partner: Zulfikar Ali Causer



Statement of Compliance with the Code of Corporate Governance for the year ended June 30, 2010

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

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

1. The Company encourages representation of independent non-executive directors on its Board of Directors including those representing minority interests. At present the Board includes eight directors, including the CEO, who is the only executive director whilst two represent the National Investment Trust Limited (NIT).
2. The directors of the Company have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the 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. None of the directors of the Company are members of a stock exchange.
4. During the current year one casual vacancy occurred in the Board of Directors which was filled up within 30 days.
5. The Company has adopted and circulated a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board including appointment, determination of remuneration and terms and conditions of employment of Chief Executive Officer (CEO).
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. During the year four meetings of the Board of Directors were held. Written notices of the Board meetings, alongwith agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated in time.
9. The Board ensures arrangements orientation course for its directors to apprise them of their duties and responsibilities and to keep them informed of enforcement of new laws, rules and regulations and amendments thereof.
10. The Board has approved the appointment of the CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment. There was no new appointment of CFO and Company Secretary during the year except appointment of new Head of Internal Audit of the Company.
11. The directors' report for the year ended June 30, 2010 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.



Statement of Compliance with the Code of Corporate Governance

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. All material information as required under the relevant rules, has been provided to the Sock Exchange and to the Securities & Exchange Commission of Pakistan within the prescribed time limit.
14. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
15. The Company has complied with all the corporate and financial reporting requirements of the Code.
16. The Board has formed an audit committee. It comprises of three members, all of them are non-executive directors.
17. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
18. The Board has set-up an effective internal audit function managed by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Company and are involved in the internal audit faction on a full time basis.
19. The statutory auditors of the Company have confirmed that:
 - i. They have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan.
 - ii. They or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and
 - iii. The firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of Ethics as adopted by Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The related party transactions have been placed before the audit committee and approved by the Board of Directors with necessary justification for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.
22. We confirm that all other material principles contained in the Code have been complied with.

Karachi: August 24, 2010


IQBAL ALI LAKHANI
Chairman


MOHAMMAD SHAHID
Chief Executive Officer



Pattern of Holding of Shares

held by the shareholders as at June 30, 2010

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

Number of shareholders	Shareholding		Total number of shares held
	From	To	
163	1	100 shares	5,561
219	101	500 shares	59,938
89	501	1,000 shares	65,257
120	1,001	5,000 shares	238,529
17	5,001	10,000 shares	104,454
8	10,001	15,000 shares	97,302
5	15,001	20,000 shares	85,916
5	25,001	30,000 shares	141,202
1	30,001	35,000 shares	35,000
1	50,001	55,000 shares	50,758
1	105,001	110,000 shares	107,238
1	145,001	150,000 shares	146,393
1	310,001	315,000 shares	314,930
1	410,001	415,000 shares	413,764
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
636			4,742,847

Categories of shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	9,645	0.20
Associated Companies, undertakings and related parties	2,509,295	52.91
National Investment Trust Ltd. & National Bank of Pakistan - Trustee Deptt.	731,373	15.42
Banks, Development Financial Institutions, Non-Banking Financial Institutions	610,915	12.88
Insurance Companies	NIL	—
Modarabas and Mutual Funds	NIL	—
Share holders holding 10%	2,876,605	60.65
General Public		
Local	881,619	18.59
Foreign	NIL	—

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

Mohammad Shahid
Chief Executive Officer



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

	Shares held
a) Associated Companies, Undertakings and Related Parties	
1. SIZA (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	296
9. Mr. Bilal Ali Lakhani	234
10. Mr. Danish Ali Lakhani	359
11. Miss Sanam Iqbal Lakhani	35
12. Miss Misha Lakhani	234
b) NIT	
1. National Investment Trust Limited	47,228
2. National Bank of Pakistan, Trustee Deptt.	684,145
c) DIRECTORS, CEO AND THEIR SPOUSES AND MINOR CHILDREN	
1. Mr. Iqbal Ali Lakhani Director	2,840
2. Mr. Zulfiqar Ali Lakhani Director	862
3. Mr. Amin Mohammed Lakhani Director	2,992
4. Mr. Tasleemuddin Ahmed Batlay Director	862
5. Mr. Shahid Ahmed Khan Director	500
6. Mr. Mohammad Shahid Director & Chief Executive Officer	862
7. Mrs. Ronak Iqbal Lakhani W/o. Iqbal Ali Lakhani	179
8. Mrs. Fatima Lakhani W/o. Zulfiqar Ali Lakhani	272
9. Mrs. Saira Amin Lakhani W/o. Amin Mohammed Lakhani	276
10. Mr. Muhammad Asif Nominee of NIT	NIL
11. Mr. Kaleem Uddeen Ahmad Nominee of NIT	NIL
d) Executives	NIL
e) Public Sector Companies and Corporations	NIL
f) BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON-BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS: [other than those reported at (b)]	610,915
g) SHAREHOLDERS HOLDING 10% OR MORE [Other than those reported at a(2), a(3), a(4) and b(2)]	NIL
h) INDIVIDUALS AND OTHER THAN THOSE MENTIONED ABOVE	881,619
	<hr/> 4,742,847 <hr/>



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Pakistan

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **MERIT PACKAGING LIMITED** as at June 30, 2010 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; except for the change as stated in note 3.1 to the financial statements, with which we concur;
 - 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, 2010 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 24, 2010

CHARTERED ACCOUNTANTS

Engagement Partner: Zulfikar Ali Causer



Balance Sheet

as at June 30, 2010

	Note	2010 Rupees	2009 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	5	649,865,351	682,914,732
Capital work-in-progress	6	2,880,433	2,567,442
		652,745,784	685,482,174
Intangible assets	7	3,842,890	4,824,053
Long-term loans	8	47,926	175,942
Long-term deposits	9	6,507,122	9,378,653
		663,143,722	699,860,822
CURRENT ASSETS			
Stores and spares	10	36,008,726	28,901,357
Stock-in-trade	11	253,640,071	111,183,404
Trade debts	12	180,820,951	100,766,565
Loans and advances	13	639,505	2,270,752
Trade deposits and short-term prepayments	14	6,914,954	94,007
Other receivables	15	98,840	748,593
Tax refunds due from government	16	29,230,890	32,975,644
Taxation - net	17	9,705,099	5,038,598
Cash and bank balances	18	449,691	582,574
		517,508,727	282,561,494
TOTAL ASSETS		1,180,652,449	982,422,316
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
8,000,000 (2009: 8,000,000) ordinary shares of Rs.10/- each		80,000,000	80,000,000
Issued, subscribed and paid-up capital	19	47,428,470	47,428,470
Reserves	20	53,364,000	71,210,313
		100,792,470	118,638,783
SURPLUS ON REVALUATION OF FIXED ASSETS	21	136,493,088	137,338,504
NON-CURRENT LIABILITIES			
Long-term financing	22	440,000,000	325,000,000
Liabilities against assets subject to finance leases	23	12,351,158	27,270,040
Long-term deposits		40,000	-
Deferred taxation	24	14,751,361	30,101,206
		467,142,519	382,371,246
CURRENT LIABILITIES			
Trade and other payables	25	146,244,350	55,447,885
Financial charges payable	26	7,774,429	14,312,243
Short-term financing	27	292,317,496	228,180,186
Current portion of long-term liabilities	28	29,888,097	46,133,469
		476,224,372	344,073,783
CONTINGENCIES AND COMMITMENTS	29		
TOTAL EQUITY AND LIABILITIES		1,180,652,449	982,422,316

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, 2010

	Note	2010 Rupees	2009 Rupees
Sales - net	30	1,076,103,992	808,840,065
Cost of sales	31	(985,226,122)	(766,138,538)
Gross profit		90,877,870	42,701,527
General and administrative expenses	32	(23,357,159)	(20,349,685)
Selling expenses	33	(18,366,191)	(11,287,162)
Other operating income	34	1,693,386	1,512,230
Other operating expenses	35	(2,631,224)	(1,189,451)
		(42,661,188)	(31,314,068)
Operating profit		48,216,682	11,387,459
Financial charges	36	(76,997,121)	(67,605,099)
Loss before taxation		(28,780,439)	(56,217,640)
Taxation	37	10,088,710	18,871,630
Loss after taxation		(18,691,729)	(37,346,010)
Loss per share - basic and diluted	38	(3.94)	(7.87)

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, 2010

	2010	2009
	Rupees	Rupees
Loss for the year	(18,691,729)	(37,346,010)
Other comprehensive income	-	-
Total comprehensive loss for the year	(18,691,729)	(37,346,010)

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, 2010

	Note	2010 Rupees	2009 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	41	(48,195,505)	(14,387,013)
Taxes paid		(2,527,533)	(5,220,065)
Financial charges paid		(83,534,935)	(62,301,490)
Long-term loans		128,016	370,016
Long-term deposits		2,911,531	(1,253,000)
Net cash used in operating activities		(131,218,426)	(82,791,552)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(19,247,905)	(84,456,156)
Intangible assets		-	(2,109,603)
Proceeds from sale of operating fixed assets		2,360,392	1,473,483
Net cash used in investing activities		(16,887,513)	(85,092,276)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		130,000,000	80,000,000
Short term financing (excluding running finance)		90,000,000	80,000,000
Repayment of long-term financing		(30,000,000)	(30,000,000)
Repayment of liabilities against assets subject to finance leases		(16,164,254)	(13,817,442)
Repayment of short term financing (excluding running finance)		(80,000,000)	-
Net cash generated from financing activities		93,835,746	116,182,558
Net decrease in cash and cash equivalents		(54,270,193)	(51,701,270)
Cash and cash equivalents at the beginning of the year		(147,597,612)	(95,896,342)
Cash and cash equivalents at the end of the year		(201,867,805)	(147,597,612)
CASH AND CASH EQUIVALENTS COMPRISE			
Cash and bank balances	18	449,691	582,574
Short-term financing	27.1	(202,317,496)	(148,180,186)
		(201,867,805)	(147,597,612)

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, 2010

	Issued, subscribed and paid-up capital Rupees	Reserves			Total Rupees
		General reserve Rupees	Unappropriated profit Rupees	Total Rupees	
Balance as at June 30, 2008	41,242,150	102,800,000	10,919,610	113,719,610	154,961,760
Bonus shares issued at the rate of three shares for every twenty shares held	6,186,320	-	(6,186,320)	(6,186,320)	-
Transfer to general reserve	-	4,000,000	(4,000,000)	-	-
Transfer from surplus on revaluation of fixed assets (note 21)	-	-	1,023,033	1,023,033	1,023,033
Comprehensive loss for the year ended June 30, 2009	-	-	(37,346,010)	(37,346,010)	(37,346,010)
Balance as at June 30, 2009	47,428,470	106,800,000	(35,589,687)	71,210,313	118,638,783
Transfer from surplus on revaluation of fixed assets (note 21)	-	-	845,416	845,416	845,416
Comprehensive loss for the year ended June 30, 2010	-	-	(18,691,729)	(18,691,729)	(18,691,729)
Balance as at June 30, 2010	47,428,470	106,800,000	(53,436,000)	53,364,000	100,792,470

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, 2010

1. NATURE AND STATUS OF THE COMPANY

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for 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.

3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

3.1 IAS 1 (Revised), 'Presentation of financial statements' becomes applicable for the current financial year for the first time. The revised standard prohibits the presentation of items of income and expenses (that is, "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity.

All "non-owner changes in equity" are required to be shown separately in performance statement. Companies can choose whether to present one performance statement (the statement of comprehensive income) or two statements (profit and loss account and statement of comprehensive income).

The Company has preferred to present two statements; a profit and loss account and a statement of comprehensive income. These financial statements has been prepared under revised disclosure requirements.

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

IAS 23 (amendment) "Borrowing cost (effective from January 1, 2009). The amendment made it mandatory to capitalize borrowing cost incurred to obtain the qualifying assets as part of the cost of that asset. The option of immediately expensing this borrowing cost is removed. The Company's current accounting policy is in compliance with this amendment and therefore there is no effect on the Company's financial statements.



Notes to the Financial Statements

for the year ended June 30, 2010

3.3 Standard, interpretations and amendments that are effective in current year but not relevant to the Company

IAS 38 (amendment) 'Intangible assets'. The amendment is part of IASB's annual improvements project published in April 2009 and will be applicable from the effective date of IFRS 3 (revised). The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in any impact on the Company's financial statements.

The other amendments which are part of IASB's annual improvements project published in April 2009 and mandatory for accounting periods beginning on or after July 1, 2009 are considered not to be relevant to the Company's financial reporting and operations.

3.4 Standards, interpretations and amendments that are not yet effective and have not been early adopted by the Company

The following amendments to approved accounting standards, effective for accounting periods beginning on or after January 1, 2010, are either not relevant to the Company's current operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

IAS 1	-	Presentation of Financial Statements
IAS 7	-	Cash flows statement
IAS 17	-	Leases
IAS 32	-	Financial Instruments
IAS 36	-	Impairment of assets
IAS 39	-	Financial Instruments: Recognition and Measurement
IFRS 1	-	First time Adoption of International Financial Reporting Standards
IFRS 2	-	Share based Payment
IFRS 5	-	Non Current Assets Held for Sales and Discontinued Operation
IFRS 8	-	Operating Segments

4. SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Property, plant and equipment

4.1.1 Owned

These are stated at cost less accumulated depreciation and impairment losses, if any, except for leasehold land, building on leasehold land and plant and machinery which are stated at revalued amount less accumulated depreciation, if any.

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

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



Notes to the Financial Statements

for the year ended June 30, 2010

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

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

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

4.1.2 Leased

Finance leases

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

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

Financial charges are calculated at the rate implicit in the lease.

Operating leases

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

4.1.3 Capital work-in-progress

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

4.2 Intangible assets

These are stated at cost less accumulated 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.

4.3 Stores and spares

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



Notes to the Financial Statements

for the year ended June 30, 2010

4.4 Stock-in-trade

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

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

4.5 Trade debts and other receivables

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

4.6 Taxation

4.6.1 Current

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

4.6.2 Deferred

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

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

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

4.7 Surplus on revaluation of fixed assets

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

4.8 Borrowings and their cost

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

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



Notes to the Financial Statements

for the year ended June 30, 2010

4.9 Trade and other payables

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

4.10 Provisions

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting future cash flows at appropriate discount rate where ever required. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

4.11 Cash and bank balances

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

4.12 Impairment losses

The Company assesses at each balance sheet date whether there is any indication that assets other than stores and spares, stock in trade and deferred tax assets may be impaired. If such an indication exists, the recoverable amount of the assets is estimated in order to determine the extent of impairment loss, if any.

Where carrying values exceed the estimated recoverable amount, assets are written down to the recoverable amounts and the resulting impairment loss is recognized as expense in the profit and loss account, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease.

4.13 Financial instruments

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

4.14 Offsetting of financial assets and financial liabilities

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

4.15 Foreign currency translation

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



Notes to the Financial Statements

for the year ended June 30, 2010

4.16 Employee retirement benefits

4.16.1 Defined benefit plan

The Company operates an approved funded gratuity scheme for all its permanent employees who have attained retirement age, died or resigned during service period and have served for the minimum qualification period. Contributions are made to the fund on the basis of actuarial recommendations. The actuarial valuation was carried out at June 30, 2010 using the Projected Unit Credit Method in accordance with IAS-19 "Employee Benefits".

4.16.2 Defined contribution plan

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

4.16.3 Compensated absences

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

4.17 Revenue recognition

Sales are recorded on dispatch of goods to customers.

Scrap sales are recognized when delivery is made to customers.

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

4.18 Cash and cash equivalents

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

4.19 Dividend and appropriation to reserves

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

4.20 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.

4.21 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.

4.22 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.



Notes to the Financial Statements

for the year ended June 30, 2010

4.23 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:

4.23.1 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.

4.23.2 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 Income Tax Department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

4.23.3 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 equipments with a corresponding affect on the depreciation charge and impairment.

4.23.4 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, 2010

5. OPERATING FIXED ASSETS

5.1 The following is the statement of operating fixed assets

Description	Leasehold	Building/ improvements on leasehold	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, 2010											
Opening net book value (NBV)	128,333,325	74,682,769	353,271,500	752,003	10,670,056	1,153,780	2,166,204	35,570,576	17,117,852	59,196,667	682,914,732
Additions (at cost)	-	1,632,669	4,634,143	688,348	6,840,083	364,396	1,424,917	928,420	258,000	2,163,938	18,934,914
Disposals (NBV)	-	-	(120,937)	-	(983,672)	-	-	(1,561,104)	(9,437)	-	(2,675,150)
Depreciation charged	-	(3,948,635)	(31,152,884)	(230,175)	(1,683,123)	(343,092)	(1,235,529)	(5,153,963)	(779,146)	(4,782,598)	(49,309,145)
Closing 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
Gross carrying value basis year ended June 30, 2010											
Cost / revaluation	128,333,325	99,288,172	467,708,788	2,150,447	18,683,460	2,854,657	7,874,328	48,947,075	20,377,532	77,502,626	873,720,410
Accumulated depreciation	-	(26,921,369)	(141,076,966)	(940,271)	(3,840,116)	(1,679,573)	(5,518,736)	(19,163,146)	(3,790,263)	(20,924,619)	(223,855,059)
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
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, 2009											
Opening net book value (NBV)	85,555,550	48,529,371	341,544,352	408,332	5,995,991	939,309	1,235,191	23,412,110	13,679,620	63,773,083	585,072,909
Additions/ revaluation (at cost)	42,777,775	28,899,088	42,798,324	480,700	6,194,258	569,009	1,891,935	16,198,423	4,164,681	91,898	144,066,091
Disposals (NBV)	-	-	(1,020,244)	-	(440,566)	(36,320)	-	-	-	-	(1,497,130)
Depreciation charged	-	(2,745,690)	(30,050,932)	(137,029)	(1,079,627)	(318,218)	(960,922)	(4,039,957)	(726,449)	(4,668,314)	(44,727,138)
Closing net book value	128,333,325	74,682,769	353,271,500	752,003	10,670,056	1,153,780	2,166,204	35,570,576	17,117,852	59,196,667	682,914,732
Gross carrying value basis year ended June 30, 2009											
Cost / revaluation	128,333,325	97,639,436	464,200,905	1,462,099	13,319,477	2,490,261	6,449,411	56,299,946	20,132,188	75,338,688	865,665,736
Accumulated depreciation	-	(22,956,667)	(110,929,405)	(710,096)	(2,649,421)	(1,336,481)	(4,283,207)	(20,729,370)	(3,014,336)	(16,142,021)	(182,751,004)
Net book value	128,333,325	74,682,769	353,271,500	752,003	10,670,056	1,153,780	2,166,204	35,570,576	17,117,852	59,196,667	682,914,732
Depreciation rate (% per annum)	-	2.50% to 3.33%	2.50% to 20%	3.33% to 20%	3.33% to 25%	3.57% to 20%	5% to 33.33%	2.86% to 20%	3.33% to 4%	5% to 8.33%	



Notes to the Financial Statements

for the year ended June 30, 2010

	Note	2010 Rupees	2009 Rupees
5.2 The depreciation charge for the year has been allocated as follows:			
Cost of sales	31	47,429,375	43,059,678
General and administrative expenses	32	1,190,039	1,207,576
Selling and distribution expenses	33	689,731	459,884
		49,309,145	44,727,138

5.3 The Company has revalued its leasehold land, building/improvement on leasehold land and plant and machinery on September 01, 2004 and on June 25, 2009 by an independent valuer M/s. Akbani and Javed Associates on the basis of market value. This revaluation resulted in net surplus aggregating to Rs.158,943 million. Revalued assets having revaluation surplus of Rs. 8.753 million (2009: Rs. 8.738 million) have been sold upto 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.141.215 million including land remains undepreciated as at June 30, 2010 (2009: Rs.142.515 million).

5.4 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	
	2010 Rupees	2009 Rupees
Leasehold land	608,737	608,737
Building / Improvements on leasehold land	62,508,407	63,968,204
Plant and machinery	323,000,222	349,195,431
	386,117,366	413,772,372

5.5 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 and machinery	1,052,093	931,156	120,937	121,100	Negotiation	Mashroof Alam - Karachi
Vehicles	568,000	57,273	510,727	545,000	Negotiation	Arshad Bashir Siddique - Karachi
	469,000	263,813	205,187	192,102	As per Company policy	Abdul Ghaffar Gatta - An employee
	61,800	61,799	1	15,000	Negotiation	Muhammad Imran - Karachi
	377,300	109,543	267,757	357,000	Claim	Century Insurance Co Ltd - Karachi (An Associated Company)
	1,476,100	492,428	983,672	1,109,102		
Factory tools and equipments	8,281,291	6,720,187	1,561,104	1,120,690	Negotiation	Hassan Old Textile Machinery & Scrap - Faisalabad
Electrical installations	12,656	3,219	9,437	9,500	Negotiation	Mashroof Alam - Karachi
Total - 2010	10,822,140	8,146,990	2,675,150	2,360,392		
Total - 2009	4,220,072	2,722,942	1,497,130	1,473,483		



Notes to the Financial Statements

for the year ended June 30, 2010

6. CAPITAL WORK-IN-PROGRESS

Description	Cost			
	As at July 01, 2009 Rupees	Additions during the year Rupees	Transferred to operating fixed assets Rupees	As at June 30, 2010 Rupees
Building / improvements on leasehold land	2,567,442	1,945,660	1,632,669	2,880,433
Plant and machinery	-	4,634,143	4,634,143	-
Electrical installations	-	258,000	258,000	-
Total - 2010	2,567,442	6,837,803	6,524,812	2,880,433
Total - 2009	17,297,236	60,427,248	75,157,042	2,567,442
		2010	2009	
		Note	Rupees	Rupees

7. INTANGIBLE ASSETS

Net carrying value basis

Opening net book value		4,824,053	2,796,214
Addition		-	2,109,603
		4,824,053	4,905,817
Amortisation charge	7.1	(981,163)	(81,764)
Closing net book value		3,842,890	4,824,053

Gross carrying value basis

Cost		4,905,817	4,905,817
Accumulated amortisation		(1,062,927)	(81,764)
Net book value		3,842,890	4,824,053

Amortisation rate per annum		20%	20%
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7.1 The amortisation charge for the year has been allocated as follows:

Cost of sales	31	245,291	20,441
General and administrative expenses	32	490,581	40,882
Selling expenses	33	245,291	20,441
		981,163	81,764

8. LONG-TERM LOANS

(Secured - considered good)			
Due from employees	8.1 & 8.2	175,942	303,958
Current portion shown under current asset	13	(128,016)	(128,016)
		47,926	175,942

8.1 These represent interest free loans provided to employees for the purchase of motor vehicles in accordance with the terms of employment and are secured by original registration documents of vehicle and demand promissory notes. The loans are repayable over a period of five years in equal monthly installments.

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



Notes to the Financial Statements

for the year ended June 30, 2010

	Note	2010 Rupees	2009 Rupees
9. LONG-TERM DEPOSITS			
Deposits			
Security deposits			
Leases			
Long-term deposit under finance lease		6,755,874	6,755,874
Current portion shown under current assets	14	(2,850,000)	-
		3,905,874	6,755,874
Others		2,601,248	2,622,779
		6,507,122	9,378,653
10. STORES AND SPARES			
Stores			
In hand		18,098,195	14,252,173
In transit		584,690	344,141
		18,682,885	14,596,314
Spares			
In hand		20,482,099	17,576,368
In transit		238,382	57,223
		20,720,481	17,633,591
		39,403,366	32,229,905
Provision for slow moving and obsolete stores and spares	10.2	(3,394,640)	(3,328,548)
		36,008,726	28,901,357
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		3,328,548	2,683,248
Provision for the year		66,092	846,244
Reversal for the year		-	(200,944)
Balance at end of the year		3,394,640	3,328,548
11. STOCK-IN-TRADE			
Raw materials			
In hand		208,450,953	94,540,013
In transit		10,861,177	1,659
		219,312,130	94,541,672
Packing materials		1,973,409	1,973,767
		221,285,539	96,515,439
Provision for slow moving and obsolete stock in trade	11.1	(1,169,057)	(1,128,877)
		220,116,482	95,386,562
Work-in-process	31	20,038,371	9,853,488
Finished goods	31	13,485,218	5,943,354
		253,640,071	111,183,404



Notes to the Financial Statements

for the year ended June 30, 2010

	Note	2010 Rupees	2009 Rupees
11.1 Provision for slow moving and obsolete stock in trade comprises:			
Balance at beginning of the year		1,128,877	937,006
Provision for the year		40,180	681,679
Reversal for the year		-	(489,808)
Balance at end of the year		1,169,057	1,128,877
12. TRADE DEBTS			
(Unsecured - considered good)			
Due from associated undertakings	12.1	14,731,488	11,073,103
Others		166,995,519	89,693,462
		181,727,007	100,766,565
Provision for doubtful debts		(906,056)	-
		180,820,951	100,766,565
12.1 This comprises amount receivable from:			
Century Paper & Board Mills Limited		1,005,651	1,046,258
GAM Corporation (Private) Limited		254,736	243,902
SIZA Foods (Private) Limited		173,142	245,625
Tetley Clover (Private) Limited		6,627,817	4,268,214
Colgate Palmolive Pakistan Limited		6,670,142	5,269,104
		14,731,488	11,073,103
13. LOANS AND ADVANCES			
Loans (secured-considered good)			
Current portion of long-term loans	8	128,016	128,016
Advances (unsecured-considered good)			
To suppliers		511,489	2,142,736
		639,505	2,270,752
14. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Deposits			
Current portion of long term deposits	9	2,850,000	-
Others		3,897,654	-
		6,747,654	-
Prepayments			
		167,300	94,007
		6,914,954	94,007
15. OTHER RECEIVABLES			
(Unsecured-considered good)			
Due from associated undertakings	15.1	8,928	623,313
Others		89,912	125,280
		98,840	748,593
15.1 This represents amount receivable from Century Insurance Company Limited, in respect of insurance agency commission.			



Notes to the Financial Statements

for the year ended June 30, 2010

	2010	2009
	Rupees	Rupees
16. TAX REFUNDS DUE FROM GOVERNMENT		
Sales tax and special excise duty receivable	15,734,353	12,079,003
Income tax refundable	13,496,537	20,896,641
	29,230,890	32,975,644

17. TAXATION - NET

The income tax assessments of the Company have been finalised by the Income Tax Department upto tax year 2009 (accounting year ended June 30, 2009) and adequate provisions have been made in these financial statements.

18. CASH AND BANK BALANCES

Cash with banks in current accounts	157,113	226,795
Cash in hand	292,578	355,779
	449,691	582,574

19. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Number of ordinary shares of Rs.10/- each				
2010	2009			
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

20. RESERVES

Revenue		
General reserve	106,800,000	106,800,000
Unappropriated profit	(53,436,000)	(35,589,687)
	53,364,000	71,210,313



Notes to the Financial Statements

for the year ended June 30, 2010

	Note	2010 Rupees	2009 Rupees
21. SURPLUS ON REVALUATION OF FIXED ASSETS			
Gross surplus			
Balance as at July 01,		142,515,222	99,208,980
Surplus recognised during the year		–	44,880,142
		142,515,222	144,089,122
Transfer to unappropriated profit in respect of disposal of revalued property, plant and equipment during the year - (net of deferred tax)		(218)	(273,848)
Related deferred tax liability		(117)	(147,458)
		(335)	(421,306)
Transfer to unappropriated profit in respect of incremental depreciation charged during the year - (net of deferred tax)		(845,198)	(749,185)
Related deferred tax liability		(455,106)	(403,409)
		(1,300,304)	(1,152,594)
Surplus on revaluation of fixed assets as at June 30,		141,214,583	142,515,222
Related deferred tax effect:			
Balance as at July 01,		(5,176,718)	(4,991,757)
On surplus recognised during the year		–	(735,828)
Transferred to unappropriated profit in respect of revalued property, plants and equipment disposed during the year		117	147,458
Incremental depreciation charge during the year		455,106	403,409
	24	(4,721,495)	(5,176,718)
		136,493,088	137,338,504

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

22. LONG TERM FINANCING

Secured

From banking company - secured

Morabaha financing	22.1	15,000,000	45,000,000
Current portion shown under current liabilities	28	(15,000,000)	(30,000,000)
		–	15,000,000

Unsecured

From Sponsors	22.2	440,000,000	310,000,000
		440,000,000	325,000,000

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



Notes to the Financial Statements

for the year ended June 30, 2010

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

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

- 22.2 This facility has been obtained from Sponsors of the Company for the purpose of financing capital expenditure and working capital of the Company. The rate of mark-up is 10% payable on quarterly basis (2009: 10%). During the year, the repayment of loans has been rescheduled and the amount is now repayable in twenty equal quarterly installments commencing from July 2011.

	Note	2010 Rupees	2009 Rupees
23. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES			
Secured			
Balance as July 01		43,403,509	57,220,951
Payments during the year		(16,164,254)	(13,817,442)
		27,239,255	43,403,509
Payable within one year shown under current liabilities	28	(14,888,097)	(16,133,469)
		12,351,158	27,270,040

This represents finance leases entered into with financial institutions for plant and machinery. Financing rates ranging from 14.38% to 15.90% (2009: 12.87% to 18.19%) per annum have been used as a discounting factor. At the end of the lease period the ownership of assets shall be transferred to the Company on payment of residual value amounting to Rs.6.756 million (2009: Rs.6.756 million). These facilities are secured by demand promissory notes and security deposits, equal to the residual value of the leased assets.

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

	2010			2009		
	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	17,237,450	13,151,659	30,389,109	20,868,332	30,592,731	51,461,063
Financial charges not due	(2,349,353)	(800,501)	(3,149,854)	(4,734,863)	(3,322,691)	(8,057,554)
Present value of minimum lease payments	14,888,097	12,351,158	27,239,255	16,133,469	27,270,040	43,403,509
Payable within one year shown under current liabilities	(14,888,097)	–	(14,888,097)	(16,133,469)	–	(16,133,469)
	–	12,351,158	12,351,158	–	27,270,040	27,270,040



Notes to the Financial Statements

for the year ended June 30, 2010

	Note	2010 Rupees	2009 Rupees
24. DEFERRED TAXATION			
Deferred taxation comprises of:			
Taxable temporary differences:			
Surplus on revaluation of fixed assets	21	4,721,495	5,176,718
Other taxable temporary differences		106,623,999	104,684,001
Gross deferred tax liabilities		111,345,494	109,860,719
Deductible temporary differences:			
Carried forward tax losses		85,556,520	74,540,062
Turnover tax		8,170,133	2,789,613
Provision for slow moving and obsolete items		1,597,294	1,560,099
Provision for doubtful debts		317,120	-
Provision for compensated absences		953,066	869,739
Gross deferred tax assets		(96,594,133)	(79,759,513)
		14,751,361	30,101,206
25. TRADE AND OTHER PAYABLES			
Creditors	25.1	134,113,404	40,274,657
Accrued liabilities		10,035,232	9,476,381
Payable to gratuity fund	40.2	130,477	781,000
Sales tax and special excise duty payable - net		-	2,453,475
Advances from customers		681,777	870,787
Retention money payable		12,000	723,386
Short term deposits		5,000	12,000
Unclaimed dividend		129,143	129,653
Others		1,137,317	726,546
		146,244,350	55,447,885
25.1	This includes Rs. 1.123 million (2009: 1.156 million) payable in foreign currency equivalent to Pak Rupees.		
26. FINANCIAL CHARGES PAYABLE			
Mark-up accrued on secured:			
Long-term financing		97,808	308,725
Liabilities against assets subject to finance leases		526,552	834,837
Short-term financing		7,150,069	6,056,352
Mark-up accrued on unsecured:			
Long-term financing		-	7,112,329
		7,774,429	14,312,243
27. SHORT-TERM FINANCING			
From banking companies - secured			
Running finance	27.1	202,317,496	148,180,186
Term finance	27.2	90,000,000	-
From associated company - unsecured		-	80,000,000
		292,317,496	228,180,186



Notes to the Financial Statements

for the year ended June 30, 2010

27.1 The Company has short term running finance facilities under mark-up arrangements aggregating to Rs.255.000 million (2009: Rs.345.000 million) from various commercial banks having mark-up at rates ranging from 13.53% to 16.01% (2009: 12.64% to 17.37%) per annum calculated on a daily product basis and payable quarterly. The unutilised balance at the end of the year was Rs.52.683 million (2009: Rs.196.820 million).

The Company has also a facility for opening letters of credit under mark-up arrangements as at June 30, 2010 amounting to Rs. 195.000 million (2009: Rs. 195.000 million) from various commercial banks. The unutilized balance at the end of the year was Rs. 195.000 million (2009: Rs. 195.000 million).

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

27.2 Term finance has been arranged for an amount of Rs. 40 million and 50 million at interest rates of 13.66% and 13.54% per annum repayable on July 14, 2010 and July 16, 2010 respectively, secured by way of pari passu hypothecation charge on stock-in-trade and receivables.

	Note	2010 Rupees	2009 Rupees
28. CURRENT PORTION OF LONG-TERM LIABILITIES			
Long-term financing	22	15,000,000	30,000,000
Liabilities against assets subject to finance leases	23	14,888,097	16,133,469
		29,888,097	46,133,469

29. CONTINGENCIES AND COMMITMENTS

29.1 Contingencies

29.1.1 Post dated cheques amounting to Rs.1.690 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 as margin to the financial institution amounting to Rs. 1.690 million is encashable.

29.2 Commitments

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

Capital expenditure excluding letter of credit under contractual obligation amounted to Nil (2009: Rs.0.026 million).

Stores, spares and raw materials under contractual obligation amounted to Rs.1.518 million (2009: Rs.7.40 million).

30. SALES - NET

Gross sales	1,270,465,920	954,725,905
Sales tax	(183,638,363)	(137,831,136)
Special excise duty	(10,695,525)	(8,054,704)
Commission	(28,040)	-
	1,076,103,992	808,840,065



Notes to the Financial Statements

for the year ended June 30, 2010

	Note	2010 Rupees	2009 Rupees
31. COST OF SALES			
Materials consumed		786,327,510	584,418,702
Salaries, wages and other benefits	31.1	68,775,899	57,380,180
Packing material consumed		21,207,648	14,676,555
Outsourced services		17,218,781	9,091,180
Stores and spares consumed		26,373,449	20,030,280
Power and fuel		19,059,689	18,466,761
Depreciation	5.2	47,429,375	43,059,678
Amortisation	7.1	245,291	20,441
Rent, rates and taxes		2,625,152	1,182,041
Repairs and maintenance		4,789,366	6,477,946
Vehicle running expenses		832,010	478,483
Insurance		4,623,783	4,166,394
Printing and stationery		656,940	581,858
Communication charges		749,097	628,834
Traveling and conveyance		925,233	733,098
Fees and subscription		236,212	195,701
Software license fee		76,027	30,126
Other expenses		801,407	483,846
Manufacturing cost		1,002,952,869	762,102,104
Opening work-in-process		9,853,488	11,434,924
Closing work-in-process	11	(20,038,371)	(9,853,488)
		(10,184,883)	1,581,436
Cost of goods manufactured		992,767,986	763,683,540
Opening stock of finished goods		5,943,354	8,398,352
Closing stock of finished goods	11	(13,485,218)	(5,943,354)
		(7,541,864)	2,454,998
		985,226,122	766,138,538

31.1 Salaries, wages and other benefits include Rs. 5.003 million (2009: Rs. 4.276 million) in respect of staff retirement benefits.

32. GENERAL AND ADMINISTRATIVE EXPENSES

Salaries and other benefits	32.1	16,681,422	14,325,612
Depreciation	5.2	1,190,039	1,207,576
Amortisation	7.1	490,581	40,882
Rent, rates and taxes		160,190	134,542
Repairs and maintenance		247,370	328,214
Vehicle running expenses		1,003,540	932,260
Insurance		187,888	198,212
Printing and stationery		363,143	295,034
Communication charges		1,183,522	837,701
Traveling and conveyance		610,836	324,752
Fees and subscription		117,902	102,697
Software license fee		266,797	47,660
Service fee to associated undertakings		416,456	1,007,024
Advertisement		71,790	118,730
Electricity charges		41,759	33,625
Others		323,924	415,164
		23,357,159	20,349,685



Notes to the Financial Statements

for the year ended June 30, 2010

32.1 Salaries, wages and other benefits include Rs. 1.923 million (2009: Rs. 1.493 million) in respect of staff retirement benefits.

	Note	2010 Rupees	2009 Rupees
33. SELLING EXPENSES			
Salaries and other benefits	33.1	6,815,668	4,672,686
Depreciation	5.2	689,731	459,884
Amortisation	7.1	245,291	20,441
Rent, rates and taxes		302,613	-
Repairs and maintenance		65,394	183,304
Vehicle running expenses		1,280,353	679,685
Insurance		125,648	88,117
Printing and stationery		16,082	85,597
Communication charges		564,690	502,930
Traveling and conveyance		681,294	461,039
Fees and subscription		53,650	2,500
Software license fee		107,421	12,547
Advertisement		1,218,626	277,013
Cartage outward		5,826,068	3,731,170
Others		373,662	110,249
		18,366,191	11,287,162

33.1 Salaries, wages and other benefits include Rs. 0.667 million (2009: Rs. 0.503 million) in respect of staff retirement benefits.

34. OTHER OPERATING INCOME

Insurance agency commission from associated undertaking	682,401	621,923
Scrap sales	1,009,665	684,369
Foreign exchange gain	-	205,938
Others	1,320	-
	1,693,386	1,512,230

35. OTHER OPERATING EXPENSES

Legal and professional	679,447	851,545
Auditors' remuneration:		
Statutory audit	202,000	176,000
Special reports and sundry services	116,000	101,000
Out-of-pocket expenses	35,000	37,500
	353,000	314,500
Commission on brokerage	111,111	-
Workers' Welfare Fund	-	(5,241)
Loss on disposal of operating fixed assets	314,758	23,647
Foreign exchange loss	260,852	-
Provision for doubtful debts	906,056	-
Director fees	6,000	5,000
	2,631,224	1,189,451



Notes to the Financial Statements

for the year ended June 30, 2010

	Note	2010 Rupees	2009 Rupees
36. FINANCIAL CHARGES			
Mark-up / interest on :			
Long-term financing		40,783,655	31,792,794
Lease finances		4,326,141	6,937,658
Short-term financing		31,352,178	27,913,777
Workers' profit participation fund		-	16,600
		76,461,974	66,660,829
Bank charges and commission		535,147	944,270
		76,997,121	67,605,099
37. TAXATION			
Current		5,380,520	181,576
Prior		(119,384)	209,415
Deferred		(15,349,846)	(19,262,621)
	37.1	(10,088,710)	(18,871,630)
37.1 Relationship between tax expenses and accounting profit is as follows:			
		Effective tax rate	
		2010	2009
		Percentage	Percentage
Applicable tax rate		35.00	35.00
Tax effect of expenses that are not deductible in determining taxable profit		(67.13)	(33.45)
Tax effect of expenses that are deductible in determining taxable profit		69.55	62.48
Tax effect of available tax losses		(38.25)	(63.71)
Tax effect of turnover tax		(18.46)	-
Tax effect under presumption tax regime		0.59	(0.64)
Tax effect of adjustments in respect of prior years		3.23	(1.55)
Net effect of deferred tax liability arising due to taxable temporary differences		50.52	35.44
		0.05	(1.43)
		35.05	33.57
38. EARNINGS PER SHARE - BASIC AND DILUTED		2010	2009
		Rupees	Rupees
Loss after taxation for the year		(18,691,729)	(37,346,010)
Weighted average number of ordinary shares outstanding		4,742,847	4,742,847
Loss per share - basic and diluted		(3.94)	(7.87)



Notes to the Financial Statements

for the year ended June 30, 2010

38.1 Earnings per share for the year June 30, 2009 has been computed in accordance with the requirements of International Accounting Standards 33 "Earnings per share" on account of issue of bonus shares.

39. EVENTS AFTER THE BALANCE SHEET DATE

There were no appropriations declared by the Board of Directors in their meeting held on August 24, 2010.

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, 2010, using the Projected Unit Credit Method.

	Note	2010 Rupees	2009 Rupees
40.2 Asset recognised in balance sheet			
Fair value of plan assets	40.3	17,452,523	15,427,000
Present value of defined benefit obligation	40.4	(29,775,500)	(26,785,000)
		(12,322,977)	(11,358,000)
Actuarial gains to be recognised for the later period		4,514,400	1,363,000
Unrecognized non-vested past service cost to be recognised in the later period		7,678,100	9,214,000
Closing net liability	25	(130,477)	(781,000)
40.3 Movement in the fair value of plan assets			
Fair value as at July 01		15,427,000	12,087,000
Expected return on plan assets		2,456,523	1,450,000
Actuarial losses		(4,674,000)	(764,000)
Contribution by the employer		5,372,000	2,684,000
Benefits paid		(1,129,000)	(30,000)
Fair value as at June 30	40.2	17,452,523	15,427,000
40.4 Movement in the defined benefit obligation			
Obligation as at July 01		(26,785,000)	(20,677,000)
Current service cost		(1,765,500)	(1,039,000)
Interest cost		(3,876,500)	(2,481,000)
Actuarial gain / (losses)		1,523,000	(1,837,000)
Benefits paid		1,128,500	30,000
Past service cost		-	(781,000)
Obligation as at June 30	40.2	(29,775,500)	(26,785,000)



Notes to the Financial Statements

for the year ended June 30, 2010

	2010	2009
	Rupees	Rupees
40.5 Expenses recognised in profit and loss account		
Current service cost	1,765,500	1,039,000
Interest cost	3,876,500	2,481,000
Expected return on plan assets	(2,456,557)	(1,450,000)
Actuarial gains recognised	-	-
Past service cost non-vested	1,536,000	1,395,000
	4,721,443	3,465,000
Actual return on plan assets	(2,217,734)	686,000

40.6 Composition of the fair value of plan assets

	2010		2009	
	Rupees	Percentage	Rupees	Percentage
Certificate of investment	2,238,328	13%	3,761,000	25%
Term Finance certificate	562,474	3%	536,000	3%
Mutual fund	12,638,324	72%	3,390,000	22%
Cash with banks	2,013,397	12%	7,740,000	50%
	17,452,523		15,427,000	

40.7 The expected contribution to funded gratuity scheme for the year ending June 30, 2011 is Rs. 5.334 million.

	2010	2009
	Percentage	Percentage
40.8 Principal actuarial assumptions		
Following were the significant actuarial assumptions used in the valuation:		
Discount rate per annum	13%	14%
Expected rate of return on plan assets per annum	13%	14%
Expected rate of increase in salary per annum	12%	13%



Notes to the Financial Statements

for the year ended June 30, 2010

	2010	2009	2008	2007	2006
	Rupees	Rupees	Rupees	Rupees	Rupees
40.9 Comparison of five years					
As at June 30,					
Fair value of plan assets	17,452,523	15,427,000	12,087,000	10,716,000	7,252,000
Present value of defined benefit obligation	(29,775,500)	(26,785,000)	(20,677,000)	(18,400,000)	(17,178,000)
Deficit in the plan	(12,322,977)	(11,358,000)	(8,590,000)	(7,684,000)	(9,926,000)
Experience adjustments					
Actuarial (gain) / loss on plan assets	4,674,000	764,000	950,000	(388,000)	246,000
Actuarial (gain) / loss on plan liabilities	(1,523,000)	1,837,000	155,000	(1,099,000)	(1,595,000)
				2010	2009
			Note	Rupees	Rupees
41. CASH USED IN OPERATIONS					
Loss before taxation				(28,780,439)	(56,217,640)
Adjustment for non-cash charges and other items:					
Loss on disposal of operating fixed assets				314,758	23,647
Financial charges				76,997,121	67,605,099
Depreciation				49,309,145	44,727,138
Amortisation				981,163	81,764
Provision for slow moving and obsolete items				106,272	837,171
Provision for doubtful debts				906,056	-
				128,614,515	113,274,819
Profit before working capital changes				99,834,076	57,057,179
Working capital changes			41.1	(148,029,581)	(71,444,192)
				(48,195,505)	(14,387,013)
41.1 Working capital changes					
(Increase) / decrease in current assets:					
Stores and spares				(7,173,461)	(2,521,541)
Stock-in-trade				(142,496,847)	(693,865)
Trade debts				(80,960,442)	(45,015,805)
Loans and advances				1,631,247	(1,597,846)
Trade deposits and short-term prepayments				(6,820,947)	16,550
Other receivables				649,753	(712,655)
Tax refunds due from Government				(3,655,350)	(204,935)
				(238,826,047)	(50,730,097)
Increase / (decrease) in current liabilities:					
Trade and other payables (excluding unclaimed dividend)				90,796,466	(20,714,095)
				(148,029,581)	(71,444,192)



Notes to the Financial Statements

for the year ended June 30, 2010

42. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

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

	2010			2009		
	Chief	Executives	Total	Chief	Executives	Total
	Executive Rupees	Executives Rupees	Total Rupees	Executive Rupees	Executives Rupees	Total Rupees
Managerial remuneration	1,908,168	4,979,624	6,887,792	1,908,168	3,361,224	5,269,392
House rent	834,084	2,217,124	3,051,208	834,084	1,495,824	2,329,908
Bonus	309,393	684,391	993,784	309,393	555,904	865,297
Retirement benefits	847,937	1,565,525	2,413,462	436,686	913,468	1,350,154
Motor vehicle expenses	201,188	809,810	1,010,998	184,360	593,953	778,313
Medical Allowances	185,352	492,712	678,064	185,352	332,412	517,764
Utilities	30,624	–	30,624	34,000	–	34,000
Total	4,316,746	10,749,186	15,065,932	3,892,043	7,252,785	11,144,828
Number of persons	1	6	7	1	4	5

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

42.2 Aggregate amount charged in these financial statements in respect of Directors fees is Rs. 6,000 (2009: Rs. 5,000). No remuneration was paid to any Director other than the Chief Executive.

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 term of their employment are as follows:



Notes to the Financial Statements

for the year ended June 30, 2010

Relation with the Company	Nature of transaction	Note	2010	2009
			Rupees	Rupees
Associated companies	Sales of goods and services (including fixed assets)		139,853,063	59,309,733
	Purchases of goods and services (including fixed assets)		796,354,645	501,131,232
	Short term financing obtained		–	80,000,000
	Repayment of short term financing		80,000,000	–
	Markup on short term financing		454,795	284,931
	Rent and allied charges		606,699	118,319
	Insurance agency commission income		682,401	118,319
	Insurance claim received		357,000	–
	Issue of bonus shares (No. of shares)		–	327,049
Sponsor	Long term financing obtained		130,000,000	80,000,000
	Markup on long term financing		36,346,305	24,476,713
	Short term financing obtained		190,000,000	–
	Repayment of short term financing		190,000,000	–
	Markup on short term financing		1,783,562	–
	Issue of bonus shares (no. of shares)		–	1,306
Retirement benefit plans	Contribution towards employees retirement benefits plans		7,222,023	5,615,061
Key management personnel	Compensation in respect of:			
	Short term employee benefits	43.1	11,431,300	9,795,568
	Retirement benefits		2,169,639	1,660,965

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

43.2 The status of outstanding balances of related parties as at June 30, 2010 are included in "Trade debts" (note 12), "Other receivables" (note 15) and "Trade and other payables" (note 25) respectively.

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, 2010

45. FINANCIAL ASSETS AND LIABILITIES

	2010						
	Effective yield / mark-up rate	Total	Exposed to yield/mark-up rate risk			Sub- total	Not exposed to yield/ mark-up rate risk
			Maturity	Maturity	Maturity		
			upto one year	over one year to five years	over five years		
%	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Financial assets							
Long-term loans	–	175,942	–	–	–	–	175,942
Long-term deposits	–	6,507,122	–	–	–	–	6,507,122
Trade debts	–	180,820,951	–	–	–	–	180,820,951
Short-term deposits	–	6,747,654	–	–	–	–	6,747,654
Other receivables	–	98,840	–	–	–	–	98,840
Cash and bank balances	–	449,691	–	–	–	–	449,691
		194,800,200	–	–	–	–	194,800,200
Financial liabilities							
Long-term financing	10.00-14.00	455,000,000	15,000,000	352,000,000	88,000,000	455,000,000	–
Liabilities against assets subject to finance leases	14.42-14.93	27,239,255	14,888,097	12,351,158	–	27,239,255	–
Long-term deposits		40,000	–	–	–	–	40,000
Trade and other payables		146,244,350	–	–	–	–	146,244,350
Financial charges payable	10.00-16.01	7,774,429	7,774,429	–	–	7,774,429	–
Short-term financing	10.00-16.01	292,317,496	292,317,496	–	–	292,317,496	–
		(928,615,530)	(329,980,022)	(364,351,158)	(88,000,000)	(782,331,180)	(146,284,350)
On balance sheet gap		(733,815,330)	(329,980,022)	(364,351,158)	(88,000,000)	(782,331,180)	48,515,850
Off balance sheet items							
Financial commitments							
Stores, spares and raw material under contractual obligations		1,518,133	–	–	–	–	1,518,133
		(1,518,133)	–	–	–	–	(1,518,133)
Total gap		(735,333,463)	(329,980,022)	(364,351,158)	(88,000,000)	(782,331,180)	46,997,717



Notes to the Financial Statements

for the year ended June 30, 2010

2009

	Effective yield / mark-up rate	Total	Exposed to yield/mark-up rate risk			Sub- total	Not exposed to yield/ mark-up rate risk
			Maturity	Maturity	Maturity		
			upto one year	over one year to five years	over five years		
%	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Financial assets							
Long-term loans	-	303,958	-	-	-	-	303,958
Long-term deposits	-	9,378,653	-	-	-	-	9,378,653
Trade debts	-	100,766,565	-	-	-	-	100,766,565
Other receivables	-	748,593	-	-	-	-	748,593
Cash and bank balances	-	582,574	-	-	-	-	582,574
		111,780,343	-	-	-	-	111,780,343
Financial liabilities							
Long-term financing	10.00 - 14.73	355,000,000	30,000,000	263,000,000	62,000,000	355,000,000	-
Liabilities against assets subject to finance leases	14.98 - 15.90	43,403,509	16,133,469	27,270,040	-	43,403,509	-
Trade and other payables		52,994,410	-	-	-	-	52,994,410
Financial charges payable	10.00 - 17.18	14,312,243	14,312,243	-	-	14,312,243	-
Short-term financing	10.00 - 17.18	228,180,186	228,180,186	-	-	228,180,186	-
		(693,890,348)	(288,625,898)	(290,270,040)	(62,000,000)	(640,895,938)	(52,994,410)
On balance sheet gap		(582,110,005)	(288,625,898)	(290,270,040)	(62,000,000)	(640,895,938)	58,785,933
Off balance sheet items							
Financial commitments							
Capital expenditure excluding letters of credit		25,774	-	-	-	-	25,774
Stores, spare and raw material under contractual obligations		7,397,067	-	-	-	-	7,397,067
		(7,422,841)	-	-	-	-	(7,422,841)
Total gap		(589,532,846)	(288,625,898)	(290,270,040)	(62,000,000)	(640,895,938)	51,363,092



Notes to the Financial Statements

for the year ended June 30, 2010

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 regulator requirements.

Exposure to credit risk

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

	2010	2009
	(Rupees in thousands)	
Loans and deposits	13,430	9,682
Trade debts	180,821	100,767
Other receivables	99	749
Cash and bank balances	450	583
	194,800	111,781
The aging of trade receivable at the reporting date is:		
Not past due	129,810	60,118
Past due 1-30 days	31,071	21,506
Past due 30-90 days	7,140	12,047
Past due 90 days	12,800	7,096
	180,821	100,767

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



Notes to the Financial Statements

for the year ended June 30, 2010

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

Concentration of credit risk

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

Impaired assets

During the year no assets have been impaired other than trade debtors amounting to Rs. 181.727 million against which provision of Rs. 0.906 million has been recorded.

46.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fail 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:

	2010						
	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	482,239	635,257	37,981	28,072	140,156	335,333	93,715
Long term deposits	40	40	-	-	-	40	-
Trade and other payables	146,232	146,232	146,232	-	-	-	-
Financial charges payable	7,774	7,774	7,774	-	-	-	-
Retention money payable	12	12	12	-	-	-	-
Short term borrowings	292,317	292,317	292,317	-	-	-	-
	928,614	1,081,632	484,316	28,072	140,156	335,373	93,715

	2009						
	Carrying Amount	Contractual Cash Flows	Six months or less	Six to Twelve months	One to Two years	Two to Five years	Over Five years
(Rupees in thousands)							
Long term financing	398,404	524,311	43,408	42,817	123,845	248,161	66,080
Trade and other payables	52,271	52,271	52,271	-	-	-	-
Financial charges payable	14,312	14,312	14,312	-	-	-	-
Retention money payable	723	723	723	-	-	-	-
Short term borrowings	228,180	228,180	228,180	-	-	-	-
	693,890	819,797	338,894	42,817	123,845	248,161	66,080



Notes to the Financial Statements

for the year ended June 30, 2010

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 in foreign currencies. The Company's exposure to foreign currency risk is as follows:

	2010	2009
	(Rupees in thousands)	
Foreign bills payable	1,123	1,156
Contractual obligations	1,518	7,397
Net exposure	2,641	8,553

The following significant exchange rates have been applied

	Average rate		Reporting date rate	
	2010	2009	2010	2009
	(Rupees)			
USD to PKR	84.17	79.03	85.60	81.30

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	
	2010	2009	2010	2009
	(Rupees in thousands)			
Effect on (loss) or profit	264	855	264	855

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, 2010

	2010	2009	2010	2009
	Effective rate		Carrying amount	
	(In percent)		(Rupees in thousands)	
Financial Liabilities				
Variable rate instruments				
Long term loans	14.36%	15.50%	42,239	88,404
Short term borrowings	13.82%	15.10%	202,317	148,180

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 2009.

	Profit and loss	
	100 bp	100 bp
	Increase	Decrease
As at June 30, 2010		
Cash flow sensitivity - Variable rate financial liabilities (Rs' 000)	(2,446)	2,446
As at June 30, 2009		
Cash flow sensitivity - Variable rate financial liabilities (Rs' 000)	(2,366)	2,366

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



Notes to the Financial Statements

for the year ended June 30, 2010

49. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on August 24, 2010 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. Significant change made during the year for more appropriate presentation is as follows:

Balance sheet		
From	To	Rupees in thousands
Taxation - net	Tax refund due from government	20,896

51. GENERAL

Figures have been rounded off to the nearest rupee.


IQBAL ALI LAKHANI
Chairman


MOHAMMAD SHAHID
Chief Executive Officer

Form of Proxy

I/We _____
of _____
a member of **MERIT PACKAGING LIMITED** hereby appoint _____
of _____ or failing him
_____ of
_____ who is/are also member/s of Merit Packaging Limited to act as my/our proxy and to vote for me/us and on my/our behalf at the **Annual General Meeting** of the Shareholders of the Company to be held on the 15th day of October 2010 and at any adjournment thereof.

Signed this _____ day of _____ 2010.

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

Signature over Revenue Stamp

<p>Witness 1</p> <p>Signature _____</p> <p>Name _____</p> <p>CNIC No. _____</p> <p>Address _____</p>	<p>Witness 2</p> <p>Signature _____</p> <p>Name _____</p> <p>CNIC No. _____</p> <p>Address _____</p>
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- 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.