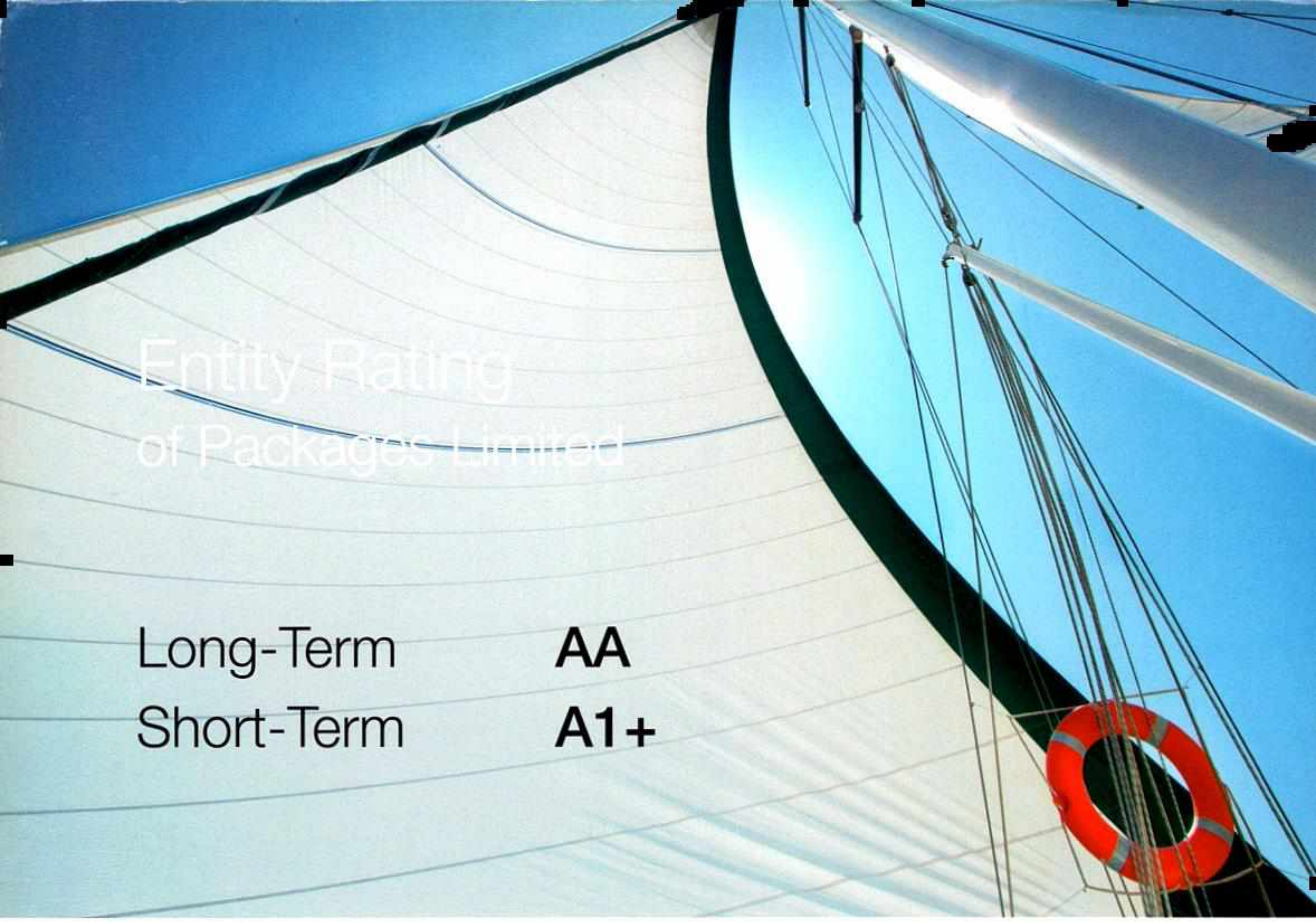
Packages Limited

Annual Report for the year ended December 31, 2011



Entity Rating of Packages Limited

Long-Term	**AA**
Short-Term	**A1+**

The Pakistan Credit Rating Agency Limited

Rating as on: June 2011

Rating Type	Rating	Comments
Long-Term	AA (Double A)	Very high credit quality. AA ratings denote a very low expectation of credit risk. This indicates very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
Short-Term	A1+ (A One Plus)	Obligations supported by the highest capacity for timely repayment.

Contents

Company Profile

Historical Overview

1957 Joint venture between the Ali Group of Pakistan and Akerlund & Rausing of Sweden to establish Packages Limited

1968 Established pulp and paper mill with a capacity of 24,000 tons per year

1981 "Rose Petal" launched as the Company's tissue paper brand

1986 Established a Flexible Packaging Line

1994 Coates Lorilleux Pakistan Limited (currently DIC Pakistan Limited) commenced production and sale of printing inks as subsidiary of Packages

1995 Tri-Pack Films Limited started commercial operations through equity participation of Packages, Mitsubishi and Altawfeek Company

1998 Packages Lanka, a subsidiary of Packages, commenced commercial production of flexible packaging material in Sri-Lanka in collaboration with Printcare (Ceylon) Limited

Packages Limited was established in 1957 as a joint venture between the Ali Group of Pakistan and Akerlund & Rausing of Sweden, to convert paper and paperboard into packaging for consumer industry. Over the years, Packages has continued to enhance its facilities to meet the growing demand of packaging products.

In 1968, with IFC participation, Packages integrated upstream by establishing a pulp and paper mill with a capacity of 24,000 tons per year based on waste paper and agricultural by-products i.e. wheat straw and river grass. With growing demand, the capacity was increased periodically and in January 2003, total capacity was nearly 100,000 tons per year.

In 1981, Packages modified a paper machine to produce tissue paper in response to growing awareness and demand for hygienic and disposable tissues. The "Rose Petal" Brand name was launched with facial tissues and was later expanded to include toilet paper, kitchen roll, and table napkins.

In 1986, the Company established a flexible packaging unit to cater to the increasing demand from consumers for sophisticated packaging used primarily in the food industry.

In 1993, a joint venture agreement was signed with Mitsubishi Corporation of Japan for the manufacture of Polypropylene films at the Industrial Estate in Hattar, NWFP. This project, Tri-Pack Films Limited, commenced production in June 1995 with equity participation by Packages Limited, Mitsubishi Corporation, Altawfeek Company for Investment Funds, Saudi Arabia and general public. Packages Limited owns 33% of the Share Capital of Tri-Pack Films Limited.

In July 1994, Coates Lorilleux Pakistan Limited (currently DIC Pakistan Limited) in which Packages Limited has 55% ownership, commenced production and sale of printing inks.

During the same year, the Company initiated the capacity expansion of its paper and board mill to 65,000 tons per year and conversion capacity to 56,000 tons per year. At the same time, the Company also upgraded the quality of Packages' products and substantially improved pollution control to meet the World Bank environmental guidelines. The said expansion was completed in 1998 at a cost of PKR 2.7 billion.

In 1996, Packages Limited entered into a joint venture agreement with Printcare (Ceylon) Limited for the production of flexible packaging materials in Sri Lanka. Packages Lanka (Private) Limited, in which Packages Limited has 79% ownership, commenced production in 1998.

In 2000, Packages Limited successfully completed the expansion of the flexible packaging line by installing a new rotogravure printing machine and enhancing the carton line by putting up a new Lemanic Rotogravure In-line Printing and Cutting Creasing Machine. In addition, a new 8 Color Flexo Graphic Printing Machine was also installed in the Flexible Packaging Line in 2001.

2000

- Capacity expansion at Flexible Line through installation of new Rotogravure Printing Machine
- Enhanced Folding Carton Line capacity through installation of new Lemanic Rotogravure Inline Printing and Cutting Creasing Machine

2002

Commencement of Production of Corrugated Boxes at Karachi Plant

2007

Capitalisation of Paper Machine (PM-6) and its back processes at a new manufacturing facility "Bulleh Shah Paper Mill" near Kasur

2008

Installation of Tissue Paper manufacturing machine (PM-9)

2009

Capitalisation of Paper Machine (PM-7) and its back processes including 41 MW Power Plant at "Bulleh Shah Paper Mill"

2011

- **Installation of Pakistan's first high speed Solvent-less Automatic Lamination Machine in Flexible packaging.**
- **Re-built of Paper Machine (PM-6) with additional capability to produce Liquid Packaging Board and Bleached Board.**
- **Up-gradation of Corrugator Machine with enchanced production capacity.**

Packages started producing corrugated boxes from its plant in Karachi from 2002.

In 2005, the Company embarked upon its Paper & Board expansion plan at a new site near Kasur. This capacity expansion plan was completed in two phases. In the first phase, Paper Machine (PM-6) along-with high yield straw pulping & OCC plants and its back processes such as 11 MW Power House, Gas Turbine and Primary Effluent Treatment Plant were capitalised and commercial operations were commenced during the year 2007. Second phase comprised of Paper Machine (PM-7), De-inking Pulp Plant, 41MW Power House, Steam Turbine and Secondary Effluent Treatment Plant was completed in the year 2009.

In 2008, the Company embarked upon capacity expansion in its Consumer Products Division through installation of a new tissue paper manufacturing machine PM-9 with production capacity of 33,000 tones. With this capacity expansion, the Company is now in a position to take benefit from export potential of tissue products in the international market, particularly the Middle East.

During 2011, a Lamination Machine was installed in the Flexible Packaging Line. This is Pakistan's first high speed Solvent-less Automatic Lamination Machine. It has turret winders for automatic reel and a capacity of 450 meters per minute.

Paper Machine (PM-6) rebuild project was completed in the second quarter of 2011 leading to capacity expansion of 30,000 tons. The machine started commercial operations with enhanced capability of producing high value added Liquid Packaging and Bleached Board.

Moreover, Corrugator Machine at Kasur Plant was upgraded in 2011 to improve efficiency, reliability, and production capacity of the Machine and to reduce process waste. This up-grade activity has resulted in increased capacity of 14%.

Company Information

Board of Directors

Towfiq Habib Chinoy
(Chairman)

Syed Hyder Ali
(Chief Executive & Managing Director)

Khalid Yacob

Matti Ilmari Naakka

Muhammad Aurangzeb

Shahid Aziz Siddiqui

Shamim Ahmad Khan

Syed Aslam Mehdi

Syed Shahid Ali

Wazir Ali Khoja

Ali Aslam
(Alternate to Matti Ilmari Naakka)

Advisor

Syed Babar Ali

Company Secretary

Adi J. Cawasji

Rating Agency

PACRA

Company Rating

Long-Term : AA
Short-Term : A1+

Auditors

A.F. Ferguson & Co.
Chartered Accountants

Legal Advisors

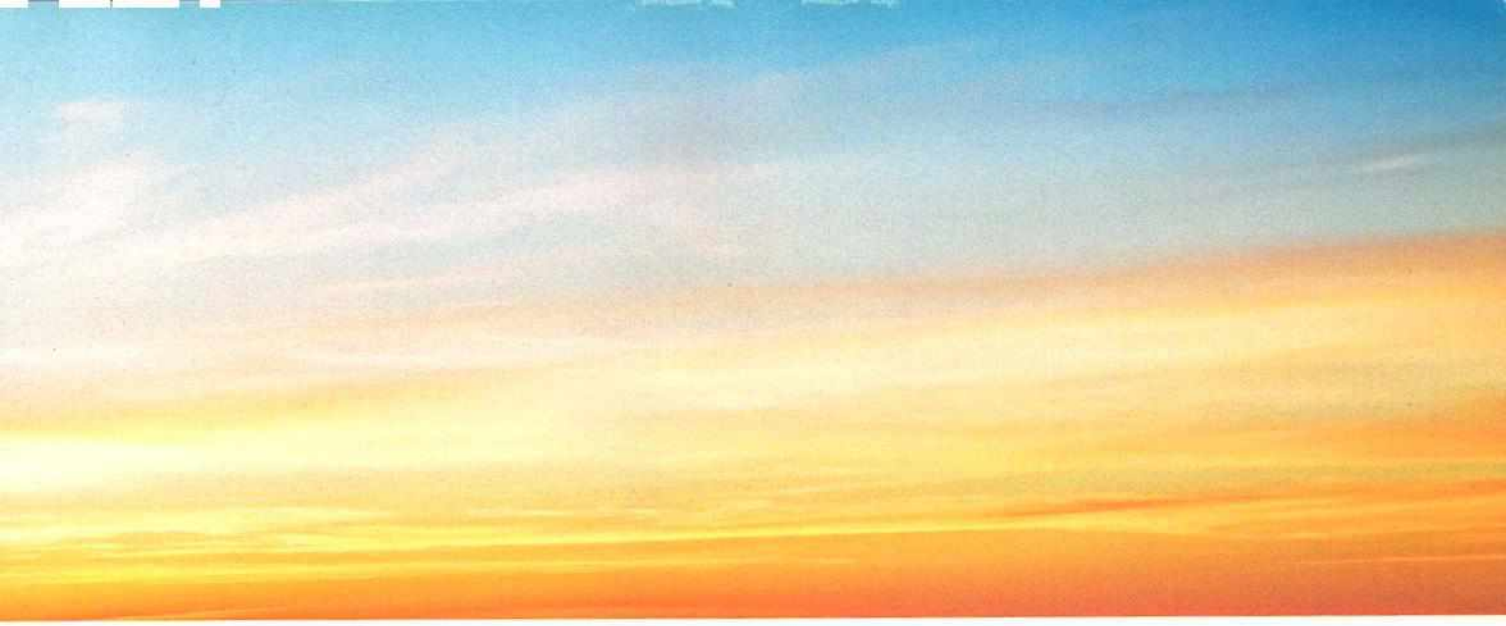
Hassan & Hassan - Lahore
Orr, Dignam & Co. - Karachi

Shares Registrar

FAMCO Associates (Pvt.) Limited
1st Floor, State Life Building No. 1-A
I. I. Chundrigar Road,
Karachi-74000, Pakistan
PABX : (021) 32420755
: (021) 32427012
(021) 32425467
FAX. : (021) 32426752

Bankers & Lenders

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
BankIslami Pakistan Limited
Barclays Bank PLC, Pakistan
Citibank N.A.
Deutsche Bank A.G.
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
HSBC Bank Middle East Limited
International Finance Corporation (IFC)
JS Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Samba Bank Limited
Silk Bank Limited
Standard Chartered Bank (Pakistan) Limited
The Bank of Tokyo - Mitsubishi UFJ, Limited
United Bank Limited



Head Office & Works

Shahrah-e-Roomi,
P.O. Amer Sidhu,
Lahore - 54760, Pakistan
PABX : (042) 35811541-46
: (042) 35811191-94
Fax : (042) 35811195
: (042) 35820147

Factories

Kasur Factory

Bulleh Shah Paper Mill (BSPM)
10-km Kasur Kot Radha Kishan Road,
District Kasur, Pakistan
Tel. : (049) 2717335 - 43
Fax : (049) 2717220

Karachi Factory

Plot No. 6 & 6/1, Sector 28,
Korangi Industrial Area,
Karachi-74900, Pakistan
Tel. : (021) 35045320, 35045310
Fax : (021) 35045330

Offices

Registered Office & Regional Sales Office

4th Floor, The Forum
Suite No. 416 - 422, G-20, Block 9,
Khayaban-e-Jami, Clifton,
Karachi-75600, Pakistan
PABX : (021) 35874047-49
: (021) 35378650-52
: (021) 35831618, 35833011
Fax : (021) 35860251

Regional Sales Office

2nd Floor, G.D. Arcade
73-E, Fazal-ul-Haq Road, Blue Area,
Islamabad-44000, Pakistan
PABX : (051) 2276765
: (051) 2276768
: (051) 2278632
Fax : (051) 2829411

Zonal Sales Offices

C-2, Hassan Arcade Nusrat Road,
Multan Cantt. - 60000, Pakistan
Tel. & Fax: (061) 4504553

9th Floor State Life Building,
2-Liaquat Road,
Faisalabad - Pakistan
Tel. : (041) 2540842
Fax. : (041) 2540815

Uzair Enterprises

Teer Chowk Bhuta Road,
Sukkur - 65200, Pakistan
Tel. & Fax: (071) 5616138

M. Hamza Traders

15-D Gul Plaza, Opp: Charsadda
Bus Stand,
Peshawar-25000, Pakistan
Cell : 0301-8650486
Tel. : (091) 2043719

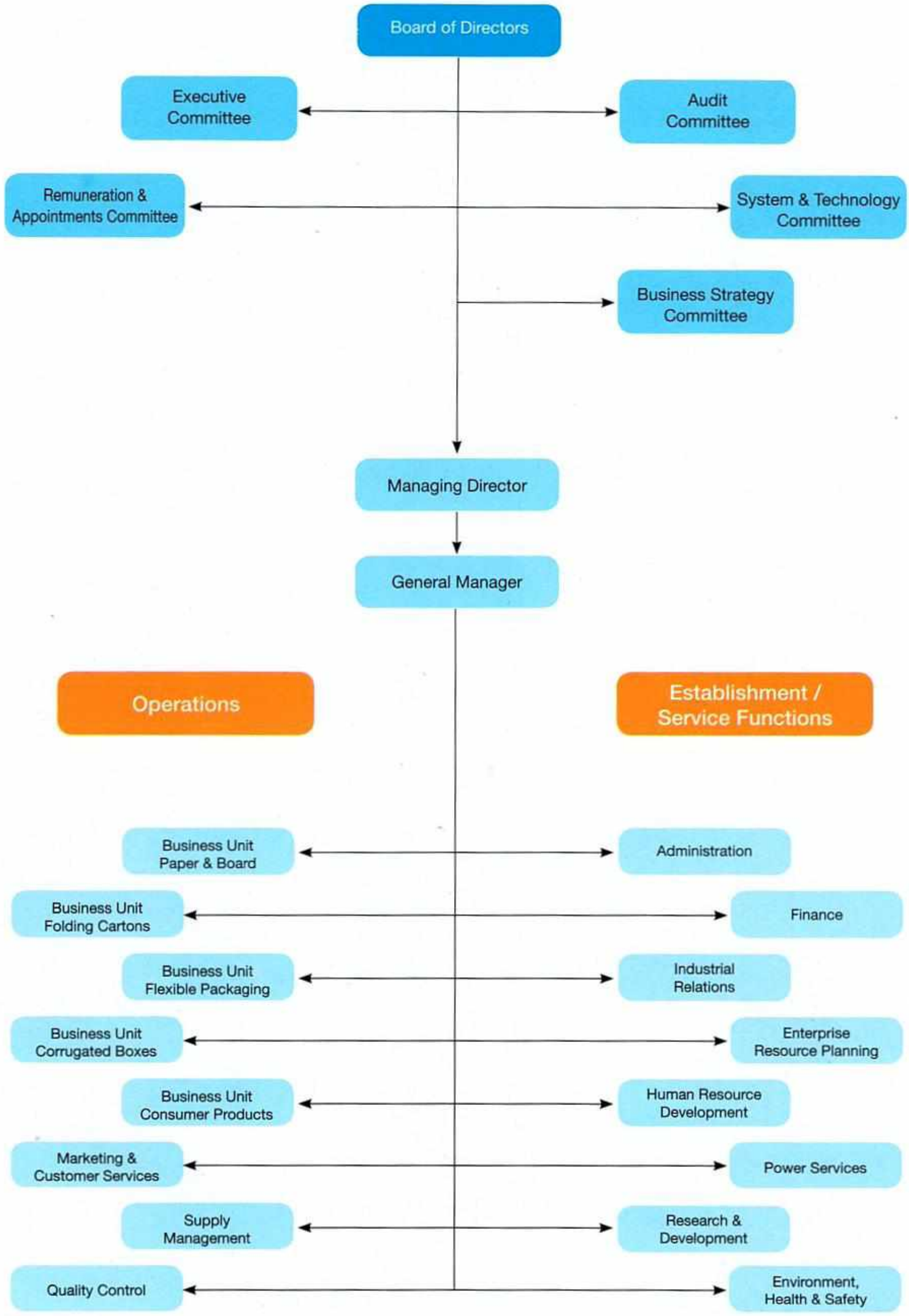
S. Y. Traders

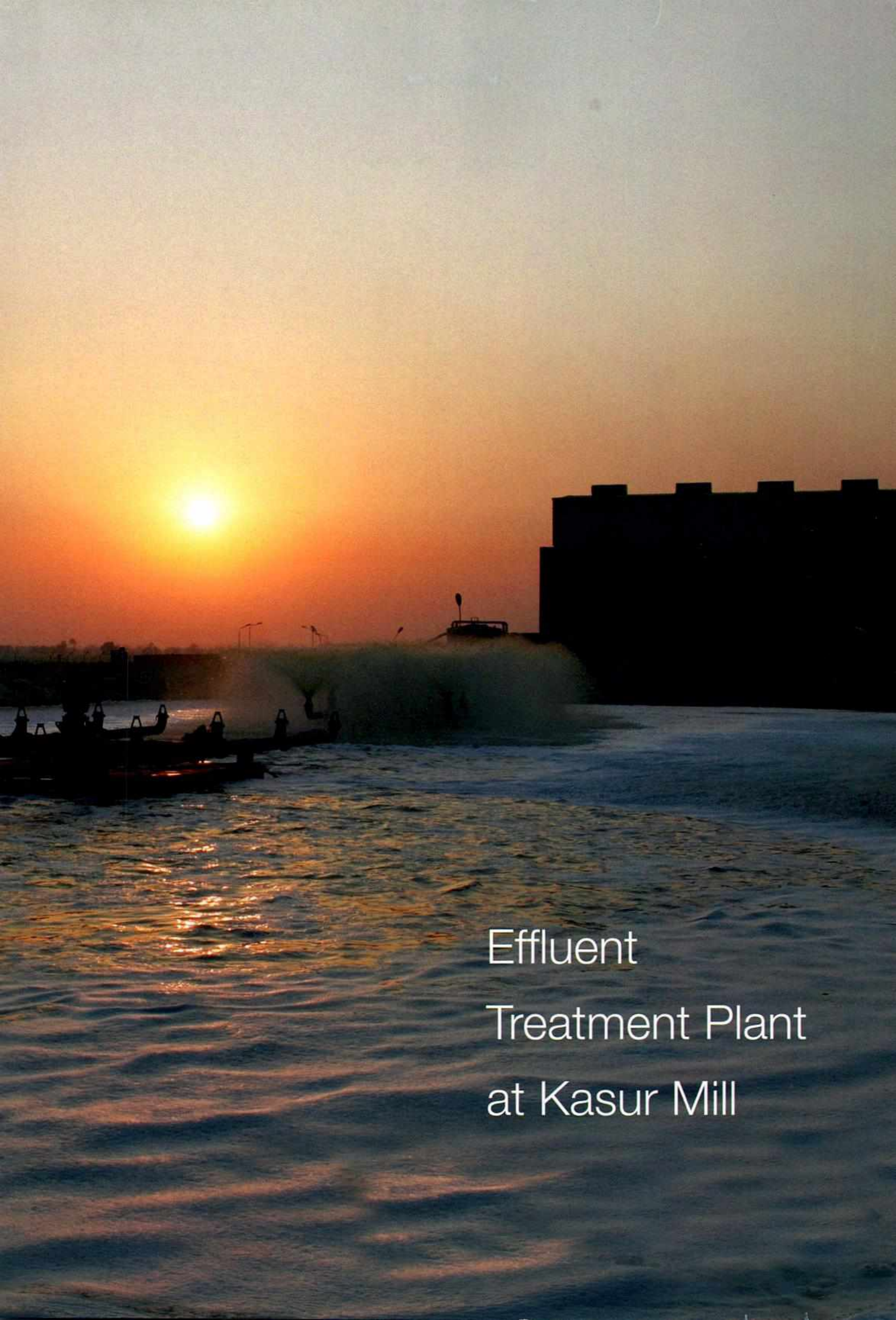
Mir Ahmed Khan Road
Quetta - 87300
Tel. : 081-2834432
Fax : 081-2834431

Web Presence

www.packages.com.pk

Organogram


Board of Directors
Executive Committee
Audit Committee
Remuneration & Appointments Committee
System & Technology Committee
Business Strategy Committee
Managing Director
General Manager
Operations
Establishment / Service Functions
Business Unit Paper & Board
Administration
Business Unit Folding Cartons
Finance
Business Unit Flexible Packaging
Industrial Relations
Business Unit Corrugated Boxes
Enterprise Resource Planning
Business Unit Consumer Products
Human Resource Development
Marketing & Customer Services
Power Services
Supply Management
Research & Development
Quality Control
Environment, Health & Safety


Effluent
Treatment Plant
at Kasur Mill

Business Divisions

Paper & Paperboard Division

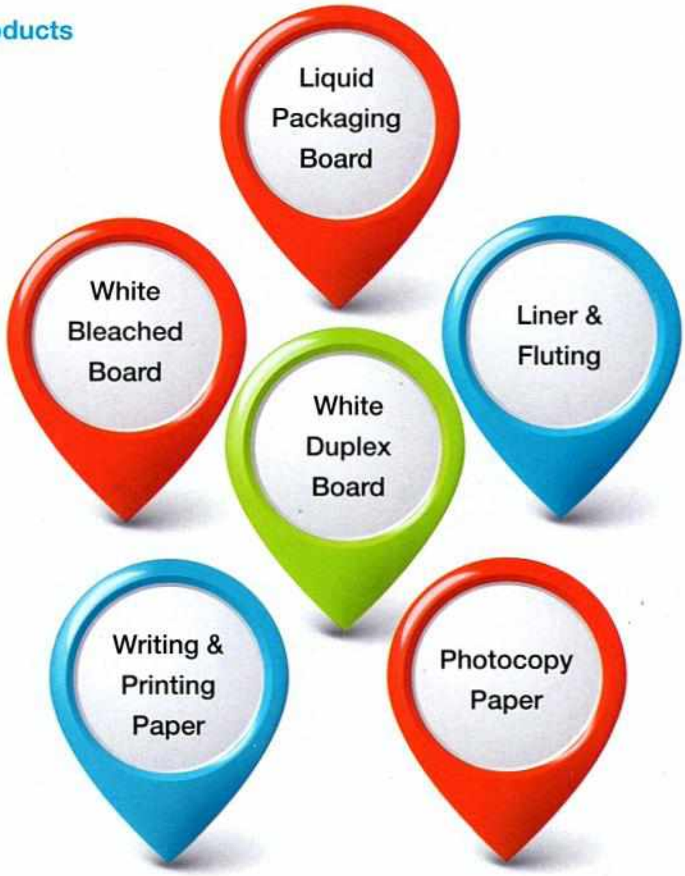
- In 1968, Packages established a pulp and paper mill with a capacity of 24,000 tons per year.
- Paper and board production capacity increased to 100,000 tons per year by 2003.
- Packages enhanced its production capacity by investing in a cutting edge new paper & board mill "Bulleh Shah Paper Mill" near Kasur in two phases. The first phase was completed in 2007 through installation of Paper Machine (PM-6) whereas the second Phase was completed in 2009 with the installation of Paper Machine (PM-7).
- Paper Machine (PM-6) was rebuilt in 2011 leading to capacity expansion of 30,000 tons.

Major Production Lines

Paper and Board Division comprises of the following major machines:

- White Board Machine (PM-1)
- Paper Machine (PM-6)
- Paper Machine (PM-7).
- Coating Machine
- Core making Machine

Key Products



Brands

Photocopy paper is available in market in two brands;

- Copymate
- Copymate Plus

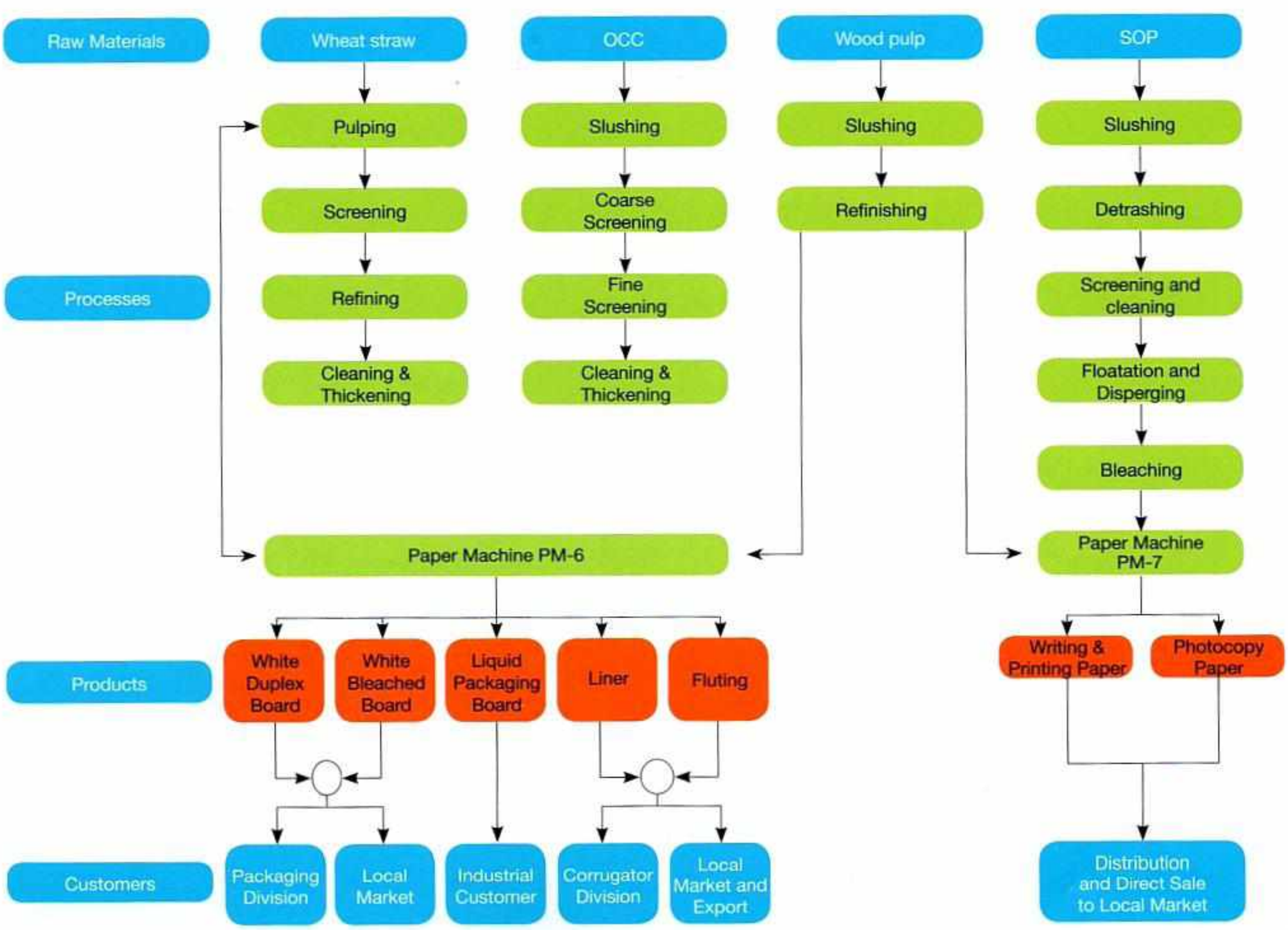
Copymate is a recycled paper produced out of waste paper while copymate plus is premium quality wood pulp paper.

Management Structure

Business Unit Manager

- Marketing Manager
- Mill Manager
  - Production Manager
    - Line Manager PM-1
    - Line Manager PM-6
    - Line Manager PM-7
  - Manager Coating
  - Mill Services Manager

Process Flow of Paper & Paperboard Division



Packaging Division

Packages provides multi dimensional / multi product packaging solutions to its customers that are involved in manufacturing consumer products.

The Packaging Division comprises of three business units based on packaging material categories namely;

- Folding Cartons
- Flexible Packaging
- Corrugated Boxes

Folding Cartons

Folding Cartons Line was established in 1957 to produce all types of printed & unprinted box boards.

Operations

The Folding Carton Line uses both the rotogravure and offset printing techniques and caters to the demand for Duplex Board packaging material.

Rotogravure printing:

- The seven color high-speed Lemanic Rotogravure Printing Press creates first class quality packaging materials.
- This machine prints, cuts, creases and embosses with complete accuracy. The online quality control system performs 100% inspection of finished products to ensure highest quality products.
- These machines are mainly devoted to the tobacco industry.

Offset printing:

- Offset printing line equipped with a fleet of multicolor offset printing machines; it can provide multiple packaging options for tobacco, food and detergent materials.
- Specialized operations e.g. hot foil stamping and cup making grant us a major competitive edge in the market.

Sectors

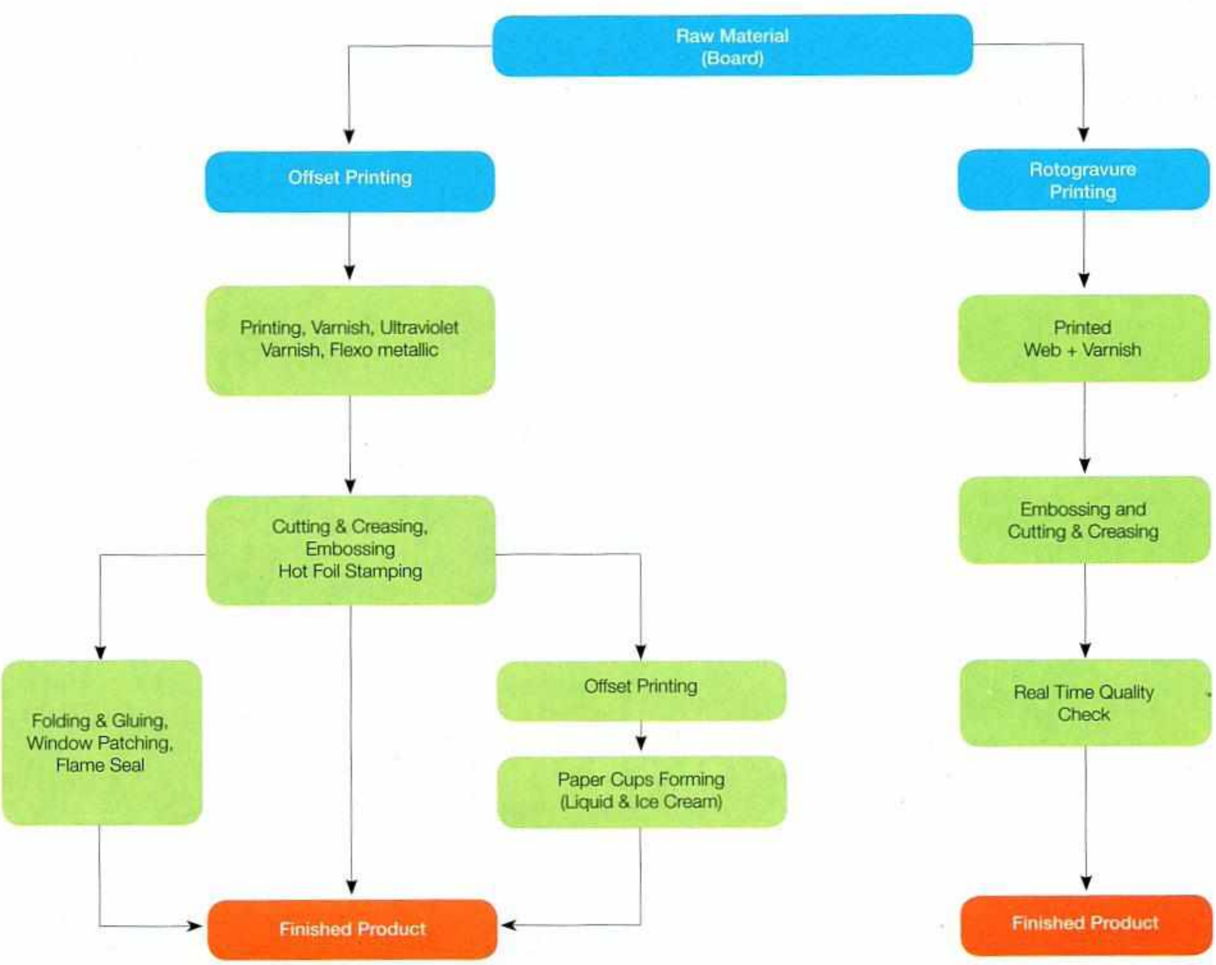
Currently, Business Unit Folding Cartons is providing packaging material to the customers operating in the following major sectors:

Management Structure

Business Unit Manager

- Planning Manager
- Production Manager
    - Manager Offset Printing
    - Manager Cutting Creasing
    - Manager Folding Gluing
    - Manager Lemanic
    - Manager Technical & Support

Process Flow of Folding Cartons



Flexible Packaging

To accommodate increasing demand for sophisticated packaging, the Company established Flexible Packaging Unit in 1986 at its Lahore Plant.

Operations

Flexible Packaging produces high quality packaging films and laminates providing Flexographic and Rotogravure Printing, Lamination, Extrusion, Slitting, Bag & Sleeve and Cone making.

Flexographic Printing line:

- On flexographic line, up to eight colors flexographic printing can be done on paper, Poly-coated Paper and films.
- Packages has the ability to print real life images on materials like Polyethylene, OPP, Special paper and Polyester.
- Video Mounter System has eliminated the mis-registration from the print.

Rotogravure Printing line:

- The Rotogravure printing line has up to ten colors and the latest in-house cylinder making and engraving facilities. These particularly suit food packaging where colorful package designs and preservation of food quality are important considerations.
- Automatic viscosity control system ensures consistent quality.

Lamination:

- Business Unit has both solvent base and solvent less laminators that can laminate BOPP, Polyester, Al-foil, Met OPP, Met PET and Paper.
- Business Unit also helps customers in developing cost effective laminates to match their needs.
- It also entails a soap wrapper manufacturing facility. Packages is premier supplier of soap wrappers to the soap industry in Pakistan.

Extrusion:

- Business Unit has its own multi-layer extrusion facility that can extrude Polyethylene of different grades and colors.
- Extrusion line extrudes a number of specialized films which includes Oil, Ghee, Detergent and Food films which are known for their strength and high barrier properties.
- This Business Unit also has the biggest blown film extruder with the highest per hour capacity in Pakistan.

Slitting:

- The flexible line has efficient high speed slitting machines whose output is ready to be used on customer packing machines. These machines slit jumbo reels into smaller reels according to customer requirements.

Finishing:

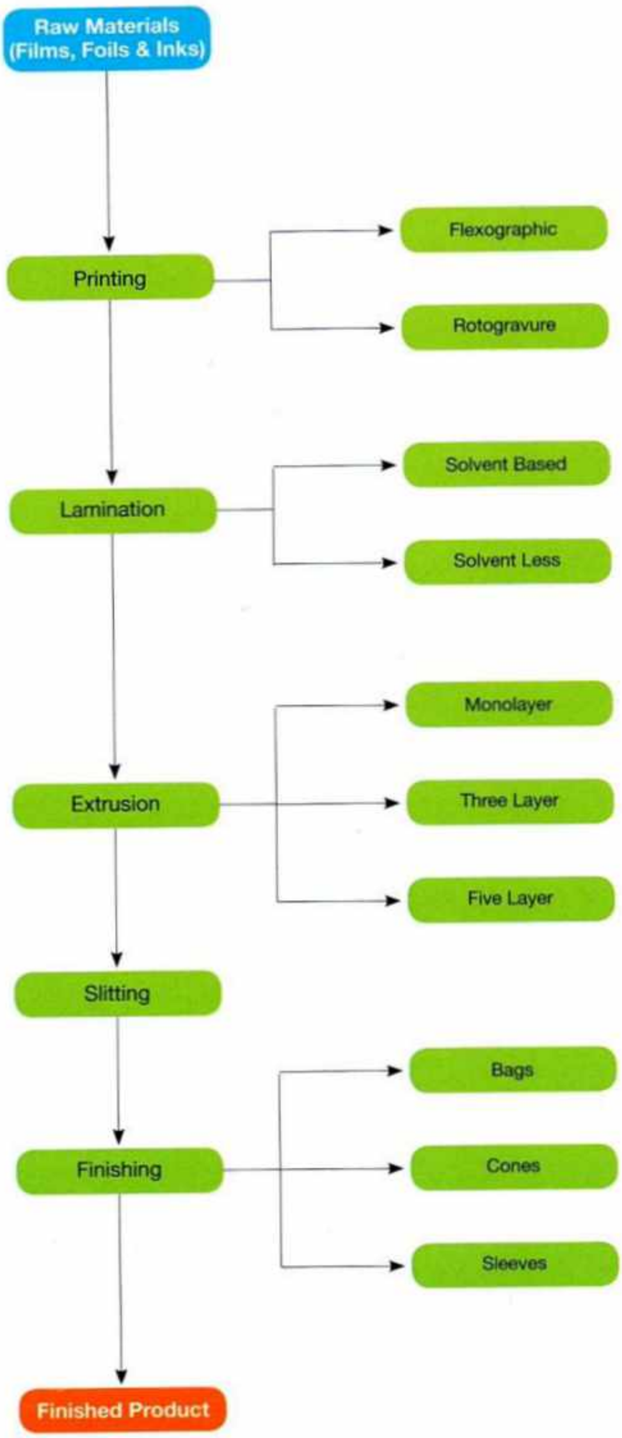
- Bag & Sleeve making: Bag making is an integral part of the flexible line that provides a wide variety of bag constructions such as Side Seal, Double Side Seal, Bottom Seal, Three Side Seal, Bottom Gusset Bags and Side Gusset Bags.
- Cone Making: There are five high speed machines which produce cones in all sizes.

Management Structure

- Business Unit Manager
    - Planning Manager
    - Technical Manager
    - Production Manager
        - Manager Conversion
        - Manager Printing
        - Manager Technical & Support

Customer Base

Process Flow of Flexible Packaging



Corrugated Boxes

Packages commenced Corrugated Boxes manufacturing in 1974. Currently, Corrugated Containers are being produced at two productions sites i.e. Kasur (BSPM) and Karachi.

Operations

This Business Unit produces corrugated boxes out of liner and fluting procured from Company's Paper and Paperboard Mill.

Corruwall Sheeting

- Corrugator machine corrugates the fluting paper and joins it with the liner using starch glue and heating to produce Corrugated Board that is later slit, creased and cut into Corruwall Sheets as per dimensions required by the customer.

Printing & Box making

- Corruwall sheets are fed to Flexo Folder Gluer Machines (FFGs) that print, slot, crease, glue and fold them in-line automatically to produce complete standard slotted Corrugated Boxes. In case of stitched boxes or die-cut trays, only printing, slotting and creasing processes are performed. Corrugated boxes produced on FFGs are tied into bundles by Automatic Strapping Machines.

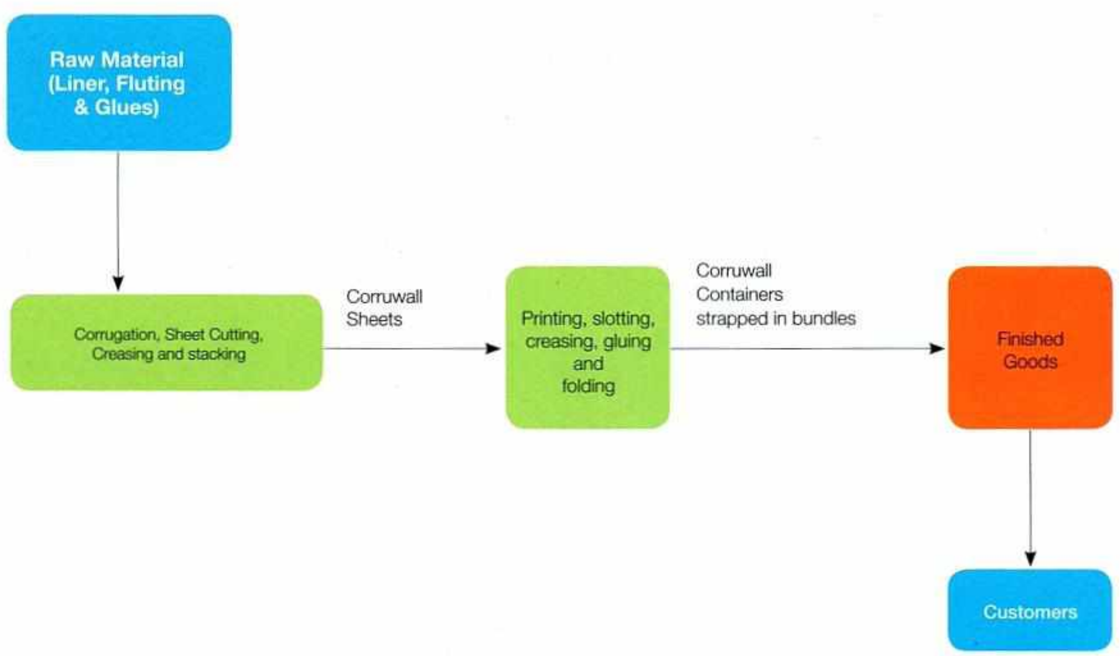
Management Structure

- Business Unit Manager
    - Planning Manager
    - Plant Manager - Karachi
    - Production Manager - Kasur
        - Manager Conversion
        - Manager Sheeting
        - Technical Manager

Sectors

Currently, Business Unit - Corrugated Boxes is providing packaging materials to the customers operating in the following major sectors:

Process Flow of Corrugated Boxes



Consumer Products Division

Packages started commercial production of tissue paper in 1981 at its Lahore Plant. The division consists of tissue manufacturing and conversion of tissue and paper products. Feminine hygiene products are also produced at this facility.

Operations

- Tissue manufacturing activity is carried out at two machines i.e. PM-4 and PM-9 with production capacities of 26 tons per day and 100 tons per day respectively.
- Conversion consists of making facial tissue boxes, tissue rolls, napkins, paper cups & plates and sanitary napkins etc.

Brands

Key brands of our Consumer Products Division are:

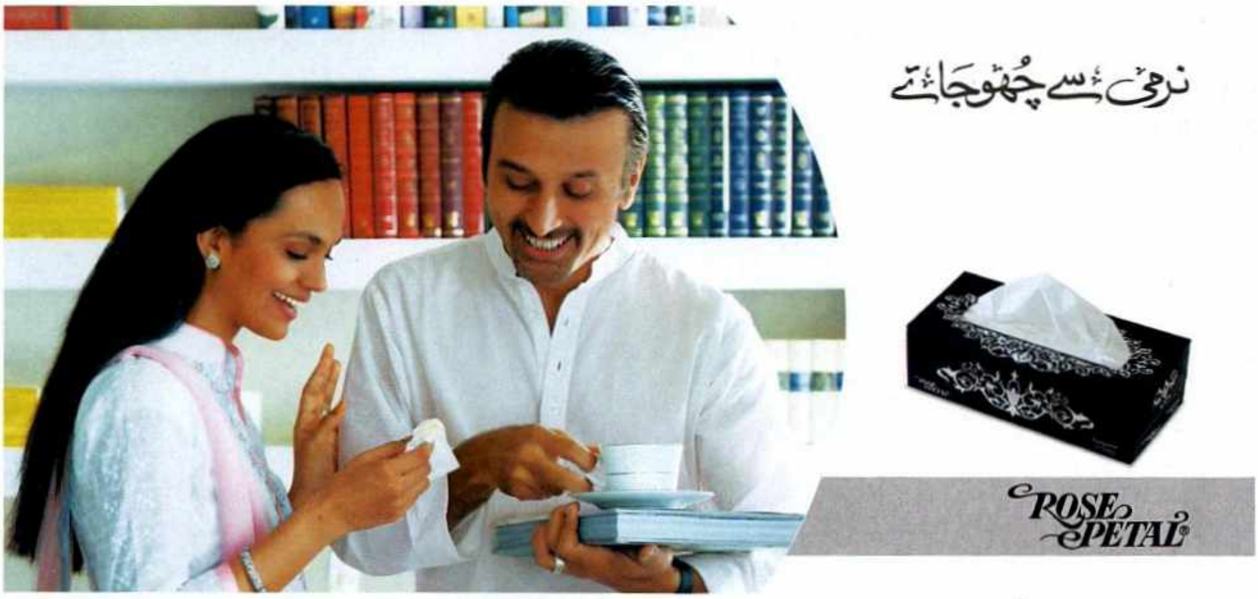
- Rose Petal
- Tulip
- Tena
- Double Horse
- Feminex

Management Structure

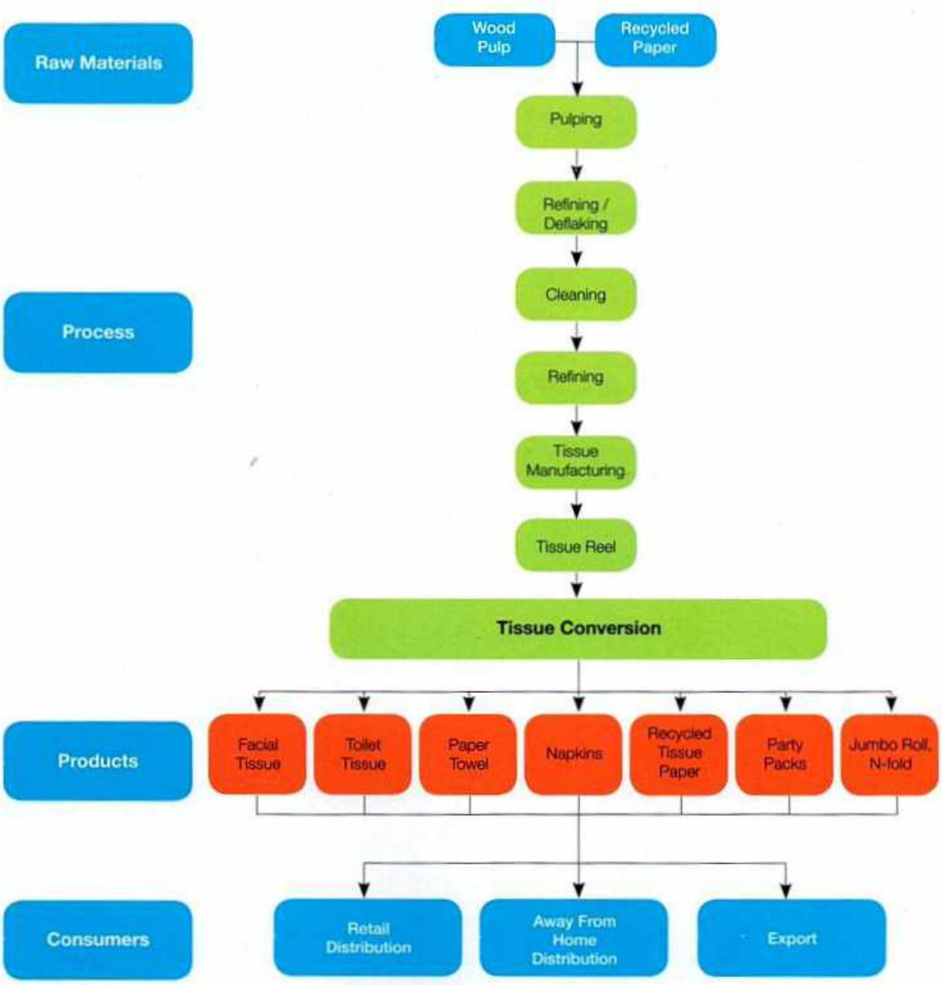
- Business Unit Manager
    - National Sales Manager
    - Brand Manager
    - Manager Tissue Conversion
    - Manager Tissue Manufacturing

Products

- Facial Tissue Paper Boxes
- Toilet Rolls
- Kitchen Towels
- Table Napkins
- Hand Towels
- Party Pack Tissues
- Pocket Pack Tissues
- Sanitary Napkins
- Wet Tissues
- Paper Plates
- Paper Cups



Process Flow of Consumer Products Division



Services

Packages believes that its entire operations has to be in-line with the needs of the customer; therefore, it is necessary to consistently and timely provide good quality products.

Customer Services Department (CSD)

CSD comprehensively monitors processes to ensure on-time delivery to the customer and follows new orders from Pre-Press up to final delivery. CSD also arranges development activities as well as technical support/visits to customers for troubleshooting and ensures proper feedback and management reporting on customers' complaints.

Pre-Press Department

Pre-Press is the nerve center of Packages Limited where concepts and ideas are developed and woven with marketing strategies of customers to attract the end users of the products produced by our customers.

The department has been revolutionized over the last 15 years and now has pre-press production designers and computer artists who make the soft copies of the designs. These halftone images and texts are simultaneously directed from computers to:

- Image setters;
- Plate making devices (CDI, Digital System for Flexo);
- Digital engraving machines

In the Art and Camera Department, Packages has high-tech computer systems where digital files are produced instead of photographic negatives. For achieving high quality in all of printing methods (Roto, Flexo and Offset), Pre-Press Department is equipped with the latest technology in cylinder making, photo polymer and plate making equipment which provides support to various production departments.

Pre-press converts the packaging design according to the technical requirements of any printing technique like Gravure, Flexography and offset without compromising the creative integrity of designs.

Combining know-how in the pre-press area, vector & raster data and the latest technology in hardware and software, our pre-press team is able to provide the highest possible services.

Research & Development

The Company's Research & Development Department is well equipped, both in terms of human resources and equipment, to provide technical support to production and to the external customers. These facilities are used to study the effect of different variables on the process and the product and are also available for comprehensive testing of paperboard and its products.

There are certain other service departments that are also fueling the operations of the Company and are considered equally important namely:

- Administration
- Human Resource Development
- Enterprise Resource Planning
- Environment, Health & Safety
- Industrial Relations
- Power Services
- Finance
- Medical Services

Competitive Business Strength

Fully Integrated Production Facility

Packages is unique in the sense that it provides complete packaging solutions to its customers. The Company is not only backward integrated having its own paper and paperboard mill to supply quality material for its converting departments but also is the only Company in the country providing complete packaging solutions such as offset printed cartons, cigarette H/Ls, shipping containers, flexible packaging materials etc. under one roof.

Packages also has technical know-how understandings with renowned international players such as Stora Enso, Sweden in addition to having an extensive Research and Development Department which works hand in hand with marketing and production departments as well as customers and helps provide the best quality packaging material at an affordable price. All these factors combined make Packages the preferred packaging supplier for multi-national and local companies.

Superior Technology and Quality

Packages has always followed its policy to invest into new technology and at the same time upgrade its existing equipment which can be ascertained from the fact that in the past ten years, the Company has invested around USD 450 million on acquiring new technology, enhancing capacity and equipment to safeguard environment. The aforesaid includes investment in a new paper and board mill, a new tissue machine, rotogravure printing machine with online cutting and creasing, computerised pre-press, laser cut dies, 5 layer extruder machines, new fiber line, chemical recovery plant etc. Packages has an in-house state of the art cylinder making and flexographic plates making facility for its high speed printing machines which enables the Company to ensure its quality control standards.

Strong Research & Development and Foreign Technical Collaborations

Packages R&D capability is one of the principal reasons of the Company's sustained market leadership and strong business relationships with top-notch multinational and local companies in Pakistan. The in-house R&D department conducts meeting with customers to assess their needs and develops new and customised packaging products. In addition Stora Enso, which is one of the foreign shareholders of the Company and is in fact the top tier firm in global packaging industry has continuous exchange of information with the Company regarding recent developments in the international packaging industry.

Board of Directors of the Company

Mr. Towfiq Habib Chinoy

Mr. Chinoy, Non Executive Director, has been associated with the Company as Chairman of the Board of Directors since 2008. He holds chairmanship of Pakistan Cables Limited, Jubilee General Insurance Company Limited and HBL Asset Management Limited. He also holds directorship of Linde Pakistan Limited (formerly BOC Pakistan Limited), IGI Investment Bank Limited, International Steels Limited, Jubilee Life Insurance Company Limited and Pakistan Center for Philanthropy

Syed Hyder Ali

Mr. Ali joined Packages Limited in July 1987 and presently holds the position of Managing Director of the Company. He has done his Masters in Sciences from Institute of Paper Chemistry and has also served as Mill Manager of Paper and Board operations of the Company. He holds directorship in several other companies including IGI Insurance Limited, Nestle Pakistan Limited, International Steels Limited, Packages Lanka (Private) Limited, Sanofi-Aventis Pakistan Limited, Tri-Pack Films Limited and Tetra Pak Pakistan Limited. He is also serving on the Board of certain philanthropic, educational, charitable and business support organizations including Pakistan Centre for Philanthropy, World Wide Fund for Nature, National Management Foundation, Syed Maratib Ali Religious & Charitable Trust, Pakistan Business Council and Babar Ali Foundation. He is also board member of Ali Institute of Education, International Chamber of Commerce and Lahore University of Management Sciences.

Syed Aslam Mehdi

Mr. Mehdi joined the Company in 1980 and currently holds the position of Director and General Manager of the Company. He has a Masters Degree in Business Administration from Institute of Business Administration, Karachi and has served Packages Group Companies in various capacities over the years. Currently, he also holds directorship of DIC Pakistan Limited and Packages Lanka (Private) Limited.

Mr. Khalid Yacob

Mr. Yacob joined Packages Limited in 1988 and currently holds the position of Director and Finance Manager of the Company. He is a fellow member of Institute of Chartered Accountants, England & Wales and Institute of Chartered Accountants, Pakistan and has been associated at senior management positions in A.F. Ferguson & Co, Chartered Accountants, Pakistan and Whinney Murray & Co, Chartered Accountants, Riyadh, Saudi Arabia. Mr. Yacob has vast experience in financial planning & budgeting, financial forecasting and analysis, asset investment, taxation, computer services, client development and staff management. He also holds directorship of IGI Investment Bank Limited, IGI Funds Limited, Packages Lanka (Private) Limited, Tri-Pack Films Limited and Tetra Pak Pakistan Limited.

Mr. Muhammad Aurangzeb

Mr. Aurangzeb is a Non-Executive Director of the Company and has over 25 years banking experience and has served The Royal Bank of Scotland in various positions including Country Manager Pakistan, CFO Financial Markets Business, Global Head Portfolio Management and Global Head Commercial Client Segment. Currently, he is serving as the CEO of J.P. Morgan's Corporate Bank for Asia.

Mr. Wazir Ali Khoja

Mr. Khoja, is a NIT Nominee Director on Board of Packages Limited. He has over 30 years professional experience in the field of Banking, Finance and Mutual Fund Industry. He is also member on the Board of other institutions i.e., Bank Al Habib Limited, Fauji Fertilizer Company Limited, Askari Bank Limited, Habib Metropolitan Bank Limited, Pakistan State Oil Company Limited, Pak Suzuki Motors Company Limited, Burshane Gas LPG (Pakistan) Limited, Sui Northern Gas Pipelines Limited, Sui Southern Gas Company Limited, Pakistan Telecom Mobile Limited (un-listed) and Sindh Bank Limited.

Syed Shahid Ali

Mr. Ali is currently associated with the company as Non-Executive Director. He also holds directorship of several other companies including Treet Corporation Limited, Treet Assets (Private) Limited, Treet Power Limited, Loads Limited, IGI Insurance Limited, Ali Automobiles Limited, First Treet Manufacturing Modaraba, Global Econo Trade (Pvt.) Limited, Multiples Auto parts Industries (Private) Limited, Specialized Auto parts Industries (Private) Limited and Specialized Motorcycles (Private) Limited. He is also actively involved in social and cultural activities and holds senior positions on the governing boards of several hospitals and philanthropic organizations including Gulab Devi Hospital and Liaquat National Hospital.

Mr. Shamim Ahmad Khan

Mr. Khan is currently associated with the Company as Non-executive Director. He has also served various government organizations in different capacities namely Securities and Exchange Commission of Pakistan and Ministry of Commerce. He has also been engaged with consultancy assignments for Asian Development Bank and other organizations. Currently, Mr. Khan also holds directorship of Abbott Laboratories Pakistan Limited and IGI Insurance Limited.

Mr. Matti Ilmari Naaka

Mr. Naaka is associated with the Company as Non Executive Director. He also holds senior management position in Stora Enso and possesses immense knowledge and experience in paper industry.

Mr. Shahid Aziz Siddiqui

Mr. Siddiqui is associated with the Company as Non-Executive Director since 2008. He holds a Masters Degree from the Karachi University and a Post Graduate degree in Development Economics from the University of Cambridge UK. He also holds directorship of State Life Insurance Corporation of Pakistan, Sui Southern Gas Company Limited, International Industries Limited, Pakistan Cables Limited, Fauji Fertilizer Company Limited, Orix Leasing Pakistan Limited and Alpha Insurance. He has also served as Managing Director-Rice Export Corporation of Pakistan, Chairman-National Highways Authority, Director General-Ports and Shipping and Director General-Hajj, Embassy of Pakistan, Jeddah.

Management Committees

Executive Committee

Syed Hyder Ali *(Executive Director)*	Chairman
Syed Aslam Mehdi *(Executive Director)*	Member
Khalid Yacob *(Executive Director)*	Member

Executive Committee is involved in day to day operations of the Company and is authorized to conduct every business except the businesses to be carried out by Board of Directors as required by section 196 of the Companies Ordinance, 1984. Executive Committee meets periodically to review operating performance of the Company against pre-defined objectives, commercial business decisions and investment and funding requirements.

Audit Committee

Shamim Ahmad Khan *(Non-Executive Director)*	Chairman
Wazir Ali Khoja *(Non-Executive Director)*	Member
Muhammad Aurangzeb *(Non-Executive Director)*	Member
Syed Shahid Ali *(Non-Executive Director)*	Member
Matti Ilmari Naakka *(Non-Executive Director)*	Member
Syed Aslam Mehdi *(Executive Director)*	Member
Adi J. Cawasji	Secretary

The terms of reference of the Audit Committee have been derived from the Code of Corporate Governance applicable to listed companies. Thereby Audit Committee shall, among other things, be responsible for recommending to the Board of Directors the appointment of external auditors by the Company's shareholders and shall consider any questions of resignation or removal of external auditors, audit fees and provision by external auditors of any service to the Company in addition to audit of its financial statements. In the absence of strong grounds to proceed otherwise, the Board of Directors shall act in accordance with the recommendations of the Audit Committee in all these matters.

The terms of reference of the Audit Committee also include the following:

a. Determination of appropriate measures to safeguard the Company's assets;

b. Review of preliminary announcements of results prior to publication;

c. Review of quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board of Directors, focusing on:
   - Major judgmental areas;
   - Significant adjustments resulting from the audit;
   - The going-concern assumption;
   - Any changes in accounting policies and practices;
   - Compliance with applicable accounting standards; and
   - Compliance with listing regulations and other statutory and regulatory requirements.

d. Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);

e. Review of management letter issued by external auditors and management's response thereto;

f. Ensuring coordination between the internal and external auditors of the Company;

g. Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;

h. Consideration of major findings of internal investigations and management's response thereto;

i. Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;

j. Review of the Company's statement on internal control systems prior to endorsement by the Board of Directors;

k. Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body;

l. Determination of compliance with relevant statutory requirements;

m. Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and

n. Consideration of any other issue or matter as may be assigned by the Board of Directors.

Remuneration and Appointments Committee

Towfiq Habib Chinoy *(Non-Executive Director)*	Chairman
Syed Hyder Ali *(Executive Director)*	Member
Syed Aslam Mehdi *(Executive Director)*	Member
Asma Javed	Secretary

This Committee is responsible for:

(i) Performance review, succession and appointment to the office and remuneration of the Managing Director and his direct reports, including retirements and remunerations for their offices;

(ii) The overall system of remuneration and benefits for senior management and functional heads;

(iii) Succession and career development within the senior management;

(iv) The size and composition of the Board including the "mix" of Executive and Non-Executive Directors;

(v) Selection and nomination of Non-Executive Directors to the Board and the terms & conditions, wherever applicable and if any, on which Non-Executive Directors are appointed and hold office, for the ultimate approval of the shareholders.

Business Strategy Committee

Syed Hyder Ali *(Executive Director)*	Chairman
Syed Aslam Mehdi *(Executive Director)*	Member
Khalid Yacob *(Executive Director)*	Member

This Committee is responsible for:

a) Formulation of business strategy, review of risks and their mitigation plan;

b) Staying abreast of developments and trends in the Industry to assist the Board in planning for future capital intensive investments and growth of the Company;

c) Evaluation of proposed projects and funding thereof;

d) Investment portfolio analysis and strategic business dimension.

System and Technology Committee

Syed Aslam Mehdi *(Executive Director)*	Chairman
Khalid Yacob *(Executive Director)*	Member
Suleman Javed	Member

This Committee is responsible for:

a) Devising the I.T strategy within the organization to keep all information systems of the Company updated in a fast changing environment. This committee is also responsible for evaluating ERP solutions and data archiving solutions in the light of Company's overall goals and objectives;

b) Reviewing and recommending information technology proposals suggested by management;

c) Promoting awareness of all stakeholders on needs for investment in technology and related research work;

d) Reviewing and assessing Company's systems and procedures, recommending proposals on technological innovations including plant up-gradation, technology improvements etc. with relevant cost benefit analysis.

Vision, Mission and Policies

Vision

Position ourselves to be a regional player of quality packaging, paper & paperboard and consumer products.

Improve on contemporary measures including cost, quality, service, speed of delivery and mobilization.

Keep investing in technology, systems and human resource to effectively meet the challenges every new dawn brings.

Develop relationships with all our stakeholders based on sustainable cooperation, upholding ethical values, which the shareholders, management and employees represent and continuously strive for.

Mission Statement

To be a leader in the markets we serve by providing quality products and superior service to our customers, while learning from their feed back to set even higher standards for our products.

To be a company that continuously enhances its superior technological competence to provide innovative solutions to customer needs.

To be a company that attracts and retains outstanding people by creating a culture that fosters openness and innovation, promotes individual growth and rewards initiative and performance.

To be a company which combines its people, technology, management systems and market opportunities to achieve profitable growth while providing fair returns to its investors.

To be a company that endeavors to set the highest standards in corporate ethics in serving the society.

Integrated Management System (IMS) Policy

We intend to be a world class Company that not only delivers quality products & services but also takes care of its personnel health, safety & environment as a whole. We are committed to achieving this by:

1. Complying with all applicable laws and regulatory requirements.
2. Setting objectives and targets for reviewing and improving management systems.
3. Developing an effective IMS system to prevent incidents/accidents, ill health, pollution, waste reduction, hazards elimination and environmental impacts mitigation.
4. Ensuring that all food related packaging material is produced, stored and delivered in safe and hygienic condition as per relevant requirements
5. Continually improving our EHS and food safety management system effectiveness.
6. Creating a safe and work friendly environment for all stakeholders.
7. Implementing individual accountability to comply with IMS requirements.

This policy is applicable to each individual whether employee, contractor/sub-contractor, suppliers, visitors and all other stake holders of Company.

Quality Policy

Packages Limited is strongly committed to produce quality products that conform to consumer's requirements at a competitive price.

We shall continually improve our Quality Management System and quality performance of all business processes.

We shall set quality objectives at all levels and allocate appropriate resources to achieve them.

We shall ensure all employees are well aware of company quality policy and are motivated to apply it in their areas of responsibility.

Statement of Ethical Practices

It is the basic principle of Packages Limited to obey the law of the land and comply with its legal system. Accordingly every director and employee of the Company shall obey the law. Any director and employee guilty of violation will be liable to disciplinary consequences because of the violation of his / her duties.

Employees must avoid conflicts of interest between their private financial activities and conduct of Company business.

All business transactions on behalf of Packages Limited must be reflected accordingly in the accounts of the Company. The image and reputation of Packages Limited is determined by the way each and every one of us acts and conducts himself / herself at all times.

We are an equal opportunity employer. Our employees are entitled to a safe and healthy workplace.

Every manager and supervisor shall be responsible to see that there is no violation of laws within his / her area of responsibility which proper supervision could have prevented. The manager and supervisor shall still be responsible if he / she delegates particular tasks.

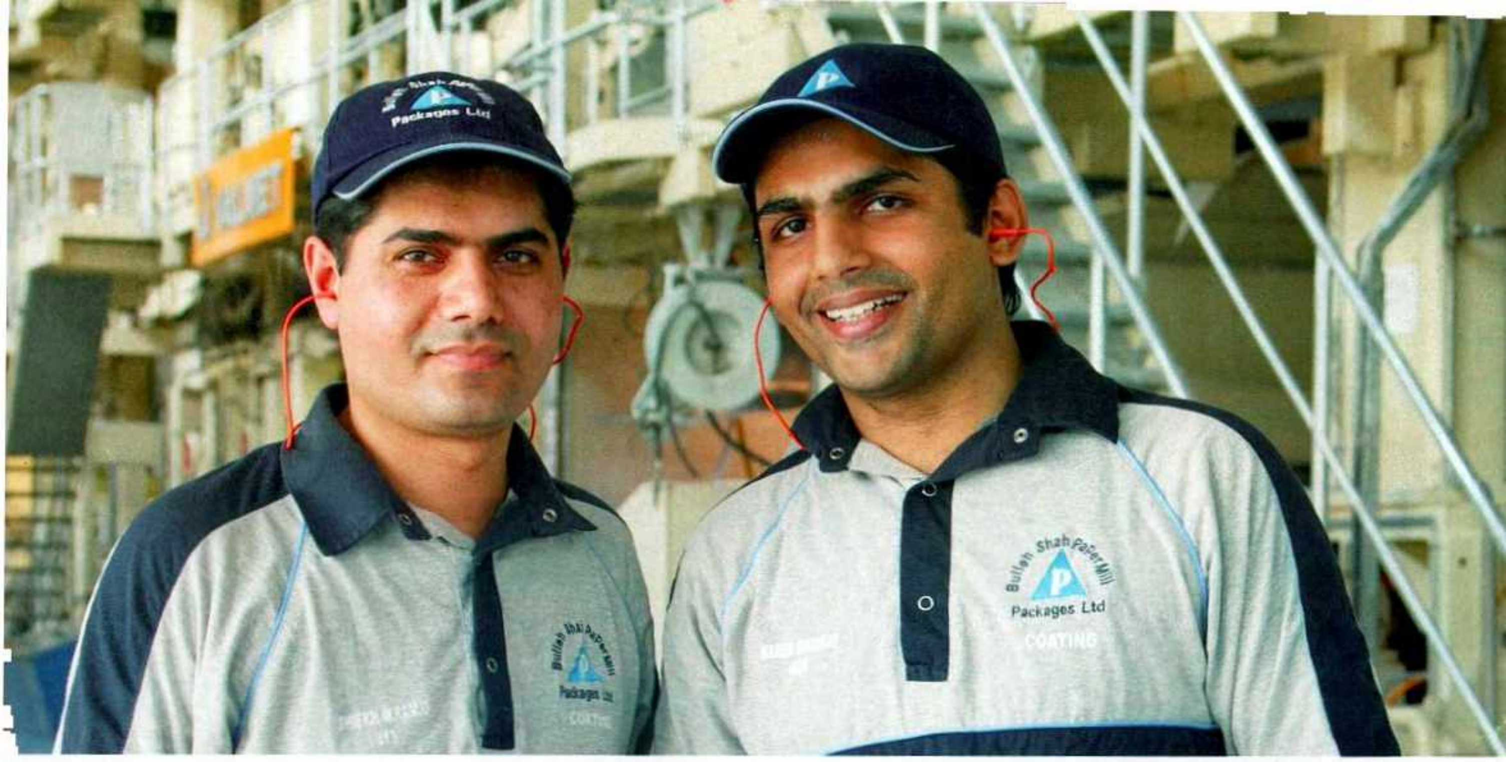
Total Productive Maintenance (TPM) Policy

We believe that TPM provides the life cycle approach of improving the overall performance of the machine/equipment through:

- Improving productivity by highly motivated staff/ workers
- Satisfying the customer needs by delivering the right quantity at right time with desired quality

We are committed to follow the TPM principles to enhance our competitive position in the market and hence financial position by achieving:

- Zero accidents
- Zero breakdowns
- Zero defects



Code of Conduct

Packages Limited has built a reputation for conducting its business with integrity in accordance with high standards of ethical behavior and in compliance with the laws and regulations that govern our business. This reputation is among our most valuable assets and ultimately depends upon the individual actions of each of our employees all over the country.

Packages Limited code of conduct has been prepared to assist each of us in our efforts to not only maintain but enhance this reputation. It provides guidance for business conduct in a number of areas and references to more detailed corporate policies for further direction. The adherence of all employees to high standards of integrity and ethical behavior is mandatory and benefits all stakeholders including our customers, our communities, our shareholders and ourselves.

The Company carefully checks for compliance with the Code by providing suitable information, prevention and control tools and ensuring transparency in all transactions and behaviors by taking corrective measures if and as required.

Packages Limited Code of Conduct applies to all affiliates, employees and others who act for us countrywide, within all sectors, regions, areas and functions.

General Principles

- Compliance with the law, regulations, statutory provisions, ethical integrity and fairness is a constant commitment and duty of all Packages employees and characterizes the conduct of the organization.
- The Company' s business and activities have to be carried out in a transparent, honest and fair way, in good faith and in full compliance. Any form of discrimination, corruption, forced or child labor is rejected. Particular attention is paid to the acknowledgment and safeguarding of the dignity, freedom and equality of human beings.
- All employees, without any distinction or exception whatsoever, respect the principles and contents of the Code in their actions and behaviors while performing their functions according to their responsibilities, because compliance with the Code is fundamental for the quality of their working and professional performance. Relationships among employees, at all levels, must be characterized by honesty, fairness, cooperation, loyalty and mutual respect.
- The belief that one is acting in favor or to the advantage of the Company can never, in any way, justify-not even in part – any behavior that conflict with the principles and content of the Code.
- The Packages Code of Conduct aims at guiding the "Packages team" with respect to standards of conduct expected in areas where improper activities could result in adverse consequences to the Company, harm its reputation or diminish its competitive advantage.
- Every employee is expected to adhere to, and firmly inculcate in his/her everyday conduct, this mandatory framework; any contravention or deviation will be regarded as misconduct and may attract disciplinary action in accordance with the Company service rules and relevant laws.

Ten Year Summary

(Rupees in Million)	2011	2010	2009
Assets Employed:			
Fixed Assets at Cost	28,346	26,996	26,821
Accumulated Depreciation / Amortisation	10,057	9,101	7,605
Net Fixed Assets	**18,289**	**17,895**	**19,217**
Capital Work-in-Progress	126	753	66
Other Non-Current Assets	16,488	12,442	8,347
Current Assets	8,841	8,534	7,979
Current Liabilities	3,442	2,421	1,743
Net Current and Other Non-Current Assets	**21,887**	**18,555**	**14,583**
Net Assets Employed	**40,301**	**37,204**	**33,865**
Financed By:			
Paid up Capital	844	844	844
Reserves	27,098	24,480	20,967
Preference Shares / Convertible Stock Reserve	1,606	1,606	1,606
Shareholder's Equity	29,548	26,930	23,417
Deferred Liabilities	2,178	2,317	2,478
Long-Term Finances	8,575	7,956	7,971
Total Non-Current Liabilities	**10,753**	**10,274**	**10,448**
Total Funds Invested	**40,301**	**37,204**	**33,865**
Invoiced Sales	23,102	21,837	16,533
Materials Consumed	10,746	10,211	8,685
Cost of Sales	18,993	17,733	13,736
Gross Profit	382	803	307
Employees Remuneration	1,772	1,502	1,229
(Loss) / Profit from Operations	(498)	(104)	* (384)
(Loss) / Profit Before Interest & Tax	(1,476)	(317)	5,770
(Loss) / Profit After Tax	(1,568)	(332)	4,064
EBITDA (from operations)	750	1,242	719
Key Ratios:			
Profitability			
Gross Profit Ratio (%)	1.65	3.68	1.86
Profit Before Tax (%)	(6.39)	(1.45)	34.90
EBITDA Margin to Sales (%)	3.25	5.68	14.91
Return on Assets	(0.04)	(0.01)	0.11
Total Assets Turnover Ratio	0.53	0.55	0.46
Fixed Assets Turnover Ratio	1.26	1.22	0.86
Liquidity			
Current Ratio	2.57	3.52	4.58
Quick Ratio	0.96	1.57	1.72
Inventory Turnover (Days)	79	80	103
Debtor Turnover (Days)	28	27	39
Creditor Turnover (Days)	27	26	25
Operating Cycle	80	81	117
Gearing			
Debt : Equity Ratio	22:78	23:77	25:75
Return on Equity (%)	* (3.98)	(1.23)	(13.05)
Investment			
Basic EPS (Rs.)	(18.58)	(3.94)	48.16
Diluted EPS (Rs.)	(18.58)	(3.94)	44.72
Price - Earning Ratio	(4.45)	(32.65)	2.99
Interest Cover Ratio	0.09	0.74	5.55
Dividend Yield (%)	1.81	2.53	2.26
Dividend Cover Ratio	(12.39)	(1.21)	14.82
Cash Dividend %	15.00	32.50	32.50
Stock Dividend %	-	-	-
Break-up Value Per Ordinary Share (Rs.)	331.15	300.12	258.49
Market Value Per Ordinary Share - Year End (Rs.)	82.72	128.61	144.00
Cash Dividend Per share	1.50	3.25	3.25

** Excluding impairment charged on available for sale investments*

2008	2007	2006	2005	2004	2003	2002
17,634	15,890	8,074	7,659	7,248	6,882	6,512
6,323	5,502	4,984	4,633	4,277	3,928	3,547
11,311	**10,388**	**3,090**	**3,026**	**2,971**	**2,954**	**2,965**
8,155	7,801	10,143	3,266	330	345	197
8,645	10,413	6,026	770	749	685	601
6,923	4,837	3,414	4,559	2,425	2,171	2,187
5,617	1,965	2,312	2,336	1,749	1,098	1,700
9,952	**13,285**	**7,128**	**2,993**	**1,425**	**1,757**	**1,088**
29,418	**31,473**	**20,361**	**9,285**	**4,726**	**5,056**	**4,251**
844	734	699	699	475	475	475
15,429	17,437	12,974	7,037	3,716	3,157	2,344
-	-	-	-	-	-	-
16,273	18,171	13,673	7,736	4,192	3,633	2,819
841	956	688	547	527	567	481
12,304	12,347	6,000	1,001	6	857	950
13,145	**13,302**	**6,688**	**1,548**	**534**	**1,423**	**1,431**
29,418	**31,473**	**20,361**	**9,285**	**4,726**	**5,056**	**4,251**
14,301	10,540	9,028	8,163	6,893	6,293	5,361
7,639	5,108	4,247	3,521	2,710	2,263	1,926
11,281	7,829	6,552	5,746	4,678	4,242	3,672
943	1,199	1,295	1,353	1,309	1,194	950
1,033	835	758	651	576	551	507
405	588	758	902	789	718	474
(308)	4,633	6,348	1,330	1,187	1,037	797
(196)	4,326	6,101	1,015	958	814	655
955	1,167	1,098	1,217	1,246	1,138	885
6.60	11.38	14.34	16.57	18.98	18.97	17.71
(2.15)	43.96	70.31	16.29	17.21	16.48	14.87
6.68	11.08	12.17	14.91	18.07	18.09	16.45
(0.01)	0.13	0.27	0.09	0.15	0.13	0.11
0.41	0.32	0.40	0.70	1.06	1.02	0.90
1.26	1.01	2.92	2.70	2.32	2.13	1.81
1.23	2.46	1.48	1.95	1.39	1.98	1.29
0.43	0.97	0.55	1.30	0.54	0.88	0.59
95	90	78	71	76	74	81
39	45	33	35	34	33	37
31	44	37	26	30	30	32
103	91	74	80	80	77	86
44:56	40:60	30:70	11:89	00:100	19:81	25:75
(1.20)	4.39	14.80	13.12	22.84	22.39	23.25
(2.32)	58.96	87.30	16.24	19.68	17.11	13.79
(2.32)	-	-	-	-	-	-
(34.98)	6.17	2.41	12.44	10.10	9.81	6.42
0.81	13.84	92.93	9.18	9.93	8.03	5.61
-	-	2.86	2.97	4.27	5.06	7.91
-	-	14.55	2.42	2.37	2.01	1.97
-	-	60.00	60.00	85.00	85.00	70.00
-	15.00	5.00	-	-	-	-
192.85	247.65	195.66	110.71	88.18	76.42	59.31
81.19	363.80	210.00	202.00	198.85	167.90	88.50
-	-	6.00	6.00	8.50	8.50	7.00

Horizontal & Vertical Analysis

Horizontal Analysis

(Balance Sheet)

(Rupees in Million)

ASSETS	2011 Rs.	11 vs 10 %	2010 Rs.	10 vs 09 %	2009 Rs.	09 vs 08 %	2008 Rs.	08 vs 07 %	2007 Rs.	07 vs 06 %	2006 Rs.
NON-CURRENT ASSETS											
Property, plant and equipment	18,346	(1.45)	18,615	(3.18)	19,227	(1.11)	19,442	7.04	18,163	37.46	13,213
Intangible assets	39	1,850.00	2	100.00	-	-	-	-	-	(100.00)	3
Investment property	30	(6.25)	32	(41.82)	55	120.00	25	(3.85)	26	85.71	14
Assets subject to finance lease	-	-	-	-	-	-	-	-	-	(100.00)	2
Investments	16,288	33.30	12,219	50.87	8,099	(3.15)	8,362	(17.04)	10,080	74.52	5,776
Long-term loans and deposits	111	(13.95)	129	(7.86)	140	(10.26)	156	(36.07)	244	35.56	180
Retirement benefits	89	(6.32)	95	(12.04)	108	(15.63)	128	45.45	88	25.71	70
CURRENT ASSETS											
Stores and spares	979	(6.76)	1,050	20.55	871	3.57	841	17.46	716	47.33	486
Stock-in-trade	4,526	23.36	3,669	(10.56)	4,102	12.32	3,652	65.55	2,206	33.94	1,647
Trade debts	1,764	7.43	1,643	(6.22)	1,752	15.04	1,523	18.15	1,289	57.00	821
Loans, advances, deposits, prepayments and other receivables	455	71.70	265	29.90	204	(30.38)	293	(12.54)	335	29.84	258
Income tax receivable	941	22.85	766	28.96	594	48.87	399	110.00	190	97.92	96
Cash and bank balances	176	(84.56)	1,140	150.00	456	129.15	199	97.03	101	(5.61)	107
Non-current assets classified as held-for-sale - investment in related party	-	-	-	-	-	(100.00)	15	100.00	-	-	-
TOTAL	43,744	10.40	39,625	11.28	35,608	1.64	35,035	4.77	33,438	47.48	22,673

Vertical Analysis

(Balance Sheet)

(Rupees in Million)

	2011		2010		2009		2008		2007		2006	
ASSETS	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
NON-CURRENT ASSETS												
Property, plant and equipment	18,346	41.93	18,615	46.97	19,227	54.00	19,442	55.50	18,163	54.32	13,213	58.29
Intangible assets	39	0.09	2	0.01	-	-	-	-	-	-	3	0.01
Investment property	30	0.07	32	0.08	55	0.15	25	0.07	26	0.08	14	0.06
Assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	2	0.01
Investments	16,288	37.23	12,219	30.84	8,099	22.74	8,362	23.87	10,080	30.15	5,776	25.48
Long-term loans and deposits	111	0.25	129	0.33	140	0.39	156	0.45	244	0.73	180	0.79
Retirement benefits	89	0.20	95	0.24	108	0.30	128	0.37	88	0.26	70	0.31
CURRENT ASSETS												
Stores and spares	979	2.24	1,050	2.65	871	2.45	841	2.40	716	2.14	486	2.14
Stock-in-trade	4,526	10.35	3,669	9.26	4,102	11.52	3,652	10.42	2,206	6.60	1,647	7.26
Trade debts	1,764	4.03	1,643	4.15	1,752	4.92	1,523	4.35	1,289	3.85	821	3.62
Loans, advances, deposits, prepayments and other receivables	455	1.04	265	0.67	204	0.57	293	0.84	335	1.00	258	1.14
Income tax receivable	941	2.15	766	1.93	594	1.67	399	1.14	190	0.57	96	0.42
Cash and bank balances	176	0.40	1,140	2.88	456	1.28	199	0.57	101	0.30	107	0.47
Non-current assets classified as held-for-sale - investment in related party	-	-	-	-	-	-	15	0.04	-	-	-	-
TOTAL	43,744	100.00	39,625	100.00	35,608	100.00	35,035	100.00	33,438	100.00	22,673	100.00

Horizontal Analysis
(Balance Sheet)

(Rupees in Million)

EQUITY & LIABILITIES	2011 Rs.	11 vs 10 %	2010 Rs.	10 vs 09 %	2009 Rs.	09 vs 08 %	2008 Rs.	08 vs 07 %	2007 Rs.	07 vs 06 %	2006 Rs.
SHARE CAPITAL & RESERVES											
Issued subscribed and paid up capital	844	-	844	-	844	-	844	14.99	734	5.00	699
Reserves	28,179	16.35	24,219	41.64	17,099	9.44	15,625	19.18	13,110	90.77	6,872
Preference shares / convertible stock reserve	1,606	-	1,606	-	1,606	100.00	-	-	-	-	-
Accumulated (loss) / profit	(1,081)	(514.18)	261	(93.25)	3,868	(2,073.47)	(196)	(104.53)	4,327	(29.09)	6,102
NON-CURRENT LIABILITIES											
Long-term finances	8,575	7.77	7,957	(0.16)	7,970	(35.22)	12,304	(0.34)	12,346	105.77	6,000
Deferred income tax liabilities	2,004	(7.56)	2,168	(7.86)	2,353	218.83	738	(14.39)	862	100.00	-
Retirement benefits	13	7,684.43	0.17	100.00	-	-	-	-	-	-	-
Deferred liabilities	162	8.72	149	19.20	125	21.36	103	9.57	94	(86.34)	688
CURRENT LIABILITIES											
Current portion of long-term finances	381	2,621.43	14	100.00	-	(100.00)	550	100.00	-	(100.00)	1
Finances under mark up arrangements-secured	796	464.54	141	63.95	86	(96.68)	2,588	545.39	401	(68.70)	1,281
Trade and other payables	1,731	(3.51)	1,794	27.51	1,407	18.53	1,187	(16.88)	1,428	49.37	956
Accrued finance cost	534	13.14	472	88.80	250	(9.09)	275	102.21	136	83.78	74
Liabilities directly associated with non-current assets classified as held-for-sale - advance against sale of shares	-	-	-	-	-	(100.00)	1,017	100.00	-	-	-
TOTAL	43,744	10.40	39,625	11.28	35,608	1.64	35,035	4.77	33,438	47.48	22,673

Vertical Analysis
(Balance Sheet)

(Rupees in Million)

	2011		2010		2009		2008		2007		2006	
EQUITY & LIABILITIES	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
SHARE CAPITAL & RESERVES												
Issued subscribed and paid up capital	844	1.93	844	2.13	844	2.37	844	2.41	734	2.20	699	3.08
Reserves	28,179	64.42	24,219	61.12	17,099	48.02	15,625	44.60	13,110	39.21	6,872	30.31
Preference shares / convertible stock reserve	1,606	3.67	1,606	4.05	1,606	4.51	-	-	-	-	-	-
Accumulated (loss) / profit	(1,081)	(2.47)	261	0.66	3,868	10.86	(196)	(0.56)	4,327	12.94	6,102	26.91
NON-CURRENT LIABILITIES												
Long-term finances	8,575	19.60	7,957	20.08	7,970	22.38	12,304	35.12	12,346	36.92	6,000	26.46
Deferred income tax liabilities	2,004	4.58	2,168	5.47	2,353	6.61	738	2.11	862	2.58	-	-
Retirement benefits	13	0.03	0	0.00	-	-	-	-	-	-	-	-
Deferred liabilities	162	0.37	149	0.38	125	0.35	103	0.29	94	0.28	688	3.03
CURRENT LIABILITIES												
Current portion of long-term finances	381	0.87	14	0.04	-	-	550	1.57	-	-	1	0.00
Finances under mark up arrangements - secured	796	1.82	141	0.36	86	0.24	2,588	7.39	401	1.20	1,281	5.65
Trade and other payables	1,731	3.96	1,794	4.53	1,407	3.95	1,187	3.39	1,428	4.27	956	4.22
Accrued finance cost	534	1.22	472	1.19	250	0.70	275	0.78	136	0.41	74	0.33
Liabilities directly associated with non-current assets classified as held-for-sale - advance against sale of shares	-	-	-	-	-	-	1,017	2.90	-	-	-	-
TOTAL	43,744	100.00	39,625	100.00	35,608	100.00	35,035	100.00	33,438	100.00	22,673	100.00

Horizontal Analysis
(Profit and Loss Account)

(Rupees in Million)

	2011 Rs.	11 vs 10 %	2010 Rs.	10 vs 09 %	2009 Rs.	09 vs 08 %	2008 Rs.	08 vs 07 %	2007 Rs.	07 vs 06 %	2006 Rs.
Local sales	22,888	11.12	20,598	30.57	15,776	15.17	13,698	32.16	10,365	16.87	8,869
Export sales	214	(82.73)	1,239	63.67	757	25.54	603	244.57	175	10.06	159
Gross sales	23,102	5.79	21,837	32.08	16,533	15.61	14,301	35.68	10,540	16.75	9,028
Sales tax and excise duty	(3,708)	13.50	(3,267)	32.48	(2,466)	19.94	(2,056)	36.98	(1,501)	28.07	(1,172)
Commission	(19)	(44.12)	(34)	47.83	(23)	15.00	(20)	100.00	(10)	11.11	(9)
Net sales	19,375	4.53	18,536	31.99	14,044	14.88	12,225	35.40	9,029	15.06	7,847
Cost of sales	(18,993)	7.11	(17,733)	29.10	(13,736)	21.75	(11,282)	44.09	(7,830)	19.51	(6,552)
Gross profit	382	(52.43)	803	160.71	308	(67.34)	943	(21.35)	1,199	(7.41)	1,295
Administrative expenses	(620)	21.33	(511)	9.19	(468)	(8.59)	(512)	47.13	(348)	(0.57)	(350)
Distribution and marketing costs	(563)	(2.76)	(579)	30.41	(444)	22.65	(362)	50.83	(240)	6.19	(226)
Projects expenditure	(56)	1,300.00	(4)	100.00	-	-	-	-	-	-	-
Other operating expenses	(1)	(93.33)	(15)	(87.39)	(119)	100.00	-	(100.00)	(145)	(31.92)	(213)
Other operating income	359	77.72	202	(47.53)	385	14.58	336	175.41	122	(51.59)	252
(Loss) / profit from operations	(498)	379.81	(104)	(69.23)	(338)	(183.46)	405	(31.12)	588	(22.43)	758
Finance costs	(1,627)	34.38	(1,210)	(5.32)	(1,278)	(23.10)	(1,662)	351.63	(368)	365.82	(79)
Investment income	1,040	4.31	997	(89.14)	9,180	867.33	949	(78.50)	4,413	(22.16)	5,669
Impairment charged on investments	(391)	100.00	-	(100.00)	* (1,794)	100.00	-	-	-	-	-
(Loss) / profit before tax	(1,476)	365.62	(317)	(105.49)	5,770	(1,973.38)	(308)	(106.65)	4,633	(27.02)	6,348
Taxation	(92)	513.33	(15)	(99.12)	(1,706)	(1,623.21)	112	(136.48)	(307)	24.29	(247)
(Loss) / profit for the year	(1,568)	372.29	(332)	(108.17)	4,064	(2,173.47)	(196)	(104.53)	4,326	(29.09)	6,101
EPS - basic	(18.58)		3.94		48.16		2.32		51.27		83.15
EPS - diluted	(18.58)		3.94		44.72						

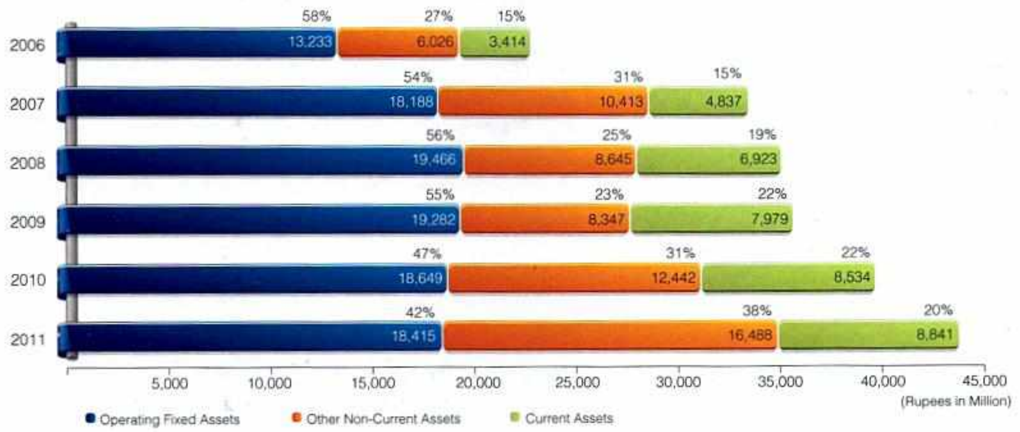
Vertical Analysis
(Profit and Loss Account)

(Rupees in Million)

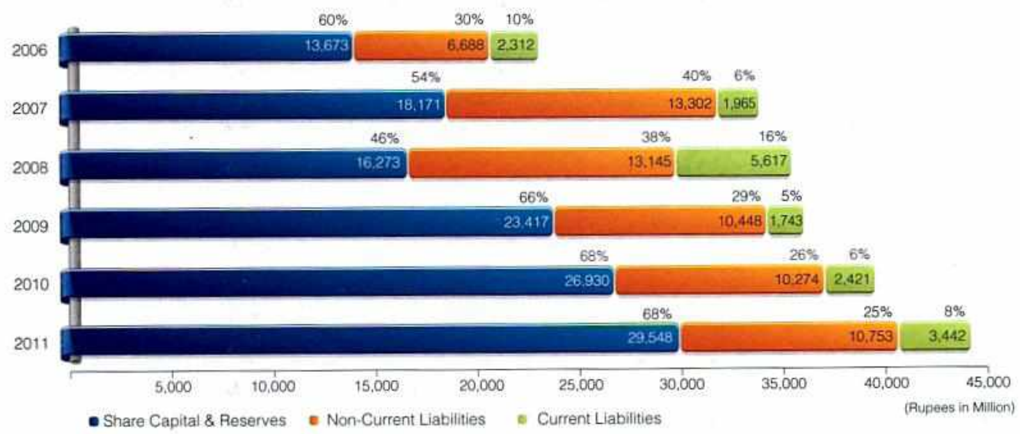
	2011		2010		2009		2008		2007		2006	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
Local sales	22,888	99.07	20,598	94.33	15,776	95.42	13,698	95.78	10,365	98.34	8,869	98.24
Export sales	214	0.93	1,239	5.67	757	4.58	603	4.22	175	1.66	159	1.76
Gross sales	23,102	100.00	21,837	100.00	16,533	100.00	14,301	100.00	10,540	100.00	9,028	100.00
Sales tax and excise duty	(3,708)	(16.05)	(3,267)	(14.96)	(2,466)	(14.92)	(2,056)	(14.38)	(1,501)	(14.24)	(1,172)	(12.98)
Commission	(19)	(0.08)	(34)	(0.16)	(23)	(0.14)	(20)	(0.14)	(10)	(0.09)	(9)	(0.10)
Net sales	19,375	83.87	18,536	84.88	14,044	84.95	12,225	85.48	9,029	85.66	7,847	86.92
Cost of sales	(18,993)	(82.21)	(17,733)	(81.21)	(13,736)	(83.08)	(11,282)	(78.89)	(7,830)	(74.29)	(6,552)	(72.57)
Gross profit	382	1.65	803	3.68	308	1.86	943	6.59	1,199	11.38	1,295	14.34
Administrative expenses	(620)	(2.68)	(511)	(2.34)	(468)	(2.83)	(512)	(3.58)	(348)	(3.30)	(350)	(3.88)
Distribution and marketing costs	(563)	(2.44)	(579)	(2.65)	(444)	(2.69)	(362)	(2.53)	(240)	(2.28)	(226)	(2.50)
Projects expenditure	(56)	(0.24)	(4)	(0.02)	-	-	-	-	-	-	-	-
Other operating expenses	(1)	(0.00)	(15)	(0.07)	(119)	(0.72)	-	-	(145)	(1.38)	(213)	(2.36)
Other operating income	359	1.55	202	0.93	385	2.33	336	2.35	122	1.16	252	2.79
(Loss) / profit from operations	(498)	(2.16)	(104)	(0.48)	(338)	(2.04)	405	2.83	588	5.58	758	8.40
Finance costs	(1,627)	(7.04)	(1,210)	(5.54)	(1,278)	(7.73)	(1,662)	(11.62)	(368)	(3.49)	(79)	(0.88)
Investment income	1,040	4.50	997	4.57	9,180	55.53	949	6.64	4,413	41.87	5,669	62.79
Impairment charged on investments	(391)	(1.69)	-	-	* (1,794)	(10.85)	-	-	-	-	-	-
(Loss) / profit before tax	(1,476)	(6.39)	(317)	(1.45)	5,770	34.90	(308)	(2.15)	4,633	43.96	6,348	70.31
Taxation	(92)	(0.40)	(15)	(0.07)	(1,706)	(10.32)	112	0.78	(307)	(2.91)	(247)	(2.74)
(Loss) / profit for the year	(1,568)	(6.79)	(332)	(1.52)	4,064	24.58	(196)	(1.37)	4,326	41.04	6,101	67.58
EPS - basic	(18.58)		3.94		48.16		2.32		51.27		83.15	
EPS - diluted	(18.58)		3.94		44.72							

* Impairment charged on investments has been re-classified for the purposes of comparison

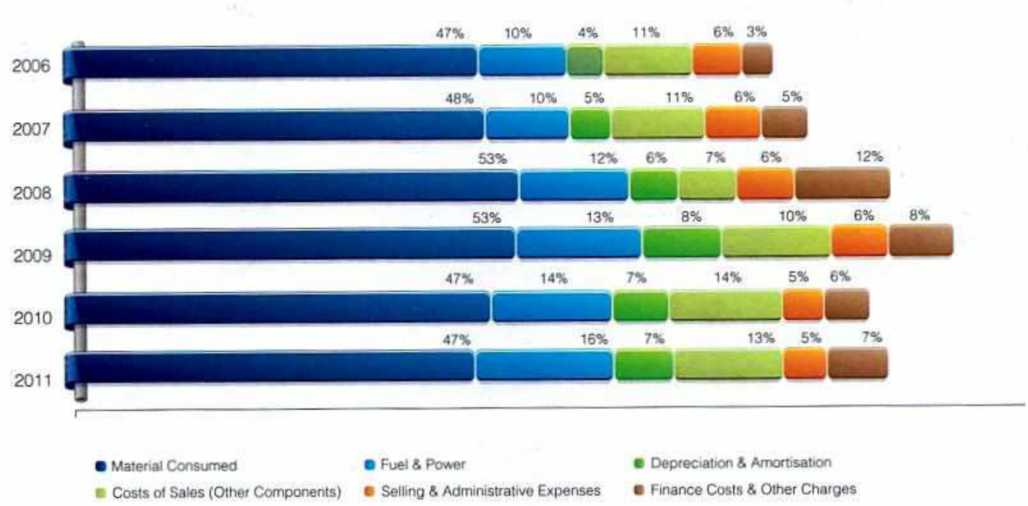
Composition of Assets



Equity & Liabilities



Profit & Loss - Break up of Major Expenses as % of Sales

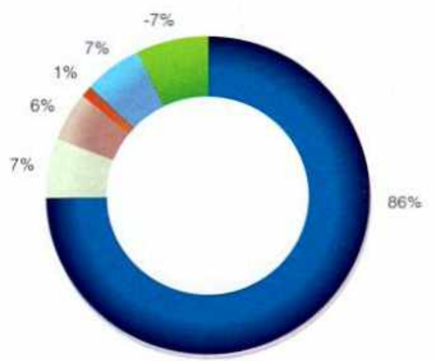


Value Added and its Distribution

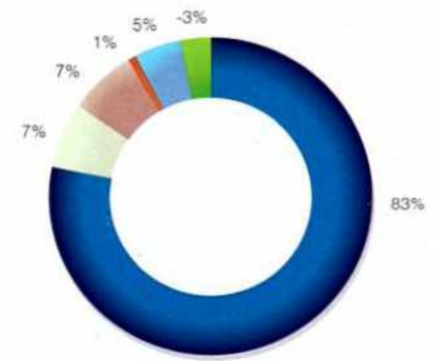
This statement shows value added by the operations of the Company and its distribution to the stakeholders.

(Rupees in thousand)	2011		2010		2009	
Wealth Generated						
Sales	23,101,819		21,837,433		16,533,288	
Dividend Income	1,037,255		946,292		313,087	
Other Income - net of Impairment	(29,475)		253,336		7,458,058	
	24,109,599	100%	23,037,061	100%	24,304,433	100%
Wealth Distributed						
Bought-in-materials & Services	20,840,696	86%	19,014,938	83%	16,547,104	68%
To Employees						
Remuneration, benefits and facilities	1,772,035	7%	1,502,465	7%	1,228,876	5%
To Government						
Income Tax, Sales Tax, Custom & Excise Duties, Workers' Funds, EOBI & Social Security Contribution, Professional & Local Taxes	1,438,222	6%	1,641,760	7%	1,186,096	5%
To Providers of Capital						
Cash dividend to the ordinary shareholders	126,569	1%	274,233	1%	274,233	1%
Finance costs	1,626,598	7%	1,210,323	5%	1,278,433	5%
(Utilised) / Retained for Reinvestment & Future Growth						
(Utilised from) / transferred to revenue reserves	(1,694,521)	-7%	(606,658)	-3%	3,789,691	16%
	24,109,599	100%	23,037,061	100%	24,304,433	100%

Value Added and its Distribution 2011 (%age)



Value Added and its Distribution 2010 (%age)



Bought-in-material & Services · Employees · Government
Share Holders · Finance Cost · Utilised from Revenue Reserves

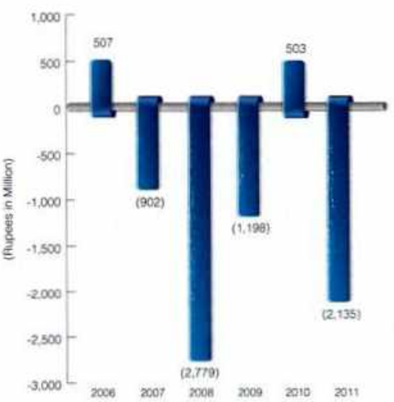
Sources and Application of Funds

Over the last six years

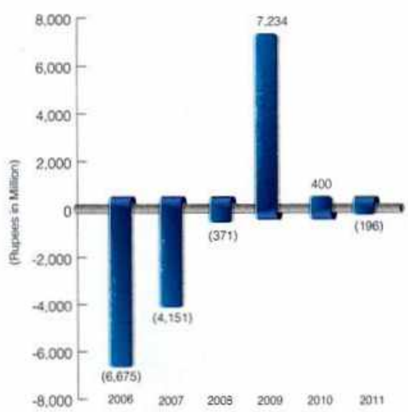
(Rupees in thousand)

	2011	2010	2009	2008	2007	2006
Cash flow from operating activities						
Cash (used in) / generated from operations	(66,418)	2,048,790	618,112	(708,816)	326,117	774,099
Finance cost paid	(1,564,289)	(988,292)	(1,479,667)	(1,800,985)	(1,051,738)	(38,270)
Taxes paid	(431,528)	(490,263)	(285,615)	(220,937)	(139,191)	(194,335)
Payments for accumulating compensated absences	(10,524)	(16,805)	(6,971)	(12,268)	(6,783)	(7,299)
Retirement benefits paid	(62,831)	(50,488)	(44,236)	(35,564)	(30,339)	(27,384)
Net cash (used in) / generated from operating activities	(2,135,590)	502,942	(1,198,377)	(2,778,570)	(901,934)	506,811
Cash flow from investing activities						
Fixed capital expenditure	(1,828,445)	(633,758)	(972,975)	(2,447,617)	(4,841,392)	(7,325,683)
Investment - net	3,035	50,968	(10,000)	-	(12,903)	(20,504)
Advance against disposal of investments	-	-	-	1,017,150	-	-
Net decrease / (increase) in long-term loans and deposits	17,556	11,148	15,525	89,064	(63,548)	(164,418)
Proceeds from disposal of property, plant and equipment	190,023	25,034	23,543	21,252	48,401	12,493
Proceeds from assets written off due to fire	384,563	-	-	-	-	-
Proceeds from disposal of investments	-	-	7,865,000	-	71,428	-
Dividends received	1,037,255	946,292	313,087	948,879	646,650	822,990
Net cash (used in) / generated from investing activities	(196,013)	399,684	7,234,180	(371,272)	(4,151,364)	(6,675,122)
Cash flow from financing activities						
Payment of long-term finances	(14,286)	-	(7,354,400)	-	-	-
Proceeds from long-term finances	1,000,000	-	-	-	6,346,500	5,000,000
Proceeds from issuance of preference shares / convertible stock - net	-	-	4,076,452	-	-	-
Proceeds from Ijarah finance	-	-	-	1,061,208	-	-
Payment of finance lease liabilities	-	-	-	-	(851)	(5,159)
Dividend paid	(273,574)	(272,938)	-	-	(418,194)	(417,914)
Net cash generated from / (used in) financing activities	712,140	(272,938)	(3,277,948)	1,061,208	5,927,455	4,576,927
Net (decrease) / increase in cash and cash equivalents	(1,619,463)	629,688	2,757,855	(2,088,634)	874,157	(1,591,384)
Cash and cash equivalents at the beginning of the year	998,912	369,224	(2,388,631)	(299,997)	(1,174,154)	417,230
Cash and cash equivalents at the end of the year	(620,551)	998,912	369,224	(2,388,631)	(299,997)	(1,174,154)

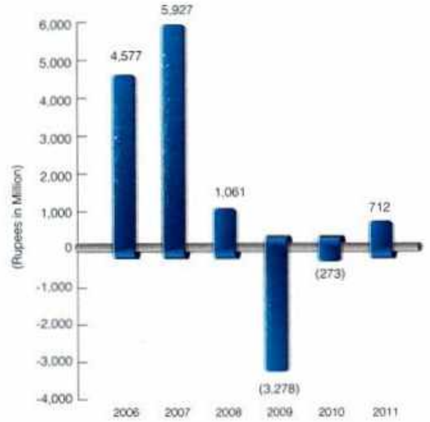
Operating Activities



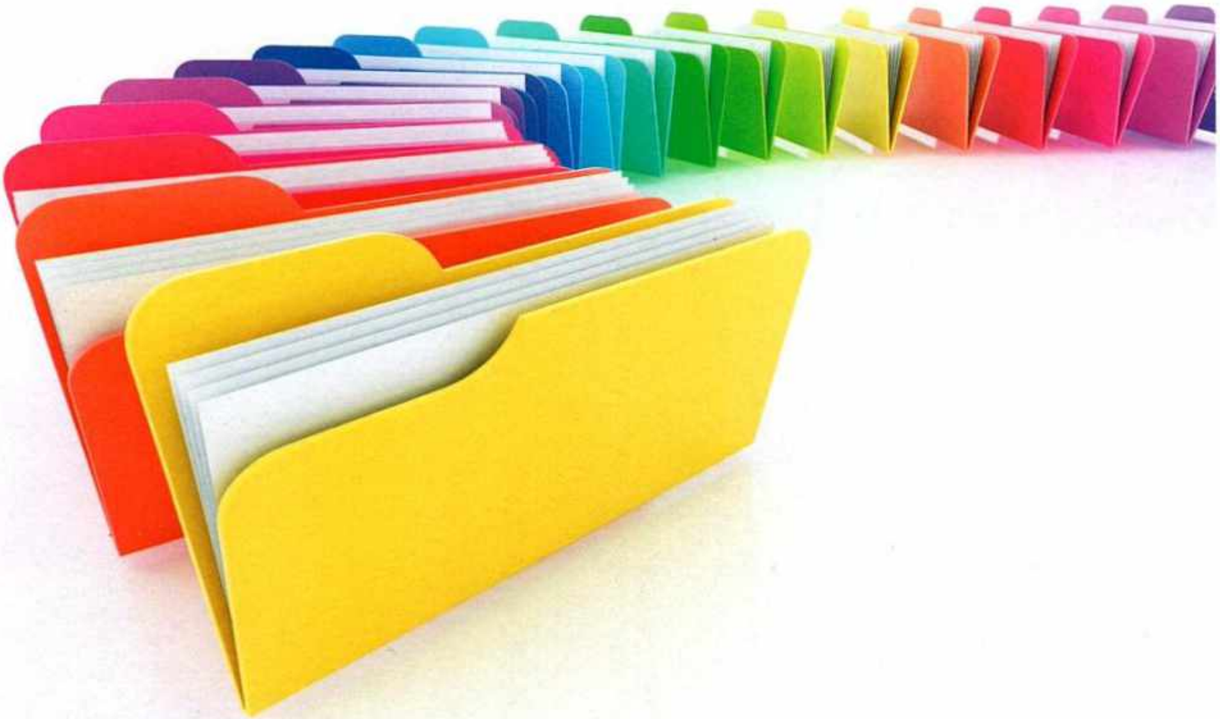
Investing Activities



Financing Activities



Events Calendar



Major Events and Meetings	Date
Audit Committee and Board of Directors meetings to consider accounts of the Company for the year ended December 31, 2010	18th February 2011
Audit Committee and Board of Directors meetings to consider accounts of the Company for the quarter ended March 31, 2011	19th April 2011
Annual General Meeting of Shareholders to consider accounts of the Company for the year ended December 31, 2010 and dividend announcement	20th April, 2011
Commencement of commercial production of Paper Machine PM-6 after rebuilt with enhanced production capacity and product range	4th May, 2011
Election of Directors of the Company in Extraordinary General Meeting	20th May, 2011
Board of Directors meeting for appointment of Chairman, Managing Director & other Board Committees.	20th May, 2011
Audit Committee and Board of Directors meetings to consider accounts of the Company for the quarter ended June 30, 2011	23rd August 2011
Technical upgrade of the Company's Enterprise Resource Planning (ERP) system i.e. SAP to its new version i.e. ECC6	26th August, 2011
Installation of High Speed Solvent-less Automatic Lamination Machine in Business Unit - Flexible Packaging	15th October, 2011
Audit Committee and Board of Directors meetings to consider accounts of the Company for the quarter ended September 30, 2011	18th October, 2011
Fire incident at Central Stores and Tissue Conversion Plant	10th November, 2011
Up gradation of Corrugator Machine with improved efficiency, reliability, production capacity and reduced waste	1st December, 2011


At Packages, we don't just talk innovation... We put it down on paper
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29
AKRAM
4886
HFC

Corporate Social Responsibility (CSR)

To put it simply "CSR is about business giving back to society". CSR practice at Packages is an evidence of commitment to its stakeholders. On a daily basis, we strive to safeguard the health and well being of our employees, neighbours and customers, as well as the communities in which we live, work and operate. The Company continuously takes initiatives for CSR activities as mentioned in paragraphs to follow.

Environment

Packages aims to increase the quality of life for people at all levels of society, conserve energy and preserve precious environmental resources. The idea is to go "Green" in Pakistan. Moreover, we strive to minimize energy consumption and wherever possible, use environment friendly sources of energy.

Packages is a member of the global network of green offices project of the World Wide Fund for nature and the first Company in Pakistan to be awarded Green Office Diploma in the manufacturing sector. Green Office aims at reducing office waste including paper consumption and electricity usage.

Our personnel went through an energy management course of ISO 50001 which aims for energy management and climate protection by stabilizing operation emissions, fixing leaks and insulating pipes to minimize our environmental impact and also reduce costs.

We have already phased out CFC's (Chlorofluorocarbon's) gases according to Montreal Protocol and have been reducing the consumption of HCFC's by replacing them with approved gases to control the greenhouse effect.

Packages has embarked upon the installation of solar lights within its premises. Such lights are replaced by the old 400 watts mercury lights with 40 watts induction lamps giving better lumen efficacy, optimum power and still conserving plenty of electricity.

Packages Limited has installed an Effluent Treatment Plant worth Rs. 476 million at its manufacturing facility – Bulleh Shah Paper Mill offering a clean environment to the surrounding locality.

We use the agricultural by–product 'wheat straw' as a raw material for paper and board manufacturing, contributing towards a greener earth.

Our photocopy paper available in the market with the brand name of Copymate is being made out of recycled paper, which is another initiative towards environment conservation.

We proudly claim our initiative to reduce plastic bag consumption at retail malls, by providing them with 50,000 biodegradable bags. A rigorous campaign was also held at these malls educating the masses about the significance of reusable bags and the adverse impacts of plastic bags on our environment.

Society:

Packages visualizes a clear connection between the growth of the Company and the strength of the communities where we operate. We strive to contribute to society's welfare through providing educational opportunities, employment, sponsoring various events promoting culture, arts etc and organizing events & awareness campaigns.

Employment Initiatives:

With respect to our employment opportunities, there are 2,842 employees who are directly serving the company and earning the livelihood of their families.

Packages Limited participated in career fairs held at IBA, FC College and LSE during the year as a potential employer, aiming for nation's higher GDP per capita.

Safety and Health:

Safety is a fundamental component in all our operations. Safety risk assessments, procedures and forms are conducted and created respectively, for all departments. These include:

- Risk assessment procedures
- Confined spaces
- Permit to work procedures
- Working at heights
- Personnel protective equipment emergency response procedures
- Incident investigation procedures etc.

We also maintain loss time incident and loss time accident reports based on OHSAS and IFC guidelines. Packages has its own ticketing system for behavioural based safety and safety audit plan for both its sites. It carries both external and internal trainings for occupational health and safety.

Packages won the "National Forum for Environment and Health (NFEH) Environment excellence Award 2011 on account for environmental initiatives and successful implementation of environmental management systems. We also took home the award for food safety from the Global Food Safety Association (GFSA).

Awareness Campaigns:

Keeping in view that Pakistan has the highest incidence of Breast Cancer in Asia, we conducted a campaign on "Breast Cancer Awareness" under the supervision of a Consultant Surgical Oncologist.

Various awareness campaigns and dengue precautions were taken at Packages including awareness sessions and safety talks, pamphlet distribution, extraction of stagnant water and cleanliness and internal & external sprays.

Sponsorships and events:

Significant sponsorships during the year were as follows:

Conferences

- IBA leadership conference
- LUMS Journalism Conference "CARMA 2011"
- "Mat-tech 2011" engineering competition at GIKI
- SOFTEC 2011 in FAST Lahore.

Sports

- "All Pakistan Open Golf Championship 2011", Multan
- Special Olympics at the Government Special Education Centre, Islamabad
- Annual Sports Day 2011 of Beacon House Defence
- Team "Dolphins" at the 2011 Women's Domestic Cricket T20 Tournament

Culture

- 3rd International Children's Film Festivals in Lahore, Islamabad and Karachi
- Film Making competition at the LUMS Olympiad

Performances by leading artistes of Pakistan such as Rahat Fateh Ali, Amanat Ali, Call, Noori, Josh, Quratulain Baloch etc

- Lok Mela in Multan
- Designer Bisma Ahmed and Pakistan's first Tissue Dress at the Islamabad Fashion Week 2011

Literature, Drama and Debating

- "Payam-e-mashriq" collection of Allama Iqbal's writings translated by Faiz Ahmed Faiz
- 2011 Children's Literature Festival , Lahore.
- LUMS Drama Festival 2011
- LGS Dramatics Competition "Colors and Humor"
- LGS Annual Play 2011 "Chicago"
- "Words I cannot Say" an Exhibition of Art by Special Children in collaboration with the Hamza Foundation
- UET Drama Festival 2011
- "Tribute to Mansha Ki Yad" arranged by UET
- 3rd Forman Christian College Debating Championship

Employee Welfare:

Medical Services:

The health and welfare of our employees has always been a matter of utmost importance and significance at Packages. We provide comprehensive medical coverage to our executive employees and their families in our medical center consisting of a valuable team of doctors and medical facilities i.e an operation theatre, pathology laboratory and a pharmacy. Company has also established a Maternity & Child Healthcare Centre near "Bulleh Shah Paper Mill"- Kasur to provide health care benefits to the women and children of surrounding areas.

Fair Price Shop:

The fair price shop offers our workers basic necessity food and related items at affordable prices. It operates on a "No Profit" basis while certain products are available to workers at subsidized prices.

Scholarships:

We offer merit scholarships to the children of our employees to compensate for increasing educational expenditure, in the form of monetary reimbursements that vary with the level of education.

Sports:

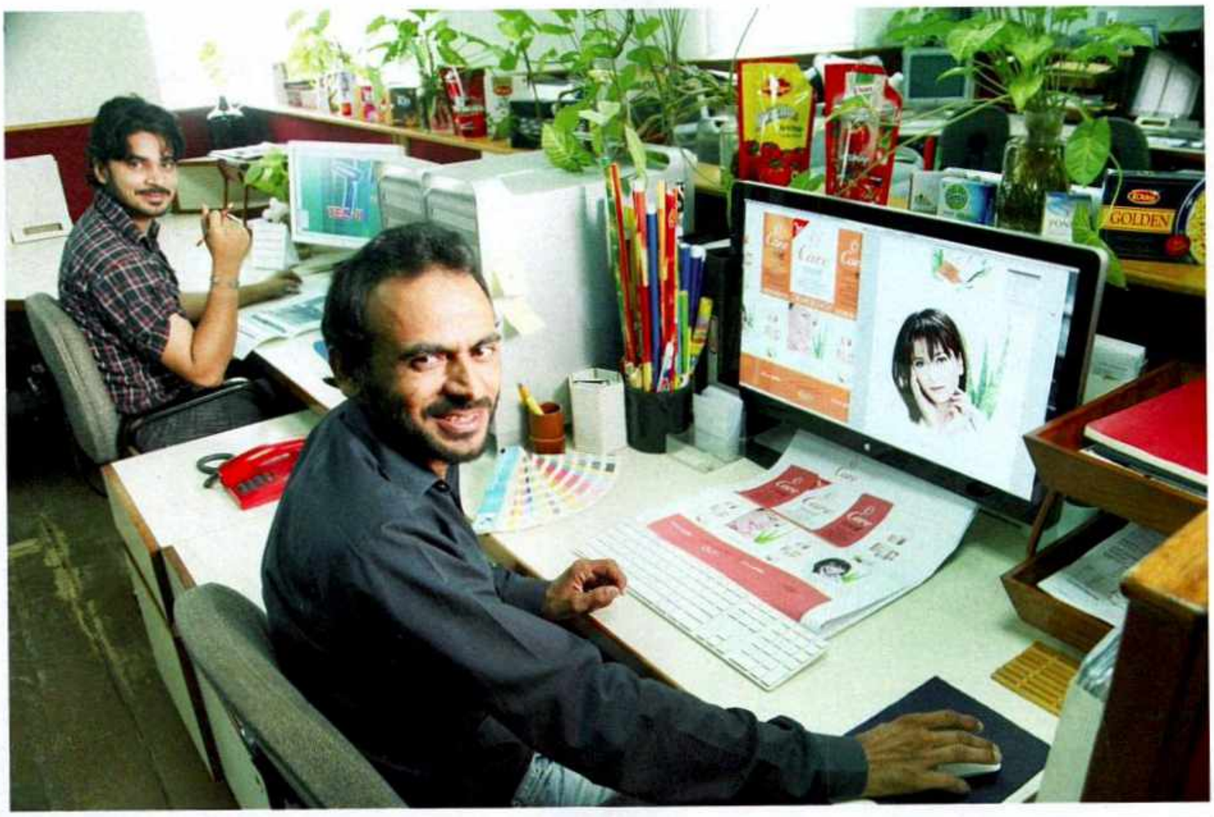
The Company also invests in employee fitness and has a high profile sports complex for indoor games such as Badminton, Squash and Table Tennis etc and a gymnasium with state of the art fitness equipment.

Trainings:

Packages Limited has both local and international training programs for its employees. Employee training needs are periodically reviewed and various in-house and customized training programs are arranged for production, marketing, human resource, supply management and finance personnel.

Packages Limited is also recognised as a training organization as it is one of the platinum rated training providers for 'Association of Chartered Certified Accountants (ACCA), U.K. We also provide necessary apprenticeship to industrial diploma holders in our production departments.

Employee Wellness Barometer



Parameter	Specification	Managers Nos	Managers %age	Executives Nos	Executives %age	Unionized Staff Nos	Unionized Staff %age	Contract Employees Nos	Contract Employees %age	Grand Total Nos	Grand Total %age
Residence	Owned	105	95%	785	77%	1,145	82%	427	89%	2,462	82%
	Rented	6	5%	232	23%	246	18%	55	11%	539	18%
Gas-Electricity	Gas	-		6	1%	14	1%	6	1%	26	1%
	Electricity	-		154	15%	473	34%	142	30%	769	25%
	Gas & Electricity	111	100%	857	84%	904	65%	334	69%	2,206	74%
Telephone (Fixed line)	Yes	111	100%	735	72%	608	44%	337	70%	1,791	60%
	No	-		282	28%	783	56%	145	30%	1,210	40%
Conveyance	Motor Car	110	99%	240	24%	24	2%	47	10%	421	14%
	Motor Cycle	1	1%	400	39%	551	40%	204	42%	1,156	39%
	Other	-		377	37%	816	58%	231	48%	1,424	47%
Computer	Yes	111	100%	501	49%	243	17%	235	49%	1,090	36%
	No	-		516	51%	1,148	83%	247	51%	1,911	64%

* *Based on 2011 statistics including seconded staff.*

Notice of Annual General Meeting

Notice is hereby given that the 57th Annual General Meeting of Packages Limited will be held at the Beach Luxury Hotel, Moulvi Tamizuddin Khan Road, Karachi on Monday, April 30, 2012 at 10.30 a.m. to transact the following business :-

Ordinary business:

1. To confirm the minutes of the Extraordinary General Meeting of the Company held on May 20, 2011.
2. To receive, consider and adopt the Audited Financial Statements of the Company together with the Directors' and Auditors' Reports thereon for the year ended December 31, 2011.
3. To consider and approve the payment of cash dividend for the year ended December 31, 2011 as recommended by the Board of Directors -
   a) to the preference share/convertible stock holder (International Finance Corporation) at the rate of Rs. 19 (10%) per preference share/convertible stock of Rs. 190 in terms of the Subscription Agreement between Packages Limited and International Finance Corporation; and
   b) to the ordinary shareholders at the rate of Rs. 1.50 (15%) per ordinary share of Rs. 10.
4. To appoint Auditors for the year 2012 and to fix their remuneration.

Special business:

5. To consider and approve the proposed transfer of the paper & paperboard and corrugated businesses of the Company into a 100% owned subsidiary [Bulleh Shah Paper Mill (Private) Limited] against issue of shares.

(Attached to this Notice is a Statement of Material Facts covering the above mentioned Special Business, as required under Section 160 (1) (b) of the Companies Ordinance, 1984 read with SECP S.R.O 1227(I)/2005 dated 12 December 2005).

By Order of the Board

Karachi
April 04, 2012

Adi J. Cawasji
Company Secretary

Notes :

1. The Share Transfer Books of the Company will remain closed from April 21, 2012 to April 30, 2012 (both days inclusive). Transfers received in order by our Shares Registrar, FAMCO Associates (Pvt.) Limited, 1st Floor, State Life Building No. 1-A, I. I. Chundrigar Road, Karachi-74000 by the close of business on April 20, 2012 will be considered in time for the entitlement of dividend on the ordinary shares.

2. A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on the member's behalf.

3. Duly completed forms of proxy must be deposited with the Company Secretary at the Registered Office of the Company at 4th Floor, The Forum, Suite # 416-422, G-20, Block 9, Khayaban-e-Jami, Clifton, Karachi-75600 not later than 48 hours before the time appointed for the meeting.

4. Any individual beneficial owner of the Central Depository Company, entitled to vote at this meeting, must bring his/her computerized national identity card ("CNIC") with him/her to prove his/her identity, and in case of proxy must enclose an attested copy of his/her CNIC. The representatives of corporate bodies should bring attested copy of board of directors' resolution/power of attorney and/or all such documents required under Circular No.1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan for the purpose.

5. Shareholders are requested to notify any change in their addresses immediately to the aforestated Shares Registrar of the Company.

6. Members who have not yet submitted photocopy of their valid computerized national identity cards to the Company are requested to send the same at the earliest to the aforestated Shares Registrar of the Company. In case of non-compliance, the Company may be constrained to withhold dispatch of dividend warrant to such Member in terms of Securities and Exchange Commission of Pakistan notification (SRO 779 (I) 2011 dated August 18, 2011).

7. Form of proxy is attached in the Annual Report.

Statement Of Material Facts Under Section 160(1)(b) of The Companies Ordinance, 1984 Regarding The Special Business

This statement is being furnished in terms of the requirement under Section 160(1)(b) of the Companies Ordinance, 1984, read with SECP S.R.O 1227(I)/2005 dated 12 December 2005 and sets out the material facts concerning the Special Business to be transacted at the Annual General Meeting of Packages Limited ("Company") to be held on Monday, April 30, 2012 at the Beach Luxury Hotel, Moulvi Tamizuddin Khan Road, Karachi.

Item No. 5 of the Agenda: Transfer of the Paper & Paperboard and Corrugated Businesses of the Company into a 100% Owned Subsidiary [(Bulleh Shah Paper Mill (Private) Limited)]

In the Board meeting of Packages Limited held on March 21, 2012, the Directors resolved to transfer the Company's paper & paperboard and corrugated businesses into a separate 100% owned subsidiary through the process of hive down subject to all necessary corporate and regulatory approvals. Once the said transfer is duly approved, the assets and liabilities of the Paper & Paper board and corrugated businesses would be transferred to and vested in Bulleh Shah Paper Mill (Private) Limited, a 100% owned subsidiary of Packages Limited against the issue of shares by Bulleh Shah Paper Mill (Private) Limited to the Company.

Particulars of assets to be transferred are as follows:

Non-Current Assets

Description	Cost as at December 31, 2011	Book value as at December 31, 2011
	(Rupees in thousand)	
Property, plant and equipment		
Operating assets		
Freehold Land *	105,251	105,251
Buildings on Freehold Land	2,818,001	2,413,425
Plant and Machinery	16,887,508	12,913,276
Other equipment	72,177	32,398
Furniture and Fixtures	5,923	3,539
Vehicles	87,970	36,881
	19,976,830	15,504,770
Capital work-in-progress	7,946	7,946
	19,984,776	15,512,716

* Freehold land represents 227.32 acres of land located at 10-km Kasur Kot Radha Kishan Road, District Kasur, Pakistan

Current Assets

Description	Carrying Value as at December 31, 2011 (Rupees in thousand)
Stores and spares	601,540
Stock-in-trade	2,345,037
Trade debts	707,030
	3,653,607

Market values of assets to be transferred approximate their respective book / carrying values.

The paper & paperboard and corrugated businesses are industrial businesses which are integrally linked and have different capital and technology requirements as well as market focus as compared to packaging and tissue businesses.

The hive down of the paper & paperboard and corrugated businesses into a separate legal entity will be made by contractual transfer and in respect of the immovable property, by conveyance deed or deeds.

This hive down will enable Packages Limited to more clearly focus on the separate business unit (owned by wholly owned subsidiary) and enable its development and growth.

For the purposes of the above, it is proposed to consider and if thought fit, pass the following Ordinary Resolution, with or without modification:-

"RESOLVED that, subject to corporate and regulatory approvals, the Company do transfer the paper & paperboard and corrugated businesses of the Company into a 100% owned subsidiary, Bulleh Shah Paper Mill (Private) Limited in consideration for the issue of shares by Bulleh Shah Paper Mill (Private) Limited to the Company."

Directors' Report
to the Shareholders

بسم الله الرحمن الرحيم

The Board of Directors are pleased to submit their Annual Report along with the audited financial statements of the Company for the year ended December 31, 2011.

Performance Outlook

Economic Overview

With no reprieve in the on-going energy crisis, the year 2011 turned out to be another challenging year not only for your Company but for Pakistan as well. Large scale manufacturing sector remained victim of this energy crisis as growth of only 1% was recorded. Apart from energy crisis, inflation also negatively impacted the economy as the surge in prices exerted significant pressure on the cost of living. Reduction in SBP base rate during the year is a welcome sign for local investors.

To return to macroeconomic stability, the energy requirements for the manufacturing sector needs urgent attention apart from the public sector entity reforms, reduction of fiscal deficit and implementation of export led growth strategy.

Financial Performance

Rupees in million

	2011	2010
Invoiced Sales – Gross	23,102	21,837
Invoiced Sales – Net	19,375	18,536
EBITDA (from operations)	750	1,242
Depreciation and amortisation	(1,606)	(1,533)
Finance cost	(1,627)	(1,210)
Investment income	1,040	997
Other operating (expenses) / Income-net	358	187
Impairment charged on investments	(391)	-
Loss before tax	(1,476)	(317)

Your Company achieved net sales of Rs. 19,375 million with Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA) of Rs. 750 million. Decline in EBITDA of Rs. 492 million during the year 2011 over 2010 values is mainly attributable to the following factors:

- Planned shutdown of Paper Machine (PM-6) for capacity expansion during the first half of 2011;
- Increased gas curtailment in conjunction with electricity load shedding and resultant usage of high cost furnace oil negatively impacted the cost of production;
- Operational issues faced at boiler; and
- Unprecedented rise in imported wood pulp and local waste paper prices during the first half of year 2011.

- Unfortunate fire incident at Central Stores and Tissue Conversion Plant of the Company on November 10, 2011 adversely impacted operations of the respective unit.

Operational Performance

There are always opportunities in adversity and your Company continued its focus on streamlining its operations, strategies and enhancing the quality of the products it offers to its valued customers. Accordingly, the Company entered into the recovery phase with stabilization of boiler and sustainability of international pulp and local waste paper prices during second half of 2011. In view of persistent energy crises, your Company continues to explore alternate energy options.

A review of its operations across different business divisions is explained in the paragraphs to follow:

Packaging Division

The Packaging Division comprises folding cartons, flexible packaging and corrugated boxes. It has achieved net sales of Rs. 13,222 million during the year 2011 achieving a sales growth of 34% over last year. Packaging Division has achieved EBITDA growth of Rs. 381 million during 2011 over 2010 values on account of better product mix and operational efficiencies.

Consumer Products Division

Consumer Products Division has achieved external sales of Rs. 1,965 million during the year 2011 achieving sales growth of 11% over 2010 values and corresponding EBITDA growth of Rs. 17 million.

During the current year, your Company experienced an unfortunate fire incident at its Lahore Plant on November 10, 2011 that damaged stocks, tissue conversion equipment, stores and associated buildings. As a result, operations of Consumer Products Division were adversely affected. To protect its market share and brand equity, your Company took immediate disaster recovery measures by outsourcing conversion operations to the third party local converters for the major product variants. To reduce business interruption, Company has ordered all the critical machines and has also air-lifted certain Facial and Toilet Roll machines that are currently under installation. The Company is expecting to resume commercial production of its consumer products during second quarter of 2012.

As explained in note 31.2 to the financial statements for the year ended December 31, 2011, the Company lodged insurance claim with the insurers and surveyor's verification work is currently in progress. The surveyor has confirmed insurance claim of Rs. 557.354 million to date against written off assets amounting to Rs. 536.454 million.

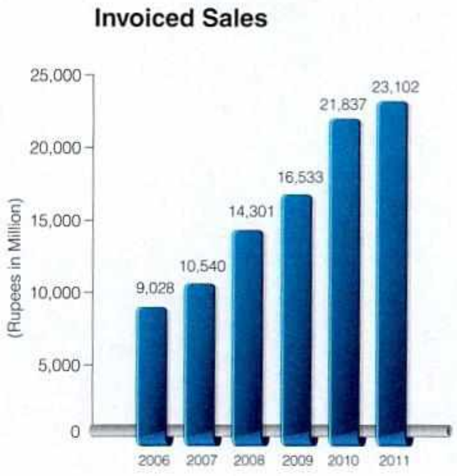
Paper & Board Division

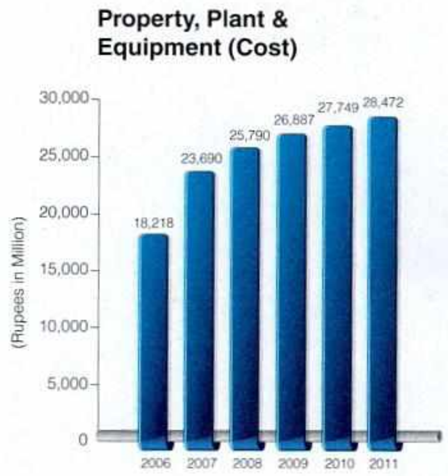
During the year, external sales of Paper and Board Division have dropped by 39% over 2010 values. This decrease in revenue was due to number of factors like planned shutdown of Brown Paper Machine (PM-6) for capacity enhancement in first half of year 2011, energy shortages, boiler outages for almost two months during first half of 2011 and unfair competition faced by writing and printing paper from imported paper that is being sold at dumping prices in the local market. Moreover, gross profit margins decreased as Company experienced an unusual increase in international pulp prices and local waste paper prices during first half of 2011 and rise in electricity generation costs due to usage of furnace oil during gas outages.

We would like to inform you that PM-6 rebuild project has been completed on its scheduled time and the machine has started commercial operations with enhanced capability of producing high value added liquid packaging and bleached board. This rebuild project was partially financed by a long-term loan facility of Rs. 1,000 million.

In respect of unfair competition posed by import of writing and printing paper that is being sold at dumping prices in the local market, we are actively pursuing our applications for fixation of anti-dumping duty and Import Trade Price (ITP) with National Tariff Commission (NTC) and the custom authorities. The Company will continue to push for and support the Government for taking measures against practices that hurt the local industry.

To counter high energy costs, your Company is aggressively working on alternate energy project using bio-mass technology. To mitigate the impact of rising international waste paper prices, the Company is increasing waste paper collection points in Pakistan to increase the recycling rate of local waste paper.





Financial Management

Cash flow Management

The Company has an effective Cash Flow Management System in place whereby cash inflows and outflows are projected on regular basis and rigorously monitored. Working capital requirements are planned to be financed through efficient management of trade receivables, payables and inventory levels. Business unit Managers are assigned working capital targets which are being regularly monitored.

The investment portfolio of the Company is fairly diversified, as reflected by equity participation in Nestle Pakistan Limited, Tri-Pack Films Limited, Tetra pak Pakistan Limited, DIC Pakistan Limited and Packages Lanka (Private) Limited. During the year 2011, Packages Limited reviewed the carrying amount of its investment portfolio to assess whether there was any indication of possible impairment in their carrying values as per treatments laid down in IAS 36 and 39. In view of decline in the value of equity securities, the carrying amounts of Investment in Related Parties i.e. Packages Construction (Private) Limited, IGI Insurance Limited and IGI Investment Bank Limited were assessed to be higher than their recoverable amounts. Consequently, impairment loss of Rs. 5.910 million, Rs. 354.890 million and Rs. 30.389 million have been recognised by the Company in its Profit and Loss account on its shareholding in Packages Construction (Private) Limited, IGI Insurance Limited and IGI Investment Bank Limited respectively.

The Board is satisfied that there are no short or long term financial constraints including access to credit and a strong balance sheet with December 2011 long-term debt : equity ratio at 22:78.

Risk Mitigation

Credit Risk

All financial assets of the Company, except cash in hand, are subject to credit risk. The Company believes that it is not exposed to major concentration of credit risk. Exposure is managed through application of credit limits to its customers secured by and diversification of investment portfolio placed with 'A' ranked banks and financial institutions.

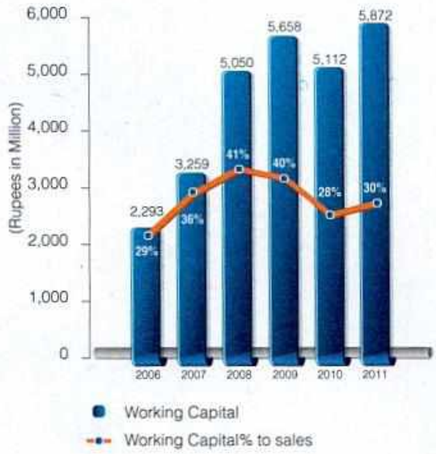
Liquidity Risk

Prudent liquidity risk management ensures availability of sufficient funds for meeting contractual commitments. The Company's fund management strategy aims at managing liquidity risk through internal cash generation and committed credit lines with financial institutions.

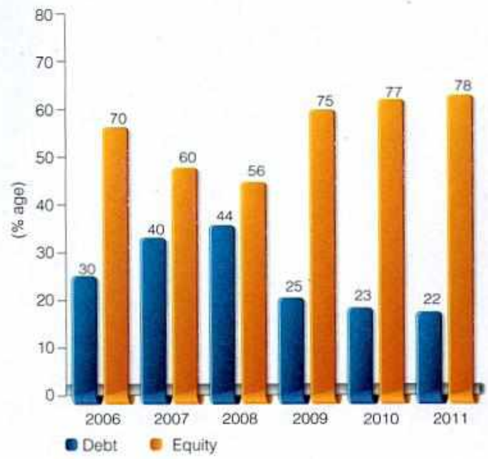
Rate Risk

Variable rate long term financing is hedged against interest rate risk by holding "prepayment option", which can be exercised upon any adverse movement in the underlying interest rates.

Working Capital & Working Capital / Sales (%age)



Debt Equity Ratio



Foreign Exchange Risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. The Company is mainly exposed to short term USD/PKR and Euro/ PKR parity on its import of raw materials and plant and machinery.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

Investment Projects

During the year 2011, Company has incurred fixed capital expenditure of Rs. 1,828.445 million. Major projects include the following:

Project Description	Rs in million
Paper Machine (PM-6) rebuilt project	1,680
Solvent-less Lamination Machine for Flexible Packaging – extension and capacity enhancement	96
Corrugator Machine – extension and capacity enhancement	52

The induction of the latest machinery and optimization techniques not only ensure capacity enhancement but are also necessary to adhere to growing consumer demand.

Contribution to National Exchequer

Your Company is a noteworthy contributor to the national economy. Your Company has contributed Rs. 1,438 million during the year 2011 to the national exchequer on account of sales tax, income tax, import duties and statutory levies.

Quality Management

Over the last fifty years, our commitment to continuous improvement has led us to adopt various different excellence models, the latest of which is Total Productive Maintenance.

The reason to choose this system of operations was to focus on every department in the factory and bring about improvements without incurring substantial cost. This can only be achieved by increasing our knowledge base and understanding of the latest tools adopted around the world. Packages is now proud to be the second Company in Pakistan to have arranged this training, at such a large scale.

Quality improvement projects were initiated in business units to reduce cost of quality. Business Unit Folding Cartons showed successful results in reducing their overall rejections and hence increasing customer satisfaction. Quality improvement teams continue to work in different areas that need immediate attention and focus.

Environmental Standards

Occupational health and safety continues to be among the Company's top priorities. Your Company has been continuously pursuing excellence in Safety, Health & Environment and places it at the heart of its business agenda.

During the year, the Company won the National Forum for Environment and Health (NFEH) Environment excellence Award 2011 on account of its environmental initiatives and successful implementation of environmental management systems for the second consecutive year.

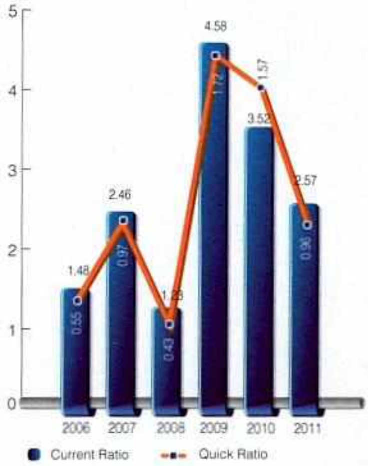
We have also achieved the award for food safety this year held at Karachi by Global Food Safety Association ('GFSA'). Out of 180 contestants, your Company qualified for the award, in recognition of its initiatives and improvements in the field of environment and food safety.

'A penny saved is a penny earned' this is what we believe at Packages which is why energy management and climate protection is a prime focus of your Company's management. With the recent energy crisis, we installed first ever solar lights in our premises which not only reduce costs but also minimize environmental impact.

Corporate Awards

During the current year, the Annual Report of your Company for the year ended December 31, 2010 has been awarded third position in its category by the joint committee of Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants of Pakistan (ICMAP) in "Best Corporate Reports Award 2010". We are thankful for recognition of our efforts by these esteemed professional organizations.

Current & Quick Ratios



Corporate Social Responsibility

During the year we maintained large scale Corporate Social Responsibility programmes. Our CSR policy is driven by the imperative need to positively touch the lives of its stakeholders, with special emphasis on the indigent communities of the society. On CSR front, we continued our focus on education, healthcare, skill development, environmental protection and society's welfare during the current year.

Future Outlook

We continue to believe that your Company is well equipped to take advantage of the industry growth as a premier packaging and paper and board supplier provided the macroeconomic indicators move in the positive direction. Our strength lies in our vertically integrated production facilities that can convert pulp into a final finished product and your Company can cater all the packaging needs of its customers.

It is expected that the trend of shifting from unpacked to packed products would gain accelerated momentum with changing life style, urbanization and a growing middle class.

Company's Staff and Customer

We are thankful to our customers and consumers for their continuing confidence in our products and services as this is providing us confidence in our growth initiatives.

We also want to express our gratitude and appreciation to all our employees who have worked tirelessly and delivered outstanding performance in the backdrop of the economic recession and a difficult business situation. We appreciate their hard work, loyalty and dedication.

Appropriation

As mentioned above that Company's Earnings before Interest, Tax, Depreciation & Amortisation (EBITDA) from operations remained under pressure during the year because of energy crisis and unfair competition in writing and printing paper market. Moreover, finance costs and depreciation charge have neutralised substantial increase in dividend income during the year. These factors coupled with impairment loss recognised on investments resulted into net loss after tax of Rs. 1,568 million for the year ended December 31, 2011. However, in view of the continuous support of shareholders during this difficult period, the Board of Directors of the Company has recommended cash dividend of 15 percent (i.e. Rs. 1.5 per share). Accordingly following appropriations have been made:

	(Rupees in thousand)
Loss after tax for the year 2011 after appropriation of preference dividend / return of Rs. 412.050 M	(1,567,952)
Un-appropriated profit brought forward	487,208
	(1,080,744)
Transfer from General Reserve	1,250,000
Available for appropriation	169,256
Cash Dividend	126,569
To be carried forward to 2012	42,687

Auditors

The present auditors M/s A.F Ferguson & Co., Chartered Accountants retire and offer themselves for reappointment. They have confirmed achieving satisfactory rating by the Institute of Chartered Accountants of Pakistan (ICAP) and compliance with the Guidelines on the Code of Ethics of the International Federation of Accountants (IFAC) as adopted by ICAP.

As suggested by the Audit Committee, the Board of Directors has recommended their re-appointment as Auditors of the Company for the year ending December 31, 2012, at a fee to be mutually agreed.

Compliance with the Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by the Karachi, Lahore and Islamabad Stock Exchanges in their Listing Regulations, relevant for the year ended December 31, 2011 have been adopted by the Company and have been duly complied with. A Statement to this effect is annexed to the Report.

Material Changes

There have been no material changes since December 31, 2011 other than those mentioned in the audited financial statements of the Company for the year ended December 31, 2011 which would affect its financial position at the date.

Election of Directors

During the current year, fresh election of the Directors of the Company were conducted on May 20, 2011 in pursuance of the requirements of Listing Regulations and the entire Board has been re-elected for the next term of three years effective May 26, 2011.

Mr. Towfiq Habib Chinoy has been re-appointed as the Chairman of the Board of Directors and Syed Hyder Ali has resumed the office of Chief Executive Officer of the Company for the next term of three years effective from May 26, 2011 in accordance with Company's policies and rules of service.

The Board wishes to place on record its appreciation of the services rendered by its members during their last term and expect them to continue providing valuable guidance and making positive contribution in the future.

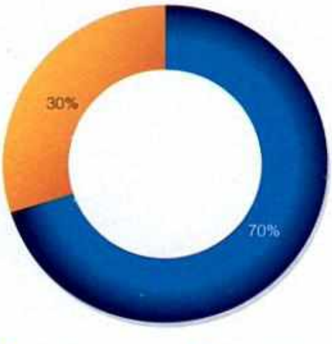
Meetings of Board of Directors

During the year 2011, seven Board meetings were held and the number of meetings attended by each Director is given hereunder:-

Name of Director	No. of meetings attended
Mr. Towfiq Habib Chinoy (Chairman)	6
Syed Hyder Ali (Chief Executive)	6
Mr. Khalid Yacob	7
Mr. Matti Ilmari Naakka	1
Mr. Muhammad Aurangzeb	2
Mr. Shahid Aziz Siddiqui (Nominee of State Life Insurance Corporation of Pakistan)	6
Mr. Shamim Ahmad Khan	7
Syed Aslam Mehdi	6
Syed Shahid Ali	3
Mr. Wazir Ali Khoja (Nominee of National Investment Trust Limited)	4
Mr. Ali Aslam (Alternate to Mr. Matti Ilmari Naakka)	1

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

Board Composition



Audit Committee

An Audit Committee of the Board has been in existence since the enforcement of the Code of Corporate Governance, which now comprises of five Non-Executive Directors (including its Chairman) and one Executive Director. During the year, 4 meetings of the Audit Committee were held. The attendance of each Member is given hereunder:

Name of member	No. of meetings attended
Mr. Shamim Ahmad Khan	4
Mr. Wazir Ali Khoja	2
Syed Shahid Ali	3
Mr. Matti Ilmari Naakka	-
Mr. Mohammad Aurangzeb	1
Syed Aslam Mehdi	4
Mr. Ali Aslam (Alternate to Mr. Matti Ilmari Naakka)	2

Leave of absence was granted to the Members who could not attend the Meetings of the Audit Committee.

The Audit Committee has its terms of reference which were determined by the Board of Directors in accordance with the guidelines provided in the Listing Regulations and Code of Corporate Governance.

Corporate and Financial Reporting Framework

- The financial statements together with the notes thereon have been drawn up by the management in conformity with the Companies Ordinance, 1984. These Statements present fairly the Company's state of affairs, the results of its operations, cash flow and changes in equity.
- Proper books of account have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of the financial statements.

- The system of internal control is sound in design and has been effectively implemented and monitored and is being continuously reviewed by the internal audit function.
- There are no doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the Best Practices of Corporate Governance, as detailed in the Listing Regulations.
- The key operating and financial data for the last ten years is annexed.
- The value of investments of provident, gratuity and pension funds based on their audited accounts as on December 31, 2011 were the following:

Provident Fund	Rs. 794.694 million
Gratuity Fund	Rs. 321.179 million
Pension Fund	Rs. 779.583 million

The value of investment includes accrued interest.

Trading of Shares by Chief Executive, Directors, Chief Financial Officer, Company Secretary, their spouses and minor children :

Purchase of Shares	No. of shares
Chief Executive Officer	Nil
Director – Mr. Towfiq Habib Chinoy	200,071
Chief Financial Officer	Nil
Company Secretary	Nil
Spouses	Nil

Sale of Shares	No. of shares
Director - Syed Shahid Ali	300,000

Pattern of Shareholding

A statement of the pattern of shareholding of certain class of shareholders as at December 31, 2011, whose disclosure is required under the reporting framework, is included in the annexed shareholders' information.

The Directors, CEO, CFO, Company Secretary and their spouses or minor children did not carry out any trade in the shares of the Company during the year, except as noted above.

(Towfiq Habib Chinoy)
Chairman

Karachi, March 21, 2012

(Syed Hyder Ali)
Chief Executive &
Managing Director

Karachi, March 21, 2012

Shareholders' Information

Registered Office

4th Floor, The Forum
Suite # 416-422, G-20, Block 9
Khayaban-e-Jami, Clifton
Karachi-75600
Tel. # 92 21 35831618, 35831664, 35833011
92 21 35874047 - 49
Fax # 92 21 35860251

Shares Registrar

FAMCO Associates (Pvt.) Ltd
1st Floor, State Life Building No.1-A
I. I. Chundrigar Road
Karachi-74000
Tel. # 92 21 32425467, 32427012, 32426597
92 21 32475604, 32420755
Fax # 92 21 32426752

Listing on Stock Exchanges

Packages equity shares are listed on Karachi, Lahore and Islamabad Stock Exchanges.

Listing Fees

The annual listing fee for the financial year 2011-12 has been paid to all the three stock exchanges within the prescribed time limit.

Stock Code

The stock code for dealing in equity shares of Packages at KSE, LSE and ISE is PKGS.

Shares Registrar

Packages' shares department is operated by FAMCO Associates (Pvt.) Limited and serves about 4,139 shareholders. It is managed by a well-experienced team of professionals and is equipped with the necessary infrastructure in terms of computer facilities and comprehensive set of systems and procedures for conducting the Registration function.

The Shares Registrar has online connectivity with Central Depository Company of Pakistan Limited. It undertakes activities pertaining to dematerialization of shares, share transfers, transmissions, issue of duplicate/re-validated dividend warrants, issue of duplicate/ replaced share certificates, change of address and other related matters.

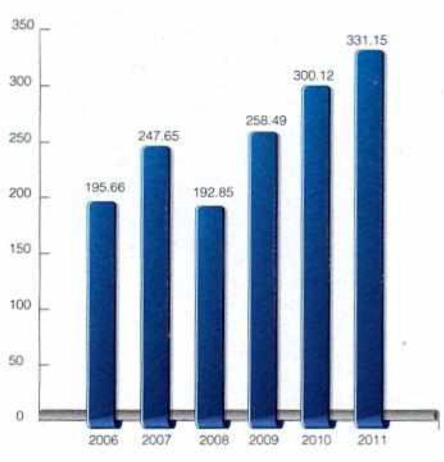
For assistance, shareholders may contact either the Registered Office or the Shares Registrar.

Contact persons:

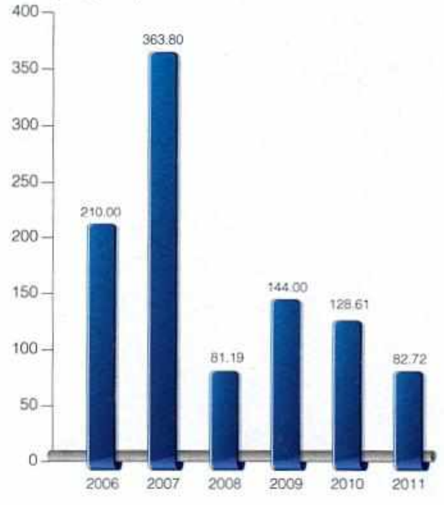
Mr. Rafique Khatri
Tel. # 92 21 35831618, 35831664, 35833011
Fax # 92 21 35860251

Mr. Ovais Khan
Tel. # 92 21 32425467, 32427012, 32426597
92 21 32475604, 32420755
Fax # 92 21 32426752

Break-Up Value Per Ordinary Share (Rupees)



Market Value Per Ordinary Share (Rupees)



Service Standards

Packages has always endeavored to provide investors with prompt services. Listed below are various investor services and the maximum time limits set for their execution:

	For requests received through post	Over the counter
Transfer of shares	30 days after receipt	30 days after receipt
Transmission of shares	30 days after receipt	30 days after receipt
Issue of duplicate share certificates	30 days after receipt	30 days after receipt
Issue of duplicate dividend warrants	5 days after receipt	5 days after receipt
Issue of revalidated dividend warrants	5 days after receipt	5 days after receipt
Change of address	2 days after receipt	15 minutes

Well qualified personnel of the Shares Registrar have been entrusted with the responsibility of ensuring that services are rendered within the set time limits.

Statutory Compliance

During the year, the Company has complied with all applicable provisions, filed all returns / forms and furnished all the relevant particulars as required under The Companies Ordinance, 1984 and allied rules, the Securities and Exchange Commission of Pakistan (SECP) Regulations and the listing requirements.

Dematerialization of Shares

The equity shares of the Company are under the dematerialization category. As of date 71.98% of the equity shares of the Company have been dematerialized by the shareholders.

Dividend Announcement

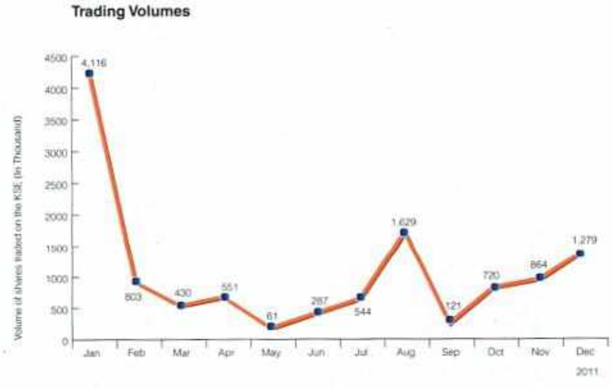
The Board of Directors of the Company has recommended for the financial year ended December 31, 2011 payment of cash dividend as follows:

a) to the preference share/convertible stock holder (International Finance Corporation) at the rate of Rs. 19.00 (10%) per preference share/convertible stock of Rs. 190.00 in terms of the Subscription Agreement between Packages Limited and International Finance Corporation (2010: 10% or Rs. 19.00 per preference share/convertible stock of Rs. 190.00).

b) to the ordinary shareholders at the rate of 15% (Rs. 1.50 per ordinary share of Rs. 10.00) subject to approval by the ordinary shareholders of the Company at the Annual General Meeting (2010: cash dividend 32.5%).

Share Price Movement

Trading Volumes



Book Closure Dates

The Register of Members and Share Transfer Books of the Company will remain closed from April 21, 2012 to April 30, 2012 both days inclusive.

Dividend Remittance

Preference dividend / return will be paid to the preference share / convertible stock holder prior to payment of ordinary dividend to the ordinary shareholders.

Ordinary dividend declared and approved at the Annual General Meeting will be paid well before the statutory time limit of 30 days:

(i) For shares held in physical form: to shareholders whose names appear in the Register of Members of the Company after entertaining all requests for transfer of shares lodged with the Company on or before the book closure date.

(ii) For shares held in electronic form: to shareholders whose names appear in the statement of beneficial ownership furnished by CDC as at end of business on book closure date.

Withholding of Tax & Zakat on Ordinary Dividend

As per the provisions of The Income Tax Ordinance, 2001, income tax is deductible at source by the Company at the rate of 10% wherever applicable.

Zakat is also deductible at source from the ordinary dividend at the rate of 2.5% of the face value of the share, other than corporate holders or individuals who have provided an undertaking for non-deduction.

Dividend Warrants

Cash Dividends are paid through dividend warrants addressed to the ordinary shareholders whose names appear in the Register of Shareholders at the date of book closure. Ordinary shareholders are requested to deposit those warrants into their bank accounts, at their earliest, thus helping the Company to clear the unclaimed dividend account.

Investors' Grievances

To date none of the investors or shareholders has filed any letter of complaint against any service provided by the Company to its shareholders.

Legal Proceedings

No case has ever been filed by shareholders against the Company for non-receipt of shares / refund.

General Meetings & Voting Rights

Pursuant to section 158 of The Companies Ordinance, 1984, Packages Limited holds a General Meeting of shareholders at least once a year. Every shareholder has a right to attend the General Meeting. The notice of such meeting is sent to all the shareholders at least 21 days before the meeting and also advertised in at least one English and one Urdu newspaper having circulation in Karachi, Lahore and Islamabad.

Shareholders having holding of at least 10% of voting rights may also apply to the Board of Directors to call for meeting of shareholders, and if Board does not take action on such application within 21 days, the shareholders may themselves call the meeting.

All ordinary shares issued by the Company carry equal voting rights. Generally, matters at the general meetings are decided by a show of hands in the first instance. Voting by show of hands operates on the principle of "One Member-One Vote". If majority of shareholders raise their hands in favor of a particular resolution, it is taken as passed, unless a poll is demanded.

Since the fundamental voting principle in a Company is "One Share-One Vote", voting takes place by a poll, if demanded. On a poll being taken, the decision arrived by poll is final, overruling any decision taken on a show of hands.

Proxies

Pursuant to Section 161 of The Companies Ordinance, 1984 and according to the Memorandum and Articles of Association of the Company, every shareholder of the Company who is entitled to attend and vote at a general meeting of the Company can appoint another person as his / her proxy to attend and vote instead of him / her. Every notice calling a general meeting of the Company contains a statement that a shareholder entitled to attend and vote is entitled to appoint a proxy. A proxy need not be a member of the Company.

The instrument appointing a proxy (duly signed by the shareholder appointing that proxy) should be deposited at the office of the Company not less then forty-eight hours before the meeting.

Web Presence

Updated information regarding the Company can be accessed at Packages website, www.packages.com.pk. The website contains the latest financial results of the Company together with Company's profile, the corporate philosophy and major products.

Pattern of Shareholding

The shareholding pattern of the equity share capital of the Company as at December 31, 2011 is as follows:

Shareholding From	Shareholding To	Numbers of Shareholders	Total shares held
1	100	2,015	40,363
101	500	783	218,253
501	1,000	369	291,509
1,001	5,000	562	1,313,810
5,001	10,000	138	988,664
10,001	15,000	60	744,054
15,001	20,000	24	418,080
20,001	25,000	24	545,020
25,001	30,000	20	560,790
30,001	35,000	9	296,886
35,001	40,000	14	530,209
40,001	45,000	10	427,695
45,001	50,000	9	421,485
50,001	55,000	3	158,332
55,001	60,000	5	284,511
60,001	65,000	8	502,857
65,001	70,000	3	201,332
70,001	75,000	3	216,047
75,001	80,000	4	311,135
80,001	85,000	2	163,757
85,001	90,000	1	88,956
90,001	95,000	3	274,845
95,001	100,000	1	95,016
100,001	105,000	2	204,200
105,001	110,000	1	109,391
110,001	115,000	4	454,457
125,001	130,000	3	383,570
135,001	140,000	1	139,803
140,001	145,000	1	144,638
145,001	150,000	1	149,916
150,001	155,000	3	453,735
155,001	160,000	3	475,131
165,001	170,000	1	168,999
170,001	175,000	1	174,774
175,001	180,000	1	175,324
180,001	185,000	2	366,000
195,001	200,000	3	596,144

Shareholding From	Shareholding To	Numbers of Shareholders	Total shares held
205,001	210,000	1	206,609
210,001	215,000	1	211,480
220,001	225,000	3	663,754
225,001	230,000	1	230,000
275,001	280,000	2	555,824
300,001	305,000	1	304,718
305,001	310,000	1	307,820
405,001	410,000	1	408,745
415,001	420,000	2	836,452
435,001	440,000	1	438,400
440,001	445,000	2	881,352
490,001	495,000	1	491,378
505,001	510,000	1	509,000
530,001	535,000	1	533,853
640,001	645,000	1	641,608
770,001	775,000	1	773,000
820,001	825,000	1	821,714
835,001	840,000	1	840,000
840,001	845,000	1	840,087
845,001	850,000	1	848,704
990,001	995,000	1	990,641
1,145,001	1,150,000	1	1,148,683
1,190,001	1,195,000	1	1,193,010
1,195,001	1,200,000	1	1,198,668
1,430,001	1,435,000	1	1,433,153
1,455,001	1,460,000	1	1,455,479
1,790,001	1,795,000	1	1,791,159
2,185,001	2,190,000	1	2,187,175
2,385,001	2,390,000	1	2,388,163
2,825,001	2,830,000	1	2,826,607
3,035,001	3,040,000	1	3,038,541
3,095,001	3,100,000	1	3,097,030
3,255,001	3,260,000	1	3,256,676
3,915,001	3,920,000	1	3,917,505
4,575,001	4,580,000	1	4,578,528
4,885,001	4,890,000	1	4,887,650
20,555,001	20,560,000	1	20,556,650
TOTAL	4,139		84,379,504

Information as required under the Code of Corporate Governance

Shareholders' category	Number of shareholders	Number of shares held
Associated Companies, Undertakings and Related Parties		
Gurmani Foundation	1	1,198,668
Packages Limited Employees Gratuity Fund	2	104,494
Packages Limited Management Staff Pension Fund	2	660,036
Packages Limited Employees Provident Fund	2	2,067,893
Babar Ali Foundation	1	3,097,030
IGI Insurance Limited	1	20,556,650
Jubilee Life Insurance Company Limited	1	199,401
NIT and ICP		
National Bank of Pakistan-Trustee Department NI(U)T FUND	1	4,578,528
Directors		
Syed Hyder Ali	1	2,187,175
Mr. Khalid Yacob	1	1,023
Mr. Muhammad Aurangzeb	1	500
Mr. Towfiq Habib Chinoy	1	220,071
Syed Shahid Ali	1	840,000
Syed Aslam Mehdi	1	4,781
Mr. Shamim Ahmad Khan	1	603
Directors' spouses and minor children	NIL	NIL
CEO's spouse and minor children	NIL	NIL
Executives	10	5,031,205
Public Sector Companies and Corporations	4	4,750,873
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba and Mutual Funds	45	10,784,390
Shareholders holding 10% or more voting interest:		
IGI Insurance Limited	1	20,556,650

	Shareholders' category	Number of shareholders	Number of shares held	Percentage
1	Associated Companies, Undertakings and Related Parties	10	27,884,172	33.05
2	NIT and ICP	1	4,578,528	5.43
3	Directors, CEO and their Spouses	7	3,254,153	3.86
4	Executives	10	5,031,205	5.96
5	Public Sector Companies and Corporations	4	4,750,873	5.63
6	Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba and Mutual Funds	45	10,784,390	12.78
7	Others	122	12,815,636	15.19
8	Individuals	3,940	15,280,547	18.10
		4,139	84,379,504	100.00

Statement of Compliance
with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulations of Karachi, Lahore and Islamabad stock exchanges for the purpose of establishing a framework of good governance.

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

1. The Company encourages representation of independent Non-Executive Directors and Directors representing minority interests on its Board of Directors. At present the Board includes seven independent Non-Executive Directors and none representing minority interests as no minority shareholder offered himself/herself for election.

2. The Directors of the Company have confirmed that none of them is serving as a Director in more than ten listed companies, including this Company, except Mr. Wazir Ali Khoja who,as chairman of NIT, has been specifically exempted by the Securities and Exchange Commission of Pakistan for holding directorship in more than ten listed companies.

3. All the Directors have given declaration that they are aware of their duties and powers under the relevant laws and the Company's Memorandum and Articles of Association and the Listing Regulations of the stock exchanges of Pakistan.

4. 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.

5. Mr. Towfiq Habib Chinoy, Chairman and Mr. Khalid Yacob, Executive Director, of the Company also hold the position of Directors in IGI Investment Bank Limited which is the holding company of IGI Finex Securities Limited, a company engaged in the business of stock brokerage. However, both of them undertake that neither of them nor their spouses are personally engaged in the business of stock brokerage.

6. No casual vacancy has occurred on the Board during the year.

7. The Company has issued a 'Statement of Ethics and Business Practices', which has been signed by all the Directors and employees of the Company.

8. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

9. All the powers of the Board have been duly exercised and decisions on material transactions including appointment, determination of remuneration and terms and conditions of employment of CEO have been taken by the Board.

10. 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 during the year. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

11. The Board has established a system of sound internal controls which is effectively implemented at all the levels within the Company.

12. The Board ensures arrangement of orientation courses for its Directors to apprise them of their duties and responsibilities and to keep them informed of the enforcement of new laws, rules and regulations and amendments thereof.

13. All material information as required under the relevant rules has been provided to the stock exchanges and to the Securities and Exchange Commission of Pakistan within the prescribed time limit.

14. There were no new appointments of Head of Internal Audit, CFO or Company Secretary during the year. However, all such appointments including their remuneration and terms and conditions of employment are approved by the Board.

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

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

17. 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.

18. The Company has complied with all the corporate and financial reporting requirements of the Code.

19. The Board has formed an Audit Committee. It comprises of six members, of whom five are Non-Executive Directors, including the Chairman of the committee, and one Executive Director.

20. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the code. The terms of reference of the committee have been formed and advised to the committee for compliance.

21. The Board has set-up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Company and are involved in the Internal Audit function on a full time basis.

22. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme 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.

23. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

24. The related party transactions were placed before the Audit Committee and approved by the Board of Directors.

25. We confirm that all other material principles contained in the code have been complied with.

Towfiq Habib Chinoy
Chairman

Karachi: March 21, 2012

Review Report to the Members

on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Packages Limited ('The Company') to comply with the Listing Regulation No. 35 of the Karachi, Lahore and Islamabad Stock Exchanges, where the Company is listed.

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

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

Further, Sub-Regulation (xiii a) of Listing Regulations 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee.

We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2011.

afferguson & Co

A. F. Ferguson & Co.
Chartered Accountants
Lahore, March 21, 2012
Engagement Partner: Shahzad Hussain

Auditors' Report to the Members

We have audited the annexed balance sheet of Packages Limited as at December 31, 2011 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 the 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 account 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 account and are further in accordance with accounting policies consistently applied except for the changes in accounting policies as stated in note 2.2.1 to the annexed 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 December 31, 2011 and of the loss, total comprehensive income, changes in equity and its cash flows for the year then ended; and

(d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

afferguson & co

A.F.FERGUSON & CO.
Chartered Accountants
Lahore, March 21, 2012

Engagement partner: Shahzad Hussain

Financial Statements

For the year ended December 31, 2011

Balance Sheet

as at December 31, 2011

(Rupees in thousand)	Note	2011	2010
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
150,000,000 (2010: 150,000,000) ordinary shares of Rs. 10 each		1,500,000	1,500,000
22,000,000 (2010: 22,000,000) 10 % non-voting cumulative preference shares / convertible stock of Rs. 190 each		4,180,000	4,180,000
Issued, subscribed and paid up capital			
84,379,504 (2010: 84,379,504) ordinary shares of Rs. 10 each	5	843,795	843,795
Reserves	6	28,179,067	24,218,774
Preference shares / convertible stock reserve	7	1,605,875	1,605,875
Accumulated (loss) / profit		(1,080,744)	261,441
		29,547,993	26,929,885
NON-CURRENT LIABILITIES			
Long-term finances	7	8,575,339	7,956,291
Deferred income tax liabilities	8	2,004,000	2,168,000
Retirement benefits	9	12,358	167
Deferred liabilities	10	161,795	149,173
		10,753,492	10,273,631
CURRENT LIABILITIES			
Current portion of long-term finances - secured	7	380,952	14,286
Finances under mark up arrangements - secured	11	796,227	141,231
Trade and other payables	12	1,731,255	1,794,059
Accrued finance costs	13	534,021	471,712
		3,442,455	2,421,288
CONTINGENCIES AND COMMITMENTS	14	-	-
		43,743,940	39,624,804

(Rupees in thousand)	Note	2011	2010
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	18,346,058	18,614,814
Investment property	16	29,943	31,588
Intangible assets	17	38,888	2,392
Investments	18	16,288,141	12,219,037
Long-term loans and deposits	19	110,873	128,429
Retirement benefits	9	89,299	94,557
		34,903,202	31,090,817
CURRENT ASSETS			
Stores and spares	20	978,741	1,049,950
Stock-in-trade	21	4,525,757	3,669,151
Trade debts	22	1,764,577	1,643,275
Loans, advances, deposits, prepayments and other receivables	23	454,548	265,361
Income tax receivable	24	941,439	766,107
Cash and bank balances	25	175,676	1,140,143
		8,840,738	8,533,987
		43,743,940	39,624,804

The annexed notes 1 to 46 form an integral part of these financial statements.

Towfiq Habib Chinoy Chairman	Syed Hyder Ali Chief Executive & Managing Director	Syed Aslam Mehdi Director

Profit and Loss Account

for the year ended December 31, 2011

(Rupees in thousand)		Note	2011	2010
Local sales			22,887,852	20,598,198
Export sales			213,967	1,239,235
Gross sales			23,101,819	21,837,433
Less: Sales tax and excise duty			3,708,201	3,266,556
Commission			18,256	34,969
			3,726,457	3,301,525
Net sales			19,375,362	18,535,908
Cost of sales		26	(18,993,362)	(17,732,996)
Gross profit			382,000	802,912
Administrative expenses		27	(619,947)	(511,238)
Distribution and marketing costs		28	(562,668)	(579,349)
Projects expenditure		29	(55,768)	(3,791)
Other operating expenses		30	(555)	(15,185)
Other operating income		31	358,679	202,368
Loss from operations			(498,259)	(104,283)
Finance costs		32	(1,626,598)	(1,210,323)
Investment income		33	1,040,290	997,260
Impairment charged on investments		34	(391,189)	-
Loss before tax			(1,475,756)	(317,346)
Taxation		35	(92,196)	(15,079)
Loss for the year			(1,567,952)	(332,425)
Loss per share				
basic	Rupees	42	(18.58)	(3.94)
diluted	Rupees	42	(18.58)	(3.94)

The annexed notes 1 to 46 form an integral part of these financial statements.

Towfiq Habib Chinoy Chairman	Syed Hyder Ali Chief Executive & Managing Director	Syed Aslam Mehdi Director

Statement of Comprehensive Income

for the year ended December 31, 2011

(Rupees in thousand)	2011	2010
Loss after taxation	(1,567,952)	(332,425)
Other comprehensive income		
Surplus on re-measurement of available for sale financial assets	4,460,293	4,119,636
Total comprehensive income for the year	2,892,341	3,787,211

The annexed notes 1 to 46 form an integral part of these financial statements.

Towfiq Habib Chinoy
Chairman

Syed Hyder Ali
Chief Executive & Managing Director

Syed Aslam Mehdi
Director

Statement of Changes in Equity

for the year ended December 31, 2011

(Rupees in thousand)	Share capital	Share premium	Fair value reserve	General reserve	Preference shares / convertible stock reserve	Accumulated profit / (loss)	Total
Balance as on December 31, 2009	843,795	2,876,893	561,912	13,660,333	1,605,875	3,868,099	23,416,907
Appropriation of funds							
Transferred from profit and loss account	-	-	-	3,000,000	-	(3,000,000)	-
Transactions with owners							
Final Dividend for the year ended December 31, 2009 Rs. 3.25 per share	-	-	-	-	-	(274,233)	(274,233)
Loss for the year	-	-	-	-	-	(332,425)	(332,425)
Other comprehensive income	-	-	4,119,636	-	-	-	4,119,636
Balance as on December 31, 2010	843,795	2,876,893	4,681,548	16,660,333	1,605,875	261,441	26,929,885
Appropriation of funds							
Transferred to profit and loss account	-	-	-	(500,000)	-	500,000	-
Transactions with owners							
Final Dividend for the year ended December 31, 2010 Rs. 3.25 per share	-	-	-	-	-	(274,233)	(274,233)
Loss for the year	-	-	-	-	-	(1,567,952)	(1,567,952)
Other comprehensive income	-	-	4,460,293	-	-	-	4,460,293
Balance as on December 31, 2011	843,795	2,876,893	9,141,841	16,160,333	1,605,875	(1,080,744)	29,547,993

The annexed notes 1 to 46 form an integral part of these financial statements.

Towfiq Habib Chinoy
Chairman

Syed Hyder Ali
Chief Executive & Managing Director

Syed Aslam Mehdi
Director

Cash Flow Statement

for the year ended December 31, 2011

(Rupees in thousand)	Note	2011	2010
Cash flow from operating activities			
Cash (used in) / generated from operations	40	(66,418)	2,048,790
Finance cost paid		(1,564,289)	(988,292)
Taxes paid		(431,528)	(490,263)
Payments for accumulating compensated absences		(10,524)	(16,805)
Retirement benefits paid		(62,831)	(50,488)
Net cash (used in) / generated from operating activities		(2,135,590)	502,942
Cash flow from investing activities			
Fixed capital expenditure		(1,828,445)	(633,758)
Investments - net		3,035	50,968
Net decrease in long-term loans and deposits		17,556	11,148
Proceeds from disposal of property, plant and equipment		190,023	25,034
Proceeds from assets written off due to fire		384,563	-
Dividends received		1,037,255	946,292
Net cash (used in) / generated from investing activities		(196,013)	399,684
Cash flow from financing activities			
Repayment of long-term finances - secured		(14,286)	-
Proceeds from long-term finances - secured		1,000,000	-
Dividend paid		(273,574)	(272,938)
Net cash generated from / (used in) financing activities		712,140	(272,938)
Net (decrease) / increase in cash and cash equivalents		(1,619,463)	629,688
Cash and cash equivalents at the beginning of the year		998,912	369,224
Cash and cash equivalents at the end of the year	41	(620,551)	998,912

The annexed notes 1 to 46 form an integral part of these financial statements.

Towfiq Habib Chinoy Chairman	Syed Hyder Ali Chief Executive & Managing Director	Syed Aslam Mehdi Director

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2011

1. Legal status and nature of business

Packages Limited ('The Company') is a public limited Company incorporated in Pakistan and is listed on Karachi, Lahore and Islamabad Stock Exchanges. It is principally engaged in the manufacture and sale of paper, paperboard, packaging materials and tissue products.

2. Basis of preparation

2.1 These financial statements have been prepared in accordance with the requirements of The Companies Ordinance, 1984 (the Ordinance) and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan as are notified under The Companies Ordinance, 1984, provisions of and directives issued under The Companies Ordinance, 1984. Wherever the requirements of The Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of The Companies Ordinance, 1984 or the requirements of the said directives prevail.

2.2 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Amendments to published standards effective in current year

New and amended standards, and interpretations mandatory for the first time for the financial year beginning January 01, 2011:

IFRS 7 (Amendments), 'Financial instruments: Disclosures', emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The application of this amendment has no material impact on the Company's financial statements.

IAS 1 (Amendments), 'Presentation of financial statements', clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Accordingly, the Company has presented analysis of other comprehensive income for each component of equity in the statement of changes in equity.

IAS 24 (Revised), 'Related party disclosures', issued in November 2009 supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the Government and other government-related entities. The application of this standard has impacted the related party disclosures in the Company's financial statements.

IAS 27, (Amendments), 'Consolidated and separate financial statements', clarifies that the consequential amendments from IAS 27 made to IAS 21, 'The effect of changes in foreign exchange rates', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures', apply prospectively for annual periods beginning on or after July 1, 2009, or earlier when IAS 27 is applied earlier. The application of this amendment has no material impact on the Company's financial statements.

IAS 32 'Financial instruments presentation - classification of right issues', issued in October 2009 addresses the accounting for right issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such right issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The application of this amendment has no material impact on the Company's financial statements.

IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The application of this interpretation has no material impact on the Company's financial statements.

IFRIC 14 (Amendment), 'Prepayments of a minimum funding requirement'. The amendments corrects an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendment, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The application of this amendment has no material impact on the Company's financial statements.

2.2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after January 1, 2012 or later periods, but the Company has not early adopted them:

IFRS 7 (Amendments), 'Financial instruments: Disclosures'. These are applicable on accounting periods beginning on or after July 01, 2011. These amendments arise from the IASB's review of off-balance sheet activities. The amendments shall promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. Earlier application is permitted. The Company shall apply these amendments from January 01, 2012 and does not expect to have a material impact on its financial statements.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The standard is not applicable until January 01, 2013 but is available for early adoption. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that shall replace IAS 39, 'Financial instruments: Recognition and measurement'. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change shall mainly affect financial institutions. There shall be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Company does not have any such liabilities.

IFRS 12 - 'Disclosures of interests in other entities'. This is applicable on accounting periods beginning on or after January 01, 2013. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The Company shall apply this standard from January 01, 2013 and does not expect to have a material impact on its financial statements.

IFRS 13 - 'Fair value measurement'. This is applicable on accounting periods beginning on or after January 01, 2013. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Company shall apply this standard from January 01, 2013 and does not expect to have a material impact on its financial statements.

IAS 1 (Amendments), 'Presentation of Financial Statements'. This is applicable on accounting periods beginning on or after July 01, 2012. The main change resulting from these amendment is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially recycled to profit or loss (reclassification adjustments). The amendment does not address which items are presented in OCI. The Company shall apply this amendment from January 01, 2013 and does not expect to have a material impact on its financial statements.

IAS 12 (Amendments), 'Income taxes'. These are applicable on accounting periods beginning on or after January 01, 2012. IAS 12, 'Income taxes', currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery shall be through use or through sale when the asset is measured using the fair value model in IAS 40, 'Investment property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes – recovery of revalued non-depreciable assets', shall no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. The Company shall apply these amendments from January 01, 2012 and does not expect to have a material impact on its financial statements.

IAS 19 (Amendments), 'Employee benefits' is applicable on accounting periods beginning on or after January 01, 2013. The amendment shall eliminate the corridor approach and calculate finance costs on a net funding basis. The Company shall apply this amendment from January 01, 2013 and its impact on retained earnings shall be Rs. 480.678 million due to recognition of current unrealised actuarial losses on its defined benefit plans.

IAS 27 (Revised 2011), 'Separate financial statements' includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The revised standard is applicable for accounting periods beginning on or after January 1, 2013. The Company shall apply this standard from January 01, 2013 and does not expect to have a material impact on its financial statements.

3. Basis of measurement

3.1 These financial statements have been prepared under the historical cost convention except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.

3.2 The Company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment and estimation involved in their application and their impact on these financial statements. Judgments and estimates are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

i) Estimated useful lives of property, plant and equipment - note 4.2
ii) Provision for employees' retirement benefits - note 4.7 & 9
iii) Recoverable amount of certain investments in equity instruments - note 18.1.2
iv) Provision for taxation - note 35

4. Significant accounting policies

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

4.1 Taxation

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

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 shall 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 tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

4.2 Property, plant and equipment

Property, plant and equipment, except freehold land and capital work-in-progress, are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land and capital work-in-progress are stated at cost less any identified impairment loss. Cost in relation to certain plant and machinery signifies historical cost, gains and losses transferred from equity on qualifying cash flow hedges as referred to in note 4.17 and borrowing costs as referred to in note 4.20.

Depreciation on all property, plant and equipment is charged to profit on the straight-line method so as to write off the depreciable amount of an asset over its estimated useful life at the following annual rates:

- Buildings	2.5%	to	20%
- Plant and machinery	6.25%	to	33.33%
- Other equipments	10%	to	33.33%
- Furniture and fixtures	10%	to	20%
- Vehicles	20%		

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Company's estimate of the residual value of its property, plant and equipment as at December 31, 2011 has not required any adjustment as its impact is considered insignificant.

Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed off.

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 amounts exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item shall flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

4.3 Investment property

Property not held for own use or for sale in the ordinary course of business is classified as investment property. The investment property of the Company comprises land and buildings and is valued using the cost method i.e. at cost less any accumulated depreciation and any identified impairment loss.

Depreciation on buildings is charged to profit on the straight line method so as to write off the depreciable amount of building over its estimated useful life at the rates ranging from 3.33% to 6.67% per annum. Depreciation on additions to investment property is charged from the month in which a property is acquired or capitalised while no depreciation is charged for the month in which the property is disposed off.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Company's estimate of the residual value of its investment property as at December 31, 2011 has not required any adjustment as its impact is considered insignificant.

The Company assesses at each balance sheet date whether there is any indication that investment property 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 amounts exceed the respective recoverable amount, assets are written down to their recoverable amount and the resulting impairment loss is recognised in profit and loss account.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

4.4 Intangible assets

Expenditure incurred to acquire computer software and SAP Enterprise Resource Planning (ERP) System are capitalised as intangible assets and stated at cost less accumulated amortisation and any identified impairment loss. Intangible assets are amortised using the straight line method over a period of three to five years.

Amortisation on additions to intangible assets is charged from the month in which an asset is acquired or capitalised while no amortisation is charged for the month in which the asset is disposed off.

The Company assesses at each balance sheet date whether there is any indication that intangible assets 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 amounts exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the amortisation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.5 Leases

(1) The Company is the lessee:

Finance leases

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Asset subject to finance lease are initially recognised at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss.

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and long-term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.

Assets acquired under a finance lease are depreciated over the useful life of the asset on a straight-line method at the rates given in note 4.2. Depreciation of leased assets is charged to profit and loss account.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

Operating leases

Leases including Ijarah financing where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight-line basis over the lease / Ijarah term unless another systematic basis is representative of the time pattern of the Company's benefit.

(2) The Company is the lessor:

Operating leases

Assets leased out under operating leases are included in investment property as referred to in note 16. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

4.6 Investments

Investments intended to be held for less than twelve months from the balance sheet date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non-current. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

Investments in equity instruments of subsidiaries and associates

Investments in subsidiaries and associates where the Company has significant influence are measured at cost in the Company's financial statements. Cost in relation to investments made in foreign currency is determined by translating the consideration paid in foreign currency into Pak Rupees at exchange rates prevailing on the date of transactions.

The Company is required to issue consolidated financial statements along with its separate financial statements, in accordance with the requirements of IAS 27 'Consolidated and separate financial statements'. Investments in associates, in the consolidated financial statements, are being accounted for using the equity method.

At each balance sheet date, the Company reviews the carrying amounts of the investments in subsidiaries and associates to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. In making an estimate of recoverable amount of these investments, the management considers future dividend stream and an estimate of the terminal value of these investments. Impairment losses are recognised as expense in the profit and loss account.

Investments in subsidiaries and associates, that suffered an impairment, are reviewed for possible reversal of impairment at each reporting date. Impairment losses recognised in the profit and loss account on investments in subsidiaries and associates are reversed through the profit and loss account.

Other investments

The other investments made by the Company are classified for the purpose of measurement into the following categories:

Held to maturity

Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity and are initially measured at cost and at subsequent reporting dates measured at amortised cost using the effective yield method.

Available for sale

The financial assets including investments in associated undertakings where the Company does not have significant influence and that are intended to be held for an indefinite period of time or may be sold in response to the need for liquidity are classified as available for sale.

Investments classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are re-measured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology. Unrealised gains and losses arising from the changes in the fair value are included in fair value reserves in the period in which they arise.

All purchases and sales of investments are recognised on the trade date which is the date that the Company commits to purchase or sell the investment. Cost of purchase includes transaction cost.

At each balance sheet date, the Company reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognised as expense in the profit and loss account. In respect of 'available for sale' financial assets, cumulative impairment loss less any impairment loss on that financial asset previously recognised in profit and loss account, is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

4.7 Employee retirement benefits

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

4.7.1 Defined benefit plans

(a) All the executive staff participate in an approved funded defined benefit pension plan. In addition, there is an approved funded defined benefit gratuity plan for all employees. Monthly contributions are made to these funds on the basis of actuarial recommendation at the rate of 20 percent per annum of basic salaries for pension and 4.50 percent per annum of basic salaries for gratuity. The latest actuarial valuation for the pension and gratuity schemes was carried out as at December 31, 2011. The actual returns on plan assets during the year were Rs. 27.242 million and Rs. 26.418 million for the pension and gratuity funds respectively. The actual returns on plan assets represent the difference between the fair value of plan assets at beginning of the year and end of the year after adjustments for contributions made by the Company as reduced by benefits paid during the year.

The future contribution rates of these plans include allowances for deficit and surplus. Projected unit credit method, using the following significant assumptions, is used for valuation of these schemes:

Discount rate 12.5 percent per annum;
Expected rate of increase in salary level 10.5 percent per annum;
Expected mortality rate EFU 61-66 mortality table;
Expected rate of return 14.25 percent per annum; and
Future pension increase 4 percent per annum.

Plan assets include long-term Government bonds, equity instruments of listed companies and term deposits with banks. Return on Government bonds and debt is at fixed rates, however, due to increased volatility of share prices in recent months, there is no clear indication of return on equity shares, therefore, it has been assumed that the yield on equity shares would match the return on debt.

The Company is expected to contribute Rs. 54 million to the pension fund and Rs. 16 million to the gratuity fund in the next financial year.

The Company's policy with regard to actuarial gains / losses is to follow minimum recommended approach under IAS 19 'Employee benefits'.

(b) Accumulating compensated absences

The Company provides for accumulating compensated absences when the employees render services that increase their entitlement to future compensated absences. The executives and workers are entitled to earned annual and medical leaves on basis of their service with the Company. The annual leaves can be encashed at the time the employee leaves the Company on the basis of the gross salary while no encashment is available for medical leaves to executives.

The Company uses the valuation performed by an independent actuary as the present value of its accumulating compensated absences.

Projected unit credit method, using the following significant assumptions, has been used for valuation of accumulating compensated absences:

Discount rate 12.5 percent per annum;
Expected rate of increase in salary level 10.5 percent per annum; and
Expected mortality rate EFU 61-66 mortality table.

In prior periods, provision for deferred liabilities (accumulating compensated absences) was made annually on the basis of unavailed accumulated leaves. The benefit was calculated with reference to the last drawn salary and accumulated leave balances of the employees.

During the current period, actuarial valuation has been carried out by the Company for the estimation of the defined benefit obligation based on the assumptions mentioned above. It has been accounted for as a change in accounting estimate during the current year resulting in a decrease in liability of Rs. 8.263 million.

4.7.2 Defined contribution plan

There is an approved contributory provident fund for all employees. Equal monthly contributions are made by the Company and the employees to the fund.

Retirement benefits are payable to staff on completion of prescribed qualifying period of service under these schemes.

4.7.3 Pension plan is a multi-employer plan formed by the Company in collaboration with Tri-Pack Films Limited and DIC Pakistan Limited. Similarly, Gratuity plan is also a multi-employer plan formed by the Company in collaboration with DIC Pakistan Limited. Contribution by the companies is based on the respective number of employees of each company. Packages reports its proportionate share of the plan's commitments, managed assets and costs, in accordance with guidance provided by IAS 19 - Employee benefits, regarding defined benefit plans, based on the number of its employees participating in the plans.

4.8 Stores and spares

Stores and spares are valued at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

Provision is made in the financial statements for obsolete and slow moving stores and spares based on management estimate.

4.9 Stock-in-trade

Stock of raw materials, except for those in transit, work-in-process and finished goods are valued principally at the lower of cost and net realisable value. Cost of raw materials is determined using the weighted average cost method. Cost of work-in-process and finished goods comprises direct production costs such as raw materials, consumables and labour as well as production overheads such as employee wages, depreciation, maintenance, etc. The production overheads are measured based on a standard cost method, which is reviewed regularly to ensure relevant measures of utilisation, production lead time etc.

Materials in transit are stated at cost comprising invoice value plus other charges paid thereon.

If the expected sales price less completion costs and costs to execute sales (net realisable value) is lower than the carrying amount, a write-down is recognised for the amount by which the carrying amount exceeds its net realisable value. Provision is made in the financial statements for obsolete and slow moving stock-in-trade based on management estimate.

4.10 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year.

Financial instruments carried on the balance sheet include loans, investments, trade and other debts, cash and bank balances, borrowings, trade and other payables, accrued expenses and unclaimed dividends. All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or cost as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.11 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognised amount and the Company intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

4.12 Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

4.13 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 in 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 finances under mark up arrangements. In the balance sheet, finances under mark up arrangements are included in current liabilities.

4.14 Non-current assets held-for-sale

Non-current assets are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less cost to sell.

4.15 Borrowings

Borrowings are initially recorded at the proceeds received. In subsequent periods, borrowings are stated at amortised cost using the effective yield method. Finance costs are accounted for on an accrual basis and are shown as accrued finance cost to the extent of the amount remaining unpaid.

4.16 Trade and other payables

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

4.17 Derivative financial instruments

These are initially recorded at cost on the date a derivative contract is entered into and are re-measured to fair value at subsequent reporting dates. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as cash flow hedges.

The Company documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flow of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in statement of other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account.

Amounts accumulated in equity are recognised in profit and loss account in the periods when the hedged item shall effect profit or loss. However, when the forecast hedged transaction results in the recognition of a non-financial asset or a liability, the gain and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

4.18 Revenue recognition

Revenue is recognised on despatch of goods or on the performance of services.

Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

Dividend income and entitlement of bonus shares are recognised when right to receive such dividend and bonus shares is established.

4.19 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All 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 gains and losses on translation are recognised in the profit and loss account. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

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

4.20 Borrowing costs

Mark up, interest and other charges on borrowings are capitalised up to the date of commissioning of the related property, plant and equipment acquired out of the proceeds of such borrowings. All other mark up, interest and other charges are charged to profit and loss account.

4.21 Dividend

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

4.22 Compound financial instruments

Compound financial instruments issued by the Company represent preference shares / convertible stock that can be converted into ordinary shares or can be settled in cash.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

4.23 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when:

(i) the Company has a present legal or constructive obligation as a result of past events;
(ii) it is probable that an outflow of resources shall be required to settle the obligation; and
(iii) the amount has been reliably estimated.

Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow shall be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

5. Issued, subscribed and paid up capital

2011	2010		2011	2010
(Number of shares)			(Rupees in thousand)	
33,603,295	33,603,295	Ordinary shares of Rs. 10 each fully paid in cash	336,033	336,033
148,780	148,780	Ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash	1,488	1,488
50,627,429	50,627,429	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	506,274	506,274
84,379,504	84,379,504		843,795	843,795

20,556,650 (2010: 20,151,487) ordinary shares of the Company are held by IGI Insurance Limited, an associated undertaking.

(Rupees in thousand)	Note	2011	2010
6. Reserves			
Movement in and composition of reserves is as follows:			
Capital			
Share premium	6.1	2,876,893	2,876,893
Fair value reserve			
At the beginning of the year		4,681,548	561,912
Fair value gain during the year		4,460,293	4,119,636
	6.2	9,141,841	4,681,548
		12,018,734	7,558,441
Revenue			
General reserve			
At the beginning of the year		16,660,333	13,660,333
Transferred (to) / from profit and loss account		(500,000)	3,000,000
		16,160,333	16,660,333
		28,179,067	24,218,774

6.1 This reserve can be utilised by the Company only for the purposes specified in section 83(2) of The Companies Ordinance, 1984.

6.2 As referred to in note 4.6 this represents the unrealised gain on re-measurement of available for sale financial assets at fair value and is not available for distribution. This shall be transferred to profit and loss account on derecognition of investments.

(Rupees in thousand)	Note	2011	2010
7. Long-term finances			
These are composed of:			
Local currency loans - secured			
Consortium Loan	7.1.1	5,185,714	5,185,714
Term Finance Loan	7.1.2	1,000,000	-
Others	7.1.3	300,000	314,286
		6,485,714	5,500,000
Preference shares / convertible stock - unsecured	7.2	2,470,577	2,470,577
		8,956,291	7,970,577
Current portion shown under current liabilities		(380,952)	(14,286)
		8,575,339	7,956,291

7.1 Local currency loans - secured

7.1.1 Consortium Loan

This loan has been obtained from a consortium of commercial banks led by MCB Bank Limited. It is secured by a first ranking exclusive hypothecation / equitable mortgage charge over all present and future fixed assets of the Company amounting to Rs. 6,914 million (2010: Rs. 6,914 million) in favour of MCB Bank Limited being security trustee on behalf of consortium. It carries mark up at six month Karachi Inter Bank Offered Rate (KIBOR) plus 1.35 % per annum and is payable in 11 unequal semi-annual installments starting in June 2012 and ending June 2017. The effective mark up charged during the year ranges from 13.31 % to 15.12 % per annum.

7.1.2 Term Finance Loan

During the year, the Company has obtained a long-term loan from Bank Al-Habib Limited for expansion in its paper and board manufacturing capacity. Out of the total disbursement, Rs. 578 million have been provided by Bank Al-Habib Limited through its own source and Rs. 422 million have been provided under the State Bank of Pakistan's Long-Term Finance Facility (LTFF). The entire amount is secured by a ranking charge over all present and future fixed assets of the Company amounting to Rs. 1,400 million (2010: Nil) in favour of Bank Al-Habib Limited (BAHL).

7.1.2.1 Loan under Term Finance Facility (BAHL own source)

The loan was disbursed in tranches of Rs. 500 million, Rs. 47 million and Rs. 31 million on May 20, 2011, July 6, 2011 and December 30, 2011 respectively. It carries mark up at the rate of six month KIBOR plus 0.65 % per annum and is repayable within 7 years (including two years grace period) in 10 equal semi-annual installments starting on November 19, 2013, January 5, 2014 and June 29, 2014 respectively and ending on May 19, 2018, July 5, 2018 and December 29, 2018 respectively. The effective mark up charged during the year ranges from 14.34 % to 14.44 % per annum.

7.1.2.2 Loan under Long-Term Finance Facility (under SBP-LTFF facility)

The loan obtained from Bank Al-Habib Limited under State Bank of Pakistan, Long-Term Finance Facility of Rs. 422 million is comprised of Rs. 338 million and Rs. 84 million disbursed on July 6 ,2011 and November 16, 2011 respectively. This carries a fixed mark up of 11.20 % and is repayable within 7 years (including two years grace period) in 10 equal semi-annual installments starting on January 5, 2014 and May 15, 2014 respectively and ending on July 5, 2018 and November 15, 2018 respectively.

7.1.3 Others

This loan has been obtained from Citibank. It is secured by a first ranking exclusive hypothecation / equitable mortgage charge over all present and future fixed assets of the Company amounting to Rs. 419 million (2010: Rs. 419 million) in favour of MCB Bank Limited being security trustee on behalf of Citibank. It carries mark up at six month KIBOR plus 0.90 % per annum and is payable in 4 unequal semi-annual installments commenced in December 2011 and ending June 2013. The effective mark up charged during the year ranges from 12.86 % to 14.67 % per annum.

7.2 Preference shares / convertible stock - unsecured

During the year 2009, the Company issued 10 % local currency non-voting cumulative preference shares / convertible stock at the rate of Rs. 190 per share amounting to USD 50 million equivalent to PKR 4,120.5 million under "Subscription Agreement" dated March 25, 2009 with IFC.

Terms of redemption / conversion

Each holder of preference shares / convertible stock shall have a right to settle at any time, at the option of holder, either in the form of fixed number of ordinary shares, one ordinary share for one preference share / convertible stock, or cash. The Company may, in its discretion, refuse to purchase the preference shares / convertible stock offered to it for purchase in cash. In case of refusal by the Company, preference shareholders shall have the right to either retain the preference shares / convertible stock or to convert them into ordinary shares. The preference shares / convertible stock can be held till perpetuity if preference shareholders do not opt for the conversion or cash settlement.

Rate of return

The preference share / convertible stock holders have a preferred right of return at the rate of 10 % per annum on a cumulative basis till December 31, 2013 and thereafter, these shall become non-cumulative till the date of settlement of preference shares / convertible stock either in cash or ordinary shares.

Preference shares / convertible stock are recognised in the balance sheet as follows:

(Rupees in thousand)	2011	2010
Face value of preference shares / convertible stock	4,120,500	4,120,500
Transaction costs	(44,048)	(44,048)
	4,076,452	4,076,452
Equity component - classified under capital and reserves	(1,605,875)	(1,605,875)
Liability component - classified under long-term finances	2,470,577	2,470,577
Accrued return on preference shares / convertible stock classified under accrued finance cost	412,050	412,050

The fair value of the liability component of the preference shares / convertible stock is calculated by discounting cash flows at a rate of approximately 16.50 % till perpetuity which represents the rate of similar instrument with no associated equity component. The residual amount, representing the value of the equity conversion component, is included in shareholders equity as preference shares / convertible stock reserve.

(Rupees in thousand)	Note	2011	2010
8. Deferred income tax liabilities			
The liability for deferred taxation comprises timing differences relating to:			
Accelerated tax depreciation		3,951,743	3,750,576
Unused tax losses		(1,684,974)	(1,347,842)
Minimum tax available for carry forward	8.1	(203,745)	(183,493)
Provision for accumulating compensated absences		(54,219)	(49,181)
Provision for doubtful debts		(13,751)	(10,861)
Preference shares / convertible stock transaction cost - liability portion		8,946	8,801
		2,004,000	2,168,000

8.1 The Company has not adjusted the net deferred tax liability against tax credit available to the Company under section 113 of the Income Tax Ordinance, 2001 amounting to Rs. 300.241 million (2010: Rs. 116.748 million) available till December 31, 2015 and unused tax losses of Rs. 132.163 million (2010: Nil) available till December 31, 2013 in view of management's estimate that these tax credits may not be utilized till December 31, 2015 due to sufficient unused tax losses, as referred to in note 35, available to the Company for adjustment against future profits.

(Rupees in thousand)	2011	2010
9. Retirement benefits		
Classified under non-current liabilities		
Pension fund	12,358	167
Classified under non-current assets		
Gratuity fund	89,299	94,557

(Rupees in thousand)	Pension Fund 2011	Pension Fund 2010	Gratuity Fund 2011	Gratuity Fund 2010
The amounts recognised in the balance sheet are as follows:				
Fair value of plan assets	685,750	649,568	317,168	304,449
Present value of defined benefit obligation	(1,092,581)	(890,215)	(314,074)	(285,349)
Unrecognised actuarial loss	394,473	240,480	86,205	75,457
(Liability) / asset as at December 31	(12,358)	(167)	89,299	94,557
Net (liability) / asset as at January 1	(167)	13,295	94,557	94,605
Charge to profit and loss account	(61,520)	(52,332)	(18,760)	(11,666)
Contribution by the Company	49,329	38,870	13,502	11,618
Net (liability) / asset as at December 31	(12,358)	(167)	89,299	94,557
The movement in the present value of defined benefit obligation is as follows:				
Present value of defined benefit obligation as at January 1	890,215	767,086	285,349	247,893
Service cost	33,979	27,636	18,693	15,532
Interest cost	122,923	94,384	38,724	29,296
Benefits paid	(55,192)	(55,300)	(27,201)	(37,355)
Transferred to IGI Insurance Limited	-	(2,500)	-	-
Transferred to Tri-pack Films Limited	-	(5,067)	-	-
Experience loss / (gain)	100,656	63,976	(1,491)	29,983
Present value of defined benefit obligation as at December 31	1,092,581	890,215	314,074	285,349
The movement in fair value of plan assets is as follows:				
Fair value as at January 1	649,568	592,086	304,449	303,425
Expected return on plan assets	93,200	73,110	42,408	35,784
Company contributions	49,329	38,870	13,502	11,618
Employee contributions	14,803	10,322	-	-
Benefits paid	(55,192)	(55,300)	(27,201)	(37,355)
Transferred to IGI Insurance Limited	-	(2,500)	-	-
Transferred to Tri-pack Films Limited	-	(5,067)	-	-
Experience loss	(65,958)	(1,953)	(15,990)	(9,023)
Fair value as at December 31	685,750	649,568	317,168	304,449
The amounts recognised in the profit and loss account are as follows:				
Current service cost	33,979	27,636	18,693	15,532
Interest cost for the year	122,923	94,384	38,724	29,296
Expected return on plan assets	(93,200)	(73,110)	(42,408)	(35,784)
Contribution made by the employees	(14,803)	(10,322)	-	-
Recognition of loss	12,621	13,744	3,751	2,622
Total included in salaries, wages and amenities	61,520	52,332	18,760	11,666
Plan assets are comprised as follows:				
Debt	327,260	272,819	235,911	219,203
Equity	185,409	181,879	79,897	79,157
Cash	173,081	194,870	1,360	6,089
	685,750	649,568	317,168	304,449

The present value of defined benefit obligation, the fair value of plan assets and the deficit or surplus of pension fund is as follows:

(Rupees in thousand)	2011	2010	2009	2008	2007
As at December 31					
Present value of defined benefit obligation	1,092,581	890,215	767,086	595,808	547,041
Fair value of plan assets	685,750	649,568	592,086	493,088	644,296
(Deficit) / surplus	(406,831)	(240,647)	(175,000)	(102,720)	97,255
Experience adjustment on obligation	11%	5%	6%	1%	2%
Experience adjustment on plan assets	-10%	0%	5%	-51%	17%

Fair value of plan assets include ordinary shares of the Company, whose fair value as at December 31, 2011 is Rs. 55 million (2010: Rs. 85 million).

The present value of defined benefit obligation, the fair value of plan assets and the surplus of gratuity fund is as follows:

(Rupees in thousand)	2011	2010	2009	2008	2007
As at December 31					
Present value of defined benefit obligation	314,074	285,349	247,893	211,836	178,979
Fair value of plan assets	317,168	304,449	303,425	283,474	296,469
Surplus	3,094	19,100	55,532	71,638	117,490
Experience adjustment on obligation	-1%	9%	5%	9%	2%
Experience adjustment on plan assets	-5%	-3%	-1%	-10%	7%

Fair value of plan assets include ordinary shares of the Company, whose fair value as at December 31, 2011 is Rs. 9 million (2010: Rs. 13 million).

(Rupees in thousand)	Note	2011	2010
10. Deferred liabilities			
This represents provision made to cover the obligation for accumulating compensated absences.			
Opening balance		149,173	124,852
Provision for the year		23,146	41,126
		172,319	165,978
Payments made during the year		(10,524)	(16,805)
Closing balance		161,795	149,173
11. Finances under mark up arrangements - secured			
Running finances - secured	11.1	196,227	107,106
Bills discounted - secured	11.2	-	34,125
Short-term finances - secured	11.3	600,000	-
		796,227	141,231

11.1 Running finances - secured

Short-term running finances available from a consortium of commercial banks under mark up arrangements amount to Rs. 7,290 million (2010: Rs. 7,240 million). The rates of mark up range from Re. 0.3364 to Re. 0.4082 per Rs. 1,000 per diem or part thereof on the balances outstanding. In the event the Company fails to pay the balances on the expiry of the quarter, year or earlier demand, mark up is to be computed at the rates ranging from Re. 0.4037 to Re. 0.6849 per Rs. 1,000 per diem or part thereof on the balances unpaid. The aggregate running finances are secured by hypothecation of stores, spares, stock-in-trade and trade debts.

11.2 Bills discounted - secured

Facilities for discounting of export / inland bills of Rs. 581 million (2010: Rs. 331 million) are available to the Company as a sub-limit of the running finance facilities referred to in note 11.1. Markup is to be fixed as per mutual agreement at the time of transaction. The outstanding balance of bills discounted is secured, in addition to the securities referred to in note 11.1, on the specific bills discounted, as referred to in note 22.2. The facility has not been availed in the current year.

11.3 Short-term finances - secured

Facilities for obtaining short-term finances of Rs. 5,615 million (2010: Rs. 2,865 million) are available to the Company as a sub-limit of the running finance facilities referred to in note 11.1. The rates of mark up range from Re. 0.3290 to Re. 0.3811 per Rs. 1,000 per diem or part thereof on the balances outstanding.

11.4 Letters of credit and bank guarantees

Of the aggregate facility of Rs. 5,619 million (2010: Rs. 7,298 million) for opening letters of credit and Rs. 1,294 million (2010: Rs. 1,294 million) for guarantees, the amount utilised at December 31, 2011 was Rs. 572.814 million (2010: Rs. 1,346.574 million) and Rs. 621.581 million (2010: Rs. 689.551 million) respectively. Of the facility for guarantees, Rs. 1,294 million (2010: Rs. 1,294 million) is secured by second hypothecation charge over stores, spares, stock-in-trade and trade debts.

(Rupees in thousand)	Note	2011	2010
12. Trade and other payables			
Trade creditors	12.1	821,380	658,430
Accrued liabilities	12.2	576,677	591,896
Bills payable		27,210	324,207
Retention money payable		59,250	59,250
Sales tax payable		88,340	30,457
Excise duty payable		-	8,004
Advances from customers	12.3	83,627	60,840
Deposits - interest free repayable on demand		15,021	9,739
Workers' welfare fund	12.4	-	-
TFCs payable		1,387	1,387
Unclaimed dividends		11,923	11,264
Others		46,440	38,585
		1,731,255	1,794,059

12.1 Trade creditors include amount due to related parties Rs. 109.335 million (2010: Rs. 78.376 million).

12.2 Accrued liabilities include amounts in respect of related parties Rs. 13.544 million (2010: Rs. 10.883 million).

12.3 Advances from customers include amounts from related party Rs. 10.313 million (2010: Nil).

(Rupees in thousand)	2011	2010
12.4 Workers' welfare fund		
Opening balance	-	117,746
Provision for the year	-	-
	-	117,746
Payments made during the year	-	(117,746)
Closing balance	-	-

(Rupees in thousand)	2011	2010
13. Accrued finance costs		
Accrued mark up / return on:		
Long-term local currency loans - secured	103,109	59,203
Preference shares / convertible stock - unsecured	412,050	412,050
Short-term borrowings - secured	18,862	459
	534,021	471,712

14. Contingencies and commitments

14.1 Contingencies

(i) Claims against the Company not acknowledged as debts Rs. 18.612 million (2010: Rs. 17.952 million).

(ii) Post dated cheques not provided in the financial statements have been furnished by the Company in favour of the Collector of Customs against custom levies aggregated to Rs. 102.219 million (2010: Rs. 88.769 million) in respect of goods imported.

14.2 Commitments in respect of

(i) Letters of credit and contracts for capital expenditure Rs. 310.397 million (2010: Rs. 782.605 million).

(ii) Letters of credit and contracts other than for capital expenditure Rs. 433.814 million (2010: Rs. 761.100 million).

(iii) The amount of future payments under operating leases and Ijarah financing and the period in which these payments will become due are as follows:

(Rupees in thousand)	Note	2011	2010
Not later than one year		191,692	219,612
Later than one year and not later than five years		814,092	1,118,159
		1,005,784	1,337,771
15. Property, plant and equipment			
Operating assets	15.1	18,220,375	17,861,486
Capital work-in-progress	15.2	125,683	753,328
		18,346,058	18,614,814

15.1 Operating assets

2011

(Rupees in thousand)	Cost as at December 31, 2010	Additions / (deletions)	Assets written off due to fire (note 15.1.4)	Cost as at December 31, 2011	Accumulated depreciation as at December 31, 2010	Depreciation charge / (deletions) for the year	Assets written off due to fire (note 15.1.4)	Accumulated depreciation as at December 31, 2011	Book value as at December 31, 2011
Freehold land	321,330	2,185	-	311,489	-	-	-	-	311,489
		(12,026)							
Buildings on freehold land	3,172,258	30,089	(58,832)	3,143,215	416,421	128,627	(25,965)	518,783	2,624,432
		(300)				(300)			
Buildings on leasehold land	179,494	-	(11,949)	167,545	74,796	6,808	(5,372)	76,232	91,313
Plant and machinery	22,373,894	1,979,180	(193,420)	23,672,350	7,987,294	1,378,909	(104,275)	8,774,709	14,897,641
		(487,304)				(487,219)			
Other equipments (computers, lab equipments and other office equipments)	463,151	42,345	(5,453)	495,048	320,867	50,372	(4,915)	361,694	133,354
		(4,995)				(4,630)			
Furniture and fixtures	19,318	-		19,318	13,704	1,012		14,716	4,602
Vehicles	285,897	59,414	-	317,572	140,774	37,293	-	160,028	157,544
		(27,739)	-			(18,039)	-		
	26,815,342	2,113,213	(269,654)	28,126,537	8,953,856	1,603,021	(140,527)	9,906,162	18,220,375
		(532,364)				(510,188)			

2010

(Rupees in thousand)	Cost as at December 31, 2009	Transfer in	Additions / (deletions)	Cost as at December 31, 2010	Accumulated depreciation as at December 31, 2009	Depreciation charge / (deletions) for the year	Transfer in	Accumulated depreciation as at December 31, 2010	Book value as at December 31, 2010
Freehold land	307,835	-	13,495	321,330	-	-	-	-	321,330
Buildings on freehold land	3,134,568	23,464	14,226	3,172,258	287,140	126,787	2,494	416,421	2,755,837
Buildings on leasehold land	179,494	-	-	179,494	67,988	6,808	-	74,796	104,698
Plant and machinery	22,281,824	-	123,717	22,373,894	6,684,508	1,311,829	-	7,987,294	14,386,600
			(31,647)			(9,043)			
Other equipments (computers, lab equipments and other office equipments)	422,681	-	41,686	463,151	274,549	47,485	-	320,867	142,284
			(1,216)			(1,167)			
Furniture and fixtures	19,132	-	186	19,318	12,650	1,054	-	13,704	5,614
Vehicles	274,373	-	51,662	285,897	131,740	35,752	-	140,774	145,123
			(40,138)			(26,718)			
	26,619,907	23,464	244,972	26,815,342	7,458,575	1,529,715	2,494	8,953,856	17,861,486
			(73,001)			(36,928)			

15.1.1 Property, plant and equipment include assets amounting to Rs. 83.515 million (2010: Rs. 12.026 million) of the Company which are not in operation.

15.1.2 The cost of fully depreciated assets which are still in use as at December 31, 2011 is Rs. 3,372.172 million (2010: Rs. 3,745.196 million).

(Rupees in thousand)	Note	2011	2010
15.1.3 The depreciation charge for the year has been allocated as follows:			
Cost of sales	26	1,578,359	1,505,608
Administrative expenses	27	17,366	17,530
Distribution and marketing costs	28	7,296	6,577
		1,603,021	1,529,715

15.1.4 During the current year fire at the tissue conversion line and stores damaged certain items of property, plant and equipment with an aggregate book value of Rs. 129.127 million (2010: Nil). The Company has claimed such loss from its insurance providers in accordance with the relevant insurance policies as referred to in note 31.2.

15.1.5 Disposal of property, plant and equipment

Detail of property, plant and equipment disposed off during the year is as follows:

(Rupees in thousand)					2011	
Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sales proceeds	Mode of disposal
Land	**Outsiders**					
	Haji Muhammad Ibrahim and others	12,026	-	12,026	143,550	Negotiation
Buildings	**Outsiders**					
	IGI Insurance Limited - Related Party	70,781	31,337	39,444	70,281	Insurance Claim
Plant and machinery	**Outsiders**					
	IGI Insurance Limited - Related Party	199,022	109,877	89,145	103,000	Insurance Claim
	Muhammad Amin	476,063	475,979	84	28,810	Negotiation
Other Equipments	**Outsiders**					
	IGI Insurance Limited - Related Party	5,453	4,915	538	2,131	Insurance Claim
	IGI Insurance Limited - Related Party	737	530	207	198	Insurance Claim
	Packages Lanka (Private) Limited - Related Party	72	16	56	72	Negotiation
Vehicles	**Employees**					
	Adnan Yousaf	487	134	353	352	Company policy
	Akhtar Javed	618	456	162	368	-do-
	Almaee Hassan Jafri	1,278	208	1,070	1,071	-do-
	Dr. Arshad Mahmood	1,349	590	759	983	-do-
	Ehtisham Qureshi	520	390	130	288	-do-
	Faisal Amjad	403	302	101	192	-do-
	Ghulam Sarwar	610	267	343	434	-do-
	Hafiz Farhan Muhammad Jaffar	372	270	102	167	-do-
	Ishtiaq Ahmad	507	342	165	277	-do-
	Javed Iqbal	368	258	110	164	-do-
	Maheen Saqib	467	157	310	359	-do-
	Mehreen Bilal	366	192	174	191	-do-
	Mohammad Yasin	507	349	158	310	-do-
	Muhammad Ali	480	348	132	255	-do-
	Muhammad Farhan	450	321	129	231	-do-
	Muhammad Haroon	329	247	82	650	Negotiation
	Muhammad Imran Aziz	610	168	442	469	Company policy
	Muhammad Ismail	625	461	164	373	-do-
	Muhammad Naveed	354	252	102	157	-do-
	Muhammad Rizwan	841	630	211	549	-do-
	Muhammad Uffan Sharif	525	394	131	292	-do-
	Muhammad Umar Rashid	523	392	131	290	-do-
	Sajjad Hussain	623	467	156	372	-do-
	Sajjad Nadeem	515	386	129	284	-do-
	Shoaib Kazi	697	61	636	631	-do-
	Suleman Javed	825	608	217	464	-do-
	Syed Haris Raza	520	273	247	321	-do-
	Syed Ihsanullah Shah	402	302	100	192	-do-
	Syed Kashif Alam	375	239	136	170	-do-
	Zafar Ahmad	700	105	595	617	-do-
	Outsiders					
	DIC Pakistan Limited - Related Party	1,500	506	994	1,218	Negotiation
	Muhammad Jawaid	4,037	3,009	1,028	392	- do -
Other assets with book value less than Rs. 50,000		15,081	14,977	104	4,311	
		802,018	**650,715**	**151,303**	**365,436**	

(Rupees in thousand)		2010				
Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sales proceeds	Mode of disposal
Plant and Machinery	Outsiders					
	Muhammad Amin	559	247	312	125	Negotiation
	Scrapped	28,461	6,168	22,293	-	Scrapped
Vehicles	Employees					
	Ahsan Majeed Malik	670	67	603	588	Company policy
	Amer Iqbal	605	325	280	330	- do -
	Amjad Hussain	867	369	498	490	- do -
	Asad Ali Mufti	849	425	424	605	- do -
	Asghar Abbas	850	266	584	659	- do -
	Ashfaq Khattak	841	326	515	638	- do -
	Dr. Abida Riaz	998	611	387	660	- do -
	Dr. BabarAli	1,400	105	1,295	1,400	- do -
	Farooq Ahmad Qureshi	620	302	318	405	- do -
	Imran Zaheer	800	693	107	516	- do -
	Major Arif Shaheed	775	136	639	659	- do -
	Mujeeb Rashid	1,536	768	768	787	- do -
	Mushtaq Ahmad	984	578	406	649	- do -
	Nasir Hussain Shah Bukhari	900	101	799	816	- do -
	Nauman Noor	479	186	293	320	- do -
	Sahil Zaheer	888	814	74	482	- do -
	Salman Yunus	851	362	489	644	- do -
	Shafi Karim	418	89	329	304	- do -
	Shahid Ul Haq	814	71	743	725	- do -
	Shamiyal Shariq	493	105	388	419	- do -
	Syed Ali Murtaza	403	207	196	222	- do -
	Syed M Shahid	609	297	312	437	- do -
	Outsiders					
	Adnan Rafique Qureshi	696	331	365	702	Negotiation
	Azeem Ahmad	488	67	421	421	- do -
	Fauzia Masood	861	430	431	500	- do -
	Irfan Traders	877	358	519	236	- do -
	Jawaid Roshan Ali	381	152	229	375	- do -
	Shaheen Mujeeb	1,076	242	834	848	- do -
Other assets with book value less than Rs. 50,000		21,952	21,730	222	9.072	
		73,001	36,928	36,073	25,034	

(Rupees in thousand)	2011	2010
15.2 Capital work-in-progress		
Civil works	15,784	19,695
Plant and machinery [including in transit Nil (2010: Rs. 301.537 million)]	105,571	570,995
Others	235	336
Advances	4,093	162,302
	125,683	753,328

15.2.1 During the current year fire at the tissue conversion line and stores damaged certain items of capital work-in-progress with an aggregate book value of Rs. 2.679 million (2010: Nil). The Company has claimed such loss from its insurance providers in accordance with the relevant insurance policies as referred to in note 31.2.

16. Investment property

(Rupees in thousand)	Cost as at December 31, 2010	Transfer out	Cost as at December 31, 2011	Accumulated depreciation as at December 31, 2010	Depreciation charge for the year	Transfer out	Accumulated depreciation as at December 31, 2011	Book value as at December 31, 2011
	2011							
Land	8,594	-	8,594	-	-	-	-	8,594
Buildings on freehold land	6,296	-	6,296	3,563	421	-	3,984	2,312
Buildings on leasehold land	38,808	-	38,808	18,547	1,224	-	19,771	19,037
	53,698	-	53,698	22,110	1,645	-	23,755	29,943

(Rupees in thousand)	Cost as at December 31, 2009	Transfer out	Cost as at December 31, 2010	Accumulated depreciation as at December 31, 2009	Depreciation charge for the year	Transfer out	Accumulated depreciation as at December 31, 2010	Book value as at December 31, 2010
	2010							
Land	8,594	-	8,594	-	-	-	-	8,594
Buildings on freehold land	29,760	(23,464)	6,296	4,776	1,281	(2,494)	3,563	2,733
Buildings on leasehold land	38,808	-	38,808	17,051	1,496	-	18,547	20,261
	77,162	(23,464)	53,698	21,827	2,777	(2,494)	22,110	31,588

16.1 Depreciation charge for the year has been allocated to administrative expenses.

16.2 Fair value of the investment property, based on the valuation carried out by an independent valuer, as at December 31, 2011 is Rs. 171.926 million (2010: Rs. 173.313 million).

(Rupees in thousand)	Note	2011	2010
17. Intangible assets			
These represent computer software and ERP system.			
Cost			
As at January 1		126,959	124,386
Additions		38,661	2,573
As at December 31		165,620	126,959
Accumulated amortisation			
As at January 1		(124,567)	(124,249)
Amortisation for the year		(2,165)	(318)
As at December 31		(126,732)	(124,567)
		38,888	2,392
17.1 The amortisation charge for the year has been allocated as follows:			
Cost of sales	26	12	18
Administrative expenses	27	2,153	300
		2,165	318

(Rupees in thousand)		Note	2011	2010
18.	**Investments**			
	These represent the long-term investments in:			
	Related parties	18.1	3,146,370	3,537,559
	Other long-term investments	18.4	13,141,771	8,681,478
			16,288,141	12,219,037
18.1	**Related parties**			
	Subsidiaries - unquoted			
	DIC Pakistan Limited			
	3,377,248 (2010: 3,377,248) fully paid ordinary shares of Rs. 10 each Equity held 54.98% (2010: 54.98%)		15,010	15,010
	Packages Construction (Private) Limited	18.3		
	2,500,000 (2010: 2,500,000) fully paid ordinary shares of Rs. 10 each Equity held 99.99% (2010: 99.99%)		19,090	25,000
	Packages Lanka (Private) Limited			
	44,698,120 (2010: 44,698,120) fully paid ordinary shares of SL Rupees 10 each Equity held 79.07% (2010: 79.07%)		442,938	442,938
			477,038	482,948
	Associates			
	Quoted			
	IGI Insurance Limited	18.1.1, 18.2 & 18.3		
	11,838,267 (2010: 7,625,294) fully paid ordinary shares of Rs. 10 each Equity held 10.61% (2010: 10.61%) Market value - Rs. 523.488 million (2010: Rs. 738.815 million)		523,488	878,378
	Tri-Pack Films Limited	18.1.2		
	10,000,000 (2010: 10,000,000) fully paid ordinary shares of Rs. 10 each Equity held 33.33% (2010: 33.33%) Market value - Rs. 1,603 million (2010: Rs. 1,221.6 million)		2,141,233	2,141,233
	IGI Investment Bank Limited	18.2 & 18.3		
	4,610,915 (2010: 4,610,915) fully paid ordinary shares of Rs. 10 each Equity held 2.17% (2010: 2.17%) Market value - Rs. 4.150 million (2010: Rs. 13.510 million)		4,611	35,000
			2,669,332	3,054,611
			3,146,370	3,537,559

18.1.1 The number of shares in IGI Insurance Limited increased due to issuance of bonus shares during the year.

18.1.2 The Company has assessed the recoverable amount of investment in Tri-Pack Films Limited based on value in use calculation. This calculation has been made on discounted cash flow methodology for real cash flows using a weighted average cost of capital of approximately 8%, cumulative annual growth rate of 7.87% in profit after tax till 2020 and terminal growth of Nil. Based on the above, the recoverable amount of investment in Tri-Pack Films Limited exceeds its existing carrying amount.

18.2 The Company's investment in IGI Insurance Limited and IGI Investment Bank Limited is less than 20% but they are considered to be associates as per the requirement of IAS 28 'Investments in Associates' because the Company has significant influence over the financial and operating policies of these companies.

18.3 The Company has recognised impairment losses in Packages Construction (Private) Limited, IGI Insurance Limited and IGI Investment Bank Limited during the year of Rs. 5.910 million, Rs. 354.890 million and Rs. 30.389 million respectively as referred to in note 34.

(Rupees in thousand)		Note	2011	2010
18.4	**Other long-term investments**			
	Quoted			
	Nestle Pakistan Limited	18.5		
	3,649,248 (2010: 3,649,248) fully paid ordinary shares of Rs. 10 each Equity held 8.05% (2010: 8.05%) Market value - Rs. 13,126.746 million (2010: Rs. 8,666.453 million)		13,126,746	8,666,453
	Unquoted			
	Tetra Pak Pakistan Limited	18.5		
	1,000,000 (2010: 1,000,000) fully paid non-voting shares of Rs. 10 each		10,000	10,000
	Coca-Cola Beverages Pakistan Limited			
	500,000 (2010: 500,000) fully paid ordinary shares of Rs. 10 each Equity held 0.14% (2010: 0.14%)		5,000	5,000
	Pakistan Tourism Development Corporation Limited			
	2,500 (2010: 2,500) fully paid ordinary shares of Rs. 10 each		25	25
	Orient Match Company Limited			
	1,900 (2010: 1,900) fully paid ordinary shares of Rs. 100 each		-	-
			15,025	15,025
			13,141,771	8,681,478

18.5 Nestle Pakistan Limited and Tetra Pak Pakistan Limited are associated undertakings as per The Companies Ordinance, 1984, however, for the purpose of measurement, investments in others have been classified as available for sale and measured at fair value as referred to in note 4.6.

(Rupees in thousand)		Note	2011	2010
19.	**Long-term loans and deposits**			
	Considered good			
	Loans to employees	19.1	4,278	3,378
	Loan to SNGPL	19.2	98,400	114,800
	Security deposits		25,447	27,226
			128,125	145,404
	Receivable within one year			
	Loans to employees	23	(852)	(575)
	Loan to SNGPL	23	(16,400)	(16,400)
			(17,252)	(16,975)
			110,873	128,429

19.1 These represent interest free loans to employees for purchase of motor cycles and cycles and are repayable in monthly installments over a period of 60 to 260 months.

Loans to employees aggregating Rs. 2.125 million (2010: Rs. 1.284 million) are secured by joint registration of motor cycles in the name of employees and the Company. The remaining loans are unsecured.

19.2 This represents an unsecured loan given to Sui Northern Gas Pipelines Limited (SNGPL) for the development of the infrastructure for the supply of natural gas to the plants at Bulleh Shah Paper Mill. Mark up is charged at the rate of 1.5% per annum and is received annually. The remaining amount is receivable in 6 annual installments.

(Rupees in thousand)	2011	2010
20. Stores and spares		
Stores [including in transit Rs. 11.444 million (2010: Rs. 14.721 million)]	571,039	566,257
Spares [including in transit Rs. 21.580 million (2010: Rs. 1.479 million)]	407,702	483,693
	978,741	1,049,950

20.1 Stores and spares include items which may result in fixed capital expenditure but are not distinguishable and are net of an amount of Rs. 1.452 million (2010: Nil) in respect of provision for slow moving stores and spares.

20.2 During the current year fire at the tissue conversion line and stores damaged certain items of stores and spares. The carrying value of the assets damaged was Rs. 189.447 million (2010: Nil). The Company has claimed such loss from its insurance providers as referred to in note 31.2.

(Rupees in thousand)	Note	2011	2010
21. Stock-in-trade			
Raw materials [including in transit Rs. 243.329 million (2010: Rs. 261.736 million)].		2,079,815	1,673,034
Work-in-process	26	256,593	209,916
Finished goods	26	2,189,349	1,786,201
		4,525,757	3,669,151

21.1 Raw materials and finished goods with a cost of Rs. 783.745 million and Rs. 1,354.412 million are being valued at net realisable value of Rs. 653.129 million and Rs. 1,092.969 million respectively.

21.2 During the current year fire at the tissue conversion line and stores damaged certain items of stock-in-trade. The carrying value of the assets damaged was Rs. 215.201 million (2010: Nil). The Company has claimed such loss from its insurance providers as referred to in note 31.2.

(Rupees in thousand)	Note	2011	2010
22. Trade debts			
Considered good			
Related parties - unsecured	22.1	8,725	5,778
Others	22.2	1,755,852	1,637,497
		1,764,577	1,643,275
Considered doubtful		42,269	40,524
		1,806,846	1,683,799
Provision for doubtful debts	22.3	(42,269)	(40,524)
		1,764,577	1,643,275
22.1 Related parties - unsecured			
Subsidiaries			
DIC Pakistan Limited		2,766	2,212
Packages Lanka (Private) Limited		-	439
Associate			
Tri-Pack Films Limited		5,959	3,127
		8,725	5,778

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

22.2 Others include debts of Rs. 210.034 million (2010: Rs. 198.838 million) which are secured by way of bank guarantees and inland letters of credit. Out of these, debts amounting to Nil (2010: Rs. 34.125 million) are under lien against credit facilities available as referred to in note 11.2.

(Rupees in thousand)		Note	2011	2010
22.3	**The movement in provision during the year is as follows:**			
	Balance as at January 1		40,524	34,218
	Provision during the year	28	8,092	6,306
	Trade debts written off during the year		(6,347)	-
	Balance as at December 31		42,269	40,524
23.	**Loans, advances, deposits, prepayments and other receivables**			
	Current portion of loans to employees	19	852	575
	Current portion of loan receivable from SNGPL	19	16,400	16,400
	Advances - considered good			
	To employees	23.1	12,167	10,915
	To suppliers		52,255	76,572
			64,422	87,487
	Due from related parties - unsecured	23.2	14,358	11,469
	Trade deposits		95,187	96,872
	Prepayments		24,244	17,822
	Balances with statutory authorities			
	Customs duty		-	7,905
	Sales tax recoverable		10,307	6,393
			10,307	14,298
	Mark up receivable on			
	Loan to SNGPL		77	90
	Term deposits and saving accounts		838	2,392
			915	2,482
	Insurance claim receivable from related party		172,791	-
	Other receivables		55,072	17,956
			454,548	265,361

23.1 Included in advances to employees are amounts due from executives of Rs. 1.299 million (2010: Rs. 0.896 million).

(Rupees in thousand)		2011	2010
23.2	**Due from related parties - unsecured**		
	Subsidiaries		
	DIC Pakistan Limited	8,542	7,482
	Packages Lanka (Private) Limited	5,279	3,612
	Associates		
	Tri-Pack Films Limited	59	97
	IGI Insurance Limited	478	278
		14,358	11,469

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

(Rupees in thousand)		Note	2011	2010
24.	**Income tax receivable**			
	Income tax refundable		905,426	730,094
	Income tax recoverable	24.1	36,013	36,013
			941,439	766,107

24.1 In 1987, the Income Tax Officer (ITO) re-opened the Company's assessments for the accounting years ended December 31, 1983 and 1984 disallowing primarily tax credit given to the Company under section 107 of the Income Tax Ordinance, 1979. The tax credit amounting to Rs. 36.013 million on its capital expenditure for these years was refused on the grounds that such expenditure represented an extension of the Company's undertaking which did not qualify for tax credit under this section in view of the Company's location. The assessments for these years were revised by the ITO on these grounds and taxes reassessed were adjusted against certain sales tax refunds and the tax credits previously determined by the ITO and set off against the assessments framed for these years.

The Company had filed an appeal against the revised orders of the ITO before the Commissioner of Income Tax (Appeals) [CIT(A)], Karachi. The Commissioner has, in his order issued in 1988, held the assessments reframed by the ITO for the years 1983 and 1984 presently to be void and of no legal effect. The ITO has filed an appeal against the Commissioner's order with the Income Tax Appellate Tribunal (ITAT). The ITAT has in its order issued in 1996 maintained the order of CIT(A). The assessing officer after the receipt of the appellate order passed by CIT (A), has issued notices under section 65 of the Income Tax Ordinance, 1979 and the Company has filed a writ petition against the aforesaid notices with the High Court of Sindh, the outcome of which is still pending.

The recoverable amount Rs. 36.013 million represents the additional taxes paid as a result of the disallowance of the tax credits on reframing of the assessments.

(Rupees in thousand)		Note	2011	2010
25.	**Cash and bank balances**			
	At banks:			
	On saving accounts [including USD 29,177 (2010: USD 305,162)]	25.1	76,858	951,938
	On current accounts [including USD 4,973 (2010: USD 801,129)]	25.2	89,150	182,535
			166,008	1,134,473
	In hand		9,668	5,670
			175,676	1,140,143

25.1 The balances in saving accounts bear mark up which ranges from 5.0 % to 11.65% per annum.

25.2 Included in these are total restricted funds of Rs. 1.332 million (2010: Rs. 1.332 million) held as payable to TFC holders.

(Rupees in thousand)	Note	2011	2010
26. Cost of sales			
Materials consumed		10,745,539	10,210,767
Salaries, wages and amenities	26.1	1,291,412	1,109,240
Traveling		31,127	25,356
Fuel and power		3,737,283	2,947,886
Production supplies		488,886	464,466
Excise duty and sales tax		4,093	2,694
Rent, rates and taxes	26.2	348,992	235,267
Insurance		84,047	76,328
Repairs and maintenance		691,970	627,209
Packing expenses		147,819	111,644
Depreciation on property, plant and equipment	15.1.3	1,578,359	1,505,608
Amortisation of intangible assets	17.1	12	18
Technical fee and royalty		27,997	16,294
Other expenses	26.3	265,651	216,209
		19,443,187	17,548,986
Opening work-in-process	21	209,916	145,140
Closing work-in-process	21	(256,593)	(209,916)
Cost of goods produced		19,396,510	17,484,210
Opening stock of finished goods	21	1,786,201	2,034,987
Closing stock of finished goods	21	(2,189,349)	(1,786,201)
		18,993,362	17,732,996

Cost of goods produced includes Rs. 3,137.395 million (2010: Rs. 2,102.493 million) for stores and spares consumed, Rs. 39.929 million (2010: Rs. 24.733 million) and Rs. 4.022 million (2010: Rs. 1.771 million) for raw material and stores and spares written off respectively.

(Rupees in thousand)	2011	2010
26.1 Salaries, wages and amenities		
Salaries, wages and amenities include following in respect of retirement benefits:		
Pension		
Current service cost	20,955	18,677
Interest cost for the year	75,805	63,787
Expected return on plan assets	(57,475)	(49,410)
Contribution made by the employees	(9,128)	(6,976)
Recognition of loss	7,783	9,289
	37,940	35,367
Gratuity		
Current service cost	12,724	11,450
Interest cost for the year	26,359	21,597
Expected return on plan assets	(28,867)	(26,380)
Recognition of loss	2,553	1,933
	12,769	8,600

In addition to above, salaries, wages and amenities include Rs. 20.648 million (2010: Rs. 19.705 million) and Rs. 11.545 million (2010: Rs. 23.392 million) in respect of provident fund contribution by the Company and accumulating compensated absences respectively.

26.2 Rent, rates and taxes include operating lease / ujrah rentals amounting to Rs. 344.456 million (2010: Rs. 231.735 million).

26.3 Other expenses include provision for slow moving stores and spares amounting to Rs. 1.452 million (2010: Nil).

(Rupees in thousand)	Note	2011	2010
27. Administrative expenses			
Salaries, wages and amenities	27.1	337,059	277,727
Traveling		28,120	16,377
Rent, rates and taxes	27.2	14,601	13,588
Insurance		5,689	6,493
Printing, stationery and periodicals		20,654	22,276
Postage and telephone		19,981	18,447
Motor vehicles running		21,127	17,284
Computer charges		17,863	18,536
Professional services	27.3	45,016	21,145
Repairs and maintenance		16,823	13,943
Depreciation on property, plant and equipment	15.1.3	17,366	17,530
Amortisation of intangible assets	17.1	2,153	300
Depreciation on investment property	16.1	1,645	2,777
Other expenses		71,850	64,815
		619,947	511,238

Administrative expenses include Rs. 62.233 million (2010: Rs. 53.762 million) for stores and spares consumed.

(Rupees in thousand)	2011	2010
27.1 Salaries, wages and amenities		
Salaries, wages and amenities include following in respect of retirement benefits:		
Pension		
Current service cost	9,047	6,367
Interest cost for the year	32,729	21,744
Expected return on plan assets	(24,815)	(16,843)
Contribution made by the employees	(3,942)	(2,378)
Recognition of loss	3,361	3,166
	16,380	12,056
Gratuity		
Current service cost	4,146	2,901
Interest cost for the year	8,589	5,471
Expected return on plan assets	(9,406)	(6,683)
Recognition of loss	832	490
	4,161	2,179

In addition to above, salaries, wages and amenities include Rs. 6.720 million (2010: Rs. 4.992 million) and Rs. 6.939 million (2010: Rs. 12.633 million) in respect of provident fund contribution by the Company and accumulating compensated absences respectively.

27.2 Rent, rates and taxes include operating lease rentals amounting to Rs. 11.422 million (2010: Rs. 10.291 million).

(Rupees in thousand)	2011	2010
27.3 Professional services		
The charges for professional services include the following in respect of auditors' services for:		
Statutory audit	2,000	1,800
Half yearly review	650	575
Tax services	5,151	2,965
Workers' profit participation fund audit, management staff pension and gratuity fund audit, audit of consolidated financial statements and other certification charges	844	373
Out of pocket expenses	516	346
	9,161	6,059

(Rupees in thousand)	Note	2011	2010
28. Distribution and marketing costs			
Salaries, wages and amenities	28.1	143,564	115,498
Traveling		25,049	18,101
Rent, rates and taxes	28.2	3,343	3,199
Freight and distribution		220,596	286,493
Insurance		1,062	887
Advertising		120,004	108,094
Depreciation on property, plant and equipment	15.1.3	7,296	6,577
Provision for doubtful debts	22.3	8,092	6,306
Other expenses		33,662	34,194
		562,668	579,349

Distribution and marketing costs include Rs. 2.846 million (2010: Rs. 2.807 million) for stores and spares consumed.

(Rupees in thousand)	2011	2010
28.1 Salaries, wages and amenities		
Salaries, wages and amenities include following in respect of retirement benefits:		
Pension		
Current service cost	3,977	2,592
Interest cost for the year	14,389	8,853
Expected return on plan assets	(10,910)	(6,857)
Contribution made by the employees	(1,733)	(968)
Recognition of loss	1,477	1,289
	7,200	4,909
Gratuity		
Current service cost	1,823	1,181
Interest cost for the year	3,776	2,228
Expected return on plan assets	(4,135)	(2,721)
Recognition of loss	366	199
	1,830	887

In addition to above, salaries, wages and amenities include Rs. 2.952 million (2010: Rs. 2.032 million) and Rs. 4.662 million (2010: Rs. 5.101 million) in respect of provident fund contribution by the Company and accumulating compensated absences respectively.

28.2 Rent, rates and taxes include operating lease rentals amounting to Rs. 3.343 million (2010: Rs. 3.199 million).

29. These represent expenses incurred on prospective projects which are not capitalised under International Financial Reporting Standards.

(Rupees in thousand)	Note	2011	2010
30. Other operating expenses			
Loss on disposal of property, plant and equipment		-	11,039
Donations	30.1	555	4,146
		555	15,185

30.1 During the year the Company donated Rs. 100,000 to Syed Maratib Ali Religious & Charitable Trust Society. Chief Executive Officer of the Company is also a member of the Board of trustees of Syed Maratib Ali Religious & Charitable Trust Society. None of the directors and their spouses had any interest in any of the remaining donees during the year.

(Rupees in thousand)	Note	2011	2010
31. Other operating income			
Income from financial assets			
Income on bank deposits		7,911	37,082
Interest on loan to SNGPL		1,709	1,955
Exchange gain - net		-	10,007
		9,620	49,044
Income from non-financial assets			
Management and technical fee [including Rs. 22.907 million (2010: Rs. 20.806 million) from related parties]		57,957	54,930
Insurance commission from related party		6,069	5,236
Rental income from investment property [including Rs. 13.001 million (2010: Rs. 11.969 million) from related parties]	31.1	50,040	44,234
Profit on disposal of property, plant and equipment		167,847	-
Net gain on insurance claim of assets written off due to fire	31.2	20,900	-
Scrap sales		4,264	4,757
Provisions and unclaimed balances written back		36,630	20,687
Profit on outside jobs from related party		-	434
Others		5,352	23,046
		349,059	153,324
		358,679	202,368

31.1 The expenses relating directly to the income from investment property amount to Rs. 1.645 million (2010: Rs. 2.777 million).

31.2 As referred to in notes 15.1.4, 15.2.1, 20.2 and 21.2, during the year a fire incident at the tissue conversion line and stores damaged certain items of property, plant and equipment, stores and spares and stock-in-trade. The Company filed the insurance claim in respect of these assets. The insurer had appointed a surveyor who has submitted a survey certificate based on which a claim receivable of Rs. 557.354 million has been determined as due from its insurers as of balance sheet date. The Company has, during the year recovered Rs. 373.500 million from the insurance company and is in the process of recovering the remaining insurance proceeds. Surveyor is expected to complete its survey work during the year 2012 and any incremental insurance claim resulting from surveyor's final report will be recognised accordingly.

(Rupees in thousand)	Note	2011	2010
Carrying value of assets written off due to fire			
Property, plant and equipment			
Buildings on freehold land	15.1	32,867	-
Buildings on leasehold land	15.1	6,577	-
Plant and machinery	15.1	89,145	-
Other equipments (computers, lab equipments and other office equipments)	15.1	538	-
Capital work-in-progress	15.2.1	2,679	-
		131,806	-
Stores, spares and stock-in-trade			
Stores and spares	20.2	189,447	-
Stock-in-trade	21.2	215,201	-
		404,648	-
Carrying value of assets written off due to fire		536,454	-
Insurance claim verified to date		557,354	-
Net gain on insurance claim of assets written off due to fire		20,900	-

31.3 The future minimum lease payments receivable under non-cancelable operating leases are as follows:

(Rupees in thousand)	Note	2011	2010
Not later than one year		22,640	59,895
Later than one year and not later than five years		5,398	12,215
		28,038	72,110

32. Finance costs

Interest and mark up including commitment charges on:			
Long-term finances - secured		905,651	768,568
Finances under mark up arrangements - secured		159,958	3,245
Discounting charges		117,820	12,841
Return on preference shares / convertible stock		412,050	412,050
Loan handling charges		350	1,210
Exchange loss - net		23,468	-
Bank charges		7,301	12,409
		1,626,598	1,210,323

33. Investment income

Dividend income from related parties	33.1	220,546	181,091
Dividend income from others		816,709	765,201
Gain on sale of short-term investments		3,035	50,968
		1,040,290	997,260

33.1 Dividend income from related parties

Subsidiaries			
DIC Pakistan Limited		50,321	40,527
Packages Lanka (Private) Limited		34,386	17,052
Associates			
IGI Insurance Limited		35,839	23,512
Tri-Pack Films Limited		100,000	100,000
		220,546	181,091

34. Impairment charged on investments

Subsidiary - unquoted			
Packages Construction (Private) Limited		5,910	-
Associates - quoted			
IGI Insurance Limited		354,890	-
IGI Investment Bank Limited		30,389	-
		391,189	-

This represents impairment loss recognised based on assessment of recoverable amount. For quoted associates, the recoverable amount is equal to fair value which has been determined with reference to active market value.

(Rupees in thousand)	2011	2010
35. Taxation		
Current		
Current year	216,000	201,000
Prior years	40,196	(921)
	256,196	200,079
Deferred	(164,000)	(185,000)
	92,196	15,079

The current tax provision represents the minimum tax on turnover for the year due under Section 113 of the Income Tax Ordinance, 2001.

For the purposes of current taxation, the tax losses available for carry forward as at December 31, 2011 are estimated approximately at Rs. 5,604.981 million (2010: Rs. 3,995.992 million). Unused tax losses available to the Company contain unused business losses amounting to Rs. 377.609 million (2010: Rs. 377.609 million).

	2011 % age	2010 % age
35.1 Tax charge reconciliation		
Numerical reconciliation between the average effective tax rate and the applicable tax rates is as follows:		
Applicable tax rate	35.00	35.00
Tax effect of amounts that are:		
Not deductible for tax purposes	(13.14)	(19.40)
Exempt for tax purposes	4.39	8.86
Chargeable to tax at different rates	(0.53)	3.65
Effect of change in prior years' tax	(2.72)	0.29
Tax credits and losses in respect of which no deferred tax asset has been recognised	(21.39)	(36.79)
Tax effect under presumptive tax regime and others	(7.86)	3.64
	(41.25)	(39.75)
Average effective tax rate charged to profit and loss account	(6.25)	(4.75)

36. Remuneration of Chief Executive, Directors and Executives

36.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the Chief Executive, full time working Directors including alternate directors and Executives of the Company are as follows:

	Chief Executive		Directors		Executives	
	2011	2010	2011	2010	2011	2010
Number of persons	1	1	2	2	82	60
(Rupees in thousand)						
Short-term employee benefits						
Managerial remuneration	8,539	6,385	12,624	9,950	93,445	62,258
Housing	3,337	3,443	5,145	4,343	46,695	28,629
Utilities	742	1,174	1,143	901	11,205	7,826
Bonus	2,164	1,713	3,336	2,629	37,287	21,782
Leave passage	1,039	1,811	1,065	1,225	4,647	2,338
Medical expenses	1,867	2,334	244	220	643	829
Club expenses	114	106	229	202	63	105
Others	-	-	-	-	17,394	10,547
	17,802	16,966	23,786	19,470	211,379	134,314
Post employment benefits						
Contribution to provident, gratuity and pension funds	2,560	2,026	2,975	2,345	25,070	16,102
Other long-term benefits						
Accumulating compensated absences	952	646	852	411	4,104	6,209
	21,314	19,638	27,613	22,226	240,553	156,625

The Company also provides the Chief Executive and some of the Directors and Executives with free transport and residential telephones.

36.2 **Remuneration to other directors**

Aggregate amount charged in the financial statements for the year for fee to 7 directors (2010: 7 directors) is Rs. 520,000 (2010: Rs. 360,000).

37. Transactions with related parties

The related parties comprise subsidiaries, associates, directors, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables, amounts due from directors and key management personnel are shown under receivables and remuneration of directors and key management personnel is disclosed in note 36. Other significant transactions with related parties are as follows:

(Rupees in thousand)		2011	2010
Relationship with the Company	**Nature of transactions**		
i. Subsidiaries	Purchase of goods and services	898,801	618,106
	Sale of goods and services	18,197	20,234
	Sale of property, plant and equipment	1,290	-
	Dividend income	84,707	57,579
	Rental income	13,001	11,969
	Management and technical fee	22,907	20,806
ii. Associates	Purchase of goods and services	757,176	456,619
	Purchase of property, plant and equipment	-	950
	Sale of goods and services	52,152	30,928
	Insurance premium	146,027	119,392
	Insurance commission	6,069	5,236
	Insurance claims received	408,128	1,829
	Dividend income	135,839	123,511
iii. Post employment benefit plans	Expense charged in respect of retirement benefit plans	110,600	90,727
	Mark up on temporary loans	46	-

All transactions with related parties have been carried out on commercial terms and conditions.

38. Capacity and production - tons

	Capacity		Actual production	
	2011	2010	2011	2010
Paper and paperboard produced	316,250	288,250	145,826	176,950
Paper and paperboard converted	159,834	146,834	110,316	119,480
Plastics all sorts converted	20,000	19,500	14,498	13,084

The variance of actual production from capacity is on account of the product mix.

39. Rates of exchange

Liabilities in foreign currencies have been translated into PAK Rupees at USD 1.1136 (2010: USD 1.1641), EURO 0.8604 (2010: EURO 0.8757), SFR 1.0481 (2010: SFR 1.0922), SEK 7.6864 (2010: SEK 7.8678), GBP 0.7225 (2010: GBP 0.7539), SGD 1.4486 (2010: SGD 1.4981), CAD 1.1368 (2010: Nil) and YEN 86.334 (2010: YEN 94.8767) equal to Rs. 100. Assets in foreign currencies have been translated into PAK Rupees at USD 1.1161 (2010: USD 1.1669) and EURO 0.8624 (2010: EURO 0.8777) equal to Rs. 100.

(Rupees in thousand)		Note	2011	2010
40.	**Cash (used in) / generated from operations**			
	Loss before tax		(1,475,756)	(317,346)
	Adjustments for:			
	Depreciation on property, plant and equipment	15.1.3	1,603,021	1,529,715
	Depreciation on investment property	16	1,645	2,777
	Amortisation on intangible assets	17.1	2,165	318
	Impairment charged on investments	34	391,189	-
	Provision for accumulating compensated absences	10	23,146	41,126
	Provision for retirement benefits	9	80,280	63,998
	Provision for doubtful debts	22.3	8,092	6,306
	Net profit on disposal of property, plant and equipment	31	(167,847)	-
	Net gain on insurance claim of assets written off due to fire	31.2	(20,900)	-
	Net loss on disposal of property, plant and equipment	30	-	11,039
	Finance costs	32	1,626,598	1,210,323
	Gain on sale of short-term investments	33	(3,035)	(50,968)
	Dividend income	33	(1,037,255)	(946,292)
	Profit before working capital changes		1,031,343	1,550,996
	Effect on cash flow due to working capital changes			
	Increase in stores and spares		(118,238)	(178,999)
	(Increase) / decrease in stock-in-trade		(1,071,807)	433,245
	(Increase) / decrease in trade debts		(129,394)	102,635
	Increase in loans, advances, deposits, prepayments and other receivables		(16,396)	(61,544)
	Increase in trade and other payables		238,074	202,457
			(1,097,761)	497,794
			(66,418)	2,048,790
41.	**Cash and cash equivalents**			
	Cash and bank balances	25	175,676	1,140,143
	Finances under mark up arrangements - secured	11	(796,227)	(141,231)
			(620,551)	998,912

42. Loss per share

42.1 Basic loss per share

		2011	2010
Loss for the year	Rupees in thousand	(1,567,952)	(332,425)
Weighted average number of ordinary shares	Numbers	84,379,504	84,379,504
Loss per share	Rupees	(18.58)	(3.94)

42.2 Diluted loss per share

		2011	2010
Loss for the year	Rupees in thousand	(1,567,952)	(332,425)
Return on preference shares / convertible stock - net of tax	Rupees in thousand	325,002	329,922
		(1,242,950)	(2,503)
Weighted average number of ordinary shares	Numbers	84,379,504	84,379,504
Weighted average number of notionally converted preference shares / convertible stock	Numbers	21,686,842	21,686,842
		106,066,346	106,066,346
Diluted loss per share	Rupees	(11.72)	(0.02)

The effect of the conversion of the preference shares / convertible stock into ordinary shares is anti-dilutive, accordingly the diluted EPS is restricted to the basic EPS.

43. Financial risk management

43.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Company's finance department evaluates and hedges financial risks. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument shall fluctuate because of changes in foreign exchange rates.

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the Euro. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities and net investments in foreign operations.

At December 31, 2011, if the Rupee had weakened / strengthened by 10% against the US dollar with all other variables held constant, post-tax loss for the year would have been Rs. 15.286 million higher / lower (2010: Rs. 2.035 million lower / higher) mainly as a result of foreign exchange losses / gains (2010: gains / losses) on translation of US dollar-denominated financial assets and liabilities.

At December 31, 2011, if the Rupee had weakened / strengthened by 10% against the Euro with all other variables held constant, post-tax loss for the year would have been Rs. 6.497 million (2010: Rs. 19.620 million) higher / lower, mainly as a result of foreign exchange losses / gains on translation of Euro-denominated financial assets and liabilities.

(ii) Price risk

The Company is exposed to equity securities price risk because of investments held by the Company and classified as available for sale. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Board of Directors.

The Company's investments in equity of other entities that are publicly traded are included in all of the following three stock exchanges, Karachi Stock Exchange, Lahore Stock Exchange and Islamabad Stock Exchange.

The table below summarises the impact of increases / decreases of the KSE-100 index on the Company's post-tax profit for the year and on equity. The analysis is based on the assumption that the KSE had increased / decreased by 10% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index:

	Impact on post-tax profit		Impact on other components of equity	
	2011	2010	**2011**	2010
(Rupees in thousand)				
Karachi Stock Exchange	-	-	643,211	632,651

Post-tax profit for the year would increase / decrease as a result of gains / losses on equity securities classified as 'at fair value through profit or loss account'. Other components of equity would increase / decrease as a result of gains / losses on equity securities classified as available for sale.

(iii) Cash flow and fair value interest rate risk

As the Company has no significant floating interest rate assets, the Company's income is substantially independent of changes in market interest rates.

The Company's interest rate risk arises from short-term and long-term borrowings. These borrowings issued at variable rates expose the Company to cash flow interest rate risk.

The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

At December 31, 2011, if interest rates on floating rate borrowings had been 1% higher / lower with all other variables held constant, post-tax loss for the year would have been Rs. 64.406 million (2010: Rs. 55.220 million) higher / lower, mainly as a result of higher / lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk represents the risk of financial loss being caused if counter party fails to discharge an obligation.

Credit risk of the Company arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to distributors and wholesale and retail customers, including outstanding receivables and committed transactions. The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored and major sales to retail customers are settled in cash. For banks and financial institutions, only independently rated parties with a strong credit rating are accepted.

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets exposed to credit risk and which are neither past due nor impaired are as under:

(Rupees in thousand)	2011	2010
Long-term loans and deposits	110,873	128,429
Trade debts	1,270,175	1,090,556
Loans, advances, deposits, prepayments and other receivables	454,548	265,361
Balances with banks	166,008	1,134,473
	2,001,604	2,618,819

As of December 31, 2011, trade receivables of Rs. 494.402 million (2010: Rs. 552.719 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

(Rupees in thousand)	2011	2010
Up to 90 days	463,453	490,212
90 to 180 days	15,496	40,860
181 to 365 days	15,453	21,647
	494,402	552,719

The management estimates the recoverability of trade receivables on the basis of financial position and past history of its customers based on the objective evidence that it shall not receive the amount due from the particular customer. The provision is written off by the Company when it expects that it cannot recover the balance due. Any subsequent repayments in relation to amount written off are credited directly to profit and loss account.

The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

(Rupees in thousand)	Rating Short-term	Rating Long-term	Rating Agency	2011	2010
Allied Bank Limited	A1+	AA	PACRA	-	7,542
Askari Bank Limited	A1+	AA	PACRA	-	302,571
Bank Alfalah Limited	A1+	AA	PACRA	-	1,122
Bank Al-Habib Limited	A1+	AA+	PACRA	4	389
BankIslami Pakistan Limited	A1	A	PACRA	2,675	2,510
Barclays Bank PLC Pakistan	A1+	AA-	S&P	13,773	83,376
Citibank N.A.	A1	A+	S&P	-	3,522
Deutsche Bank A.G.	A1	A+	S&P	10,568	725
Dubai Islamic Bank Pakistan Limited	A1	A	JCR-VIS	50	-
Faysal Bank Limited	A1+	AA	JCR-VIS	723	149
Habib Bank Limited	A1+	AA+	JCR-VIS	619	2,200
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	-	899
HSBC Bank Middle East Limited	P1	A1	Moody's	56	1,402
JS Bank Limited	A1	A	PACRA	2,729	7,860
MCB Bank Limited	A1+	AA+	PACRA	614	71,277
Meezan Bank Limited	A1+	AA-	JCR-VIS	790	796
National Bank of Pakistan	A1+	AAA	JCR-VIS	36,710	320,973
NIB Bank Limited	A1+	AA-	PACRA	19,222	275,329
Samba Bank Limited	A1	A+	JCR-VIS	2,392	3,403
Silk Bank Limited	A-2	A-	JCR-VIS	2	2
Soneri Bank Limited	A1+	AA-	PACRA	14	14
Standard Chartered Bank Pakistan Limited	A1+	AAA	PACRA	74,236	47,512
The Bank of Punjab	A1+	AA-	PACRA	9	-
The Bank of Tokyo-Mitsubishi UFJ, Limited	A1	A+	S&P	278	824
United Bank Limited	A1+	AA+	JCR-VIS	544	76
				166,008	1,134,473

(c) Liquidity risk

Liquidity risk represents the risk that the Company shall encounter difficulties in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the Company's businesses, the Company's finance department maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors the forecasts of the Company's cash and cash equivalents (note 41) on the basis of expected cash flow. This is generally carried out in accordance with practice and limits set by the Company. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Company's liquidity management policy involves projecting cash flows in each quarter and considering the level of liquid assets necessary to meet its liabilities, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows as the impact of discounting is not significant.

(Rupees in thousand)

At December 31, 2011	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long-term finances	380,952	1,233,333	4,292,857	578,572
Finances under mark up arrangements - secured	796,227	-	-	-
Trade and other payables	1,731,255	-	-	-
Accrued finance cost	534,021	-	-	-
	3,442,455	1,233,333	4,292,857	578,572

(Rupees in thousand)

At December 31, 2010	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long-term finances	14,286	380,952	4,011,905	1,092,857
Finances under mark up arrangements - secured	141,231	-	-	-
Trade and other payables	1,794,059	-	-	-
Accrued finance cost	471,712	-	-	-
	2,421,288	380,952	4,011,905	1,092,857

43.2 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.

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

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. During 2011, the Company's strategy was to maintain the gearing ratio below 60% and AA credit rating. The gearing ratios at December 31, 2011 and 2010 were as follows:

(Rupees in thousand)	2011	2010
Long-term finances	8,575,339	7,956,291
Total equity	29,547,993	26,929,885
Total capital	38,123,332	34,886,176
Gearing ratio	22%	23%

43.3 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company are the current bid prices.

The financial instruments that are not traded in active market are carried at cost and are tested for impairment according to IAS 39. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

44. Date of authorisation for issue

These financial statements were authorised for issue on March 21, 2012 by the Board of Directors of the Company.

45. Non-Adjusting events after the balance sheet date

The Board of Directors of the Company in its meeting held on March 21, 2012 has resolved to transfer the Company's paper & paperboard and corrugated businesses into a separate 100% owned subsidiary acquired subsequent to year-end, through the process of hive down subject to all necessary corporate, shareholder and regulatory approvals. Once the said transfer is duly approved, the assets and liabilities of the paper & paperboard and corrugated businesses would be transferred to and vested in Bulleh Shah Paper Mill (Private) Limited, a 100% owned subsidiary of Packages Limited against the issue of shares by Bulleh Shah Paper Mill (Private) Limited to the Company.

The Board of Directors has proposed a final cash dividend for the year ended December 31, 2011 of Rs. 1.50 per share (2010: Rs. 3.25 per share), amounting to Rs. 126.569 million (2010: Rs. 274.233 million) at its meeting held on March 21, 2012 for approval of the members at the Annual General Meeting to be held on April 30, 2012. The board has also recommended to transfer Rs. 1,250 million (2010: Rs. 500 million) to accumulated profit / (loss) from general reserves.

46. Corresponding figures

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purposes of comparison. Significant re-arrangements made are as follows:

(Rupees in thousand)	
Re-classification in respect of IAS 24 (Revised), 'Related party disclosures', issued in November 2009	
Re-classified within investments	
Amounts re-classified from "investments in related parties" to "investments in others"	8,681,453
Re-classified within trade debts	
Amounts re-classified from "related parties" to "others"	211,739
Re-classified within loans, advances, deposits, prepayments and other receivables	
Amounts re-classified from "related parties" to "advances to suppliers'	12,485
Re-classified within investment income	
Amounts re-classified from "dividend income from related parties" to "dividend income from others'	765,201
Other re-classifications	
Aggregation as a single line item on the face of the balance sheet	
Re-classified "capital work in progress" to "property, plant and equipment" as it is considered a better presentation under International Accounting Standard 16 - Property, Plant and Equipment.	753,328
Re-classified within cash and bank balances	
Amounts re-classified from "current accounts" to "saving accounts"	26,152
Re-classified as a separate line item on face of the profit and loss account	
Projects expenditure re-classified from Administrative expenses	3,791
Re-classified within different line items of the profit and loss account	
Salaries, wages and amenities re-classified from Cost of sales to:	
Administrative expenses	19,116
Distribution and marketing costs	13,711
Traveling expense re-classified from Administrative expenses to Cost of sales	25,356

Towfiq Habib Chinoy
Chairman

Syed Hyder Ali
Chief Executive & Managing Director

Syed Aslam Mehdi
Director

Consolidated Financial Statements

For the year ended December 31, 2011

Directors' Report on the Consolidated Financial Statements

بسم الله الرحمن الرحيم

The directors are pleased to present the audited consolidated financial statements of the Group for the year ended December 31, 2011.

Group Results

The comparison of annual audited results for the year 2011 as against 2010 is as follows:

(Rupees in million)	2011	2010
Invoiced Sales – Net	21,649	20,696
(Loss) / profit from operations	(175)	246
Share of profit of associates	439	324
Investment income	820	816
Impairment charged on investments in associates	(643)	-
(Loss) / Profit before tax	(1,253)	119

During the year 2011, the Group achieved sales of Rs. 21,649 million with loss from operations of Rs. 175 million. Operating loss is mainly attributable to planned shut down of Paper Machine (PM-6) for re-build, operational issues faced at boiler and natural gas shortages that resulted in use of expensive furnace oil and adversely impacted product margins of the Parent Company.

During the current year, the Group reviewed the carrying amount of its investment portfolio to assess whether there was any indication of possible impairment in their carrying values as per treatments laid down in IAS 36 and 39. In view of decline in the value of equity securities, the carrying amounts of Investment in equity instruments of associates i.e. IGI Insurance Limited and IGI Investment Bank Limited were assessed to be higher than their recoverable amounts. Consequently, impairment loss of Rs. 616.203 million and Rs. 26.700 million have been recognized in Profit and Loss account in respect of shareholding in IGI Insurance Limited and IGI Investment Bank Limited respectively.

A brief review of the operational performance of the Group subsidiaries is as follows:

DIC PAKISTAN LIMITED

DIC Pakistan Limited is a non-listed public limited subsidiary of Packages Limited. It is principally engaged in manufacturing, processing and selling of industrial inks. The Company has achieved sales of Rs. 1,955 million during the year 2011 as compared to Rs. 1,591 million of last year achieving a sales growth of 23%. The Company has generated profit before tax of Rs. 170 million during the year 2011 as against Rs. 122 million generated during 2010 and showed profit growth of 39%. This incremental profit growth is attributable to higher sales volume, price rationalization and efficient working capital management. Moving forward, the Company will continue its focus on improving operating results through tighter operating cost control, product diversification, price rationalization and better working capital management.

PACKAGES LANKA (PRIVATE) LIMITED

Packages Lanka (Private) Limited is a Sri Lanka based subsidiary of Packages Limited. It is primarily engaged in production of flexible packaging solutions. The Company has achieved turnover of SLR 1,399 million during the year 2011 as compared to SLR 1,457 million of last year. The Company has generated profit before tax of SLR 112 million in the year 2011 as compared to SLR 221 million of 2010. This decline in profit is mainly attributable to increase in raw material prices in the international market which could not be passed on completely to the customers. In view of growing competition in flexible packaging market, the Company is investing into new printing line for which civil works have been completed. With installation of new printing line, the management is confident of consolidating its market share in the increasingly competitive local market.

Being socially responsible corporate, the Company embarked upon a CSR project during the year 2011 and funded construction of a Clinic Building in a neighborhood hospital for public welfare.

(Towfiq Habib Chinoy)
Chairman
Karachi, March 21, 2012

(Syed Hyder Ali)
Chief Executive & Managing Director
Karachi, March 21, 2012

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Packages Limited (the holding company) and its subsidiary companies (the Group) as at December 31, 2011 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Packages Limited and its subsidiary companies except for Packages Lanka (Private) Limited which was audited by other firm of auditors, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for such company, is based solely on the report of such other auditors. These financial statements are the responsibility of the holding company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

As stated in note 2.2.1 annexed to the financial statements the Group has changed its accounting policies on initial application of standards, amendments or interpretations to existing standards.

The Group's Share of income from associates of Rs. 439.243 million and taxation relating to associates of Rs. 144.355 million shown in the consolidated profit and loss account and note 18 to the consolidated financial statements includes a profit of Rs. 39.550 million and taxation of Rs. 5.546 million, representing Group's share of profit in two of its associates, and is based on unaudited financial statements of the associates.

Except for the effect, if any, of the matter referred to in the preceding paragraph, in our opinion the consolidated financial statements present fairly the financial position of Packages Limited and its subsidiary companies (the Group) as at December 31, 2011 and the results of their operations for the year then ended.

A.F.FERGUSON & CO.
Chartered Accountants
Lahore, March 21, 2012

Engagement partner: Shahzad Hussain

Consolidated Balance Sheet

as at December 31, 2011

(Rupees in thousand)	Note	2011	2010
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
150,000,000 (2010: 150,000,000) ordinary shares of Rs. 10 each		1,500,000	1,500,000
22,000,000 (2010: 22,000,000) 10 % non-voting cumulative preference shares / convertible stock of Rs. 190 each		4,180,000	4,180,000
Issued, subscribed and paid up capital			
84,379,504 (2010: 84,379,504) ordinary shares of Rs. 10 each	5	843,795	843,795
Reserves	6	28,184,472	24,238,689
Preference shares / convertible stock reserve	7	1,605,875	1,605,875
Accumulated (loss) / profit		(1,283,904)	577,487
		29,350,238	27,265,846
NON-CONTROLLING INTEREST		225,047	213,718
		29,575,285	27,479,564
NON-CURRENT LIABILITIES			
Long-term finances	7	8,575,339	7,956,291
Deferred income tax liabilities	8	2,632,844	2,348,704
Retirement benefits	9	12,358	167
Deferred liabilities	10	179,971	163,853
		11,400,512	10,469,015
CURRENT LIABILITIES			
Current portion of long-term finances - secured	7	380,952	14,286
Finances under mark up arrangements - secured	11	1,170,227	511,439
Trade and other payables	12	1,831,937	1,896,664
Accrued finance costs	13	542,031	475,249
Provision for taxation		13,832	46,094
		3,938,979	2,943,732
CONTINGENCIES AND COMMITMENTS	14	-	-
		44,914,776	40,892,311

(Rupees in thousand)	Note	2011	2010
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	18,685,332	18,962,971
Investment property	16	5,261	5,589
Intangible assets	17	49,834	16,099
Investments in associates	18	3,028,921	3,530,286
Other long-term investments	19	13,141,477	8,681,184
Long-term loans and deposits	20	111,424	139,943
Retirement benefits	9	89,299	94,557
		35,111,548	31,430,629
CURRENT ASSETS			
Stores and spares	21	1,013,766	1,080,181
Stock-in-trade	22	5,029,241	4,163,403
Trade debts	23	2,109,537	1,947,316
Loans, advances, deposits, prepayments and other receivables	24	466,564	282,616
Income tax receivable	25	983,800	821,717
Cash and bank balances	26	200,320	1,166,449
		9,803,228	9,461,682
		44,914,776	40,892,311

The annexed notes 1 to 49 form an integral part of these financial statements.

Towfiq Habib Chinoy Chairman	Syed Hyder Ali Chief Executive & Managing Director	Syed Aslam Mehdi Director

Consolidated Profit and Loss Account

for the year ended December 31, 2011

(Rupees in thousand)		Note	2011	2010
Local sales			25,333,668	22,895,960
Export sales			247,581	1,282,680
Gross sales			25,581,249	24,178,640
Less: Sales tax and excise duty			3,913,424	3,445,150
Commission			18,629	37,699
Net sales			3,932,053	3,482,849
			21,649,196	20,695,791
Cost of sales		27	(20,762,856)	(19,377,734)
Gross profit			886,340	1,318,057
Administrative expenses		28	(713,922)	(597,193)
Distribution and marketing costs		29	(616,624)	(625,453)
Projects expenditure		30	(55,768)	(3,791)
Other operating expenses		31	(14,711)	(27,366)
Other operating income		32	339,680	181,787
(Loss) / profit from operations			(175,005)	246,041
Finance costs		33	(1,694,063)	(1,267,253)
Investment income		34	819,744	816,169
Impairment charged on investments in associates		35	(642,903)	-
Share of profit of associates		18	439,243	324,219
(Loss) / profit before tax			(1,252,984)	119,176
Taxation				
Group		36	(628,838)	(129,901)
Associates			(144,355)	(80,430)
			(773,193)	(210,331)
Loss for the year			(2,026,177)	(91,155)
Attributable to:				
Equity holders of the parent			(2,087,158)	(152,245)
Non-controlling interest			60,981	61,090
			(2,026,177)	(91,155)
Combined loss per share				
Basic	Rupees	43	(24.74)	(1.80)
Diluted	Rupees	43	(24.74)	(1.80)

The annexed notes 1 to 49 form an integral part of these financial statements.

Towfiq Habib Chinoy Chairman	Syed Hyder Ali Chief Executive & Managing Director	Syed Aslam Mehdi Director

Consolidated Statement of Comprehensive Income

for the year ended December 31, 2011

(Rupees in thousand)	2011	2010
Loss after taxation	(2,026,177)	(91,155)
Other comprehensive income		
Exchange differences on translating foreign subsidiary	3,796	18,572
Other reserves relating to associates - net of tax	(17,511)	-
Gain on re-measurement of available for sale financial assets	4,460,293	4,119,636
Other comprehensive income for the year	4,446,578	4,138,208
Total comprehensive income for the year	2,420,401	4,047,053
Attributable to:		
Equity holders of the parent	2,358,625	3,982,076
Non-controlling interest	61,776	64,977
	2,420,401	4,047,053

The annexed notes 1 to 49 form an integral part of these financial statements.

Towfiq Habib Chinoy
Chairman

Syed Hyder Ali
Chief Executive & Managing Director

S. A. Mehdi

Syed Aslam Mehdi
Director

Consolidated Statement of Changes in Equity

for the year ended December 31, 2011

(Rupees in thousand)	Share capital	Share premium	Exchange difference on translation of foreign subsidiary	Fair value reserve	General reserve	Preference shares / convertible stock reserve	Other reserves relating to associates	Accumulated profit / (loss)	Total	Non-controlling interest	Total equity
	Attributable to equity holders of the parent										
Balance as on December 31, 2009	843,795	2,876,893	5,230	561,912	13,660,333	1,605,875	-	4,003,965	23,558,003	186,388	23,744,391
Appropriation of funds											
Transferred from consolidated profit and loss account	-	-	-	-	3,000,000	-	-	(3,000,000)	-	-	-
Transactions with owners											
Final Dividend for the year ended December 31, 2009 Rs. 3.25 per share	-	-	-	-	-	-	-	(274,233)	(274,233)	-	(274,233)
Dividends relating to 2009 paid to non-controlling interest	-	-	-	-	-	-	-	-	-	(37,647)	(37,647)
(Loss) / profit for the year	-	-	-	-	-	-	-	(152,245)	(152,245)	61,090	(91,155)
Other comprehensive income	-	-	14,685	4,119,636	-	-	-	-	4,134,321	3,887	4,138,208
Balance as on December 31, 2010	843,795	2,876,893	19,915	4,681,548	16,660,333	1,605,875	-	577,487	27,265,846	213,718	27,479,564
Appropriation of funds											
Transferred to consolidated profit and loss account	-	-	-	-	(500,000)	-	-	500,000	-	-	-
Transactions with owners											
Final Dividend for the year ended December 31, 2010 Rs. 3.25 per share	-	-	-	-	-	-	-	(274,233)	(274,233)	-	(274,233)
Dividends relating to 2010 paid to non-controlling interest	-	-	-	-	-	-	-	-	-	(50,447)	(50,447)
(Loss) / profit for the year	-	-	-	-	-	-	-	(2,087,158)	(2,087,158)	60,981	(2,026,177)
Other comprehensive income	-	-	3,001	4,460,293	-	-	(17,511)	-	4,445,783	795	4,446,578
Balance as on December 31, 2011	843,795	2,876,893	22,916	9,141,841	16,160,333	1,605,875	(17,511)	(1,283,904)	29,350,238	225,047	29,575,285

The annexed notes 1 to 49 form an integral part of these financial statements.

Towfiq Habib Chinoy	Syed Hyder Ali	Syed Aslam Mehdi
Chairman	Chief Executive & Managing Director	Director

Consolidated Cash Flow Statement

for the year ended December 31, 2011

(Rupees in thousand)	Note	2011	2010
Cash flow from operating activities			
Cash generated from operations	41	271,444	2,329,634
Finance cost paid		(1,627,281)	(1,053,323)
Taxes paid		(541,801)	(597,254)
Payments for accumulating compensated absences and staff gratuity		(10,562)	(19,202)
Retirement benefits paid		(62,831)	(50,488)
Net cash (used in) / generated from operating activities		(1,971,031)	609,367
Cash flow from investing activities			
Fixed capital expenditure		(1,874,411)	(678,592)
Investments - net		3,035	50,968
Net decrease / (increase) in long-term loans and deposits		28,519	(42)
Proceeds from disposal of property, plant and equipment		190,167	47,924
Proceeds from assets written off due to fire		384,563	-
Dividends received		952,548	888,712
Net cash (used in) / generated from investing activities		(315,579)	308,970
Cash flow from financing activities			
Repayment of long-term finances - secured		(14,286)	-
Repayment of finance lease liabilities		-	(19,547)
Proceeds from long-term finances - secured		1,000,000	-
Dividend paid to equity holders of parent		(273,574)	(272,938)
Dividend paid to non-controlling interest		(50,447)	(37,647)
Net cash generated from / (used in) financing activities		661,693	(330,132)
Net (decrease) / increase in cash and cash equivalents		(1,624,917)	588,205
Cash and cash equivalents at the beginning of the year		655,010	66,805
Cash and cash equivalents at the end of the year	42	(969,907)	655,010

The annexed notes 1 to 49 form an integral part of these financial statements.

Towfiq Habib Chinoy Chairman	Syed Hyder Ali Chief Executive & Managing Director	Syed Aslam Mehdi Director

1. Legal status and nature of business

Packages Limited (the Parent Company) and its subsidiaries, DIC Pakistan Limited, Packages Lanka (Private) Limited and Packages Construction (Private) Limited (together, 'The Group') are engaged in the following businesses:

Packaging: Representing manufacture and sale of paper, paperboard, packaging materials and tissue products.
Inks: Representing manufacture and sale of finished and semi finished inks.
Construction: Representing all types of construction activities and development of real estate.

2. Basis of preparation

2.1 These financial statements have been prepared in accordance with the requirements of The Companies Ordinance, 1984 (the Ordinance) and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan as are notified under The Companies Ordinance, 1984, provisions of and directives issued under The Companies Ordinance, 1984. Wherever the requirements of The Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of The Companies Ordinance, 1984 or the requirements of the said directives prevail.

2.2 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the Group's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Amendments to published standards effective in current year

New and amended standards, and interpretations mandatory for the first time for the financial year beginning January 01, 2011:

IFRS 3 (Amendments), 'Business Combinations', clarifies the transition requirements for contingent consideration from business combination that occurred before the effective date of revised IFRS, provides measurement guidance for non-controlling interests and un-replaced and voluntarily replaced share-based payment awards. The application of this amendment has no material impact on the Group's financial statements.

IFRS 7 (Amendments), 'Financial instruments: Disclosures', emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The application of this amendment has no material impact on the Group's financial statements.

IAS 1 (Amendments), 'Presentation of financial statements', clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Accordingly, the Group has presented analysis of other comprehensive income for each component of equity in the consolidated statement of changes in equity.

IAS 24 (Revised), 'Related party disclosures', issued in November 2009 supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the Government and other government-related entities. The application of this standard has impacted the related party disclosures in the Group's financial statements.

IAS 27, (Amendments), 'Consolidated and separate financial statements', clarifies that the consequential amendments from IAS 27 made to IAS 21, 'The effect of changes in foreign exchange rates', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures', apply prospectively for annual periods beginning on or after July 1, 2009, or earlier when IAS 27 is applied earlier. The application of this amendment has no material impact on the Group's financial statements.

IAS 32 'Financial instruments presentation - classification of right issues', issued in October 2009 addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such right issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The application of this amendment has no material impact on the Group's financial statements.

IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in consolidated profit and loss account, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The application of this interpretation has no material impact on the Group's financial statements.

IFRIC 14 (Amendment), 'Prepayments of a minimum funding requirement'. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendment, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The application of this amendment has no material impact on the Group's financial statements.

2.2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after January 1, 2012 or later periods, but the Group has not early adopted them:

IFRS 7 (Amendments), 'Financial instruments: Disclosures'. These are applicable on accounting periods beginning on or after July 01, 2011. These amendments arise from the IASB's review of off-balance sheet activities. The amendments shall promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. Earlier application is permitted. The Group shall apply these amendments from January 01, 2012 and does not expect to have a material impact on its financial statements.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The standard is not applicable until January 01, 2013 but is available for early adoption. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that shall replace IAS 39, 'Financial instruments: Recognition and measurement'. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change shall mainly affect financial institutions. There shall be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any such liabilities.

IFRS 10 - 'Consolidated financial statements'. The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. It defines the principles of control, and establishes controls as the basis for consolidation. Sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. Further, it sets out the accounting requirements for the preparation of consolidated financial statements. The Group shall apply this standard from January 01, 2013 and does not expect to have a material impact on its financial statements.

IFRS 11 - 'Joint arrangements'. IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has a right to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenues and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The application of this standard has no material impact on the Group's financial statements.

IFRS 12 - 'Disclosures of interests in other entities'. This is applicable on accounting periods beginning on or after January 01, 2013. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The Group shall apply this standard from January 01, 2013 and does not expect to have a material impact on its financial statements.

IFRS 13 - 'Fair value measurement'. This is applicable on accounting periods beginning on or after January 01, 2013. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group shall apply this standard from January 01, 2013 and does not expect to have a material impact on its financial statements.

IAS 1 (Amendments), 'Presentation of financial statements'. This is applicable on accounting periods beginning on or after July 01, 2012. The main change resulting from these amendment is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially recycled to consolidated profit and loss account (reclassification adjustments). The amendment does not address which items are presented in OCI. The Group shall apply this amendment from January 01, 2013 and does not expect to have a material impact on its financial statements.

IAS 12 (Amendments), 'Income taxes'. These are applicable on accounting periods beginning on or after January 01, 2012. IAS 12, 'Income taxes', currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery shall be through use or through sale when the asset is measured using the fair value model in IAS 40, 'Investment property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes – recovery of revalued non-depreciable assets', shall no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. The Group shall apply these amendments from January 01, 2012 and does not expect to have a material impact on its financial statements.

IAS 19 (Amendments), 'Employee benefits' is applicable on accounting periods beginning on or after January 01, 2013. The amendment shall eliminate the corridor approach and calculate finance costs on a net funding basis. The Group shall apply this amendment from January 01, 2013 and its impact on retained earnings shall be Rs. 480.678 million due to recognition of current unrealised actuarial losses on its defined benefit plans.

IAS 27 (Revised 2011), 'Separate financial statements' includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The revised standard is applicable for accounting periods beginning on or after January 1, 2013. The Group shall apply this standard from January 01, 2013 and does not expect to have a material impact on its financial statements.

IAS 28 (Revised 2011), 'Associates and joint ventures' includes the requirements for joint ventures, as well as associates, to be equity accounted following issue of IFRS 11. The Group shall apply this standard from January 01, 2013 and does not expect to have a material impact on its financial statements.

3. Basis of measurement

3.1 These financial statements have been prepared under the historical cost convention except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.

3.2 The Group's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment and estimation involved in their application and their impact on these financial statements. Judgments and estimates are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

i) Estimated useful lives of property, plant and equipment - note 4.3
ii) Provision for employees' retirement benefits - note 4.9 & 9
iii) Recoverable amount of certain investments in equity instruments - note 18.1.2
iv) Provision for taxation - note 36

4. Significant accounting policies

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

4.1 Principles of consolidation

a) Subsidiaries

Subsidiaries are all entities over which the holding company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The consolidated financial statements include Packages Limited and all companies in which it directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated profit and loss account.

Inter company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

b) Non-Controlling Interest

The Group treats transactions with non-controlling interest as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in consolidated profit and loss account. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed off the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are re-classified to consolidated profit and loss account.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are re-classified to consolidated profit and loss account where appropriate.

c) **Associates**

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the consolidated profit and loss account.

4.2 Taxation

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

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 shall 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 tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the consolidated profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

Provision is not made for taxation which would become payable if retained profits of subsidiaries were distributed to the Parent Company, as it is not the intention to distribute more than the dividends, the tax on which is included in the financial statements.

4.3 Property, plant and equipment

Property, plant and equipment, except freehold land and capital work-in-progress, are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land and capital work-in-progress is stated at cost less any identified impairment loss. Property, plant and equipment acquired under finance leases are capitalised at the lease's commencement at the lower of the present value of minimum lease payments under the lease arrangements and the fair value of the leased property. Cost in relation to certain plant and machinery signifies historical cost, gains and losses transferred from equity on qualifying cash flow hedges as referred to in note 4.19 and borrowing costs as referred to in note 4.22.

Depreciation on all property, plant and equipment is charged to profit on the straight-line method so as to write off the depreciable amount of an asset over its estimated useful life at the following annual rates:

Buildings	2.5%	to	20%
Plant and machinery	6.25%	to	33.33%
Other equipments	10%	to	33.33%
Furniture and fixtures	10%	to	20%
Vehicles	20%		

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Group's estimate of the residual value of its property, plant and equipment as at December 31, 2011 has not required any adjustment as its impact is considered insignificant.

Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed off.

The Group 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 amounts exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in consolidated profit and loss account during the year. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item shall flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to consolidated profit and loss account during the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

4.4 Investment property

Property not held for own use or for sale in the ordinary course of business is classified as investment property. The investment property of the Group comprises buildings and is valued using the cost method i.e. at cost less any accumulated depreciation and any identified impairment loss.

Depreciation on buildings is charged to profit on the straight line method so as to write off the depreciable amount of building over its estimated useful life at the rates ranging from 3.33% to 6.67% per annum. Depreciation on additions to investment property is charged from the month in which a property is acquired or capitalised while no depreciation is charged for the month in which the property is disposed off.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Group's estimate of the residual value of its investment property as at December 31, 2011 has not required any adjustment as its impact is considered insignificant.

The Group assesses at each balance sheet date whether there is any indication that investment property 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 amounts exceed the respective recoverable amount, assets are written down to their recoverable amount and the resulting impairment loss is recognised in consolidated profit and loss account during the year. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

4.5 Intangible assets

Expenditure incurred to acquire computer software and SAP Enterprise Resource Planning (ERP) System are capitalised as intangible assets and stated at cost less accumulated amortisation and any identified impairment loss. Intangible assets are amortised using the straight line method over a period of three to five years.

Amortisation on additions to intangible assets is charged from the month in which an asset is acquired or capitalised while no amortisation is charged for the month in which the asset is disposed off.

The Group assesses at each balance sheet date whether there is any indication that intangible assets 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 amounts exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in consolidated profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the amortisation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.6 Leases

(1) The Group is the lessee:

Finance leases

Leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Asset subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets.

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and long-term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.

Operating leases

Leases including Ijarah financing where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight-line basis over the lease / Ijarah term unless another systematic basis is representative of the time pattern of the Group's benefit.

(2) The Group is the lessor:

Operating leases

Assets leased out under operating leases are included in investment property as referred to in note 16. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

4.7 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary / associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill on acquisitions of associates is included in 'investments in associates' and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

4.8 Investments

Investments intended to be held for less than twelve months from the balance sheet date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non-current. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

Investments in equity instruments of associates

Associates are all entities over which the Group has significant influence but not control. Investments in equity instruments of associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Other investments

The other investments made by the Group are classified for the purpose of measurement into the following categories:

Held to maturity

Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity and are initially measured at cost and at subsequent reporting dates measured at amortised cost using the effective yield method.

Available for sale

The financial assets including investments in associated undertakings where the Group does not have significant influence that are intended to be held for an indefinite period of time or may be sold in response to the need for liquidity are classified as available for sale.

Investments classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are re-measured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology. Unrealised gains and losses arising from the changes in the fair value are included in fair value reserves in the period in which they arise.

All purchases and sales of investments are recognised on the trade date which is the date that the Group commits to purchase or sell the investment. Cost of purchase includes transaction cost.

At each balance sheet date, the Group reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognised as expense. In respect of 'available for sale' financial assets, cumulative impairment loss less any impairment loss on that financial asset previously recognised in consolidated profit and loss account, is removed from equity and recognised in the consolidated profit and loss account. Impairment losses recognised in the consolidated profit and loss account on equity instruments are not reversed through the consolidated profit and loss account.

4.9 Employee retirement benefits

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

4.9.1 Defined benefit plans

(a) All the executive staff participate in an approved funded defined benefit pension plan. In addition, there is an approved funded defined benefit gratuity plan for all employees. Monthly contributions are made to these funds on the basis of actuarial recommendation at the rate of 20 percent per annum of basic salaries for pension and 4.50 percent per annum of basic salaries for gratuity. The latest actuarial valuation for the pension and gratuity schemes was carried out as at December 31, 2011. The actual returns on plan assets during the year were Rs. 27.242 million and Rs. 26.418 million for the pension and gratuity funds respectively. The actual returns on plan assets represent the difference between the fair value of plan assets at beginning of the year and end of the year after adjustments for contributions made by the Group as reduced by benefits paid during the year.

The future contribution rates of these plans include allowances for deficit and surplus. Projected unit credit method, using the following significant assumptions, is used for valuation of these schemes:

Discount rate 12.5 percent per annum;
Expected rate of increase in salary level 10.5 percent per annum;
Expected mortality rate EFU 61-66 mortality table;
Expected rate of return 14.25 percent per annum; and
Future pension increase 4 percent per annum.

Plan assets include long-term Government bonds, equity instruments of listed companies and term deposits with banks. Return on Government bonds and debt is at fixed rates, however, due to increased volatility of share prices in recent months, there is no clear indication of return on equity shares, therefore, it has been assumed that the yield on equity shares would match the return on debt.

The Group is expected to contribute Rs. 54 million to the pension fund and Rs. 16 million to the gratuity fund in the next financial year.

The Group's policy with regard to actuarial gains / losses is to follow minimum recommended approach under IAS 19 'Employee Benefits'.

(b) Accumulating compensated absences

The Group provides for accumulating compensated absences to certain employees when they render services that increase their entitlement to future compensated absences. The executives and workers are entitled to earned annual and medical leaves on basis of their service with the Group. The annual leaves can be encashed at the time the employee leaves the Group on the basis of the gross salary while no encashment is available for medical leaves to executives.

The Group uses the valuation performed by an independent actuary as the present value of its accumulating compensated absences.

Projected unit credit method, using the following significant assumptions, has been used for valuation of accumulating compensated absences:

Discount rate 12.5 percent per annum;
Expected rate of increase in salary level 10.5 percent per annum; and
Expected mortality rate EFU 61-66 mortality table.

In prior periods, provision for accumulating compensated absences was made annually on the basis of unavailed accumulated leaves. The benefit was calculated with reference to the last drawn salary and accumulated leave balances of the employees.

During the current period, actuarial valuation has been carried out by the Group for the estimation of the defined benefit obligation based on the assumptions mentioned above. It has been accounted for as a change in accounting estimate during the current year resulting in a decrease in liability of Rs. 7.797 million.

4.9.2 Defined contribution plan

There is an approved contributory provident fund for all employees. Equal monthly contributions are made by the Group and the employees to the fund.

Retirement benefits are payable to staff on completion of prescribed qualifying period of service under these schemes.

4.9.3 Pension plan is a multi-employer plan formed by the Parent Company in collaboration with Tri-Pack Films Limited and DIC Pakistan Limited. Similarly, Gratuity plan is also a multi-employer plan formed by the Parent Company in collaboration with DIC Pakistan Limited. Contribution by the Group companies is based on the respective number of employees of each company. Each Group company reports its proportionate share of the plan's commitments, managed assets and costs, in accordance with guidance provided by IAS 19 - Employee Benefits, regarding defined benefit plans, based on the number of its employees participating in the plans.

4.10 Stores and spares

Stores and spares are valued at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

Provision is made in the financial statements for obsolete and slow moving stores and spares based on management estimate.

4.11 Stock-in-trade

Stock of raw materials, except for those in transit, work-in-process and finished goods are valued principally at the lower of cost and net realisable value. Cost of raw materials is determined using the weighted average cost method. Cost of work-in-process and finished goods comprises direct production costs such as raw materials, consumables and labour as well as production overheads such as employee wages, depreciation, maintenance, etc. The production overheads are measured based on a standard cost method, which is reviewed regularly to ensure relevant measures of utilisation, production lead time etc.

Materials in transit are stated at cost comprising invoice value plus other charges paid thereon.

If the expected sales price less completion costs and costs to execute sales (net realisable value) is lower than the carrying amount, a write-down is recognised for the amount by which the carrying amount exceeds its net realisable value. Provision is made in the financial statements for obsolete and slow moving stock-in-trade based on management estimate.

4.12 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument and derecognised when the Group loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the consolidated profit and loss account for the year.

Financial instruments carried on the consolidated balance sheet include loans, investments, trade and other debts, cash and bank balances, borrowings, trade and other payables, accrued expenses and unclaimed dividends. All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or cost as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.13 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognised amount and the Group intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

4.14 Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

4.15 Cash and cash equivalents

Cash and cash equivalents are carried in the consolidated balance sheet at cost. For the purpose of consolidated cash flow statement, cash and cash equivalents comprise cash in 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 finances under mark up arrangements. In the consolidated balance sheet, finances under mark up arrangements are included in current liabilities.

4.16 Non-current assets held-for-sale

Non-current assets are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less cost to sell.

4.17 Borrowings

Borrowings are initially recorded at the proceeds received. In subsequent periods, borrowings are stated at amortised cost using the effective yield method. Finance costs are accounted for on an accrual basis and are shown as accrued finance cost to the extent of the amount remaining unpaid.

4.18 Trade and other payables

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

4.19 Derivative financial instruments

These are initially recorded at cost on the date a derivative contract is entered into and are remeasured to fair value at subsequent reporting dates. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as cash flow hedges.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flow of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in consolidated statement of comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated profit and loss account.

Amounts accumulated in equity are recognised in consolidated profit and loss account in the periods when the hedged item shall effect profit or loss. However, when the forecast hedged transaction results in the recognition of a non-financial asset or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

4.20 Revenue recognition

Revenue is recognised on despatch of goods or on the performance of services. It includes sales to associates but does not include sales by associates or sales between Group companies.

Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

Dividend income and entitlement of bonus shares are recognised when right to receive such dividend and bonus shares is established.

4.21 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All 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 gains and losses on translation are recognised in the consolidated profit and loss account. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Foreign exchange gains and losses are recognised in the consolidated profit and loss account except incase of items recognised in equity in which case it is included in equity.

For the purposes of consolidation, income and expense items of the foreign subsidiary are translated at annual average exchange rate. All monetary and non monetary assets and liabilities are translated at the exchange rate prevailing at the balance sheet date except for share capital which is translated at historical rate. Exchange differences arising on the translation of foreign subsidiary are classified as equity reserve until the disposal of interest in such subsidiary.

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

4.22 Borrowing costs

Mark up, interest and other charges on borrowings are capitalised up to the date of commissioning of the related property, plant and equipment acquired out of the proceeds of such borrowings. All other mark up, interest and other charges are charged to consolidated profit and loss account.

4.23 Dividend

Dividend distribution to the shareholders is recognised as a liability in the period in which the dividends are approved.

4.24 Compound financial instruments

Compound financial instruments issued by the Parent Company represent preference shares / convertible stock that can be converted into ordinary shares or can be settled in cash.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

4.25 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Parent Company.

4.26 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when:

(i) the Group has a present legal or constructive obligation as a result of past events;
(ii) it is probable that an outflow of resources shall be required to settle the obligation; and
(iii) the amount has been reliably estimated.

Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow shall be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

5. Issued, subscribed and paid up capital

2011 (Number of shares)	2010 (Number of shares)		2011 (Rupees in thousand)	2010 (Rupees in thousand)
33,603,295	33,603,295	Ordinary shares of Rs. 10 each fully paid in cash	336,033	336,033
148,780	148,780	Ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash	1,488	1,488
50,627,429	50,627,429	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	506,274	506,274
84,379,504	84,379,504		843,795	843,795

20,556,650 (2010: 20,151,487) ordinary shares of the Parent Company are held by IGI Insurance Limited, an associated undertaking.

(Rupees in thousand)	Note	2011	2010
6. Reserves			
Movement in and composition of reserves is as follows:			
Capital			
Share premium	6.1	2,876,893	2,876,893
Exchange difference on translation of foreign subsidiary			
At the beginning of the year		19,915	5,230
Exchange difference for the year		3,001	14,685
		22,916	19,915
Fair value reserve			
At the beginning of the year		4,681,548	561,912
Fair value gain during the year		4,460,293	4,119,636
	6.2	9,141,841	4,681,548
		12,041,650	7,578,356
Revenue			
General reserve			
At the beginning of the year		16,660,333	13,660,333
Transferred (to) / from consolidated profit and loss account		(500,000)	3,000,000
		16,160,333	16,660,333
Other reserves relating to associates			
At the beginning of the year		-	-
Loss during the year		(17,511)	-
		(17,511)	-
		16,142,822	16,660,333
		28,184,472	24,238,689

6.1 This reserve can be utilised by the Parent Company only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

6.2 As referred to in note 4.8 this represents the unrealised gain on re-measurement of available for sale financial assets at fair value and is not available for distribution. This shall be transferred to consolidated profit and loss account on derecognition of investments.

(Rupees in thousand)	Note	2011	2010
7. Long-term finances			
These are composed of:			
Local currency loans - secured			
Consortium loan	7.1.1	5,185,714	5,185,714
Term Finance Loan	7.1.2	1,000,000	-
Others	7.1.3	300,000	314,286
		6,485,714	5,500,000
Preference shares / convertible stock - unsecured	7.2	2,470,577	2,470,577
		8,956,291	7,970,577
Current portion shown under current liabilities		(380,952)	(14,286)
		8,575,339	7,956,291

7.1 Local currency loans - secured

7.1.1 Consortium Loan

This loan has been obtained from a consortium of commercial banks led by MCB Bank Limited. It is secured by a first ranking exclusive hypothecation / equitable mortgage charge over all present and future fixed assets of the Parent Company amounting to Rs. 6,914 million (2010: Rs. 6,914 million) in favour of MCB Bank Limited being security trustee on behalf of consortium. It carries mark up at six month Karachi Inter Bank Offered Rate (KIBOR) plus 1.35 % per annum and is payable in 11 unequal semi-annual installments starting in June 2012 and ending June 2017. The effective mark up charged during the year ranges from 13.31 % to 15.12 % per annum.

7.1.2 Term Finance Loan

During the year, the Parent Company has obtained a long-term loan from Bank Al-Habib Limited for expansion in its paper and board manufacturing capacity. Out of the total disbursement, Rs. 578 million have been provided by Bank Al-Habib Limited through its own source and Rs. 422 million have been provided under the State Bank of Pakistan's Long-Term Finance Facility (LTFF). The entire amount is secured by a ranking charge over all present and future fixed assets of the Parent Company amounting to Rs. 1,400 million (2010: Nil) in favour of Bank Al-Habib Limited (BAHL).

7.1.2.1 Loan under Term Finance Facility (BAHL own source)

The loan was disbursed in tranches of Rs. 500 million, Rs. 47 million and Rs. 31 million on May 20, 2011, July 6, 2011 and December 30, 2011 respectively. It carries mark up at the rate of six month KIBOR plus 0.65 % per annum and is repayable within 7 years (including two years grace period) in 10 equal semi-annual installments starting on November 19, 2013, January 5, 2014 and June 29, 2014 respectively and ending on May 19, 2018, July 5, 2018 and December 29, 2018 respectively. The effective mark up charged during the year ranges from 14.34 % to 14.44 % per annum.

7.1.2.2 Loan under Long-Term Finance Facility (under SBP-LTFF facility)

The loan obtained from Bank Al-Habib Limited under State Bank of Pakistan, Long-Term Finance Facility of Rs. 422 million is comprised of Rs. 338 million and Rs. 84 million disbursed on July 6, 2011 and November 16, 2011 respectively. This carries a fixed mark up of 11.20 % and is repayable within 7 years (including two years grace period) in 10 equal semi-annual installments starting on January 5, 2014 and May 15, 2014 respectively and ending on July 5, 2018 and November 15, 2018 respectively.

7.1.3 Others

This loan has been obtained from Citibank. It is secured by a first ranking exclusive hypothecation / equitable mortgage charge over all present and future fixed assets of the Parent Company amounting to Rs. 419 million (2010: Rs. 419 million) in favour of MCB Bank Limited being security trustee on behalf of Citibank. It carries mark up at six month KIBOR plus 0.90 % per annum and is payable in 4 unequal semi-annual installments commenced in December 2011 and ending June 2013. The effective mark up charged during the year ranges from 12.86 % to 14.67 % per annum.

7.2 Preference shares / convertible stock - unsecured

During the year 2009, the Parent Company issued 10 % local currency non-voting cumulative preference shares / convertible stock at the rate of Rs. 190 per share amounting to USD 50 million equivalent to PKR 4,120.5 million under "Subscription Agreement" dated March 25, 2009 with IFC.

Terms of redemption / conversion

Each holder of preference shares / convertible stock shall have a right to settle at any time, at the option of holder, either in the form of fixed number of ordinary shares of the Parent Company, one ordinary share of the Parent Company for one preference share / convertible stock, or cash. The Parent Company may, in its discretion, refuse to purchase the preference shares / convertible stock offered to it for purchase in cash. In case of refusal by the Parent Company, preference shareholders shall have the right to either retain the preference shares / convertible stock or to convert them into ordinary shares of the Parent Company. The preference shares / convertible stock can be held till perpetuity if preference shareholders do not opt for the conversion or cash settlement.

Rate of return

The preference share / convertible stock holders have a preferred right of return at the rate of 10 % per annum on a cumulative basis till December 31, 2013 and thereafter, these shall become non-cumulative till the date of settlement of preference shares / convertible stock either in cash or ordinary shares of the Parent Company.

Preference shares / convertible stock are recognised in the balance sheet as follows:

(Rupees in thousand)	2011	2010
Face value of preference shares / convertible stock	4,120,500	4,120,500
Transaction costs	(44,048)	(44,048)
	4,076,452	4,076,452
Equity component - classified under capital and reserves	(1,605,875)	(1,605,875)
Liability component - classified under long-term finances	2,470,577	2,470,577
Accrued return on preference shares / convertible stock classified under accrued finance cost	412,050	412,050

The fair value of the liability component of the preference shares / convertible stock is calculated by discounting cash flows at a rate of approximately 16.50% till perpetuity which represents the rate of similar instrument with no associated equity component. The residual amount, representing the value of the equity conversion component, is included in shareholders equity as preference shares / convertible stock reserve.

(Rupees in thousand)	Note	2011	2010
8. Deferred income tax liabilities			
The liability for deferred taxation comprises timing differences relating to:			
Accelerated tax depreciation		3,978,208	3,776,011
Unused tax losses		(1,684,974)	(1,347,841)
Minimum tax available for carry forward	8.1	(203,745)	(183,493)
Provision for accumulating compensated absences		(57,799)	(52,046)
Provision for doubtful debts		(14,633)	(11,899)
Preference shares / convertible stock transaction cost - liability portion		8,946	8,801
Provision for slow moving items		(1,496)	(1,896)
Provision for doubtful receivables		(527)	(527)
Investments in associates		611,000	163,000
Exchange Difference		184	613
Provision for unfunded defined benefit plan		(2,320)	(2,019)
		2,632,844	2,348,704

8.1 The Group has not adjusted the net deferred tax liability against tax credit available to the Parent Company under section 113 of the Income Tax Ordinance, 2001 amounting to Rs. 300.241 million (2010: Rs. 116.748 million) available till December 31, 2015 and unused tax losses of Rs. 132.163 million (2010: Nil) available till December 31, 2013 in view of management's estimate that these tax credits may not be utilized till December 31, 2015 due to sufficient unused tax losses, as referred to in note 36, available to the Parent Company for adjustment against future profits.

(Rupees in thousand)	2011	2010
9. Retirement benefits		
Classified under non-current liabilities		
Pension fund	12,358	167
Classified under non-current assets		
Gratuity fund	89,299	94,557

	Pension Fund		Gratuity Fund	
(Rupees in thousand)	2011	2010	2011	2010
The amounts recognised in the consolidated balance sheet are as follows:				
Fair value of plan assets	685,750	649,568	317,168	304,449
Present value of defined benefit obligation	(1,092,581)	(890,215)	(314,074)	(285,349)
Unrecognised actuarial loss	394,473	240,480	86,205	75,457
(Liability) / asset as at December 31	(12,358)	(167)	89,299	94,557
Net (liability) / asset as at January 1	(167)	13,295	94,557	94,605
Charge to consolidated profit and loss account	(61,520)	(52,332)	(18,760)	(11,666)
Contribution by the Parent Company	49,329	38,870	13,502	11,618
Net (liability) / asset as at December 31	(12,358)	(167)	89,299	94,557

(Rupees in thousand)	Pension Fund 2011	Pension Fund 2010	Gratuity Fund 2011	Gratuity Fund 2010
The movement in the present value of defined benefit obligation is as follows:				
Present value of defined benefit obligation as at January 1	890,215	767,086	285,349	247,893
Service cost	33,979	27,636	18,693	15,532
Interest cost	122,923	94,384	38,724	29,296
Benefits paid	(55,192)	(55,300)	(27,201)	(37,355)
Transferred to IGI Insurance Limited	-	(2,500)	-	-
Transferred to Tri-pack Films Limited	-	(5,067)	-	-
Experience loss / (gain)	100,656	63,976	(1,491)	29,983
Present value of defined benefit obligation as at December 31	1,092,581	890,215	314,074	285,349
The movement in fair value of plan assets is as follows:				
Fair value as at January 1	649,568	592,086	304,449	303,425
Expected return on plan assets	93,200	73,110	42,408	35,784
Parent Company contributions	49,329	38,870	13,502	11,618
Employee contributions	14,803	10,322	-	-
Benefits paid	(55,192)	(55,300)	(27,201)	(37,355)
Transferred to IGI Insurance Limited	-	(2,500)	-	-
Transferred to Tri-pack Films Limited	-	(5,067)	-	-
Experience loss	(65,958)	(1,953)	(15,990)	(9,023)
Fair value as at December 31	685,750	649,568	317,168	304,449
The amounts recognised in the consolidated profit and loss account are as follows:				
Current service cost	33,979	27,636	18,693	15,532
Interest cost for the year	122,923	94,384	38,724	29,296
Expected return on plan assets	(93,200)	(73,110)	(42,408)	(35,784)
Contribution made by the employees	(14,803)	(10,322)	-	-
Recognition of loss	12,621	13,744	3,751	2,622
Total included in salaries, wages and amenities	61,520	52,332	18,760	11,666
Plan assets are comprised as follows:				
Debt	327,260	272,819	235,911	219,203
Equity	185,409	181,879	79,897	79,157
Cash	173,081	194,870	1,360	6,089
	685,750	649,568	317,168	304,449

The present value of defined benefit obligation, the fair value of plan assets and the deficit or surplus of pension fund is as follows:

(Rupees in thousand)	2011	2010	2009	2008	2007
As at December 31					
Present value of defined benefit obligation	1,092,581	890,215	767,086	595,808	547,041
Fair value of plan assets	685,750	649,568	592,086	493,088	644,296
(Deficit) / surplus	(406,831)	(240,647)	(175,000)	(102,720)	97,255
Experience adjustment on obligation	11%	5%	6%	1%	2%
Experience adjustment on plan assets	-10%	0%	5%	-51%	17%

Fair value of plan assets include ordinary shares of the Parent Company, whose fair value as at December 31, 2011 is Rs. 55 million (2010: Rs. 85 million).

The present value of defined benefit obligation, the fair value of plan assets and the surplus of gratuity fund is as follows:

(Rupees in thousand)	2011	2010	2009	2008	2007
As at December 31					
Present value of defined benefit obligation	314,074	285,349	247,893	211,836	178,979
Fair value of plan assets	317,168	304,449	303,425	283,474	296,469
Surplus	3,094	19,100	55,532	71,638	117,490
Experience adjustment on obligation	-1%	9%	5%	9%	2%
Experience adjustment on plan assets	-5%	-3%	-1%	-10%	7%

Fair value of plan assets include ordinary shares of the Parent Company, whose fair value as at December 31, 2011 is Rs. 9 million (2010: Rs. 13 million).

(Rupees in thousand)		Note	2011	2010
10.	**Deferred liabilities**			
	Accumulating compensated absences	10.1	172,022	157,357
	Staff gratuity	10.2	7,949	6,496
			179,971	163,853
10.1	**Accumulating compensated absences**			
	This represents provision made to cover the obligation for accumulating compensated absences.			
	Opening balance		157,357	132,946
	Provision for the year		25,227	43,613
			182,584	176,559
	Payments made during the year		(10,562)	(19,202)
	Closing balance		172,022	157,357
10.2	**Staff gratuity**			
	This represents staff gratuity of employees of Packages Lanka (Private) Limited and is unfunded.			
11.	**Finances under mark up arrangements - secured**			
	Running finances - secured	11.1	275,227	137,314
	Bills discounted - secured	11.2	-	34,125
	Short-term finances - secured	11.3	895,000	340,000
			1,170,227	511,439

11.1 Running finances - secured

Short-term running finances available from a consortium of commercial banks under mark up arrangements amount to Rs. 8,875 million (2010: Rs. 8,005 million). The rates of mark up range from Re. 0.3364 to Re. 0.4658 per Rs. 1,000 per diem or part thereof on the balances outstanding. In the event the Group fails to pay the balances on the expiry of the quarter, year or earlier demand, mark up is to be computed at the rates ranging from Re. 0.4037 to Re. 0.6849 per Rs. 1,000 per diem or part thereof on the balances unpaid. The aggregate running finances are secured by hypothecation of stores, spares, stock-in-trade and trade debts.

11.2 Bills discounted - secured

Facilities for discounting of export / inland bills of Rs. 581 million (2010: Rs. 331 million) are available to the Group as a sub-limit of the running finance facilities referred to in note 11.1. Mark up is to be fixed as per mutual agreement at the time of transaction. The outstanding balance of bills discounted is secured, in addition to the securities referred to in note 11.1, on the specific bills discounted, as referred to in note 23.2. The facility has not been availed in the current year.

11.3 Short-term finances - secured

Facilities for obtaining short-term finances of Rs. 6,015 million (2010: Rs. 3,205 million) are available to the Group as a sub-limit of the running finance facilities referred to in note 11.1. The rates of mark up range from Re. 0.3290 to Re. 0.3830 per Rs. 1,000 per diem or part thereof on the balances outstanding.

11.4 Letters of credit and bank guarantees

Of the aggregate facility of Rs. 6,458 million (2010: Rs. 7,878 million) for opening letters of credit and Rs. 1,294 million (2010: Rs. 1,294 million) for guarantees, the amount utilised at December 31, 2011 was Rs. 602.874 million (2010: Rs. 1,397.624 million) and Rs. 621.581 million (2010: Rs. 689.551 million) respectively. Of the facility for guarantees, Rs. 1,294 million (2010: Rs. 1,294 million) is secured by second hypothecation charge over stores, spares, stock-in-trade and trade debts.

(Rupees in thousand)	Note	2011	2010
12. Trade and other payables			
Trade creditors	12.1	806,406	652,453
Accrued liabilities	12.2	631,879	641,442
Bills payable		27,210	324,207
Retention money payable		59,250	59,250
Sales tax payable		97,577	35,551
Excise duty payable		-	8,004
Advances from customers	12.3	125,697	108,177
Deposits - interest free repayable on demand		15,021	9,739
Workers' welfare fund	12.4	3,596	2,758
Workers' profit participation fund	24.3	124	-
TFCs payable		1,387	1,387
Unclaimed dividends		11,923	11,264
Others		51,867	42,432
		1,831,937	1,896,664

12.1 Trade creditors include amount due to related parties Rs. 54.799 million (2010: Rs. 33.060 million).

12.2 Accrued liabilities include amounts in respect of related parties Rs. 32.571 million (2010: Rs. 28.734 million).

12.3 Advances from customers include amounts from related party Rs. 10.313 million (2010: Nil).

(Rupees in thousand)	Note	2011	2010
12.4 Workers' welfare fund			
Opening balance		2,758	120,882
Provision for the year	31	3,596	2,695
		6,354	123,577
Payments made during the year		(2,758)	(120,819)
Closing balance		3,596	2,758

(Rupees in thousand)	2011	2010
13. Accrued finance costs		
Accrued mark up / return on:		
Long-term local currency loans - secured	103,109	59,203
Preference shares / convertible stock - unsecured	412,050	412,050
Short-term borrowings - secured	26,872	3,996
	542,031	475,249

14. Contingencies and commitments

14.1 Contingencies

(i) Claims against the Parent Company not acknowledged as debts Rs. 18.612 million (2010: Rs. 17.952 million).

(ii) Post dated cheques not provided in the financial statements have been furnished by the Parent Company in favour of the Collector of Customs against custom levies aggregated to Rs. 102.219 million (2010: Rs. 88.769 million) in respect of goods imported.

14.2 Commitments in respect of

(i) Letters of credit and contracts for capital expenditure Rs. 310.397 million (2010: Rs. 782.605 million).

(ii) Letters of credit and contracts other than for capital expenditure Rs. 463.874 million (2010: Rs. 812.150 million).

(iii) The amount of future payments under operating leases and Ijarah financing and the period in which these payments shall become due are as follows:

(Rupees in thousand)	Note	2011	2010
Not later than one year		202,295	232,167
Later than one year and not later than five years		818,844	1,130,762
		1,021,139	1,362,929
15. Property, plant and equipment			
Operating assets	15.1	18,559,649	18,209,643
Capital work-in-progress	15.2	125,683	753,328
		18,685,332	18,962,971

15.1 Operating assets

2011

(Rupees in thousand)	Cost as at December 31, 2010	Exchange adjustment on opening cost	Assets written off due to fire (note 15.1.4)	Additions / (deletions)	Cost as at December 31, 2011	Accumulated depreciation as at December 31, 2010	Exchange adjustment on opening accumulated depreciation	Assets written off due to fire (note 15.1.4)	Depreciation charge / (deletions) for the year	Accumulated depreciation as at December 31, 2011	Book value as at December 31, 2011
Owned assets											
Freehold land	360,668	304	-	2,185 (12,026)	351,131	-	-	-	-	-	351,131
Buildings on freehold land	3,239,070	600	(58,832)	55,548 (300)	3,236,086	449,937	297	(25,965)	130,869 (300)	554,838	2,681,248
Buildings on leasehold land	203,492	-	(11,949)	-	191,543	84,122	-	(5,372)	7,704	86,454	105,089
Plant and machinery	22,908,305	3,593	(193,420)	1,986,687 (488,323)	24,216,842	8,311,144	2,383	(104,275)	1,415,236 (487,701)	9,136,787	15,080,055
Other equipments (computers, lab equipments and other office equipments)	599,497	768	(5,453)	48,744 (4,943)	638,613	430,467	696	(4,915)	59,186 (4,623)	480,811	157,802
Furniture and fixtures	40,256	9	-	2,047 (153)	42,159	29,955	37	-	2,700 (141)	32,551	9,608
Vehicles	320,493	48	-	62,096 (27,841)	354,796	156,513	37	-	41,709 (18,179)	180,080	174,716
	27,671,781	5,322	(269,654)	2,157,307 (533,586)	29,031,170	9,462,138	3,450	(140,527)	1,657,404 (510,944)	10,471,521	18,559,649

2010

(Rupees in thousand)	Cost as at December 31, 2009	Exchange adjustment on opening cost	Transfer in	Additions / (deletions)	Cost as at December 31, 2010	Accumulated depreciation as at December 31, 2009	Exchange adjustment on opening accumulated depreciation	Transfer in	Depreciation charge / (deletions) for the year	Accumulated depreciation as at December 31, 2010	Book value as at December 31, 2010
Owned assets											
Freehold land	345,366	1,807	-	13,495	360,668	-	-	-	-	-	360,668
Buildings on freehold land	3,197,822	3,557	23,465	14,226	3,239,070	317,050	1,671	2,494	128,722	449,937	2,789,133
Buildings on leasehold land	203,492	-	-	-	203,492	76,419	-	-	7,703	84,122	119,370
Plant and machinery	22,773,832	19,531	33,053	145,472 (63,583)	22,908,305	6,967,640	12,760	2,754	1,347,744 (19,754)	8,311,144	14,597,161
Other equipments (computers, lab equipments and other office equipments)	559,171	4,187	-	44,839 (8,700)	599,497	378,348	4,059	-	55,933 (7,873)	430,467	169,030
Furniture and fixtures	39,284	249	-	1,312 (589)	40,256	27,618	203	-	2,615 (481)	29,955	10,301
Vehicles	308,553	280	-	58,809 (47,149)	320,493	147,352	183	-	40,011 (31,033)	156,513	163,980
	27,427,520	29,611	56,518	278,153 (120,021)	27,671,781	7,914,427	18,876	5,248	1,582,728 (59,141)	9,462,138	18,209,643
Leased assets											
Plant and machinery	32,052	1,001	-	- (33,053)	-	2,671	83	-	- (2,754)	-	-
	27,459,572	30,612	56,518	278,153 (153,074)	27,671,781	7,917,098	18,959	5,248	1,582,728 (61,895)	9,462,138	18,209,643

15.1.1 Property, plant and equipment include assets amounting to Rs. 83.515 million (2010: Rs. 12.026 million) of the Group which are not in operation.

15.1.2 The cost of fully depreciated assets which are still in use as at December 31, 2011 is Rs. 3,516.481 million (2010: Rs. 3,808.126 million).

(Rupees in thousand)	Note	2011	2010
15.1.3 The depreciation charge for the year has been allocated as follows:			
Cost of sales	27	1,621,894	1,548,606
Administrative expenses	28	27,052	26,526
Distribution and marketing costs	29	8,458	7,596
		1,657,404	1,582,728

15.1.4 During the current year fire at the tissue conversion line and stores of the Parent Company, damaged certain items of property, plant and equipment with an aggregate book value of Rs. 129.127 million (2010: Nil). The Parent Company has claimed such loss from its insurance providers in accordance with the relevant insurance policies as referred to in note 32.1.

15.1.5 Disposal of property, plant and equipment

Detail of property, plant and equipment disposed off during the year is as follows:

(Rupees in thousand)					2011	
Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sales proceeds	Mode of disposal
Land	**Outsiders**					
	Haji Muhammad Ibrahim and others	12,026	-	12,026	143,550	Negotiation
Buildings	**Outsiders**					
	IGI Insurance Limited - Related Party	70,781	31,337	39,444	70,281	Insurance Claim
Plant and machinery	**Outsiders**					
	IGI Insurance Limited - Related Party	199,022	109,877	89,145	103,000	Insurance Claim
	Muhammad Amin	476,063	475,979	84	28,810	Negotiation
Other Equipments	**Outsiders**					
	IGI Insurance Limited - Related Party	5,453	4,915	538	2,131	Insurance Claim
	IGI Insurance Limited - Related Party	737	530	207	198	Insurance Claim
Vehicles	**Employees**					
	Adnan Yousaf	487	134	353	352	Group policy
	Akhtar Javed	618	456	162	368	-do-
	Almaee Hassan Jafri	1,278	208	1,070	1,071	-do-
	Dr. Arshad Mahmood	1,349	590	759	983	-do-
	Ehtisham Qureshi	520	390	130	288	-do-
	Faisal Amjad	403	302	101	192	-do-
	Ghulam Sarwar	610	267	343	434	-do-
	Hafiz Farhan Muhammad Jaffar	372	270	102	167	-do-
	Ishtiaq Ahmad	507	342	165	277	-do-
	Javed Iqbal	368	258	110	164	-do-
	Maheen Saqib	467	157	310	359	-do-
	Mehreen Bilal	366	192	174	191	-do-
	Mohammad Yasin	507	349	158	310	-do-
	Mubashir Ahmed	475	71	404	410	Negotiation
	Muhammad Ali	480	348	132	255	Group policy
	Muhammad Farhan	450	321	129	231	-do-
	Muhammad Haroon	329	247	82	650	Negotiation
	Muhammad Imran Aziz	610	168	442	469	Group policy
	Muhammad Ismail	625	461	164	373	-do-
	Muhammad Naveed	354	252	102	157	-do-
	Muhammad Rizwan	841	630	211	549	-do-
	Muhammad Uffan Sharif	525	394	131	292	-do-
	Muhammad Umar Rashid	523	392	131	290	-do-
	Sajjad Hussain	623	467	156	372	-do-
	Sajjad Nadeem	515	386	129	284	-do-
	Shoaib Kazi	697	61	636	631	-do-
	Suleman Javed	825	608	217	464	-do-
	Syed Haris Raza	520	273	247	321	-do-
	Syed Ihsanullah Shah	402	302	100	192	-do-
	Syed Kashif Alam	375	239	136	170	-do-
	Zafar Ahmad	700	105	595	617	-do-
	Outsider					
	IGI Insurance Limited - Related Party	552	-	552	-	Insurance Claim
	Muhammad Jawaid	4,037	3,009	1,028	392	Negotiation
Other assets with book value less than Rs. 50,000		16,848	16,184	664	5,335	
		803,240	**651,471**	**151,769**	**365,580**	

(Rupees in thousand)					2010	
Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sales proceeds	Mode of disposal
Plant and machinery	Outsiders					
	Muhammad Amin	559	247	312	125	Negotiation
	Tetra Pak Pakistan Limited	21,826	-	21,826	18,439	- do -
	Scrapped	38,113	15,820	22,293	-	Scrapped
Computer Hardware	Employee					
	Nadeem Aslam	90	32	58	57	Negotiation
Vehicles	Employees					
	Ahmed Raza	367	306	61	164	Group policy
	Ahsan Majeed Malik	670	67	603	588	- do -
	Amer Iqbal	605	325	280	330	- do -
	Amjad Hussain	867	369	498	490	- do -
	Asad Ali Mufti	849	425	424	605	- do -
	Asghar Abbas	850	266	584	659	- do -
	Ashfaq Khattak	841	326	515	638	- do -
	Dr. Abida Riaz	998	611	387	660	- do -
	Dr. Babar Ali	1,400	105	1,295	1,400	- do -
	Farooq Ahmad Qureshi	620	302	318	405	- do -
	Imran Zaheer	800	693	107	516	- do -
	Jawad Gill	378	193	185	197	- do -
	Major Arif Shaheed	775	136	639	659	- do -
	Mujeeb Rashid	1,536	768	768	787	- do -
	Mushtaq Ahmad	984	578	406	649	- do -
	Nadeem Aslam	1,255	192	1,063	1,063	- do -
	Nasir Hussain Shah Bukhari	900	101	799	816	- do -
	Nauman Noor	479	186	293	320	- do -
	Sahil Zaheer	888	814	74	482	- do -
	Salman Yunus	851	362	489	644	- do -
	Shafi Karim	418	89	329	304	- do -
	Shahid Ul Haq	814	71	743	725	- do -
	Shamiyal Shariq	493	105	388	419	- do -
	Syed Ali Murtaza	403	207	196	222	- do -
	Syed M. Shahid	609	297	312	437	- do -
	Tanveer Ahmed	841	420	421	528	- do -
	Outsiders					
	Adnan Rafique Qureshi	696	331	365	702	Negotiation
	Anees Sozer	365	233	132	232	- do -
	Azeem Ahmad	488	67	421	421	- do -
	Fauzia Masood	861	430	431	500	- do -
	Irfan Traders	877	358	519	236	- do -
	Jawaid Roshan Ali	381	152	229	375	- do -
	M. Sohail Yaseen	465	105	360	360	- do -
	Muhammad Jahangir	500	25	475	490	- do -
	Shaheen Mujeeb	1,076	242	834	848	- do -
Other assets with book value less than Rs. 50,000		33,233	32,785	448	10,432	-
		120,021	59,141	60,880	47,924	

(Rupees in thousand)		2011	2010
15.2	**Capital work-in-progress**		
	Civil works	15,784	19,695
	Plant and machinery [including in transit Nil (2010: Rs. 301.537 million)]	105,571	570,995
	Others	235	336
	Advances	4,093	162,302
		125,683	753,328

15.2.1 During the current year fire at the tissue conversion line and stores of the Parent Company damaged certain items of capital work-in-progress with an aggregate book value of Rs. 2.679 million (2010: Nil). The Parent Company has claimed such loss from its insurance providers in accordance with the relevant insurance policies as referred to in note 32.1.

16. Investment property

2011 (Rupees in thousand)	Cost as at December 31, 2010	Transfer out	Cost as at December 31, 2011	Accumulated depreciation as at December 31, 2010	Depreciation charge for the year	Transfer out	Accumulated depreciation as at December 31, 2011	Book value as at December 31, 2011
Buildings on leasehold land	15,976	-	15,976	10,387	328	-	10,715	5,261
	15,976	-	15,976	10,387	328	-	10,715	5,261

2010 (Rupees in thousand)	Cost as at December 31, 2009	Transfer out	Cost as at December 31, 2010	Accumulated depreciation as at December 31, 2009	Depreciation charge for the year	Transfer out	Accumulated depreciation as at December 31, 2010	Book value as at December 31, 2010
Buildings on freehold land	23,465	(23,465)	-	1,635	859	(2,494)	-	-
Buildings on leasehold land	15,976	-	15,976	9,786	601	-	10,387	5,589
	39,441	(23,465)	15,976	11,421	1,460	(2,494)	10,387	5,589

16.1 Depreciation charge for the year has been allocated to administrative expenses.

16.2 Fair value of the investment property, based on the valuation carried out by an independent valuer, as at December 31, 2011 is Rs. 38.797 million (2010: Rs. 38.953 million).

(Rupees in thousand)		Note	2011	2010
17.	**Intangible assets**			
	These represent computer software and ERP system.			
	Cost			
	As at January 1		144,598	142,025
	Additions		38,661	2,573
	As at December 31		183,259	144,598
	Accumulated amortisation			
	As at January 1		(128,499)	(125,420)
	Amortisation for the year		(4,926)	(3,079)
	As at December 31		(133,425)	(128,499)
			49,834	16,099
17.1	The amortisation charge for the year has been allocated as follows:			
	Cost of sales	27	12	18
	Administrative expenses	28	4,914	3,061
			4,926	3,079

(Rupees in thousand)	Note	2011	2010
18. Investments in associates			
Cost		3,758,386	3,758,386
Post acquisition loss brought forward		(228,100)	(348,378)
		3,530,286	3,410,008
Profit for the year:			
Before taxation		439,243	324,219
Provision for taxation		(144,355)	(80,430)
		294,888	243,789
		3,825,174	3,653,797
Other comprehensive income		(17,511)	-
Dividends received during the year		(135,839)	(123,511)
Impairment charged on investments in associates		(642,903)	-
		(796,253)	(123,511)
Balance as on December 31	18.1	3,028,921	3,530,286

18.1 Associates

	Note	2011	2010
Quoted			
IGI Insurance Limited	18.1.1 & 18.3		
11,838,267 (2010: 7,625,294) fully paid ordinary shares of Rs. 10 each Equity held 10.61% (2010: 10.61%) Market value - Rs. 523.488 million (2010: Rs. 738.815 million)		523,488	1,135,713
Tri-Pack Films Limited	18.1.2		
10,000,000 (2010: 10,000,000) fully paid ordinary shares of Rs. 10 each Equity held 33.33% (2010: 33.33%) Market value - Rs. 1,603 million (2010: Rs. 1,221.6 million)		2,500,822	2,357,450
IGI Investment Bank Limited	18.3		
4,610,915 (2010: 4,610,915) fully paid ordinary shares of Rs. 10 each Equity held 2.17% (2010: 2.17%) Market value - Rs. 4.150 million (2010: Rs. 13.510 million)		4,611	37,123
		3,028,921	3,530,286

18.1.1 The number of shares in IGI Insurance Limited increased due to issuance of bonus shares during the year.

18.1.2 The Group has assessed the recoverable amount of investment in Tri-Pack Films Limited based on value in use calculation. This calculation has been made on discounted cash flow methodology for real cash flows using a weighted average cost of capital of approximately 8%, cumulative annual growth rate of 7.87% in profit after tax till 2020 and terminal growth of Nil. Based on the above, the recoverable amount of investment in Tri-Pack Films Limited exceeds its existing carrying amount.

18.2 The Group's investment in IGI Insurance Limited and IGI Investment Bank Limited is less than 20% but they are considered to be associates as per the requirement of IAS 28 'Investments in associates' because the Group has significant influence over the financial and operating policies of these companies.

18.3 The Group has recognised impairment losses in IGI Insurance Limited and IGI Investment Bank Limited during the year of Rs. 616.203 million and Rs. 26.700 million respectively as referred to in note 35.

18.4 The Group's share of the result of its associates, all of which are incorporated in Pakistan, and its share of the assets and liabilities in case of those associates whose financial information is available publicly, are as follows:

(Rupees in thousand)

Name	Percentage interest held	Assets	Liabilities	Revenues	Profit/(loss)
December 31, 2011					
IGI Insurance Limited	10.61%	1,480,830	248,656	97,544	39,802
Tri-Pack Films Limited	33.33%	2,064,294	1,323,969	3,336,291	243,333
IGI Investment Bank Limited	2.17%	110,473	82,327	17,909	(5,764)
		3,655,597	1,654,952	3,451,744	277,371
December 31, 2010					
IGI Insurance Limited	10.61%	1,375,104	146,906	80,177	88,759
Tri-Pack Films Limited	33.33%	1,466,435	869,453	2,539,936	164,932
IGI Investment Bank Limited	2.17%	184,337	148,633	23,639	(4,068)
		3,025,876	1,164,992	2,643,752	249,623

(Rupees in thousand)

	2011	2010
19. Other long-term investments		
Quoted		
Nestle Pakistan Limited		
3,649,248 (2010: 3,649,248) fully paid ordinary shares of Rs. 10 each Equity held 8.05% (2010: 8.05%) Market value - Rs. 13,126.746 million (2010: Rs. 8,666.453 million)	13,126,746	8,666,453
Unquoted		
Tetra Pak Pakistan Limited		
1,000,000 (2010: 1,000,000) fully paid non-voting shares of Rs. 10 each	10,000	10,000
Coca-Cola Beverages Pakistan Limited		
500,000 (2010: 500,000) fully paid ordinary shares of Rs. 10 each Equity held 0.14% (2010: 0.14%)	4,706	4,706
Pakistan Tourism Development Corporation Limited		
2,500 (2010: 2,500) fully paid ordinary shares of Rs. 10 each	25	25
Orient Match Company Limited		
1,900 (2010: 1,900) fully paid ordinary shares of Rs. 100 each	-	-
	14,731	14,731
	13,141,477	8,681,184

19.1 Nestle Pakistan Limited and Tetra Pak Pakistan Limited are associated undertakings as per The Companies Ordinance, 1984, however, for the purpose of measurement, investments in others have been classified as available for sale and measured at fair value as referred to in note 4.8.

(Rupees in thousand)	Note	2011	2010
20. Long-term loans and deposits			
Considered good			
Loans to employees	20.1	4,638	3,636
Loan to SNGPL	20.2	98,400	114,800
Security deposits		25,737	38,556
		128,775	156,992
Receivable within one year			
Loans to employees	24	(951)	(649)
Loan to SNGPL	24	(16,400)	(16,400)
		(17,351)	(17,049)
		111,424	139,943

20.1 These represent interest free loans to employees for purchase of motor cycles and cycles and are repayable in monthly installments over a period of 60 to 260 months.

Loans to employees aggregating Rs. 2.485 million (2010: Rs. 1.536 million) are secured by joint registration of motor cycles in the name of employees and the Group companies. The remaining loans are unsecured.

20.2 This represents an unsecured loan given by the Parent Company to Sui Northern Gas Pipelines Limited (SNGPL) for the development of the infrastructure for the supply of natural gas to the plants at Bulleh Shah Paper Mill. Mark up is charged at the rate of 1.5% per annum and is received annually. The remaining amount is receivable in 6 annual installments.

(Rupees in thousand)	2011	2010
21. Stores and spares		
Stores [including in transit Rs. 11.444 million (2010: Rs. 14.721 million)]	573,728	573,277
Spares [including in transit Rs. 22.014 million (2010: Rs. 1.479 million)]	440,038	506,904
	1,013,766	1,080,181

21.1 Stores and spares include items which may result in fixed capital expenditure but are not distinguishable and are net of an amount of Rs. 1.452 million (2010: Nil) in respect of provision for slow moving stores and spares.

21.2 During the current year fire at the tissue conversion line and stores of the Parent Company, damaged certain items of stores and spares. The carrying value of the assets damaged was Rs. 189.447 million (2010: Nil). The Parent Company has claimed such loss from its insurance providers as referred to in note 32.1.

(Rupees in thousand)	Note	2011	2010
22. Stock-in-trade			
Raw materials [including in transit Rs. 290.300 million (2010: Rs. 306.308 million)].		2,471,356	2,073,136
Work-in-process	27	336,271	269,221
Finished goods	27	2,225,889	1,826,463
		5,033,516	4,168,820
Provision for slow moving items		(4,275)	(5,417)
		5,029,241	4,163,403

22.1 Raw materials and finished goods with a cost of Rs. 783.745 million and Rs. 1,354.412 million are being valued at net realisable value of Rs. 653.129 million and Rs. 1,092.969 million respectively.

22.2 During the current year fire at the tissue conversion line and stores of the Parent Company, damaged certain items of stock-in-trade. The carrying value of the assets damaged was Rs. 215.201 million (2010: Nil). The Parent Company has claimed such loss from its insurance providers as referred to in note 32.1.

(Rupees in thousand)		Note	2011	2010
23.	**Trade debts**			
	Considered good			
	Related parties - unsecured	23.1	30,858	3,346
	Others	23.2	2,078,679	1,943,970
			2,109,537	1,947,316
	Considered doubtful		45,059	43,540
			2,154,596	1,990,856
	Provision for doubtful debts	23.3	(45,059)	(43,540)
			2,109,537	1,947,316
23.1	**Related parties - unsecured**			
	Associate			
	Tri-Pack Films Limited		5,959	3,127
	Other Related Party			
	DIC Asia Pacific Pte Ltd		24,899	219
			30,858	3,346

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

23.2 Others include debts of Rs. 210.034 million (2010: Rs. 198.838 million) which are secured by way of bank guarantees and inland letters of credit. Out of these, debts amounting to Nil (2010: Rs. 34.125 million) are under lien against credit facilities available as referred to in note 11.2.

(Rupees in thousand)		Note	2011	2010
23.3	The movement in provision during the year is as follows:			
	Balance as at January 1		43,540	38,808
	Provision during the year	29	8,092	6,306
	Trade debts written off during the year		(6,573)	(1,574)
	Balance as at December 31		45,059	43,540
24.	**Loans, advances, deposits, prepayments and other receivables**			
	Current portion of loans to employees	20	951	649
	Current portion of loan receivable from SNGPL	20	16,400	16,400
	Advances - considered good			
	To employees	24.1	13,439	11,273
	To suppliers		55,909	88,881
			69,348	100,154
	Due from related parties - unsecured	24.2	2,722	422
	Trade deposits - considered good		101,194	101,945
	Trade deposits - considered doubtful		880	-
	Security deposits		117	116
	Prepayments		25,766	19,215
	Carried Forward		217,378	238,901

(Rupees in thousand)	Note	2011	2010
Brought Forward		217,378	238,901
Balances with statutory authorities			
Customs duty		-	7,905
Sales tax recoverable		10,307	6,393
Octroi - considered doubtful		1,506	1,506
		11,813	15,804
Mark up receivable on			
Loan to SNGPL		77	90
Term deposits and saving accounts		838	2,411
		915	2,501
Workers' profit participation fund	24.3	-	443
Insurance claim receivable from related party		172,791	-
Other receivables		66,053	26,473
		468,950	284,122
Provision against doubtful debts		(2,386)	(1,506)
		466,564	282,616

24.1 Included in advances to employees are amounts due from executives of Rs. 1.299 million (2010: Rs. 0.896 million).

(Rupees in thousand)		2011	2010
24.2	**Due from related parties - unsecured**		
	Associates		
	Tri-Pack Films Limited	59	97
	IGI Insurance Limited	1,133	325
	Other Related Party		
	DIC Asia Pacific Pte Ltd	1,530	-
		2,722	422
	These are in the normal course of business and are interest free.		
24.3	**Workers' profit participation fund**		
	Opening balance	443	748
	Payments made during the year	9,000	7,000
		9,443	7,748
	Provision for the year	(9,567)	(7,305)
	Closing balance - classified as trade and other payables	(124)	443

25. Income tax receivable

	Note	2011	2010
Income tax refundable		947,787	785,704
Income tax recoverable	25.1	36,013	36,013
		983,800	821,717

25.1 In 1987, the Income Tax Officer (ITO) re-opened the Parent Company's assessments for the accounting years ended December 31, 1983 and 1984 disallowing primarily tax credit given to the Parent Company under section 107 of the Income Tax Ordinance, 1979. The tax credit amounting to Rs. 36.013 million on its capital expenditure for these years was refused on the grounds that such expenditure represented an extension of the Parent Company's undertaking which did not qualify for tax credit under this section in view of the Parent Company's location. The assessments for these years were revised by the ITO on these grounds and taxes reassessed were adjusted against certain sales tax refunds and the tax credits previously determined by the ITO and set off against the assessments framed for these years.

The Parent Company had filed an appeal against the revised orders of the ITO before the Commissioner of Income Tax (Appeals) [CIT(A)], Karachi. The Commissioner has, in his order issued in 1988, held the assessments reframed by the ITO for the years 1983 and 1984 presently to be void and of no legal effect. The ITO has filed an appeal against the Commissioner's order with the Income Tax Appellate Tribunal (ITAT). The ITAT has in its order issued in 1996 maintained the order of CIT(A). The assessing officer after the receipt of the appellate order passed by CIT (A), has issued notices under section 65 of the Income Tax Ordinance, 1979 and the Parent Company has filed a writ petition against the aforesaid notices with the High Court of Sindh, the outcome of which is still pending.

The recoverable amount Rs. 36.013 million represents the additional taxes paid as a result of the disallowance of the tax credits on reframing of the assessments.

(Rupees in thousand)	Note	2011	2010
26. Cash and bank balances			
At banks			
On deposit accounts [including USD 6,963 (2010: USD 7,340)]		622	616
On saving accounts [including USD 29,177 (2010: USD 305,162)]	26.1	84,358	952,384
On current accounts [including USD 5,061 (2010: USD 801,222)]	26.2	105,401	207,587
		190,381	1,160,587
In hand		9,939	5,862
		200,320	1,166,449

26.1 The balances in saving accounts bear mark up which ranges from 5.0 % to 12.7% per annum.

26.2 Included in these are total restricted funds of Rs. 1.332 million (2010: Rs. 1.332 million) held as payable to TFC holders.

(Rupees in thousand)	Note	2011	2010
27. Cost of sales			
Materials consumed		12,155,267	11,494,979
Salaries, wages and amenities	27.1	1,388,622	1,196,603
Traveling		39,124	32,090
Fuel and power		3,809,030	3,018,069
Production supplies		489,879	465,797
Excise duty and sales tax		4,093	2,694
Rent, rates and taxes	27.2	348,992	234,729
Insurance		86,087	78,176
Repairs and maintenance		736,330	663,208
Packing expenses		187,788	143,377
Depreciation on property, plant and equipment	15.1.3	1,621,894	1,548,606
Amortisation of intangible assets	17.1	12	18
Technical fee and royalty		68,311	55,908
Other expenses	27.3	293,903	240,497
		21,229,332	19,174,751
Opening work-in-process	22	269,221	227,609
Closing work-in-process	22	(336,271)	(269,221)
Cost of goods produced		21,162,282	19,133,139
Opening stock of finished goods	22	1,826,463	2,071,058
Closing stock of finished goods	22	(2,225,889)	(1,826,463)
		20,762,856	19,377,734

Cost of goods produced includes Rs. 3,178.562 million (2010: Rs. 2,106.486 million) for stores and spares consumed, Rs. 39.929 million (2010: Rs. 24.733 million) and Rs. 4.022 million (2010: Rs. 1.771 million) for raw materials and stores and spares written off respectively.

(Rupees in thousand)	2011	2010
27.1 Salaries, wages and amenities		
Salaries, wages and amenities include following in respect of retirement benefits:		
Pension		
Current service cost	20,955	18,677
Interest cost for the year	75,805	63,787
Expected return on plan assets	(57,475)	(49,410)
Contribution made by the employees	(9,128)	(6,976)
Recognition of loss	7,783	9,289
	37,940	35,367
Gratuity		
Current service cost	12,724	11,450
Interest cost for the year	26,359	21,597
Expected return on plan assets	(28,867)	(26,380)
Recognition of loss	2,553	1,933
	12,769	8,600

In addition to above, salaries, wages and amenities include Rs. 21.866 million (2010: Rs. 20.674 million) and Rs. 11.997 million (2010: Rs. 24.724 million) in respect of provident fund contribution by the Group and accumulating compensated absences respectively.

27.2 Rent, rates and taxes include operating lease / ujrah rentals amounting to Rs. 344.456 million (2010: Rs. 231.735 million).

27.3 Other expenses include provision for slow moving stores and spares amounting to Rs. 1.452 million (2010: Nil).

(Rupees in thousand)	Note	2011	2010
28. Administrative expenses			
Salaries, wages and amenities	28.1	385,136	323,188
Traveling		35,237	23,226
Rent, rates and taxes	28.2	15,751	14,955
Insurance		6,020	6,877
Printing, stationery and periodicals		23,919	25,267
Electricity		587	532
Postage and telephone		23,136	21,531
Motor vehicles running		22,319	18,285
Computer charges		17,863	18,536
Professional services	28.3	49,926	29,014
Repairs and maintenance		18,421	15,283
Depreciation on property, plant and equipment	15.1.3	27,052	26,526
Amortisation of intangible assets	17.1	4,914	3,061
Depreciation on investment property	16.1	328	1,460
Security services		3,172	2,715
Advances written off		5,180	-
Other expenses		74,961	66,737
		713,922	597,193

Administrative expenses include Rs. 62.233 million (2010: Rs. 53.762 million) for stores and spares consumed.

(Rupees in thousand)	2011	2010
28.1 Salaries, wages and amenities		
Salaries, wages and amenities include following in respect of retirement benefits:		
Pension		
Current service cost	9,047	6,367
Interest cost for the year	32,729	21,744
Expected return on plan assets	(24,815)	(16,843)
Contribution made by the employees	(3,942)	(2,378)
Recognition of loss	3,361	3,166
	16,380	12,056
Gratuity		
Current service cost	4,146	2,901
Interest cost for the year	8,589	5,471
Expected return on plan assets	(9,406)	(6,683)
Recognition of loss	832	490
	4,161	2,179

In addition to above, salaries, wages and amenities include Rs. 7.459 million (2010: Rs. 5.485 million) and Rs. 7.771 million (2010: Rs. 13.744 million) in respect of provident fund contribution by the Group and accumulating compensated absences respectively.

28.2 Rent, rates and taxes include operating lease rentals amounting to Rs. 11.422 million (2010: Rs. 10.291 million).

(Rupees in thousand)		Note	2011	2010
28.3	**Professional services**			
	The charges for professional services include the following in respect of auditors' services for:			
	Statutory audit		2,967	2,560
	Half yearly review		1,090	875
	Tax services		6,120	3,603
	Workers' profit participation fund audit, management staff pension and gratuity fund audit, audit of consolidated financial statements and other certification charges		2,298	373
	Out of pocket expenses		667	451
			13,142	7,862
29.	**Distribution and marketing costs**			
	Salaries, wages and amenities	29.1	162,269	129,397
	Traveling		36,083	28,633
	Rent, rates and taxes	29.2	3,394	3,421
	Freight and distribution		231,543	297,330
	Insurance		1,328	1,125
	Electricity		391	355
	Postage, telephone and telex		334	346
	Advertising		124,171	113,473
	Depreciation on property, plant and equipment	15.1.3	8,458	7,596
	Repairs and maintenance		72	20
	Provision for doubtful debts	23.3	8,092	6,306
	Bad debts written off		(541)	(2,099)
	Other expenses		41,030	39,550
			616,624	625,453

Distribution and marketing costs include Rs. 5.595 million (2010: Rs. 2.807 million) for stores and spares consumed.

(Rupees in thousand)		2011	2010
29.1	**Salaries, wages and amenities**		
	Salaries, wages and amenities include following in respect of retirement benefits:		
	Pension		
	Current service cost	3,977	2,592
	Interest cost for the year	14,389	8,853
	Expected return on plan assets	(10,910)	(6,857)
	Contribution made by the employees	(1,733)	(968)
	Recognition of loss	1,477	1,289
		7,200	4,909
	Gratuity		
	Current service cost	1,823	1,181
	Interest cost for the year	3,776	2,228
	Expected return on plan assets	(4,135)	(2,721)
	Recognition of loss	366	199
		1,830	887

In addition to above, salaries, wages and amenities include Rs. 3.321 million (2010: Rs. 2.331 million) and Rs. 5.459 million (2010: Rs. 5.145 million) in respect of provident fund contribution by the Group and accumulating compensated absences respectively.

29.2 Rent, rates and taxes include operating lease rentals amounting to Rs. 3.343 million (2010: Rs. 3.199 million).

30. These represent expenses incurred on prospective projects which are not capitalised under International Financial Reporting Standards.

(Rupees in thousand)	Note	2011	2010
31. Other operating expenses			
Workers' profit participation fund		9,124	6,558
Workers' welfare fund	12.4	3,596	2,695
Loss on disposal of property, plant and equipment		-	12,956
Donations	31.1	1,991	5,157
		14,711	27,366

31.1 During the year the Parent Company donated Rs. 100,000 to Syed Maratib Ali Religious & Charitable Trust Society. Chief Executive Officer of the Parent Company is also a member of the Board of trustees of Syed Maratib Ali Religious & Charitable Trust Society. None of the directors and their spouses had any interest in any of the remaining donees during the year.

(Rupees in thousand)	Note	2011	2010
32. Other operating income			
Income from financial assets			
Income on bank deposits		8,809	37,976
Interest on loan to SNGPL		1,709	1,955
Exchange gain - net		-	11,648
		10,518	51,579
Income from non-financial assets			
Management and technical fee		35,050	34,124
Insurance commission from related party		6,098	5,497
Rental income from investment property		37,039	32,265
Profit on disposal of property, plant and equipment		167,525	-
Net gain on insurance claim of assets written off due to fire	32.1	20,900	-
Scrap sales		12,438	11,368
Provisions and unclaimed balances written back		37,881	20,851
Rebate income		3,968	2,610
Profit on outside jobs from related party		-	434
Others		8,263	23,059
		329,162	130,208
		339,680	181,787

32.1 As referred to in notes 15.1.4, 15.2.1, 21.2 and 22.2, during the year a fire incident at the tissue conversion line and stores of the Parent Company, damaged certain items of property, plant and equipment, stores and spares and stock-in-trade. The Parent Company filed the insurance claim in respect of these assets. The insurer had appointed a surveyor who has submitted a survey certificate based on which a claim receivable of Rs. 557.354 million has been determined as due from its insurers as of balance sheet date. The Parent Company has, during the year recovered Rs. 373.500 million from the insurance company and is in the process of recovering the remaining insurance proceeds. Surveyor is expected to complete its survey work during the year 2012 and any incremental insurance claim resulting from surveyor's final report will be recognised accordingly.

(Rupees in thousand)	Note	2011	2010
Carrying value of assets written off due to fire			
Property, plant and equipment			
Buildings on freehold land	15.1	32,867	-
Buildings on leasehold land	15.1	6,577	-
Plant and machinery	15.1	89,145	-
Other equipments (computers, lab equipments and other office equipments)	15.1	538	-
Capital work-in-progress	15.2.1	2,679	-
		131,806	-
Stores, spares and stock-in-trade			
Stores and spares	21.2	189,447	-
Stock-in-trade	22.2	215,201	-
		404,648	-
Carrying value of assets written off due to fire		536,454	-
Insurance claim verified to date		557,354	-
Net gain on insurance claim of assets written off due to fire		20,900	-

33. Finance costs

Interest and mark up including commitment charges on:			
Long-term finances - secured		905,651	768,568
Finances under mark up arrangements - secured		218,863	55,248
Finance lease		-	2,561
Discounting charges		117,820	12,841
Return on preference shares / convertible stock		412,050	412,050
Loan handling charges		350	1,210
Exchange loss - net		30,972	-
Bank charges		8,357	14,775
		1,694,063	1,267,253

34. Investment income

Dividend income		816,709	765,201
Gain on sale of short-term investments		3,035	50,968
		819,744	816,169

35. Impairment charged on investments in associates

Quoted			
IGI Insurance Limited		616,203	-
IGI Investment Bank Limited		26,700	-
		642,903	-

This represents impairment loss recognised based on assessment of recoverable amount. For quoted associates, the recoverable amount is equal to fair value which has been determined with reference to active market value.

(Rupees in thousand)	2011	2010
36. Taxation - Group		
Current		
Current year	306,437	307,213
Prior years	38,261	(7,231)
	344,698	299,982
Deferred	284,140	(170,081)
	628,838	129,901

For the purposes of current taxation, the tax losses available for carry forward as at December 31, 2011 are estimated approximately at Rs. 5,604.981 million (2010: Rs. 3,995.992 million). Unused tax losses available to the Parent Company contain unused business losses amounting to Rs. 377.609 million (2010: Rs. 377.609 million).

37. Remuneration of Chief Executive, Directors and Executives

37.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the Chief Executive, full time working Directors including alternate directors and Executives of the Group is as follows:

	Chief Executive		Directors		Executives	
	2011	2010	2011	2010	2011	2010
Number of persons	1	1	2	2	90	65
(Rupees in thousand)						
Short-term employee benefits						
Managerial remuneration	8,539	6,385	15,926	12,112	112,983	74,889
Housing	3,337	3,443	6,247	5,096	52,127	31,892
Utilities	742	1,174	1,377	1,068	12,255	8,411
Bonus	2,164	1,713	3,336	2,629	37,287	21,782
Leave passage	1,039	1,811	1,315	1,364	5,161	2,636
Medical expenses	1,867	2,334	267	239	1,019	974
Club expenses	114	106	229	202	63	105
Overseas travels	-	-	-	-	1,048	562
Others	-	-	106	232	20,328	12,503
	17,802	16,966	28,803	22,942	242,271	153,754
Post employment benefits						
Contribution to provident, gratuity and pension funds	2,560	2,026	3,781	2,923	27,916	17,666
Other long-term benefits						
Accumulating compensated absences	952	646	1,366	595	4,970	6,913
	21,314	19,638	33,950	26,460	275,157	178,333

The Group also provides the Chief Executive and some of the Directors and Executives with free transport and residential telephones.

37.2 Remuneration to other directors

Aggregate amount charged in the financial statements for the year for fee to 7 directors (2010: 7 directors) is Rs. 520,000 (2010: Rs. 360,000).

38. Transactions with related parties

The related parties comprise associates, directors, key management personnel and post employment benefit plans. The Group in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables, amounts due from directors and key management personnel are shown under receivables and remuneration of directors and key management personnel is disclosed in note 37. Other significant transactions with related parties are as follows:

(Rupees in thousand)		2011	2010
Relationship with the Group	**Nature of transactions**		
i. Associates	Purchase of goods & services	766,947	475,198
	Sale of goods & services	52,152	30,928
	Insurance premium	151,687	126,662
	Insurance claim received	408,128	1,829
	Insurance commission	6,098	5,497
	Dividend income	135,839	123,511
	Purchase of property, plant & equipment	-	950
ii. Other related parties	Purchase of goods & services	220,063	164,549
	Sale of goods & services	25,153	-
	Royalty and technical fee - expense	41,355	38,433
	Rebate received	562	2,610
iii. Post employment benefit plans	Expense charged in respect of retirement benefit plans	117,755	95,967
	Mark up on temporary loans	46	-

All transactions with related parties have been carried out on commercial terms and conditions.

39. Capacity and production

	Capacity		Actual production	
	2011	2010	2011	2010
Paper and paperboard produced - tons	316,250	288,250	145,826	176,950
Paper and paperboard converted - tons	159,834	146,834	110,316	119,480
Plastics all sorts converted - tons	20,000	19,500	14,498	13,084
Inks produced - tons	7,100	7,100	5,930	5,319
Flexible packaging material - meters '000'	90,000	90,000	51,572	53,038

The variance of actual production from capacity is on account of the product mix.

40. Rates of exchange

Liabilities in foreign currencies have been translated into PAK Rupees at USD 1.1136 (2010: USD 1.1641), EURO 0.8604 (2010: EURO 0.8757), SFR 1.0481 (2010: SFR 1.0922), SEK 7.6864 (2010: SEK 7.8678), GBP 0.7225 (2010: GBP 0.7539), SGD 1.4486 (2010: SGD 1.4981), CAD 1.1368 (2010: Nil) and YEN 86.334 (2010: YEN 94.8767) and SLR 127.3561 (2010: SLR 128.6173) equal to Rs. 100. Assets in foreign currencies have been translated into PAK Rupees at USD 1.1161 (2010: USD 1.1669) and EURO 0.8624 (2010: EURO 0.8777) and SLR 127.3561 (2010: SLR 128.6173) equal to Rs. 100.

(Rupees in thousand)	Note	2011	2010
41. Cash generated from operations			
(Loss) / profit before tax		(1,252,984)	119,176
Adjustments for:			
Depreciation on property, plant and equipment	15.1.3	1,657,404	1,582,728
Depreciation on investment property	16	328	1,460
Amortisation on intangible assets	17.1	4,926	3,079
Impairment charged on investments in associates	35	642,903	-
Provision for accumulating compensated absences and staff gratuity		26,680	44,891
Provision for retirement benefits	9	80,280	63,998
Provision for doubtful debts	23.3	8,092	6,306
Exchange adjustments		3,796	18,572
Net profit on disposal of property, plant and equipment	32	(167,525)	-
Net gain on insurance claim of assets written off due to fire	32.1	(20,900)	-
Net loss on disposal of property, plant and equipment	31	-	12,956
Finance costs	33	1,694,063	1,267,253
Gain on sale of short-term investments	34	(3,035)	(50,968)
Dividend income	34	(816,709)	(765,201)
Share of profit of associates	18	(439,243)	(324,219)
Profit before working capital changes		1,418,076	1,980,031
Effect on cash flow due to working capital changes			
Increase in stores and spares		(123,032)	(181,798)
(Increase) / decrease in stock-in-trade		(1,081,039)	320,587
(Increase) / decrease in trade debts		(170,313)	78,368
Increase in loans, advances, deposits, prepayments and other receivables		(11,157)	(72,430)
Increase in trade and other payables		238,909	204,876
		(1,146,632)	349,603
		271,444	2,329,634
42. Cash and cash equivalents			
Cash and bank balances	26	200,320	1,166,449
Finances under mark up arrangements - secured	11	(1,170,227)	(511,439)
		(969,907)	655,010

43. Combined (loss) / earnings per share

43.1 Combined basic loss per share

		2011	2010
Net loss for the year attributable to equity holders of the Parent Company	Rupees in thousand	(2,087,158)	(152,245)
Weighted average number of ordinary shares	Numbers	84,379,504	84,379,504
Combined basic loss per share	Rupees	(24.74)	(1.80)

(Rupees in thousand)		Note	2011	2010
43.2	**Combined diluted (loss) / earnings per share**			
	Net loss for the year attributable to equity holders of the Parent Company	Rupees in thousand	(2,087,158)	(152,245)
	Return on preference shares / convertible stock - net of tax	Rupees in thousand	325,002	329,922
			(1,762,156)	177,677
	Weighted average number of ordinary shares	Numbers	84,379,504	84,379,504
	Weighted average number of notionally converted preference shares / convertible stock	Numbers	21,686,842	21,686,842
			106,066,346	106,066,346
	Combined diluted (loss) / earnings per share	Rupees	(16.61)	1.68

The effect of the conversion of the preference shares / convertible stock into ordinary shares is anti-dilutive, accordingly the diluted EPS is restricted to the basic EPS.

44. Segment Information

A Business segment is a Group of assets and operations engaged in providing products that are subject to risk and returns that are different from those of other business segments.

Types of Segments	**Nature of business**
Packaging	Manufacture and market packing products
Paper & Board	Manufacture and market paper, paperboard and tissue products
Ink	Manufacture and market industrial and commercial ink products
General & Others	Workshop and other general businesses

(Rupees in thousand)

	Packaging Division		Paper & Board Division		Ink Division		General & Others		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Total revenue	14,976,291	11,531,453	14,118,240	14,446,398	1,954,910	1,591,109	235,717	296,245	31,285,158	27,865,205
Intersegment revenue	(660,680)	(530,565)	(8,045,119)	(5,980,839)	(774,352)	(530,563)	(155,811)	(127,447)	(9,635,962)	(7,169,414)
	14,315,611	11,000,888	6,073,121	8,465,559	1,180,558	1,060,546	79,906	168,798	21,649,196	20,695,791
Interest revenue	5,400	19,970	4,188	18,889	-	-	930	1,071	10,518	39,930
Interest expense	(207,133)	(22,046)	(1,420,961)	(1,196,085)	(63,086)	(49,062)	(2,884)	(60)	(1,694,064)	(1,267,253)
Depreciation and amortisation	327,382	326,234	1,291,917	1,203,582	26,539	26,720	16,820	30,731	1,662,658	1,587,267
Gain on sale of investments	-	-	-	-	-	-	3,035	50,968	3,035	50,968
Impairment on investments in associates	-	-	-	-	-	-	642,903	-	642,903	-
Segment profit / (loss) before tax	1,386,958	1,273,317	(3,637,983)	(2,564,482)	169,753	121,900	605,752	1,141,650	(1,475,520)	(27,615)
Segment taxation	171,246	160,915	65,551	90,309	61,684	43,813	(117,643)	(184,135)	180,838	110,902
Segment profit / (loss) after tax	1,215,712	1,112,402	(3,703,534)	(2,654,791)	108,069	78,087	723,395	1,325,785	(1,656,358)	(138,517)
Segment assets	6,693,350	5,459,523	18,928,206	19,592,348	799,767	757,953	583,674	633,393	27,004,997	26,443,217

(Rupees in thousand)		**2011**	**2010**
44.1	**Reconciliation of segment (loss) / profit before tax**		
	Total loss for reportable segments	(1,475,520)	(27,615)
	Income from associates	303,403	200,709
	Intercompany adjustment	(80,867)	(53,918)
	(Loss) / profit before tax	(1,252,984)	119,176
44.2	**Reconciliation of reportable segment assets**		
	Total assets for reportable segments	27,004,997	26,443,216
	Intersegment assets	(201,517)	(173,247)
	Other corporate assets	18,111,296	14,622,342
	Total assets	44,914,776	40,892,311
44.3	**Reconciliation of segment taxation**		
	Total tax expense for reportable segments	180,838	110,901
	Intercompany consolidation adjustments		
	Group	448,000	19,000
	Associates	144,355	80,430
	Taxation as per consolidated profit and loss account	773,193	210,331

(Rupees in thousand)	2011	2010
44.4 Reconciliation of segment loss after tax		
Total loss after tax for reportable segments	(1,656,358)	(138,517)
Intercompany adjustment for profit before tax	222,536	146,791
Intercompany adjustment for taxation	(592,355)	(99,429)
Loss as per consolidated profit and loss account	(2,026,177)	(91,155)

44.5 Information by geographical area

	Revenue		Non - current assets	
	2011	2010	2011	2010
(Rupees in thousand)				
Afghanistan	88,811	98,588	-	-
Bangladesh	8,368	40,715	-	-
Belgium	-	23,126	-	-
Germany	54,549	39,381	-	-
Malaysia	-	41,853	-	-
Pakistan	20,308,711	18,316,503	18,644,343	18,929,725
Singapore	24,791	20,625	-	-
Sri Lanka	1,095,738	1,531,584	207,508	194,877
Sweden	-	169,201	-	-
UAE	34,996	230,016	-	-
USA	33,232	50,620	-	-
Others	-	133,579	-	-
	21,649,196	20,695,791	18,851,851	19,124,602

44.6 Information about major customers

Included in the total revenue is revenue from three (2010: two) customers of the Group from the packaging (2010: packaging and paper & board) segments which represent approximately Rs. 8,118.60 million (2010: Rs. 5,871.12 million) of the Group's total revenue.

45. Financial risk management

45.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Group's finance department under policies approved by the Board of Directors. The Group's finance department evaluates and hedges financial risks in close cooperation with the Group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument shall fluctuate because of changes in foreign exchange rates.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Euro and Sri Lankan Rupees. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities and net investments in foreign operations.

At December 31, 2011, if the Rupee had weakened / strengthened by 10% against the US dollar with all other variables held constant, post-tax loss for the year would have been Rs. 15.210 million higher / lower (2010: Rs. 1.209 million lower / higher) mainly as a result of foreign exchange losses / gains (2010: gain / losses) on translation of US dollar-denominated financial assets and liabilities.

At December 31, 2011, if the Rupee had weakened / strengthened by 10% against the Euro with all other variables held constant, post-tax loss for the year would have been Rs. 6.293 million (2010: Rs. 19.735 million) higher / lower, mainly as a result of foreign exchange losses / gains on translation of Euro-denominated financial assets and liabilities.

At December 31, 2011, if the Rupee had weakened / strengthened by 10% against the Sri Lankan rupee with all other variables held constant, other component of equity would have been Rs. 55.471 million (2010: Rs. 53.057 million) higher / lower, mainly as a result of foreign exchange gains / losses on translation of net assets of Packages Lanka (Private) Limited, denominated in Sri Lankan Rupee.

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified as available for sale. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Board of Directors.

The Group's investments in equity of other entities that are publicly traded are included in all of the following three stock exchanges, Karachi Stock Exchange, Lahore Stock Exchange and Islamabad Stock Exchange.

The table below summarises the impact of increases / decreases of the KSE-100 index on the Group's post-tax profit for the year and on equity. The analysis is based on the assumption that the KSE had increased / decreased by 10% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index:

	Impact on post-tax profit		Impact on other components of equity	
	2011	2010	2011	2010
(Rupees in thousand)				
Karachi Stock Exchange	-	-	643,211	632,651

Post-tax profit for the year would increase / decrease as a result of gains / losses on equity securities classified as 'at fair value through profit or loss'. Other components of equity would increase / decrease as a result of gains / losses on equity securities classified as available for sale.

(iii) Cash flow and fair value interest rate risk

As the Group has no significant floating interest rate assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from short-term and long-term borrowings. These borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on consolidated profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

At December 31, 2011, if interest rates on floating rate borrowings had been 1% higher / lower with all other variables held constant, post-tax loss for the year would have been Rs. 68.223 million (2010: Rs. 57.818 million) higher / lower, mainly as a result of higher / lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk represents the risk of financial loss being caused if counter party fails to discharge an obligation.

Credit risk of the Group arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to distributors and wholesale and retail customers, including outstanding receivables and committed transactions. The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored and major sales to retail customers are settled in cash. For banks and financial institutions, only independently rated parties with a strong credit rating are accepted.

The Group monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets exposed to credit risk and which are neither past due nor impaired are as under:

(Rupees in thousand)	2011	2010
Long-term loans and deposits	111,424	139,943
Trade debts	1,433,613	1,304,903
Loans, advances, deposits, prepayments and other receivables	466,564	282,616
Balances with banks	190,381	1,160,587
	2,201,982	2,888,049

As of December 31, 2011, trade receivables of Rs. 675.924 million (2010: Rs. 642.413 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

(Rupees in thousand)	2011	2010
Up to 90 days	634,405	570,628
90 to 180 days	20,015	48,409
181 to 365 days	21,504	23,376
	675,924	642,413

The management estimates the recoverability of trade receivables on the basis of financial position and past history of its customers based on the objective evidence that it shall not receive the amount due from the particular customer. The provision is written off by the Group when it expects that it cannot recover the balance due. Any subsequent repayments in relation to amount written off are credited directly to consolidated profit and loss account.

The credit quality of Group's bank balances can be assessed with reference to external credit ratings as follows:

(Rupees in thousand)	Rating Short-term	Rating Long-term	Rating Agency	2011	2010
Allied Bank Limited	A1+	AA	PACRA	-	7,542
Askari Bank Limited	A1+	AA	PACRA	-	302,571
Bank Alfalah Limited	A1+	AA	PACRA	10	1,127
Bank Al-Habib Limited	A1+	AA+	PACRA	4	389
BankIslami Pakistan Limited	A1	A	PACRA	2,675	2,510
Barclays Bank PLC Pakistan	A1+	AA-	S&P	14,693	83,376
Citibank N.A.	A1	A+	S&P	1	3,523
Commercial Bank Limited Sri Lanka		AA	Fitch	8	12
Deutsche Bank A.G.	A1	A+	S&P	10,576	725
Dubai Islamic Bank Pakistan Limited	A1	A	JCR-VIS	50	-
Faysal Bank Limited	A1+	AA	JCR-VIS	723	467
Habib Bank Limited	A1+	AA+	JCR-VIS	619	3,361
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	-	899
Hatton Bank Limited Sri Lanka		AA-	Fitch	1,210	1,873
HSBC Bank Middle East Limited	P1	A1	Moody's	56	1,402
JS Bank Limited	A1	A	PACRA	2,730	7,861
MCB Bank Limited	A1+	AA+	PACRA	628	71,291
MCB Bank Limited Sri Lanka	A1+	AA+	PACRA	11,757	9,972
Meezan Bank Limited	A1+	AA-	JCR-VIS	949	2,201
National Bank of Pakistan	A1+	AAA	JCR-VIS	36,875	322,905
NDB Bank Plc		AA	Fitch	655	636
NIB Bank Limited	A1+	AA-	PACRA	27,601	283,179
Samba Bank Limited	A1	A+	JCR-VIS	2,392	3,403
Silk Bank Limited	A-2	A-	JCR-VIS	2	2
Soneri Bank Limited	A1+	AA-	PACRA	14	14
Standard Chartered Bank Pakistan Limited	A1+	AAA	PACRA	74,236	47,512
Standard Chartered Bank Sri Lanka		AAA	Fitch	827	928
The Bank of Punjab	A1+	AA-	PACRA	9	-
The Bank of Tokyo-Mitsubishi UFJ, Limited	A1	A+	S&P	527	824
United Bank Limited	A1+	AA+	JCR-VIS	554	82
				190,381	1,160,587

(c) Liquidity risk

Liquidity risk represents the risk that the Group shall encounter difficulties in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the Group's businesses, the Group's finance department maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors the forecasts of the Group's cash and cash equivalents (note 42) on the basis of expected cash flow. This is generally carried out in accordance with practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in each quarter and considering the level of liquid assets necessary to meet its liabilities, monitoring consolidated balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows as the impact of discounting is not significant.

(Rupees in thousand)

At December 31, 2011	Less than 1 year	Between 1 and 2 year	Between 2 and 5 years	Over 5 years
Long-term finances	380,952	1,233,333	4,292,857	578,572
Finances under mark up arrangements - secured	1,170,227	-	-	-
Trade and other payables	1,831,937	-	-	-
Accrued finance cost	542,031	-	-	-
	3,925,147	1,233,333	4,292,857	578,572

(Rupees in thousand)

At December 31, 2010	Less than 1 year	Between 1 and 2 year	Between 2 and 5 years	Over 5 years
Long-term finances	14,286	380,952	4,011,905	1,092,857
Finances under mark up arrangements - secured	511,439	-	-	-
Trade and other payables	1,896,664	-	-	-
Accrued finance cost	475,249	-	-	-
	2,897,638	380,952	4,011,905	1,092,857

45.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group'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.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares .

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. During 2011, the Group's strategy was to maintain the gearing ratio below 60% and AA credit rating. The gearing ratios at December 31, 2011 and 2010 were as follows:

(Rupees in thousand)	2011	2010
Long-term finances	8,575,339	7,956,291
Total equity	29,575,285	27,479,564
Total capital	38,150,624	35,435,855
Gearing ratio	22%	22%

45.3 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group are the current bid prices.

The financial instruments that are not traded in active market are carried at cost and are tested for impairment according to IAS 39. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

46. Detail of subsidiaries

Name of the subsidiaries	Accounting year end	Percentage of holding	Country of incorporation
Packages Lanka (Private) Limited	December 31, 2011	79.07%	Sri Lanka
DIC Pakistan Limited	December 31, 2011	54.98%	Pakistan
Packages Construction (Private) Limited	December 31, 2011	99.99%	Pakistan

47. Date of authorisation for issue

These financial statements were authorised for issue on March 21, 2012 by the Board of Directors of the Parent Company.

48. Non-Adjusting events after the balance sheet date

The Board of Directors of the Parent Company in its meeting held on March 21, 2012 has resolved to transfer the Parent Company's paper & paperboard and corrugated businesses into a separate 100% owned subsidiary acquired subsequent to year-end, through the process of hive down subject to all necessary corporate, shareholder and regulatory approvals. Once the said transfer is duly approved, the assets and liabilities of the paper & paperboard and corrugated businesses would be transferred to and vested in Bulleh Shah Paper Mill (Private) Limited, a 100% owned subsidiary of the Parent Company against the issue of shares by Bulleh Shah Paper Mill (Private) Limited to the Parent Company.

The Board of Directors of the Parent Company has proposed a final cash dividend for the year ended December 31, 2011 of Rs. 1.50 per share (2010: Rs. 3.25 per share), amounting to Rs. 126.569 million (2010: Rs. 274.233 million) at its meeting held on March 21, 2012 for approval of the members at the Annual General Meeting to be held on April 30, 2012. The board has also recommended to transfer Rs. 1,250 million (2010: Rs. 500 million) to accumulated profit / (loss) from general reserves.

49. Corresponding figures

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purposes of comparison. Significant re-arrangements made are as follows:

(Rupees in thousand)	
Re-classification in respect of IAS 24 (Revised), 'Related party disclosures', issued in November 2009	
Re-classified within trade debts	
Amounts re-classified from "related parties" to "others"	239,217
Re-classified within loans, advances, deposits, prepayments and other receivables	
Amounts re-classified from "related parties" to "advances from suppliers"	20,756
Re-classified within investment income	
Amounts re-classified from "dividend income from related parties" to "dividend income"	765,201
Other re-classifications	
Aggregation as a single line item on the face of the consolidated balance sheet	
Re-classified "capital work-in-progress" and "assets subject to finance lease" to "property, plant and equipment" as it is considered a better presentation under International Accounting Standard 16 - Property, Plant and Equipment.	753,328
Re-classified within cash and bank balances	
Amounts re-classified from "current accounts" to "saving accounts"	26,152
Re-classified as a separate line item on face of the consolidated profit and loss account	
Projects expenditure re-classified from Administrative expenses	3,791
Re-classified within different line items of the consolidated profit and loss account	
Salaries, wages and amenities re-classified from Cost of sales to:	
Administrative expenses	19,116
Distribution and marketing costs	13,711
Traveling expense re-classified from Administrative expenses to Cost of sales	25,356

Towfiq Habib Chinoy
Chairman

Syed Hyder Ali
Chief Executive & Managing Director

Syed Aslam Mehdi
Director

Form of Proxy

57th Annual General Meeting

I/We ____

of ______________________________________ being a member of Packages Limited and

holder of ____________________ Ordinary Shares as per Shares Register Folio No. ______________
(Number of Shares)

and / or CDC Participant I.D. No. ______________ and Sub Account No. ______________

here by appoint ______________ of ______________ or failing him / her ______________

of ______________ or failing him / her ______________ of ______________ as my proxy to vote for me and

on my behalf at the Annual General Meeting of the Company to be held on Monday, April 30, 2012 at 10:30 a.m. at Beach Luxury

Hotel, Moulvi Tamizuddin Khan Road, Karachi and at any adjournment thereof.

Signed this ______________ day of ______________ 2012.

WITNESSES:

1. Signature : ______________
   Name : ______________
   Address : ______________

   CNIC or
   Passport No. ______________

2. Signature : ______________
   Name : ______________
   Address : ______________

   CNIC or
   Passport No. ______________

Signature

Please affix. Rupees five revenue stamp

(Signature should agree with the specimen signature registered with the Company)

Note : Proxies, in order to be effective, must be received by the Company not less than 48 hours before the meeting. A proxy need not to be a member of the Company.

CDC Shareholders and their Proxies are requested to attach an attested photocopy of their Computerised National Identity Card or Passport with this proxy form before submission to the Company.

AFFIX
CORRECT
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