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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

Executive Committee

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

Audit Committee

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

Business Strategy Committee

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

System and Technology Committee

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

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

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

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 AG
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
Cell : 03013970046
Tel. & Fax: (071) 5616138

M. Hamza Traders
15-D Gul Plaza, Opp: Charsadda Bus Stand,
Peshawar-25000, Pakistan
Cell : 03018650486
Tel. : (091) 2043719

S. Y. Traders
Mir Ahmed Khan Road,
Quetta - 87300
Tel. : (081) 2834432
: (081) 2834431

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

Web Presence
www.packages.com.pk

DIRECTORS' REPORT FOR THE THREE MONTHS ENDED MARCH 31, 2012

بسم الله الرحمن الرحيم

The Directors of Packages Limited take pleasure in presenting to its shareholders, the quarterly report together with the un-audited financial statements of the Company for the first quarter ended March 31, 2012.

Financial and Operational Performance

The comparison of the un-audited results for the first quarter ended March 31, 2012 as against March 31, 2011 is as follows:

	Jan - March 2012	Jan - March 2011
	(Rupees in million)	
Net sales	4,936	5,192
EBITDA - operations	**370**	**516**
Depreciation & amortization	(419)	(378)
EBIT - operations	**(49)**	**138**
Finance costs	(380)	(351)
Other operating income/(expenses) - net	27	4
Investment income	588	642
Earnings before tax	**186**	**433**
Taxation	12	(307)
Earnings after tax	**198**	**126**

During the first quarter of 2012, your Company has achieved net sales of Rs. 4,936 million against net sales of Rs. 5,192 million of corresponding period of last year. The decline in sales is primarily attributable to the revenue loss sustained by Consumer Products Division of the Company due to machinery damage in unfortunate fire incident that occurred towards the end of year 2011. This has also adversely impacted operating results of the Company.

The Company has generated Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of Rs. 370 million during first quarter of 2012 as against Rs. 516 million of corresponding period of 2011. This decline in operating results has mainly resulted from decrease in sales due to aforementioned temporary capacity constraint and incremental imported material and overhead costs that have not yet been fully passed on to the customers.

The investement income has declined by Rs. 54 million over the corresponding period of 2011 mainly on account of timing differences in receipt of dividend from investee companies.

The production statistics for the period under review along with its comparison with the corresponding period are given below:

	Jan - March 2012	Jan - March 2011
Paper and paperboard produced - tons	**30,810**	34,411
Paper and paperboard converted - tons	**26,598**	30,064
Plastics all sorts converted - tons	**3,293**	3,082

This decline in production volumes is mainly attributable to the following factors:

- Rationalization of product categories of Paper & Paperboard division after completion of Paper Machine (PM-6) rebuilt project

- Product testing of certain coated board variants in progress at customers' machines
- Re-scheduling of production plans due to non-availability of gas for extended period during first quarter of 2012 over the corresponding period of 2011.

A review of the operations of different business units is as follows:

Packaging Operations

The Packaging Operations has registered sales of Rs. 3,485 million during the first quarter of 2012 as compared to Rs. 3,320 million of the corresponding period representing sales growth of 5% as certain industrial customers have gone through product variants rationalization in consideration of inflation and product demand. Moving forward, the Division is fully geared up to meet enhanced customer requirements during the future months with consequential favorable impact on operating results.

Paper & Board Operations

During the first quarter of 2012, Paper & Board Division has achieved external sales of Rs. 1,068 million. EBITDA of the Division has increased by Rs. 64 million over corresponding values of 2011 indicating the positive results of Paper Machine (PM-6) Re-built Project completed during the year 2011 that has improved production capacity and has offered greater flexibility for production of high value added products.

Continued shortage of natural gas during winter season has adversely impacted quarterly operating results of the Division but the Management is fully focused on its Alternate Energy Project to reduce its energy costs.

The Company is also actively pursuing its applications for fixation of anti-dumping duty and Import Trade Price (ITP) with National Tariff Commission (NTC) and the custom authorities to protect its products i.e. Writing and Printing Paper against unfair competition offered by imported paper that is being sold at dumping prices in the local market

Consumer Products

The Consumer Products Division has registered sales of Rs. 352 million during the first quarter of 2012 as compared to Rs. 591 million of the corresponding period of 2011. This decline in sales is attributable to the unfortunate fire incident that occurred towards the end of 2011. The Company has partially coped up for the revenue loss through outsourcing of conversion operations of major product variants to third party local converters. All the critical machines have been ordered; out of which, certain machines including Facial Tissue Machines, Table Napkin Machines, Paper Cup and N-Fold Machines have been installed and have commenced trial-run production. The Company is expecting to re-start full scale commercial production of its consumer products during second quarter of 2012.

Future Outlook

In consideration of the current economic situation, rising raw material prices and energy shortages, the management will continue its focus to improving shareholder's value through price rationalization, product and process optimization, reduction of operating costs and efficient working capital management in respect of its businesses.

Company's Staff and Customers

We wish to record our appreciation of the commitment of our employees to the Company and continued patronage of our customers.

(Towfiq Habib Chinoy)	**(Syed Hyder Ali)**
Chairman	Chief Executive & Managing Director
Karachi, April 24, 2012	Karachi, April 24, 2012

PACKAGES LIMITED
CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
as at March 31, 2012

	Note	Un-audited March 31, 2012	Audited December 31, 2011
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
150,000,000 (2011: 150,000,000) ordinary shares of Rs. 10 each		**1,500,000**	1,500,000
22,000,000 (2011: 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 (2011: 84,379,504) ordinary shares of Rs. 10 each		**843,795**	843,795
Reserves		**30,030,526**	28,179,067
Preference shares / convertible stock reserve		**1,605,875**	1,605,875
Accumulated profit / (loss)		**367,093**	(1,080,744)
		32,847,289	29,547,993
NON-CURRENT LIABILITIES			
Long-term finances	6	**8,575,339**	8,575,339
Deferred income tax liabilities		**1,936,000**	2,004,000
Retirement benefits		**12,358**	12,358
Deferred liabilities		**174,590**	161,795
		10,698,287	10,753,492
CURRENT LIABILITIES			
Current portion of long-term finances - secured	6	**380,952**	380,952
Finances under mark up arrangements - secured		**1,356,381**	796,227
Trade and other payables		**1,711,710**	1,731,255
Accrued finance costs		**794,227**	534,021
		4,243,270	3,442,455
CONTINGENCIES AND COMMITMENTS	7	**-**	-
		47,788,846	43,743,940

	Note	Un-audited March 31, 2012	Audited December 31, 2011
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	**18,170,300**	18,346,058
Investment property		**29,532**	29,943
Intangible assets		**36,650**	38,888
Investments		**19,389,609**	16,288,141
Long-term loans and deposits		**112,021**	110,873
Retirement benefits		**89,299**	89,299
		37,827,411	34,903,202
CURRENT ASSETS			
Stores and spares		**1,192,095**	978,741
Stock-in-trade		**4,221,128**	4,525,757
Trade debts		**2,131,849**	1,764,577
Loans, advances, deposits, prepayments and other receivables		**1,055,142**	454,548
Income tax receivable	9	**1,199,105**	941,439
Cash and bank balances		**162,116**	175,676
		9,961,435	8,840,738
		47,788,846	43,743,940

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

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

PACKAGES LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
for the three months ended March 31, 2012

		Note	Three months ended March 31, 2012	Three months ended March 31, 2011
			(Rupees in thousand)	
Local sales			**5,787,811**	6,135,099
Export sales			**22,911**	84,770
Gross sales			**5,810,722**	6,219,869
Less: Sales tax and excise duty			**873,303**	1,022,915
Commission			**1,587**	4,759
			874,890	1,027,674
Net sales			**4,935,832**	5,192,195
Cost of sales		10	**(4,694,346)**	(4,769,658)
Gross profit			**241,486**	422,537
Administrative expenses			**(173,010)**	(143,571)
Distribution and marketing costs			**(117,430)**	(141,796)
Other operating expenses			**(13,927)**	(32,219)
Other operating income			**40,731**	36,544
(Loss) / profit from operations			**(22,150)**	141,495
Finance costs			**(379,983)**	(350,711)
Investment income			**587,970**	642,493
Profit before taxation			**185,837**	433,277
Taxation		11	**12,000**	(307,000)
Profit after taxation			**197,837**	126,277
Earnings per share				
Basic	Rupees	12	**2.34**	1.50
Diluted	Rupees	12	**2.34**	1.50

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

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

PACKAGES LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
for the three months ended March 31, 2012

	Three months ended	
	March 31, 2012	March 31, 2011
	(Rupees in thousand)	
Profit after taxation	**197,837**	126,277
Other comprehensive income - net of tax		
Surplus on re-measurement of available for sale financial assets	**3,101,459**	3,879,552
Total comprehensive income for the period	**3,299,296**	4,005,829

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

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

PACKAGES LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
for the three months ended March 31, 2012

	Share capital	Share premium	Fair value reserve	General reserve	Preference shares / convertible stock reserve	Unappro-priated profit	Total
	(Rupees in thousand)						
Balance as on December 31, 2010 (audited)	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	**-**
Profit for the period	-	-	-	-	-	126,277	**126,277**
Other comprehensive income	-	-	3,879,552	-	-		**3,879,552**
Balance as on March 31, 2011 (un-audited)	843,795	2,876,893	8,561,100	16,160,333	1,605,875	887,718	**30,935,714**
Loss for the period	-	-	-	-	-	(1,694,229)	**(1,694,229)**
Transactions with owners							
Final dividend for the year ended December 31, 2010 Rs. 3.25 per share	-	-	-	-	-	(274,233)	**(274,233)**
Other comprehensive income	-	-	580,741	-	-	-	**580,741**
Balance as on December 31, 2011 (audited)	843,795	2,876,893	9,141,841	16,160,333	1,605,875	(1,080,744)	**29,547,993**
Appropriation of funds							
Transferred to profit and loss account	-	-	-	(1,250,000)	-	1,250,000	**-**
Profit for the period	-	-	-	-	-	197,837	**197,837**
Other comprehensive income	-	-	3,101,459	-	-		**3,101,459**
Balance as on March 31, 2012 (un-audited)	**843,795**	**2,876,893**	**12,243,300**	**14,910,333**	**1,605,875**	**367,093**	**32,847,289**

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

Towfiq Habib Chinoy
Chairman

Syed Hyder Ali
Chief Executive & Managing Director

Syed Aslam Mehdi
Director

PACKAGES LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
for the three months ended March 31, 2012

	Note	**Three months ended**	
		March 31, 2012	March 31, 2011
		(Rupees in thousand)	
Cash flow from operating activities			
Cash generated / (used in) from operations	14	**101,969**	(594,816)
Finance cost paid		**(119,777)**	(33,832)
Taxes paid		**(313,665)**	(122,214)
Payments for deferred liabilities		**(3,705)**	(2,730)
Net cash used in operating activities		**(335,178)**	(753,592)
Cash flow from investing activities			
Fixed capital expenditure		**(247,322)**	(816,725)
Investment - net		**(9)**	2,629
Net increase in long-term loans and deposits		**(1,148)**	(765)
Proceeds from disposal of property, plant and equipment		**9,943**	4,649
Dividends received		**-**	396,000
Net cash used in investing activities		**(238,536)**	(414,212)
Cash flow from financing activities		**-**	-
Net decrease in cash and cash equivalents		**(573,714)**	(1,167,804)
Cash and cash equivalents at the beginning of the period		**(620,551)**	998,912
Cash and cash equivalents at the end of the period	15	**(1,194,265)**	(168,892)

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

Towfiq Habib Chinoy
Chairman

Syed Hyder Ali
Chief Executive & Managing Director

Syed Aslam Mehdi
Director

PACKAGES LIMITED
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
for the three months ended March 31, 2012

1. The company and its activities

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

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.

3. Significant accounting policies

3.1 The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the Company for the year ended December 31, 2011 except for the adoption of new accounting policies as referred to in note 3.2.1.

3.2 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:

3.2.1 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, 2012 and their impact on this condensed interim financial information is given below:

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. The application of this amendment has no material impact on these 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 appliaction of this ammendment has no material impact on these financial statements.

3.2.2 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, 2013 or later periods, but the Company has not early adopted them:

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 Statement'. 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 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.

4. The provision for taxation for the period ended March 31, 2012 has been made using the tax rate that would be applicable to expected total annual earnings.

5. The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended December 31, 2011, with the exception of changes in estimates that are required in determining the provision for income taxes as referred to in Note 4.

6. Long-term finances

	Un-audited	Audited
	March 31, 2012	December 31, 2011
	(Rupees in thousand)	
These are composed of :		
Local currency loans - secured		
Consortium Loan	**5,185,714**	5,185,714
Term Finance Loan	**1,000,000**	1,000,000
Others	**300,000**	300,000
	6,485,714	6,485,714
Preference shares/convertible stock-unsecured	**2,470,577**	2,470,577
	8,956,291	8,956,291
Current portion shown under current liabilities	**(380,952)**	(380,952)
	8,575,339	8,575,339

7. Contingencies and commitments

7.1 Contingencies

(i) Claims against the company not acknowledged as debts Rs. 18.951 million (December 31, 2011: Rs. 18.612 million).

(ii) Post dated cheques not provided in the condensed interim financial information have been furnished by the Company in favor of the Collector of Customs against custom levies aggregated to Rs.112.934 million (December 31, 2011 Rs.102.219 million) in respect of goods imported.

7.2 Commitments in respect of

(i) Letters of credit and contracts for capital expenditure Rs. 404.581 million (December 31, 2011: Rs. 310.397 million).

(ii) Letters of credit and contracts other than for capital expenditure Rs. 753.393 million (December 31, 2011: Rs. 433.814 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:

	Note	**Un-audited** **March 31, 2012**	Audited December 31, 2011
		(Rupees in thousand)	
Not later than one year		**140,756**	191,692
Later than one year and not later than five years		**813,913**	814,092
		954,669	1,005,784

8. Property, plant and equipment

	Note	**Un-audited** **March 31, 2012**	Audited December 31, 2011
Operating assets	8.1	**17,844,835**	18,220,375
Capital work-in-progress	8.2	**325,465**	125,683
		18,170,300	18,346,058

8.1 Operating assets

	Note	**Un-audited** **March 31, 2012**	Audited December 31, 2011
Opening book value		**18,220,375**	17,861,486
Additions during the period	8.1.1	**47,540**	2,113,213
		18,267,915	19,974,699
Assets disposed / written off during the period (at book value)		**(6,688)**	(151,303)
Depreciation charged during the period		**(416,392)**	(1,603,021)
		(423,080)	(1,754,324)
Closing book value		**17,844,835**	18,220,375

8.1.1 Following is the detail of additions during the period

	Un-audited	Audited
	March 31, 2012	December 31, 2011
	(Rupees in thousand)	
Freehold land	**-**	2,185
Building on freehold land	**-**	30,089
Plant and machinery	**12,874**	1,979,180
Other equipment	**25,800**	42,345
Vehicles	**8,866**	59,414
	47,540	2,113,213

8.2 Capital work-in-progress

Civil works	**63,586**	15,784
Plant and machinery (including in transit Rs. 1.513 million (2011: Nil)	**148,954**	105,571
Advances	**111,878**	4,093
Others	**1,047**	235
	325,465	125,683

9. 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 creditspreviously 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.

10. Cost of sales

	Three months ended March 31, 2012	March 31, 2011
	(Rupees in thousand)	
Materials consumed	**2,253,861**	2,596,525
Salaries, wages and amenities	**356,269**	310,824
Fuel and power	**797,494**	900,944
Production supplies	**90,118**	104,290
Excise duty and sales tax	**157**	187
Rent, rates and taxes	**82,718**	86,821
Insurance	**29,579**	20,072
Repairs and maintenance	**151,281**	134,490
Packing and subcontracting expenses	**45,370**	34,058
Depreciation on property, plant and equipment	**409,497**	371,428
Amortization on intangible assets	**-**	4
Technical fee and royalty	**6,317**	3,666
Traveling and conveyance	**6,144**	4,275
Other expenses	**75,216**	59,627
	4,304,021	4,627,211
Opening work-in-process	**256,593**	209,916
Closing work-in-process	**(226,158)**	(269,644)
Cost of goods produced	**4,334,456**	4,567,483
Opening stock of finished goods	**2,189,349**	1,786,201
Closing stock of finished goods	**(1,829,459)**	(1,584,026)
	4,694,346	4,769,658

11. Taxation

Current		
Current year	**(56,000)**	(60,000)
Prior years	**-**	-
	(56,000)	(60,000)
Deferred	**68,000**	(247,000)
	12,000	(307,000)

12. Earnings per share

12.1 Basic earnings per share

Profit for the period	Rupees in thousand	**197,837**	126,277
Weighted average number of ordinary shares	Numbers	**84,379,504**	84,379,504
Basic earnings per share	Rupees	**2.34**	1.50

12.2 Diluted earnings per share

		Three months ended	
		March 31, 2012	March 31, 2011
		(Rupees in thousand)	
Profit for the period	Rupees in thousand	**197,837**	126,277
Return on preference shares / convertible stock - net of tax	Rupees in thousand	**80,720**	80,051
		278,557	206,328
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 earnings per share	Rupees	**2.63**	1.95

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.

13. Transactions with related parties

		Three months ended	
		March 31, 2012	March 31, 2011
		(Rupees in thousand)	
Relationship with the Company	**Nature of transactions**		
i. Subsidiaries			
	Purchase of goods and services	**177,522**	186,034
	Sale of goods and services	**4,331**	4,082
	Dividend income	**-**	34,386
	Rental income	**3,393**	3,139
	Investment	**9**	-
	Management and technical fee	**6,115**	4,988
ii. Associated undertakings			
	Purchase of goods and services	**237,489**	186,653
	Sale of goods and services	**21,157**	7,982
	Insurance premium	**61,826**	46,979
	Insurance claim received	**78,078**	302
	Dividend income	**200,000**	100,000
	Insurance commission earned	**910**	542
iii. Post employment benefit Plants	Expense charged in respect of retirement benefits plans	**22,831**	21,813
iv. Key management personnel	Salaries and other employee benefits	**17,102**	14,537

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

Period-end balances

	Un-audited March 31, 2012	Audited December 31, 2011
	(Rupees in thousand)	
Receivable from related parties	**126,206**	195,874
Payable to related parties	**150,019**	133,192

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

14. Cash generated from operations

	Three months ended	
	March 31, 2012	March 31, 2011
	(Rupees in thousand)	
Profit before tax	**185,837**	433,277
Adjustments for:		
Depreciation on property, plant and equipment	**416,392**	377,448
Amortization on intangible assets	**2,238**	240
Depreciation on investment property	**411**	412
Provision for deferred liabilities	**16,500**	16,499
Net profit on disposal of property, plant and equipment	**(3,255)**	(2,648)
Finance costs	**379,983**	350,711
Investment income	**(587,970)**	(642,493)
Profit before working capital changes	**410,136**	533,446
Effect on cash flow due to working capital changes		
(Increase) / decrease in stores and spares	**(213,354)**	5,378
Decrease / (increase) in stock-in-trade	**304,629**	(237,238)
Increase in trade debts	**(367,272)**	(615,209)
Increase in loans, advances, deposits, prepayments and other receivables	**(12,625)**	(118,035)
Decrease in trade and other payables	**(19,545)**	(163,158)
	(308,167)	(1,128,262)
	101,969	(594,816)

15. Cash and cash equivalents

Cash and bank balances	**162,116**	740,497
Finances under mark up arrangement - secured	**(1,356,381)**	(909,389)
	(1,194,265)	(168,892)

16. Financial risk management

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 condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at December 31, 2011.

There have been no changes in the risk management policies since the year end.

17. Date of authorisation for issue

This condensed interim financial information was authorised for issue on April 24, 2012 by the Board of Directors of the Company.

18. Non adjusting events disclosure

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 'Bulleh Shah Paper Mill (Private) Limited' 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 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. This transfer of assets has not been recognised in these financial statements as the same has not yet been approved by the members of the Company as of the date of authorization of this condensed interim financial information.

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, accordingly, dividend appropriation has not been recognized in these financial statements as dividend has not been approved by the members as of the date of authorisation of this condensed interim financial information.

19. Corresponding figures

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim balance sheet and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim profit and loss account, condensed interim statement of comprehensive income and condensed interim cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been re-classified, wherever necessary, for the purposes of comparison. However, no significant re-arrangements have been made.

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

Packages Group
Condensed Consolidated Interim
Financial Information

DIRECTORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2012

بسم الله الرحمن الرحيم

The Directors of Packages Limited are pleased to present the un-audited consolidated financial statements of the Group for the three months ended March 31, 2012.

Group results

The comparison of the un-audited results for the first quarter ended March 31, 2012 as against March 31, 2011 is as follows:

	Jan - March 2012	Jan - March 2011
	(Rupees in thousand)	
Invoiced Sales - Net	**5,543**	5,721
Profit from operations	**56**	216
Share of profit of associates	**111**	125
Investment income	**388**	508
Profit before tax	**159**	484

During the first quarter of 2012, the Group has achieved net sales of Rs 5,543 million with profit from operations of Rs. 56 million as compared to Rs. 216 million of corresponding period of last year. This decline in operating results is attributable to revenue loss sustained by Consumer Products Division of the Parent Company due to machinery damage in unfortunate fire incident that occurred towards the end of year 2011. Moreover, certain industrial customers have also gone through product variants rationalization in consideration of inflation and product demand.

The investment income has declined by Rs. 120 million over the corresponding period of 2011 mainly on account of timing differences.

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. 486 million during first quarter of the year 2012 as compared to Rs. 442 million of the corresponding period of last year representing sales growth of 10%. The Company has generated profit before tax of Rs. 30 million during first quarter of the year 2012 as against Rs. 41 million generated during corresponding period of 2011. 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 385 million during first quarter of the year 2012 as compared to SLR 342 million of corresponding period of last year representing sales growth of 13%. The Company has generated profit before tax of SLR 49 million during first quarter of 2012 as compared to SLR 31 million of corresponding period of 2011. With installation of new printing line in the coming months, the management is confident of consolidating its market share in the increasingly competitive local market.

(Towfiq Habib Chinoy)
Chairman
Karachi, April 24, 2012

(Syed Hyder Ali)
Chief Executive & Managing Director
Karachi, April 24, 2012

PACKAGES GROUP
CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (UN-AUDITED)
as at March 31, 2012

	Note	Un-audited March 31, 2012	Audited December 31, 2011
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital 150,000,000 (2011: 150,000,000) ordinary shares of Rs. 10 each		**1,500,000**	1,500,000
22,000,000 (2011: 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 (2011: 84,379,504) ordinary shares of Rs. 10 each		**843,795**	843,795
Reserves		**30,031,085**	28,184,472
Preference shares / convertible stock reserve		**1,605,875**	1,605,875
Accumulated profit / (loss)		**197,213**	(1,283,904)
		32,677,968	29,350,238
NON-CONTROLLING INTEREST		**234,211**	225,047
		32,912,179	29,575,285
NON-CURRENT LIABILITIES			
Long-term finances	6	**8,575,339**	8,575,339
Deferred income tax liabilities		**2,426,592**	2,632,844
Retirement benefits		**12,358**	12,358
Deferred liabilities		**192,935**	179,971
		11,207,224	11,400,512
CURRENT LIABILITIES			
Current portion of long-term finances - secured	6	**380,952**	380,952
Finances under mark up arrangements - secured		**1,737,889**	1,170,227
Trade and other payables		**1,863,259**	1,831,937
Accrued finance cost		**803,987**	542,031
Provision for taxation		**32,237**	13,832
		4,818,324	3,938,979
CONTINGENCIES AND COMMITMENTS	7	**-**	-
		48,937,727	44,914,776

	Note	Un-audited March 31, 2012	Audited December 31, 2011
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	**18,505,387**	18,685,332
Intangible assets		**46,906**	49,834
Investment property		**5,181**	5,261
Investments in associates	10	**2,919,429**	3,028,921
Other long-term investments	11	**16,242,936**	13,141,477
Long-term loans and deposits		**112,572**	111,424
Retirement benefits		**89,299**	89,299
		37,921,710	35,111,548
CURRENT ASSETS			
Stores and spares		**1,229,429**	1,013,766
Stock-in-trade		**4,794,548**	5,029,241
Trade debts		**2,471,423**	2,109,537
Loans, advances, deposits, prepayments and other receivables		**1,074,491**	466,564
Income tax receivable		**1,243,965**	983,800
Cash and bank balances		**202,161**	200,320
		11,016,017	9,803,228
		48,937,727	44,914,776

The annexed notes 1 to 22 form an integral part of this condensed consolidated interim financial information.

Towfiq Habib Chinoy
Chairman

Syed Hyder Ali
Chief Executive & Managing Director

Syed Aslam Mehdi
Director

PACKAGES GROUP
CONDENSED CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
for the three months ended March 31, 2012

		Note	Three months ended March 31, 2012	Three months ended March 31, 2011
			(Rupees in thousand)	
Local sales			**6,440,875**	6,682,437
Export sales			**29,075**	87,258
Gross Sales			**6,469,950**	6,769,695
Less: Sales tax and excise duty			**923,080**	1,043,200
Commission			**3,775**	4,884
			926,855	1,048,084
Net sales			**5,543,095**	5,721,611
Cost of sales		12	**(5,170,539)**	(5,182,095)
Gross profit			**372,556**	539,516
Administrative expenses			**(200,544)**	(165,766)
Distribution and marketing costs			**(134,288)**	(155,323)
Other operating expenses			**(16,196)**	(35,479)
Other operating income			**34,151**	33,026
Profit from operations			**55,679**	215,974
Finance costs			**(395,446)**	(365,562)
Investment income			**387,970**	508,106
Share of profit of associates			**111,087**	125,284
Profit before taxation			**159,290**	483,802
Taxation				
Group			**118,172**	(334,035)
Associates			**(32,693)**	(38,212)
			85,479	(372,247)
Profit after taxation			**244,769**	111,555
Attributable to:				
Equity holders of the Parent Company			**231,117**	99,572
Non-controlling interest			**13,652**	11,983
			244,769	111,555
Combined earnings per share				
Basic	Rupees	13	**2.74**	1.18
Diluted	Rupees	13	**2.74**	1.18

The annexed notes 1 to 22 form an integral part of this condensed consolidated interim financial information.

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

PACKAGES GROUP
CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
for the three months ended March 31, 2012

	Three months ended	
	March 31, 2012	March 31, 2011
	(Rupees in thousand)	
Profit after taxation	**244,769**	111,555
Other comprehensive income		
Exchange differences on translation of foreign subsidiary	**(21,444)**	(7,304)
Other reserves relating to associates - net of tax	**12,110**	-
Surplus on re-measurement of available for sale financial assets	**3,101,459**	3,879,552
Other comprehensive income for the period	**3,092,125**	3,872,248
Total comprehensive income for the period	**3,336,894**	3,983,803
Attributable to:		
Equity holders of the parent	**3,327,730**	3,973,350
Non-controlling interest	**9,164**	10,454
	3,336,894	3,983,803

The annexed notes 1 to 22 form an integral part of this condensed consolidated interim financial information.

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

PACKAGES GROUP
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
for the three months ended March 31, 2012

	Attributable to equity holders of the parent									Non-controlling interest	Total Equity
	Share capital	Share premium	Exchange difference on translation of foreign subsidiary	Fair Value reserve	General reserve	Preference shares / convertible stock reserve	Other reservers relating to associates	Accumulated Profit/ (loss)	Total		
	(Rupees in thousand)										
Balance as on December 31, 2010 (audited)	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 profit & loss account	-	-	-	-	(500,000)	-	-	500,000	-	-	-
Transactions with the owner											
Dividend relating to year 2010 paid to non-controlling interest	-	-	-	-	-	-	-	-	-	(7,197)	**(7,197)**
Profit for the period	-	-	-	-	-	-	-	99,572	99,572	11,983	**111,555**
Other comprehensive income	-	-	(5,775)	3,879,552	-	-	-	-	3,873,777	(1,529)	**3,872,248**
Balance as on March 31, 2011 (un-audited)	843,795	2,876,893	14,140	8,561,100	16,160,333	1,605,875	-	1,177,059	31,239,195	216,975	**31,456,170**
Transactions with the owner											
Final dividend for the year ended December 31, 2010 Rs. 3.25 per share	-	-	-	-	-	-	-	(274,233)	(274,233)	-	**(274,233)**
Dividend relating to year 2010 & 2011 paid to non-controlling interest	-	-	-	-	-	-	-	-	-	(43,250)	**(43,250)**
(Loss)/profit for the period	-	-	-	-	-	-	-	(2,186,730)	(2,186,730)	48,998	**(2,137,732)**
Other comprehensive income	-	-	8,776	580,741	-	-	(17,511)	-	572,006	2,324	**574,330**
Balance as on December 31, 2011 (audited)	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**
Appropriation of funds											
Transferred to profit & loss account	-	-	-	-	(1,250,000)	-	-	1,250,000	-	-	-
Profit for the period	-	-	-	-	-	-	-	231,117	231,117	13,652	**244,769**
Other comprehensive income	-	-	(16,956)	3,101,459	-	-	12,110	-	3,096,613	(4,488)	**3,092,125**
Balance as on March 31, 2012 (un-audited)	843,795	2,876,893	5,960	12,243,300	14,910,333	1,605,875	(5,401)	197,213	32,677,968	234,211	**32,912,179**

The annexed notes 1 to 22 form an integral part of this condensed consolidated interim financial information.

Towfiq Habib Chinoy
Chairman

Syed Hyder Ali
Chief Executive & Managing Director

Syed Aslam Mehdi
Director

PACKAGES GROUP
CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
for the three months ended March 31, 2012

	Note	Three months ended March 31, 2012	Three months ended March 31, 2011
		(Rupees in thousand)	
Cash flow from operating activities			
Cash generated from / (used in) operations	16	**159,169**	(520,218)
Finance cost paid		**(133,490)**	(45,959)
Taxes paid		**(329,840)**	(141,566)
Payments for deferred liabilities		**(10,148)**	(3,676)
Net cash used in operating activities		**(314,309)**	(711,419)
Cash flow from investing activities			
Fixed capital expenditure		**(260,505)**	(820,437)
Investments - net		**-**	2,629
Net (increase) / decrease in long-term loans and deposits		**(1,148)**	951
Proceeds from disposal of property, plant and equipment		**10,141**	5,278
Dividends received		**-**	396,000
Net cash used in investing activities		**(251,512)**	(415,579)
Cash flow from financing activities			
Dividend paid to non-controlling interest		**-**	(7,197)
Net cash used in financing activities		**-**	(7,197)
Net decrease in cash and cash equivalents		**(565,821)**	(1,134,195)
Cash and cash equivalents at the beginning of the period		**(969,907)**	655,010
Cash and cash equivalents at the end of the period	17	**(1,535,728)**	(479,185)

The annexed notes 1 to 22 form an integral part of this condensed consolidated interim financial information.

Towfiq Habib Chinoy
Chairman

Syed Hyder Ali
Chief Executive & Managing Director

Syed Aslam Mehdi
Director

PACKAGES GROUP
NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

for the three months ended March 31, 2012

1. Legal status and nature of business

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

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

2. Basis of preparation

This condensed interim financial information is un-audited and has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - 'Interim Financial Reporting' and provisions of and directives issued under The Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under The Companies Ordinance, 1984 have been followed. This condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the annual financial statements for the year ended December 31, 2011.

3. Significant accounting policies

3.1 The accounting policies adopted for the preparation of this condensed consolidated interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the Group for the year ended December 31, 2011 except for the adoption of new accounting policies as referred to in note 3.2.1.

3.2 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:

3.2.1 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, 2012 and their impact on this condensed consolidated interim financial information is given below:

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.

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.

3.2.2 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, 2013 or later periods, but the Group has not early adopted them:

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 Statement'. 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 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.

4. The provision for taxation for the three months ended March 31, 2012 has been made using the tax rate that would be applicable to expected total annual earnings.

5. The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended December 31, 2011, with the exception of changes in estimates that are required in determining the provision for income taxes as referred to in Note 4.

6. Long-term finances

	Un-audited	Audited
	March 31, 2012	December 31, 2011
	(Rupees in thousand)	
Local currency loans - secured	**6,485,714**	6,485,714
Preference shares / Convertible Stock - unsecured	**2,470,577**	2,470,577
	8,956,291	8,956,291
Current portion shown under current liabilities		
Local currency loans - secured	**(380,952)**	(380,952)
Closing Balance	**8,575,339**	8,575,339

7. Contingencies and commitments

7.1 Contingencies

(i) Claims against the group not acknowledged as debts Rs. 18.951 million (December 31, 2011: Rs. 18.612 million).

(ii) Post dated cheques not provided in the condensed consolidated financial information have been furnished by the Parent Company in favor of the Collector of Customs against custom levies aggregated to Rs. 112.934 million (December 31, 2011 : Rs. 102.219 million).

7.2 Commitments in respect of

(i) Letters of credit and contracts for capital expenditure Rs. 573.488 million (December 31, 2011: Rs. 310.397 million).

(ii) Letters of credit and contracts other than for capital expenditure Rs. 819.004 million (December 31, 2011: Rs. 463.874 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:

	Un-audited	Audited
	March 31, 2012	December 31, 2011
	(Rupees in thousand)	
Not later than one year	**140,756**	202,295
Later than one year and not later than five years	**813,913**	818,844
	954,669	1,021,139

8. Property, plant and equipment

	Note	Un-audited March 31, 2012	Audited December 31, 2011
		(Rupees in thousand)	
Operating assets	8.1	**18,179,922**	18,559,649
Capital work-in-progress	8.2	**325,465**	125,683
		18,505,387	18,685,332

8.1 Operating assets

Opening book value		**18,559,649**	18,209,643
Additions during the period	8.1.1	**53,285**	2,157,307
Exchange adjustment on opening cost		**(53,985)**	5,322
		(700)	2,162,629
		18,558,949	20,372,272
Assets disposed / written off during the period (at book value)		**(6,849)**	(151,769)
Depreciation charged during the period		**(429,880)**	(1,657,404)
Exchange adjustment on opening accumulated depreciation		**57,702**	(3,450)
		(379,027)	(1,812,623)
Closing book value		**18,179,922**	18,559,649

8.1.1 Following is the detail of additions during the period

Freehold land	**-**	2,185
Building on freehold land	**815**	55,548
Plant and machinery	**12,874**	1,986,687
Other equipment	**27,926**	48,744
Furniture and fixtures	**264**	2,047
Vehicles	**11,406**	62,096
	53,285	2,157,307

8.2 Capital work-in-progress

Civil works	**63,586**	15,784
Plant and machinery	**148,954**	105,571
Advances	**111,878**	4,093
Others	**1,047**	235
	325,465	125,683

9. In 1987, the Income Tax Officer (ITO) re-opened the Group's assessments for the accounting years ended December 31, 1983 and 1984 disallowing primarily tax credit given to the Group 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 Group's undertaking which did not qualify for tax credit under this section in view of the Group'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 Group 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.

10. Investments in associates

	Note	**Un-audited March 31, 2012**	Audited December 31, 2011
		(Rupees in thousand)	
Cost		**3,758,386**	3,758,386
Post acquisition loss brought forward		**(729,465)**	(228,100)
		3,028,921	3,530,286
Profit for the period before taxation		**111,091**	439,243
Provision for taxation		**(32,693)**	(144,355)
		78,398	294,888
		3,107,319	3,825,174
Other comprehensive income		**12,110**	(17,511)
Dividends received during the period		**(200,000)**	(135,839)
Impairment loss		**-**	(642,903)
		(187,890)	(796,253)
Closing balance	10.1	**2,919,429**	3,028,921

10.1 In equity instruments of associated companies

Quoted

	March 31, 2012	December 31, 2011
IGI Insurance Limited 11,838,267 (2011: 11,838,267) fully paid ordinary shares of Rs 10 each Market value - Rs. 615.708 million (2011: Rs 523.488 million)	**546,602**	523,488
Tri-Pack Films Limited 10,000,000 (2011: 10,000,000) fully paid ordinary shares of Rs 10 each Market value - Rs. 1,970 million (2011: Rs. 1,603 million)	**2,369,741**	2,500,822
IGI Investment Bank Limited 4,610,915 (2011: 4,610,915) fully paid ordinary shares of Rs 10 each Market value - Rs. 11.988 million (2011: Rs 4.150 million)	**3,086**	4,611
	2,919,429	3,028,921

11. Other long-term investments

	Un-audited March 31, 2012	Audited December 31, 2011
	(Rupees in thousand)	
Quoted		
Nestle Pakistan Limited		
3,649,248 (2011: 3,649,248) fully paid ordinary shares of Rs. 10 each	**16,228,205**	13,126,746
Unquoted		
Tetra Pak Pakistan Limited		
1,000,000 (2011: 1,000,000) fully paid non-voting shares of Rs. 10 each	**10,000**	10,000
Pakistan Tourism Development Corporation Limited		
2,500 (2011: 2,500) fully paid ordinary shares of Rs. 10 each	**25**	25
Orient Match Company Limited		
1,900 (2011: 1,900) fully paid ordinary shares of Rs. 100 each	**-**	-
Coca-Cola Beverages Pakistan Limited		
500,000 (2010: 500,000) fully paid ordinary shares of Rs. 10 each	**4,706**	4,706
	16,242,936	13,141,477

Nestle Pakistan Limited and Tetrapak Pakistan Limited are associated undertakings under the Companies Ordinance 1984. However, for the purpose of measurement, these have been classified as available for sale investments as the Group does not have a significant influence over their operations.

12. Cost of sales

	Three months ended March 31, 2012	March 31, 2011
	(Rupees in thousand)	
Materials consumed	**2,638,942**	2,919,414
Salaries, wages and amenities	**384,569**	334,752
Fuel and power	**816,048**	916,951
Production supplies	**97,215**	111,032
Excise duty and sales tax	**157**	187
Rent, rates and taxes	**81,778**	86,689
Insurance	**30,015**	20,354
Repairs and maintenance	**164,858**	144,043
Packing expenses	**55,123**	43,794
Depreciation on property, plant and equipment	**420,413**	381,892
Amortization on intangible assets	**-**	4
Technical fee and royalty	**14,740**	13,944
Traveling and conveyance	**7,131**	4,996
Other expenses	**89,844**	68,856
	4,800,833	5,046,907
Opening work-in-process	**336,271**	269,221
Closing work-in-process	**(316,830)**	(338,285)
Cost of goods produced	**4,820,274**	4,977,844
Opening stock of finished goods	**2,225,889**	1,826,462
Closing stock of finished goods	**(1,875,624)**	(1,622,211)
	5,170,539	5,182,095

13. Combined earnings per share

		Three months ended	
		March 31, 2012	March 31, 2011
		(Rupees in thousand)	

13.1 Combined basic earnings per share

Profit for the period	Rupees in thousand	**231,117**	99,573
Weighted average number of ordinary shares	Numbers	**84,379,504**	84,379,504
Earnings per share	Rupees	**2.74**	1.18

13.2 Combined diluted earnings per share

Profit for the period	Rupees in thousand	**231,117**	99,573
Return on preference shares / convertible stock	Rupees in thousand	**80,720**	80,051
		311,837	179,624
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
Earnings per share		2.94	1.69

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

14. Transactions with related parties

Relationship	Nature of transactions	Three months ended March 31, 2012	Three months ended March 31, 2011
		(Rupees in thousand)	
i. Associated Undertakings	Purchase of goods and services	**237,489**	186,653
	Sale of goods and services	**21,157**	7,982
	Dividend income	**200,000**	100,000
	Insurance premium	**65,140**	49,106
	Insurance claim received	**78,078**	302
	Insurance commission earned	**910**	571
ii. Other related parties			
	Purchase of goods and services	**62,108**	25,132
	Sale of goods and services	**453**	-
	Royalty and technical fee - expense	**8,773**	10,198
	Rebate received	**-**	414
iii. Post employment benefit plans	Expenses charged in respect of retirement benefit plans	**24,717**	23,607
iv. Key management personnel	Salaries and other employee benefits	**21,086**	16,886

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

Period-end balances

	Un-audited March 31, 2012	Audited December 31, 2011
	(Rupees in thousand)	
Receivable from related parties	**106,064**	206,371
Payable to related parties	**82,998**	97,683

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

15. Segment Information

	Packaging Division March 31, 2012	Packaging Division March 31, 2011	Paper & Board Division March 31, 2012	Paper & Board Division March 31, 2011	Ink Division March 31, 2012	Ink Division March 31, 2011	General & Others March 31, 2012	General & Others March 31, 2011	Total March 31, 2012	Total March 31, 2011
	(Rupees in thousand)									
Revenue from external customers	**3,773,145**	3,574,001	**1,420,568**	1,838,803	**319,013**	275,977	**30,369**	32,830	**5,543,095**	5,721,611
Intersegment revenue	**133,958**	190,244	**1,974,570**	2,076,061	**167,387**	166,007	**60,282**	49,201	**2,336,197**	2,481,513
	3,907,103	3,764,245	**3,395,138**	3,914,864	**486,400**	441,984	**90,651**	82,031	**7,879,292**	8,203,124
Segment profit/ (loss) before tax	**332,096**	520,332	**(721,523)**	(732,092)	**30,140**	40,972	**406,505**	566,536	**47,218**	395,748
	March 31, 2012	Dec 31, 2011	**March 31, 2012**	Dec 31, 2011	**March 31, 2012**	Dec 31, 2011	**March 31, 2012**	Dec 31, 2011	**March 31, 2012**	Dec 31, 2011
Segment assets	**6,680,693**	6,693,350	**19,081,635**	18,928,206	**876,957**	799,767	**547,108**	583,674	**27,186,393**	27,004,997

	March 31, 2012	March 31, 2011
	(Rupees in thousand)	
Reconciliation of profit :		
Total profit for reportable segments	**47,218**	395,748
Income from associates	**111,087**	125,284
Intercompany consolidation adjustment	**985**	(37,230)
Profit before tax	**159,290**	483,802

16. Cash generated from operations

	Three months ended March 31, 2012	Three months ended March 31, 2011
	(Rupees in thousand)	
Profit before taxation	**159,290**	483,802
Adjustments for:		
Depreciation on property, plant and equipment	**429,880**	390,558
Amortization on intangible assets	**2,928**	930
Depreciation on investment property	**80**	81
Provision for deferred liabilities	**23,112**	18,368
Exchange adjustments	**(17,727)**	(1,828)
Profit on disposal of property, plant and equipment	**(3,292)**	(3,166)
Finance costs	**395,446**	365,562
Investment income	**(387,970)**	(508,106)
Share of profit from associated companies	**(111,087)**	(125,284)
Profit before working capital changes	**490,660**	620,917
Effect on cash flow due to working capital changes		
(Increase) / decrease in stores and spares	**(215,663)**	11,063
Decrease / (increase) in stock in trade	**234,693**	(248,587)
Increase in trade debts	**(361,886)**	(608,001)
Increase in loans, advances, deposits, prepayments and other receivables	**(19,957)**	(119,624)
Increase / (decrease) in trade and other payables	**31,322**	(175,986)
	(331,491)	(1,141,135)
	159,169	(520,218)

17. Cash and cash equivalents

	March 31, 2012	March 31, 2011
Cash and bank balances	**202,161**	810,769
Finances under markup arrangements - secured	**(1,737,889)**	(1,289,954)
	(1,535,728)	(479,185)

18. Financial risk management

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 condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2011.

There have been no changes in the risk management policies since the year end.

19. Detail of subsidiaries

Name of the subsidiaries	Accounting year end	Percentage of holding	Country of incorporation
Packages Lanka (Private) Limited	December 31	79.07%	Sri Lanka
DIC Pakistan Limited	December 31	54.98%	Pakistan
Packages Construction (Private) Limited	December 31	99.99%	Pakistan
Bulleh Shah Paper Mill (Private) Limited	June 30	100.00%	Pakistan

20. Date of authorization for issue

This condensed consolidated interim financial information was authorized for issue on April 24, 2012 by the Board of Directors of the Parent Company.

21. Non adjusting events disclosure

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, 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 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. This transfer of assets has not been recognised in these financial statements as the same has not yet been approved by the members of the Parent Company as of the date of authorisation of this condensed interim financial information.

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 their meeting held on March 21, 2012 for approval of the members at the Annual General Meeting to be held on April 30, 2012, accordingly, dividend appropriation has not been recognised in these financial statements as dividend has not been approved by the members as of the date of authorisation of this condensed consolidated interim financial information.

22. Corresponding figures

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim balance sheet and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim profit and loss account, condensed interim statement of comprehensive income and condensed interim cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. However, no significant re-arrangements have been made.

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