



A Lakson Group Company



Merit Packaging Limited



Annual Report 2015



A Lakson Group Company



Merit Packaging Limited

Merit



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Corporate Information

BOARD OF DIRECTORS

Iqbal Ali Lakhani	Chairman
Zulfiqar Ali Lakhani	
Amin Mohammed Lakhani	
Tasleemuddin Ahmed Batlay	
Shahid Ahmed Khan	Chief Executive Officer
Shaikh Muhammad Barinuddin	Independent Director
Sheikh Asim Rafiq	Nominee Director (NIT)
Farrukh Shauket Ansari	Nominee Director (NIT)(from 04 May 2015)
Muhammad Salman Hussain Chawala	Nominee Director (NIT) (Upto 04 May 2015)

ADVISOR

Sultan Ali Lakhani

AUDIT COMMITTEE

Shaikh Muhammad Barinuddin	Chairman
Zulfiqar Ali Lakhani	
Tasleemuddin Ahmed Batlay	

HUMAN RESOURCE & REMUNERATION COMMITTEE

Iqbal Ali Lakhani	Chairman
Tasleemuddin Ahmed Batlay	
Shahid Ahmed Khan	

COMPANY SECRETARY

Mansoor Ahmed

AUDITORS

BDO Ebrahim & Co.
Chartered Accountants

BANKERS

Al-Baraka Bank (Pakistan) Limited
Askari Bank Limited
BankIslami Pakistan Limited
Habib Bank Limited
JS Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Soneri Bank Limited

SHARES REGISTRAR

FAMCO Associates (Pvt.) Ltd.
8-F, Next to Hotel Faran,
Nursery, Block-6, P.E.C.H.S.,
Shahra-e-Faisal,
Karachi

REGISTERED OFFICE

Lakson Square, Building No.2,
Sarwar Shaheed Road,
Karachi-74200
Pakistan

FACTORY

17-B, Sector 29, Korangi Industrial Township,
Karachi-75180
Phone: 021-35017164, 021-35017180
Email: info@meritpack.com

WEBSITE

www.meritpack.com





INDEPENDENCE DAY

Flag Hoisting Ceremony At
Merit Packaging Limited - 2015











A Lakson Group Company



Merit Packaging Limited



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 35th Annual General Meeting of MERIT PACKAGING LIMITED will be held on Wednesday, October 21, 2015 at 11:00 a.m. at Avari Towers Hotel, Fatima Jinnah Road, Karachi to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited financial statements of the Company for the year ended June 30, 2015 together with the Directors' and Auditors' reports thereon.
2. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

3. To consider to pass the following ordinary resolutions:
 - a) "**RESOLVED** that the transactions carried out in normal course of business with associated companies disclosed in note No. 44 of these financial statements for the year ended June 30, 2015 be and are hereby ratified and approved."
 - b) "**RESOLVED** that the Chief Executive of the Company be and is hereby authorized to approve all the transactions carried out and to be carried out in normal course of business with associated companies during the ensuing year ending June 30, 2016 and in this connection the Chief Executive be and is hereby also authorized to take any and all necessary actions and sign/execute any and all such documents/indentures as may be required in this regard on behalf of the Company."

Statement under section 160 of the Companies Ordinance, 1984 in the above matter mentioned in item No.3 is annexed.

By Order of the Board



(MANSOOR AHMED)
Company Secretary

KARACHI: September 14, 2015

NOTES:

1. The share transfer books of the Company will remain closed from October 15, 2015 to October 21, 2015 (both days inclusive). Transfers received in order by the Shares Registrar of the Company, M/s. FAMCO Associates (Private) Limited, 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shakra-e-Faisal, Karachi upto the close of business on October 14, 2015 will be treated in time for the purpose of attendance of the 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, in order to be valid must be properly filled-in/executed and received at the registered office of the Company situated at Lakson Square, Building No.2, Sarwar Shaheed Road, Karachi not later than 48 hours before the time of the meeting.

Notice of Annual General Meeting

5. Members are requested to notify Shares Registrar of the Company promptly of any change in their addresses.
6. Pursuant to Notification vide SRO.787 (1)/2014 of September 08, 2014 the SECP has directed to facilitate the members of the company receiving Annual Financial Statements and Notices through electronic mail system (e-mail). We are pleased to offer this facility to our members who desire to receive Annual Financial Statements and Notices of the Company through e-mail in future. In this respect members are hereby requested to convey their consent via e-mail on a standard request form which is available at the Company website i.e. www.meritpack.com. Please ensure that your e-mail account has sufficient rights and space available to receive such e-mail which may be larger than 1 MB file in size. Further, it is the responsibility of the member to timely update the Shares Registrar of any change in the registered e-mail address.
7. Members can also avail video conference facility in (name of cities where facility can be provided keeping in view geographical dispersal of members). In this regard, please fill the following and submit to registered address of the Company 10 days before holding of the annual general meeting.

"I/We, _____ of _____, being a member of Merit Packaging Limited, holder of _____ ordinary share(s) as per registered Folio No. _____ hereby opt for video conference facility at _____."

8. Members who have not yet submitted photocopy of their Computerized National Identity Card (CNIC) are requested to send the same to our Shares Registrar at the earliest.
9. Form of Proxy is enclosed.



Notice of Annual General Meeting

STATEMENT OF MATERIAL FACTS CONCERNING SPECIAL BUSINESS PURSUANT TO SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts concerning the Special Business, given in agenda item No. 3 of the Notice that will be considered to be passed by the members. The purpose of the Statement is to set forth the material facts concerning such Special Business.

1. Agenda Item No. 3(a) of the Notice - Transactions carried out with associated companies during the year ended June 30, 2015 to be passed as an Ordinary Resolution.

The transactions carried out in normal course of business with associated companies (Related parties) were being approved by the Board as recommended by the Audit Committee on quarterly basis pursuant to clause 5.19.6 (b) of Rule Book of the Stock Exchange.

During the Board meeting it was pointed out by the Directors that as the majority of Company Directors were interested in these transactions due to their common directorship and holding of shares in the associated companies, the quorum of directors could not be formed for approval of these transactions which have to be approved by the shareholders in the General Meeting.

In view of the above, the transactions conducted during the financial year ended June 30, 2015 in normal course of business with associated companies shown in note No.44 of the financial statements are being placed before the shareholders for their consideration and approval/ratification.

The Directors are interested in the resolution to the extent of their common directorships and their shareholding in the associated companies.

2. Agenda Item No. 3(b) of the Notice - Authorization to the Chief Executive for the transactions carried out and to be carried out with associated companies during the ensuing year ending June 30, 2016.

The Company is expected to be conducting transactions with associated companies in the normal course of business. The majority of Directors are interested in these transactions due to their common directorship and shareholding in the associated companies. Therefore, such transactions with associated companies have to be approved by the shareholders.

In order to comply with the provisions of clause 5.19.6 (b) of Rule Book of the Stock Exchange, the shareholders may authorize the Chief Executive to approve transactions carried out and to be carried out in normal course of business with associated companies during the ensuing year ending June 30, 2016.

The Directors are interested in the resolution to the extent of their common directorships and their shareholding in the associated companies.

Directors' Report

The Directors of your Company are pleased to present the 35th Annual Report along with Audited Financial Statements of the Company for the year ended June 30, 2015.

PERFORMANCE OUTLOOK

Financial Results

	2014-15	2013-14
	Rs. in 000's	Rs. in 000's
Sales - net	2,023,249	1,884,960
Gross profit	172,336	160,411
Operating profit	121,290	103,107
Profit before taxation	25,010	6,969
Earnings/(loss) per share	Rs. 0.37	Rs. (0.47)

OPERATING RESULTS

By the Grace of Allah, we have been able to achieve the milestone of Rupees two billion net sales for the first time in your Company history. During the year under review, net sales turnover amounted to Rs. 2.023 billion, as compared to Rs. 1.885 billion in the last financial year, showing an increase of Rs. 138 million or 7%. Pre-tax profit for the year has jumped to Rs. 25 million as compared to a profit of Rs. 7 million in the previous year.

This significant improvement has been made possible with our concentrated efforts to enhance production capabilities by bringing about continuous improvement in our operational efficiency and through expansion of our market share in the reputed corporate sector organizations. Delivery of better quality products and timely services to customers and recent CAPEX has enabled the Company to increase better product mix and higher profitability despite tough competition.

Keeping in view prospective investment opportunities to fuel business growth together with overall financial leverage position; Board of Directors has decided not to make any appropriation on account of dividend for the year ended June 30, 2015.

FIRE AT GRAVURE DEPARTMENT

Unfortunately on March 29, 2015, a fire broke out in the main production area of Gravure unit of the company, which caused damage to the building, fixtures, plant and machinery, equipment and inventory on the production floor. Fire brigade team immediately helped in bringing the fire under control. However as a result of this fire incident, production process in the Gravure section had to be suspended. All the assets in our Gravure section were fully insured and claim process has been completed. The management immediately arranged for alternate source of production through outsourced contract manufacturing.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

As required under the code of corporate governance, the Directors of your Company are pleased to submit statement on Corporate and Financial Report Framework, as follows:

- ♦ The financial statements prepared by the management of the Company present its state of affairs fairly, the results of its operations, cash flows and changes in equity.
- ♦ Proper books of accounts of the Company have been maintained.
- ♦ Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- ♦ International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.



Directors' Report

- ♦ The system of internal control is sound in design and has been effectively implemented and monitored.
- ♦ There are no doubts upon the Company's ability to continue as a going concern.
- ♦ There has been no material departure from the best practices of Corporate Governance as detailed in the Listing Regulations.
- ♦ Information about taxes and levies is given in the notes to and forming part of financial statements.
- ♦ The summary of key operating and financial data for the last six years of the Company is annexed to this report.

SAFETY, SECURITY, HEALTH AND ENVIRONMENT

The Company continues to introduce specific measures to promote a safe, secure and healthy environment that is so necessary to run day to day business operations. The employees are also given environmental, health and safety training on a regular basis enabling them to carry out their duties safely without causing harm to themselves, to other individuals and to the environment. First aid equipment and fire fighting equipments are maintained at all times to ensure a safe and secure working environment.

CORPORATE SOCIAL RESPONSIBILITY

We believe in abiding by our social responsibility and being a responsible corporate entity, we always endeavor to extend all out help to citizens whenever needed. As a socially responsible Company, Merit Packaging has never overlooked the expectation of its stakeholders. Your Company is working on programs to conserve water, to provide clean and orderly facilities and has initiated solid waste management programs besides other health safety and environmental issues.

HUMAN RESOURCE DEVELOPMENT

We treat our employees as our greatest asset. All employees are treated fairly and compensated according to industry standards. They are provided benefits and a safe working environment to work in. Comprehensive training programmes, workshops and seminars are held every year to train them to become an efficient Human Resource as it is vital for the success of our operations. Your Company is investing both in human capital as well as working environment to help achieve competitive advantage that has become so essential to survive in today's competitive environment.

AUDITORS

The present auditors, Messrs BDO Ebrahim & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment for the year ending June 30, 2016. They confirmed that they have been given satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP) and the firm is in full compliance with International Federation of Accountants (IFAC) guidelines on code of ethics, as adopted by ICAP. The Board of Directors endorses the recommendation of Audit Committee for their re-appointment as auditors of the Company for shareholders' consideration at the forthcoming Annual General Meeting.

MATERIAL CHANGES

There have been no material changes since June 30, 2014. The Company has not entered into any commitment, which would affect its financial position at the date except for those mentioned in the audited financial statements for the year ended June 30, 2015.

PATTERN OF SHAREHOLDING

A statement showing the pattern of shareholding of the Company and additional information as at June 30, 2015, whose disclosure is required under the reporting framework, is annexed to this report.

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

The Board has determined threshold under clause xvi(I) of CCG-2012 in respect of trading of Company's shares by executives and employees who are drawing annual basic salary of Rs.1 million or more.



Directors' Report

INVESTMENT IN RETIREMENT BENEFITS

Merit Packaging Limited provided retirement benefits to its employees in the shape of provident fund and gratuity fund.

Value of investment made by staff retirement benefit funds on their respective audited accounts as at December 31, 2014 and June 30, 2015 respectively are as follows:

	(Rupees in thousands)
Provident Fund	100,635
Gratuity Fund	39,003

BOARD OF DIRECTORS

Election of Directors

The election of Board of Directors for a fresh term of three years were conducted on May 4, 2015. Following Directors were elected for a period of three years ending May 4, 2018:

Mr. Iqbal Ali Lakhani	
Mr. Zulfiqar Ali Lakhani	
Mr. Amin Mohammed Lakhani	
Mr. Tasleemuddin Ahmed Batlay	
Mr. Shahid Ahmed Khan	
Mr. Shaikh Muhammad Barinuddin	- Independent Director
Mr. Sheikh Asim Rafiq	- Nominee of National Investment Trust Limited
Mr. Farrukh Shauket Ansari	- Nominee of National Investment Trust Limited

Changes in composition

During the year under review Mr. Muhammad Salman Husain Chawala (Nominee Director National Investment Trust Limited) retired. In his place Mr. Farrukh Shauket Ansari was nominated on the Board of Directors by the National Investment Trust Limited. The Board of Directors wishes to place on record its appreciation for the valuable contribution made by outgoing Director Mr. Muhammad Salman Husain Chawala and welcomes the new Director Mr. Farrukh Shauket Ansari on the Board of Directors of the Company.

Meeting of Board of Directors

In 2014-15, five (5) Board Meetings were held and attended by the Directors as follows to review Company's complete cycle of activities:

Directors name	Attendance
Mr. Iqbal Ali Lakhani - (Chairman)	2
Mr. Zulfiqar Ali Lakhani	5
Mr. Amin Mohammed Lakhani	1
Mr. Tasleemuddin Ahmed Batlay	5
Mr. Shahid Ahmed Khan	5
Mr. Shaikh Muhammad Barinuddin - Independent Director	5
Mr. Sheikh Asim Rafiq - Nominee of National Investment Trust Limited	5
Mr. Muhammad Salman Husain Chawala - Nominee of National Investment Trust Limited (upto May 4, 2015)	3
Mr. Farrukh Shauket Ansari - Nominee of National Investment Trust Limited (from May 4, 2015)	1

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



Directors' Report

AUDIT COMMITTEE

During the financial year four (4) Audit Committee Meetings were held on a quarterly basis and attended by members as follows to review its complete cycle of activities:

Members name	Attendance
Mr. Shaikh Muhammad Barinuddin (Chairman)	4
Mr. Zulfiqar Ali Lakhani	4
Mr. Tasleemuddin Ahmed Batlay	4

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

HUMAN RESOURCE AND REMUNERATION COMMITTEE

In 2014-15 two (2) meetings of Human Resource and Remuneration Committee were held and attended by each member was as follows:

Members name	Attendance
Mr. Iqbal Ali Lakhani - (Chairman)	2
Mr. Tasleemuddin Ahmed Batlay	2
Mr. Shahid Ahmed Khan	2

Mr. Shahid Ahmed Khan has authorized to draw remuneration and avail perquisites and allowances as Chief Executive and full time working Director of the Company as recommended by the Human Resource and Remuneration Committee as under for the current term of three years ending on May 04, 2018.

Remuneration: The gross aggregate annual sum not exceeding Rs.10,000,000/- (Rupees ten million). This will include house rent allowance.

Perquisites and allowances: Conveyance, Provident Fund, Bonuses, Medical, Leaves, Utilities at Residence, Telephone and Retirement Benefits. As per company's policy, rules and regulation in force from time to time.

QUALITY MANAGEMENT

The implementation of quality management system helps the Company to stay efficient and customer focused. It allows us to understand precisely what the customer needs and to ensure implementation of best business practices through quality and food systems management in order to deliver accurate solutions on a consistent basis. Your Company is now proud to be Quality Management System ISO 9001:2008, Food Safety Management System ISO 22000:2005, Environment Management System ISO 14001:2004, PAS 223: 2011, SEDEX (Supplier Ethical Data Exchange), SMETA (SEDEX Members Ethical Trade Audit) and HACCP (Hazard Analysis and Critical Control Point) Certified. These certifications help in retaining and consolidating the Company's current status as an approved vendor to big corporate customers.



Directors' Report

FUTURE OUTLOOK

By inducting machines and through other related capital expenditures during the year, your Company is endeavoring to ensure uninterrupted production with more value addition, further attention to out station customers through extended service operations from Lahore and Islamabad Marketing offices. A comprehensive timely maintenance plan will ensure continuous production of our products. This will further guarantee optimization of capacity utilization. Our ability over a period of time has enhanced to deliver quality products and services to a broad based customer in Pakistan.

LC for import of a Rotomec Bobst gravure printing machine has been opened and expected to be installed by the end of second quarter of 2015-16. All efforts are being made to resume production and delivery of quality products to customers as early as possible. Strict precautionary and safety measures have been taken prior to purchase of new machine to avoid re-occurrence of similar unfortunate incident in the future. Complete protection of all staff working on the machine has also been ensured. Most importantly the infrastructure has been redesigned keeping in mind the safety rules.

Having taken these steps, the Directors of your Company continue to have a long-term optimistic outlook. They strongly expect that the year 2015-16 would allow your Company to improve sales and operational efficiencies, in addition to, customers' satisfaction-both in terms of product quality and services and this will go on to consolidate the Company's bottom line.

ACKNOWLEDGEMENT

We express our thanks to customers for their support and look forward to seeking their continued patronage. Our thanks also go to financial institutions, suppliers and our stakeholders for supporting the Company in achieving its objectives. The Directors acknowledge the commitment and dedication of the entire workforce.

On behalf of the Board of Directors



IQBAL ALI LAKHANI
Chairman

Karachi: August 31, 2015

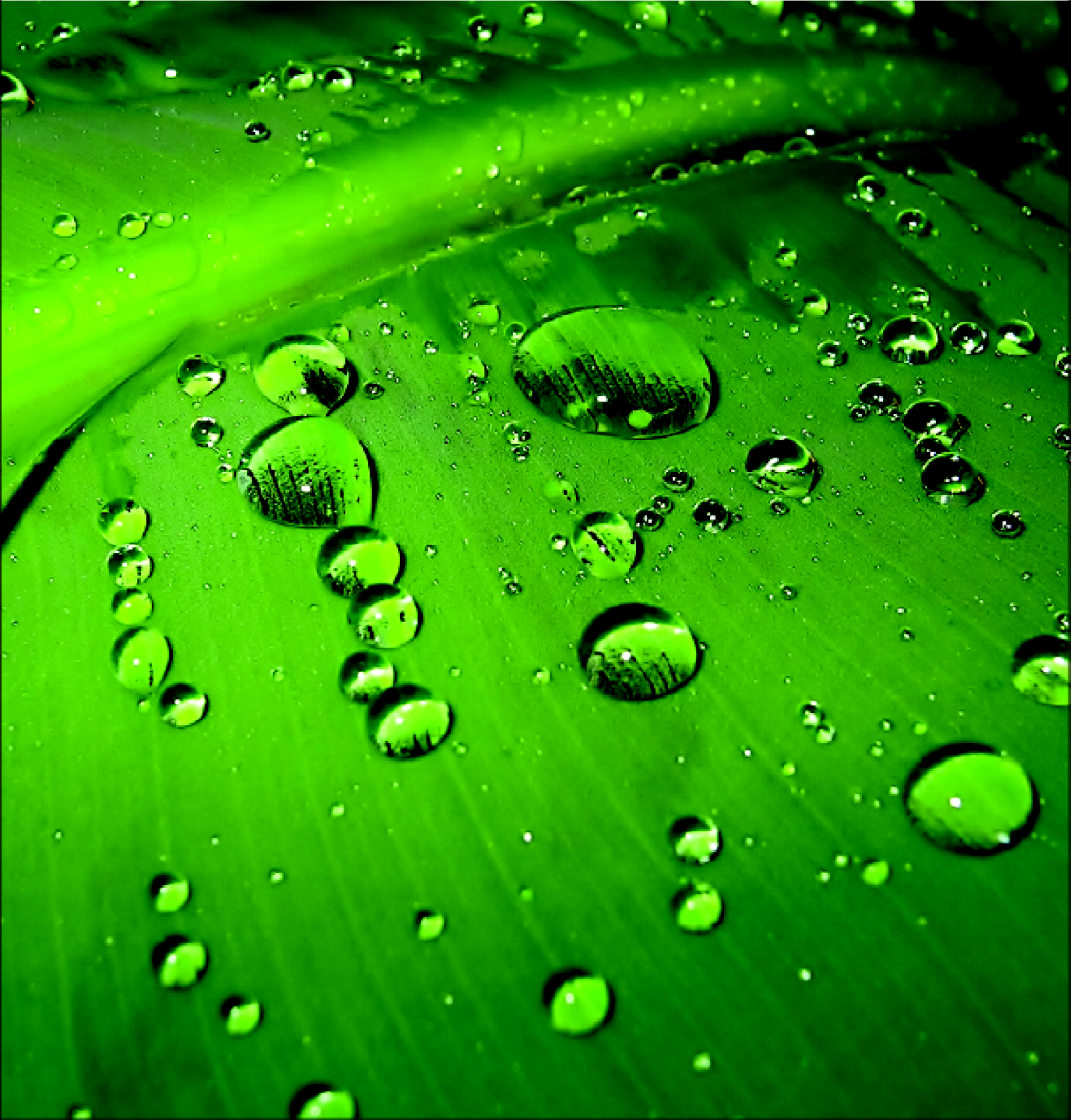




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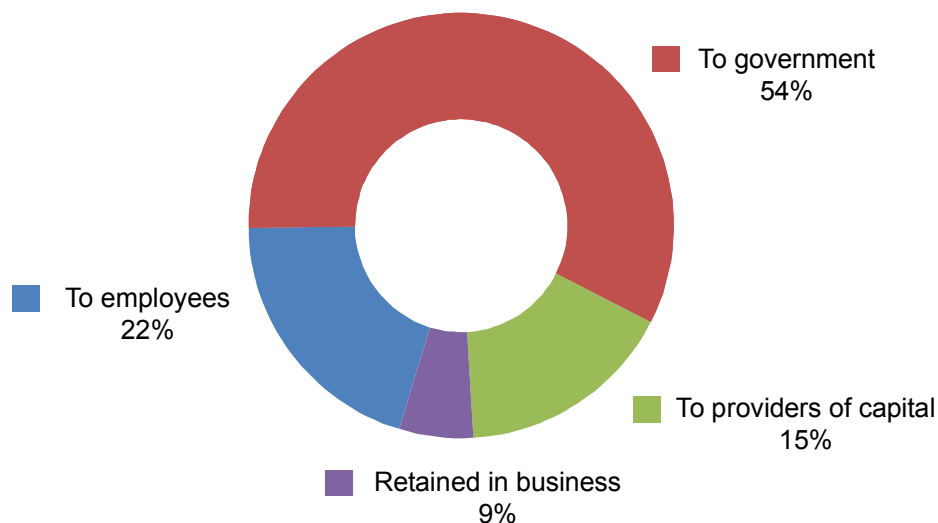


Merit Packaging Limited



Statement of Value added and its distribution

Particulars	2015		2014	
	Rs. in 000's	%	Rs. in 000's	%
Value added				
Gross Sales	2,362,499		2,199,493	
Material and services	(1,729,371)		(1,625,420)	
Other income	19,223		3,819	
	652,351	100	577,892	100
Distribution				
To employees				
Salaries, wages and other benefits	142,431		115,890	
Workers profit participation fund	1,343		384	
	143,774	22	116,274	20
To government				
Sales tax	339,251		314,534	
Company taxation	9,976		18,176	
Workers welfare fund	510		328	
	349,737	54	333,038	57
To providers of capital				
Financial charges on borrowed fund	96,280	15	96,138	17
Retained in business				
Depreciation	47,461		42,704	
Amortisation of intangible assets	65		944	
Retained profit/(loss)	15,034		(11,206)	
	62,560	9	32,442	6
	652,351	100	577,892	100



Six years key operating and financial data

	Rupees in thousands					
	2015	2014	2013	2012	2011	2010
Trading results						
Sales	2,023,249	1,884,960	1,389,259	1,693,802	1,753,881	1,076,104
Gross profit	172,336	160,411	66,545	136,439	164,425	91,597
Profit/(loss) before taxation	25,010	6,969	(83,532)	(24,610)	16,622	(28,780)
Profit/(loss) after taxation	15,034	(11,206)	(88,566)	(26,280)	10,275	(18,692)
Dividend						
Cash	0%	0%	0%	0%	0%	0%
Stock	0%	0%	0%	0%	0%	0%
Payout ratio	0%	0%	0%	0%	0%	0%
Financial position						
Total capital employed	1,135,569	961,478	709,217	797,933	604,792	704,428
Property, plant and equipment	755,642	719,114	655,439	665,875	619,653	652,746
Shareholder equity	357,230	340,916	(2,330)	82,011	111,868	100,792
Long term liabilities	613,125	452,041	540,081	540,081	354,361	452,391
Deferred taxation	-	-	-	1,357	2,870	14,751
Others						
Number of employees (at year end)	212	216	203	255	275	274
Capital expenditure	156,581	95,749	34,945	28,090	20,386	19,248
Contribution to national exchequer	141,590	109,696	65,185	138,539	124,040	58,310
Ratios						
Gross profit	8.52%	8.51%	4.79%	8.06%	9.37%	8.51%
Profit/(loss) before taxation	1.24%	0.37%	-6.01%	-1.45%	0.95%	-2.67%
Profit/(loss) after taxation	0.74%	-0.59%	-6.38%	-1.55%	0.59%	-1.74%
Return on equity	4.21%	-3.29%	N/A	-32.04%	9.18%	-18.55%
Return on capital employed	1.32%	-1.17%	-12.49%	-3.26%	1.70%	-2.65%
Current ratio	1.67 : 1	1.41 : 1	1.09 : 1	1.25 : 1	0.97 : 1	1.09 : 1
Debt / equity ratio	55 : 45	51 : 49	76 : 24	67 : 33	65 : 35	67 : 33
Inventory days	59	67	80	62	58	68
Receivable days	57	51	61	61	50	48
Others						
Earnings/(loss) per share - (Rs.)	0.37	(0.47)	(7.59)	(5.54)	2.17	(3.94)
Break-up value per share (Rs.)	8.86	8.46	(0.49)	18.27	23.59	21.25
Market Value (Rs.)	19.31	18.86	20.49	20.93	25.84	18.00
Price earning ratio	51.78	N/A	N/A	N/A	11.93	N/A





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love
Coffee

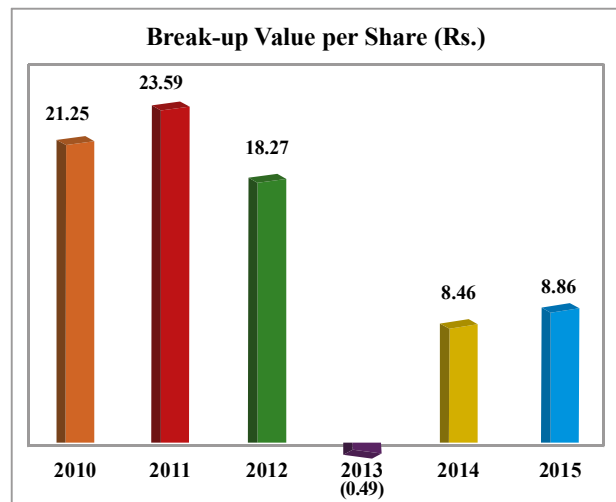
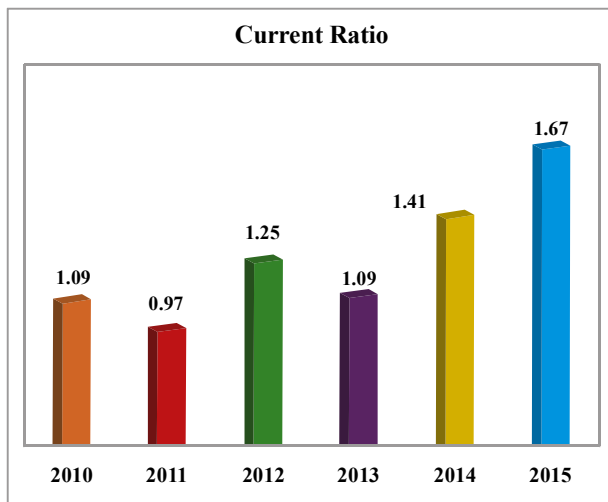
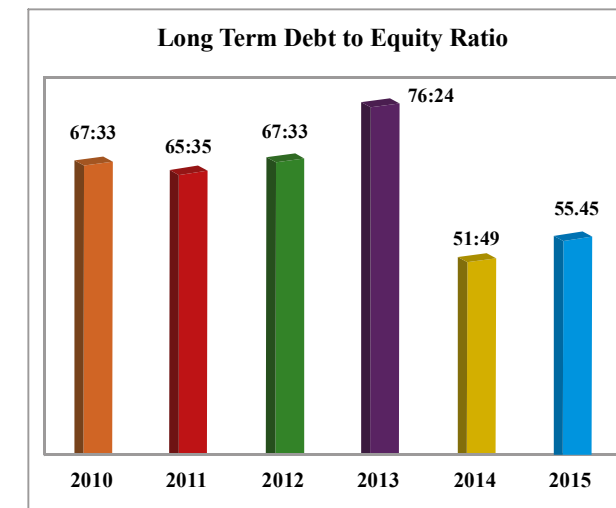
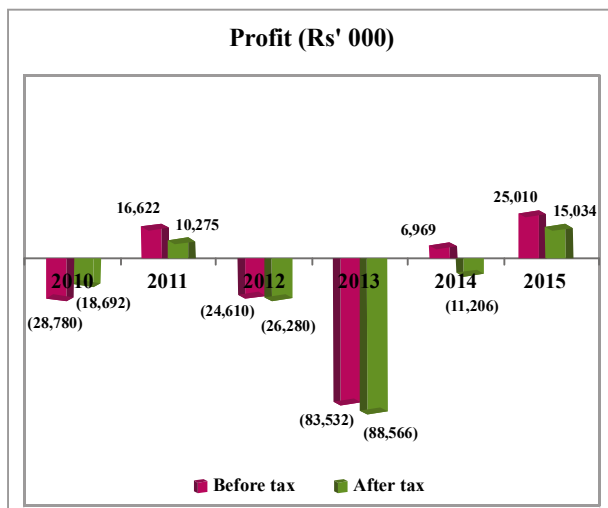
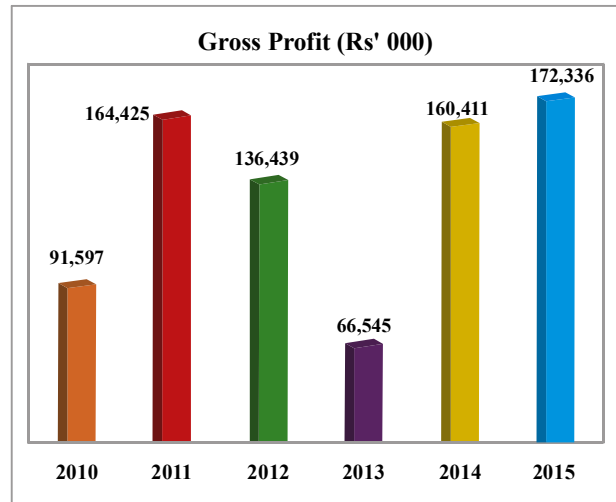
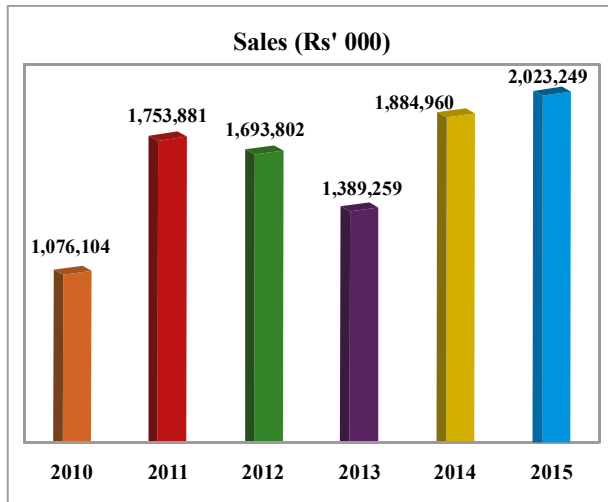


Vertical & Horizontal Analysis

	2015		2014		2013		2012		2011		2010	
	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%
VERTICAL ANALYSIS												
PROFIT & LOSS ACCOUNT												
Sales - net	2,023,249	100%	1,884,960	100%	1,389,259	100%	1,693,802	100%	1,753,881	100%	1,076,104	100%
Cost of sales	1,850,913	91%	1,724,549	91%	1,322,714	95%	1,557,363	92%	1,589,456	91%	984,507	91%
Gross profit	172,336	9%	160,411	9%	66,545	5%	136,439	8%	164,425	9%	91,597	9%
Operating expenses	51,046	3%	57,304	3%	51,959	4%	56,661	3%	52,608	3%	43,380	4%
Operating profit	121,290	6%	103,107	5%	14,586	1%	79,778	5%	111,817	6%	48,217	4%
Financial charges	96,280	5%	96,138	5%	98,118	7%	104,388	6%	95,195	5%	76,997	7%
Profit/(loss) before taxation	25,010	1%	6,969	0%	(83,532)	-6%	(24,610)	-1%	16,622	1%	(28,780)	-3%
Profit/(loss) after taxation	15,034	1%	(11,206)	-1%	(88,566)	-6%	(26,280)	-2%	10,275	1%	(18,692)	-2%
BALANCE SHEET												
Assets												
Property, plant and equipment	755,642	45%	719,114	47%	655,439	51%	665,875	50%	619,653	49%	652,746	55%
Other non-current assets	6,517	0%	3,868	0%	4,688	1%	7,564	1%	7,632	1%	10,397	1%
Current Assets	928,366	55%	815,517	53%	619,779	48%	659,545	49%	645,852	50%	517,509	44%
Total Assets	1,690,525	100%	1,538,499	100%	1,279,906	100%	1,332,984	100%	1,273,137	100%	1,180,652	100%
Equity & Liabilities												
Share capital & reserves	357,230	21%	340,916	22%	(2,330)	0%	82,011	6%	111,868	9%	100,792	9%
Surplus on revaluation of fixed assets	165,215	10%	168,521	11%	171,467	13%	174,485	13%	135,693	11%	136,493	12%
Non-current liabilities	613,125	36%	452,041	29%	540,081	42%	541,438	41%	357,231	28%	467,142	40%
Current liabilities	554,955	33%	577,021	38%	570,688	45%	535,050	40%	668,345	52%	476,225	40%
Total equity and Liabilities	1,690,525	100%	1,538,499	100%	1,279,906	100%	1,332,984	100%	1,273,137	100%	1,180,652	100%
HORIZONTAL ANALYSIS												
PROFIT & LOSS ACCOUNT												
Sales - net	2,023,249	188%	1,884,960	175%	1,389,259	129%	1,693,802	157%	1,753,881	163%	1,076,104	100%
Cost of sales	1,850,913	188%	1,724,549	175%	1,322,714	134%	1,557,363	158%	1,589,456	161%	984,507	100%
Gross profit	172,336	188%	160,411	175%	66,545	73%	136,439	149%	164,425	180%	91,597	100%
Operating expenses	51,046	118%	57,304	132%	51,959	120%	56,661	131%	52,608	121%	43,380	100%
Operating profit	121,290	252%	103,107	214%	14,586	30%	79,778	165%	111,817	232%	48,217	100%
Financial charges	96,280	125%	96,138	125%	98,118	127%	104,388	136%	95,195	124%	76,997	100%
Profit/(loss) before taxation	25,010	-87%	6,969	-24%	(83,532)	290%	(24,610)	86%	16,622	-58%	(28,780)	100%
Profit/(loss) after taxation	15,034	-80%	(11,206)	60%	(88,566)	474%	(26,280)	141%	10,275	-55%	(18,692)	100%
BALANCE SHEET												
Assets												
Property, plant and equipment	755,642	116%	719,114	110%	655,439	100%	665,875	102%	619,653	95%	652,746	100%
Other non-current assets	6,517	63%	3,868	37%	4,688	45%	7,564	73%	7,632	73%	10,397	100%
Current Assets	928,366	179%	815,517	158%	619,779	120%	659,545	127%	645,852	125%	517,509	100%
Total Assets	1,690,525	143%	1,538,499	130%	1,279,906	108%	1,332,984	113%	1,273,137	108%	1,180,652	100%
Equity & Liabilities												
Share capital & reserves	357,230	354%	340,916	338%	(2,330)	-2%	82,011	81%	111,868	111%	100,792	100%
Surplus on revaluation of fixed assets	165,215	121%	168,521	123%	171,467	126%	174,485	128%	135,693	99%	136,493	100%
Non-current liabilities	613,125	131%	452,041	97%	540,081	116%	541,438	116%	357,231	76%	467,142	100%
Current liabilities	554,955	117%	577,021	121%	570,688	120%	535,050	112%	668,345	140%	476,225	100%
Total equity and Liabilities	1,690,525	143%	1,538,499	130%	1,279,906	108%	1,332,984	113%	1,273,137	108%	1,180,652	100%



Graphs





A Lakson Group Company



Merit Packaging Limited



Merit



Merit

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Merit Packaging Limited for the year ended June 30, 2015 to comply with the requirements of Listing Regulation No. 35 of Karachi Stock Exchange where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's 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 of Directors' 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.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of 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 as applicable to the Company for the year ended June 30, 2015

KARACHI

DATED: August 31, 2015



CHARTERED ACCOUNTANTS

Engagement Partner: Qasim E. Causer



Statement of Compliance with the Code of Corporate Governance

for the year ended June 30, 2015

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

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

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

<u>Category</u>	<u>Names</u>
Independent Director	Mr. Shaikh Muhammad Barinuddin
Executive Director	Mr. Shahid Ahmed Khan
Non-Executive Directors	Mr. Iqbal Ali Lakhani Mr. Zulfiqar Ali Lakhani Mr. Amin Mohammed Lakhani Mr. Tasleemuddin Ahmed Batlay Mr. Sheikh Asim Rafiq Mr. Farrukh Shauket Ansari

The independent Director meets the criteria of independence under clause i (b) of the CCG.

2. The Directors have confirmed that none of them is serving as a Director in more than seven listed companies, including this Company.
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a Banking company, a DFI or an NBFI.
4. The election of the Directors was held during the year in which eight Directors were elected for a term of three years commencing from 04 May 2015. No casual vacancy occurred in the Board during the year.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies 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 including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. 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. In accordance with the criteria specified on clause (xi) of CCG, four Directors of the Company are exempted from the requirement of Directors' training program, two of the Directors attended the Directors training program during the year and rest of the Directors have already been completed. The Board also arranged one orientation course for its Directors during the year to apprise them of their duties and responsibilities and briefed them regarding amendments in the Corporate Laws.



Statement of Compliance with the Code of Corporate Governance

10. The Board has approved appointment of Chief Financial Officer and Head of Internal Audit including their remuneration and terms and conditions of employment. Mr. Mansoor Ahmed was assigned the responsibilities of Company Secretary of Merit Packaging Limited in addition to his responsibilities in other Group Companies.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee comprising of three non-executive Directors, one of whom is independent Director who is also the Chairman of Audit Committee.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of three members, of whom two are Non-Executive Directors including the Chairman of the Committee.
18. The Board has set up an effective internal audit function managed by suitably qualified and experienced personnel for the purpose and are conversant with the policies and procedure of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company, and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period,' prior of the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other material principles enshrined in the CCG have been complied with.



IQBAL ALI LAKHANI
Chairman

Karachi: August 31, 2015



SHAHID AHMED KHAN
Chief Executive Officer



Pattern of Holding of Shares

held by the shareholders as at June 30, 2015

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

Number of shareholders	From	Shareholdings	To	Total number of shares held
318	1		100 Shares	7,083
269	101		500 Shares	107,660
233	501		1,000 Shares	220,621
473	1,001		5,000 Shares	1,401,781
131	5,001		10,000 Shares	1,060,344
39	10,001		15,000 Shares	505,823
33	15,001		20,000 Shares	616,001
17	20,001		25,000 Shares	395,487
15	25,001		30,000 Shares	428,534
8	30,001		35,000 Shares	270,500
9	35,001		40,000 Shares	347,326
4	40,001		45,000 Shares	171,000
9	50,001		55,000 Shares	456,000
4	55,001		60,000 Shares	236,000
5	60,001		65,000 Shares	315,047
1	65,001		70,000 Shares	68,000
1	90,001		95,000 Shares	90,000
2	100,001		105,000 Shares	200,000
2	105,001		110,000 Shares	211,000
1	115,001		120,000 Shares	115,000
1	150,001		155,000 Shares	154,035
2	165,001		170,000 Shares	332,500
1	200,001		205,000 Shares	200,000
1	245,001		250,000 Shares	245,000
1	275,001		280,000 Shares	278,000
1	515,001		520,000 Shares	516,500
1	775,001		780,000 Shares	775,000
1	800,001		805,000 Shares	800,657
1	1,000,001		1,005,000 Shares	1,003,000
1	1,400,001		1,405,000 Shares	1,400,000
1	3,905,001		3,910,000 Shares	3,907,159
1	4,525,001		4,530,000 Shares	4,529,488
1	4,840,001		4,845,000 Shares	4,843,232
1	5,560,001		5,565,000 Shares	5,560,819
1	8,545,001		8,550,000 Shares	8,545,602
1,590		Total		40,314,199

Categories of shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	74,915	0.19
Associated Companies, undertakings and related parties	22,545,364	55.92
NIT and ICP	4,843,232	12.01
Banks, Development Financial Institutions, Non Banking Financial Institutions	385	0.00
Modarabas and Mutual Funds	6,646,889	16.49
Shareholders holding 10 %	23,479,141	58.24
General Public		
a. Local	10,641,578	26.40
b. Foreign	NIL	-
Others	405,068	1.00

NOTE: some of the shareholders are reflected in more than one category.


SHAHID AHMED KHAN
 Chief Executive Officer



Details of Pattern of Shareholding for the year ended June 30, 2015 as per requirements of Code of Corporate Governance

i) <u>ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES</u>	<u>SHARES HELD</u>	
1. SIZA (Private) Limited	3,907,159	
2. SIZA Services (Private) Limited	5,560,819	
3. SIZA Commodities (Private) Limited	4,529,488	
4. Premier Fashions (Private) Limited	8,545,602	
5. Mr. Sultan Ali Lakhani	241	
6. Mrs. Shaista Sultan Ali Lakhani	334	
7. Mr. Babar Ali Lakhani	1,093	
8. Mr. Bilal Ali Lakhani	234	
9. Mr. Danish Ali Lakhani	394	
ii) <u>MUTUAL FUNDS</u>		
1. Golden Arrow Selected Stocks Fund Limited	800,657	
2. CDC - Trustee AKD Opportunity Fund	1,003,000	
3. CDC - Trustee National Investment (Unit) Trust	4,843,232	
iii) <u>DIRECTORS, THEIR SPOUSES AND MINOR CHILDREN</u>		
1. Mr. Iqbal Ali Lakhani	Director	25,602
2. Mr. Zulfiqar Ali Lakhani	Director	7,327
3. Mr. Amin Mohammed Lakhani	Director	25,432
4. Mr. Tasleemuddin Ahmed Batlay	Director	7,327
5. Mr. Shahid Ahmed Khan	Director & CEO	4,250
6. Mr. Shaikh Muhammad Barinuddin	Independent Director	4,250
7. Mr. Sheikh Asim Rafiq	Nominee of NIT	NIL
8. Mr. Farrukh Shauket Ansari	Nominee of NIT	NIL
9. Mrs. Ronak Iqbal Lakhani	W/o. Iqbal Ali Lakhani	179
10. Mrs. Fatima Lakhani	W/o. Zulfiqar Ali Lakhani	272
11. Mrs. Saira Amin Lakhani	W/o. Amin Mohammed Lakhani	276
iv) <u>EXECUTIVES</u>		NIL
v) <u>PUBLIC SECTOR COMPANIES AND CORPORATIONS</u>		NIL
vi) <u>BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE COMPANIES, INSURANCE COMPANIES, TAKAFUL MODARABAS AND PENSION FUNDS:</u>		62,932
vii) <u>SHAREHOLDERS HOLDING 5% OR MORE</u> <u>[Other than those reported at i(1), i(2), i(3), i(4) and ii(3)]</u>		NIL
viii) <u>INDIVIDUALS AND OTHER THAN THOSE MENTIONED ABOVE</u>		10,984,099
		40,314,199

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



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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **MERIT PACKAGING LIMITED** as at June 30, 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2015 and of the profit, comprehensive income, 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 31, 2015



CHARTERED ACCOUNTANTS
Engagement Partner: Qasim E. Causer



Balance Sheet

as at June 30, 2015

	Note	2015 Rupees	2014 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	686,595,116	657,329,485
Capital work in progress	7	69,046,433	61,784,678
		755,641,549	719,114,163
Intangible assets	8	149,783	215,183
Long-term loans and advances	9	-	-
Long-term deposits	10	6,366,977	3,652,747
		762,158,309	722,982,093
CURRENT ASSETS			
Stores and spare	11	72,881,683	60,649,390
Stock-in-trade	12	263,543,357	333,200,649
Trade debts	13	306,592,917	325,880,704
Loans and advances	14	3,892,258	3,024,323
Trade deposits and short-term prepayments	15	4,878,960	3,029,003
Other receivables	16	105,513,396	727,300
Tax refund due from Government	17	82,934,833	59,502,321
Taxation - net	18	41,691,664	21,541,369
Cash and bank balances	19	46,436,787	7,961,584
		928,365,855	815,516,643
TOTAL ASSETS		1,690,524,164	1,538,498,736
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
70,000,000 (2014: 70,000,000) ordinary shares of Rs. 10/- each	20	700,000,000	700,000,000
Issued, subscribed and paid-up capital	21	403,141,990	403,141,990
Accumulated losses	22	(45,912,482)	(62,226,358)
		357,229,508	340,915,632
SURPLUS ON REVALUATION OF FIXED ASSETS	23	165,214,526	168,521,052
NON-CURRENT LIABILITIES			
Sub-ordinated loan	24	100,000,000	100,000,000
Long-term financing	25	513,125,000	352,000,000
Long-term deposits		-	41,000
Deferred taxation	26	-	-
		613,125,000	452,041,000
CURRENT LIABILITIES			
Trade and other payables	27	121,139,060	134,638,478
Mark-up accrued	28	8,576,830	8,109,531
Short-term borrowings	29	408,364,240	346,273,043
Current portion of long-term financing	30	16,875,000	88,000,000
		554,955,130	577,021,052
CONTINGENCIES AND COMMITMENTS	31		
TOTAL EQUITY AND LIABILITIES		1,690,524,164	1,538,498,736

The annexed notes from 1 to 52 form an integral part of these financial statements.


IQBAL ALI LAKHANI
 Chairman


SHAHID AHMED KHAN
 Chief Executive Officer



Profit and Loss Account

for the year ended June 30, 2015

	Note	2015 Rupees	2014 Rupees
Sales - net	32	2,023,248,518	1,884,959,826
Cost of sales	33	(1,850,912,809)	(1,724,548,570)
Gross profit		172,335,709	160,411,256
General and administrative expenses	34	(31,668,231)	(31,531,846)
Selling and distribution expenses	35	(31,184,901)	(26,055,067)
Other income	36	19,222,682	3,819,182
Other operating expenses	37	(7,415,337)	(3,536,347)
		(51,045,787)	(57,304,078)
Operating profit		121,289,922	103,107,178
Financial charges	38	(96,280,054)	(96,137,917)
Profit before taxation		25,009,868	6,969,261
Taxation	39	(9,976,346)	(18,175,506)
Profit / (loss) for the year		15,033,522	(11,206,245)
Earnings / (loss) per share - basic and diluted	40	0.37	(0.47)

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

The annexed notes from 1 to 52 form an integral part of these financial statements.


IQBAL ALI LAKHANI
 Chairman


SHAHID AHMED KHAN
 Chief Executive Officer



Statement of Comprehensive Income

for the year ended June 30, 2015

	2015 Rupees	2014 Rupees
Profit / (loss) for the year	15,033,522	(11,206,245)
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial (losses)/gain on remeasurement of post employment benefit plans	(3,183,648)	2,199,053
Less: Deferred tax thereon	1,018,767	(769,669)
	(2,164,881)	1,429,384
Total comprehensive income / (loss) for the year	12,868,641	(9,776,861)

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.

The annexed notes from 1 to 52 form an integral part of these financial statements.


IQBAL ALI LAKHANI
Chairman


SHAHID AHMED KHAN
Chief Executive Officer



Cash Flow Statement

for the year ended June 30, 2015

	Note	2015 Rupees	2014 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	42	125,668,330	(44,182,519)
Taxes paid - net		(48,721,908)	(40,499,317)
Financial charges paid		(95,812,755)	(97,900,826)
Long-term loans and advances		-	52,984
Long-term deposits		(2,755,230)	(96,200)
Net cash used in operating activities		(21,621,563)	(182,625,878)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(156,581,493)	(95,748,747)
Intangible assets		-	(122,000)
Proceeds from sale of operating fixed assets	6.6	64,587,062	549,895
Net cash used in investing activities		(91,994,431)	(95,320,852)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		90,000,000	50,000,000
Repayment of long-term financing		-	(50,000,000)
Proceeds from right shares		-	350,077,135
Repayment of short term financing (excluding running finance)		-	(70,000,000)
Net cash generated from financing activities		90,000,000	280,077,135
Net (decrease) / increase in cash and cash equivalents		(23,615,994)	2,130,405
Cash and cash equivalents at beginning of the year		(338,311,459)	(340,441,864)
Cash and cash equivalents at end of the year		(361,927,453)	(338,311,459)
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash and bank balances	19	46,436,787	7,961,584
Short-term running finance	29.1	(408,364,240)	(346,273,043)
		(361,927,453)	(338,311,459)

The annexed notes from 1 to 52 form an integral part of these financial statements.


IQBAL ALI LAKHANI
 Chairman


SHAHID AHMED KHAN
 Chief Executive Officer



Statement of Changes in Equity

for the year ended June 30, 2015

	Issued, subscribed and paid-up capital Rupees	Reserves			Total Rupees
		General reserve Rupees	Accumulated loss Rupees	Total Rupees	
Balance as at July 01, 2013 (restated)	47,428,470	106,800,000	(156,558,761)	(49,758,761)	(2,330,291)
Transactions with owners					
Issue of 35,571,352 ordinary shares of Rs. 10/- each fully paid in cash	355,713,520	-	-	-	355,713,520
Share issue cost	-	-	(5,636,385)	(5,636,385)	(5,636,385)
	355,713,520	-	(5,636,385)	(5,636,385)	350,077,135
Transfer from surplus on revaluation of fixed assets (note 23)	-	-	2,945,649	2,945,649	2,945,649
Total comprehensive loss for the year					
Loss for the year	-	-	(11,206,245)	(11,206,245)	(11,206,245)
Remeasurement of defined benefit liability -net	-	-	1,429,384	1,429,384	1,429,384
	-	-	(9,776,861)	(9,776,861)	(9,776,861)
Balance as at June 30, 2014	403,141,990	106,800,000	(169,026,358)	(62,226,358)	340,915,632
Transfer from surplus on revaluation of fixed assets (note 23)	-	-	3,445,235	3,445,235	3,445,235
Total comprehensive income for the year					
Profit for the year	-	-	15,033,522	15,033,522	15,033,522
Remeasurement of defined benefit liability -net	-	-	(2,164,881)	(2,164,881)	(2,164,881)
	-	-	12,868,641	12,868,641	12,868,641
Balance as at June 30, 2015	403,141,990	106,800,000	(152,712,482)	(45,912,482)	357,229,508

The annexed notes from 1 to 52 form an integral part of these financial statements.


IQBAL ALI LAKHANI
Chairman


SHAHID AHMED KHAN
Chief Executive Officer



Notes to the Financial Statements

for the year ended June 30, 2015

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. SIGNIFICANT EVENT DURING THE YEAR

On March 29, 2015, a fire broke out in the main production area of the Gravure unit of the Company, due to which the production process in Gravure unit got suspended. This caused damage to the building, plant & machinery, equipment and inventory at production floor. Management has immediately arranged alternate source for production facility of Gravure Items through contract manufacturing. The insurance claim related to the above assets has been finalised and its effects have been incorporated in these financial statements.

3. BASIS OF PREPARATION

3.1 Statement of compliance

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

3.2 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.

3.3 Functional and presentation currency

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

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

4.1 Standards or interpretations that are effective in current year but not relevant to the Company

The Company has adopted the following accounting standards and interpretations which became effective during the year:

	Effective date (annual periods beginning on or after)
IFRIC 21 Levies	January 01, 2014

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

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

IFRS 2	Share-based Payment - Amendments resulting from Annual Improvements 2010-2012 Cycle (definition of 'vesting condition')	July 01, 2014
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Notes to the Financial Statements

for the year ended June 30, 2015

		Effective date (annual periods beginning on or after)
IFRS 3	Business Combinations - Amendments resulting from Annual Improvements 2010-2012 Cycle (accounting for contingent consideration) and 2011-2013 Cycle (scope exception for joint ventures)	July 01, 2014
IFRS 8	Operating Segments - Amendments resulting from Annual Improvements 2010-2012 Cycle (aggregation of segments, reconciliation of segment assets)	July 01, 2014
IFRS 10	Consolidated Financial Statements - Amendments for investment entities	January 01, 2014
IFRS 12	Disclosure of Interests in Other Entities - Amendments for investment entities	January 01, 2014
IFRS 13	Fair Value Measurement - Amendments resulting from Annual Improvements 2011-2013 Cycle (scope of the portfolio exception in paragraph 52)	July 01, 2014
IAS 16	Property, Plant and Equipment - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	July 01, 2014
IAS 19	Employee Benefits - Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service	July 01, 2014
IAS 24	Related Party Disclosures - Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities)	July 01, 2014
IAS 27	Separate Financial Statements - Amendments for investment entities	January 01, 2014
IAS 32	Financial Instruments - Presentation - Amendments relating to the offsetting of assets and liabilities	January 01, 2014
IAS 36	Impairment of Assets - Amendments arising from recoverable amount disclosures for non financial assets	January 01, 2014
IAS 38	Intangible Assets - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	July 01, 2014
IAS 39	Financial Instruments: Recognition and Measurement - Amendments for novations of derivatives	January 01, 2014
IAS 40	Investment Property - Amendments resulting from Annual Improvements 2011-2013 Cycle (interrelationship between IFRS 3 and IAS 40)	July 01, 2014

4.3 Amendments not yet effective

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



Notes to the Financial Statements

for the year ended June 30, 2015

		Effective date (annual periods beginning on or after)
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations: Amendments resulting from September 2014 Annual Improvements to IFRSs	January 01, 2016
IFRS 7	Financial Instruments: Disclosures - Amendments resulting from September 2014 Annual Improvements to IFRSs (Servicing Contracts and Applicability of the offsetting amendments in condensed interim financial statements)	January 01, 2016
IFRS 9	Financial Instruments - Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.	January 01, 2018
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	January 01, 2016
IFRS 10	Consolidated Financial Statements - Amendments regarding the application of the consolidation exception	January 01, 2016
IFRS 11	Joint Arrangements - Amendments regarding the accounting for acquisitions of an interest in a joint operation	January 01, 2016
IFRS 12	Disclosure of Interests in Other Entities - Amendments regarding the application of the consolidation exception	January 01, 2015
IAS 1	Presentation of Financial Statements - Amendments resulting from the disclosure initiative	January 01, 2016
IAS 16	Property, Plant and Equipment - Amendments regarding the clarification of acceptable methods of depreciation and amortisation and amendments bringing bearer plants into the scope of IAS 16	January 01, 2016
IAS 19	Employee Benefits - Amendments resulting from September 2014 Annual Improvements to IFRSs	January 01, 2016
IAS 27	Separate Financial Statements (as amended in 2011) - Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements	January 01, 2016
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	January 01, 2016
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the application of the consolidation exception	January 01, 2016
IAS 34	Interim Financial Reporting - Amendments resulting from September 2014 Annual Improvements to IFRSs	January 01, 2016
IAS 38	Intangible Assets - Amendments regarding the clarification of acceptable methods of depreciation and amortisation	January 01, 2016



Notes to the Financial Statements

for the year ended June 30, 2015

		Effective date (annual periods beginning on or after)
IAS 39	Financial Instruments: Recognition and Measurement: Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	January 01, 2018
IAS 41	Agriculture - Amendments bringing bearer plants into the scope of IAS 16	January 01, 2016

4.4 Standards or interpretations not yet effective

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 9	Financial Instruments
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers

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

5. SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Property, plant and equipment

5.1.1 Owned

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

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

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

Incremental depreciation charged for the period on revalued assets is transferred from surplus on revaluation of fixed assets to retained earnings 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 retained earnings.



Notes to the Financial Statements

for the year ended June 30, 2015

5.1.2 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 period are shown as liabilities.

Depreciation is charged on these assets by applying the straight line method at the rates given in note 5 to the financial statements.

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

Operating leases

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

5.1.3 Capital work-in-progress

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

5.2 Intangible assets

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

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

5.3 Stores and spares

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

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

5.4 Stock-in-trade

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

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



Notes to the Financial Statements

for the year ended June 30, 2015

5.5 Trade debts and other receivables

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

5.6 Taxation

5.6.1 Current

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

5.6.2 Deferred

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

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

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

5.7 Surplus on revaluation of fixed assets

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

5.8 Borrowings and their cost

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

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

5.9 Trade and other payables

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

5.10 Provisions

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



Notes to the Financial Statements

for the year ended June 30, 2015

5.11 Cash and bank balances

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

5.12 Impairment losses

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

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

5.13 Financial instruments

5.13.1 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held to maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All the financial assets of the Company are carried as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. The Company's loans and receivables comprise 'trade debts' 'loans and deposits', 'other receivables' and 'cash and cash equivalents' in the balance sheet.

5.13.2 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respect of carrying amounts is recognized in the profit and loss account.

5.14 Offsetting of financial assets and financial liabilities

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

5.15 Foreign currency translation

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



Notes to the Financial Statements

for the year ended June 30, 2015

5.16 Employee retirement benefits

5.16.1 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 as at June 30, 2015 using the Projected Unit Credit Method in accordance with IAS-19 "Employee Benefits". The Company's policy with regards to actuarial gains / losses is to follow minimum recommended approach under IAS-19 (note 41).

5.16.2 Defined contribution plan

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

5.16.3 Compensated absences

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

5.17 Revenue recognition

Sales are recorded on dispatch of goods to customers.

Scrap sales are recognized when delivery is made to customers.

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

5.18 Cash and cash equivalents

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

5.19 Dividend and appropriation to reserves

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

5.20 Share capital

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

5.21 Earnings / loss per share

The Company presents earnings / loss per share data for its ordinary shares. Basic earnings / loss per share 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.

Notes to the Financial Statements

for the year ended June 30, 2015

5.22 Related parties transactions

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

5.23 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. The Company has only one reportable segment.

5.24 Significant accounting judgements and critical accounting estimates / assumptions

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

5.24.1 Defined benefit plan

Certain actuarial assumptions have been adopted by external professional valuer (as disclosed in note 40) for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

5.24.2 Provision for taxation

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

5.24.3 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 and internal professional valuers and recommendation of technical teams of the Company. The said recommendations also include estimates with respect to residual values and depreciable lives. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment.

5.24.4 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, 2015

6. PROPERTY, PLANT AND EQUIPMENT

Description	Leasehold	Building/ improvements on leasehold	Plant and machinery	Furniture and fixtures	Vehicles	Office equipment	Computer equipment	Factory tools and electrical	Electrical installation	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Net carrying value basis										
year ended June 30, 2015										
Opening net book value	136,888,880	73,012,048	381,371,068	1,926,273	13,232,511	3,223,916	527,705	33,671,841	13,475,243	657,329,485
Addition (at cost)	-	2,958,867	109,605,620	206,282	3,705,500	876,054	3,283,894	23,760,016	4,923,505	149,319,738
Disposal (NBV)	-	-	(33,262,151)	(310,350)	(879,548)	(64,535)	(26,665)	(12,201,171)	(2,892,836)	(49,637,256)
Depreciation charged	-	(3,723,727)	(32,292,388)	(563,899)	(2,062,971)	(1,015,413)	(705,329)	(6,151,378)	(945,903)	(47,461,008)
Impairment charged	-	(3,089,600)	(17,224,043)	-	-	-	-	(2,582,000)	(60,200)	(22,955,843)
Closing net book value	136,888,880	69,157,588	408,198,106	1,258,306	13,995,492	3,020,022	3,079,605	36,497,308	14,499,809	686,595,116
Gross carrying value basis										
year ended June 30, 2015										
Cost / revalued amount	136,888,880	122,479,661	722,156,438	4,639,687	21,674,419	7,976,165	9,987,656	79,684,140	21,374,293	1,126,861,339
Accumulated depreciation	-	(50,232,473)	(296,734,289)	(3,381,381)	(7,678,927)	(4,956,143)	(6,908,051)	(41,119,432)	(6,814,284)	(417,824,980)
Accumulated impairment	-	(3,089,600)	(17,224,043)	-	-	-	-	(2,067,400)	(60,200)	(22,441,243)
Net book value	136,888,880	69,157,588	408,198,106	1,258,306	13,995,492	3,020,022	3,079,605	36,497,308	14,499,809	686,595,116
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%	
Net carrying value basis										
year ended June 30, 2014										
Opening net book value	136,888,880	74,874,770	390,815,419	2,379,838	7,799,373	3,431,545	624,621	24,343,366	14,280,829	655,438,641
Addition (at cost)	-	1,743,769	20,740,721	173,000	7,429,320	709,505	230,314	14,100,203	-	45,126,832
Disposal (NBV)	-	-	-	(11)	(493,500)	(38,251)	-	-	-	(531,762)
Depreciation charged	-	(3,606,491)	(30,185,072)	(626,554)	(1,502,682)	(878,883)	(327,230)	(4,771,728)	(805,586)	(42,704,226)
Closing net book value	136,888,880	73,012,048	381,371,068	1,926,273	13,232,511	3,223,916	527,705	33,671,841	13,475,243	657,329,485
Gross carrying value basis										
year ended June 30, 2014										
Cost / revalued amount	136,888,880	119,520,794	689,510,917	5,073,891	20,306,919	7,646,950	7,015,604	71,002,445	20,474,682	1,077,441,082
Accumulated depreciation	-	(46,508,746)	(308,139,849)	(3,147,618)	(7,074,408)	(4,423,034)	(6,487,899)	(37,330,604)	(6,999,439)	(420,111,597)
Net book value	136,888,880	73,012,048	381,371,068	1,926,273	13,232,511	3,223,916	527,705	33,671,841	13,475,243	657,329,485
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%	

6.1 Plant and machinery includes capital spares amounting to Rs. 30.492 million (written down value Rs. 27.270 million).

6.2 During the year, an incident of fire occurred which resulted in damage to building, plant and machinery, factory tools and equipment and electrical installations. Consequently impairment amounting to Rs. 3,089,600, Rs. 17,224,043, Rs. 2,582,000 and Rs. 60,200 has been recognized in these financial statements respectively.



Notes to the Financial Statements

for the year ended June 30, 2015

	Note	2015 Rupees	2014 Rupees
6.3 The depreciation charge for the year has been allocated as follows:			
Cost of sales	33	45,782,400	41,139,581
General and administrative expenses	34	983,827	779,419
Selling and distribution expenses	35	694,781	785,226
		47,461,008	42,704,226

- 6.4 The Company has revalued its leasehold land, building / improvement on leasehold land and plant and machinery on September 01, 2004, June 25, 2009 and June 30, 2012 respectively, by an independent valuer M/s. Akbani and Javed Associates on the basis of market value. This revaluation resulted in net surplus aggregating to Rs. 215.687 million (2014: Rs. 215.687 million). Revalued assets having revaluation surplus of Rs. 11.024 million (2014: Rs. 9.434 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. 178.831 million (2014: Rs. 185.882 million) including land remains undepreciated as at June 30, 2015.

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

	Net book value	
	2015 Rupees	2014 Rupees
Leasehold land	608,737	608,737
Building / Improvements on leasehold land	56,520,787	59,233,047
Plant and machinery	378,284,328	332,447,530
	435,413,852	392,289,314

- 6.6 The following operating assets were disposed off during the year:

Description	Cost/ revaluation Rupees	Accumulated depreciation/ impairment Rupees	Book value Rupees	Sale proceeds Rupees	Mode of disposal	Particulars of buyer
Plant and machinery	41,812,235	21,485,527	20,326,708	28,239,400	Claim	Century Insurance Company Limited (an associated company)
	35,106,885	22,171,442	12,935,443	19,236,000	Claim	Century Insurance Company Limited (an associated company)
	40,980	40,980	-	2,000	Claim	Century Insurance Company Limited (an associated company)
	76,960,100	43,697,949	33,262,151	47,477,400		
Furniture and fixtures Items having book value upto Rs. 50,000.	640,487	330,137	310,350	374,100	Claim	Century Insurance Company Limited (an associated company)
Vehicles	925,000	621,880	303,120	303,120	Company Policy	Muhammad Aaqil Jah - an employee
	795,000	469,547	325,453	325,453	Company Policy	Kashif Iftikhar Siddiqi - ex employee
	618,000	367,025	250,975	250,975	Company Policy	Khurram Shahzad - ex employee
	2,338,000	1,458,452	879,548	879,548		
Office equipments Items having book value upto Rs. 50,000.	240,640	240,639	1	17,094	Negotiation	Quick Marketing Services - Karachi
	306,199	241,665	64,534	224,000	Claim	Century Insurance Company Limited (an associated company)
	546,839	482,304	64,535	241,094		



Notes to the Financial Statements

for the year ended June 30, 2015

Cost/ Description	depreciation/ revaluation	Accumulated		Sale value	Mode of proceeds disposal	Particulars of buyer
		Rupees	Book impairment Rupees			
Computer equipments Items having book value upto Rs. 50,000.	311,840	285,175	26,665	143,800	Claim	Century Insurance Company Limited (an associated company)
Factory tools and equipments	3,070,174	1,408,295	1,661,879	593,220	Negotiation	Muhammad Younus - Karachi
	134,550	47,092	87,458	60,000	Claim	Century Insurance Company Limited (an associated company)
	96,255	32,887	63,368	18,000	Claim	Century Insurance Company Limited (an associated company)
	1,491,170	266,280	1,224,890	1,491,000	Claim	Century Insurance Company Limited (an associated company)
	1,305,540	233,132	1,072,408	1,306,000	Claim	Century Insurance Company Limited (an associated company)
	2,727,936	227,328	2,500,608	2,728,000	Claim	Insurance Company Limited (an associated company)
	124,931	16,657	108,274	124,900	Claim	Insurance Company Limited (an associated company)
	5,748,692	335,340	5,413,352	5,599,600	Claim	Century Insurance Company Limited (an associated company)
Items having book value upto Rs. 50,000.	379,074	310,140	68,934	307,500	Claim	Century Insurance Company Limited (an associated company)
	15,078,322	2,877,151	12,201,171	12,228,220		
Electrical installations	4,023,894	1,131,058	2,892,836	3,242,900	Claim	Century Insurance Company Limited (an associated company)
Total - 2015	99,899,482	50,262,226	49,637,256	64,587,062		
Total - 2014	1,829,400	1,297,638	531,762	549,895		

	Note	2015 Rupees	2014 Rupees
7. CAPITAL WORK-IN-PROGRESS			
This comprises of:			
Civil works		12,309,781	-
Plant and machinery		56,736,652	50,349,273
Factory tools and equipments		-	11,435,405
	7.1	69,046,433	61,784,678
7.1 Movement of carrying amount			
Year end June 30, 2015			
Opening balance		61,784,678	-
Additions (at cost)	7.2	69,046,433	61,784,678
Transfer to fixed assets		(61,784,678)	-
Closing balance		69,046,433	61,784,678
7.2 This includes borrowing cost capitalised amounting to Rs. 2.6 million (2014: Rs. 1.1 million) as per IAS 23. The rate of capitalization is 10.84% (2014: 11.17%).			
8. INTANGIBLE ASSETS			
Net carrying value basis			
Opening book value		215,183	1,037,650
Addition		-	122,000
		215,183	1,159,650
Amortisation charged	8.1	(65,400)	(944,467)
Closing net book value		149,783	215,183
Gross carrying value basis			
Cost		5,232,817	5,232,817
Accumulated amortisation		(5,083,034)	(5,017,634)
Net book value		149,783	215,183
Amortisation rate per annum		20%	20%



Notes to the Financial Statements

for the year ended June 30, 2015

	Note	2015 Rupees	2014 Rupees
8.1 The amortisation for the year has been allocated as follows:			
Cost of sales	33	14,000	418,730
General and administrative expenses	34	51,400	354,851
Selling and distribution expenses	35	-	170,886
		65,400	944,467
9. LONG-TERM LOANS AND ADVANCES			
(Secured - considered good)			
Loans			
Due from employees		-	52,984
Current portion shown under current assets	14	-	(52,984)
		-	-
10. LONG-TERM DEPOSITS			
Power and fuel		4,995,727	2,281,497
Others		1,371,250	1,371,250
		6,366,977	3,652,747
11. STORES AND SPARES			
Stores			
In hand		37,558,791	37,149,924
In transit		197,982	396,303
		37,756,773	37,546,227
Spares			
In hand		35,380,542	24,519,335
In transit		2,516,526	1,037,767
		37,897,068	25,557,102
		75,653,841	63,103,329
Provision for slow moving and obsolete stores and spares	11.1	(2,772,158)	(2,453,939)
		72,881,683	60,649,390
11.1 Provision for slow moving and obsolete stores and spares comprises:			
Balance at beginning of the year		2,453,939	2,390,802
Provision for the year		318,219	63,137
Balance at end of the year		2,772,158	2,453,939



Notes to the Financial Statements

for the year ended June 30, 2015

	Note	2015 Rupees	2014 Rupees
12. STOCK-IN-TRADE			
Raw materials			
In hand		197,912,155	278,521,093
In transit		6,435	1,318,816
		197,918,590	279,839,909
Packing materials		3,090,941	4,163,897
		201,009,531	284,003,806
Provision for slow moving and obsolete stock in trade	12.1	(1,249,220)	(1,542,639)
		199,760,311	282,461,167
Work-in-process	33	43,947,653	39,194,545
Finished goods	33	19,835,393	11,544,937
		263,543,357	333,200,649
12.1 Provision for slow moving and obsolete stock in trade comprises:			
Balance at beginning of the year		1,542,639	1,251,992
(Reversal) / Provision for the year		(293,419)	290,647
Balance at end of the year		1,249,220	1,542,639
13. TRADE DEBTS			
(Unsecured - considered good)			
Due from associated undertakings	13.1	16,079,439	22,912,348
Others		292,325,590	304,780,468
		308,405,029	327,692,816
Provision for doubtful debts		(1,812,112)	(1,812,112)
		306,592,917	325,880,704
13.1 This comprises amounts receivable from:			
Century Paper & Board Mills Limited		2,420,505	3,078,848
GAM Corporation (Private) Limited		500,810	783,264
Siza Foods (Private) Limited		541,902	666,653
Tetley Clover (Private) Limited		-	4,545,194
Colgate-Palmolive (Pakistan) Limited		12,616,222	13,838,389
		16,079,439	22,912,348
13.2 The aging of related party balances at the balance sheet date is as follows:			
Not past due		15,280,630	18,574,239
Past due 1-30 days		299,085	1,287,338
Past due 30-90 days		451,484	1,064,794
Past due over 90 days		48,240	1,985,977
		16,079,439	22,912,348
13.3 The maximum amount due from related parties at the end of any month during the year was Rs. 41.401 million (2014: Rs. 42.494 million).			

Notes to the Financial Statements

for the year ended June 30, 2015

	Note	2015 Rupees	2014 Rupees
14. LOANS AND ADVANCES			
Loans (Secured - considered good)			
Current portion of long-term loans	9	-	52,984
Advances (Unsecured - considered good)			
to employees		749,790	757,240
to suppliers		3,142,468	2,214,099
		3,892,258	2,971,339
		3,892,258	3,024,323
15. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Security deposits		4,695,660	2,770,660
Prepayments		183,300	258,343
		4,878,960	3,029,003
16. OTHER RECEIVABLES			
(Unsecured-considered good)			
Due from associated undertakings	16.1	104,900,000	-
Others		613,396	727,300
		105,513,396	727,300
16.1 This represents insurance claim receivable from Century Insurance Company Limited (see note 36.1).			
17. TAX REFUND DUE FROM GOVERNMENT			
Sales tax and special excise duty receivable		39,413,294	37,389,435
Income tax refundable		43,521,539	22,112,886
		82,934,833	59,502,321
18. TAXATION - NET			
The income tax assessments of the Company have been finalised by the tax authorities upto tax year 2014 (accounting year ended June 30, 2014). Adequate provisions have been made in these financial statements for the year ended June 30, 2015 (tax year 2015).			
19. CASH AND BANK BALANCES			
Cash with banks in current accounts		45,413,096	7,149,258
Cash in hand		1,023,691	812,326
		46,436,787	7,961,584
20. AUTHORIZED SHARE CAPITAL			
Number of ordinary shares of Rs.10/- each			
2015	2014		
70,000,000	70,000,000	Ordinary shares of Rs. 10/- each	700,000,000
			700,000,000



Notes to the Financial Statements

for the year ended June 30, 2015

	Note	2015 Rupees	2014 Rupees
21. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
Number of ordinary shares of Rs.10/- each			
2015			2014
37,461,352			37,461,352
2,852,847			2,852,847
40,314,199			40,314,199
22,543,068			22,543,068
Fully paid in cash		374,613,520	374,613,520
Issued as bonus shares fully paid		28,528,470	28,528,470
		403,141,990	403,141,990
Shares held by associated undertakings		225,430,680	225,430,680
22. ACCUMULATED LOSS			
Revenue			
General reserve		106,800,000	106,800,000
Accumulated losses		(152,712,482)	(169,026,358)
		(45,912,482)	(62,226,358)
23. SURPLUS ON REVALUATION OF FIXED ASSETS			
Gross surplus			
Balance as at July 01,		185,881,546	190,413,314
Transfer to unappropriated profit in respect of disposal of revalued property, plant and equipment during the year - (net of deferred tax)		(421,365)	-
Related deferred tax liability		(198,289)	-
		(619,654)	-
Transfer in respect of impairment on property, plant and equipment during the year - (net of deferred tax)		(1,349,333)	-
Related deferred tax liability		(634,980)	-
		(1,984,313)	-
Transfer to unappropriated profit in respect of incremental depreciation charged during the year - (net of deferred tax)		(3,023,870)	(2,945,649)
Related deferred tax liability		(1,422,998)	(1,586,119)
		(4,446,868)	(4,531,768)
Surplus on revaluation of fixed assets as at June 30,		178,830,711	185,881,546
Related deferred tax effect:			
Balance as at July 01,		(17,360,494)	(18,946,613)
Effect of changes in tax rate		1,488,042	
Transferred to unappropriated profit in respect of disposal of revalued property, plant and equipment during the year		198,289	-
Transfer in respect of impairment on property, plant and equipment during the year		634,980	-
Incremental depreciation charge during the year		1,422,998	1,586,119
	26	(13,616,185)	(17,360,494)
		165,214,526	168,521,052

Notes to the Financial Statements

for the year ended June 30, 2015

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

	Note	2015 Rupees	2014 Rupees
24. SUBORDINATED LOAN - UNSECURED			
From associated undertaking	24.1	100,000,000	100,000,000

24.1 This subordinated loan has been obtained from an associated undertaking. The rate of markup is 0.9% over last business day of three months KIBOR of preceding quarter. During the year, the effective mark-up rate was 10.40% per annum (2014: 10.59% per annum). This loan shall remain sub-ordinated to the financing facilities extended by the banks to the Company. The loan shall not be repaid until the entire amount of financing facilities and any payments due in respect of financing facilities or any other finance extended / provided by the banks to the Company, have been paid in full by the Company to the banks and the banks have notified to the sponsors of such payments; and / or the banks otherwise give any permission in writing to the Company to make full or part of the payments due under the long term financing to the associated undertakings.

25. LONG TERM FINANCING

Secured			
From banking company	25.1	90,000,000	-
Less: Current portion shown under current liabilities		(16,875,000)	-
		73,125,000	-
Unsecured			
From associated undertaking	25.2	440,000,000	440,000,000
Less: Current portion shown under current liabilities		-	(88,000,000)
		440,000,000	352,000,000
		513,125,000	352,000,000

25.1 This loan has been obtain from a financial institution for the purpose of financing capital expenditure and secured against first pari passu charge on specific property, plant and equipment of the Company to the extent of Rs.100 million (incorporating a 10% margin). The rate of mark-up is 1.50% over the six months rate of KIBOR payable quarterly. The tenure of this financing facility is five years including one year grace period. It is to be repaid in sixteen equal quarterly installments commencing from December 2015.

25.2 This loan has been obtained from an associated undertaking. An aggregate amount of Rs. 540 million was received out of which Rs. 100 million has been converted into subordinated loan (note 24). It is to be repaid in twenty equal quarterly installments commencing from July 2014. During the period, the repayment of loan has been rescheduled and the amount is now repayable in twenty equal quarterly installments commencing from July 2016. The rate of markup is 0.9% over last business day of three months KIBOR of preceding quarter. During the year, the effective mark-up rate was 10.40% per annum (2014: 10.59% per annum).



Notes to the Financial Statements

for the year ended June 30, 2015

	Note	2015 Rupees	2014 Rupees
26. DEFERRED TAXATION			
Deferred taxation comprises of:			
Taxable temporary differences:			
Surplus on revaluation of fixed assets	23	13,616,183	17,360,494
Other taxable temporary differences		94,742,983	108,764,327
Gross deferred tax liabilities		108,359,166	126,124,821
Deductible temporary differences:			
Carried forward tax losses		94,397,168	111,614,103
Turnover tax		9,597,840	10,866,586
Employee retirement benefit		2,016,813	1,091,613
Provision for slow moving and obsolete items		1,286,841	1,398,802
Provision for doubtful debts		579,876	634,239
Provision for compensated absences		480,628	519,478
Gross deferred tax assets		(108,359,166)	(126,124,821)
		-	-

26.1 Deferred tax asset arising due to timing difference calculated at applicable tax rates as at balance sheet date amounted to Rs. 57.753 million (2014: Rs. 54.865 million) debit. Deferred tax asset has not been recognized in these financial statements in accordance with the stated accounting policy of the Company.

27. TRADE AND OTHER PAYABLES

Creditors	27.1	106,825,111	119,807,192
Accrued liabilities		7,200,934	10,830,226
Payable to gratuity fund	41.1.1	3,258,364	1,476,440
Advances from customers		291,288	188,903
Short term deposits		5,000	5,000
Retention money payable		232,214	-
Unclaimed dividend		129,143	129,143
Workers' Welfare Fund	37	510,405	328,403
Workers Profit Participation Fund	27.2	1,343,172	384,088
Others		1,343,429	1,489,083
		121,139,060	134,638,478

27.1 This includes Rs. 0.186 million (2014: Rs. 0.063 million) payable in foreign currency equivalent to Pak Rupees. It includes amount payable to related parties amounting to Rs. 36.899 million (2014: Rs. 42.235 million).

27.2 Workers' Profit Participation Fund

Balance at July 01		384,088	-
Interest on funds utilized in Company's business		26,013	-
Allocation for the year	37	1,343,172	384,088
		1,753,273	384,088
Amount paid during the year		(410,101)	-
Balance at June 30		1,343,172	384,088

Notes to the Financial Statements

for the year ended June 30, 2015

	Note	2015 Rupees	2014 Rupees
28. MARK-UP ACCRUED			
Mark-up accrued on secured:			
Short-term borrowings		8,266,885	8,109,531
Long term financing		309,945	-
		8,576,830	8,109,531
29. SHORT-TERM BORROWINGS			
From banking companies - secured			
Running finance	29.1	408,364,240	346,273,043

29.1 The Company has short term running finance facilities under mark-up arrangements in aggregate amounting to Rs. 720.000 million (2014: Rs. 520.000 million) from various commercial banks having mark-up at rates ranging from 10.40% to 12.18% (2014: 11.17% to 11.38%) per annum calculated on a daily product basis and payable quarterly. The unutilised balance at the end of the year was Rs. 311.636 million (2014: Rs. 173.727 million).

The Company has also a facility for opening letters of credit under mark-up arrangements as at June 30, 2015 amounting to Rs. 325.000 million (2014: Rs. 225.000 million) from various commercial banks. The unutilized balance at the end of the year was Rs. 152.740 million (2014: Rs. 216.479 million).

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

30. CURRENT PORTION OF LONG-TERM FINANCING

Long term financing	25	16,875,000	88,000,000
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31. CONTINGENCIES AND COMMITMENTS

31.1 Contingencies

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

31.2 Commitments

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

- Stores, spares and raw materials under letters of credit amounting to nil (2014: Rs. 1.412 million).
- Stores, spares and raw materials under contractual obligations amounting to Rs. 5.961 million (2014: Rs. 5.063 million).
- Capital expenditures under letters of credit amounted to Rs. 172.260 million (2014: Rs. 7.109 million).
- Capital expenditures under contractual obligation amounted to nil (2014: Rs. 3.905 million).

32. SALES - NET

Gross sales	2,362,499,261	2,199,493,448
Sales tax	(339,250,743)	(314,533,622)
	2,023,248,518	1,884,959,826



Notes to the Financial Statements

for the year ended June 30, 2015

	Note	2015 Rupees	2014 Rupees
33. COST OF SALES			
Materials consumed		1,503,484,020	1,458,318,284
Salaries, wages and other benefits	33.1	108,621,482	84,870,507
Packing material consumed		38,487,196	34,743,587
Outsourced services		42,136,932	13,622,050
Stores and spares consumed		47,251,111	33,642,873
Power and fuel		54,373,447	51,553,230
Depreciation	6.3	45,782,400	41,139,581
Amortisation	8.1	14,000	418,730
Rent, rates and taxes		8,340,638	4,240,324
Repairs and maintenance		5,098,758	3,321,899
Vehicle running expenses		919,432	720,226
Insurance		5,325,562	4,393,478
Printing and stationery		645,796	604,917
Communication charges		751,965	808,058
Traveling and conveyance		533,452	701,017
Fees and subscription		228,466	691,459
Software license fee		440,902	384,389
Other expenses		1,520,814	1,210,987
Manufacturing cost		1,863,956,373	1,735,385,596
Opening work-in-process		39,194,545	20,301,593
Closing work-in-process	12	(43,947,653)	(39,194,545)
		(4,753,108)	(18,892,952)
Cost of goods manufactured		1,859,203,265	1,716,492,644
Opening stock of finished goods		11,544,937	19,600,863
Closing stock of finished goods	12	(19,835,393)	(11,544,937)
		(8,290,456)	8,055,926
		1,850,912,809	1,724,548,570

33.1 Salaries, wages and other benefits include Rs. 4.246 million (2014: Rs. 3.364 million) in respect of staff retirement benefits.

34. GENERAL AND ADMINISTRATIVE EXPENSES

Salaries and other benefits	34.1	22,857,560	22,349,782
Depreciation	6.3	983,827	779,419
Amortisation	8.1	51,400	354,851
Rent, rates and taxes		315,807	307,362
Repairs and maintenance		449,428	306,632
Vehicle running expenses		2,005,018	2,646,209
Insurance		215,539	220,073
Printing and stationery		675,007	506,434
Communication charges		869,683	947,049
Traveling and conveyance		311,283	544,327
Fees and subscription		417,544	511,577
Software license fee		317,720	276,995
Service fee to associated undertakings		1,701,261	1,547,966
Electricity charges		109,080	101,566
Others		388,074	131,604
		31,668,231	31,531,846

Notes to the Financial Statements

for the year ended June 30, 2015

34.1 Salaries and other benefits include Rs. 1.621 million (2014: Rs. 1.637 million) in respect of staff retirement benefits.

	Note	2015 Rupees	2014 Rupees
35. SELLING AND DISTRIBUTION EXPENSES			
Salaries and other benefits	35.1	10,952,055	8,669,850
Depreciation	6.3	694,781	785,226
Amortisation	8.1	-	170,886
Repairs and maintenance		174,364	144,596
Vehicle running expenses		1,753,017	1,450,829
Insurance		192,150	187,453
Printing and stationery		89,237	13,018
Communication charges		503,961	428,040
Traveling and conveyance		1,254,411	1,437,310
Fees and subscription		-	84,152
Software license fee		141,178	123,083
Advertisement		100,659	189,741
Cartage outward		15,019,130	12,179,708
Others		309,958	191,175
		31,184,901	26,055,067

35.1 Salaries and other benefits include Rs. 0.536 million (2014: Rs. 0.495 million) in respect of staff retirement benefits.

36. OTHER INCOME			
Insurance agency commission from associated undertaking		773,701	707,439
Scrap sales		3,339,934	3,039,326
Gain on disposal of operating fixed assets	36.1	14,949,806	18,134
Foreign exchange gain		159,241	54,283
		19,222,682	3,819,182

36.1 This includes an amount of Rs. 15.981 million on account of gain on final settlement of insurance claim received against assets destroyed by fire in the Gravure department of the Company on March 29, 2015.

37. OTHER OPERATING EXPENSES

Legal and professional charges		1,137,018	2,132,956
Auditors' remuneration:			
Statutory audit		307,000	277,680
Special reports and sundry services		135,000	150,720
Out-of-pocket expenses		109,049	107,500
		551,049	535,900
Workers' Profit Participation Fund		1,343,172	384,088
Workers' Welfare Fund		510,405	328,403
Director fees		150,000	155,000
Commission on brokerage		34,000	-
Loss on settlement of insurance claim	37.1 & 2	3,689,693	-
		7,415,337	3,536,347



Notes to the Financial Statements

for the year ended June 30, 2015

	Note	2015 Rupees	2014 Rupees
37.1 Impairment of operating fixed assets (net of revaluation surplus)		20,971,530	-
Stock written off		22,703,763	-
		43,675,293	-
Less: Insurance recoveries		(39,985,600)	-
		3,689,693	-
38. FINANCIAL CHARGES			
Mark-up / interest on:			
Sub-ordinated loan		10,395,863	10,596,548
Long-term financing		51,059,983	48,671,564
Short-term borrowings		33,922,319	36,298,754
Interest on Workers Profit Participation Fund	27.2	26,013	-
		95,404,178	95,566,866
Bank charges and commission		875,876	571,051
		96,280,054	96,137,917
39. TAXATION			
Current		7,023,757	18,951,460
Prior		(189,200)	(6,285)
Deferred		3,141,789	(769,669)
	39.1	9,976,346	18,175,506

39.1 The numerical reconciliation between average tax rate and the applicable tax rate has not been presented during the year in these financial statements as the total tax liability of the Company is covered under Section 113 "Minimum tax" of the Income Tax Ordinance, 2001.

	2015	2014
40. EARNINGS/(LOSS) PER SHARE - BASIC AND DILUTED		
Profit / (loss) for the year (Rupees)	15,033,522	(11,206,245)
Weighted average number of ordinary shares outstanding	40,314,199	23,751,430
Earnings / (loss) per share - basic and diluted (Rupees)	0.37	(0.47)

41. DEFINED BENEFIT PLAN

41.1 Gratuity

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, 2015, using the Projected Unit Credit Method.

The Company faces the following risks on account of gratuity:



Notes to the Financial Statements

for the year ended June 30, 2015

Final salary risk - The risk that the final salary at the time of cessation of service is greater than what the Company has assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Asset volatility - Most assets are invested in risk free investments i.e. Government Bonds / Treasury bills. However, investments in equity instruments is subject to adverse fluctuations as a result of change in the market price.

Discount rate fluctuation - The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plans' bond holdings.

Investment risks - The risk of the investment underperforming and not being sufficient to meet the liabilities. This risk is mitigated by closely monitoring the performance of investment.

Risk of insufficiency of assets - This is managed by making regular contribution to the Fund as advised by the actuary.

	Note	2015 Rupees	2014 Rupees
41.1.1 Liability recognised in balance sheet			
Fair value of plan assets	41.1.3	39,842,696	32,653,126
Present value of defined benefit obligation	41.1.4	(43,101,060)	(34,129,566)
Closing net liability	27	(3,258,364)	(1,476,440)
41.1.2 Movement of the liability recognized in the balance sheet			
Opening net liability		(1,476,440)	(2,872,315)
Charge for the year		(2,731,320)	(2,468,103)
Remeasurements (gains) / losses recognized in other comprehensive Income		(3,183,648)	2,199,053
Contribution made during the year		4,133,044	1,664,925
Closing net liability		(3,258,364)	(1,476,440)
41.1.3 Movement in the fair value of plan assets			
Fair value as at July 01		32,653,126	37,742,842
Expected return on plan assets		4,554,601	3,898,913
Remeasurement: Actuarial loss		(807,477)	(1,310,119)
Contribution by the employer		4,133,044	1,664,925
Benefits paid		(690,598)	(9,343,435)
Fair value as at June 30	41.1.1	39,842,696	32,653,126
41.1.4 Movement in the present value of defined benefit obligation			
Obligation as at July 01		(34,129,566)	(40,615,157)
Current service cost		(2,809,506)	(2,233,520)
Interest cost		(4,476,415)	(4,133,496)
Remeasurement: Actuarial (losses) / gains		(2,376,171)	3,509,172
Benefits paid		690,598	9,343,435
Obligation as at June 30	41.1.1	(43,101,060)	(34,129,566)



Notes to the Financial Statements

for the year ended June 30, 2015

	Note	2015 Rupees	2014 Rupees
41.15 Expenses recognised in profit and loss account			
Current service cost		2,809,506	2,233,520
Interest cost		(78,186)	234,583
Expense for the year		2,731,320	2,468,103
Actual return on plan assets		3,747,124	2,588,794
41.16 Remeasurement (gains) / losses recognized in other comprehensive income			
Remeasurement (loss) / gain on defined benefit obligation	41.1.4	(2,376,171)	3,509,172
Remeasurement loss on plan assets	41.1.3	(807,477)	(1,310,119)
Remeasurement (gains) / losses		(3,183,648)	2,199,053

41.1.7 Composition of the fair value of plan assets

	2015		2014	
	Rupees	Percentage	Rupees	Percentage
T-Bills	22,741,770	57%	6,366,233	20%
Mutual fund	7,055,808	18%	6,235,525	19%
Cash with banks	10,045,118	25%	20,051,368	61%
	39,842,696		32,653,126	

41.1.8 The expected contribution to funded gratuity scheme for the year ending June 30, 2016 is Rs. 3.275 million. This is the amount by which the net defined benefit liability is expected to increase. Amount of remeasurement to be recognized in other comprehensive income will be worked out in the next valuation.

	Note	2015 Percentage	2014 Percentage
41.1.9 Principal actuarial assumptions			
Following were the significant actuarial assumptions used in the valuation:			
Discount rate per annum		9.75%	13.25%
Expected rate of return on plan assets per annum		9.75%	13.25%
Expected rate of increase in salary per annum (short term)		10.00%	11.50%
Expected rate of increase in salary per annum (long term)		9.75%	13.25%
41.1.10 Sensitivity analysis		Rupees	Percentage
Current liability		43,101,060	
+1% discount rate		39,427,006	-8.52%
-1% discount rate		47,346,252	9.85%
+1% salary increase rate		47,517,003	10.25%
-1% salary increase rate		39,218,414	-9.01%
+10% withdrawal rate		43,018,994	-0.19%
-10% withdrawal rate		43,185,049	0.19%
1 year mortality age set back		43,087,206	-0.03%
1 year mortality age set forward		43,114,956	0.03%

Notes to the Financial Statements

for the year ended June 30, 2015

41.1.11 Maturity Profile

	Undiscounted Payments
Year 1	5,241,281
Year 2	944,325
Year 3	800,077
Year 4	2,736,094
Year 5	3,368,091
Year 6 to year 10	24,362,437
Year 11 and above	105,054,212

41.2 Defined contribution plan

The Company has contributory provident fund scheme for benefit of all its permanent employees under the title of "Merit Packaging Limited - Employees Contributory Provident Fund Trust". The fund is maintained by the Trustees and all decisions regarding investments and distribution of income etc. are made by the Trustees independent of the Company.

41.2.1 The Trustees have intimated that the size of the Fund as at December 31, 2014 was Rs. 114.749 million.

41.2.2 As intimated by the Trustees, the cost of the investment made at December 31, 2014 was Rs. 85.059 million which is equal to 74.12% of the total fund size. The fair value of the investment was Rs. 100.635 million at that date. The category wise break up of investment as per Section 227 of the Companies Ordinance, 1984 is given below:

	Rupees	Percentage
T-Bills	57,808,923	50.38%
Mutual fund	31,342,412	27.31%
Cash with banks	11,483,268	10.00%
	100,634,603	87.69%

41.2.3 According to the Trustees, investments out of provident fund have been made in accordance with the provisions of Section 227 of Companies Ordinance, 1984 and the rules made thereunder.

	2015	2014
	Note	Rupees
	Rupees	Rupees
42. CASH GENERATED FROM /(USED IN) OPERATIONS		
Profit before taxation	25,009,868	6,969,261
Adjustment for non-cash items and other items:		
Gain on disposal of operating fixed assets	(14,949,806)	(18,134)
Financial charges	96,280,054	96,137,917
Depreciation	47,461,008	42,704,226
Amortisation	65,400	944,467
Impairment	20,971,530	-
Provision for slow moving stock and obsolete items	24,800	353,784
	149,852,986	140,122,260
Profit before working capital changes	174,862,854	147,091,521
Working capital changes	42.1 (49,194,524)	(191,274,040)
	125,668,330	(44,182,519)



Notes to the Financial Statements

for the year ended June 30, 2015

	Note	2015 Rupees	2014 Rupees
42.1 Working capital changes			
(Increase) in current assets:			
Stores and spares		(12,550,512)	(8,558,051)
Stock-in-trade		69,950,711	(31,391,481)
Trade debts		19,287,787	(123,198,557)
Loans and advances		(867,935)	(1,231,121)
Trade deposits and short-term prepayments		(1,849,957)	(945,602)
Other receivables		(104,786,096)	(216,939)
Tax refund due from Government		(2,023,859)	(13,118,667)
		(32,839,861)	(178,660,418)
Decrease in current liabilities:			
Trade and other payables (excluding unclaimed dividend)		(16,354,663)	(12,613,622)
		(49,194,524)	(191,274,040)

43. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

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

	2015				2014			
	Chief Executive Rupees	Director Rupees	Executives Rupees	Total Rupees	Chief Executive Rupees	Director Rupees	Executives Rupees	Total Rupees
Managerial remuneration	2,577,504	-	8,584,980	11,162,484	2,324,412	977,180	6,005,436	9,307,028
House rent	805,053	-	3,657,810	4,462,863	495,201	211,115	2,416,944	3,123,260
Bonus	428,509	-	1,415,680	1,844,189	414,297	162,218	1,000,169	1,576,684
Retirement benefits	231,648	-	1,142,443	1,374,091	215,650	87,810	847,821	1,151,281
Motor vehicle expenses	210,500	-	1,534,112	1,744,612	284,412	109,686	1,421,890	1,815,988
Medical allowances	256,812	-	848,280	1,105,092	229,622	97,330	597,096	924,048
Utilities	-	-	-	-	4,477	-	-	4,477
Total	4,510,026	-	17,183,305	21,693,331	3,968,071	1,645,339	12,289,356	17,902,766
Number of persons	1	-	11	12	2	1	8	11

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

43.2 Aggregate amount charged in these financial statements in respect of Directors fee is Rs. 0.150 million (2014: Rs. 0.155 million).

44. TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise group companies, other associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings are as under:

Notes to the Financial Statements

for the year ended June 30, 2015

Nature of transaction	Relation with the Company	Note	2015 Rupees	2014 Rupees
Sale of goods, Services and Reimbursement of expenses				
Colgate Palmolive Pakistan Ltd.	Associated		133,282,308	126,411,753
Century Paper & Board Mills Ltd.	Associated		34,862,651	35,654,231
Tetley Clover (Pvt) Ltd.	Associated		13,163,176	28,826,900
GAM Corporation (Pvt) Ltd.	Associated		3,713,636	3,285,912
SIZA Foods (Pvt) Ltd.	Associated		2,372,672	1,882,907
SIZA (Pvt) Ltd.	Associated		-	83,200
Purchases of goods, Services and Reimbursement of expenses				
Century Paper & Board Mills Ltd.	Associated		1,031,361,710	1,115,983,718
Century Insurance Company Ltd.	Associated		7,546,159	5,979,302
Princeton Travels (Pvt) Ltd.	Associated		3,801,556	2,247,556
Lakson Business Solutions.	Associated		1,454,687	1,433,350
SIZA Services (Pvt) Ltd.	Associated		1,158,924	1,037,175
Tetley Clover(Pvt) Ltd.	Associated		215,000	159,800
SIZA Foods (Pvt) Ltd.	Associated		126,600	142,700
SIZA (Pvt) Ltd.	Associated		97,107	37,485
Cyber Internet Services (Pvt) Ltd.	Associated		85,498	50,709
Clover Pakistan Limited.	Associated		65,239	13,910
Colgate Palmolive Pakistan Ltd.	Associated		24,630	93,038
Rent and other allied charges				
Hassanali and Gulbanoo Lakhani Foundation	Associated		255,797	235,746
Insurance Agency Commission				
Century Insurance Company Ltd.	Associated		773,701	707,439
Insurance Claim				
Century Insurance Company Ltd.	Associated		106,420,736	35,100
Issue of Right Shares				
SIZA (Pvt) Ltd.	Associated		-	35,922,290
SIZA Commodities (Pvt) Ltd.	Associated		-	39,966,070
SIZA Services (Pvt) Ltd.	Associated		-	49,066,050
Premier Fashions (Pvt) Ltd.	Associated		-	75,402,370
Directors	Sponsors and Directors		-	654,600
Loan Obtained				
SIZA (Pvt) Ltd.	Associated		-	50,000,000
Loan Repayment				
SIZA (Pvt) Ltd.	Associated		-	50,000,000
Markup Accrued				
SIZA (Pvt) Ltd.	Associated		56,137,660	59,268,112
Others				
Contribution to Staff Retirement Benefit Plans	Employees Fund		6,145,054	5,495,953
Remuneration and other benefits	Key Management Person	44.2	12,017,003	11,492,384
44.1 Year end balances				
Receivable from related parties			120,979,439	22,912,348
Payable to related parties			41,225,688	44,674,256
Long-term financing from associated undertaking			440,000,000	440,000,000
Sub-ordinated loan			100,000,000	100,000,000
44.2 There are no transactions with key management personnel other than under their terms of employment.				



Notes to the Financial Statements

for the year ended June 30, 2015

45. 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.

	2015	2014
Note	Rupees	Rupees
46. FINANCIAL INSTRUMENTS BY CATEGORY		
Financial assets as per balance sheet		
Loans and receivables at amortized cost		
Long-term loans	-	52,984
Long-term deposits	6,366,977	3,652,747
Trade debts	306,592,917	325,880,704
Short-term deposits	4,695,660	2,770,660
Other receivables	105,513,396	727,300
Cash and bank balances	46,436,787	7,961,584
	469,605,737	341,045,979
Financial liabilities as per balance sheet		
Financial liabilities measured at amortized cost		
Subordinated loan	100,000,000	100,000,000
Long-term financing	530,000,000	440,000,000
Long-term deposits	-	41,000
Trade and other payables	121,139,060	134,638,478
Mark-up accrued	8,576,830	8,109,531
Short-term borrowings	408,364,240	346,273,043
	1,168,080,130	1,029,062,052

47. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

48.1 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.

48.2 Credit risk

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



Notes to the Financial Statements

for the year ended June 30, 2015

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:

	2015	2014
	(Rupees in thousands)	
Loans and deposits	11,063	6,476
Trade debts	306,593	325,881
Other receivables	105,513	727
Bank balances	45,413	7,149
	468,582	340,233
The aging of trade receivable at the reporting date is:		
Not past due	226,282	242,845
Past due 1-30 days	52,690	55,390
Past due 30-90 days	14,064	7,491
Past due 90 days	13,557	20,155
	306,593	325,881

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.

The exposure to banks is managed by dealing with variety of major banks and monitoring exposure limits on continuous basis. The rating of banks ranges from A+ to A-1+.

Concentration of credit risk

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

Impaired assets

During the year no assets have been impaired except for impairment on account of operating fixed assets and stock in trade amounting to Rs. 20.971 million and Rs. 22.703 million, respectively.

48.3 Liquidity risk

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



Notes to the Financial Statements

for the year ended June 30, 2015

	2015						
	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)							
Subordinated loan	100,000	135,536	2,268	6,791	8,245	16,269	101,963
Long term financing	530,000	712,727	23,118	45,720	153,994	393,257	96,638
Trade and other payables	121,139	121,139	121,139	-	-	-	-
Mark-up accrued	8,577	8,577	8,577	-	-	-	-
Short term borrowings	408,364	408,364	408,364	-	-	-	-
	1,168,080	1,386,343	563,466	52,511	162,239	409,526	198,601

	2014						
	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)							
Subordinated loan	100,000	132,118	2,677	7,295	8,243	13,903	100,000
Long term financing	440,000	581,319	55,777	76,097	124,270	325,175	-
Long term deposits	41	41	-	-	41	-	-
Trade and other payables	134,638	134,638	134,638	-	-	-	-
Mark-up accrued	8,110	8,110	8,110	-	-	-	-
Short term borrowings	346,273	346,273	346,273	-	-	-	-
	1,029,062	1,202,499	547,475	83,392	132,554	339,078	100,000

48.4 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.

48.4.1 Currency risk

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

	2015	2014
(Rupees in thousands)		
Foreign bills payable	186	63
Contractual obligations	178,221	17,488
Net exposure	178,407	17,551

Notes to the Financial Statements

for the year ended June 30, 2015

The following significant exchange rates have been applied

<u>Average rate</u>		<u>Reporting date rate</u>	
2015	2014	2015	2014
(Rupees)			
101.51	102.90	101.70	98.75

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.

	<u>Average rate</u>		<u>Reporting date rate</u>	
	2015	2014	2015	2014
	(Rupees in thousands)			
Effect on (loss) or profit	17,841	1,755	17,841	1,755

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.

48.4.2 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:

	2015		2014	
	Effective rate		Carrying amount	
	(In percent)		(Rupees in thousands)	
Financial Liabilities				
Variable rate instruments				
Long term loans	10.44%	10.59%	513,125	352,000
Subordinated loan	10.40%	10.59%	100,000	100,000
Short term borrowings	10.53%	10.69%	408,364	346,273

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 2014.



Notes to the Financial Statements

for the year ended June 30, 2015

	Profit and loss	
	100 bp Increase	100 bp Decrease
As at June 30, 2015		
Cash flow sensitivity - Variable rate financial liabilities (Rs' 000)	(10,215)	10,215
As at June 30, 2014		
Cash flow sensitivity - Variable rate financial liabilities (Rs' 000)	(7,983)	7,983

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

49. CAPITAL RISK MANAGEMENT

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

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

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

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

50. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on August 31, 2015 by the Board of Directors of the Company.

51. NUMBER OF EMPLOYEES

The number of employees as at year end was 212 (2014: 216) and average number of employees during the year was 212 (2014: 208).

52. GENERAL

Figures have been rounded off to the nearest rupee.


IQBAL ALI LAKHANI
 Chairman


SHAHID AHMED KHAN
 Chief Executive Officer







A Lakson Group Company



Merit Packaging Limited



Coffee

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 21st day of October 2015 and at any adjournment thereof.

Signed this _____ day of _____ 2015.

Folio No.	CDC Participant ID No.	CDC Account/ Sub-Account No.	No. of Shares Held	Signature over Revenue Stamp

Witness 1

Signature _____

Name _____

CNIC No. _____

Address _____

Witness 2

Signature _____

Name _____

CNIC No. _____

Address _____

Notes :-

1. The proxy must be a member of the Company.
2. The signature must tally with the specimen signature/s registered with the Company.
3. If a proxy is granted by a member who has deposited his/her shares into Central Depository Company of Pakistan Limited, the proxy must be accompanied with participant's ID number and CDC account/sub-account number alongwith attested photocopies of Computerized National Identity Card (CNIC) or the Passport of the beneficial owner. Representatives of corporate members should bring the usual documents required for such purpose.
4. The Instrument of Proxy properly completed should be deposited at the Registered Office of the Company not less than 48 hours before the time of the meeting.



MERIT PACKAGING LIMITED

A Lakson Group Company

17-B, Sec 29, Korangi Industrial Area, Karachi-75180/Pakistan

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