

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2007

1. INTRODUCTION

The Company is a public company incorporated in Pakistan on April 29, 1993 under the Companies Ordinance, 1984 and is listed on all the stock exchanges in Pakistan. It is principally engaged in the manufacture and sale of Biaxially Oriented Polypropylene (BOPP) film. The registered office of the Company is situated at 4th floor, The Forum, Suite No. 416 to 422, G-20, Block-9, Khayaban-e-Jami, Clifton, Karachi.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for the recognition of certain employee retirement benefits at present value and available for sale investments which are stated at fair value.

2.2 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance), the International Financial Reporting Standards (IFRSs), as applicable in Pakistan, issued by the International Accounting Standards Board (IASB). However, the requirements of the Ordinance and the directives issued by the Securities and Exchange Commission of Pakistan have been followed in case where its requirements are not consistent with the requirements of IFRSs.

Amendments to published standards and new interpretations effective in 2007:

IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Company's financial instruments, or the disclosures relating to taxation and trade and other payables.

Standards, amendments and interpretations effective in 2007 but not relevant:

There are other new standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2007 but are considered not to be relevant or have any significant effect to the Company's operations.

Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after January 1, 2008 or later periods:

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2007

IAS 23 (Amendment) 'Borrowing costs' (effective from January 1, 2009). It requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. On adoption the option of immediately expensing those borrowing costs will be withdrawn.

IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from January 1, 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The management is in the process of assessing the impact of its adoption on the Company.

2.3 Staff retirement benefits

The main features of the schemes operated by the Company for its employees are as follows:

2.3.1 Defined contribution plan

Provident fund

The Company operates a recognised provident fund for all its permanent employees who have completed prescribed qualifying period of service. Equal monthly contributions are made, both by the Company and the employees, to the fund at the rate of ten percent of basic salary.

2.3.2 Defined benefit plans and other service benefits

Pension fund

The Company also contributes towards pension of employees of the Company who have completed prescribed qualifying period of service and are a member of an approved funded defined benefit pension plan of an associated company. The monthly contributions are made to the fund on the basis of actuarial recommendation. The latest actuarial valuation was carried out as at December 31, 2007.

The 'projected unit credit method' is based on the following significant assumptions and is used for valuation of the aforementioned fund:

- Discount rate – 11% (2006: 11%) per annum
- Expected rate of increase in salary levels – 8.89% (2006: 8.89%) per annum
- Expected rate of return on plan assets – 11% (2006: 11%) per annum

The Company's policy with regard to actuarial gains / losses is to follow minimum recommended approach under the International Accounting Standard on Employee Benefits (IAS-19).

Gratuity fund

The Company operates an approved defined benefit gratuity fund plan for all its permanent employees who have completed the prescribed qualifying period of service. Monthly contributions are made to the fund on the basis of actuarial recommendation. The latest actuarial valuation of the fund was carried out as at December 31, 2007.

The 'projected unit credit method' is based on the following significant assumptions and is used for valuation of the aforementioned fund:

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2007

- Discount rate – 10% (2006: 10%) per annum
- Expected rate of increase in salary levels – 9% (2006: 9%) per annum
- Expected rate of return on plan assets – 9% (2006: 9%) per annum

The Company's policy with regard to actuarial gains / losses is to follow minimum recommended approach under International Accounting Standard on Employee Benefits (IAS-19).

Employee compensated absences

The Company also provides for compensated absences for all eligible employees in accordance with the rules of the Company. The provision is recognised on the basis of actuarial valuation. The valuation is based on the following significant assumptions:

- Discount rate – 11% (2006: 11%) per annum
- Expected rate of increase in salary levels – 8.9% (2006: 8.9%) per annum

2.4 Taxation

Current

Provision for current tax is based on the taxable income for the year at the current rates of taxation or half percent of turnover; whichever is higher. The charge for current tax is calculated using prevailing tax rates after taking into account tax credits, rebates and exemption available.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on enacted tax rates.

2.5 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received.

2.6 Provisions

Provisions are recognised when the Company has a present obligation as a result of past events, it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimates can be made of the amount of obligation.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2007

2.7 Dividend

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved by the shareholders / directors, as appropriate.

2.8 Property, plant and equipment

Property, plant and equipment except leasehold land are stated at cost less accumulated depreciation and any identified impairment loss. Capital work-in-progress is stated at cost. Cost of the leasehold land is amortised using the straight line basis over the period of the lease.

Residual values and useful lives are reviewed, at each balance sheet date, and adjusted if impact on depreciation is significant.

Depreciation is charged to income on straight line method at the rates stated below, which are reviewed annually:

Nature of fixed asset	Annual rate of depreciation (%)
- Leasehold land	1.03 to 2.22
- Buildings on leasehold land	5
- Plant and machinery, electrical installations, tube well, pumps and tools	10
- Furniture and fittings	10 to 20
- Office equipment	20 to 33.33
- Laboratory equipment and vehicles	20

Depreciation on additions and deletions during the year is charged on a pro-rata basis from the month when asset is put into use or upto the month when asset is disposed off, respectively.

Maintenance and repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and depreciated in a manner that represents the consumption pattern and useful lives. Minor repairs and renewals are charged to income.

Profit or loss on disposal of assets are included in income currently.

The Company assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment charge is recognised in income currently.

2.9 Stores and spares

Stores and spares are valued at weighted average cost less allowance for obsolete and slow moving items.

Stores and spares-in-transit are stated at cost comprising invoice value and other related charges incurred upto the balance sheet date.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2007

2.10 Stock-in-trade

Stock of raw materials, work-in-process and finished goods are valued at the lower of weighted average cost and net realisable value.

Cost of work-in-process and finished goods comprises cost of direct materials and labour and appropriate manufacturing overheads.

Stocks-in-transit are stated at cost comprising invoice value and other related charges incurred thereon.

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

2.11 Trade debts

Trade debts are carried at original invoice amount less provision for doubtful debts estimated on the basis of review of all outstanding balances at the year end. Bad debts are written off when identified.

2.12 Investments

2.12.1 The Company classifies its financial instruments in the following categories:

(a) Investments 'at fair value through profit or loss':

- Financial instruments 'held-for-trading'

These include financial instruments acquired principally for the purpose of generating profit from short-term fluctuations in prices or dealers' margins or are securities included in a portfolio in which a pattern of short-term profit taking exists.

- Financial instruments designated 'at fair value through profit or loss upon initial recognition'

These include investments that are designated as investments 'at fair value through profit and loss upon initial recognition'.

(b) Held to maturity

These are securities acquired by the Company with the intention and ability to hold them upto maturity.

(c) Loans and receivables originated by the enterprise

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Company as fair value through profit or loss or available for sale.

(d) Available for sale

These financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2007

2.12.2 Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in case of a 'financial asset or financial liability not at fair value through profit or loss', transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on 'financial assets and financial liabilities at fair value through profit or loss' are expensed immediately.

Subsequent to initial recognition, instruments classified as 'financial assets at fair value through profit or loss' and 'available for sale' are measured at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' are recognised in the income statement. Changes in the fair value of instruments classified as 'available for sale' are recognised in equity until derecognised or impaired when the accumulated fair value adjustments recognised in equity are included in the income statement.

Financial assets classified as 'loans and receivables' and 'held to maturity' are carried at amortised cost using the effective yield method, less impairment losses, if any.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective yield method.

The Company follows trade date accounting for purchase and sale of investments.

2.13 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash on hand, demand deposits, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and short-term finances under mark-up arrangements.

2.14 Revenue recognition

Sales revenue is recognised at the time of despatch of goods to customers.

Returns on bank deposits are accrued on a time proportion basis by reference to the principal outstanding amount and the applicable rate of return.

2.15 Borrowing costs

Mark-up, interest and other charges related to long-term finance obtained for acquisition of property, plant and equipment are capitalised upto the date of commissioning of the plant. All other mark-up, interest and other charges are charged to income.

2.16 Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling on the date of the transaction. All monetary assets and liabilities in foreign currencies at the year end date are translated into Rupees at the rates prevailing on the balance sheet date.

Exchange differences are included in income for the year.

The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2007

2.17 Financial assets and liabilities

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

2.18 Off-setting of financial assets and financial liabilities

A financial asset and a financial liability is set off and the net amount is reported in the balance sheet if the Company has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

- (a) Recognition of provision for current taxation (current and prior years) and deferred taxation (notes 7 and 28).
- (b) Accounting for staff retirement benefits (notes 8 and 29).
- (c) Determining the recoverable amounts, useful lives and residual values of property, plant and equipment (note 13).
- (d) Recognition of provision for obsolete and slow moving stores and spares (note 15).
- (e) Estimation of net realisable value for stock-in-trade (note 16).
- (f) Recognition of provision for doubtful debts (note 17).
- (g) Classification of investments (note 19).

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2007

	2007	2006
	(Rupees in thousand)	
4. SHARE CAPITAL		
Authorised 100,000,000 ordinary shares of Rs 10 each (2006: 30,000,000)	1,000,000	300,000
Issued, subscribed and paid-up 30,000,000 ordinary shares of Rs 10 each (2006: 30,000,000) fully paid in cash	300,000	300,000
4.1 Packages Limited, Mitsubishi Corporation, Japan and International General Insurance Company of Pakistan Limited held 10,000,000 (2006: 10,000,000), 7,499,000 (2006: 7,499,000) and 785,800 (2006: 711,300) ordinary shares of the Company respectively, as at December 31, 2007.		

	2007	2006
	(Rupees in thousand)	
5. RESERVES		
General reserve	632,000	614,000
Unappropriated profit	320,219	168,064
	952,219	782,064
6. LONG-TERM FINANCES		
Secured		
Finance-1 - note 6.1	700,000	900,000
Finance-2 - note 6.2	56,000	72,000
	756,000	972,000
Less : Amounts payable within twelve months shown under current liabilities	216,000	216,000
	540,000	756,000
6.1 The Company had obtained a long-term finance facility of Rs 1,000 million (2006: Rs 1,000 million) from a commercial bank under mark-up arrangements. Mark-up is payable on a quarterly basis at the rate of base rate plus one percent per annum. The base rate is the simple average of last three cut-off yields of 6 months treasury bills of the State Bank of Pakistan. The effective rate of mark-up during the year was 9.89% (2006: 9.81%) per annum. The principal amount is repayable in 10 equal semi-annual installments commencing after thirty months inclusive of two years grace period from the date of first draw down. This facility is secured by first pari passu hypothecation / mortgage charge on all of the Company's present and future fixed assets including but not limited to land, buildings, plant and machinery, equipment, furniture and fixtures etc.		

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2007

- 6.2 The Company had obtained a long-term finance facility of Rs 100 million (2006: Rs 100 million) from a commercial bank under mark-up arrangements out of which the Company had availed Rs 80 million. Mark-up is payable on a quarterly basis at the rate of three months Karachi Inter Bank Offer Rate (KIBOR) plus one percent per annum. The effective rate of mark-up during the year was 10.72% (2006: 11.09%) per annum. The principal amount is repayable in 10 equal semi annual installments commencing after thirty months inclusive of two years grace period from the date of first draw down. This facility is secured by first pari passu hypothecation / mortgage charge on all of the Company's present and future fixed assets including but not limited to land, buildings, plant and machinery, equipment, furniture and fixtures etc.
- 6.3 During the year the Company has obtained a long-term finance facility of Rs 500 million from a commercial bank under mark-up arrangements. The Company had not availed the facility as at year end. Mark-up is payable on semi-annual basis at the rate of six months KIBOR plus 0.50 percent per annum. The principal amount will be repayable in 8 equal installments commencing after six months from the date of first draw down with a grace period of two years. The facility is secured by first pari passu hypothecation / mortgage charges on all the Company's present and future fixed assets including but not limited to land, building, plant and machinery, equipment, furniture and fixture etc.

	2007	2006
	(Rupees in thousand)	
7. DEFERRED TAXATION		
Debit / (credit) balances arising from:		
Accelerated tax depreciation allowance	188,050	211,805
Unused tax losses adjustable against future taxable profits	-	(67,222)
Minimum tax on turnover adjustable against future taxable profits	-	(43,304)
Provision for accumulated compensated absences	(2,520)	(1,694)
	185,530	99,585
8. ACCUMULATED COMPENSATED ABSENCES		
Opening balance	4,841	1,485
Provision for the year	3,609	4,457
	8,450	5,942
Less: Payments during the year	1,249	1,101
Closing balance	7,201	4,841

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2007

	2007	2006
	(Rupees in thousand)	
9. TRADE AND OTHER PAYABLES		
Creditors - note 9.1	35,627	29,762
Accrued liabilities	932,972	549,602
Advances from customers	16,032	2,547
Retention money	557	-
Unclaimed dividend	3,238	2,063
Sales tax payable	1,765	23,187
Payable to gratuity fund - note 29	113	87
Workers' profits participation fund - note 9.2	238	13,118
Workers' welfare fund	18,748	4,985
Others payable	1,488	1,359
	1,010,778	626,710
9.1 Creditors include Rs 26.277 million (2006: Rs 10.881 million) payable to associated undertakings.		
9.2 Workers' profits participation fund		
Balance at the beginning of the year	13,118	6,340
Allocation for the year	36,218	13,118
	49,336	19,458
Less: Payments during the year	49,098	6,340
Balance at the end of the year	238	13,118
10. ACCRUED MARK-UP		
On long-term finances	19,244	24,276
On short-term finances	944	2,813
	20,188	27,089

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2007

11. SHORT-TERM FINANCES

- 11.1 Short-term finances are under mark-up arrangement with banks payable on various maturity dates upto November 30, 2008. These facilities are secured by joint hypothecation by way of first floating charge over current assets including but not limited to stores and spares, stock-in-trade and trade debts. Rate of mark-up applicable to these facilities ranges between 9.87% to 10.89% (2006: 8.80% to 11.53%) per annum. Total facilities available under mark-up arrangements aggregated Rs 1,710 million (2006: Rs 935 million) out of which the amount unavailed at the year end was Rs 1,710 million (2006: Rs 935 million).
- 11.2 The facilities for opening of letter of credits and for guarantees as at December 31, 2007 amount to Rs 2,690 million (2006: Rs 1,325 million) and Rs 110 million (2006: Rs 25 million), of which the amount remaining unutilised was of Rs 1,987.373 million (2006: Rs 895.596 million) and Rs 100.245 million (2006: Rs 15.245 million) respectively.

	2007 (Rupees in thousand)	2006
12. CONTINGENCIES AND COMMITMENTS		
Contingencies		
Guarantees issued by banks on behalf of the Company	9,755	9,755
Commitments		
Letters of credit for purchase of raw material and spares	350,681	429,403
Commitments for capital expenditures	351,946	-

- 12.1 Claim filed against the Company but not acknowledged as at December 31, 2007 amounted to Rs Nil (2006: Rs 10 million).

	2007 (Rupees in thousand)	2006
13. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets - note 13.1	1,513,925	1,702,764
Capital work-in-progress - note 13.2	94,819	1,202
	<u>1,608,744</u>	<u>1,703,966</u>

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2007

13.1 Operating fixed assets

13.1.1 The following is a statement of operating fixed assets:

	Leasehold Land	Buildings on Leasehold Land	Plant and Machinery	Electrical Installations	Tube Well and Pumps	Furniture and Fittings	Office Equipments	Vehicles	Tools	Laboratory Equipments	Total
(Rupees in thousand)											
At January 1, 2006											
Cost	60,255	267,656	2,294,683	82,272	2,134	24,117	10,031	40,958	574	2,145	2,784,825
Accumulated depreciation	4,292	45,152	868,607	40,566	2,013	10,032	9,534	15,342	246	1,517	997,301
Net book value	55,963	222,504	1,426,076	41,706	121	14,085	497	25,616	328	628	1,787,524
Year ended December 31, 2006											
Additions	-	238	131,906	5,537	586	1,086	178	5,711	100	-	145,342
Disposals											
- Cost	-	-	-	-	-	13	-	5,006	-	-	5,019
- Depreciation	-	-	-	-	-	(13)	-	(3,486)	-	-	(3,499)
Depreciation charge	1,238	13,393	197,649	8,480	74	2,891	327	4,207	67	256	228,582
Net book value as at December 31, 2006	54,725	209,349	1,360,333	38,763	633	12,280	348	25,600	361	372	1,702,764
Year ended December 31, 2007											
Additions	-	431	32,591	2,998	204	2,811	235	17,618	283	-	57,171
Disposals											
- Cost	-	-	-	-	-	-	-	4,942	-	-	4,942
- Depreciation	-	-	-	-	-	-	-	(3,277)	-	-	(3,277)
Transfers											
- Cost	-	-	2,942	(2,942)	-	(7,159)	7,159	-	-	-	-
- Depreciation	-	-	-	-	-	9	(9)	-	-	-	-
- Depreciation	-	-	2,452	(2,452)	-	(3,656)	3,656	-	-	-	-
- Depreciation	-	-	-	-	-	2	(2)	-	-	-	-
Depreciation charge	1,237	13,406	210,075	10,070	86	3,056	179	5,943	80	213	244,345
Net book value as at December 31, 2007	53,488	196,374	1,183,339	31,201	751	8,539	3,900	35,610	564	159	1,513,925
At December 31, 2006											
Cost	60,255	267,894	2,426,589	87,809	2,720	25,190	10,209	41,663	674	2,145	2,925,148
Accumulated depreciation	5,530	58,545	1,066,256	49,046	2,087	12,910	9,861	16,063	313	1,773	1,222,384
Net book value	54,725	209,349	1,360,333	38,763	633	12,280	348	25,600	361	372	1,702,764
At December 31, 2007											
Cost	60,255	268,325	2,462,122	87,865	2,924	20,851	17,594	54,339	957	2,145	2,977,377
Accumulated depreciation	6,767	71,951	1,278,783	56,664	2,173	12,312	13,694	18,729	393	1,986	1,463,452
Net book value	53,488	196,374	1,183,339	31,201	751	8,539	3,900	35,610	564	159	1,513,925

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2007

	Cost	Book value	Sale proceeds
	(Rupees in thousand)		
13.1.2 Details of operating fixed assets disposed during the year			
Items having aggregate book value of Rs 50,000 or more			
Vehicles			
By negotiation to outsiders			
Mr. Mohammad Aslam	621	340	400
Mr. Afzal Bhatti	409	161	225
Mr. Qaisar Bulund Khan	693	-	330
Mr. Fazal-ur-Rehman	474	95	245
Syed Ghayur Haider, Esq.	567	113	275
	<u>2,764</u>	<u>709</u>	<u>1,475</u>
According to the Company policy to executives			
Mr. Masoom Butt	477	127	157
Mr. Salman Khan	406	134	135
Mr. Tariq Mehmood	409	136	138
Mr. Tahir Awan	409	135	151
	<u>1,701</u>	<u>532</u>	<u>581</u>
Subtotal	<u>4,465</u>	<u>1,241</u>	<u>2,056</u>
Snatched vehicles			
Insurance claim from IGI Insurance	477	424	440
Total	<u><u>4,942</u></u>	<u><u>1,665</u></u>	<u><u>2,496</u></u>

2007
2006
(Rupees in thousand)

13.1.3 Depreciation charge for the year has been allocated as follows:

Cost of goods manufactured - note 22.1	241,790	225,766
Distribution cost - note 23	909	738
Administrative expenses - note 24	1,646	2,078
	<u>244,345</u>	<u>228,582</u>

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2007

13.1.4 Operating fixed assets include assets having cost of Rs 481.035 million (2006: Rs 477.398 million) which were fully depreciated as at the year end.

	2007	2006
	(Rupees in thousand)	
13.2 Capital work-in-progress		
Plant and machinery	67,477	-
Software implementation cost	7,367	1,202
Building and civil works	11,384	-
Advances to suppliers and contractors	8,591	-
	94,819	1,202
14. LONG-TERM DEPOSITS		
These represent long-term security deposits.		
15. STORES AND SPARES		
Stores	20,826	13,597
Spares	109,588	108,773
Stores and spares-in-transit	12,237	6,330
	142,651	128,700
16. STOCK-IN-TRADE		
Raw materials		
• in hand	293,939	201,001
• in transit	246,456	3,750
	540,395	204,751
Work-in-process	43,849	38,238
Finished goods	47,091	24,511
Packing material	9,437	9,490
	640,772	276,990
17. TRADE DEBTS		
Unsecured		
Considered good		
- from related parties - notes 17.1 and 17.2	2,638	14,905
- others	519,505	433,175
	522,143	448,080
Considered doubtful – others	758	1,011
Secured		
Considered good	12,054	17,342
	534,955	466,433
Less: Provision for doubtful debts – note 17.3	758	1,011
	534,197	465,422

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2007

	2007	2006
	(Rupees in thousand)	
17.1 Trade debts include the following amounts due from related parties:		
Packages Limited	1,074	6,588
Packages Lanka (Private) Limited	1,162	7,740
Treet Corporation Limited	402	577
	<u>2,638</u>	<u>14,905</u>

17.2 These are in the normal course of business and are interest free.

17.3 Provision for doubtful debts

Balance at beginning of the year	1,011	52
(Reversal) / provision for the year	(253)	959
Balance at end of the year	<u>758</u>	<u>1,011</u>

18. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advances, considered good - note 18.1		
- Chief executive	-	3
- Executives	788	827
- Other employees	438	363
	<u>1,226</u>	<u>1,193</u>
Advances to suppliers - considered good	11,590	9,370
Prepayments	2,190	3,217
Receivable from pension fund - note 29	12,491	9,081
Sales tax recoverable	839	839
Rebate on exports recoverable	1,493	3,159
Other receivables - note 18.2	8,674	217
	<u>38,503</u>	<u>27,076</u>

18.1 These advances are given to meet business expenses and are settled as and when the expenses are incurred. The maximum amounts due at the end of any month during the year from the chief executive and executives were Rs 0.301 million (2006: Rs 0.188 million) and Rs 1.429 million (2006: Rs 1.272 million) respectively.

18.2 Other receivables include an amount of Rs 2.275 million (2006: Nil) receivable from International General Insurance Company of Pakistan Limited (a related party) on account of an insurance claim.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2007

	2007	2006
	(Rupees in thousand)	
19. INVESTMENTS - AVAILABLE FOR SALE		
NAFA Cash Fund		
4,793,681 (2006: Nil) units of Rs.10 each	50,000	-
Gain on re-measurement to fair value	389	-
	<u>50,389</u>	<u>-</u>

20. CASH AND BANK BALANCES

With banks

On current accounts - note 20.1	99,532	56,548
On savings accounts - note 20.2	225,139	151,468
	<u>324,671</u>	<u>208,016</u>

In hand	624	851
	<u>325,295</u>	<u>208,867</u>

20.1 This includes an amount of Rs 0.972 million (2006: Rs 0.158 million) held in foreign currency.

20.2 The balances in savings accounts bear mark-up which ranges from 0.25% to 8.75% (2006: 1% to 2%) per annum.

	2007	2006
	(Rupees in thousand)	
21. NET SALES		
Local sales	5,348,604	4,027,323
Export sales	37,487	323,650
	<u>5,386,091</u>	<u>4,350,973</u>
Less:		
Sales tax	806,858	523,397
Special excise duty	24,061	-
Commission on exports	-	1,933
	<u>830,919</u>	<u>525,330</u>
	<u>4,555,172</u>	<u>3,825,643</u>

22. COST OF SALES

Opening stock of finished goods	24,511	26,242
Cost of goods manufactured - note - 22.1	3,650,050	3,315,144
Less: Closing stock of finished goods	(47,091)	(24,511)
	<u>3,627,470</u>	<u>3,316,875</u>

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2007

	2007	2006
	(Rupees in thousand)	
22.1 Cost of goods manufactured		
Opening stock of work-in-process	38,238	43,413
Raw materials consumed - note 22.2	2,823,579	2,572,331
Salaries, wages and other benefits	96,352	76,114
Fuel, power and water	287,089	247,278
Packing material consumed - note 22.3	102,910	103,797
Repairs and maintenance (includes stores and spares consumed Rs 18.533 million (2006: Rs 17.322 million)	68,129	52,618
Insurance	15,377	14,314
Vehicle running and maintenance	9,954	9,482
Travelling	3,765	1,796
Staff retirement benefits	5,264	4,945
Depreciation - note 13.1.3	241,790	225,766
Others	1,452	1,528
	<u>3,693,899</u>	<u>3,353,382</u>
Less: Closing stock of work-in-process	(43,849)	(38,238)
	<u>3,650,050</u>	<u>3,315,144</u>
22.2 Raw materials consumed		
Opening stock	201,001	177,167
Purchases	2,916,517	2,596,165
Less: Closing stock	(293,939)	(201,001)
	<u>2,823,579</u>	<u>2,572,331</u>
22.3 Packing material consumed		
Opening stock	9,490	12,595
Purchases	102,857	100,692
Less: Closing stock	(9,437)	(9,490)
	<u>102,910</u>	<u>103,797</u>
23. DISTRIBUTION COST		
Salaries, wages and other benefits	16,300	14,309
Outward freight	44,943	44,043
Travelling	3,773	3,684
Rent, rates and taxes	3,258	2,355
Repairs and maintenance	485	203
Vehicle running and maintenance	985	1,280
Insurance	699	721
(Reversal) / provision for doubtful debts - note 17.3	(253)	959
Staff retirement benefits	1,859	2,068
Depreciation - note 13.1.3	909	738
Other expenses	1,268	973
	<u>74,226</u>	<u>71,333</u>

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2007

	2007	2006
	(Rupees in thousand)	
24. ADMINISTRATIVE EXPENSES		
Salaries, wages and other benefits	28,927	26,094
Rent, rates and taxes	4,236	2,754
Printing, stationery and periodicals	3,084	2,686
Postage and telephone	5,096	5,294
Repairs and maintenance	675	879
Vehicle running and maintenance	1,725	1,850
Travelling	4,553	2,987
Insurance	1,207	1,192
Staff training and development	969	293
Staff retirement benefits	3,299	3,316
Auditors' remuneration - note 24.1	1,296	2,324
Legal and professional expenses	1,580	1,422
Depreciation - note 13.1.3	1,646	2,078
Electricity, gas and water	606	501
Advertisement	174	584
Other expenses	2,614	2,217
	61,687	56,471
24.1 Auditors' remuneration		
Statutory audit	385	350
Review of half yearly accounts, review of statement of compliance on best corporate practices and audit of employees' retirement funds	303	257
Tax services	458	1,567
Out of pocket expenses	150	150
	1,296	2,324
25. OTHER INCOME		
Profit on bank balances	3,994	54
Profit on disposal of fixed assets	831	1,685
Sale of waste material	9,775	9,127
Net realised gain from investments classified as 'available for sale'	1,500	-
Commission earned on insurance premium from a related party	3,731	-
Income surrendered by an associated undertaking on sale and subsequent purchase of shares of the Company	5,737	-
Exchange gain	161	1,123
	25,729	11,989

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2007

	2007	2006
	(Rupees in thousand)	
26. FINANCE COST		
Mark-up on long-term finances	85,179	98,871
Mark-up on short-term finances	4,214	26,277
Bank and other charges	3,774	5,447
	<u>93,167</u>	<u>130,595</u>
27. OTHER EXPENSES		
Workers' profit participation fund	36,218	13,118
Workers' welfare fund	13,763	4,985
	<u>49,981</u>	<u>18,103</u>
28. TAXATION		
Current - for the year	148,270	19,198
Deferred	85,945	57,175
	<u>234,215</u>	<u>76,373</u>
	2007	2006
	%	%
28.1 Numerical reconciliation between the average effective tax rate and the applicable tax rate is as follows:		
Applicable tax rate	35.00	35.00
Tax effect of amounts that are:		
Deductible for tax purposes	(0.07)	(1.53)
Tax effect under presumptive tax regime	(0.26)	(2.60)
Tax effect of exempt income	(0.08)	-
Others	0.14	0.40
	<u>34.73</u>	<u>31.27</u>

29. STAFF RETIREMENT BENEFITS

Details of post employment benefit plans are as follows:

	Pension fund		Gratuity fund	
	2007	2006	2007	2006
	(Rupees in thousand)			
29.1 Balance sheet reconciliation				
Fair value of plan assets	59,140	40,158	17,192	12,620
Present value of defined benefit obligations	(36,627)	(31,078)	(15,886)	(12,768)
Funded status	22,513	9,080	1,306	(148)
Unrecognised net actuarial (gain) / loss	(10,022)	1	(1,419)	61
Recognised asset / (liability)	<u>12,491</u>	<u>9,081</u>	<u>(113)</u>	<u>(87)</u>

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2007

	Pension fund		Gratuity fund	
	2007	2006	2007	2006
29.2 Movement in payable to defined benefit plan				
Opening asset / (liability)	9,081	5,677	(87)	(23)
Expense for the year	(1,304)	(1,002)	(2,055)	(1,860)
Contributions to the fund	4,714	4,406	2,029	1,796
Closing asset / (liability)	12,491	9,081	(113)	(87)
29.3 Movement in the fair value of plan assets				
Fair value as at January 1	40,158	31,960	12,620	11,597
Expected return on plan assets	4,666	3,566	1,262	1,044
Actuarial gains / (losses)	9,677	81	1,641	(1,397)
Company contributions	4,714	4,406	2,029	1,796
Employee contributions	1,061	991	-	-
Benefits paid	(1,136)	(846)	(360)	(420)
Fair value as at December 31	59,140	40,158	17,192	12,620
29.4 Movement in the defined benefit obligation				
Obligation as at January 1	31,078	24,664	12,768	11,188
Service cost	3,673	3,087	2,040	1,897
Interest cost	3,358	2,564	1,277	1,007
Actuarial (gains) / losses	(346)	1,609	161	(916)
Benefits paid	(1,136)	(846)	(360)	(408)
Obligation as at December 31	36,627	31,078	15,886	12,768
29.5 Expense				
Current service cost	3,673	3,087	2,040	1,897
Interest cost	3,358	2,564	1,277	1,007
Expected return on plan assets	(4,666)	(3,566)	(1,262)	(1,044)
Recognition of actuarial (gain)	-	(92)	-	-
Employee contributions	(1,061)	(991)	-	-
Expense	1,304	1,002	2,055	1,860
Actual return on plan assets	14,343	3,647	2,903	(354)
29.6 Actuarial gain to be recognized Corridor limit				
The limits of corridor as at January 1				
10% of obligation	3,108	2,466	1,277	1,119
10% of plan assets	4,016	3,196	1,262	1,160
Which works out to	4,016	3,196	1,277	1,160
Unrecognized actuarial losses / (gains) as at January 1	1	(1,619)	61	(420)
Excess	-	-	-	-
29.7 Net unrecognized actuarial gains / (losses)				
Net unrecognized actuarial (losses) / gains as at January 1	(1)	1,619	(61)	420
Actuarial gain / (loss) on obligation	346	(1,609)	(161)	916
Actuarial gain / (loss) on plan assets	9,677	81	1,641	(1,397)
Subtotal	10,022	91	1,419	(61)
Less: actuarial gain recognized for the year	-	(92)	-	-
Net unrecognized actuarial gains / (losses) as at December 31	10,022	(1)	1,419	(61)

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2007

29.8 Principal actuarial assumptions used are disclosed in note 2.3 to the financial statements.

29.9 Amounts for the current period and previous four annual periods of the fair value of plan assets, present value of defined benefit obligation and surplus arising thereon is as follows:

	2007	2006	2005	2004	2003
	(Rupees in thousand)				
As at December 31					
Fair value of plan assets	76,332	52,778	43,557	33,403	24,658
Present value of defined benefit obligation	(52,513)	(43,846)	(35,852)	(29,668)	(21,868)
Surplus	23,819	8,932	7,705	3,735	2,790
Experience adjustment:					
Gain / (loss) on plan assets (as a percentage of plan assets)	15	(2)	10	(1)	2
(Gain) / loss on obligations (as a percentage of obligations)	(0.4)	2	8	2	(3)

	2007		2006	
	(Rupees in thousand)	%	(Rupees in thousand)	%
29.10 Plan assets are comprised as follows:				
Debt	18,700	24	36,065	68
Others	57,632	76	16,713	32
	76,332	100	52,778	100

29.11 The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective market.

29.12 Expected contribution to post-employment benefit plans for the year ending December 31, 2008 is Rs 7.236 million.

29.13 The actuary conducts separate valuations for calculating contribution rates and the Company contributes to the pension and gratuity funds according to the actuary's advice. Expense of the defined benefit plans is calculated by the actuary.

29.14 During the year the Company contributed Rs 3.284 million (2006: Rs 2.881 million) to the provident fund.

	2007	2006
30. EARNINGS PER SHARE		
Profit after taxation (Rupees in thousand)	440,155	167,882
Number of ordinary shares (in thousand)	30,000	30,000
Earnings per share (Rupees)	14.67	5.60

30.1 There were no convertible dilutive potential ordinary shares outstanding on December 31, 2007 and 2006.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2007

	2007		2006	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees in thousand)			
31. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES				
Managerial remuneration	2,350	8,159	2,059	7,124
Bonus	256	874	144	497
Staff retirement benefits*	694	2,674	611	2,487
Housing	1,366	4,944	1,188	4,258
Utilities	234	809	205	705
Leave passage	195	671	171	583
Medical expenses	124	344	122	355
Others	324	2,886	252	2,459
	<u>5,543</u>	<u>21,361</u>	<u>4,752</u>	<u>18,468</u>
Number of persons	1	9	1	9

* Staff retirement benefits includes amount contributed towards various retirement benefit plans.

31.1 The Chief Executive and executives were also provided with free transport and residential telephones. No remuneration was paid to the directors of the Company.

	2007	2006
	(Rupees in thousand)	
32. CASH GENERATED FROM OPERATIONS		
Profit before taxation	674,370	244,255
Adjustments for non-cash charges and other items:		
Depreciation	244,345	228,582
Finance cost	93,167	130,595
Profit on bank balances	(3,994)	(54)
Net realised gain from investments classified as 'available for sale'	(1,500)	-
(Reversal) / provision for doubtful debts	(253)	959
Provision for accumulated compensated absences	3,609	4,457
Provision for staff retirement benefits	6,813	5,872
Profit on disposal of fixed assets	(831)	(1,685)
Working capital changes - note 32.1	(71,405)	168,007
	<u>269,951</u>	<u>536,733</u>
	<u>944,321</u>	<u>780,988</u>

32.1 Working capital changes

Decrease / (increase) in current assets:

Stores and spare	(13,951)	(32,543)
Stock-in-trade	(363,782)	36,927
Trade debts	(68,522)	(74,744)
Advances, prepayments and other receivables	(8,017)	26,593
	<u>(454,272)</u>	<u>(43,767)</u>

Increase in current liabilities:

Trade and other payables (excluding unclaimed dividend)	382,867	211,774
	<u>(71,405)</u>	<u>168,007</u>

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2007

33. FINANCIAL ASSETS AND LIABILITIES

(i) Financial assets and liabilities as on December 31, 2007 are as follows:

	Interest / mark-up bearing			Non-interest / mark-up bearing			Total 2007	Total 2006
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total		
Financial assets								
Long-term deposits	-	-	-	-	1,104	1,104	1,104	858
Trade debts	-	-	-	534,197	-	534,197	534,197	465,422
Other receivables	-	-	-	8,674	-	8,674	8,674	1,410
Investments								
– available for sale	-	-	-	50,389	-	50,389	50,389	-
Cash and bank balances	225,139	-	225,139	100,156	-	100,156	325,295	208,867
2007	225,139	-	225,139	693,416	1,104	694,520	919,659	676,557
2006	151,468	-	151,468	524,231	858	525,089		
Financial liabilities								
Long-term finances	216,000	540,000	756,000	-	-		756,000	972,000
Trade and other payables	-	-	-	973,882	-	973,882	973,882	582,873
Accrued mark-up	-	-	-	20,188	-	20,188	20,188	27,089
2007	216,000	540,000	756,000	994,070	-	994,070	1,750,070	1,581,962
2006	216,000	756,000	972,000	609,962	-	609,962		
Off-balance sheet items								
Letters of credit							702,627	429,403
Guarantees							9,755	9,755

The effective interest / mark-up rates for the monetary financial assets and liabilities are given in respective notes.

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2007

(ii) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The Company believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk, the Company applies credit limits to its customers. The total financial assets of Rs 919.035 million (2006: Rs 675.706 million) are subject to credit risk.

(iii) Foreign exchange risk management

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to change in foreign exchange rates. Foreign exchange risk arises mainly where receivables and payables are required to be settled in foreign currency. As at the year end the Company had assets and liabilities in foreign currencies aggregating Rs 2.416 million (2006: Rs 18.626 million) and Rs 886.862 million (2006: Rs 526.973 million) respectively.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its funding requirements. The Company implies prudent risk management policies by maintaining sufficient cash and bank balances and by keeping committed credit lines.

(v) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or obtain / repay long-term financing from / to financial institutions.

Consistent with others in the industry, the Company monitors capital on the basis of the Debt Equity ratio. This ratio is calculated as under:

$$\text{Debt} = \text{Long-term portion of debt divided by long-term portion of debt plus total equity.}$$

$$\text{Equity} = \text{Total equity divided by long-term portion of debt plus total equity.}$$

During the year, the Company's strategy, which was unchanged from 2006, was to maintain the debt equity ratio below 60:40 in accordance with the long-term finance agreements as more fully explained in note 6. The debt equity ratios as at December 31, 2007 and 2006 were as follows:

	2007 (Rupees in thousand)	2006
Long-term portion of debt (note 6)	540,000	756,000
Total equity	1,252,608	1,082,064
Total	1,792,608	1,838,064
Debt equity ratio	30:70	41:59

The decrease in the debt equity ratio during the year resulted primarily from the increase in total equity as a result of increase in profit after taxation and repayment of long-term loans (note 6).

(vi) Fair values of financial assets and liabilities

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

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2007

34. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise related group companies, companies in which directors are interested, staff retirement benefits, directors, key management personnel and close members of the family of all the aforementioned related parties. The Company in the normal course of business carries out transactions with various related parties.

Significant transactions with related parties are as follows:

Name and particulars	Nature of transaction	2007 (Rupees in thousand)	2006
Purchase of goods and services			
International General Insurance Company Limited	Insurance services	55,713	57,503
Mitsubishi Corporation, Japan Packages Limited	Raw material	67,674	112,485
Siemens Pakistan Engineering Company Limited	Goods and services	36,533	36,198
	Goods and services	345	219
		160,265	206,405
Sale of goods and services			
Packages Lanka (Private) Limited	Supplies	5,755	29,078
Packages Limited	Supplies	184,799	186,412
Tetra Pak Pakistan Limited	Supplies	5,970	1,614
		196,524	217,104
Purchase of plant and machinery			
Mitsubishi Corporation, Japan	Supervisory fee and spare parts	5,000	-
Purchase of an intangible asset			
Siemens Pakistan Engineering Company Limited	Intangible asset (Included in CWIP)	7,555	-
Contributions to staff retirement benefit funds			
Gratuity fund	Contribution	2,029	1,796
Pension fund	Contribution	4,714	4,406
Provident fund	Contribution	3,284	2,881
		10,027	9,083
Investments			
IGI Income Fund	Purchase of units	70,000	-
IGI Income Fund	Redemption of units	(71,500)	-
IGI Income Fund	(Gain) on redemption of units	(1,500)	-
Dividend			
International General Insurance Company Limited		6,700	1,778
Mitsubishi Corporation, Japan Packages Limited		67,491	18,747
		90,000	24,994
		164,191	45,519
Commission			
International General Insurance Company Limited	Commission earned on insurance premium	3,731	-

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2007

Name and particulars	Nature of transaction	2007 (Rupees in thousand)	2006
Other income			
Packages Limited	Income surrendered on sale and subsequent purchase of shares of the Company	5,737	-
Key management personnel	Salaries and other short-term employees' benefits	10,823	9,189
	Post retirement benefits	1,629	1,430
		12,452	10,619

	2007 (Metric tonnes)	2006
35. PLANT CAPACITY AND ACTUAL PRODUCTION		
Operational capacity at year end	27,800	26,800
Operational capacity available during the year	26,800	26,800
Production	27,603	27,031

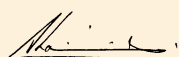
36. DATE OF AUTHORISATION FOR ISSUE AND NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

36.1 These financial statements were authorised for issue on February 13, 2008 by the board of directors of the Company.

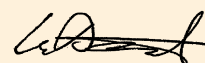
36.2 The board of directors have:

- proposed a dividend of Rs 6.00 (2006: Rs 5.00) per share, amounting to Rs 180 million (2006: Rs 150 million) for the year ended December 31, 2007 at their meeting held on February 13, 2008 subject to the approval of the members at the annual general meeting to be held on March 26, 2008; and
- approved transfer to general reserve amounting to Rs 140 million (2006: Rs 18 million) for the year ended December 31, 2007.

These financial statements do not recognise the appropriations to dividend as a liability and transfer to general reserves as they have been proposed and approved subsequent to the balance sheet date.



Shahid Hussain
Chief Executive



Masaharu Domichi
Director