A Lakson Group Company

MERIT PACKAGING LTD.

Firmly rooted to deliver

ANNUAL REPORT 2014

Merit Packaging Limited

Contents

Corporate Information

BOARD OF DIRECTORS

Iqbal Ali Lakhani	Chairman
Zulfiqar Ali Lakhani	
Amin Mohammed Lakhani	
Tasleemuddin Ahmed Batlay	
Shahid Ahmed Khan	Chief Executive Officer (from Decmber 01, 2013)
Shaikh Muhammad Barinuddin	Independent Director
Sheikh Asim Rafiq	Nominee Director (NIT)
Muhammad Salman Husain Chawala	Nominee Director (NIT) (from April 08, 2014)
Mohammad Yousuf Memon	Nominee Director (NIT) (upto April 08, 2014)
Mohammad Shahid	Chief Executive Officer (upto December 01, 2013)

ADVISOR

Sultan Ali Lakhani

AUDIT COMMITTEE

Shaikh Muhammad Barinuddin	Chairman
Zulfiqar Ali Lakhani	
Tasleemuddin Ahmed Batlay	

HUMAN RESOURCE AND REMUNERATION COMMITTEE

Iqbal Ali Lakhani	Chairman
Tasleemuddin Ahmed Batlay	
Shahid Ahmed Khan	

COMPANY SECRETARY

Mansoor Ahmed

AUDITORS

BDO Ebrahim & Co.
Chartered Accountants

BANKERS

Askari Bank Limited
Habib Bank Limited
JS Bank Limited
Meezan Bank Limited
National Bank of Pakistan
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
Phone: 021-35698000, Faxes: 021-35683410, 35686571

FACTORY

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

WEBSITE

www.meritpack.com

A Display Of Flexbile Packaging Printed At Merit

An Array Of Folding Cartons Printed At Merit

Packaging Products Printed By Merit

Shelf Space At Supermarket

A Filled Trolley

Offset Printing

Cutting & Creasing

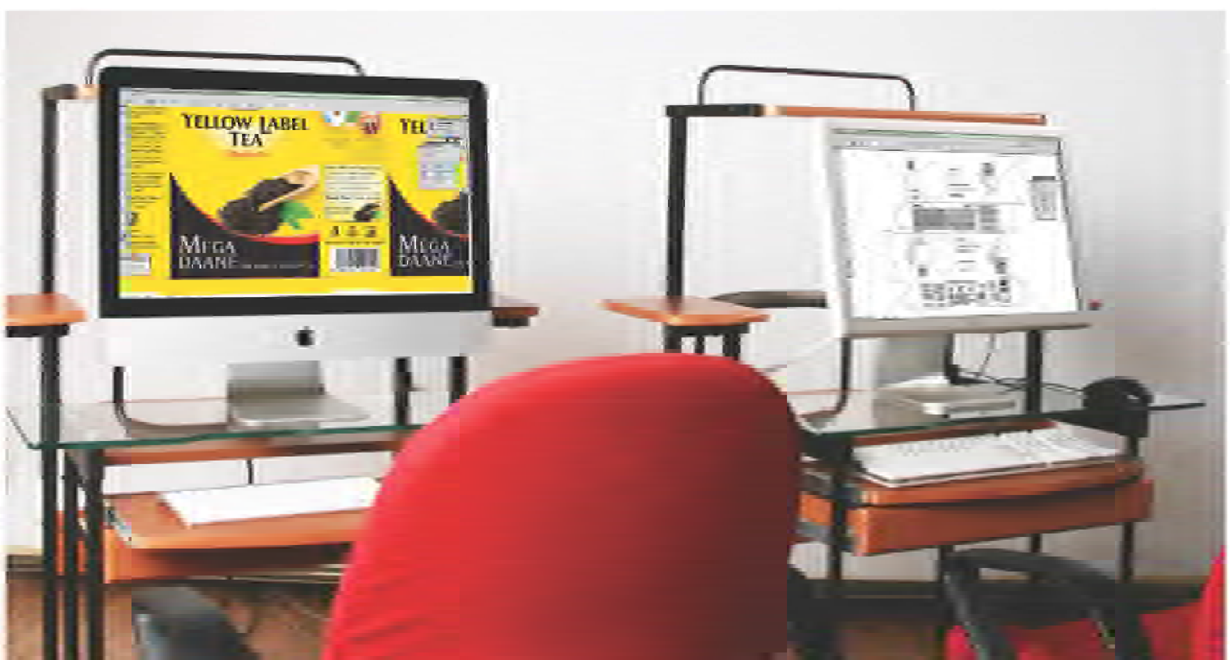
Folding & Gluing

Rotogravure Section

Laboratory

Studio

Creative Department



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 34th Annual General Meeting of **MERIT PACKAGING LIMITED** will be held on Friday, October 10, 2014 at 10:30 a.m. at Avari Towers Hotel, Fatima Jinnah Road, Karachi to transact the following business:

1. To receive, consider and adopt the audited financial statements for the year ended June 30, 2014 together with the Directors' and Auditors' Reports thereon.

2. To appoint auditors and fix their remuneration.

By Order of the Board

(MANSOOR AHMED)
Company Secretary

KARACHI: September 05, 2014

NOTES:

1. The share transfer books of the Company will remain closed from October 04, 2014 to October 10, 2014, 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. Shahra-e-Faisal, Karachi upto October 03, 2014 will be considered in time for the purpose of attendance of Annual General Meeting.

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

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

4. Forms of proxy to be valid must be properly filled-in/executed and received at the Company's Registered Office at Lakson Square, Building No.2, Sarwar Shaheed Road, Karachi not later than 48 hours before the time of the meeting.

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

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

7. Form of Proxy is enclosed herewith.

Directors' Report

The Directors of the Company are pleased to present the 34th Annual Report along with Audited Financial Statements of the Company for the year ended June 30, 2014.

PERFORMANCE OUTLOOK

Financial Results

	2014	2013
	Rs. in 000's	Rs. in 000's
Sales - net	1,884,960	1,389,259
Gross profit	160,411	66,545
Operating profit	103,107	14,586
Profit/(loss) before taxation	6,969	(83,532)
Loss per share	Rs. (0.47)	Rs. (7.59)

During the year under review, your Company by the Grace of Allah was able to attain highest ever net sales amounting to Rs. 1.9 billion as compared to Rs. 1.4 billion for the last financial year, showing an increase of Rs. 496 million or 36%. This was achieved by concentrating efforts to enhance production capabilities and expand our market share with reputed corporate sector organizations. Delivery of better quality products and timely services to customers has enabled the Company to increase its selling prices to adjust rising input costs despite stiff competition.

Further measures are being taken to improvise our capabilities to improve business performance and reduce cost of operations. Streamlined operations have yielded return in the form of higher profitability for your Company with profit before tax recorded at Rs. 7 million for the year ended June 30, 2014 as against the loss of Rs.84 million in the last financial year.

In view of the after tax loss, the Board of Directors has decided not to make any appropriation on account of dividend for the year ended June 30, 2014.

Right issue

During the third quarter of this financial year 2013-14, the capital restructuring process of Merit Packaging Limited has been successfully completed. This has helped us to strengthen the financial stability of the Company. The proceeds from right shares of Rs.356 million have been mainly utilized for repayment of debts of the Company.

The pre-tax profit for current year 2013-14 is less than 1st year projections however, sales revenue recorded an increase of 2.6%, where as cost of sales and operating expenses increased approximately by 3.3% mainly due to increase in energy rates and other related operating expenses as compared to the budget projection.

Working capital requirement also increased during the year because of the need to maintain higher inventory of packaging box board as compared to the budgeted projection for the year. Packaging box board is the major cost of input. This increase was mainly due to irregular supplies by the vendor company because of abnormal curtailment of gas in the Punjab. Further, for competitive measures some customers were accommodated at higher credit terms thus increasing receivable amount showing up in the financial cost. Overall this impacted the financial cost by 6.3% as compared to the budget projections.

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 state as follows:

Directors' Report

- 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.
- 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

Your Company is committed to ensure safety of employees and production facilities. All employees are given environmental, health and safety training on regular basis enabling them to carry out their duties in a risk free manner. Company periodically reviews for its compliance with quality and other certification and management systems.

CORPORATE SOCIAL RESPONSIBILITY

As socially responsible corporate citizens, we have committed ourselves to the well being of the society. We recognize that we cannot have a growing business unless the communities we serve are healthy and sustainable. Your Company is a Lakson Group Company; all the philanthropic activities on behalf of the Company are done by the charitable arm of the group, Hasanali & Gulbano Lakhani Foundation.

Having become one of the largest printing and packaging companies in the country, your Company has not overlooked the expectations of its stakeholders, and realizes its national and moral obligations ever so strongly. Your Company believes in strictly abiding by its social responsibility as a responsible corporate entity, extending help to citizens whenever needed.

HUMAN RESOURCE DEVELOPMENT

Your Company endeavors to make the best and efficient use of its human resources. Our core value system comprising of humility, integrity and continuous improvement mechanism, sense of urgency and customer centric approach help us in transforming their creativities into professional excellence.

We have drawn out comprehensive training programs to develop and improve skills of our employees through in-house, local and international workshops and visits. This allows them to cope with the latest technological advancement therefore enhances our quality and services. Your Company pays considerable attention to the development and investment in human capital as well as working environment to help achieve competitive advantage.

AUDITORS

The Auditors, Messrs BDO Ebrahim & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment for the year ended June 30, 2015. 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 for shareholders consideration at the forthcoming Annual General Meeting.

Directors' Report

MATERIAL CHANGES

There have been no material changes since June 30, 2013. 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 June 30, 2014.

PATTERN OF SHAREHOLDING

A statement showing the pattern of shareholding of the Company and such other information as at June 30, 2014, 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 except Right 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.

STAFF RETIREMENT BENEFIT FUNDS

Your Company provided retirement benefits to its employees in the shape of provident fund and gratuity. These funded benefits are maintained by two separate duly approved trusts. These trusts are managed by the trustees who get the funds audited each year and actuarial valuation is also being carried out for gratuity fund. Value of investment made by staff retirement benefit funds on their respective audited accounts as at December 31, 2013 and June 30, 2014 respectively are as follows:

	(Rupees in thousands)
Provident Fund	92,548
Gratuity Fund	32,966

BOARD OF DIRECTORS

Changes in composition

During the year under review Mr. Mohammad Shahid Chief Executive Officer took retirement before completion of his recent term after 29 years of dedicated service to the Company, Mr. Shahid Ahmed Khan joined us as the Chief Executive Officer. Mr. Mohammad Yousuf Memon (Nominee Director NIT) resigned and Mr. Muhammad Salman Husain Chawala (Nominee Director NIT) joined as his replacement. The Board of Directors wish to place on record its appreciation for the valuable contribution made by Mr. Mohammad Shahid in his capacity as the Chief Executive Officer and Mr. Mohammad Yousuf Memon as Director and welcomes the new Chief Executive Officer Mr. Shahid Ahmed Khan and Director Mr. Muhammad Salman Husain Chawala on the Board of Directors of the Company.

Meetings of Board of Directors

In 2013-14, the Board of Directors held six (6) meetings to review its complete cycle of activities. The attendance record of the Directors is as follows:

Directors' Report

Director's name	Attendance
Mr. Iqbal Ali Lakhani - (Chairman)	2
Mr. Zulfiqar Ali Lakhani	3
Mr. Amin Mohammed Lakhani	1
Mr. Tasleemuddin Ahmed Batlay	6
Mr. Shahid Ahmed Khan	
Chief Executive Officer (from 01, December 2013)	6
Mr. Mohammad Shahid	3
Chief Executive Officer (Upto 01, December 2013)	
Mr. Shaikh Muhammad Barinuddin	5
Independent Director	
Mr. Sheikh Asim Rafiq	5
Nominee of National Investment Trust Limited	
Mr. Mohammad Yousuf Memon	4
Nominee of National Investment Trust Limited (upto April 8, 2014)	
Mr. Muhammad Salman Husain Chawala	1
Nominee of National Investment Trust Limited (from April 8, 2014)	

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

AUDIT COMMITTEE

In 2013-14 four (4) Audit Committee Meetings were held as follows on a quarterly basis to review its complete cycle of activities:

Member's name	Attendance
Mr. Shaikh Muhammad Barinuddin (Chairman)	4
Mr. Zulfiqar Ali Lakhani	3
Mr. Tasleemuddin Ahmed Batlay	4

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

HUMAN RESOURCE AND REMUNERATION COMMITTEE

Two (2) meetings of Human Resource and Remuneration Committee were held during the financial year. Attendance by each member was as follows:

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

QUALITY MANAGEMENT

Your Company is operating with the following certifications for Offset Printing on Paper and Board and Gravure Printing on Paper and Film:

Directors' Report

- Quality Management system ISO 9001:2008
- Food safety Management system ISO 22000:2005
- HACCP Codex Alimentarius - Hazard Analysis and Critical Control Point (HACCP) System and Guidelines for its application.
- Environment Management System (EMS) ISO 14001:2004
- A new certificate has been achieved in the year 2014, PAS 223:2011, it is a Prerequisite Programmes and Design Requirements on Food Safety in the Manufacture and Provision of Food packaging
- Your Company also achieved the status of member of SEDEX (Supplier Ethical Data Exchange) member of Ethical Trade Audit (SMETA). It is a Responsible Sourcing Audit.

The policies of your Company emphasize focus on customer satisfaction and help in consolidating the status as an approved vendor to corporate customers.

BUSINESS RISKS AND FUTURE OUTLOOK

Your Company has undertaken concerted measures to expand its customer base in order to further increase its operational profitability. Induction of new machines especially to deliver value added products and other related capital expenditure will ensure uninterrupted production and optimize utilization of enhanced capacity, besides ability to deliver quality products to a broadened base of customers will enable your Company to further improve profit margins. Your Company has now increased its operational capabilities and efforts are being made to further improve relationship with our customers.

Your Company is also focusing on a broad base preventive maintenance of the machines so as to ensure continuous and enhanced output.

The Directors of your Company are hence confident that improved sales, operational efficiencies will enable the Company to further consolidate performance and regain financial position.

ACKNOWLEDGEMENT

The Directors of your Company are pleased to place on record their appreciation to the Company's banks, financial institutions, suppliers and customers for supporting the Company in achieving its objectives.

They are thankful to all the other stakeholders and fully acknowledge their contribution and commitments.

They also wish to recognize and record their appreciation for the sincere efforts and devotion by all the employees.

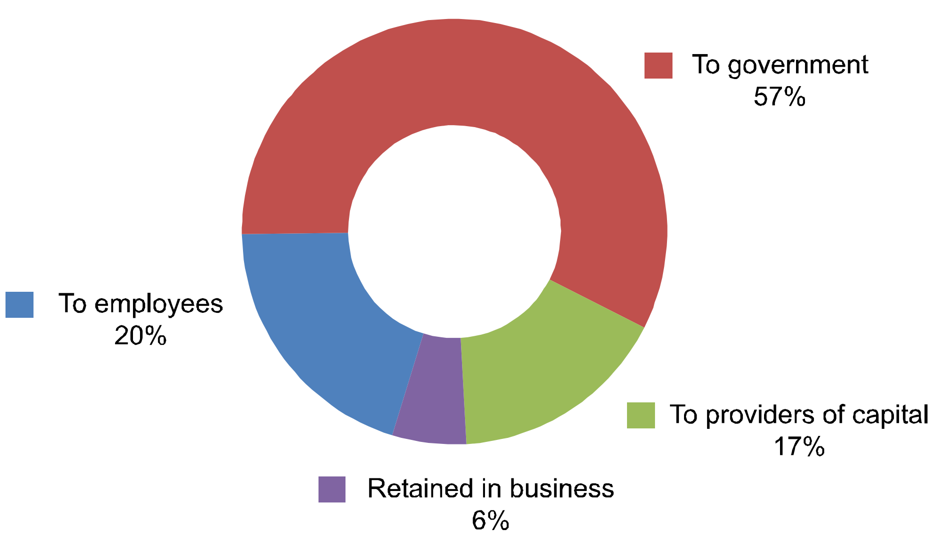
On behalf of the Board of Directors

IQBAL ALI LAKHANI
Chairman

Karachi: August 29, 2014

Statement of Value added and its distribution

Particulars	2014 Rs. in 000's	%	2013 Rs. in 000's	%
Value added				
Gross Sales	2,199,493		1,606,558	
Material and services	(1,625,420)		(1,221,160)	
Other income	3,819		5,222	
	577,892	100	390,620	100
Distribution				
To employees				
Salaries, wages and other benefits	115,890		117,740	
Workers profit participation fund	384		-	
	116,274	20	117,740	30
To government				
Sales tax & Special Excise Duty	314,534		217,300	
Company taxation	18,176		5,033	
Workers welfare fund	328		-	
	333,038	57	222,333	57
To providers of capital				
Financial charges on borrowed fund	96,138	17	98,118	25
Retained in business				
Depreciation	42,704		39,975	
Amortisation of intagible assets	944		1,019	
Retained loss	(11,206)		(88,565)	
	32,442	6	(47,571)	(12)
	577,892	100	390,620	100



Six years key operating and financial data

Rupees in thousands

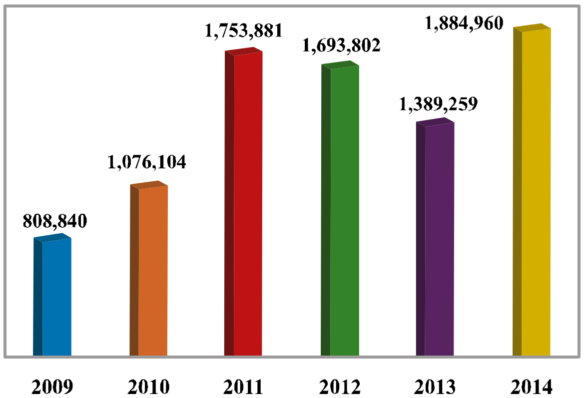
	2014	2013	2012	2011	2010	2009
Trading results						
Sales	1,884,960	1,389,259	1,693,802	1,753,881	1,076,104	808,840
Gross profit	160,411	66,545	136,439	164,425	91,597	42,702
Profit/(loss) before taxation	6,969	(83,532)	(24,610)	16,622	(28,780)	(56,218)
(Loss)/profit after taxation	(11,206)	(88,566)	(26,280)	10,275	(18,692)	(37,346)
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	961,478	709,217	797,933	604,792	704,428	638,349
Property, plant and equipment	719,114	655,439	665,875	619,653	652,746	685,482
Shareholder equity	340,916	(2,330)	82,011	111,868	100,792	118,639
Long term liabilities	452,041	540,081	540,081	354,361	452,391	352,270
Deferred taxation	-	-	1,357	2,870	14,751	30,101
Others						
Number of employees (at year end)	216	203	255	275	274	274
Capital expenditure	95,749	34,945	28,090	20,386	19,248	84,456
Contribution to national exchequer	109,696	65,185	138,539	124,040	58,310	56,178
Ratios						
Gross profit	8.51%	4.79%	8.06%	9.37%	8.51%	5.28%
Profit/(loss) before taxation	0.37%	-6.01%	-1.45%	0.95%	-2.67%	-6.95%
(Loss)/profit after taxation	-0.59%	-6.38%	-1.55%	0.59%	-1.74%	-4.62%
Return on equity	-3.29%	N/A	-32.04%	9.18%	-18.55%	-31.48%
Return on capital employed	-1.17%	-12.49%	-3.26%	1.70%	-2.65%	-5.85%
Current ratio	1.41 : 1	1.09 : 1	1.25 : 1	0.97 : 1	1.09 : 1	0.82 : 1
Debt / equity ratio	51 : 49	76 : 24	67 : 33	65 : 35	67 : 33	61 : 39
Inventory days	67	80	62	58	68	66
Receivable days	51	61	61	50	48	30
Others						
(Loss)/earning per share - (Rs.)	(0.47)	(7.59)	(5.54)	2.17	(3.94)	(7.87)
Break-up value per share (Rs.)	8.46	(0.49)	18.27	23.59	21.25	25.01
Market Value (Rs.)	18.86	20.49	20.93	25.84	18.00	26.99
Price earning ratio	N/A	N/A	N/A	11.93	N/A	N/A

Vertical & Horizontal Analysis

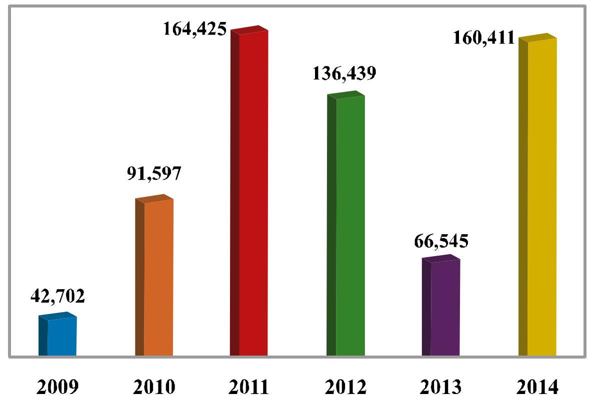
	2014		2013		2012		2011		2010		2009	
	Rs. '000	**%**	**Rs. '000**	**%**	**Rs. '000**	**%**	**Rs. '000**	**%**	**Rs. '000**	**%**	**Rs. '000**	**%**
VERTICAL ANALYSIS												
PROFIT & LOSS ACCOUNT												
Sales - net	1,884,960	100%	1,389,259	100%	1,693,802	100%	1,753,881	100%	1,076,104	100%	808,840	100%
Cost of sales	1,724,549	91%	1,322,714	95%	1,557,363	92%	1,589,456	91%	984,507	91%	766,139	95%
Gross profit	160,411	9%	66,545	5%	136,439	8%	164,425	9%	91,597	9%	42,702	5%
Operating expenses	57,304	3%	51,959	4%	56,661	3%	52,608	3%	43,380	4%	31,314	4%
Operating profit	103,107	5%	14,586	1%	79,778	5%	111,817	6%	48,217	4%	11,387	1%
Financial charges	96,138	5%	98,118	7%	104,388	6%	95,195	5%	76,997	7%	67,605	8%
Profit/(loss) before taxation	6,969	0%	(83,532)	-6%	(24,610)	-1%	16,622	1%	(28,780)	-3%	(56,218)	-7%
(Loss)/profit after taxation	(11,206)	-1%	(88,566)	-6%	(26,280)	-2%	10,275	1%	(18,692)	-2%	(37,346)	-5%
BALANCE SHEET												
Assets												
Property, plant and equipment	719,114	47%	655,439	51%	665,875	50%	619,653	49%	652,746	55%	685,482	70%
Other non-current assets	3,868	0%	4,688	1%	7,564	1%	7,632	1%	10,397	1%	14,379	1%
Current Assets	815,517	53%	619,779	48%	659,545	49%	645,852	50%	517,509	44%	282,561	29%
Total Assets	1,538,499	100%	1,279,906	100%	1,332,984	100%	1,273,137	100%	1,180,652	100%	982,422	100%
Equity & Liabilities												
Share capital & reserves	340,916	22%	(2,330)	0%	82,011	6%	111,868	9%	100,792	9%	118,639	12%
Surplus on revaluation of fixed assets	168,521	11%	171,467	13%	174,485	13%	135,693	11%	136,493	12%	137,338	14%
Non-current liabilities	452,041	29%	540,081	42%	541,438	41%	357,231	28%	467,142	39%	382,371	39%
Current liabilities	577,021	38%	570,688	45%	535,050	40%	668,345	52%	476,225	40%	344,074	35%
Total equity and Liabilities	1,538,499	100%	1,279,906	100%	1,332,984	100%	1,273,137	100%	1,180,652	100%	982,422	100%
HORIZONTAL ANALYSIS												
PROFIT & LOSS ACCOUNT												
Sales - net	1,884,960	233%	1,389,259	172%	1,693,802	209%	1,753,881	17%	1,076,104	133%	808,840	100%
Cost of sales	1,724,549	225%	1,322,714	173%	1,557,363	203%	1,589,456	207%	984,507	129%	766,139	100%
Gross profit	160,411	376%	66,545	156%	136,439	320%	164,425	385%	91,597	215%	42,702	100%
Operating expenses	57,304	183%	51,959	166%	56,661	181%	52,608	168%	43,380	139%	31,314	100%
Operating profit	103,107	905%	14,586	128%	79,778	701%	111,817	982%	48,217	423%	11,387	100%
Financial charges	96,138	142%	98,118	145%	104,388	154%	95,195	141%	76,997	114%	67,605	100%
Profit/(loss) before taxation	6,969	-12%	(83,532)	149%	(24,610)	44%	16,622	-30%	(28,780)	51%	(56,218)	100%
(Loss)/profit after taxation	(11,206)	30%	(88,566)	237%	(26,280)	70%	10,275	-28%	(18,692)	50%	(37,346)	100%
BALANCE SHEET												
Assets												
Property, plant and equipment	719,114	105%	655,439	96%	665,875	97%	619,653	90%	652,746	95%	685,482	100%
Other non-current assets	3,868	27%	4,688	33%	7,564	53%	7,632	53%	10,397	72%	14,379	100%
Current Assets	815,517	289%	619,779	219%	659,545	233%	645,852	229%	517,509	183%	282,561	100%
Total Assets	1,538,499	157%	1,279,906	130%	1,332,984	136%	1,273,137	130%	1,180,652	120%	982,422	100%
Equity & Liabilities												
Share capital & reserves	340,916	287%	(2,330)	-2%	82,011	69%	111,868	94%	100,792	85%	118,639	100%
Surplus on revaluation of fixed assets	168,521	123%	171,467	125%	174,485	127%	135,693	99%	136,493	99%	137,338	100%
Non-current liabilities	452,041	118%	540,081	141%	541,438	142%	357,231	93%	467,142	122%	382,371	100%
Current liabilities	577,021	168%	570,688	166%	535,050	156%	668,345	194%	476,225	138%	344,074	100%
Total equity and Liabilities	1,538,499	157%	1,279,906	130%	1,332,984	136%	1,273,137	130%	1,180,652	120%	982,422	100%

Graphs

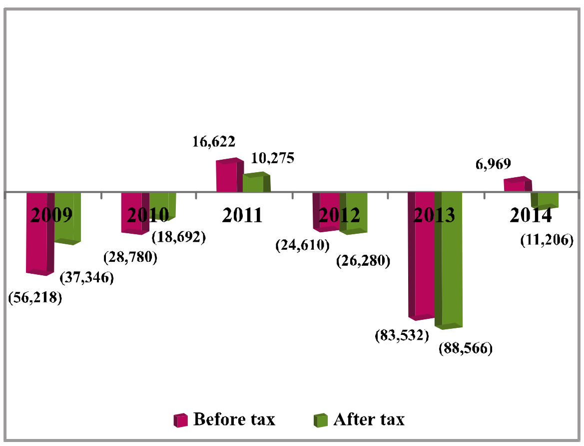
Sales (Rs' 000)



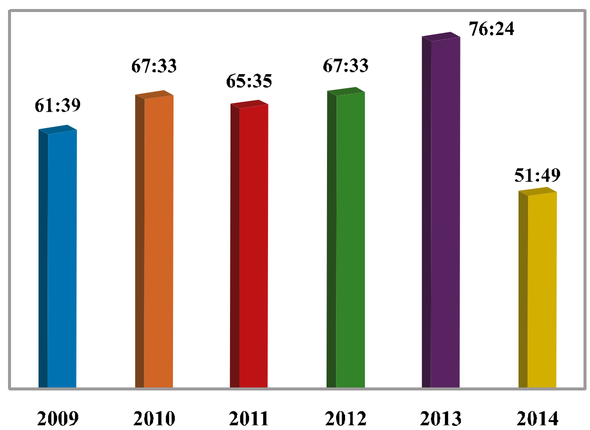
Gross Profit (Rs' 000)



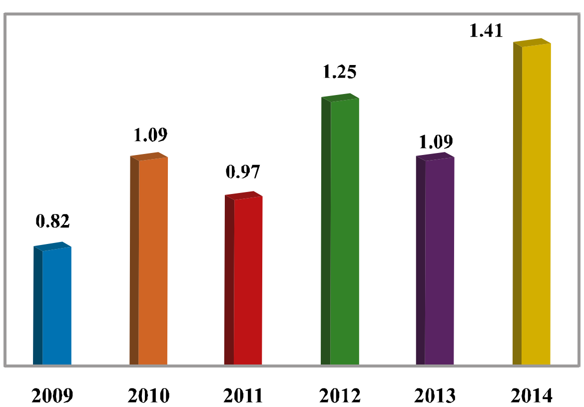
Profit (Rs' 000)



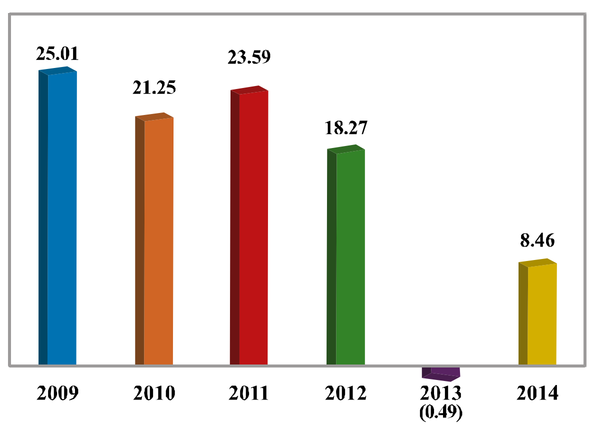
Long Term Debt to Equity Ratio



Current Ratio



Break-up Value per Share (Rs.)



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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, 2014 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, 2014.

KARACHI

CHARTERED ACCOUNTANTS
Engagement Partner: Qasim E. Causer

DATED: August 29, 2014

Statement of Compliance with the Code of Corporate Governance

for the year ended June 30, 2014

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:

Category	Names
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. Muhammad Salman Husain Chawala

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, or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. A casual vacancy occurred on the Board of Directors on April 08, 2014 which was filled in promptly.

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 and an Executive Director 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, one of the Directors attended the Directors training program during the year and rest of the Directors are to be trained within specified time. 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 an 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 the personnel suitably qualified and experienced for the purpose and 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 anyother 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.

Karachi: August 29, 2014	**IQBAL ALI LAKHANI** Chairman	**SHAHID AHMED KHAN** Chief Executive Officer

Pattern of Holding of Shares

held by the shareholders as at June 30, 2014

Incorporation No. K-206/5831

CUIN Registration No. 0007464

Number of shareholders	Shareholdings From	To		Total number of shares held
277	1	100	Shares	6,537
226	101	500	Shares	83,244
212	501	1,000	Shares	195,677
366	1,001	5,000	Shares	1,061,210
108	5,001	10,000	Shares	883,056
39	10,001	15,000	Shares	502,159
23	15,001	20,000	Shares	431,680
19	20,001	25,000	Shares	441,487
14	25,001	30,000	Shares	391,534
7	30,001	35,000	Shares	227,000
5	35,001	40,000	Shares	187,826
2	40,001	45,000	Shares	89,500
3	45,001	50,000	Shares	150,000
2	50,001	55,000	Shares	108,500
2	55,001	60,000	Shares	120,000
2	60,001	65,000	Shares	127,547
1	80,001	85,000	Shares	85,000
8	95,001	100,000	Shares	800,000
1	105,001	110,000	Shares	107,500
2	115,001	120,000	Shares	236,000
1	135,001	140,000	Shares	138,000
2	155,001	160,000	Shares	315,535
1	175,001	180,000	Shares	180,000
1	185,001	190,000	Shares	187,500
1	500,001	505,000	Shares	505,000
1	895,001	900,000	Shares	895,657
1	1,740,001	1,745,000	Shares	1,740,250
1	1,755,001	1,760,000	Shares	1,758,500
1	3,905,001	3,910,000	Shares	3,907,159
1	4,525,001	4,530,000	Shares	4,529,488
1	5,560,001	5,565,000	Shares	5,560,819
1	5,815,001	5,820,000	Shares	5,815,232
1	8,545,001	8,550,000	Shares	8,545,602
1,333	**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	5,815,232	14.42
Banks, Development Financial Institutions, Non Banking Financial Institutions	385	0.00
Modarabas and Mutual Funds	8,451,139	20.96
Shareholders holding 10 %	24,451,141	60.65
General Public		
a. Local	6,925,519	17.18
b. Foreign	NIL	-
Others	2,316,877	5.75

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, 2014 as per requirements of Code of Corporate Governance

			Shares held
i)	**ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES**		
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)	**MUTUAL FUNDS**		
1.	Golden Arrow Selected Stocks Fund Limited		895,657
2.	CDC - Trustee AKD Opportunity Fund		1,740,250
3.	CDC - Trustee National Investment (Unit) Trust		5,815,232
iii)	**DIRECTORS, THEIR SPOUSES AND MINOR CHILDREN**		
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. Muhammad Salman Husain Chawala	Nominee of NIT	NIL
9.	Mrs. Ronak Iqbal Lakhani	W/o. Iqbal Ali Lakhani	179
10.	Mrs. Fatima Lakhani	W/o. Zulfiqar Ali Lakhani	272
11.	Mrs. Saira Amin Lakhani	W/o. Amin Mohammed Lakhani	276
iv)	**EXECUTIVES**		NIL
v)	**PUBLIC SECTOR COMPANIES AND CORPORATIONS**		NIL
vi)	**BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE COMPANIES, INSURANCE COMPANIES, TAKAFUL MODARABAS AND PENSION FUNDS:**		62,932
vii)	**SHAREHOLDERS HOLDING 5% OR MORE [Other than those reported at i(1), i(2), i(3), i(4) and ii(3)]**		NIL
viii)	**INDIVIDUALS AND OTHER THAN THOSE MENTIONED ABOVE**		9,179,849
			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, 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied except for the changes as stated in note 4.25 to the financial statements, with which we concur;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2014 and of the loss, comprehensive loss, its cash flows and changes in equity for the year then ended; and

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

KARACHI

CHARTERED ACCOUNTANTS

DATED: August 29, 2014

Engagement Partner: Qasim E. Causer

Balance Sheet
as at June 30, 2014

	Note	**2014** Rupees	2013 Rupees (Re-stated)	2012 Rupees (Re-stated)
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	5	657,329,485	655,438,641	665,875,282
Capital work in progress	6	61,784,678	-	-
		719,114,163	655,438,641	665,875,282
Intangible assets	7	215,183	1,037,650	1,986,314
Long-term loans and advances	8	-	52,984	2,086,256
Long-term deposits	9	3,652,747	3,596,547	3,490,447
		722,982,093	660,125,822	673,438,299
CURRENT ASSETS				
Stores and spares	10	60,649,390	63,317,238	53,903,595
Stock-in-trade	11	333,200,649	302,099,815	276,126,690
Trade debts	12	325,880,704	202,682,147	264,988,576
Loans and advances	13	3,024,323	1,793,202	5,350,211
Trade deposits and short-term prepayments	14	3,029,003	2,083,401	2,358,054
Other receivables	15	727,300	510,361	362,419
Tax refund due from government	16	59,502,321	38,773,586	27,329,906
Taxation - net	17	21,541,369	7,597,295	28,005,222
Cash and bank balances	18	7,961,584	922,499	1,120,695
		815,516,643	619,779,544	659,545,368
TOTAL ASSETS		1,538,498,736	1,279,905,366	1,332,983,667
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorised share capital 70,000,000 (2013: 30,000,000) ordinary shares of Rs.10/- each	19	700,000,000	300,000,000	300,000,000
Issued, subscribed and paid-up capital	20	403,141,990	47,428,470	47,428,470
Accumulated (loss) / profit	21	(62,226,358)	(49,758,761)	34,582,180
		340,915,632	(2,330,291)	82,010,650
SURPLUS ON REVALUATION OF FIXED ASSETS	22	168,521,052	171,466,701	174,484,675
NON-CURRENT LIABILITIES				
Sub-ordinated loan	23	100,000,000	100,000,000	-
Long-term financing	24	352,000,000	440,000,000	540,000,000
Long-term deposits		41,000	81,000	81,000
Deferred taxation	25	-	-	1,356,929
		452,041,000	540,081,000	541,437,929
CURRENT LIABILITIES				
Trade and other payables	26	134,638,478	149,451,153	189,579,613
Financial charges payable	27	8,109,531	9,872,440	10,642,039
Short-term borrowings	28	346,273,043	411,364,363	333,052,625
Current portion of long-term financing	29	88,000,000	-	1,776,136
		577,021,052	570,687,956	535,050,413
CONTINGENCIES AND COMMITMENTS	30	-	-	-
TOTAL EQUITIES AND LIABILITIES		1,538,498,736	1,279,905,366	1,332,983,667

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, 2014

	Note	2014 Rupees	2013 Rupees (Re-stated)
Sales - net	31	1,884,959,826	1,389,258,616
Cost of sales	32	(1,724,548,570)	(1,322,713,428)
Gross profit		160,411,256	66,545,188
General and administrative expenses	33	(31,531,846)	(30,853,923)
Selling and distribution expenses	34	(26,055,067)	(24,126,122)
Other income	35	3,819,182	5,221,632
Other operating expenses	36	(3,536,347)	(2,201,028)
		(57,304,078)	(51,959,441)
Operating profit		103,107,178	14,585,747
Financial charges	37	(96,137,917)	(98,117,947)
Profit/(loss) before taxation		6,969,261	(83,532,200)
Taxation	38	(18,175,506)	(5,033,448)
Loss for the year		(11,206,245)	(88,565,648)
Loss per share - basic and diluted	39	(0.47)	(7.59)

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, 2014

	2014	2013
	Rupees	Rupees
		(Re-stated)
Loss for the year	(11,206,245)	(88,565,648)
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of post employment benefit obligations(net)	1,429,384	1,206,733
Total comprehensive loss for the year	(9,776,861)	(87,358,915)

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, 2014

	Note	2014 Rupees	2013 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	41	(44,182,519)	37,492,140
Taxes (paid) / refunded		(40,499,317)	11,085,844
Financial charges paid		(97,900,826)	(98,887,546)
Long-term loans and advances		52,984	2,033,272
Long-term deposits		(96,200)	(106,100)
Net cash used in from operating activities		(182,625,878)	(48,382,390)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(95,748,747)	(34,945,293)
Intangible assets		(122,000)	(70,000)
Proceeds from sale of operating fixed assets	5.5	549,895	6,663,885
Net cash used in investing activities		(95,320,852)	(28,351,408)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		50,000,000	540,000,000
Proceeds from subordinated loan		-	100,000,000
Repayment of long-term financing		(50,000,000)	(640,000,000)
Short term financing (excluding running finance)		-	70,000,000
Repayment of liabilities against assets subject to finance leases		-	(1,776,136)
Proceeds from right shares		350,077,135	-
Repayment of short term financing (excluding running finance)		(70,000,000)	-
Net cash generated from financing activities		280,077,135	68,223,864
Net increase / (decrease) in cash and cash equivalents		2,130,405	(8,509,934)
Cash and cash equivalents at beginning of the year		(340,441,864)	(331,931,930)
Cash and cash equivalents at end of the year		(338,311,459)	(340,441,864)
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash and bank balances	18	7,961,584	922,499
Short-term running finance	28.1	(346,273,043)	(341,364,363)
		(338,311,459)	(340,441,864)

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, 2014

	Issued, subscribed and paid-up capital	Reserves: General reserve	Reserves: Accumulated loss	Reserves: Total	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at July 01, 2012 (as reported)	47,428,470	106,800,000	(67,554,422)	39,245,578	86,674,048
Effect of change in accounting policy (note 4.25.1)	-	-	(4,663,398)	(4,663,398)	(4,663,398)
Balance as at July 01, 2012 (restated)	47,428,470	106,800,000	(72,217,820)	34,582,180	82,010,650
Transfer from surplus on revaluation of fixed assets (note 22)	-	-	3,017,974	3,017,974	3,017,974
Total comprehensive income for the year					
Loss for the year	-	-	(88,565,648)	(88,565,648)	(88,565,648)
Remeasurement of defined benefit liability -net	-	-	1,206,733	1,206,733	1,206,733
	-	-	(87,358,915)	(87,358,915)	(87,358,915)
Balance as at June 30, 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 22)	-	-	2,945,649	2,945,649	2,945,649
Total comprehensive income 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

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, 2014

1. NATURE AND STATUS OF THE COMPANY

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

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

2.3 Functional and presentation currency

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

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

3.1 The impact of amendments to IAS 16 Property, Plant and Equipment and IAS 19 'Employee benefits' which became effective during the year have been explained under note 4.1 and 4.16 respectively. The other accounting standards, amendments and interpretations of approved accounting standards becoming effective during the year do not have a significant impact on the Company's financial statements.

3.2 Standards, amendments and interpretations to existing accounting standards that are not yet effective and have not been early adopted by the Company are as follows:

		Effective date (annual periods beginning on or after)
IAS 16	Property, Plant and Equipment	July 01, 2014
IAS 16	Property, Plant and Equipment	January 01, 2016
IAS 19	Employee Benefits	July 01, 2014
IAS 27	Separate Financial Statements	January 01, 2014
IAS 32	Financial Instruments: Presentation	January 01, 2014
IAS 36	Impairment assets	January 01, 2014
IAS 38	Intangible Assets	July 01, 2014
IAS 38	Intangible Assets	January 01, 2016
IAS 39	Financial Instruments: Recognition and Measurement	January 01, 2014
IAS 40	Investment Property	July 01, 2014
IFRS 2	Share Based Payment	July 01, 2014
IFRS 3	Business Combination	July 01, 2014
IFRS 7	Financial Instruments Disclosures	January 01, 2015
IFRS 8	Operating Segments	July 01, 2014

Notes to the Financial Statements
for the year ended June 30, 2014

		Effective date (annual periods beginning on or after)
IFRS 9	Financial Instruments	January 01, 2015
IFRS 10	Consolidated Financial Statements	January 01, 2014
IFRS 12	Disclosure of Interest in Other Entities	January 01, 2014
IFRS 13	Fair Value Measurement	July 01, 2014

3.3 Further the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan, for the purpose of their applicability in Pakistan:

IFRS 1	First time Adoption of International Financial Reporting Standards	July 01, 2009
IFRS 9	Financial Instruments	January 01, 2015
IFRS 10	Consolidated Financial Statements	January 01, 2013
IFRS 11	Joint Arrangements	January 01, 2013
IFRS 12	Disclosure of Interest in Other Entities	January 01, 2013
IFRS 13	Fair Value Measurement	January 01, 2013
IFRS 14	Regulatory Deferred Accounts	January 01, 2016

4. SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Property, plant and equipment

4.1.1 Owned

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

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

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

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

4.1.2 Leased

Finance leases

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

Notes to the Financial Statements
for the year ended June 30, 2014

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.

4.1.3 Capital work-in-progress

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

4.2 Intangible assets

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

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

4.3 Stores and spares

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

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.

4.4 Stock-in-trade

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

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

4.5 Trade debts and other receivables

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

4.6 Taxation

4.6.1 Current

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

4.6.2 Deferred

Deferred tax is recognized using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and

Notes to the Financial Statements

for the year ended June 30, 2014

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.

4.7 Surplus on revaluation of fixed assets

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

4.8 Borrowings and their cost

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

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

4.9 Trade and other payables

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

4.10 Provisions

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

4.11 Cash and bank balances

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

4.12 Impairment losses

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

4.13 Financial instruments

4.13.1 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.

Notes to the Financial Statements

for the year ended June 30, 2014

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.

4.13.2 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.

4.14 Offsetting of financial assets and financial liabilities

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

4.15 Foreign currency translation

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

4.16 Employee retirement benefits

4.16.1 Defined benefit plan

The Company operates an approved funded gratuity scheme for all its permanent employees who have attained retirement age, died or resigned during service period and have served for the minimum qualification period. Contributions are made to the fund on the basis of actuarial recommendations. The actuarial valuation was carried out as at June 30, 2014 using the Projected Unit Credit Method in accordance with IAS-19 "Employee Benefits". The Company's policy with regards to actuarial gains / losses is to follow minimum recommended approach under IAS-19 (note 40).

4.16.2 Defined contribution plan

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

4.16.3 Compensated absences

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

4.17 Revenue recognition

Sales are recorded on dispatch of goods to customers.

Scrap sales are recognized when delivery is made to customers.

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

Notes to the Financial Statements
for the year ended June 30, 2014

4.18 Cash and cash equivalents

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

4.19 Dividend and appropriation to reserves

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

4.20 Share capital

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

4.21 Earnings / 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.

4.22 Related parties transactions

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

4.23 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.

4.24 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:

4.24.1 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.

4.24.2 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 it's view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

4.24.3 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.

Notes to the Financial Statements
for the year ended June 30, 2014

4.24.4 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.

4.25 CHANGES IN ACCOUNTING POLICIES

4.25.1 In accordance with IAS 19 (revised) - "Employee Benefits" (effective for annual period beginning on or after January 1, 2013), the Company has changed its accounting policy for recognition of the actuarial / remeasurement gains and losses on employees' retirement benefit plans. The remeasurement gains / losses as per actuarial valuation done at financial year end will now be recognized immediately in other comprehensive income. Previously, these gains / losses in excess of the corridor limit were recognized in profit and loss account over the remaining service life of the employees.

The change in accounting policy has been accounted for retrospectively and the comparative figures have thereby been restated. The effect on comparative figures of all prior period presented is as follows:

	Cumulative effect upto June 30, 2013	Effect for the year ended June 30, 2013 (Rupees)	Cumulative effect upto July 01, 2012
Balance Sheet			
Dercrease /(increase) in unappropriated profit			
Acturial losses on retirement benefit plans (net to tax)	462,700	(1,206,733)	1,669,433
Acturial losses on past service cost (net of tax)	2,993,965	-	2,993,965
Increase / (decrease) in trade and other payable			
Gratuity payable	5,317,947	(1,856,512)	7,174,459
Decrease in deferred taxation	1,861,282	(649,779)	2,511,061

	Cumulative effect upto June 30, 2013	Effect for the year ended June 30, 2013
	(Rupees)	
Profit and loss account		
Increase in profit after taxation		
De-recognition of actuarial losses on retirement benefit plans (net of tax)	-	-
Statement of comprehensive income		
Increase due to recognition of actuarial gain on retitement benefit plans (net of tax)	1,206,733	1,206,733

4.25.2 The Company has changed its accounting policy for stand-by spares in line with amendments to IAS 16 "Property, Plant and Equipment" effective for the period beginning on or after January 01, 2013, which clarifies that spare parts, stand-by equipment and servicing equipment should be capitalised as an asset when they meet the definition of the Property, Plant and Equipment.

As permitted by IAS 8 "Accounting Policy, Change in Accounting Estimates and Errors", the change in accounting policy has been accounted for prospectively as it is impracticable to determine the period specific and cumulative effect of change on comparative amounts of prior periods presented in these financial statements.

Resultantly, stand-by spares amounting to Rs. 11.2 million have been classified under the head "plant and machinery" which were previously shown under stores and spares. This also complies with the requirements of SRO 183(I)/2013 issued by Securities and Exchange Commission of Pakistan in respect of disclosure requirements.

The other standards, amendments and interpretations of approved accounting standards that became effective during the year do not have a significant impact on the Company's financial statements.

Notes to the Financial Statements

for the year ended June 30, 2014

5. PROPERTY, PLANT AND EQUIPMENT

Description	Leasehold land	Building/ improvements on leasehold land	Plant and machinery	Furniture and fixtures	Vehicles	Office equipment	Computer equipment	Factory tools and equipment	Electrical installation	Leased plant and machinery	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Net carrying value basis											
year ended June 30, 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	-	665,438,641
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)
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
Depreciation rate (% per annum)	-	2.50% to 3.33%	2.50% to 20%	3.33% to 20%	3.33% to 25%	3.57% to 20%	5% to 33.33%	2.86% to 20%	3.33% to 4%	5% to 8.33%	
Net carrying value basis											
year ended June 30, 2013											
Opening net book value	136,888,880	78,165,950	377,698,744	2,656,463	13,867,369	2,625,617	773,310	25,312,987	15,086,415	12,799,547	665,875,282
Addition (at cost)	-	275,224	27,986,133	340,055	1,135,393	1,790,370	478,466	2,939,652	-	-	34,945,293
Transfer	-	-	12,722,358	-	-	-	-	-	-	(12,722,358)	-
Disposal (NBV)	-	-	(137,755)	-	(5,254,534)	(14,494)	-	-	-	-	(5,406,783)
Depreciation charged	-	(3,566,404)	(27,454,061)	(616,680)	(1,948,855)	(969,948)	(627,155)	(3,909,273)	(805,586)	(77,189)	(39,975,151)
Closing 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
Gross carrying value basis											
year ended June 30, 2013											
Cost / revalued amount	136,888,880	117,777,025	668,770,196	5,032,891	14,383,599	7,128,845	6,785,290	56,902,242	20,474,682	-	1,034,143,650
Accumulated depreciation	-	(42,902,255)	(277,954,777)	(2,653,053)	(6,584,226)	(3,697,300)	(6,160,669)	(32,558,876)	(6,193,853)	-	(378,705,009)
Closing 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
Depreciation rate (% per annum)	-	2.50% to 3.33%	2.50% to 20%	3.33% to 20%	3.33% to 25%	3.57% to 20%	5% to 33.33%	2.86% to 20%	3.33% to 4%	5% to 8.33%	

5.1 Plant and machinery includes capital spares amounting to Rs.14.296 million (written down value Rs.13.101 million).

Notes to the Financial Statements
for the year ended June 30, 2014

		Note	2014 Rupees	2013 Rupees
5.2	The depreciation charge for the year has been allocated as follows:			
	Cost of sales	32	41,139,581	37,895,811
	General and administrative expenses	33	779,419	1,050,248
	Selling and distribution expenses	34	785,226	1,029,092
			42,704,226	39,975,151

5.3 The Company has revalued its leasehold land, building / improvement on leasehold land and plant and machinery on September 01, 2004, June 25, 2009 and June 30, 2012 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 (2013: Rs. 215.687 million). Revalued assets having revaluation surplus of Rs. 9.434 million (2013: 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. 185.882 million (2013: Rs. 190.413 million) including land remains undepreciated as at June 30, 2014.

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

	Net book value	
	2014	2013
	Rupees	Rupees
Leasehold land	608,737	608,737
Building / Improvements on leasehold land	59,233,047	60,114,510
Plant and machinery	332,447,530	351,442,507
	392,289,314	412,165,754

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

Description	Cost/ revaluation	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyer
	Rupees	Rupees	Rupees	Rupees		
Vehicle	1,506,000	1,012,500	493,500	493,500	Company Policy	Mohammad Shahid - ex employee
Office equipments items having book value upto Rs. 50,000	38,500	5,347	33,153	35,100	Claim	Century Insurance Co Ltd (An Associated Company)
	152,900	147,802	5,098	12,821	Negotiation	Quick Marketing Services - Karachi
Furniture and fixture items having book value upto Rs. 50,000	132,000	131,989	11	8,474	Negotiation	Israr & Company-Karachi
Total - 2014	1,829,400	1,297,638	531,762	549,895		
Total - 2013	9,431,051	4,024,268	5,406,783	6,663,885		

Notes to the Financial Statements
for the year ended June 30, 2014

		Note	2014 Rupees	2013 Rupees
6.	**CAPITAL WORK-IN-PROGRESS**			
	This comprises of:			
	Plant and machinery	6.1	50,349,273	-
	Factory tools and equipments	6.1	11,435,405	-
			61,784,678	-
6.1	**Movement of carrying amount**			
	Year end June 30, 2014			
	Opening balance		-	-
	Additions (at cost)		61,784,678	-
	Closing balance		61,784,678	-

6.2 This includes borrowing cost capitalised amounting to Rs 1.100 million as per IAS 23. The rate of capitalization is 11.17%.

		Note	2014 Rupees	2013 Rupees
7.	**INTANGIBLE ASSETS**			
	Net carrying value basis			
	Opening book value		1,037,650	1,986,314
	Addition		122,000	70,000
			1,159,650	2,056,314
	Amortisation charged	7.1	(944,467)	(1,018,664)
	Closing net book value		215,183	1,037,650
	Gross carrying value basis			
	Cost		5,232,817	5,110,817
	Accumulated amortisation		(5,017,634)	(4,073,167)
	Net book value		215,183	1,037,650
	Amortisation rate per annum		20%	20%
7.1	The amortisation for the year has been allocated as follows:			
	Cost of sales	32	418,730	452,023
	General and administrative expenses	33	354,851	380,219
	Selling and distribution expenses	34	170,886	186,422
			944,467	1,018,664
8.	**LONG-TERM LOANS AND ADVANCES**			
	(Secured - considered good)			
	Loans			
	Due from employees	8.1	52,984	105,988
	Current portion shown under current assets	13	(52,984)	(53,004)
			-	52,984

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

Notes to the Financial Statements
for the year ended June 30, 2014

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

		Note	2014 Rupees	2013 Rupees
9.	**LONG-TERM DEPOSITS**			
	Power and fuel		2,281,497	2,281,497
	Others		1,371,250	1,315,050
			3,652,747	3,596,547
10.	**STORES AND SPARES**			
	Stores			
	In hand		37,149,924	32,038,539
	In transit		396,303	7,123
			37,546,227	32,045,662
	Spares			
	In hand		24,519,335	32,804,024
	In transit		1,037,767	858,354
			25,557,102	33,662,378
			63,103,329	65,708,040
	Provision for slow moving and obsolete stores and spares	10.2	(2,453,939)	(2,390,802)
			60,649,390	63,317,238

10.1 Stores and spares include items which may result in fixed capital expenditure but are not distinguishable. However, the stores and spares consumption resulting in capital expenditure are capitalized in cost of respective assets. During the period, capital spares transferred to tangible assets which pertains to capital nature amounted to Rs.11.163 million.

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

			2014	2013
	Balance at beginning of the year		2,390,802	2,276,938
	Provision for the year		63,137	113,864
	Balance at end of the year		2,453,939	2,390,802
11.	**STOCK-IN-TRADE**			
	Raw materials			
	In hand		278,521,093	259,539,083
	In transit		1,318,816	9,391
			279,839,909	259,548,474
	Packing materials		4,163,897	3,900,877
			284,003,806	263,449,351
	Provision for slow moving and obsolete stock in trade	11.1	(1,542,639)	(1,251,992)
			282,461,167	262,197,359
	Work-in-process	32	39,194,545	20,301,593
	Finished goods	32	11,544,937	19,600,863
			333,200,649	302,099,815

Notes to the Financial Statements
for the year ended June 30, 2014

	Note	2014 Rupees	2013 Rupees
11.1 Provision for slow moving and obsolete stock in trade comprises:			
Balance at beginning of the year		1,251,992	1,153,704
Provision for the year		290,647	98,288
Balance at end of the year		1,542,639	1,251,992

12. TRADE DEBTS

	Note	2014 Rupees	2013 Rupees
(Unsecured - considered good)			
Due from associated undertakings	12.1	22,912,348	20,400,632
Others		304,780,468	184,093,627
		327,692,816	204,494,259
Provision for doubtful debts		(1,812,112)	(1,812,112)
		325,880,704	202,682,147

12.1 This comprises amounts receivable from:

	2014 Rupees	2013 Rupees
Century Paper & Board Mills Limited	3,078,848	1,924,192
GAM Corporation (Private) Limited	783,264	514,407
Siza Foods (Private) Limited	666,653	640,518
Tetley Clover (Private) Limited	4,545,194	11,505,743
Colgate-Palmolive (Pakistan) Limited	13,838,389	5,815,772
	22,912,348	20,400,632

12.2 The aging of related party balances at the balance sheet date is as follows:

	2014 Rupees	2013 Rupees
Not past due	18,574,239	12,167,970
Past due 1-30 days	1,287,338	3,761,128
Past due 30-90 days	1,064,794	4,274,305
Past due 90 days	1,985,977	197,229
	22,912,348	20,400,632

12.3 The maximum amount due from related parties at the end of any month during the year was Rs. 42.494 million (2013: Rs. 39.004 million).

13. LOANS AND ADVANCES

	Note	2014 Rupees	2013 Rupees
Loans (Secured-considered good)			
Current portion of long-term loans	8	52,984	53,004
Advances (Unsecured-considered good)			
to employees		757,240	604,558
to suppliers		2,214,099	1,135,640
		2,971,339	1,740,198
		3,024,323	1,793,202

14. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	2014 Rupees	2013 Rupees
Security deposits	2,770,660	1,243,000
Prepayments	258,343	840,401
	3,029,003	2,083,401

Notes to the Financial Statements
for the year ended June 30, 2014

	Note	2014 Rupees	2013 Rupees (Re-stated)
15. OTHER RECEIVABLES			
(Unsecured-considered good)			
Due from associated undertaking		-	17
Others		727,300	510,344
		727,300	510,361
16. TAX REFUND DUE FROM GOVERNMENT			
Sales tax and special excise duty receivable		37,389,435	24,270,768
Income tax refundable		22,112,886	14,502,818
		59,502,321	38,773,586

17. TAXATION - NET

The income tax assessments of the Company have been finalised by the tax authorities upto tax year 2013 (accounting year ended June 30, 2013). Adequate provisions have been made in these financial statements for the year ended June 30, 2014 (tax year 2014).

18. CASH AND BANK BALANCES

	2014 Rupees	2013 Rupees
Cash with banks in current accounts	7,149,258	237,915
Cash in hand	812,326	684,584
	7,961,584	922,499

19. AUTHORIZED SHARE CAPITAL

Number of ordinary shares of Rs.10/- each 2014	2013		2014 Rupees	2013 Rupees
70,000,000	30,000,000	Ordinary shares of Rs. 10/- each	700,000,000	300,000,000

20. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Number of ordinary shares of Rs.10/- each 2014	2013		2014 Rupees	2013 Rupees
37,461,352	1,890,000	Fully paid in cash	374,613,520	18,900,000
2,852,847	2,852,847	Issued as bonus shares fully paid	28,528,470	28,528,470
40,314,199	4,742,847		403,141,990	47,428,470
22,543,068	2,507,390	Shares held by associated undertakings	225,430,680	25,073,900

Notes to the Financial Statements
for the year ended June 30, 2014

20.1 During the year , the Company issued 35,571,352 ordinary shares at par value at Rs.10 each to the members of the company at the rate of fifteen right shares for every two shares held.

	Note	2014 Rupees	2013 Rupees
21. ACCUMULATED LOSS			
Revenue			
General reserve		106,800,000	106,800,000
Accumulated losses		(169,026,358)	(156,558,761)
		(62,226,358)	(49,758,761)
22. SURPLUS ON REVALUATION OF FIXED ASSETS			
Gross surplus			
Balance as at July 01,		190,413,314	195,056,343
Surplus recognised during the year		-	-
Balance as at June 30,		190,413,314	195,056,343
Transfer to unappropriated profit in respect of disposal of revalued property, plant and equipment during the year - (net of deferred tax)		-	(65,224)
Related deferred tax liability		-	(35,121)
		-	(100,345)
Transfer to unappropriated profit in respect of incremental depreciation charged during the year - (net of deferred tax)		(2,945,649)	(2,952,750)
Related deferred tax liability		(1,586,119)	(1,589,934)
		(4,531,768)	(4,542,684)
Surplus on revaluation of fixed assets as at June 30,		185,881,546	190,413,314
Related deferred tax effect:			
Balance as at July 01,		(18,946,613)	(20,571,668)
On surplus recognised during the year		-	-
Transferred to unappropriated profit in respect of disposal of revalued property, plant and equipment during the year		-	35,121
Incremental depreciation charge during the year		1,586,119	1,589,934
	25	(17,360,494)	(18,946,613)
		168,521,052	171,466,701

22.1 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.

23. SUBORDINATED LOAN - UNSECURED

	Note	2014 Rupees	2013 Rupees
From associated undertaking	23.1	100,000,000	100,000,000

Notes to the Financial Statements
for the year ended June 30, 2014

23.1 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 period, the effective mark-up rate was 10.59% per annum (2013: 10.43% 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.

	Note	2014 Rupees	2013 Rupees (Re-stated)
24. LONG TERM FINANCING			
Unsecured			
From associated undertaking	24.1	440,000,000	440,000,000
Less: Current portion shown under current liabilities		(88,000,000)	-
		352,000,000	440,000,000

24.1 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 23). It is to be repaid in twenty equal quarterly installments commencing from July 2014. During the year, the rate of mark-up was revised to 0.9% over last business day of three months KIBOR of preceding quarter from 0.9% over average of three months KIBOR of the last five days of preceding quarter. During the year, the effective mark-up rate was 10.59% per annum (2013:10.43% per annum).

25. DEFERRED TAXATION

	Note	2014 Rupees	2013 Rupees (Re-stated)
Deferred taxation comprises of:			
Taxable temporary differences:			
Surplus on revaluation of fixed assets	22	17,360,494	18,946,613
Other taxable temporary differences		108,764,327	105,847,418
Gross deferred tax liabilities		126,124,821	124,794,031
Deductible temporary differences:			
Carried forward tax losses		111,614,103	114,054,086
Turnover tax		10,866,586	6,207,797
Employee retirement benefit		1,091,613	1,861,282
Provision for slow moving and obsolete items		1,398,802	1,274,978
Provision for doubtful debts		634,239	634,239
Provision for compensated absences		519,478	761,649
Gross deferred tax assets		(126,124,821)	(124,794,031)
		-	-

25.1 Deferred tax asset arising due to timing difference calculated at applicable tax rates as at balance sheet date amounted to Rs. 54.865 million (2013: Rs. 40.040 million restated) debit. Deferred tax asset has not been recognized in these financial statements in accordance with the stated accounting policy of the Company.

Notes to the Financial Statements
for the year ended June 30, 2014

	Note	2014 Rupees	2013 Rupees
26. TRADE AND OTHER PAYABLES			
Creditors	26.1	119,807,192	135,005,581
Accrued liabilities		10,830,226	9,721,419
Payable to gratuity fund	40.1.1	1,476,440	2,872,315
Advances from customers		188,903	132,060
Short term deposits		5,000	5,000
Unclaimed dividend		129,143	129,143
Workers' welfare fund	36	328,403	-
Workers profit participation fund	36	384,088	-
Others		1,489,083	1,585,635
		134,638,478	149,451,153

26.1 This includes Rs. 0.063 million (2013: Rs. 0.038 million) payable in foreign currency equivalent to Pak Rupees. It includes amount payable to related parties aggregating to Rs. 42.235 million (2013: Rs. 71.154 million).

	Note	2014 Rupees	2013 Rupees
27. FINANCIAL CHARGES PAYABLE			
Mark-up accrued on secured:			
Short-term borrowings		8,109,531	8,946,599
Long term financing		-	925,841
		8,109,531	9,872,440
28. SHORT-TERM BORROWINGS			
From banking companies - secured			
Running finance	28.1	346,273,043	341,364,363
Term finance		-	70,000,000
		346,273,043	411,364,363

28.1 The Company has short term running finance facilities under mark-up arrangements in aggregate amounting to Rs. 520.000 million (2013: Rs. 685.000 million) from various commercial banks having mark-up at rates ranging from 11.17% to 11.38% (2013: 10.35% to 12.26%) per annum calculated on a daily product basis and payable quarterly. The unutilised balance at the end of the year was Rs. 173.727 million (2013: Rs. 273.636 million).

The Company also has a facility for opening letters of credit under mark-up arrangements as at June 30, 2014 amounting to Rs. 225.000 million (2013: Rs. 275.000 million) from various commercial banks. The unutilized balance at the end of the year was Rs. 216.479 million (2013: Rs. 266.146 million).

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

	Note	2014 Rupees	2013 Rupees
29. CURRENT PORTION OF LONG-TERM FINANCING			
Long term financing	24	88,000,000	-

30. CONTINGENCIES AND COMMITMENTS

30.1 Contingencies

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

Notes to the Financial Statements
for the year ended June 30, 2014

30.2 Commitments

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

Stores, spares and raw materials under letters of credit amounting to Rs. 1.412 million (2013: Rs. 8.854 million).

Stores, spares and raw materials under contractual obligations amounting to Rs.5.063 million (2013: Rs.4.521 million).

Capital expenditures under letters of credit amounted to Rs.7.109 million (2013: Nil).

Capital expenditures under contractual obligation amounted to Rs.3.905 million (2013: Nil).

	Note	**2014** Rupees	2013 Rupees (Re-stated)
31. SALES - NET			
Gross sales		2,199,493,448	1,606,558,286
Sales tax		(314,533,622)	(217,299,670)
		1,884,959,826	1,389,258,616
32. COST OF SALES			
Materials consumed		1,458,318,284	1,052,709,763
Salaries, wages and other benefits	32.1	84,870,507	84,275,848
Packing material consumed		34,743,587	31,948,244
Outsourced services		13,622,050	16,727,743
Stores and spares consumed		33,642,873	28,034,307
Power and fuel		51,553,230	34,432,680
Depreciation	5.2	41,139,581	37,895,811
Amortisation	7.1	418,730	452,023
Rent, rates and taxes		4,240,324	3,481,852
Repairs and maintenance		3,321,899	4,021,342
Vehicle running expenses		720,226	1,110,276
Insurance		4,393,478	4,503,978
Printing and stationery		604,917	732,757
Communication charges		808,058	1,105,753
Traveling and conveyance		701,017	1,089,442
Fees and subscription		691,459	495,775
Software license fee		384,389	398,297
Other expenses		1,210,987	1,226,696
Manufacturing cost		1,735,385,596	1,304,642,587
Opening work-in-process		20,301,593	52,819,117
Closing work-in-process	11	(39,194,545)	(20,301,593)
		(18,892,952)	32,517,524
Cost of goods manufactured		1,716,492,644	1,337,160,111
Opening stock of finished goods		19,600,863	5,154,180
Closing stock of finished goods	11	(11,544,937)	(19,600,863)
		8,055,926	(14,446,683)
		1,724,548,570	1,322,713,428

Notes to the Financial Statements
for the year ended June 30, 2014

32.1 Salaries, wages and other benefits include Rs. 3.364 million (2013: Rs. 5.005 million) in respect of staff retirement benefits.

	Note	2014 Rupees	2013 Rupees (Re-stated)
33. GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries and other benefits	33.1	22,349,782	23,305,140
Depreciation	5.2	779,419	1,050,248
Amortisation	7.1	354,851	380,219
Rent, rates and taxes		307,362	177,230
Repairs and maintenance		306,632	260,036
Vehicle running expenses		2,646,209	2,010,381
Insurance		220,073	248,103
Printing and stationery		506,434	481,277
Communication charges		947,049	870,025
Traveling and conveyance		544,327	745,819
Fees and subscription		511,577	141,991
Software license fee		276,995	209,715
Service fee to associated undertakings		1,547,966	861,045
Electricity charges		101,566	73,796
Others		131,604	38,898
		31,531,846	30,853,923

33.1 Salaries and other benefits include Rs. 1.637 million (2013: Rs. 1.810 million) in respect of staff retirement benefits.

34. SELLING AND DISTRIBUTION EXPENSES

	Note	2014 Rupees	2013 Rupees
Salaries and other benefits	34.1	8,669,850	10,158,745
Depreciation	5.2	785,226	1,029,092
Amortisation	7.1	170,886	186,422
Repairs and maintenance		144,596	75,230
Vehicle running expenses		1,450,829	2,257,172
Insurance		187,453	221,998
Printing and stationery		13,018	7,625
Communication charges		428,040	576,974
Traveling and conveyance		1,437,310	527,081
Fees and subscription		84,152	346,848
Software license fee		123,083	115,277
Advertisement		189,741	219,293
Cartage outward		12,179,708	8,245,934
Others		191,175	158,431
		26,055,067	24,126,122

34.1 Salaries and other benefits include Rs. 0.495 million (2013: Rs. 0.817 million) in respect of staff retirement benefits.

Notes to the Financial Statements

for the year ended June 30, 2014

	Note	2014 Rupees	2013 Rupees
35. OTHER INCOME			
Insurance agency commission from associated undertaking		707,439	713,208
Scrap sales		3,039,326	3,179,804
Gain on disposal of operating fixed assets		18,134	1,257,102
Foreign exchange gain		54,283	71,518
		3,819,182	5,221,632
36. OTHER OPERATING EXPENSES			
Legal and professional		2,132,956	1,524,728
Auditors' remuneration:			
Statutory audit		277,680	267,000
Special reports and sundry services		150,720	158,500
Out-of-pocket expenses		107,500	153,800
		535,900	579,300
Workers' profit participation fund		384,088	-
Workers' welfare fund		328,403	-
Director fees		155,000	97,000
		3,536,347	2,201,028
37. FINANCIAL CHARGES			
Mark-up / interest on:			
Sub-ordinated loan		10,596,548	171,452
Long-term financing		48,671,564	53,866,727
Lease finances		-	25,385
Short-term borrowings		36,298,754	43,070,907
		95,566,866	97,134,471
Bank charges and commission		571,051	983,476
		96,137,917	98,117,947
38. TAXATION			
Current		18,951,460	7,040,157
Prior		(6,285)	-
Deferred		(769,669)	(2,006,709)
	38.1	18,175,506	5,033,448

38.1 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.

Notes to the Financial Statements

for the year ended June 30, 2014

	2014	2013
39. LOSS PER SHARE - BASIC AND DILUTED		
Loss for the year (Rupees)	(11,206,245)	(88,565,648)
Weighted average number of ordinary shares outstanding	23,751,430	11,662,963
Loss per share - basic and diluted (Rupees)	(0.47)	(7.59)

40. DEFINED BENEFIT PLAN

40.1 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, 2014, using the Projected Unit Credit Method.

The Company faces the following risks on account of gratuity:

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.

		2014	2013
	Note	**Rupees**	Rupees
			(Re-stated)
40.1.1 Liability recognised in balance sheet			
Fair value of plan assets	40.1.3	32,653,126	37,742,842
Present value of defined benefit obligation	40.1.4	(34,129,566)	(40,615,157)
Closing net liability	26	(1,476,440)	(2,872,315)

Notes to the Financial Statements
for the year ended June 30, 2014

	Note	2014 Rupees	2013 Rupees (Re-stated)
40.1.2 Movement of the liability recognized in the balance sheet			
Opening net liability		(2,872,315)	(7,758,200)
Charge for the year		(2,468,103)	(2,118,353)
Remeasurements chargeable to other comprehensive Income		2,199,053	1,856,512
Contribution to fund made during the year		1,664,925	5,147,726
Closing net liability		(1,476,440)	(2,872,315)
40.1.3 Movement in the fair value of plan assets			
Fair value as at July 01		37,742,842	30,319,992
Expected return on plan assets		3,898,913	4,718,503
Actuarial gain / (losses)		(1,310,119)	3,224,223
Contribution by the employer		1,664,925	5,147,726
Benefits paid		(9,343,435)	(5,667,602)
Fair value as at June 30	40.1.1	32,653,126	37,742,842
40.1.4 Movement in the defined benefit obligation			
Obligation as at July 01		(40,615,157)	(38,078,192)
Current service cost		(2,233,520)	(2,431,307)
Interest cost		(4,133,496)	(4,405,549)
Actuarial (losses) / gain		3,509,172	(1,367,711)
Benefits paid		9,343,435	5,667,602
Obligation as at June 30	40.1.1	(34,129,566)	(40,615,157)
40.1.5 Expenses recognised in profit and loss account			
Current service cost		2,233,520	2,431,307
Interest cost		234,583	(312,954)
		2,468,103	2,118,353
Actual return on plan assets		2,588,794	7,942,726
40.1.6 Remeasurements chargeable to other comprehensive income			
Remeasurement (loss)/gain on obligation	40.1.4	3,509,172	(1,367,711)
Remeasurement gain/(loss) on plan assets	40.1.3	(1,310,119)	3,224,223
		2,199,053	1,856,512

40.1.7 Composition of the fair value of plan assets

	2014		2013	
	Rupees	Percentage	Rupees	Percentage
T-Bills	6,366,233	20%	22,482,743	60%
Mutual fund	6,235,525	19%	5,772,514	15%
Cash with banks	20,051,368	61%	9,487,585	25%
	32,653,126		37,742,842	

Notes to the Financial Statements

for the year ended June 30, 2014

40.1.8 The expected contribution to funded gratuity scheme for the year ending June 30, 2015 is Rs. 2.657 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	**2014** **Percentage**	2013 Percentage
40.1.9 Principal actuarial assumptions			
Following were the significant actuarial assumptions used in the valuation:			
Discount rate per annum		13.25%	11.50%
Expected rate of return on plan assets per annum		13.25%	11.50%
Expected rate of increase in salary per annum		11.50%	11.50%

	2014 **Rupees**	2013 Rupees	2012 Rupees	2011 Rupees	2010 Rupees
		(Re-stated)	(Re-stated)		
40.1.10 Comparison of five years					
As at June 30,					
Fair value of plan assets	32,653,126	37,742,842	30,319,992	23,119,926	17,452,523
Present value of defined benefit obligation	(34,129,566)	(40,615,157)	(38,078,192)	(33,908,500)	(29,775,500)
Deficit in the plan	(1,476,440)	(2,872,315)	(7,758,200)	(10,788,574)	(12,322,977)
Experience adjustments					
Actuarial (gain) / loss on plan assets	(1,310,119)	(3,224,223)	683,096	421,865	4,674,000
Actuarial (gain) / loss on plan liabilities	(3,509,172)	1,367,711	(2,517,056)	(112,166)	(1,523,000)

	Rupees	Percentage
40.1.11 Sensitivity analysis		
Current liability	34,129,566	
+1% discount rate	31,001,973	-9.16%
-1% discount rate	37,743,022	10.52%
+1% salary increase rate	37,719,243	10.59%
-1% salary increase rate	30,967,516	-9.26%
+10% withdrawal rate	34,065,351	-0.19%
-10% withdrawal rate	34,195,210	0.19%
1 year mortality age set back	34,117,869	-0.03%
1 year mortality age set forward	34,141,301	0.03%

Notes to the Financial Statements
for the year ended June 30, 2014

40.1.12 Maturity Profile

	Undiscounted Payments
Year 1	1,110,749
Year 2	4,898,141
Year 3	909,333
Year 4	783,432
Year 5	2,793,752
Year 6 to year 10	27,892,875
Year 11 and above	178,669,372

40.2 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.

40.2.1 The Trustees have intimated that the size of the Fund as at December 31, 2013 was Rs. 101.187 million.

40.2.2 As intimated by the Trustees, the cost of the investments made at December 31, 2013 was Rs. 80.087 million which is equal to 79.15% of the total fund size. The fair value of the investments was Rs. 92.548 million at that date. The category wise break-up of investments as per Section 227 of the Companies Ordinance, 1984 is given below:

	Rupees	Percentage
T-Bills	29,183,926	28.84%
Mutual fund	54,602,867	53.96%
Cash with banks	8,761,076	8.66%
	92,547,869	91.46%

40.2.3 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.

	Note	2014 Rupees	2013 Rupees
41. CASH (USED IN) / GENERATED FROM OPERATIONS			
Profit /(loss) before taxation		6,969,261	(83,532,200)
Adjustment for non-cash items and other items:			
Gain on disposal of operating fixed assets		(18,134)	(1,257,102)
Financial charges		96,137,917	98,117,947
Depreciation		42,704,226	39,975,151
Amortisation		944,467	1,018,664
Provision for slow moving stock and obsolete items		353,784	212,152
		140,122,260	138,066,812
Profit before working capital changes		147,091,521	54,534,612
Working capital changes	41.1	(191,274,040)	(17,042,472)
		(44,182,519)	37,492,140

Notes to the Financial Statements
for the year ended June 30, 2014

	Note	2014 Rupees	2013 Rupees
41.1 Working capital changes			
(Increase) / decrease in current assets:			
Stores and spares		(8,558,051)	(9,527,507)
Stock-in-trade		(31,391,481)	(26,071,413)
Trade debts		(123,198,557)	62,306,429
Loans and advances		(1,231,121)	3,557,009
Trade deposits and short-term prepayments		(945,602)	274,653
Other receivables		(216,939)	(869,468)
Tax refund due from government		(13,118,667)	(9,161,754)
		(178,660,418)	20,507,949
Decrease in current liabilities:			
Trade and other payables (excluding unclaimed dividend)		(12,613,622)	(37,550,421)
		(191,274,040)	(17,042,472)

42. 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:

	2014				2013			
	Chief Executive Rupees	Director Rupees	Executives Rupees	Total Rupees	Chief Executive Rupees	Director Rupees	Executives Rupees	Total Rupees
Managerial remuneration	2,324,412	977,180	6,005,436	9,307,028	2,295,264	2,345,232	7,500,724	12,141,220
House rent	495,201	211,115	2,416,944	3,123,260	699,611	733,551	2,858,955	4,292,117
Bonus	414,297	162,218	1,000,169	1,576,684	373,434	389,322	1,195,293	1,958,049
Retirement benefits	215,650	87,810	847,821	1,151,281	605,476	210,744	1,758,319	2,574,539
Motor vehicle expenses	284,412	109,686	1,421,890	1,815,988	284,254	241,001	1,233,322	1,758,577
Medical allowances	229,622	97,330	597,096	924,048	224,064	233,592	743,860	1,201,516
Utilities	4,477	-	-	4,477	34,195	-	-	34,195
Total	3,968,071	1,645,339	12,289,356	17,902,766	4,516,298	4,153,442	15,290,473	23,960,213
Number of persons	2	1	8	11	1	1	9	11

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

42.2 Aggregate amount charged in these financial statements in respect of Directors fee is Rs. 0.155 million (2013: Rs. 0.097 million).

42.3 During the year Mr. Mohammad Shahid (Chief Executive Officer) resigned and Mr. Shahid Ahmed Khan (Director) joined as his replacement.

43. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of related group companies, local associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and remuneration and benefits to key management personnel under the terms of their employment are as follows:

Notes to the Financial Statements

for the year ended June 30, 2014

Relation with the Company	Nature of transaction	Note	2014 Rupees	2013 Rupees (Re-stated)
Associated companies	Sales and services of goods (including fixed assets)		196,144,903	171,031,326
	Purchases of goods and services (including fixed assets)		1,127,178,744	905,926,283
	Long term financing obtained		50,000,000	540,000,000
	Repayment of short term financing		50,000,000	-
	Markup on short term financing		59,268,112	925,841
	Rent and allied charges		235,746	212,919
	Insurance agency commission income		707,439	713,208
	Insurance claim received		35,100	793,100
	Issue of right shares		200,356,780	-
Sponsors	Markup on long term financing		-	53,112,329
	Long term financing obtained		-	100,000,000
	Repayment of long term financing		-	640,000,000
Directors	Issue of right shares		654,600	-
Retirement benefit plans	Contribution towards employees retirement benefits plans		5,495,953	7,423,785
Key management personnel	Compensation in respect of:			
	Short term employee benefits	43.2	10,851,802	13,730,017
	Retirement benefits		640,582	1,968,619

43.1 Year end balances

Receivable from related parties	22,912,348	20,400,632
Payable to related parties	44,674,256	75,884,145
Long-term financing from associated undertaking	440,000,000	440,000,000
Sub-ordinated loan	100,000,000	100,000,000

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

44. CAPACITY AND PRODUCTION

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

Notes to the Financial Statements
for the year ended June 30, 2014

45. FINANCIAL ASSETS AND LIABILITIES

	2014					
		Exposed to yield/mark-up rate risk				Not exposed to yield/ mark-up rate risk
	Total	Maturity upto one year	Maturity over one year to five years	Maturity over five years	Sub-total	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Financial assets						
Loans and receivables at amortized cost						
Long-term loans and advances	52,984	-	-	-	-	52,984
Long-term deposits	3,652,747	-	-	-	-	3,652,747
Trade debts	325,880,704	-	-	-	-	325,880,704
Short-term deposits	2,770,660	-	-	-	-	2,770,660
Other receivables	727,300	-	-	-	-	727,300
Cash and bank balances	7,961,584	-	-	-	-	7,961,584
	341,045,979	-	-	-	-	341,045,979
Financial liabilities						
Financial liabilities carried at amortized cost						
Subordinated loan	100,000,000	-	-	100,000,000	100,000,000	-
Long-term financing	440,000,000	88,000,000	352,000,000	-	440,000,000	-
Long-term deposits	41,000	-	-	-	-	41,000
Trade and other payables	134,638,478	384,088	-	-	384,088	134,254,390
Financial charges payable	8,109,531	8,109,531	-	-	8,109,531	-
Short-term borrowings	346,273,043	346,273,043	-	-	346,273,043	-
	(1,029,062,052)	(442,766,662)	(352,000,000)	(100,000,000)	(894,766,662)	(134,295,390)
On balance sheet gap	(688,016,073)	(442,766,662)	(352,000,000)	(100,000,000)	(894,766,662)	206,750,589
Off balance sheet items						
Financial commitments						
Stores, spare, raw material and capital expenditure under letter of credit	8,520,461	-	-	-	-	8,520,461
Stores, spare, raw material and capital expenditure under contractual obligations	8,967,667	-	-	-	-	8,967,667
	(17,488,128)	-	-	-	-	(17,488,128)
Total gap	(705,504,201)	(442,766,662)	(352,000,000)	(100,000,000)	(894,766,662)	189,262,461

Notes to the Financial Statements
for the year ended June 30, 2014

	2013					
		Exposed to yield/mark-up rate risk				Not exposed to yield/ mark-up rate risk
	Total	Maturity upto one year	Maturity over one year to five years	Maturity over five years	Sub-total	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
	(Re-stated)					
Financial assets						
Loans and receivables at amortized cost						
Long-term loans	105,988	–	–	–	–	105,988
Long-term deposits	3,596,547	–	–	–	–	3,596,547
Trade debts	202,682,147	–	–	–	–	202,682,147
Short-term deposits	1,243,000	–	–	–	–	1,243,000
Other receivables	510,361	–	–	–	–	510,361
Cash and bank balances	922,499	–	–	–	–	922,499
	209,060,542	–	–	–	–	209,060,542
Financial liabilities						
Financial liabilities carried at amortized cost						
Subordinted loan	100,000,000	–	–	100,000,000	100,000.000	–
Long-term financing	440,000,000	–	352,000,000	88,000,000	440,000,000	–
Long-term deposits	81,000	–	–	–	–	81,000
Trade and other payables	149,451,153	–	–	–	–	149,451,153
Financial charges payable	9,872,440	9,872,440	–	–	9,872,440	–
Short-term borrowings	411,364,363	411,364,363	–	–	411,364,363	–
	(1,110,768,956)	(421,236,803)	(352,000,000)	(188,000,000)	(961,236,803)	(149,532,153)
On balance sheet gap	(901,708,414)	(421,236,803)	(352,000,000)	(188,000,000)	(961,236,803)	59,528,389
Off balance sheet items						
Financial commitments						
Stores, spares and raw material under letter of credit	8,853,545	–	–	–	–	8,853,545
Stores, spares and raw material under contractual obligations	4,521,312	–	–	–	–	4,521,312
	(13,374,857)	–	–	–	–	(13,374,857)
Total gap	(915,083,271)	(421,236,803)	(352,000,000)	(188,000,000)	(961,236,803)	46,153,532

Notes to the Financial Statements

for the year ended June 30, 2014

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

46.1 Risk management policies

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

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

46.2 Credit risk

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

Exposure to credit risk

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

	2014	2013
	(Rupees in thousands)	
		(Re-stated)
Loans and deposits	6,476	4,946
Trade debts	325,881	202,683
Other receivables	727	510
Bank balances	7,149	238
	340,233	208,377
The aging of trade receivable at the reporting date is:		
Not past due	242,845	152,098
Past due 1-30 days	55,390	22,265
Past due 30-90 days	7,491	19,133
Past due 90 days	20,155	9,187
	325,881	202,683

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+.

Notes to the Financial Statements
for the year ended June 30, 2014

Concentration of credit risk

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

Impaired assets

During the year no assets have been impaired.

46.3 Liquidity risk

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

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	–	–	–	–
Financial charges payable	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

2013

	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	133,785	2,521	4,986	9,252	15,774	101,252
Long term financing	440,000	588,654	11,090	21,940	128,709	333,405	93,510
Long term deposits	81	81	–	–	40	41	–
Trade and other payables	149,451	149,451	149,451	–	–	–	–
Financial charges payable	9,872	9,872	9,872	–	–	–	–
Short term borrowings	411,364	411,364	411,364	–	–	–	–
	1,110,768	1,293,207	584,298	26,926	138,001	349,220	194,762

Notes to the Financial Statements

for the year ended June 30, 2014

46.4 Market risk

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

46.4.1 Currency risk

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

	2014	2013
	(Rupees in thousands)	
Foreign bills payable	63	38
Contractual obligations	17,488	13,375
Net exposure	17,551	13,413

The following significant exchange rates have been applied

Average rate		**Reporting date rate**	
2014	2013	**2014**	2013
(Rupees)			
102.90	96.90	98.75	98.80

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

	Average rate		**Reporting date rate**	
	2014	2013	**2014**	2013
	(Rupees in thousands)			
Effect on (loss) or profit	1,755	1,341	1,755	1,341

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

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

46.4.2 Interest rate risk

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

Notes to the Financial Statements
for the year ended June 30, 2014

	2014	2013	2014	2013
	Effective rate		Carrying amount	
	(In percent)		(Rupees in thousands)	
Financial Liabilities				
Variable rate instruments				
Long term loans	10.59%	10.43%	352,000	440,000
Subordianted loan	10.59%	10.43%	100,000	100,000
Short term borrowings	10.69%	11.24%	346,273	341,364

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 2013.

	Profit and loss	
	100 bp Increase	100 bp Decrease
As at June 30, 2014		
Cash flow sensitivity - Variable rate financial liabilities (Rs' 000)	(7,983)	7,983
As at June 30, 2013		
Cash flow sensitivity - Variable rate financial liabilities (Rs' 000)	(8,814)	8,814

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

47. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

48. CAPITAL MANAGEMENT

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

Notes to the Financial Statements
for the year ended June 30, 2014

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

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

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

49. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on August 29, 2014 by the Board of Directors of the Company.

50. CORRESPONDING FIGURES

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

51. NUMBER OF EMPLOYEES

The number of employees as at year end was 216 and average number of employees during the year was 208.

52. GENERAL

Figures have been rounded off to the nearest rupee.

IQBAL ALI LAKHANI	**SHAHID AHMED KHAN**
Chairman	Chief Executive Officer

Certificate

Certificate SG10/02787

The management system of

Merit Packaging Limited

Plot no.17-B, Sector-29, Korangi Industrial Area,
Karachi, Pakistan.

has been assessed and certified as meeting the requirements of

ISO 9001:2008

For the following activities

Printing, Packaging and Related Activities
(Printing and Packaging whether it be Offset or Gravure Printing)

Further clarifications regarding the scope of this certificate and the applicability of ISO 9001:2008 requirements may be obtained by consulting the organization.

This certificate is valid from 24 March 2013 until 23 March 2016
and remains valid subject to satisfactory surveillance audits.
Re certification audit due before 23 February 2016
Issue 2. Certified since 24 March 2010

Authorised by

SGS United Kingdom Ltd. Systems & Services Certification
Rossmore Business Park, Ellesmere Port, Cheshire, CH65 3EN, UK

UKAS MANAGEMENT SYSTEMS

SGS

Certificate PK11/00045

The management system of

Merit Packaging Limited

Plot no. 17-B, Sec-29, Korangi Industrial Area,
Karachi, Pakistan.

has been assessed and certified as meeting the requirements of

HACCP Codex Alimentarius

**Hazard Analysis and Critical Control Point (HACCP)
System and Guidelines for its application
Annex to CAC/RCP-1-1969, Rev.4(2003)**

For the following activities

**Offset Printing on Paper and Board and Gravure Printing
on Paper and Film.
[Food Sector: M1 (Packaging material)]**

Further clarifications regarding the scope of this certificate and the applicability of HACCP requirements may be obtained by consulting the organization

This certificate is valid from 17 June 2014 until 17 April 2017
and remains valid subject to satisfactory surveillance audits.
Recertification audit due before 29 March 2017
Issue 2. Certified since 18 April 2011

Authorised by

SGS Pakistan (Private) Limited Systems & Services Certification
H-3/3, Sector 5, Korangi Industrial Area, Karachi, Pakistan
t +92-21-5121385-95 f +92-21-5121326 www.sgs.com

Page 1 of 1

SGS

SGS

Certificate SG12/04149

The management system of

Merit Packaging Limited

Plot No. 17-B, Sector -29, Korangi Industrial Area.
Karachi, Pakistan.

has been assessed and certified as meeting the requirements of

ISO 14001:2004

For the following activities

**Printing Packaging Process (Offset & Gravure)
and Related Activities**

This certificate is valid from 02 November 2012 until 01 November 2015
and remains valid subject to satisfactory surveillance audits.
Re certification audit due before 18 October 2015
Issue 1. Certified since 02 November 2012

Authorised by

SGS United Kingdom Ltd Systems & Services Certification
Rossmore Business Park Ellesmere Port Cheshire CH65 3EN UK
t +44 (0)151 350-6666 f +44 (0)151 350-6600 www.sgs.com

Page 1 of 1

UKAS
MANAGEMENT
SYSTEMS

SGS

Certificate CH11/0571

The management system of

Merit Packaging Limited

Plot no. 17-B, Sec-29, Korangi Industrial Area, Karachi, Pakistan

has been assessed and certified as meeting the requirements of

ISO 22000:2005

For the following activities

Offset Printing on Paper and Board and Gravure Printing on Paper and Film.

[Food Sector: M1 (Packaging Material)]

This certificate is valid from 11 June 2014 until 10 April 2017
And remains valid subject to satisfactory surveillance audits
Re certification audit due before 29 March 2017
Issue 2. Certified since April 2011

Authorised by

SGS Société Générale de Surveillance SA Systems & Services Certification
Technoparkstrasse 1 8005 Zurich Switzerland
t +41 (0)44 445-16-80 f +41 (0)44 445-16-88 www.sgs.com

Accreditation No. SCESm 017

Page 1 of 1

Certificate CH14/0667

The management system of

Merit Packaging Limited

Plot no. 17-B, Sec-29, Korangi Industrial Area, Karachi, Pakistan.

has been assessed and certified as meeting the requirements of

PAS 223 : 2011

Pre Requisite Programmes and Design Requirements on Food Safety in the Manufacture and Provision of Food Packaging

For the following activities

Offset Printing on Paper and Board and Gravure Printing on Paper and Film
[Food Sector: M1 (Packaging Material)]

Further clarifications regarding the scope of this certificate and the applicability of PAS 223 requirements may be obtained by consulting the organization.

This certificate is valid from 11 June 2014 until 10 April 2017 and remains valid subject to satisfactory surveillance audits.
Recertification audit due before 29 March 2017
Issue 1. Certified since June 2014

Authorized by

Authorised Accredited Office Manager

SGS Société Générale de Surveillance SA Systems & Services Certification
Technoparkstrasse 1 8005 Zurich Switzerland
t +41 (0)44 445-16-80 f +41 (0)44 445-16-88 www.sgs.com

Page 1 of 1

M

Form of Proxy

I/We ____

of ____

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

of ____ or failing him

____ of

____

who is/are also member/s of Merit Packaging Limited to act as my/our proxy and to vote for me/us and on my/our behalf at the **Annual General Meeting** of the Shareholders of the Company to be held on the 10th day of October 2014 and at any adjournment thereof.

Signed this ______________ day of ______________ 2014.

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

Signature over Revenue Stamp

Witness 1

Signature ______________________

Name ______________________

CNIC No. ______________________

Address ______________________

____

Witness 2

Signature ______________________

Name ______________________

CNIC No. ______________________

Address ______________________

____

Notes : -

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

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

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

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

ANNUAL
REPORT 2014

MERIT
PACKAGING LTD.

MERIT PACKAGING LIMITED
A Lakson Group Company
17-B, Sec 29, Korangi Industrial Area, Karachi-75180/Pakistan
Tel: (92 213) 501 7180, 5544, website: www.meritpack.com