# Quarterly Report

Interim Financial Information SEPTEMBER 30, 2009 (Un-audited)





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#### **COMPANY INFORMATION**

**Board of Directors** 

Towfiq Habib Chinoy

(Chairman)

Syed Hyder Ali

(Chief Executive & Managing Director)

Matti Ilmari Naakka Mujeeb Rashid Shahid Aziz Siddiqui Shamim Ahmad Khan Syed Shahid Ali

Tariq Iqbal Khan Khalid Yacob

Syed Aslam Mehdi

**Advisor** 

Syed Babar Ali

**Company Secretary** 

Adi J. Cawasji

**Executive Committee** 

Syed Hyder Ali - Chairman Mujeeb Rashid - Member Khalid Yacob - Member Syed Aslam Mehdi - Member

**Audit Committee** 

Shamim Ahmad Khan - Chairman

(Non-Executive Director)

Matti Ilmari Naakka - Member

(Non-Executive Director)

Syed Shahid Ali - Member

(Non-Executive Director)

Tariq Iqbal Khan - Member

(Non-Executive Director)

Adi J. Cawasji - Secretary

**Business Strategy Committee** 

Syed Hyder Ali - Chairman Mujeeb Rashid - Member Khalid Yacob - Member Syed Aslam Mehdi - Member

System and Technology

Committee

Mujeeb Rashid - Chairman Khalid Yacob - Member Suleman Javed - Member Rating Agency: PACRA

**Company Rating: AA** 

**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

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

Oman International Bank, S.A.O.G.

Samba Bank Limited Silk Bank Limited

(Formerly Saudi Pak Commercial Bank Limited)

Standard Chartered Bank (Pakistan) Limited The Bank of Tokyo - Mitsubishi UFJ, Limited

The Royal Bank of Scotland 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

#### **Kasur Factory**

Bulleh Shah Paper Mills (BSPM) 10-km Kasur Kot Radhakishan Road, District Kasur, Pakistan

Tel. : (0492) 717335 - 43 Fax : (0492) 717220

#### **Karachi Factory**

Plot No. 6 & 6/1, Sector 28, Korangi Industrial Area, Karachi-74900, Pakistan

Tel. : (021) 35045320, 35045310

Fax : (021) 35045330

#### 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

2nd Floor, Sitara Tower, Bilal Chowk, Civil Lines, Faisalabad - 38000, Pakistan

Tel. & Fax: (041) 2629417

#### **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

#### **Hag Brothers**

Tehsil Road, Jhelum-49600, Pakistan

Cell: 0321-5332095 : 0333-5179706

#### **Shares Registrar**

FAMCO Associates (Pvt.) Limited 1st Floor, State Life Building No. 1-A Wallace Road off, I. I. Chundrigar Road, Karachi-74000, Pakistan

#### **Web Presence**

www.packages.com.pk

## DIRECTORS' REPORT FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009



The Directors of Packages Limited take pleasure in presenting to its shareholders, the nine months report together with the un-audited financial statements of the company for the nine months ended September 30, 2009.

#### **Financial and Operational Performance**

The operational results of your company reflect a marked improvement from the previous quarters with Earnings before interest, tax and depreciation (EBITDA) from operations of Rs. 425 million as compared to Rs. 202 million of Q2-2009 and Rs. 99 million of Q1-2009. It is indicative of the management's efforts towards improving cost structure and increasing capacity utilization. Comparison of the un-audited results for the nine months ended September 30, 2009 as against September 30, 2008 is as follows:

	For the thi	rd quarter	Cumula	ative
	Jul - Sep 2009	Jul - Sep 2008	Jan - Sep 2009	Jan - Sep 2008
Financial - Rupees in million				
Invoiced sales-net	3,436	3,177	10,107	9,131
EBITDA (from operations)	425	318	726	805
Depreciation and amortisation	(341)	(228)	(958)	(652)
Finance costs	(310)	(561)	(979)	(1,261)
Investment income / capital gain	116	481	9,144	806
Other operating expenses / income (net)	65	29	95	78
Impairment loss - net	-	-	(1,758)	-
(Loss) / profit before tax	(45)	39	6,270	(224)
Profit / (loss) after tax	44	31	4,210	(214)
Earnings per share - basic - rupees	0.52	0.37	49.90	(2.53)

During the first nine months of 2009, your company has achieved an overall sales growth of 11% over the corresponding period. In Q3-2009, export sales of your company were also up by 30% over the corresponding period which is indicative of acceptance of company's products in international market. The exports for the nine months were US\$ 5.1 million. The company's vision is to have at least 30% of its total revenue base from export sales.

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

	Jul - Sep 2009	Jul - Sep 2008	Jan - Sep 2009	Jan - Sep 2008
Paper and paperboard produced-tonnes	50,394	39,915	125,846	115,082
Paper and paperboard converted-tonnes	22,558	22,918	67,476	69,965
Plastics all sorts converted-tonnes	2,568	2,428	7,621	7,380

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

#### Paper and Board Operations - Lahore and Bulleh Shah

The Paper and Board operations have registered a top line growth of 14% during the nine months of 2009 over the corresponding period. We are happy to report that the second phase of the Bulleh Shah Paper Mills expansion project comprising writing and printing paper machine (PM-7) and de-inked pulp line are now fully optimized. The 41MW power plant has become operational but has not yet achieved consistent commercial production owing to some technical issues for which the company is following up with the supplier. As soon as these are rectified the power plant shall be capitalized.

The medium term business strategy of the company in this segment is top line growth coupled with aggressive capacity utilization to take maximum advantage of the economies of large scale production.

#### **Packaging Operations**

Packaging operations have achieved sales growth of 11% during the nine months of 2009 over the corresponding period. The new extrusion machine in flexible packaging operations installed during 2009 with production capacity of 5,000 tonnes per annum has commenced commercial operations from October 2009.

#### **Consumer Products**

Consumer Products Division has registered a sales growth of 45% during the nine months of 2009 over the corresponding period of last year. Sales growth is primarily attributable to aggressive selling both in the local and export market enabled by capacity expansion through installation of new tissue paper manufacturing machine PM-9 in September 2008.

#### **Future Outlook**

The company believes that the underlying economic trends remain quite promising for its business. We remain confident that economic prospects will improve in the future and the company shall continue to improve its performance.

#### **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)

Chairman

Karachi, October 24, 2009

(Syed Hyder Ali)

Chief Executive & Managing Director

Karachi, October 24, 2009

### PACKAGES LIMITED CONDENSED INTERIM BALANCE SHEET (UN-AUDITED) as at September 30, 2009

	Note	Un-audited September 30, 2009 (Rupees i	Audited December 31, 2008 n thousand)
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital 150,000,000 (2008: 150,000,000) ordinary shares of Rs. 10 each		1,500,000	1,500,000
22,000,000 (2008: Nil) 10 % non-voting cumulative preference shares / convertible stock of Rs. 190 each		4,180,000	-
Issued, subscribed and paid up capital 84,379,504 (2008: 84,379,504) ordinary shares of Rs. 10 each Preference shares / convertible stock Reserves Unappropriated profit / (loss)	5	843,795 1,605,875 16,931,308 4,014,475	843,795 - 15,624,602 (195,825)
NON-CURRENT LIABILITIES		23,395,453	16,272,572
Long-term finances Deferred liabilities	5	7,970,577 2,870,147	12,304,400 840,788
		10,840,724	13,145,188
CURRENT LIABILITIES			
Current portion of long-term finances Finances under mark up arrangements - secured Trade and other payables	5	321,927 1,844,315	550,000 2,587,819 1,461,904
		2,166,242	4,599,723
Liabilities directly associated with non-current assets classified as held-for-sale - advance against sale of share:	8	-	1,017,150
		2,166,242	5,616,873
CONTINGENCIES AND COMMITMENTS	6	-	-
		36,402,419	35,034,633

	Note	Un-audited September 30, 2009	Audited December 31, 2008 1 <b>thousand)</b>
ASSETS	Noto	(Hapooo H	i inouounu)
NON-CURRENT ASSETS			
Property, plant and equipment Intangible assets Investment property Capital work-in-progress Investments Long-term loans and deposits	7 8	17,197,715 163 55,220 2,340,012 7,885,201 156,315	11,285,293 241 25,294 8,155,239 8,362,485 155,102
Retirement benefits		151,473	127,518
		27,786,099	28,111,172
CURRENT ASSETS			
Stores and spares Stock-in-trade Trade debts Loans, advances, deposits, prepayments		880,878 4,332,255 1,615,842	841,487 3,652,261 1,523,049
and other receivables Cash and bank balances		953,212 834,133	692,076 199,188
		8,616,320	6,908,061
Non-current assets classified as held-for-sale - investment in related party		-	15,400
		8,616,320	6,923,461
		36 402 410	35 034 632
		36,402,419	35,034,633

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

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

## PACKAGES LIMITED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

for the quarter and nine months ended September 30, 2009

		Quarte	r ended	Nine mon	ths ended
		September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
	Note	(Rup	ees in	thou	sand)
Local sales Export sales		3,855,781 189,409	3,608,206 145,466	11,507,037 420,149	10,197,694 459,276
		4,045,190	3,753,672	11,927,186	10,656,970
Less: Sales tax and excise duty Commission		604,258 5,087	571,804 4,668	1,803,718 16,893	1,511,063 15,065
		609,345	576,472	1,820,611	1,526,128
		3,435,845	3,177,200	10,106,575	9,130,842
Cost of sales	9	(3,141,795)	(2,901,026)	(9,694,696)	(8,372,974)
Gross profit		294,050	276,174	411,879	757,868
Administrative expenses Distribution and marketing costs Other operating expenses Other operating income	10	(102,571) (107,223) 898 63,953	(97,268) (88,974) (188) 28,880	(339,332) (304,315) (1,923,723) 261,438	(335,622) (269,539) (249) 78,337
Profit / (loss) from operations Finance costs Investment income	11	149,107 (309,920) 115,832	118,624 (560,955) 481,321	(1,894,053) (978,992) 9,143,345	230,795 (1,260,642) 806,036
(Loss) / profit before taxation Taxation		(44,981) 89,000	38,990 (8,000)	6,270,300 (2,060,000)	(223,811)
Profit / (loss) after taxation		44,019	30,990	4,210,300	(213,811)
Earnings / (loss) per share - basic - Rupee	S	0.52	0.37	49.90	(2.53)
Earnings / (loss) per share - diluted - Rupe	es	0.52	0.37	48.01	(2.53)

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

Towfiq Habib Chinoy Chairman Syed<sup>1</sup>Hyder Ali Chief Executive & Managing Director

## PACKAGES LIMITED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

for the quarter and nine months ended September 30, 2009

	Quarter ended									Nine months ended							
	September 30, 2009			Sep		nber 108	30,	Sep	30,	, September 3 2008			,				
	(	R	u	p	е	е	S	i	n	t	h	0	u	S	a	n	d )
Profit / (loss) after taxation	44,019					3	0,9	90	90 <b>4,210,300</b>					(213,811)			
Other comprehensive income																	
Surplus / (deficit) on remeasurement of available for sale financial assets		3	94,	,08	2	(1	,05	8,2	82)	(	487	7,28	34)	(1	,64	12,1	61)
Impairment loss transferred to profit and loss account					-				-	1,	793	3,99	90				-
Other comprehensive income / (loss) for the period - net of tax		3	94,	,08	2	(1	,05	8,2	82)	1,	306	6,70	06	(1	,64	12,1	61)
Total comprehensive income / (loss) for the period	_	4	38,	10	1	(1	,02	7,2	92)	5,	517	7,00	06	(1	,85	55,9	972)

The annexed notes 1 to 16 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

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## PACKAGES LIMITED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

for the nine months ended September 30, 2009

		Nine mor	iths ended
		September 30, 2009	September 30, 2008
	Note	(Rupees i	n thousand)
Cash flow from operating activities			
Cash generated from / (used in) operations Finance costs paid Taxes paid Payments for accumulating compensated absences Retirement benefits paid	12	341,115 (1,157,629) (206,281) (6,757) (22,109)	(955,967) (900,031) (154,679) (10,990) (15,841)
Net cash used in operating activities		(1,051,661)	(2,037,508)
Cash flow from investing activities			
Fixed capital expenditure Advance against sale of non-current assets classified as held-for-sale Net (increase) / decrease in long-term loans and deposits Proceeds from sale of property, plant and equipment Dividends received Investment Disposal of non-current assets classified as held-for-sale		(918,896) - (1,213) 18,960 276,595 (10,000) 7,865,000	(2,212,202) 1,017,150 72,298 16,862 784,084
Net cash generated from / (used in) investing activities		7,230,446	(321,808)
Cash flow from financing activities		7,200,110	(021,000)
Repayment of long-term finances - secured Issuance of preference shares / convertible stock - net Proceeds under Ijarah finance		(7,354,400) 4,076,452 -	1,061,208
Net cash (used in) / generated from financing activities		(3,277,948)	1,061,208
Net increase / (decrease) in cash and cash equivalents Cash and cash equivalents at the beginning of the period		2,900,837 (2,388,631)	(1,298,108) (299,997)
Cash and cash equivalents at the end of the period	13	512,206	(1,598,105)

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

Towfiq Habib Chinoy Chairman Syed<sup>1</sup>Hyder Ali Chief Executive & Managing Director

## PACKAGES LIMITED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

for the nine months ended September 30, 2009

	Share capital	8	shai	rend res / ertibl	,	Share premium																																																												Fair valu	e		Gene rese		-	Inapp priato	ed		Total																			
	( R	l	u	p	е	е	S	i	n	t	h	0	u	S	a	n	d	)																																																																												
Balance as on December 31, 2007 (audited)	733,735				-	2,98	6,953		789,75	1	9,	333,	536	4,	326,7	97	18,1	70,772																																																																												
11,006,022 ordinary shares of Rs. 10 each issued as fully paid bonus shares	110,060				-	(11	0,060)			-			-			-		-																																																																												
Transferred from profit and loss account	-				-		-			-	4,	326,	797	(4,	326,7	97)		-																																																																												
Total comprehensive loss for the period	-				-	-		-		(1	1,642,16	1)			-	(	213,8	311)	(1,8	355,972)																																																																										
Balance as on September 30, 2008 (un-audited)	843,795				-	2,87	6,893		(852,41	0)	13,	660,	333	(	213,8	311)	16,3	314,800																																																																												
Total comprehensive (loss) / income for the period	-				-		-		(60,21	4)			-		17,9	986		(42,228)																																																																												
Balance as on December 31, 2008 (audited)	843,795	-		-		-		-		-		-		-		-		-		-		-		-		-		-		-		-				-		-		-		-		-		-		-				-		-		-						-		-		-		-		-		-		-		-		-		-		2,876,893			(912,62	4)	13,	660,	333	(	195,8	325)	16,2	272,572
Equity component of preference shares / convertible stock as referred to in note 5 (net of transaction costs)	-	1	,60	5,87	'5		-			-			-			-	1,6	605,875																																																																												
Total comprehensive income for the period	-				-		-	1	1,306,70	6			-	4,	210,3	300	5,5	17,006																																																																												
Balance as on September 30, 2009 (un-audited)	843,795	1	,60	5,87	'5	2,87	6,893	_	394,08	2	13,	660,	333	4,	014,4	175	23,3	195,453																																																																												

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

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

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

for the quarter and nine months ended September 30, 2009

#### 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 manufacture and sale of paper, paperboard, packaging materials and tissue products.

#### 2. Basis of preparation

This condensed interim financial information is un-audited and has been preparad and is being submitted to the members as required by section 245 of the Companies Ordinance, 1984 and the listing regulations of Karachi, Lahore and Islamabad Stock Exchanges. This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - 'Interim Financial Reporting'. 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, 2008.

#### 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, 2008, except for compound financial instruments issued by the company comprising 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.

- **3.2** The following amendments to standards are mandatory for the first time for the financial year beginning January 01, 2009.
  - IAS 1 (Revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in performance statement. Companies can choose whether to present one performance statement (the statement of comprehensive income) or two statements (profit and loss account and statement of comprehensive income).

The company has preferred to present two statements; a profit and loss account and a statement of comprehensive income. The interim financial information has been prepared under revised disclosure requirements.

- IFRS 7 'Financial Instruments: Disclosures' is effective from January 01, 2009. It requires disclosures about the significance of financial instruments for the company's financial position and performance, as well as quantitative and qualitative disclosure on the nature and extent to risks, however, it will not have any impact on the classification and valuation of the company's financial instruments. The company will consider the requirements of IFRS 7 in the annual financial statements.
- In addition to above, following new standards and amendments to standards are mandatory for the first time for the financial year beginning January 01, 2009 and are also relevant to the company. However, the adoption of these new standards and amendments to standards did not have any significant impact on the financial information of the company:
  - IFRS 8 Operating segments
  - IAS 23 (Amendment) Borrowing costs
  - IAS 27 (Revised) Consolidated and separate financial statements
  - IAS 28 (Amendment) Investment in associates
  - IAS 36 (Amendment) Impairment of assets
  - IAS 39 (Amendment) Financial Instruments: Recognition and measurement
- 4. The provision for taxation for the nine months ended September 30, 2009 has been made on an estimated basis.

#### 5. Long-term finances

Long term midnes		Un-audited September 30, 2009	Audited December 31, 2008
	Note	(Rupees i	n thousand)
Opening balance Local currency loans - secured Foreign currency loan - secured		10,500,000 2,354,400	10,500,000 2,354,400
		12,854,400	12,854,400
Add: Loans obtained during the period Preference shares / convertible stock - unsecured	5.1	2,470,577	-
		15,324,977	12,854,400
Less: Loans prepaid during the period		10,024,077	12,001,100
Local currency loans - secured Foreign currency loan - secured	5.2 5.3	5,000,000 2,354,400	
		7,354,400	-
Less: Current portion shown under current liabilities			
Local currency loans - secured		-	550,000
Closing balance		7,970,577	12,304,400

#### 5.1 Preference shares / convertible stock - unsecured

During the current period, company has issued 10% local currency 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 a "Subscription Agreement" dated March 25, 2009 with International Finance Corporation (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. 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 dividend / return

The preference shareholders have a preferred right of dividend / return @ 10% per annum on a cumulative basis till December 31, 2013 and thereafter, these will 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:

		Un-audited September 30, 2009	Audited December 31, 2008
	Note	(Rupees in	thousand)
Face value of preference shares / convertible stock issued in July 2009 Less: Transaction costs		4,120,500 (44,048) 	
Liability component classified under long-term finances	5.1.1	2,470,577	-
Equity component classified under capital and reserves	3	1,605,875	-
Accrued preference dividend / return - classified under trade and other payables		88,133	

- **5.1.1** 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.
- 5.2 The company has partially prepaid long-term local currency loans under Waiver and Prepayment Agreement on March 06, 2009 with Citi Bank and a consortium of commercial banks led by MCB Bank Limited. As a result of such prepayment, local currency loan from Citi bank has been reduced to Rs. 314.286 million repayable in 4 unequal semi annual installments commencing December 06, 2011 and local currency consortium loan has been reduced to Rs. 5,185.714 million repayable in 11 unequal semi annual installments commencing June 06, 2012.

**5.3** The company has fully prepaid foreign currency loan taken from International Finance Corporation (IFC) amounting USD 30 million equivalent to Rs. 2,354.4 million out of the subscription proceeds of preference share / convertible stock issued during the period as referred to in note 5.1.

#### 6. Contingencies and commitments

#### **6.1 Contingencies**

- (i) Claims against the company not acknowledged as debts Rs. 14.990 million (December 31, 2008: Rs. 14.193 million).
- (ii) Against a sales tax refund aggregating Rs. 12.827 million determined by the Sales Tax Officer (STO) on the basis of the orders of the Appellate Assistant Commissioner (AAC) for the assessment years 1977-78 through 1980-81 and recognised in the accounts in 1985, the STO filed an appeal in 1986 with the Income Tax Appellate Tribunal (ITAT) against the Orders of the AAC for these years. The orders of the AAC were based on a decision already given by the ITAT on the company's appeal for application of a lower rate of sales tax on self consumed material for earlier years. Pending the outcome of the appeal filed by STO no adjustment has been made for the refunds recognised in the accounts as the management is of the view that the appeal of the STO will not be upheld by the ITAT.

#### 6.2 Commitments in respect of

- (i) Letters of credit and contracts for capital expenditure Rs. 19.112 million (December 31, 2008: Rs. 265.907 million).
- (ii) Letters of credit and contracts other than for capital expenditure Rs. 606.359 million (December 31, 2008: Rs. 280.896 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 September 30, 2009	Audited December 31, 2008
		Note	(Rupees in	ı thousand)
Lat	t later than one year ter than one year and not later than five years ter than five years		177,808 1,187,600 189,266	164,150 1,220,468 386,326
			1,554,674	1,770,944
7. Propert	ty, plant and equipment			
Openin	g book value		11,285,293	10,361,253
Add:	Additions during the period	7.1	6,902,423	1,816,964
1	Disposals during the period (at book value) Transferred to investment property ( at book value Depreciation charged during the period	)	9,601 23,751 956,649	8,074 619 884,231
			990,001	892,924
Closing	book value		17,197,715	11,285,293

7.1	Following is the detail of additions duri	ng the period		Un-audited September 30, 2009	Audited December 31, 2008
				(Rupees i	n thousand)
	Freehold land Buildings on freehold land Plant and machinery Other equipment Furniture and fixtures Vehicles		-	4,693 1,204,669 5,622,476 31,507 3,696 35,382 6,902,423	11,517 522,431 1,207,607 33,170 446 41,793 1,816,964
8.	Capital work-in-progress		-	0,302,423	1,010,304
0.	Civil works Plant and machinery Others Expansion project :			24,777 272,460 372	14,279 16,551 27
	<ul><li>Civil works</li><li>Plant and machinery [including in trans</li></ul>	it Rs. Nil		47,514	742,994
	(2008: Rs. 2.400 million)] - Advances - Unallocated expenditure			1,601,645 - 393,244	5,767,935 5,534 1,607,919
	·			2,042,403	8,124,382
			_	2,340,012	8,155,239
9.	Cost of sales	Quarte	er ended	Nine mo	onths ended
					0, September 30, 2008
	Opening work-in-process Materials consumed Salaries, wages and amenities Fuel and power Production supplies Excise duty and sales tax Rent, rates and taxes Insurance Repairs and maintenance Packing expenses Depreciation on property, plant and equipment Amortisation on intangible assets Technical fee and royalty	(Rup 153,026 2,241,562 224,773 541,209 104,970 240 40,430 21,849 106,944 25,942 334,471 4 2,408	e e s i 176,242 2,004,357 183,678 437,704 69,050 187 31,549 14,844 103,060 18,669 221,372 61 1,832	6,256,633 633,746 1,474,749 283,143 628 120,873 59,904 312,299 74,074 938,456	s a n d ) 117,400 5,474,965 534,379 1,256,385 216,155 432 32,685 41,954 293,672 46,576 631,142 181 4,277
	Other expenses  Less: Closing work-in-process	50,250 3,848,078 154,956	48,524 3,311,129 164,514	144,307 10,511,407	131,324
	Cost of goods produced Add: Opening stock of finished goods	3,693,122 1,423,778	3,146,615 625,600		8,617,013 627,150
	Cost of goods available for sale Less: Closing stock of finished goods	5,116,900 1,975,105	3,772,215 871,189		9,244,163 871,189
		0 4 44 705	0.004.000	0.004.000	0.070.074

**3,141,795** 2,901,026 **9,694,696** 8,372,974

#### 10. Other operating expenses

Included in other operating expenses is an amount of Rs. 1,793.991 million representing decline in value of shares of Nestle Pakistan Limited classified as available for sale financial asset which is considered other than temporary and accordingly charged to profit and loss account.

#### 11. Investment income

Included in investment income is an amount of Rs. 8,866.750 million representing gain on disposal of investment in Tetra Pak Pakistan Limited (TPPL). Company has disposed off its entire shareholding in TPPL i.e. 30,800,000 shares representing 44% of paid up capital of TPPL under an agreement dated January 03, 2009 with Tetra Laval Holding and Finances S.A (TLH) against consideration of USD 115 million.

12. Cash generated from / (used in) operations	Nine mon	ths ended
	2009	September 30, 2008 thousand)
Profit / (loss) before tax Adjustments for:	6,270,300	(223,811)
<ul> <li>Depreciation on property, plant and equipment</li> <li>Amortisation on intangible assets</li> <li>Depreciation on investment property</li> <li>Impairment loss recognised on available for sale financial assets</li> <li>Provision for accumulating compensated absences</li> <li>Gain on disposal of non-current assets classified as held-for-sale</li> <li>Retirement benefits - net</li> <li>Net profit on disposal of property, plant and equipment</li> <li>Finance costs</li> <li>Dividend income</li> </ul>	36,116	650,706 379 1,034 - 29,082 - 5,941 (11,808) 1,260,642 (806,036)
Profit before working capital changes	883,211	906,129
Effect on cash flow due to working capital changes		
<ul> <li>Increase in stores and spares</li> <li>Increase in stock-in-trade</li> <li>Increase in trade debts</li> <li>Increase in loans, advances, deposits, prepayments</li> </ul>	(39,391) (679,994) (92,793)	(238,351) (1,388,849) (311,148)
and other receivables - Increase in trade and other payables	(114,854) 384,936	(159,776) 236,028
•	(542,096)	(1,862,096)
	341,115	(955,967)
13. Cash and cash equivalents		
Cash and bank balances Finances under mark up arrangement - secured	834,133 (321,927)	217,184 (1,815,289)
	512,206	(1,598,105)

#### 14. Transactions with related parties

Transactions with related pa	ırties	Nine mon	ths ended
		September 30, 2009	2008
		(Rupees in	thousand)
Relationship with the company	Nature of transactions		
i. Subsidiaries			
	Purchase of goods and services Sale of goods and services Sale of property, plant and equipment	436,272 12,710 280	385,974 12,186
	Management and technical fee received Dividend income	17,470	10,593 72,611
	Rental income	8,029	6,125
ii. Associated undertakings			
	Purchase of goods and services Sale of goods and services Insurance premium Dividend income Rental income Insurance claims Other expenses	206,356 21,578 84,633 75,886 - 4,560	265,578 1,369,479 44,585 669,564 19,885 73,181 100
iii. Other related parties			
	Purchase of goods and services Sale of goods and services Rental expense Rental income Dividend income Mark up expense	49,735 2,180,735 1,716 23,725 200,709 54	125,927 882,849 1,560 - 63,862 1,189
iv. Post employment benefit plans			
	Expenses charged in respect of retirement benefit plans Mark up income on temporary loans	78,303 -	40,006 1,569
v. Key management personnel			
	Salaries and other employee benefits	39,132	38,068

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

Period-end balances	Un-audited September 30, 2009 (Rupees in	Audited December 31, 2008 thousand)
Receivable from related parties Payable to related parties	370,311 69,041	328,807 68,398

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

#### 15. Date of authorisation for issue

This condensed interim financial information was authorised for issue on October 24, 2009 by the Board of Directors of the company.

#### 16. 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

# **Packages Group Condensed Consolidated Interim Financial Information**

# DIRECTORS' REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009

بيئ \_\_\_\_لله النجيز التجيير

The Directors of Packages Limited are pleased to present the un-audited consolidated financial statements of the group for the nine months ended September 30, 2009.

#### **Group results**

The comparison of the un-audited results for the nine months ended September 30, 2009 as against September 30, 2008 is as follows:

	Jan - Sep 2009	Jan - Sep 2008		
	(Rupees in million)			
Invoiced sales-net	11,453	10,395		
Profit from operations	146	469		
Share of profit of associates	140	973		
Profit before tax	6,442	175		

During the current period, the group's sales increased by 10% over the corresponding period of 2008. However, profit from operations has declined due to increase in depreciation and finance costs as a result of capitalisation of expansion project namely "Bulleh Shah Paper Mills" of the Parent company. These incremental costs are expected to be absorbed through increased capacity utilisation going forward.

#### **DIC PAKISTAN LIMITED**

DIC Pakistan Limited has shown sales growth of 8 % during the nine months of year 2009 over the corresponding period of last year. Increase in raw material consumption and finance costs due to expansion in business operations has affected the margins of the company during the nine months of 2009, however, management is confident of maintaining margins through price revisions and reduction in operating costs in the coming months. During the current period, the company has successfully implemented SAP Enterprise Resource Planning System (ERP) that will help in integrating and streamlining its processes.

#### **PACKAGES LANKA (PRIVATE) LIMITED**

Packages Lanka (Private) Limited has shown a sales growth of 10% during the nine months of 2009 over the corresponding period of 2008. The company has fully capitalised on opportunities arising from reduction in raw material prices in the international market during the period and has managed to improve its gross margins to 17% in the first nine months of 2009 as compared to 14.3% of the corresponding period of 2008 by maintaining the selling prices and efficient working capital management.

The share of profit of associates declined during the nine months of year 2009 by Rs. 833 million over the corresponding period of last year primarily due to disposal of Parent company's entire shareholding in associated company namely Tetra Pak Pakistan Limited.

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

(Towfiq Habib Chinoy)

Chairman

Karachi, October 24, 2009

(Syed Hyder Ali)

Chief Executive & Managing Director

Karachi, October 24, 2009

## **CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (UN-AUDITED)** as at September 30, 2009

	Note	Un-audited September 30, 2009 (Rupees ii	Audited December 31, 2008 n thousand)
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital 150,000,000 (2008: 150,000,000) ordinary shares of Rs. 10 each		1,500,000	1,500,000
22,000,000 (2008: Nil) 10% non-voting cumulative preference shares / convertible stock of Rs. 190 each		4,180,000	
Issued, subscribed and paid up capital 84,379,504 (2008: 84,379,504) ordinary shares of Rs. 10 each		843,795	843,795
Preference shares / convertible stock Reserves Unappropriated profit / (loss)	5	1,605,875 16,937,551 4,185,938	15,622,089 (61,652)
		23,573,159	16,404,232
NON-CONTROLLING INTEREST		176,470	130,412
		23,749,629	16,534,644
NON-CURRENT LIABILITIES			
Long-term finances Liabilities against assets subject to finance lease Deferred liabilities	5	7,970,577 11,245 3,038,172	12,304,400 18,465 1,006,540
		11,019,994	13,329,405
CURRENT LIABILITIES			
Current portion of long-term finances Current portion of liabilities against assets	5	-	550,000
subject to finance lease Finances under mark up arrangements - secured Trade and other payables Provision for taxation		10,667 752,065 1,947,858	8,718 3,259,035 1,588,447 6,824
		2,710,590	5,413,024
Liabilities directly associated with non-current assets classified as held-for-sale - advance against sale of shares			1,017,150
		2,710,590	6,430,174
CONTINGENCIES AND COMMITMENTS	6	37,480,213	36,294,223

ASSETS	Note	Un-audited September 30, 2009 (Rupees in	Audited December 31, 2008 I <b>thousand)</b>
NON-CURRENT ASSETS			
Property, plant and equipment Intangible assets Investment property Assets subject to finance lease Capital work-in-progress Investments Long-term loans and deposits Retirement benefits	7 8 9	17,535,319 163 28,404 29,695 2,368,452 7,792,810 156,918 151,473 28,063,234	11,600,184 241 6,788 30,454 8,165,283 8,255,412 155,707 127,518 28,341,587
CURRENT ASSETS			
Stores and spares Stock-in-trade Trade debts Loans, advances, deposits, prepayments and other receivables Cash and bank balances		905,743 4,804,373 1,862,503 986,798 857,562	862,048 4,288,551 1,790,189 721,079 215,648
		9,416,979	7,877,515
Non-current assets classified as held-for-sale - investment in related party		9,416,979	75,121

**37,480,213** 36,294,223

The annexed notes 1 to 18 form an integral part of this condensed consolidated interim financial information.

Towfiq Habib Chinoy Chairman

Syed Hyder Ali Chief Executive & Managing Director 

#### **CONDENSED CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)**

for the quarter and nine months ended September 30, 2009

		Quarte	r ended	Nine months ended							
		September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008						
	Note	(Rupe	es in	thou	s a n d )						
Local sales Export sales		4,346,338 194,210	4,084,053 161,652	12,962,786 437,809	11,540,775 494,880						
		4,540,548	4,245,705	13,400,595	12,035,655						
Less: Sales tax and excise duty Commission		642,172 5,087	581,907 6,665	1,930,016 17,828	1,623,755 17,396						
		647,259	588,572	1,947,844	1,641,151						
		3,893,289	3,657,133	11,452,751	10,394,504						
Cost of sales	10	(3,467,746)	(3,256,581)	(10,694,526)	(9,297,656)						
Gross profit		425,543	400,552	758,225	1,096,848						
Administrative expenses		(120,890)	(115,202)	(393,082)	(383,638)						
Distribution and marketing costs	44	(117,880)	(99,399)	(336,434)	(298,034)						
Other operating expenses Other operating income	11	(2,166) 59,476	(3,130) 23,973	(1,932,039) 255,282	(10,422) 64,390						
Profit / (loss) from operations Finance costs Investment income	12	244,083 (333,666) 109,478	206,794 (592,475) 27,369	(1,648,048) (1,058,261) 9,007,738	469,144 (1,330,726) 63,861						
Share of profit of associates		39,150	223,668	140,297	973,059						
Profit / (loss) before taxation Taxation		59,045 95,162	(134,644) (80,946)	6,441,726 (2,150,395)	175,338 (391,707)						
Profit / (loss) after taxation		154,207	(215,590)	4,291,331	(216,369)						
Non-controlling interest		(18,141)	(17,543)	(43,741)	(49,220)						
Equity holders of the parent Combined earnings / (loss) per share		136,066	(233,133)	4,247,590	(265,589)						
- basic - Rupees Combined earnings / (loss) per share		1.61	(2.76)	50.34	(3.15)						
- diluted - Rupees		1.61	(2.76)	48.43	(3.15)						

The annexed notes 1 to 18 form an integral part of this condensed consolidated interim financial information.

Towfiq Habib Chinoy Chairman Syed<sup>1</sup>Hyder Ali Chief Executive & Managing Director

#### CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

for the quarter and nine months ended September 30, 2009

	Quarter ended					Nine months ended										
	September 30, 2009			September 30, 2008				September 30 2009				, September 30, 2008				
	(	R	u	p	е	е	S	i	n	t	h	0	u	S	a n	d )
Profit / (loss) after taxation		1	154	,20 <sup>°</sup>	7		(21	5,59	0)	4,	<b>29</b> 1	1,33	<b>31</b>		(216	,369)
Other comprehensive income																
Exchange differences on translating foreign operations			6	,99	7		31	0,83	6		11	1,07	<b>'3</b>		51	,843
Surplus / (deficit) on remeasurement of available for sale financial assets		3	394	,08	2	(1	1,058	3,28	2)	(4	487	7,28	5)	(1	,642	,162)
Impairment loss transferred to profit and loss account					-				-	1,	793	3,99	)1			-
Other comprehensive income / (loss) for the period - net of tax		4	101	,07	9	(1	1,02	7,44	6)	1,	317	7,77	79	(1	,590	,319)
Total comprehensive income / (loss) for the period		Ę	555	,28	6	(1	1,243	3,03	6)	5,	609	9,11	0	(1	,806	,688)
Non-controlling interest			(19	,60	5)		(23	3,99	7)		(46	6,05	8)		(60	,071)
Equity holders of the parent		Ę	535	,68 <sup>-</sup>	1	(1	1,26	7,03	3)	5,	563	3,05	52	(1	,866	,759)

The annexed notes 1 to 18 form an integral part of this condensed consolidated interim financial information.

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

#### **CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT (UN-AUDITED)**

for the nine months ended September 30, 2009

		Nine months ended			
		September 30, 2009	September 30, 2008		
	Note	(Rupees in	thousand)		
Cash flow from operating activities					
Cash generated from / (used in) operations Finance costs paid Taxes paid Payments for accumulating compensated absences Retirement benefits paid	13	826,358 (1,249,363) (267,951) (10,005) (22,109)	(949,672) (961,283) (198,499) (11,117) (15,841)		
Net cash used in operating activities		(723,070)	(2,136,412)		
Cash flow from investing activities					
Fixed capital expenditure		(995,831)	(2,357,951)		
Advance against sale of non-current assets classified as held-for-sale  Net (increase) / decrease in long-term loans and deposits Proceeds from sale of property, plant and equipment Dividends received Investment  Disposal of non-current assets classified as held-for-sale		(1,211) 20,620 276,595 (10,000) 7,865,000	1,017,150 72,273 18,559 733,425 -		
Net cash generated from / (used in) investing activities		7,155,173	(516,544)		
Cash flow from financing activities					
Repayment of long-term finances - secured Issuance of preference shares / convertible stock - net Proceeds under Ijarah finance Proceeds under finance lease Repayment of finance lease liabilities Dividend paid to non-controlling interest - holders		(7,354,400) 4,076,452 - - (5,271)	(6,360) - 1,061,208 31,762 (1,375) (59,454)		
Net cash (used in) / generated from financing activities		(3,283,219)	1,025,781		
Net increase / (decrease) in cash and cash equivalents Cash and cash equivalents at the beginning of the period		3,148,884 (3,043,387)	(1,627,175) (573,733)		
Cash and cash equivalents at the end of the period	14	105,497	(2,200,908)		

The annexed notes 1 to 18 form an integral part of this condensed consolidated interim financial information.

Towfiq Habib Chinoy Chairman Syed<sup>1</sup>Hyder Ali Chief Executive & Managing Director 

#### CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

for the nine months ended September 30, 2009

	Share capital	Preference shares / convertible stock			Fair Value General reserve p		Exchange difference			Total
	( R	u p	e e	S	i n	t	h o	u s	a n	d )
Balance as on December 31, 2007 (audited)	733,735	-	2,986,953	789,751	9,333,536	4,830,239	(32,249)	18,641,965	129,365	18,771,330
Final dividend for the year ended December 31, 2007 Rs. 15 per share	-	-	-	-	-	-	-	-	(41,479)	(41,479)
Interim dividend for the seven months ended July 31, 2008 Rs. 6.50 per share	-	-	-	-	-	-	-	-	(17,975)	(17,975)
Issue of 11,006,022 ordinary shares of Rs. 10 each as fully paid bonus shares	110,060	-	(110,060)	-	-	-	-	-	-	
Transferred from profit and loss account	-	-	-	-	4,326,797	(4,326,797)	-	-	-	
Total comprehensive (loss) / income for the period			-	(1,642,162)	-	(265,589)	40,992	(1,866,759)	60,071	(1,806,688)
Balance as on September 30, 2008 (un-audited)	843,795	-	2,876,893	(852,411)	13,660,333	237,853	8,743	16,775,206	129,982	16,905,188
Total comprehensive (loss) / income for the period	-	-	-	(60,213)	-	(299,505)	(11,256)	(370,974)	430	(370,544)
Balance as on December 31, 2008 (audited)	843,795	-	2,876,893	(912,624)	13,660,333	(61,652)	(2,513)	16,404,232	130,412	16,534,644
Equity component of preference shares / convertible stock as referred to in note 5 (net of transaction costs)	-	1,605,875	-	-	-	-	-	1,605,875	-	1,605,875
Total comprehensive income for the period	-	-	-	1,306,706	-	4,247,590	8,756	5,563,052	46,058	5,609,110
Balance as on September 30, 2009 (un-audited)	843,795	1,605,875	2,876,893	394,082	13,660,333	4,185,938	6,243	23,573,159	176,470	23,749,629

The annexed notes 1 to 18 form an integral part of this condensed consolidated interim financial information.

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

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

for the quarter and nine months ended September 30, 2009

- 1. This condensed interim financial information is un-audited and has been prepared and is being submitted to the members in accordance with section 245 of the Companies Ordinance, 1984 and the listing regulations of Karachi. Lahore and Islamabad Stock Exchanges.
- 2. 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, 2008.

#### 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 group for the year ended December 31, 2008, except for compound financial instruments issued by the parent company comprising 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.

- **3.2** The following amendments to standards are mandatory for the first time for the financial year beginning January 01, 2009.
  - IAS 1 (Revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in performance statement. Companies can choose whether to present one performance statement (the statement of comprehensive income) or two statements (profit and loss account and statement of comprehensive income).

The group has preferred to present two statements; a profit and loss account and a statement of comprehensive income. The interim financial information has been prepared under revised disclosure requirements.

- IFRS 7 'Financial Instruments: Disclosures' is effective from January 01, 2009. It requires disclosures about the significance of financial instruments for the group's financial position and performance, as well as quantitative and qualitative disclosure on the nature and extent to risks, however, it will not have any impact on the classification and valuation of the group's financial instruments. The group will consider the requirements of IFRS 7 in the annual financial statements.

- In addition to above, following new standards and amendments to standards are mandatory for the first time for the financial year beginning January 01, 2009 and are also relevant to the group. However, the adoption of these new standards and amendments to standards did not have any significant impact on the financial information of the group:
  - IFRS 8 Operating segments
  - IAS 23 (Amendment) Borrowing costs
  - IAS 27 (Revised) Consolidated and separate financial statements
  - IAS 28 (Amendment) Investment in associates
  - IAS 36 (Amendment) Impairment of assets
  - IAS 39 (Amendment) Financial Instruments: Recognition and measurement
- **4.** The provision for taxation of the parent company for the nine months ended September 30, 2009 has been made on an estimated basis.

#### 5. Long-term finances

		Un-audited September 30, 2009	Audited December 31, 2008
	Note	(Rupees ii	n thousand)
Opening balance			
Local currency loans - secured Foreign currency loan - secured		10,500,000 2,354,400	10,500,000 2,354,400
roleigh cultericy loan - Secured		2,334,400	2,334,400
		12,854,400	12,854,400
Add: Loans obtained during the period  Preference shares / convertible			
stock - unsecured	5.1	2,470,577	-
Less: Loans prepaid during the period			
Local currency loans - secured	5.2	5,000,000	-
Foreign currency loan - secured	5.3	2,354,400	-
		7,354,400	-
Less: Current portion shown under current liabilities			
Local currency loans - secured		-	550,000
Closing balance		7,970,577	12,304,400

#### 5.1 Preference shares / convertible stock - unsecured

During the current period, parent company has issued 10% local currency 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 a "Subscription Agreement" dated March 25, 2009 with International Finance Corporation (IFC).

#### Terms of redemption / conversion

Each holder of preference shares / convertible stock shall have a right to settle at any time, either in the form of fixed number of ordinary shares, one ordinary share for one preference share / convertible stock, or cash. 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. The preference shares / convertible stock can be held till perpetuity if preference shareholders do not opt for the conversion or cash settlement.

#### Rate of dividend / return

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

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

		Un-audited September 30, 2009	Audited December 31, 2008
	Note	(Rupees ir	thousand)
Face value of preference shares / convertible stock issued in July 2009 Less: Transaction costs		4,120,500 (44,048)	- -
Liability component classified under long-term finances Equity component classified under equity and reserve	5.1.1	4,076,452 2,470,577 1,605,875	- - -
Accrued preference dividend / return - classified under trade and other payables		88,133	

- **5.1.1** 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.
- 5.2 Parent company has partially prepaid long-term local currency loans under Waiver and Prepayment Agreement on March 06, 2009 with Citi Bank and a consortium of commercial banks led by MCB Bank Limited. As a result of such prepayment, local currency loan from Citi bank has been reduced to Rs. 314.286 million repayable in 4 unequal semi annual installments commencing December 06, 2011 and local currency consortium loan has been reduced to Rs. 5,185.714 million repayable in 11 unequal semi annual installments commencing June 06, 2012.
- 5.3 The parent company has fully prepaid foreign currency loan taken from International Finance Corporation (IFC) amounting USD 30 million equivalent to Rs. 2,354.4 million out of the subscription proceeds of preference shares / convertible stock issued during the period as referred to in note 5.1.

#### 6. Contingencies and commitments

#### **6.1 Contingencies**

- Claims against the group not acknowledged as debts Rs. 14.990 million (December 31, 2008: Rs. 14.193 million).
- (ii) Against a sales tax refund aggregating Rs. 12.827 million determined by the Sales Tax Officer (STO) on the basis of the orders of the Appellate Assistant Commissioner (AAC) for the assessment years 1977-78 through 1980-81 and recognised in the financial statements in 1985, the STO filed an appeal in 1986 with the Income Tax Appellate Tribunal (ITAT) against the Orders of the AAC for these years. The orders of the AAC were based on a decision already given by the ITAT on the parent company's appeal for application of a lower rate of sales tax on self consumed material for earlier years. Pending the outcome of the appeal filed by STO no adjustment has been made for the refunds recognised in the financial statements as the management is of the view that the appeal of the STO will not be upheld by the ITAT.

#### 6.2 Commitments in respect of

- (i) Letters of credit and contracts for capital expenditure Rs. 19.112 million (December 31, 2008: Rs. 292.347 million).
- (ii) Letters of credit and contracts other than for capital expenditure Rs. 617.359 million (December 31, 2008: Rs. 319.416 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 September 30, 2009	Audited December 31, 2008	
		Note		(Rupees in	es in thousand)	
	Later	ter than one year than one year and not later than five years than five years		177,808 1,187,600 189,266	171,057 1,222,353 386,327	
7.	Prope	erty, plant and equipment		1,554,674	1,779,737	
	Openi	ng book value		11,600,184	10,636,868	
	Add:	Additions during the period Exchange adjustment on opening cost	7.1	6,950,884 22,023	1,866,784 76,419	
				6,972,907	1,943,203	
				18,573,091	12,580,071	
	Less: Disposals during the period (at book value) Transferred to investment property (at book value) Depreciation charged during the period		10,173 22,378 991,598	10,653 - 924,718		
depreciation	Exchange adjustment on opening accumulated depreciation		13,623	44,516		
				1,037,772	979,887	
	Closir	ng book value		17,535,319	11,600,184	

#### 7.1 Following is the detail of additions during the period Un-audited Audited September 30, December 31, 2009 2008 Note (Rupees in thousand) Freehold land 4,693 11,517 522,431 Building on freehold land 1,212,027 Plant and machinery 5,653,441 1.240.236 Other equipment 34,552 40.919 6,476 Furniture and fixtures 2,240 Vehicles 39,695 49.441 6,950,884 1,866,784 8. Capital work-in-progress Civil works 24,777 16,975 Plant and machinery [including in transit Nil (2008: Rs. 7.833 million)] 300,900 25,421 372 27 Expansion project: Civil works 47,514 741,472 Plant and machinery [including in transit Nil (2008: Rs. 2.400 million)] 5,767,935 1,601,645 Advances 5,534 Unallocated expenditure 393,244 1,607,919 2,042,403 8,122,860 2,368,452 8,165,283 9. Investments These represent the long-term investments in: Equity instruments of associated companies 9.1 3,399,090 3,384,409 Others 9.3 4,393,720 4,871,003 7,792,810 8,255,412 9.1 In equity instruments of associated companies Cost 3,758,386 3,773,785 Post acquisition (loss) / profit brought forward (373,977)135,933 3,384,409 3,909,718 Profit / (loss) for the period before taxation 140.297 (226,597)Provision for taxation (49,730)(78,507)90,567 (305, 104)3,474,976 3.604.614 Less: Dividends received during the period 75,886 145,084 Investment classified as held-for-sale 75,121 220,205 75,886 9.2 Closing balance 3,399,090 3,384,409

#### 9.2 In equity instruments of associated companies

	Un-audited September 30, 2009	Audited December 31, 2008
Quoted	(Rupees in thousand)	
IGI Insurance Limited 6,354,412 (2008: 6,354,412) fully paid ordinary shares of Rs. 10 each Market value - Rs. 582.000 million (2008: Rs. 732.473 million)	1,120,268	1,141,310
<b>Tri-Pack Films Limited</b> 10,000,000 (2008: 10,000,000) fully paid ordinary shares of Rs. 10 each Market value - Rs. 1,212.200 million (2008: Rs. 1,246.400 million)	2,237,700	2,197,782
IGI Investment Bank Limited 4,610,915 (2008: 4,610,915) fully paid ordinary shares of Rs. 10 each Market value - Rs. 18.121 million (2008: Rs. 14.524 million)	41,122	45,317
	3,399,090	3,384,409
9.3 Others		
Quoted		
Nestle Pakistan Limited 3,649,248 (2008: 3,649,248) fully paid ordinary shares of Rs. 10 each	4,378,989	4,866,272
Unquoted		
Tetra Pak Pakistan Limited 1,000,000 (2008: Nil) fully paid non voting shares of Rs. 10 each	10,000	-
Pakistan Tourism Development Corporation Limited 2,500 (2008: 2,500) fully paid ordinary shares of Rs. 10 each	25	25
Orient Match Company Limited 1,900 (2008: 1,900) fully paid ordinary shares of Rs. 100 each	-	-
Coca-Cola Beverages Pakistan Limited		
500,000 (2008: 500,000) fully paid ordinary shares of Rs. 10 each	4,706	4,706
	4,393,720	4,871,003

Nestle Pakistan Limited and Coca-Cola Beverages 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.

#### 10. Cost of sales

	Quarter	ended	Nine months ended		
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008	
	(Rupe	es in	t h o u	s a n d )	
Opening work-in-process	250,813	239,742	301,323	169,391	
Materials consumed	2,452,258	2,303,624	6,971,758	6,229,690	
Salaries, wages and amenities	244,541	201,484	691,162	581,965	
Fuel and power	555,734	455,140	1,514,933	1,296,859	
Production supplies	111,102	72,378	296,308	225,223	
Excise duty and sales tax	240	187	628	432	
Rent, rates and taxes	42,776	32,405	125,365	34,292	
Insurance	22,588	15,233	61,753	43,118	
Repairs and maintenance	115,439	111,657	336,001	316,777	
Packing expenses	34,749	28,136	98,868	71,571	
Depreciation on property, plant					
and equipment	345,396	230,183	969,687	656,985	
Amortisation on intangible assets	4	61	13	181	
Depreciation on assets subject to					
finance lease	-	145	-	145	
Technical fee and royalty	12,188	11,542	35,395	30,928	
Traveling and conveyance	340	438	1,751	1,296	
Other expenses	53,450	51,614	153,429	139,635	
	4,241,618	3,753,969	11,558,374	9,798,488	
Less: Closing work-in-process	223,783	244,059	223,783	244,059	
Cost of goods produced	4,017,835	3,509,910	11,334,591	9,554,429	
Add: Opening stock of finished goods	1,461,771	666,214	1,371,795	662,770	
Cost of goods available for sale	5,479,606	4,176,124	12,706,386	10,217,199	
Less: Closing stock of finished goods	2,011,860	919,543	2,011,860	919,543	
	3,467,746	3,256,581	10,694,526	9,297,656	

#### 11. Other operating expenses

Included in other operating expenses is an amount of Rs. 1,793.991 million representing decline in value of shares of Nestle Pakistan Limited classified as available for sale financial asset which is considered other than temporary and accordingly charged to profit and loss account.

#### 12. Investment income

Included in investment income is an amount of Rs. 8,807.029 million representing gain on disposal of investment in Tetra Pak Pakistan Limited (TPPL). Parent company has disposed off its entire shareholding in TPPL i.e. 30,800,000 shares representing 44% of paid up capital of TPPL under an agreement dated January 3, 2009 with Tetra Laval Holding and Finances S.A (TLH) against cash consideration of USD 115 million.

#### 13. Cash generated from / (used in) operations

10.	oush generated from / (used m) operations		Nine m	onths ended
				<b>30,</b> September 30,
			2009	2008
			(Rupees	s in thousand)
	Profit before taxation Adjustments for:		6,441,726	175,338
	Depreciation on property, plant and equipment		991,598	681,526
	Amortisation on intangible assets		78	379
	Depreciation on investment property		1,849	448
	Depreciation on assets subject to finance lease		759	145
	Gain on disposal of non-current assets class as held-for-sale	silleu	(8,807,029)	_
	Impairment loss recognised on available for		(0,007,029)	_
	sale financial assets		1,793,991	_
	Provision for accumulating compensated ab	sences	, ,	
	and staff gratuity		41,761	30,872
	Exchange adjustments		19,473	92,599
	Retirement benefits - net		(1,846)	5,941
	Net profit on disposal of property, plant and Finance costs	equipment	(10,447) 1,058,261	(11,837) 1,330,726
	Dividend income from other investments		(200,709)	(63,861)
	Share of profit from associated companies			(973,059)
	Profit before working capital changes		1,189,168	1,269,217
	Effect on cash flow due to working capital ch	anges		
	Increase in trade debts		(72,314)	(458,721)
	Increase in stores and spares		(43,695)	(250,784)
	Increase in stock in trade		(515,822)	(1,679,083)
	Increase in loans, advances, deposits, prepayments			
	and other receivables		(105,381)	(179,558)
	Increase in trade and other payables		374,402	349,257
			(362,810)	(2,218,889)
			826,358	(949,672)
14.	Cash and cash equivalents			
	Cash and bank balances		857,562	234,919
Finances under mark up arrangements - secured		(752,065)	(2,435,827)	
			105,497	(2,200,908)
15.	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

#### 16. Transactions with related parties

		01100	0 1 1 00
		September 30, 2009	September 30, 2008
		(Rupees in	thousand)
Relationship	Nature of transactions		
i. Associated undertakings			
	Purchase of goods and services Sale of goods and services Insurance premium Insurance claims Dividend income Rental income Royalty and technical fee paid Other expenses	280,230 21,578 84,633 4,560 75,886 - 28,364	347,139 1,454,775 44,585 73,181 669,564 19,885 25,651 100
ii. Other related parties			
iii. Post employment benefit plans	Purchase of goods and services Sale of goods and services Mark up expense Dividend income Rental expense Rental income	49,743 2,263,040 54 200,709 1,716 23,725	125,927 882,849 1,189 63,862 1,560
iv. Key management	Expenses charged in respect of retirement benefit plans Mark up income on temporary loans	82,886 -	41,465 1,569
personnel			
	Salaries and other employee benefits	45,926	43,271

Nine months ended

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

Period-end balances	September 30, December 31, 2009 2008 (Rupees in thousand)
Receivable from related parties Payable to related parties	<b>357,338</b> 334,761 <b>27,436</b> 22,452

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

#### 17. Date of authorization for issue

This condensed consolidated interim financial information was authorized for issue on October 24, 2009 by the Board of Directors of the parent company.

#### 18. 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

Syed Hyder All Chief Executive & Managing Director