Annual Report '08

Packages Limited

Contents

Company Profile

Packages Limited was established in 1957 as a joint venture between the Ali Group of Pakistan and Akerlund & Rausing of Sweden, to convert paper and paperboard into packaging for consumer industry.

Over the years, the company continued to enhance its facilities to meet the growing demand of packaging products. Additional capital was raised from sponsors, International Finance Corporation and from the public in 1965.

Packages commissioned its own paper mill in 1968 having production capacity of 24,000 tonnes of paper and paperboard based on waste paper and agricultural by-products i.e. wheat straw and river grass. The capacity has been increased eventually at 208,000 tonnes per year.

In 1982, Tetra Pak Pakistan was formed as a joint venture between Tetra Pak International and Packages Limited to manufacture paperboard for liquid food packaging and to market Tetra Pak packaging equipment.

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

In 1995, Tri-Pack Films Limited, a joint venture between Packages Limited & Mitsubishi Corporation of Japan, was established. Packages Limited owns 33% of Tri-Pack Films Limited.

In 1996, a joint venture agreement was signed with Printcare (Ceylon) Limited for the production of flexible packaging materials in Sri-Lanka. This project Packages Lanka (Private) Limited commenced production in 1998. Packages Limited now owns 79% of this company.

Packages Limited is producing most of its packaging material and tissue range of products mainly from its factory in Lahore with conversion capacities of 115,000 tonnes of paper and paperboard and 13,000 tonnes of plastics all sorts for packaging. It is also producing corrugated boxes from its plant in Karachi and Kasur since 2002 & 2007 respectively.

The green field project 50 km from the present site envisaged in 2003 and named after the great Sufi Poet and Saint Bulleh Shah (1680 - 1757) is functional with 115,000 tonnes / year liner board capacity and presently 115,000 tonnes / year fine paper and news print machine backed by DIP pulp line is under optimization. A world class 70,000 tonnes / year Corrugator plant is also fully operational. A very elaborate and efficient Effluent Treatment Plant is functional making BSPM an environment friendly mill.

Company Information

Board of Directors
Khalid Yacob
Matti Ilmari Naakka
Mujeeb Rashid
Shahid Aziz Siddiqui
Shamim Ahmad Khan
Syed Aslam Mehdi
Syed Hyder Ali
(Chief Executive & Managing Director)
Syed Shahid Ali
Tariq Iqbal Khan
Towfiq Habib Chinoy
(Chairman)

Advisor
Syed Babar Ali

Company Secretary
Adi J. Cawasji

Executive Committee

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

Audit Committee

Shamim Ahmad Khan *(Non-Executive Director)*	- Chairman
Tariq Iqbal Khan *(Non-Executive Director)*	- Member
Syed Shahid Ali *(Non-Executive Director)*	- Member
Matti Ilmari Naakka *(Non-Executive Director)*	- Member
Adi J. Cawasji	- Secretary

Business Strategy Committee

Syed Hyder Ali	- Chairman
Mujeeb Rashid	- Member
Syed Aslam Mehdi	- Member
Khalid Yacob	- 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
(Formerly The Hongkong & Shanghai Banking Corporation 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
(Formerly Crescent Commercial Bank Limited)
Saudi Pak Commercial Bank Limited
Standard Chartered Bank (Pakistan) Limited
The Bank of Tokyo - Mitsubishi UFJ, Limited
The Royal Bank of Scotland Limited
(Formerly ABN-AMRO Bank Pakistan Limited)
United Bank Limited

Head Office & Works
Shahrah-e-Roomi,
P.O. Amer Sidhu,
Lahore - 54760, Pakistan
PABX : (042) 5811541-46
: (042) 5811191-94
Fax : (042) 5811195
: (042) 5820147

Kasur Factory
Bulleh Shah Paper Mills (BSPM)
10-km Kasur Kot Radhakishan Road,
District Kasur, Pakistan
Tel. : (049) 2017051, 2018201
: (049) 2008666
Fax : (049) 2717220-21

Karachi Factory
Plot No. 6 & 6/1, Sector 28,
Korangi Industrial Area,
Karachi-74900, Pakistan
Tel. : (021) 5045320, 5045310
Fax : (021) 5045330

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) 5874047-49
: (021) 5378650-52
: (021) 5831618, 5833011
Fax : (021) 5860251

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 : 0344-4448892
Tel. : (091) 2043719

Haq Brothers
Tehsil Road, Jhelum-49600, Pakistan
Cell : 0321-5332095
: 0333-5179706

Shares Registrar
FAMCO Associates (Pvt.) Limited
[Formerly Ferguson Associates (Pvt.) Limited]
4th Floor, State Life Building No. 2-A
Wallace Road off, I. I. Chundrigar Road,
Karachi-74000, Pakistan

Web Presence
www.packages.com.pk

Corporate Structure

BOARD OF DIRECTORS

CHIEF EXECUTIVE & MANAGING DIRECTOR

GENERAL MANAGER

BUSINESS SEGMENTS →

PAPER & PAPERBOARD	PACKAGING CONVERSION	CONSUMER PRODUCTS	GENERAL

BUSINESS UNITS →

PAPER & PAPERBOARD	PACKAGING CONVERSION	CONSUMER PRODUCTS	GENERAL
PAPER & BOARD MILLS LAHORE	CARTON	TISSUE MANUFACTURING	ROLL COVERS
BULLEH SHAH PAPER MILLS KASUR	FLEXIBLE PACKAGING	TISSUE CONVERSION	MECHANICAL FABRICATION & WORKSHOP
	CORRUWAL PRODUCTS		

MARKETING & SALES →

PAPER & BOARD PRODUCTS	PACKAGING PRODUCTS	CONSUMER PRODUCTS	ROLL COVERS & MECHANICAL FABRICATION

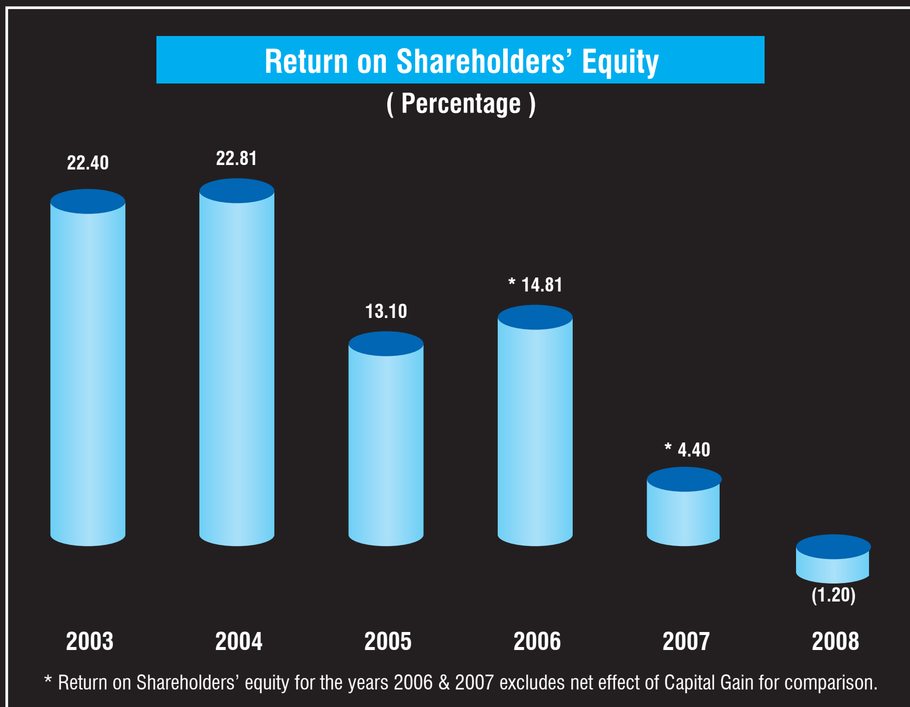
CENTRAL DEPARTMENTS →

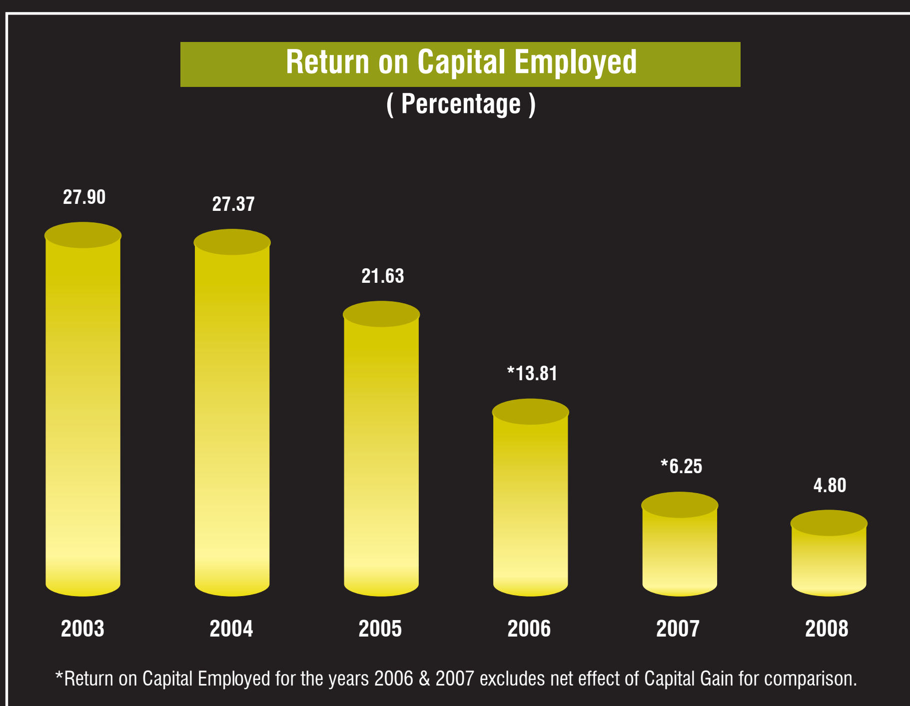
POWER SERVICES	CUSTOMERS' SERVICES	RESEARCH & DEVELOPMENT	FINANCE
LIAISON & ADMINISTRATION	INDUSTRIAL RELATION	MATERIALS MANAGEMENT	ENTERPRISE RESOURCE PLANNING (ERP)
QUALITY & ENVIRONMENT HEALTH & SAFETY (EHS)	MEDICAL	HUMAN RESOURCE DEVELOPMENT	

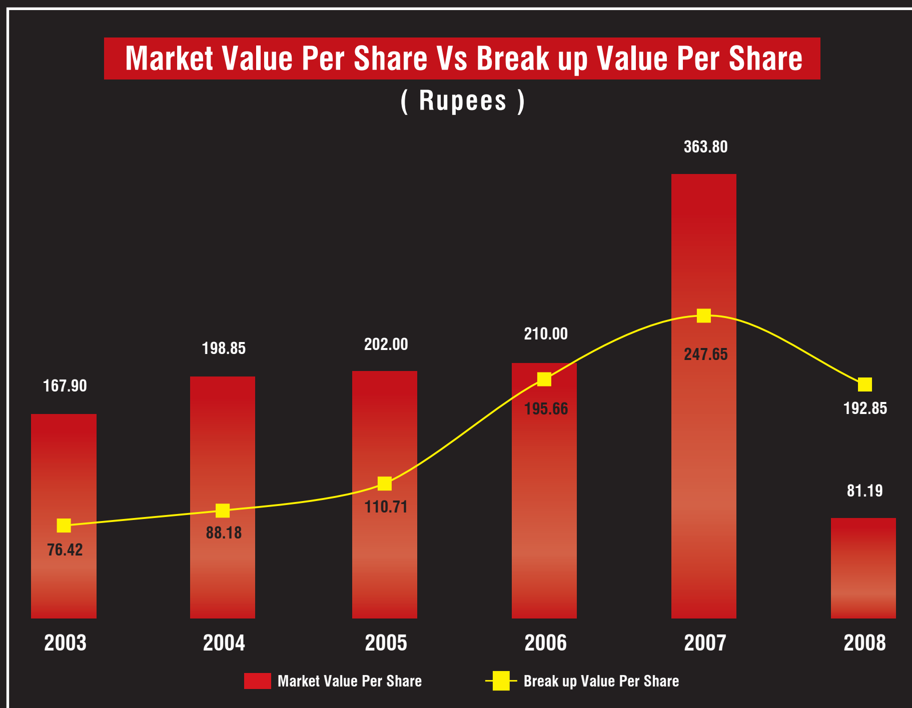
Highlights

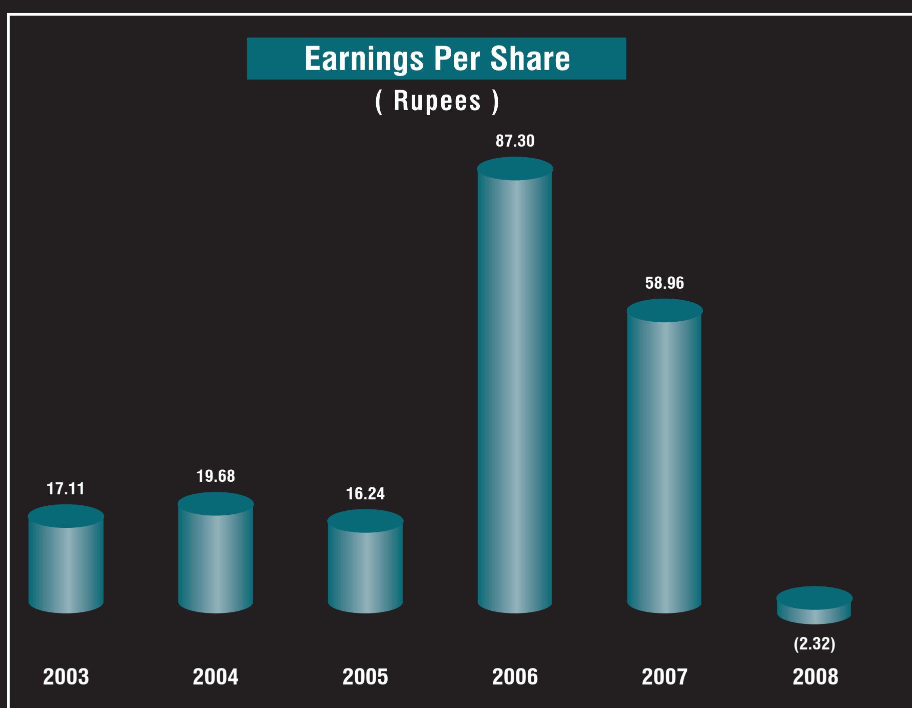
		YEAR TO DECEMBER 31, 2008	YEAR TO DECEMBER 31, 2007
Invoiced Sales	- million rupees	**14,301**	10,540
(Loss) / Profit before tax	- million rupees	**(308)**	4,633
(Loss) / Profit after tax	- million rupees	**(196)**	4,326
Stock dividend	- % of paid up capital	**-**	15
Shareholders' equity	- million rupees	**16,273**	18,171
Total assets	- million rupees	**35,035**	33,438
Net assets employed	- million rupees	**29,418**	31,473
(Loss) / earnings per share	- rupees	**(2.32)**	51.27
Price earnings ratio		**(34.98)**	6.17
Return on capital employed	(%)	**4.80**	*6.25
Return on shareholders' equity	(%)	**(1.20)**	*4.39
Paper and paperboard produced	- tonnes	**154,231**	114,993
Paper and paperboard converted	- tonnes	**91,450**	92,499
Plastic all sorts converted	- tonnes	**9,724**	10,300
Number of shareholders		**4,344**	3,764
Number of shares		**84,379,504**	73,373,482
Number of employees		**3,400**	3,450

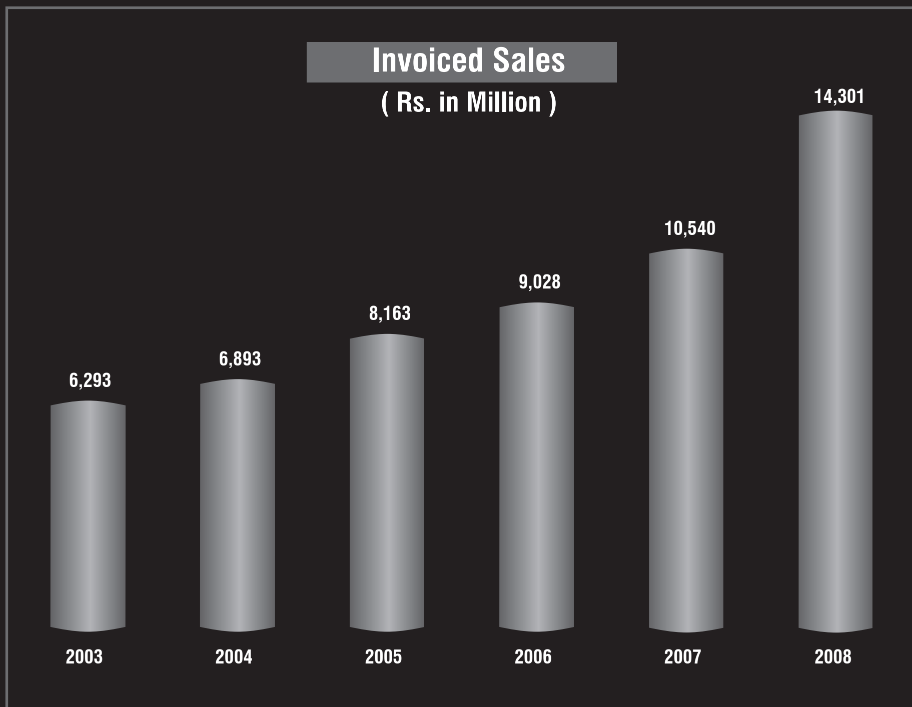
* Excludes effect of Capital Gain for comparison

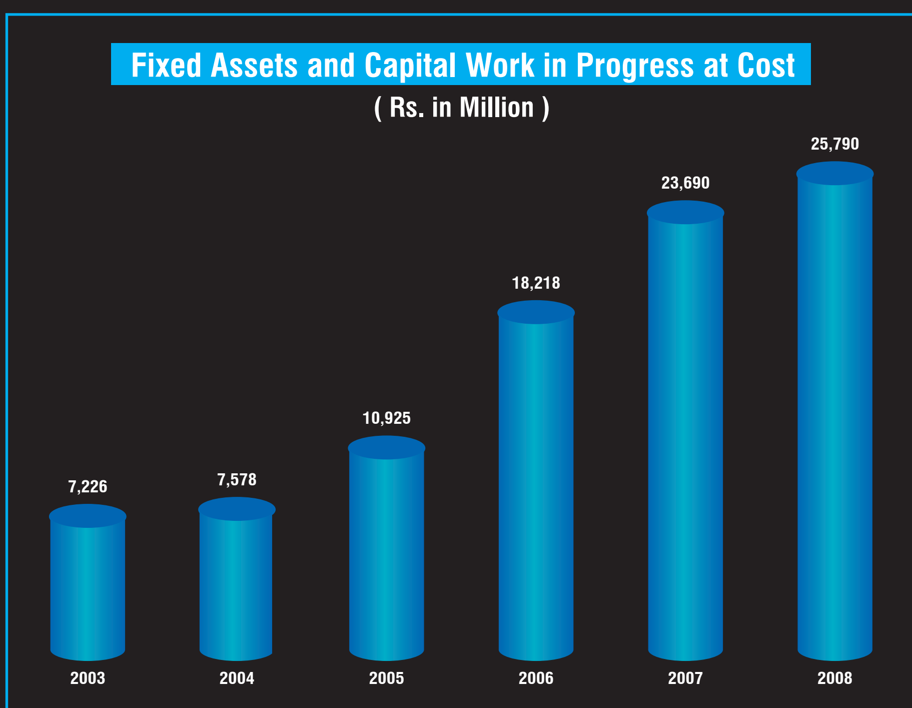

Return on Shareholders' Equity
(Percentage)
22.40
22.81
13.10
* 14.81
* 4.40
(1.20)
2003
2004
2005
2006
2007
2008
* Return on Shareholders' equity for the years 2006 & 2007 excludes net effect of Capital Gain for comparison.


Return on Capital Employed
(Percentage)
27.90
27.37
21.63
*13.81
*6.25
4.80
2003
2004
2005
2006
2007
2008
*Return on Capital Employed for the years 2006 & 2007 excludes net effect of Capital Gain for comparison.


Market Value Per Share Vs Break up Value Per Share
(Rupees)
363.80
167.90
198.85
202.00
210.00
247.65
195.66
192.85
110.71
81.19
88.18
76.42
2003
2004
2005
2006
2007
2008
Market Value Per Share
Break up Value Per Share


Earnings Per Share
(Rupees)
87.30
58.96
17.11
19.68
16.24
(2.32)
2003
2004
2005
2006
2007
2008


Invoiced Sales
(Rs. in Million)
6,293
6,893
8,163
9,028
10,540
14,301
2003
2004
2005
2006
2007
2008

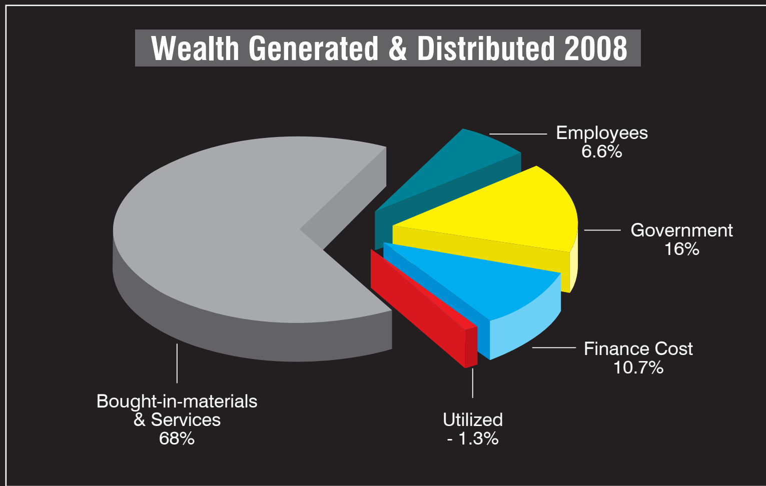

Fixed Assets and Capital Work in Progress at Cost
(Rs. in Million)
7,226
7,578
10,925
18,218
23,690
25,790
2003
2004
2005
2006
2007
2008

Ten year Summary
(Rupees in Thousand)

	Year to December, 31 2008	Year to December, 31 2007	Year to December, 31 2006	Year to December, 31 2005
ASSETS EMPLOYED:				
Fixed Asstes at Cost	**17,634,266**	15,889,741	8,074,313	7,659,184
Accumulated Depreciation / Amortization	**6,323,438**	5,502,070	4,984,342	4,633,101
Net Fixed Assets	**11,310,828**	**10,387,671**	**3,089,971**	**3,026,083**
Capital Work - in - Progress	**8,155,239**	7,800,683	10,143,195	3,265,517
Net Current and Other Assets	**9,951,693**	13,284,708	7,128,086	2,992,975
Net Assets Employed	**29,417,760**	**31,473,062**	**20,361,252**	**9,284,575**
FINANCED BY:				
Paid up Capital	**843,795**	733,735	698,795	698,795
Reserves	**15,428,777**	17,437,037	12,974,002	7,037,461
Shareholder's Equity	**16,272,572**	**18,170,772**	**13,672,797**	**7,736,256**
Long-Term & Deferred Liabilities	**13,145,188**	**13,302,290**	**6,688,455**	**1,548,319**
Total Funds Invested	**29,417,760**	**31,473,062**	**20,361,252**	**9,284,575**
Invoiced Sales	**14,300,923**	10,539,995	9,027,907	8,163,084
Materials Consumed	**7,639,296**	5,108,396	4,246,956	3,520,643
Gross Profit	**943,299**	1,199,273	1,294,604	1,352,979
Employees Remuneration	**1,032,834**	834,623	758,192	650,753
Profit from Operations	**405,326**	587,598	757,613	902,407
(Loss) / Profit before Tax	**(307,889)**	4,632,948	6,347,840	1,329,925
(Loss) / Profit after Tax	**(195,825)**	4,325,948	6,100,780	1,015,364
Cash dividend	**-**	-	419,277	419,277
Cash dividend %	**-**	-	60.00	60.00
Stock dividend	**-**	110,060	34,940	-
Stock dividend %	**-**	15.00	5.00	-
(Loss) / Earning per Share - rupees	**(2.32)**	51.27	87.30	16.24
Taxes, duties and levies	**2,533,637**	2,140,813	1,926,284	1,765,461
Market value per share-KSE 100 Index-rupees	**81.19**	363.80	210.00	202.00
Break-up value per share-rupees	**192.85**	247.65	195.66	110.71
No.of Shares	**84,379,504**	73,373,482	69,879,507	69,879,507
Key Ratios:				
Debt : Equity Ratio	**44:56**	40:60	30:70	11:89
Current Ratio	**1.23**	2.46	1.48	1.95
Inventory Turnover Ratio	**3.85**	4.06	4.69	5.13
Gross Profit (%)	**6.60**	11.38	14.34	16.57
(Loss) / Profit before Tax (%)	**(2.15)**	43.96	70.31	16.29
Return on Capital Employed (%)	**4.80**	*6.25	*13.81	21.63
Interest Cover Ratio	**0.81**	13.84	92.93	9.18
Total Assets Turnover Ratio	**0.41**	0.32	0.40	0.70
Price Earning Ratio	**(34.98)**	6.17	2.41	12.44
Debtor Turnover Ratio	**9.39**	8.18	10.99	10.40
Cash Dividend Yield (%)	**-**	-	2.86	2.97

* Excludes effect of Capital Gain for comparison

Year to December, 31 2004	Year to December, 31 2003	Year to December, 31 2002	Year to December, 31 2001	Six Months to December, 31 2000	Year to June, 30 2000
7,248,264	6,881,590	6,512,007	5,773,725	5,360,950	5,323,073
4,277,204	3,927,588	3,546,508	3,130,521	2,748,913	2,568,522
2,971,060	**2,954,002**	**2,965,499**	**2,643,204**	**2,612,037**	**2,754,551**
329,867	344,747	196,902	445,143	257,381	79,696
1,424,674	1,757,227	1,088,165	1,023,154	855,630	1,063,658
4,725,601	**5,055,976**	**4,250,566**	**4,111,501**	**3,725,048**	**3,897,905**
475,371	475,371	475,371	475,371	452,734	411,577
3,716,489	3,157,352	2,343,839	2,021,227	1,832,902	1,771,365
4,191,860	**3,632,723**	**2,819,210**	**2,496,598**	**2,285,636**	**2,182,942**
533,741	**1,423,253**	**1,431,356**	**1,614,903**	**1,439,412**	**1,714,963**
4,725,601	**5,055,976**	**4,250,566**	**4,111,501**	**3,725,048**	**3,897,905**
6,892,985	6,293,219	5,360,884	5,157,816	2,238,033	4,165,603
2,710,306	2,263,462	1,925,656	1,911,866	858,044	1,353,832
1,308,602	1,193,713	949,559	891,383	354,276	790,385
576,159	550,566	506,552	471,220	218,009	384,556
788,710	718,306	474,370	474,221	222,374	632,887
1,186,621	1,036,905	797,225	514,441	241,927	551,224
957,502	813,512	655,372	424,879	193,241	428,703
404,065	404,065	332,760	213,917	90,547	172,862
85.00	85.00	70.00	45.00	20.00	42.00
-	-	-	-	22,637	41,158
-	-	-	-	5.00	10.00
19.68	17.11	13.79	8.94	4.07	9.47
1,472,410	1,426,321	1,286,246	1,213,008	499,232	948,344
198.85	167.90	88.50	60.50	66.00	60.00
88.18	76.42	59.31	52.52	50.49	53.04
47,537,080	47,537,080	47,537,080	47,537,080	45,273,410	41,157,646
00:100	19:81	25:75	30:70	28:72	35:65
1.39	1.98	1.29	1.24	1.01	1.05
4.83	4.93	4.48	5.10	2.68	6.40
18.98	18.97	17.71	17.28	15.83	18.97
17.21	16.48	14.87	9.97	10.81	13.23
27.37	27.90	23.78	19.01	9.01	20.03
9.93	8.03	5.61	2.95	2.97	2.85
1.06	1.02	0.90	0.84	0.38	0.70
10.10	9.81	6.42	6.77	16.22	6.34
10.76	10.90	9.87	8.65	9.65	9.02
4.27	5.06	7.91	7.44	3.03	7.00



Value Added and its Distribution

The statement below shows value added by the operations of the company and its distribution to the stakeholders.

	2008		2007	
	(Rupees in thousand)			
Wealth Generated				
Sales	**14,300,923**		10,539,995	
Dividend Income	**948,879**		646,650	
Other Income	**336,965**		3,888,263	
	15,586,767	**100%**	15,074,908	100%
Wealth Distributed				
Bought-in-materials & Services	**10,554,027**	**68%**	7,406,146	49%
To Employees				
Remuneration, benefits and facilities	**1,032,834**	**6.6%**	834,623	5.5%
To Government				
Income Tax, Sales Tax, Custom & Excise Duties, WPPF, WWF, EOBI, Professional & Local Taxes	**2,533,637**	**16%**	2,140,813	14%
To Providers of Capital				
Bonus shares to the shareholders	**-**	**0%**	110,060	1%
Finance cost	**1,662,094**	**10.7%**	367,378	2.5%
(Utilized) / Retained for Reinvestment & Future Growth	**(195,825)**	**-1.3%**	4,215,888	28%
	15,586,767	**100%**	15,074,908	100%

Mission Statement

To be a leader in the markets we serve by providing quality products and superior service to our customers, while learning from their feed back to set even higher standards for our products. To be a company that continuously enhances its superior technological competence to provide innovative solutions to customer needs. To be a company that attracts and retains outstanding people by creating a culture that fosters openness and innovation, promotes individual growth and rewards initiative and performance. To be a company which combines its people, technology, management systems and market opportunities to achieve profitable growth while providing fair returns to its investors. To be a company that endeavors to set the highest standards in corporate ethics in serving the society.

Vision and Objectives

Position ourselves to be a regional player of quality packaging, paper & paperboard and consumer products. To improve on contemporary measures including cost, quality, service, speed of delivery and mobilization. Keep investing in technology, systems and human resource to effectively meet the challenges every new dawn brings. Develop relationships with all our stakeholders based on sustainable co-operation, upholding ethical values, which the shareholders, management and employees represent and continuously strive for.

Environment, Health and Safety Policy

The management of Packages Limited realizes that we live in a world where resources are finite and the eco-system has a limited capacity to absorb the load mankind is placing on it. That is why it is our belief that we must do everything practically possible to lessen the load we place on the environment and make every effort so that sustainable development becomes a reality. Packages Limited has formulated its environment, health and safety (EHS) policy to address these issues in a more effective way. It is very clear to us that these objectives cannot be realized by the efforts of the management alone. While the general directions are to be provided by the management, the help of all the employees will be required to transform these ambitions into reality. It is expected that all employees will do their best to implement the policy in its true spirit.

Environment, Health and Safety Policy Statement

Packages Limited shall:

1. Minimize its environmental impact, as is economically and practically possible.

2. Save raw materials including energy, water and avoid waste.

3. Ensure that all its present and future activities are conducted safely, without endangering the health of its employees, its customers and the public.

4. Develop plans and procedures and provide resources to successfully implement this policy and for dealing effectively with any emergency.

5. Provide environmental, health and safety training to all employees and other relevant persons to enable them to carry out their duties safely without causing harm to themselves, to other individuals and to the environment.

6. Ensure that all its activities comply with national environmental, health and safety regulations.

This policy shall be reviewed as and when required for the betterment of the same.

Statement of Ethical Practices

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

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

All business transactions on behalf of Packages Limited must be reflected accordingly in the accounts of the company.

The image and reputation of Packages Limited is determined by the way each and every one of us acts and conducts himself / herself at all times.

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

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

Quality Policy

We at Packages Limited are committed to produce quality products which conform to our customers' requirements and strengthen our position as a quality managed company. Our pledge is to provide the market with the best quality products at competitive prices through a customer driven and service oriented, dynamic management team. To meet this obligation, the company will continue updating of employee skills by training, acquisition of new technology and regular re-evaluation of its quality control and assurance systems. Appropriate resources of the company will be directed towards achieving the quality goals through employees' participation.

Notice of Annual General Meeting

Notice is hereby given that the 54th Annual General Meeting of Packages Limited will be held at the Beach Luxury Hotel, Moulvi Tamizuddin Khan Road, Karachi on Tuesday, April 21, 2009 at 10.30 a.m. to transact the following business:-

1. To confirm the minutes of the Extraordinary General Meeting held on May 21, 2008.

2. To receive, consider and adopt the audited financial statements of the company together with the Directors' and Auditors' Reports thereon for the year ended December 31, 2008.

3. To appoint Auditors for the year 2009 and to fix their remuneration.
(Messrs A. F. Ferguson & Co., Chartered Accountants, retired and have offered themselves for re-appointment).

By Order of the Board

Karachi
March 16, 2009

Adi J. Cawasji
Company Secretary

Notes:

1. The Share Transfer Books of the company will remain closed from April 13, 2009 to April 21, 2009 (both days inclusive). Transfers received in order by our Shares Registrar, FAMCO Associates (Pvt.) Limited [formerly Ferguson Associates (Pvt.) Limited], 4th Floor, State Life Building No. 2-A, Wallace Road, I. I. Chundrigar Road, Karachi-74000 by the close of business on April 10, 2009 will be considered in time for attending the meeting.

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

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

4. Shareholders are requested to notify any change in their addresses immediately.

5. CDC account holders will further have to follow the guidelines as laid down in Circular No. 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

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

Directors' Report to the Shareholders

بسم الله الرحمن الرحيم

The Board of Directors is pleased to submit its Annual Report along with the audited financial statements of the company for the year ended December 31, 2008.

Economic overview

The year 2008 was indeed a very challenging year for the world, for Pakistan and for your company. Pakistan's economy which had been growing rapidly at around 7% over the last four years could not maintain its growth momentum due to a number of reasons. Clouds of political instability hovered over Pakistan during the entire year while dramatic inflation and energy crisis directly affected company's operations. Economic growth slowed down to 5.8% in 2008 against 6.8% recorded last year and is expected to be lower in 2009. The unfavorable balance of payment situation due to worldwide rise in commodity prices has led to a 28% devaluation of the local currency in the open market. The tight monetary stance adopted by the State Bank of Pakistan (SBP) to curb inflation and ease pressure on liquidity and foreign exchange has resulted in increased financial cost for the industrial sector which is in sharp contrast to the international money markets where interest rates have been reduced to boost demand. The Karachi Stock Exchange (KSE) also reacted negatively with a sharp decline in equity values of almost all companies. This has created an aura of uncertainty for the economy in the coming year and we expect the operating environment for at least the part of 2009 to be as challenging as at the end of 2008.

Financial Performance

These turbulent times did have a marked impact on our financial performance as the following summary shows:

	For the year ended December 31,	
	2008	2007
	(Rupees in Million)	
Gross Sales	**14,301**	10,540
Net Sales	**12,225**	9,029
EBITDA(including dividend income)	**1,903**	1,814
Depreciation & Amortisation	**(886)**	(557)
EBIT	**1,017**	1,257
Finance Costs	**(1,662)**	(367)
Other operating expenses	**(0.3)**	(145)
Other Income	**337**	3,888
Earnings before tax (EBT)	**(308)**	4,633

All time high sales following aggressive capacity utilization strategy followed by the company is the salient feature of year 2008. This has been a challenging year for your company as it marched towards completion of its expansion project and operational optimization of its enhanced production capacity at the new site. In spite of adverse economic factors, your company has registered the highest ever gross sales of Rs. 14.3 billion representing 36% increase as compared to last year. On the export front, company's sales have increased by 2.5 times over the last year which is indicative of its internationally competitive product quality. Despite efforts by the management, profit margins remained depressed during the year as our end pricing could not keep up with the significant inflationary trend in international prices of almost every input commodities particularly imported raw materials and increase in fuel and power costs. Due to startup of the first phase of Bulleh Shah Paper Mills in the later half of 2007, the full year impact of depreciation and financial charges affected the bottom line results of the company during the current year. Finance costs of the company increased by 3.52 times due to increase in lending rates and exchange loss of Rs. 508 million on foreign currency loan of USD 30 million due to devaluation of Pak Rupee against USD. During the current year, dividend income of the company has increased by 47% which is indicative of the good quality long-term investment strategy of the company. However, increased finance costs and depreciation charges have offset substantial increase in sales and dividend income during the year resulting into net loss after tax of Rs. 196 million.

Given the desire to further optimize our capital structure and to proactively reduce the liquidity risk emanating from the current global financial crisis and reliance on short-term borrowings, the management has taken steps to reduce finance costs and improve profit margins including review of investments portfolio, target reduction in stocks and receivables, product range optimization, price rationalization and process re-engineering to improve shareholder's return during the current economic down turn.

In September 2008, in order to mitigate any further impact of devaluation on earnings, the company has entered into a cross currency and interest rate swap on USD 30 million loan obtained from International Finance Corporation.

In January 2009, your company has been successful to negotiate a sale share agreement for its entire 44% shareholding in Tetra Pak Pakistan Limited for an immediate cash consideration of USD 115 million. This amount also includes

USD 15 million already received against the Call Option Agreement signed earlier. These sale proceeds have been utilized in paying off part of long-term loan and in easing short-term working capital lines of the company.

Given the recent erosion in value of equity securities, the company carried out an extensive exercise of impairment test on its portfolio of equity investments as per treatments laid down in IAS 36 and 39. However, since the conditions indicating significant or prolonged impairment did not exist on the balance sheet date and as the major investment relates to associated companies which are long-term investments where income stream over a long-term period is expected to yield reasonable returns, hence no provision for impairment has been made in these financial statements.

Operational Performance

Packages Limited has maintained vertical integration across various business segments namely Paper and Paperboard Mills, Cartons, Corruwall Products, Flexible Packaging and Consumer Products. A review of its operations across different business units is as follows:

Paper and Paperboard Operations - Bulleh Shah Paper Mills

To reduce the environmental and logistical load on Lahore city a Green Field Mills "Bulleh Shah Paper Mills" named after the great Sufi Saint and poet Bulleh Shah (1680-1757) was envisaged in 2003 near Kasur (50 km from Lahore). During the current year, the company devoted efforts towards optimization of production process of first part of its expansion. Consequently, management is pleased to inform that the quality of the paperboard manufactured on PM-6 has been very well received in not only the company's vertically integrated conversion process but also in international and domestic market. Export sales increased to Rs. 516.4 million against last year's Rs. 137.6 million representing 2.75 times sales growth. Currently, management team is focusing on rationalization of product range to achieve higher margins in order to offset depreciation and finance costs.

In addition to the optimization of first phase capacity (PM - 6), the management has utilized all the available financial, human and technical resources towards installation, erection and commissioning of second phase of expansion including Paper Machine (PM-7), Coating Machine, Deinking Pulp Plant, 41 MW Power House, Steam Turbine and Secondary Effluent Treatment Plant. As a result, the Coating Machine has started commercial production from May 2008 and is being currently used for coating certain products of PM-6 as well as the production from the Lahore plant. This produces a more stable and improved surface board. PM-7 and its back processes have been mechanically completed and commissioned during the current year; machines are under trial run as at year-end and have commenced commercial production from March 2009. Commercial production from PM-7 shall increase production capacity of writing and printing paper by 115,000 tons per annum and real benefits in terms of improving margins with respect to coating machine will also flow to the company through coating fine paper products of PM-7.

To facilitate the movement of raw and finished materials to and from Kasur, your company entered into an agreement with Pakistan Railways to service its needs by a self owned container terminal of around 20,000 sq meters at Kot Radha Kishan railway station. As per this agreement, dedicated trains have been made available for both ways journey between Karachi and Kasur. This has helped the company in reducing logistical load and transportation costs.

The company has incurred an aggregate cost of Rs. 17.67 billion on the project until the end of December 31, 2008. With capitalization of second phase of expansion in 2009, the focus will be on optimization of product range for improving profitability of the company.

Carton Business

The carton business had a difficult year due to increase in input costs. Although sales have grown by 22% but prices of raw materials including bleached board, duplex board, white lined chip board and others increased by 26.6% in aggregate. Such increase in raw material costs has resulted in reduction in contribution margins. Further price increases and product range optimization have been undertaken to fully cover cost increases in the next year.

Corruwall Products

In 2008 year, financial results of corruwall products business have shown improvement as it improved its contribution margin through wastage and grammage reduction, price revision and efficient product mix. In spite of prevalent economic down turn, our corruwall business has managed to register a sales growth of 21% in the year 2008 as compared to last year.

Flexible Packaging

The flexible packaging business registered a sales growth of 28% during the year 2008. Despite significant input cost increases including LDPE (Low Density Polyethylene) 55% and LLDPEs (Linear Low Density Polyethylene) 44%, fuel & power costs 53% and adverse exchange rate movements, the flexible packaging business has been able to maintain its profitability margin. Moving forward, the management has planned to improve profitability through optimization of product range and by focusing on reduction in operating costs.

Consumer Products Division

The company's tissue products business has registered a sales growth of 12% achieved through aggressive marketing coupled with trade and consumer promotion schemes. With commencement of commercial production from our new tissue paper manufacturing machine PM-9 from September 2008 with production capacity of 31,000 tonnes, your company is planning to not only exploit export potential of tissue products in the international market particularly Middle East but also maintain a dominant position in the local market by delivering quality products to its valued customers in both consumer and institutional business.

Quality and Environmental Standards

Packages Limited is committed to strive for product quality and minimization of the environmental impact of its operations. During the current year, your company has undergone successful surveillance audits of Quality Management System ISO 9001:2000 and Environment Management System ISO 14001:2004. Business Unit Carton has received HACCP certification during the year which means that all carton line products are compliant with the food safety packaging requirements. In 2009, we planned to seek HACCP certification for our tissue business.

In respect of Bulleh Shah Paper Mills, we have implemented quality and environment management processes and procedures and are in the process of appling for ISO 9001:2008 and 14001:2004 certifications.

Future Outlook

We see 2009 as another challenging year for Pakistan with continued economic volatility; however, we continue to have a long-term optimistic outlook for our business model. A review of the paper and paperboard market indicates that Pakistan's consumption pattern is around 6 kg per capita, compared to Middle East where it is close to 28 kg per capita and a world average of 80 kg per capita. It is expected that increasing urbanization and population, changing lifestyles of the rural population in the country and shifting trends from non-packed to packed products are indicating a reasonable demand growth for paper & board and packaging industry in the coming years. It is expectation of such demand growth that your company decided to invest in high capacity, energy efficient, fully automated paper and board manufacturing based mainly on recovered fibre. We are confident that economic prospects will improve in the future and the company will continue to maintain its market leadership through enhanced productivity and cost effective operations.

Appropriation

Increased finance costs and depreciation charges have offset substantial increase in sales and dividend income during the year. This has resulted into net loss after tax of Rs. 196 million. Moreover, investment in Bulleh Shah Paper Mills is at its peak and capacity utilization is gradually increasing. The Board of Directors of the company, has, therefore, proposed a nil dividend for the financial year ended December 31, 2008 (2007: Dividend - nil : Bonus shares - 15%).

Auditors

The present auditors M/s A.F. Ferguson & Co., Chartered Accountants retire and offer themselves for re-appointment. As suggested by the Audit Committee, the Board of Directors has recommended their re-appointment as Auditors of the company for the year ending December 31, 2009, at a fee to be mutually agreed.

Compliance with the Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by the Karachi, Lahore and Islamabad Stock Exchanges in their Listing Regulations, relevant for the year ended December 31, 2008 have been adopted by the company and have been duly complied with. A Statement to this effect is annexed to the Report.

Statement of Ethics and Business Practices

The Board has adopted the Statement of Ethics and Business Practices. All employees are fully aware of this Statement and are required to observe these rules of conduct in relation to customers, suppliers and regulations.

Material Changes

There have been no material changes since December 31, 2008 and the company has not entered into any commitment, which would affect its financial position at the date except for those mentioned in the audited financial statements of the company for the year ended December 31, 2008.

Board of Directors

Since the last report for 2007, election of directors took place in May 2008. As a consequence, the following changes occurred in the composition of the Board:-

Mr. Asadullah Khawaja retired as Chairman of the Board of Directors of the company. In his place, Mr. Towfiq Habib Chinoy was elected as the new Chairman of the Board.

Nominee of State Life Insurance Corporation of Pakistan, Mr. Kamal Afsar resigned. In his place, Mr. Shahid Aziz Siddiqui was nominated on the Board of Directors by the State Life Insurance Corporation of Pakistan.

Mr. Markku Juha Pentikainen retired and Mr. Matti Ilmari Naaka was elected on the Board in his place.

The Board wishes to place on record its appreciation of the services rendered by Mr. Asadullah Khawaja, Mr. Kamal Afsar and Mr. Markku Juha Pentikainen during the tenure of their office and welcomes Mr. Towfiq Habib Chinoy, Mr. Shahid Aziz Siddiqui and Mr. Matti Ilmari Naaka the new Directors elected / nominated during the year. The company looks forward to the new Directors valuable guidance and contribution.

During the year 2008, eight Board meetings were held and the number of meetings attended by each Director is given hereunder:-

S. No.	Name of Director	No. of Meetings attended
1.	Mr. Asadullah Khawaja (Ex-Chairman retired on May 21, 2008)	2
	Mr. Towfiq Habib Chinoy (Elected on May 21, 2008)	6
2.	Syed Hyder Ali (Chief Executive)	7
3.	Mr. Tariq Iqbal Khan (Nominee of National Investment Trust Limited)	7
4.	Mr. Kamal Afsar (Nominee of State Life Insurance Corporation of Pakistan- resigned on July 10, 2008)	1
	Mr. Shahid Aziz Siddiqui (Nominee of State Life Insurance Corporation of Pakistan- appointed on July 10, 2008)	2
5.	Mr. Shamim Ahmad Khan	8
6.	Syed Shahid Ali	1
7.	Mr. Mujeeb Rashid	6
8.	Mr. Khalid Yacob	8
9.	Mr. Markku Juha Pentikainen (Retired on May 21, 2008)	-
	Mr. Matti Ilmari Naakka (Elected on May 21, 2008)	-
10.	Syed Aslam Mehdi	5

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

Audit Committee

Pursuant to the Election of Directors held on May 21, 2008, the Audit Committee has been re-constituted. The Audit Committee comprises of four Non-Executive Directors (including its Chairman). During the year, four meetings of the Audit Committee were held. The Audit Committee has its terms of reference which were determined by the Board of Directors in accordance with the guidelines provided in the Listing Regulations.

Corporate and Financial Reporting Framework

- The financial statements together with the notes thereon have been drawn up by the management in conformity with the Companies Ordinance, 1984. These Statements present fairly the company's state of affairs, the results of its operations, cash flow and changes in equity.
- Proper books of account have been maintained by the company.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of the financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored and is being continuously reviewed by the internal audit function.
- There are no doubts upon the company's ability to continue as a going concern.
- There has been no material departure from the Best Practices of Corporate Governance, as detailed in the Listing Regulations.
- The key operating and financial data for the last ten years is annexed.
- The value of investments of provident, gratuity and pension funds based on their audited accounts as on December 31, 2008 were the following:

  Provident Fund Rs. 651.462 million
  Gratuity Fund Rs. 276.517 million
  Pension Fund Rs. 533.958 million

The value of investment includes accrued interest.

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

Purchase of Shares:	**No. of shares**
Chief Executive Officer	Nil
Director-Mr. Towfiq Habib Chinoy	10,000
Chief Financial Officer	Nil
Company Secretary	Nil
Spouses	Nil

Sale of Shares:	
Director-Syed Shahid Ali	17,100

Pattern of Shareholding

A statement of the Pattern of Shareholding of different classes of shareholders as at December 31, 2008, whose disclosure is required under the reporting framework, is included in the annexed Shareholders' Information.

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

Towfiq Habib Chinoy
Chairman
Lahore, March 16, 2009

Syed Hyder Ali
Chief Executive & Managing Director
Lahore, March 16, 2009

Shareholders' Information

Registered Office

4th Floor, The Forum
Suite # 416-422, G-20, Block 9
Khayaban-e-Jami, Clifton
Karachi-75600
Tel: 92 - 21- 5831618, 5831664, 5833011
Fax: 92 - 21- 5860251

Shares Registrar

FAMCO Associates (Pvt.) Ltd.
[formerly Ferguson Associates (Pvt.) Ltd.]
4th Floor, State Life Building No. 2-A
Wallace Road
Off I.I. Chundrigar Road
Karachi-74000
Tel: 92-21-2425467, 2427012, 2426597, 2475606, 2420755
Fax: 92-21-2426752

Listing on Stock Exchanges

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

Listing Fees

The annual listing fee for the financial year 2008-09 has been paid to all the three stock exchanges within the prescribed time limit.

Stock Code

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

Shares Registrar

Packages' shares department is operated by FAMCO Associates (Pvt.) Ltd. [formerly Ferguson Associates (Pvt.) Ltd.] and services about 4,344 shareholders. It is managed by a well-experienced team of professionals and is equipped with the necessary infrastructure in terms of computer facilities and comprehensive set of systems and procedures for conducting the Registration function.

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

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

Contact persons:

Mr. Rafique Khatri
Tel: 92-21-5831618, 5831664, 5833011
Fax: 92-21-5860251

Mr. Ovais Khan
Tel: 92 -21-2425467, 2427012, 2426597, 2475606, 2420755
Fax: 92-21-2426752

Service Standards

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

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

Statutory Compliance

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

	For requests received through post	Over the counter
Transfer of shares	30 days after receipt	30 days after receipt
Transmission of shares	30 days after receipt	30 days after receipt
Issue of duplicate share certificates	30 days after receipt	30 days after receipt
Issue of duplicate dividend warrants	05 days after receipt	05 days after receipt
Issue of re-validated dividend warrants	05 days after receipt	05 days after receipt
Change of address	02 days after receipt	15 minutes

Dematerialization of Shares

The equity shares of the company are under the dematerialization category. As of date 71.31% of the equity shares of the company have been dematerialized by the shareholders.

Dividend

As more fully described in the Directors' Report to the Shareholders, increased finance costs and depreciation charges have offset substantial increase in sales and dividend income during the year. This has resulted into net loss after tax of Rs. 196 million. The board of directors of the company has, therefore, proposed a nil dividend for the financial year ended December 31, 2008 (2007: Dividend - nil : Bonus shares 15%).

Book Closure Dates

The Register of Members and Share Transfer Books of the company will remain closed from April 13, 2009 to April 21, 2009 both days inclusive.

Investors' Grievances

To date none of the investors or shareholders have filed any letter of complaints against any service provided by the company to its shareholders.

Legal Proceedings

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

General Meetings & Voting Rights

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

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

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

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

Proxies

Pursuant to Section 161 of the Companies Ordinance, 1984 and according to the Memorandum and Articles of Association of the company, every shareholder of the company who is entitled to attend and vote at a General Meeting of the company can appoint another person as his / her proxy to attend and vote instead of him / her. Every notice calling a general meeting of the company contains a statement that a shareholder entitled to attend and vote is entitled to appoint a proxy, who ought to be a member of the company.

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

Web Presence

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

Shareholding Pattern

The shareholding pattern of the equity share capital of the company as at December 31, 2008 is as follows:

Shareholding From	Shareholding To	Number of shareholders	Total shares held
1	100	1,957	50,665
101	500	869	240,785
501	1000	408	316,903
1001	5000	628	1,436,754
5001	10000	174	1,247,745
10001	15000	73	897,220
15001	20000	30	524,732
20001	25000	25	566,497
25001	30000	18	496,163
30001	35000	14	455,834
35001	40000	9	332,891
40001	45000	8	340,743
45001	50000	10	476,407
50001	55000	6	314,710
55001	60000	5	286,483
60001	65000	3	188,851
65001	70000	6	403,758
70001	75000	3	216,680
75001	80000	2	151,682
80001	85000	3	243,245
85001	90000	2	176,523
90001	95000	3	273,783
95001	100000	2	194,417
100001	105000	1	103,349
105001	110000	1	109,391
110001	115000	3	343,635
115001	120000	3	355,396
120001	125000	2	241,447
125001	130000	5	641,324
130001	135000	2	267,567
140001	145000	1	144,638
150001	155000	4	607,235
155001	160000	3	473,198
160001	165000	1	164,950
165001	170000	1	166,377
170001	175000	3	520,003
175001	180000	1	176,400
180001	185000	2	364,218
190001	195000	1	192,473
195001	200000	1	200,000
205001	210000	2	414,608
210001	215000	1	211,000
220001	225000	3	667,281
230001	235000	1	230,316
245001	250000	1	249,300
260001	265000	1	262,022
265001	270000	2	538,939

Shareholding		Number of shareholders	Total shares held
From	To		
270001	275000	2	548,500
275001	280000	2	555,824
300001	305000	2	604,772
305001	310000	1	307,820
310001	315000	1	311,065
345001	350000	1	349,317
355001	360000	1	357,800
370001	375000	1	374,000
395001	400000	1	399,043
420001	425000	1	423,745
440001	445000	1	440,806
495001	500000	1	499,036
500001	505000	1	503,987
530001	535000	1	533,853
600001	605000	1	600,100
650001	655000	1	654,378
720001	725000	1	722,717
740001	745000	1	740,489
765001	770000	1	768,891
830001	835000	1	831,887
880001	885000	1	883,030
990001	995000	1	990,641
1105001	1110000	1	1,108,696
1140001	1145000	1	1,140,890
1190001	1195000	1	1,193,010
1195001	1200000	1	1,198,668
1220001	1225000	1	1,224,254
1385001	1390000	1	1,386,569
1790001	1795000	1	1,791,159
2185001	2190000	1	2,186,572
3095001	3100000	1	3,097,030
3250001	3255000	1	3,251,890
3905001	3910000	1	3,905,234
4540001	4545000	1	4,541,255
4575001	4580000	1	4,578,528
4885001	4890000	1	4,887,650
19005001	19010000	1	19,007,860
	TOTAL	**4,344**	**84,379,504**

Information as required under the Code of Corporate Governance

Shareholders' Category	Number of shareholders	Number of shares held
Associated Companies, Undertakings and Related Parties		
GURMANI FOUNDATION	1	1,198,668
PACKAGES LIMITED EMPLOYEES GRATUITY FUND	2	104,494
PACKAGES LIMITED MANAGEMENT STAFF PENSION FUND	2	660,036
PACKAGES LIMITED EMPLOYEES PROVIDENT FUND	2	2,067,893
M/S BABAR ALI FOUNDATION	1	3,097,030
IGI INSURANCE LIMITED	1	19,007,860
IGI INVESTMENT BANK LIMITED	1	1,006
LOADS LIMITED	1	75,437
TREET CORPORATION LIMITED	1	883,030
NIT and ICP		
INVESTMENT CORPORATION OF PAKISTAN	1	2,108
NATIONAL BANK OF PAKISTAN, TRUSTEE DEPTT.	2	9,119,783
Directors		
MR. KHALID YACOB	1	1,023
MR. TOWFIQ HABIB CHINOY	1	10,000
MR. MUJEEB RASHID	1	70,638
MR. SHAMIM AHMAD KHAN	1	603
SYED HYDER ALI	2	2,187,175
SYED SHAHID ALI	1	1,140,890
SYED ASLAM MEHDI	1	4,781
Directors spouses and minor children	NIL	NIL
CEO's spouse and minor children	NIL	NIL
Executives	8	4,843,914
Public Sector Companies and Corporations	6	4,750,873
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba and Mutual Funds	116	14,460,845
Shareholders holding 10% or more voting interest		
IGI INSURANCE LIMITED	1	19,007,860
NATIONAL BANK OF PAKISTAN,TRUSTEE DEPTT.	2	9,119,783

S. No.	Shareholders' Category	Number of shareholders	Number of Shares	%
1	**Associated Companies, Undertakings and Related Parties**	12	**27,095,454**	32.11
2	**NIT and ICP**	3	**9,121,891**	10.81
3	**Directors, CEO and their Spouses**	8	**3,415,110**	4.05
4	**Executives**	8	**4,843,914**	5.74
5	**Public Sector Companies and Corporations**	6	**4,750,873**	5.63
6	**Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba and Mutual Funds**	116	**14,460,845**	17.14
7	**Others**	170	**8,283,820**	9.82
8	**Individuals**	4,021	**12,407,597**	14.70
		4,344	**84,379,504**	100.00

Share Price / Volume

The monthly high and low prices and the volume of shares traded on the Karachi Stock Exchange during the financial year 2008 are as under:

Month	Share price on the KSE (Rs.)		Volume of shares traded
	Highest	Lowest	
January	374.60	340.00	9,419,900
February	370.90	361.80	7,581,600
March	398.00	352.00	23,355,500
April	382.20	337.50	8,305,400
May	327.00	221.12	4,874,700
June	278.50	228.43	3,527,300
July	255.80	204.02	1,558,400
August	193.82	141.74	1,033,900
September	141.74	141.74	37,200
October	141.74	141.74	-
November	141.74	141.74	-
December	141.74	80.66	242,800

Statement of Compliance with the Code of Corporate Governance

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

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

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes six independent non-executive directors and none representing minority interests as no minority shareholder offered himself/herself for election.

2. The directors of the company have confirmed that none of them is serving as a director in more than ten listed companies, including this company, except for Mr. Tariq Iqbal Khan who has been specifically exempted by the Securities and Exchange Commission of Pakistan for holding directorship in more than ten listed companies.

3. All the directors have given declaration that they are aware of their duties and powers under the relevant laws and the company's Memorandum and Articles of Association and the listing regulations of the stock exchanges of Pakistan.

4. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

5. Mr. Khalid Yacob is an Executive Director of Packages Limited and he also holds the position of Director in IGI Investment Bank Limited which is the holding company of IGI Finex Securities Limited, a company engaged in the business of stock brokerage. However, Mr. Khalid Yacob undertakes that neither he nor his spouse is personally engaged in the business of stock brokerage.

6. A casual vacancy occurred in the Board on July 07, 2008 which was filled up by the directors on July 10, 2008.

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

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

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

10. The meetings of the Board were presided over by Chairman and the Board met at least once in every quarter during the year. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

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

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

13. The Board has approved the appointment of the Head of Internal Audit, including his remuneration and terms and conditions of employment. There was no new appointment of CFO or Company Secretary during the year.

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

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

16. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

17. The company has complied with all the corporate and financial reporting requirements of the Code.

18. The Board has formed an Audit Committee. It comprises of four members, of whom all are non-executive directors including the chairman of the committee.

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

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

21. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

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

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

(Towfiq Habib Chinoy)
Chairman
Lahore, March 16, 2009

Review Report to the Members on Statement of Compliance With Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Packages Limited to comply with the Listing Regulation No.37of the Karachi Stock Exchange, chapter XIII of the Lahore Stock Exchange and Chapter XI of the Islamabad Stock Exchange, where the company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended December 31, 2008.

A.F. FERGUSON & CO.
Chartered Accountants
Lahore, March 16, 2009

Auditors' Report to the Members

We have audited the annexed balance sheet of Packages Limited as at December 31, 2008 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied.

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance,1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at December 31,2008 and of the loss, its cash flows and changes in equity for the year then ended; and

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

A. F. FERGUSON & CO.
Chartered Accountants
Lahore, March 16, 2009

Balance Sheet
as at December 31, 2008

	Note	2008	2007
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital 150,000,000 (2007: 150,000,000) ordinary shares of Rs. 10 each		**1,500,000**	1,500,000
Issued, subscribed and paid up capital 84,379,504 (2007: 73,373,482) ordinary shares of Rs. 10 each	5	**843,795**	733,735
Reserves	6	**15,624,602**	13,110,240
Unappropriated (loss) / profit		**(195,825)**	4,326,797
		16,272,572	18,170,772
NON-CURRENT LIABILITIES			
Long-term finances - secured	7	**12,304,400**	12,346,500
Deferred liabilities	8	**840,788**	955,790
		13,145,188	13,302,290
CURRENT LIABILITIES			
Current portion of long-term finances - secured	7	**550,000**	-
Finances under mark up arrangements - secured	9	**2,587,819**	401,019
Trade and other payables	10	**1,461,904**	1,564,362
		4,599,723	1,965,381
Liabilities directly associated with non-current assets classified as held-for-sale - advance against sale of shares	11	**1,017,150**	-
		5,616,873	1,965,381
CONTINGENCIES AND COMMITMENTS	12	-	-
		35,034,633	33,438,443

	Note	2008	2007
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	**11,285,293**	10,361,253
Intangible assets	14	**241**	363
Investment property	15	**25,294**	26,055
Capital work-in-progress	16	**8,155,239**	7,800,683
Investments	17	**8,362,485**	10,080,259
Long-term loans and deposits	18	**155,102**	244,166
Retirement benefits	19	**127,518**	88,262
		28,111,172	28,601,041
CURRENT ASSETS			
Stores and spares	20	**841,487**	715,840
Stock-in-trade	21	**3,652,261**	2,206,191
Trade debts	22	**1,523,049**	1,288,928
Loans, advances, deposits, prepayments and other receivables	23	**692,076**	525,421
Cash and bank balances	24	**199,188**	101,022
		6,908,061	4,837,402
Non-current assets classified as held-for-sale - investment in related party	11	**15,400**	-
		6,923,461	4,837,402
		35,034,633	33,438,443

The annexed notes 1 to 45 form an integral part of these financial statements.

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

Profit and Loss Account
for the year ended December 31, 2008

		Note	2008	2007
			(Rupees in thousand)	
Local sales			**13,697,837**	10,365,224
Export sales			**603,086**	174,771
			14,300,923	10,539,995
Less: Sales tax and excise duty			**2,056,475**	1,501,230
Commission			**19,669**	10,130
			2,076,144	1,511,360
			12,224,779	9,028,635
Cost of sales		25	**(11,281,480)**	(7,829,362)
Gross profit			**943,299**	1,199,273
Administrative expenses		26	**(512,189)**	(348,064)
Distribution and marketing costs		27	**(362,425)**	(240,357)
Other operating expenses		28	**(324)**	(145,439)
Other operating income		29	**336,965**	122,185
Profit from operations			**405,326**	587,598
Finance costs		30	**(1,662,094)**	(367,378)
Investment income		31	**948,879**	4,412,728
(Loss) / profit before tax			**(307,889)**	4,632,948
Taxation		32	**112,064**	(307,000)
(Loss) / profit for the year			**(195,825)**	4,325,948
(Loss) / earnings per share	Rupees	41	**(2.32)**	51.27

Appropriations have been reflected in the statement of changes in equity.

The annexed notes 1 to 45 form an integral part of these financial statements.

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

Cash Flow Statement
for the year ended December 31, 2008

	Note	2008	2007
		(Rupees in thousand)	
Cash flow from operating activities			
Cash (used in) / generated from operations	39	**(708,816)**	326,117
Finance cost paid		**(1,800,985)**	(1,051,738)
Taxes paid		**(220,937)**	(139,191)
Payments for accumulating compensated absences		**(12,268)**	(6,783)
Retirement benefits paid		**(35,564)**	(30,339)
Net cash used in operating activities		**(2,778,570)**	(901,934)
Cash flow from investing activities			
Purchase of property, plant and equipment		**(2,447,617)**	(4,841,392)
Advance received against sale of shares		**1,017,150**	-
Net decrease / (increase) in long-term loans and deposits		**89,064**	(63,548)
Proceeds from sale of property, plant and equipment		**21,252**	48,401
Dividends received		**948,879**	646,650
Proceeds from sale of investments		**-**	71,428
Purchase of investments		**-**	(12,903)
Net cash used in investing activities		**(371,272)**	(4,151,364)
Cash flow from financing activities			
Proceeds from long-term finances		**-**	6,346,500
Proceeds from Ijarah finance		**1,061,208**	-
Payment of finance lease liabilities		**-**	(851)
Dividend paid		**-**	(418,194)
Net cash from financing activities		**1,061,208**	5,927,455
Net (decrease) / increase in cash and cash equivalents		**(2,088,634)**	874,157
Cash and cash equivalents at the beginning of the year		**(299,997)**	(1,174,154)
Cash and cash equivalents at the end of the year	40	**(2,388,631)**	(299,997)

The annexed notes 1 to 45 form an integral part of these financial statements.

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

Statement of Changes in Equity

for the year ended December 31, 2008

	Share capital	Share premium	Fair value reserve	General reserve	Unappropriated profit/(loss)	Total
	(Rupees		in	thous	and	)
Balance as on December 31, 2006	698,795	2,986,953	198,447	3,686,936	6,101,666	**13,672,797**
Final dividend for the year ended December 31, 2006 Rs. 6.00 per share	-	-	-	-	(419,277)	**(419,277)**
Transferred from profit and loss account	-	-	-	5,646,600	(5,646,600)	**-**
3,493,975 ordinary shares of Rs. 10 each issued as fully paid bonus shares	34,940	-	-	-	(34,940)	**-**
Fair value gain during the year	-	-	2,476,829	-	-	**2,476,829**
Transferred to profit and loss account on disposal of shares in The Resource Group (TRG) Pakistan Limited and Nestle Pakistan Limited	-	-	(1,885,525)	-	-	**(1,885,525)**
Profit for the year	-	-	-	-	4,325,948	**4,325,948**
Balance as on December 31, 2007	733,735	2,986,953	789,751	9,333,536	4,326,797	**18,170,772**
11,006,022 ordinary shares of Rs. 10 each issued as fully paid bonus shares	110,060	(110,060)	-	-	-	**-**
Transferred from profit and loss account	-	-	-	4,326,797	(4,326,797)	**-**
Fair value loss during the year	-	-	(1,702,375)	-	-	**(1,702,375)**
Loss for the year	-	-	-	-	(195,825)	**(195,825)**
Balance as on December 31, 2008	**843,795**	**2,876,893**	**(912,624)**	**13,660,333**	**(195,825)**	**16,272,572**

The annexed notes 1 to 45 form an integral part of these financial statements.

Towfiq Habib Chinoy
Chairman

Syed Hyder Ali
Chief Executive & Managing Director

Syed Aslam Mehdi
Director

Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2008

1. Legal status and nature of business

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

2. Basis of preparation

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

2.2 Standards, interpretations and amendments to published approved accounting standards

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

2.2.1 Amendments to published standards effective in current year

IFRIC 14, ' IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' is effective from January 01, 2008. IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum requirement. It's adoption does not have any significant impact on the company's financial statements.

2.2.2 Amendments to published standards applicable to the company not yet effective

The following amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after their respective effective dates:

IAS 1 (Revised), 'Presentation of financial statements' is effective from January 01, 2009. The revised standard will prohibit 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 will be required to be shown in performance statement, but company can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The above standard will only impact the presentation of financial statements.

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.

IFRS 8 'Operating Segments' is effective from January 01, 2009. It sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers.

Certain amendments to IAS 23 'Borrowing Costs' have been published that are applicable to the company's financial statements covering annual periods, beginning on or after January 01, 2009. Adoption of these amendments would require the company to capitalise the borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing these borrowing costs will be removed. Its adoption will not have any impact on the company's financial statements.

2.2.3 Standards and interpretations to existing standards that are not applicable to the company and not yet effective

Standards or Interpretation	Effective date
IFRS 2 - Share based payment	January 01, 2009
IFRIC 12 - Service concession arrangements	January 01, 2009
IFRIC 13 - Customer loyalty programmes	January 01, 2009
IFRIC 15 - Accounting for agreements for the construction of real estate	January 01, 2009
IFRIC 16 - Hedge of net investment in a foreign operation	January 01, 2009

In addition to the above, a new standard 'IFRS 4 - Insurance Contracts' has been issued by the International Accounting Standards Board and has been adopted by the Institute of Chartered Accountants of Pakistan (ICAP) but the notification from SECP is still awaited and, hence, presently do not form part of the local financial reporting framework.

3. Basis of measurement

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

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

a) Employee retirement benefits

The company uses the valuation performed by an independent actuary as the present value of its retirement benefit obligations.The valuation is based on assumptions as mentioned in note 4.8.

b) Provision for taxation

The company takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the company's view differs from the view taken by the income tax department at the assessment stage and where the company considers that its views on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

c) Useful life and residual values of property, plant and equipment

The company reviews the useful lives of property, plant and equipment on regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

4. Significant accounting policies

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

4.1 Taxation

Current

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

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

4.2 Property, plant and equipment

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Cost in relation to certain plant and machinery signifies historical cost, gains and losses transferred from equity on qualifying cash flow hedges as referred to in note 4.18 and borrowing costs as referred to in note 4.21.

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

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

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The company's estimate of the residual value of its property, plant and equipment as at December 31, 2008 has not required any adjustment as its impact is considered insignificant.

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

The company assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account for the year. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

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

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

4.3 Intangible assets

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

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

The company assesses at each balance sheet date whether there is any indication that intangible assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account for the year. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the amortisation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.4 Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss.

4.5 Investment property

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

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

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The company's estimate of the residual value of its investment property as at December 31, 2008 has not required any adjustment as its impact is considered insignificant.

The company assesses at each balance sheet date whether there is any indication that investment property may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amount and the resulting impairment loss is recognized in profit and loss account for the year. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

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

4.6 Leases

(1) The company is the lessee:

Finance leases

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

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

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

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

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

Operating leases

Leases including ijarah financing where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight-line basis over the lease / ijarah term.

(2) The company is the lessor:

Operating leases

Assets leased out under operating leases are included in investment property as referred to in note 15. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognized on a straight-line basis over the lease term.

4.7 Investments

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

Investments in equity instruments of subsidiaries and associated companies

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

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

Other investments

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

Held to maturity

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

Available for sale

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

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

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

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

4.8 Employee retirement benefits

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

4.8.1 Defined benefit plans

(a) All the executive staff participates in an approved funded defined benefit pension plan. In addition, there is an approved funded defined benefit gratuity plan for all employees. Monthly contributions are made to these funds on the basis of actuarial recommendation at the rate of 20 percent per annum of basic salaries for pension and 4.50 percent per annum of basic salaries for gratuity. The latest actuarial valuation for the pension and gratuity schemes was carried out as at December 31, 2008. The actual losses on plan assets during the year were Rs. 169.815 million and Rs. 0.620 million for the pension and gratuity funds respectively. The actual returns on plan assets represent the difference between the fair value of plan assets at beginning of the year and end of the year after adjustments for contributions made by the company as reduced by benefits paid during the year.

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

- Discount rate 16 percent per annum.
- Expected rate of increase in salary level 13.79 percent per annum.
- Expected rate of return 16 percent per annum.

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

The company is expected to contribute Rs. 31 million to the pension fund and Rs. 10 million to the gratuity fund in the next financial year.

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

(b) Accumulating compensated absences

Provisions are made annually to cover the obligation for accumulating compensated absences and are charged to profit.

4.8.2 Defined contribution plan

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

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

4.9 Stores and spares

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

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

4.10 Stock-in-trade

Stock of raw materials, except for those in transit, work-in-process and finished goods are valued principally at the lower of weighted average cost and net realisable value. Cost of work-in-process and finished goods comprises cost of direct materials, labour and appropriate manufacturing overheads.

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

Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale. Provision is made in the financial statements for obsolete and slow moving stock-in-trade based on management estimate.

4.11 Financial instruments

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

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

4.12 Offsetting of financial assets and liabilities

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

4.13 Trade debts

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

4.14 Cash and cash equivalents

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

4.15 Non-current assets held-for-sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying value is to be recovered principally through a sale transaction rather than through continuing use.

4.16 Borrowings

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

4.17 Trade and other payables

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

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.18 Derivative financial instruments

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

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

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

Amounts accumulated in equity are recognized in profit and loss account in the periods when the hedged item will effect profit or loss.

4.19 Revenue recognition

Revenue is recognized on despatch of goods or on the performance of services except for management fee, which is recognized on receipt.

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

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

4.20 Foreign currency transactions and translation

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

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

4.21 Borrowing costs

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

4.22 Dividend

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

5. Issued, subscribed and paid up capital

2008	2007		2008	2007
(Number of shares)			(Rupees in thousand)	
33,603,295	33,603,295	Ordinary shares of Rs. 10 each fully paid in cash	**336,033**	336,033
148,780	148,780	Ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash	**1,488**	1,488
50,627,429	39,621,407	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	**506,274**	396,214
84,379,504	73,373,482		**843,795**	733,735

19,007,860 (2007: 16,521,117) ordinary shares of the company are held by IGI Insurance Limited, an associated undertaking.

6. Reserves

	Note	2008	2007
		(Rupees in thousand)	
Movement in and composition of reserves is as follows:			
Capital			
Share premium		**2,986,953**	2,986,953
Issue of 11,006,022 ordinary shares of Rs. 10 each as fully paid bonus shares		**(110,060)**	-
	6.1	**2,876,893**	2,986,953
Fair value reserve			
At the beginning of the year		**789,751**	198,447
Fair value (loss) / gain during the year		**(1,702,375)**	2,476,829
Transferred to profit and loss account		**-**	(1,885,525)
	6.2	**(912,624)**	789,751
		1,964,269	3,776,704
Revenue			
General reserve			
At the beginning of the year		**9,333,536**	3,686,936
Transfer from profit and loss account		**4,326,797**	5,646,600
		13,660,333	9,333,536
		15,624,602	13,110,240

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

6.2 As referred to in note 4.7 this represents the unrealised (loss) / gain on remeasurement of investments at fair value and is not available for distribution. This will be transferred to profit and loss account on derecognition of investments.

7. Long-term finances - secured

	Note	2008	2007
		(Rupees in thousand)	
These are composed of:			
Local currency loan	7.1	**10,500,000**	10,500,000
Foreign currency loan	7.2	**2,354,400**	1,846,500
		12,854,400	12,346,500
Less: Current portion shown under current liabilities		**550,000**	-
		12,304,400	12,346,500

7.1 Local currency loans

7.1.1 Consortium Loan

This loan has been obtained from a consortium of commercial banks led by MCB Bank Limited. It is secured by a first ranking exclusive hypothecation / equitable mortgage charge over all present and future fixed assets of the company amounting to Rs. 13,200 million in favour of MCB Bank Limited being security trustee on behalf of consortium. It carries mark up at six month Karachi Inter Bank Offered Rate (KIBOR) plus 1.35 percent per annum and is payable semi annually. The effective mark up charged during the year ranges from 11.31% to 17.01% per annum. Of the aggregate facility of Rs. 9,900 million, the amount availed as at December 31, 2008 is Rs. 9,900 million (2007: Rs. 9,900 million), repayable in 14 equal semi annual instalments commencing June 06, 2009, December 06, 2009 and December 06, 2010 for Rs. 1,000 million, Rs. 5,700 million and Rs. 3,200 million respectively.

7.1.2 Others

This loan has been obtained from Citibank. It is secured by a first ranking exclusive hypothecation / equitable mortgage charge over all present and future fixed assets of the company amounting to Rs. 800 million in favour of MCB Bank Limited being security trustee on behalf of Citibank. It carries mark up at six month KIBOR plus 0.90 percent per annum and is payable semi annually. The effective mark up charged during the year ranges from 10.86% to 16.56% per annum. Of the aggregate facility of Rs. 600 million, the amount availed as at December 31, 2008 is Rs. 600 million (2007: Rs. 600 million), repayable in 7 semi annual instalments divided into 6 semi annual instalments of Rs. 75 million commencing June 06, 2010 and last instalment of Rs. 150 million.

7.2 Foreign currency loan

This loan has been obtained from International Finance Corporation (IFC). It is secured by a first ranking exclusive hypothecation / equitable mortgage charge over all present and future fixed assets of the company amounting to USD 40 million. It carries mark up at six month London Inter Bank Offered Rate (LIBOR) plus 1.85 percent per annum and is payable semi annually. The effective mark up charged during the year ranges from 4.972% to 7.554% per annum. Of the aggregate facility of USD 30 million, the amount availed as at December 31, 2008 is USD 30 million (2007: USD 30 million), repayable in 14 equal semi annual instalments commencing July 15, 2010.

7.2.1 Derivative cross currency swap

The company has entered into a derivative cross currency swap of USD 30 million for its foreign currency loan to hedge the possible adverse movements in exchange rates. Under the terms of the cross currency swap arrangement, the company pays KIBOR minus bank spread to the arranging bank , and receives LIBOR plus bank spread on the foreign currency loan denominated in PKR for the purposes of the cross currency swap from the arranging bank. There has been no transfer of liability under this arrangement, only the nature of the interest payments has changed. As this hedging relationship is ineffective and does not meet the criteria of cash flow hedge, this arrangement does not qualify for special hedge accounting specified in IAS 39 'Financial instruments: Recognition and Measurement'.

8. Deferred liabilities

	Note	2008	2007
		(Rupees in thousand)	
Deferred taxation	8.1	**738,000**	862,000
Accumulating compensated absences	8.2	**102,788**	93,790
		840,788	955,790

8.1 Deferred taxation

The liability for deferred taxation comprises temporary differences relating to:

	2008	2007
Accelerated tax depreciation	**2,777,253**	2,259,159
Unused tax losses	**(1,939,112)**	(1,302,102)
Minimum tax available for carry forward	**(47,935)**	(46,000)
Provision for accumulating compensated absences	**(35,976)**	(32,827)
Impairment loss in value of investments	**(16,230)**	(16,230)
	738,000	862,000

8.2 Accumulating compensated absences

	2008	2007
Opening balance	**93,790**	87,455
Provision for the year	**21,266**	13,118
	115,056	100,573
Less: Payments made during the year	**12,268**	6,783
Closing balance	**102,788**	93,790

9. Finances under mark up arrangements - secured

	Note	2008	2007
Running finances	9.1	**2,587,819**	401,019
		2,587,819	401,019

9.1 Running finances

Short-term running finances available from a consortium of commercial banks under mark up arrangements amount to Rs. 5,832 million (2007: Rs. 5,632 million). The rates of mark up range from Re. 0.2689 to Re. 0.4904 per Rs. 1,000 per diem or part thereof on the balances outstanding. In the event, the company fails to pay the balances on the expiry of the quarter, year or earlier demand, mark up is to be computed at the rates ranging from Re. 0.4372 to Re. 0.6011 per Rs. 1,000 per diem or part thereof on the balances unpaid. The aggregate running finances are secured by hypothecation of stores, spares, stock-in-trade and trade debts.

Of the aggregate facility of Rs. 7,591.945 million (2007: Rs. 10,741.945 million) for opening letters of credit and Rs. 1,444 million (2007: Rs. 1,444 million) for guarantees, the amount utilised at December 31, 2008 was Rs. 409.317 million (2007: Rs. 1,231.091 million) and Rs. 661.208 million (2007: Rs. 654.769 million) respectively. Of the facility for guarantees, Rs. 1,444 million (2007: Rs. 1,444 million) is secured by second hypothecation charge over stores, spares, stock-in-trade and trade debts.

10. Trade and other payables

	Note	2008	2007
		(Rupees in thousand)	
Trade creditors	10.1	**290,551**	300,952
Accrued liabilities	10.2	**674,833**	651,286
Sales tax payable		**26,336**	32,371
Excise duty payable		**6,994**	5,621
Customers' balances		**64,311**	107,847
Deposits - interest free repayable on demand		**6,006**	5,846
Mark up accrued on:			
Long-term finances - secured		**184,045**	122,318
Finances under mark up arrangements - secured		**90,759**	13,854
Workers' profit participation fund	10.3	**-**	50,601
Workers' welfare fund		**865**	218,719
Derivative cross currency swap	10.4	**72,885**	11,111
TFCs payable		**1,405**	1,405
Unclaimed dividends		**9,975**	9,975
Others		**32,939**	32,456
		1,461,904	1,564,362

10.1 Trade creditors include amount due to related parties Rs. 67.514 million (2007: Rs. 43.691 million).

10.2 Accrued liabilities include amount due to related party Rs. 0.884 million (2007: Rs. 5.737 million).

10.3 Workers' profit participation fund

	Note	2008	2007
		(Rupees in thousand)	
Opening balance		**50,601**	83,894
Provision for the year	28	**-**	50,601
		50,601	134,495
Less: Payments made during the year		**50,601**	83,894
Closing balance		**-**	50,601

10.4 During the year, the company entered into a derivative cross currency swap arrangement to hedge for the possible adverse movements in exchange rates arising on its foreign currency loan as referred in note 7.2.1. The derivative cross currency swap outstanding as at December 31, 2008 has been marked to market and the resulting loss of Rs. 72.885 million has been recognized in profit and loss account as this hedging relationship does not meet the criteria of cash flow hedge and does not qualify for special hedge accounting specified in IAS 39 'Financial Instruments: Recognition and Measurement'.

11. Liabilities directly associated with the non-current assets classified as held-for-sale-advance against sale of shares

This represents advance received from Tetra Laval Holding and Finance S.A (TLH) amounting to USD 15 million against sale of company's shareholding in Tetra Pak Pakistan Limited (TPPL). Currently the company holds 30,800,000 shares i.e. 44% of paid up capital of TPPL. The Board of the company, in the meeting held on December 23, 2008, decided to dispose off the entire shareholding in TPPL to TLH against consideration of USD 115 million and terminate the earlier arrangement of 'Call Option' with TLH. The agreement for sale of shares with TLH has been signed, subsequent to the balance sheet date, on January 03, 2009 and shares have also been transferred to TLH on January 09, 2009.

In view of the above arrangement, investment in TPPL has been accounted for in accordance with IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations' and disclosed under current assets and measured at lower of cost and fair value less cost to sell.

Liabilities directly associated with non-current assets classified as held-for-sale

	2008	2007
	(Rupees in thousand)	
Advance against sale of shares	**1,017,150**	-

Non-current assets held-for-sale - Investment in related party

Tetra Pak Pakistan Limited		
30,800,000 fully paid ordinary shares of Rs. 10 each		
Equity held: 44%	**15,400**	-

12. Contingencies and commitments

12.1 Contingencies

(i) Claims against the company not acknowledged as debts Rs. 14.193 million (2007: Rs. 12.766 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 recognized 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 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 recognized in the financial statements as the management is of the view that the appeal of the STO will not be upheld by the ITAT.

(iii) Post dated cheques not provided in these financial statements have been furnished by the company in favour of Collector of Customs against custom levies aggregated to Rs. 28.544 million (2007: Rs. 8.339 million) in respect of goods imported.

12.2 Commitments in respect of

(i) Letters of credit and contracts for capital expenditure Rs. 265.907 million (2007: Rs. 1,103.199 million).

(ii) Letters of credit and contracts other than for capital expenditure Rs. 280.896 million (2007: Rs. 717.981 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:

	2008	2007
	(Rupees in thousand)	
Not later than one year	**164,150**	1,304
Later than one year and not later than five years	**1,220,468**	6,849
Later than five years	**386,326**	1,412
	1,770,944	9,565

13. Property, plant and equipment

	2008								
	Cost as at December 31, 2007	Transfer out	Additions/ (deletions)	Cost as at December 31, 2008	Accumulated depreciation as at December 31, 2007	Depreciation charge/ (deletions) for the year	Transfer out	Accumulated depreciation as at December 31, 2008	Book value as at December 31, 2008
	(Rupees in thousand)								
Freehold land	287,848	-	11,517	**299,365**	-	-	-	**-**	**299,365**
Buildings on freehold land	1,383,499	-	522,431	**1,905,930**	102,401	68,779	-	**171,180**	**1,734,750**
Buildings on leasehold land	184,086	(911)	-	**183,175**	56,007	6,926	(292)	**62,641**	**120,534**
Plant and machinery	13,309,650	-	1,207,607 (41,172)	**14,476,085**	4,863,034	747,230 (41,086)	-	**5,569,178**	**8,906,907**
Other equipments	303,072	-	33,170 (1,028)	**335,214**	218,892	26,973 (936)	-	**244,929**	**90,285**
Furniture and fixtures	15,175	-	446	**15,621**	9,421	2,075	-	**11,496**	**4,125**
Vehicles	241,041	-	41,793 (30,550)	**252,284**	113,363	32,248 (22,654)	-	**122,957**	**129,327**
	15,724,371	(911)	1,816,964 (72,750)	**17,467,674**	5,363,118	884,231 (64,676)	(292)	**6,182,381**	**11,285,293**

	2007								
	Cost as at December 31, 2006	Transfer in/(out)	Additions/ (deletions)	Cost as at December 31, 2007	Accumulated depreciation as at December 31, 2006	Depreciation charge/ (deletions) for the year	Transfer out	Accumulated depreciation as at December 31, 2007	Book value as at December 31, 2007
	(Rupees in thousand)								
Freehold land	276,355	(8,594)	20,087	287,848	-	-	-	-	287,848
Buildings on freehold land	251,701	(6,295)	1,138,093	1,383,499	74,419	30,247	(2,265)	102,401	1,281,098
Buildings on leasehold land	184,086	-	-	184,086	49,057	6,950	-	56,007	128,079
Plant and machinery	6,705,133	-	6,622,351 (17,834)	13,309,650	4,407,790	461,744 (6,500)	-	4,863,034	8,446,616
Other equipments	289,754	-	26,358 (13,040)	303,072	203,425	23,391 (7,924)	-	218,892	84,180
Furniture and fixtures	14,085	-	1,401 (311)	15,175	7,584	2,040 (203)	-	9,421	5,754
Vehicles	198,645	1,697	82,528 (41,829)	241,041	106,369	28,876 (21,882)	-	113,363	127,678
	7,919,759	(13,192)	7,890,818 (73,014)	15,724,371	4,848,644	553,248 (36,509)	(2,265)	5,363,118	10,361,253

Property, plant and equipment include mark up capitalised of Rs. 118.326 million (2007: Rs. 437.716 million).

Property, plant and equipment include assets amounting to Rs. 12.026 million (2007: Rs. 12.041 million) of the company which are not in operation.

The cost of fully depreciated assets which are still in use as at December 31, 2008 is Rs. 3,104.154 million (2007: Rs. 3,095.851 million).

13.1 Disposal of property, plant and equipment

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

Particulars of assets		Sold to	2008 Cost	Accumulated depreciation	Book value	Sales proceeds	Mode of Disposal
			(Rupees in thousand)				
Vehicles		**Employees**					
	Mr.	Ali Munir	494	80	414	432	Company policy
		Muhammad Nauman Zafar	602	351	251	430	- do -
		Malik Babar Jan	650	379	271	472	- do -
		Rehan Yacob	831	526	305	630	- do -
		Emad Zubair	430	16	414	411	- do -
		Naveed Waheed Malik	400	35	365	343	- do -
		Muhammad Kamran Ejaz	500	138	362	386	- do -
		Muhammad Ayub	585	161	424	427	- do -
		Muhammad Tariq Ashfaq	900	405	495	480	- do -
		Ahsan Iqbal	379	183	196	237	- do -
		Imran Riaz	532	301	231	369	- do -
		Asim Saeed	515	292	223	355	- do -
		Muhammad Yasin	640	491	149	413	- do -
		Sheikh Saif-ur-Rehman	645	505	140	417	- do -
		Kashif Ahmed	371	65	306	316	- do -
		Nabeel Ahmed Tahir	373	230	143	240	- do -
		Hamza Bin Lodhi	360	49	311	306	- do -
		Omer Ijaz	355	278	77	249	- do -
	Syed	Izzat Hassan	750	131	619	676	- do -
	Ms.	Maria Mohni	390	20	370	390	- do -
		Outsiders					
	Mr.	Adnan Bhatti	354	207	147	263	Negotiation
		Sajjad Ali	355	225	130	260	- do -
		Islam Akbar	532	20	512	460	- do -
		Raheel Iqbal	569	398	171	423	- do -
	Ms.	Shaheen Mujeeb	366	55	311	280	- do -
	Syed	Sajjad Haider	355	237	118	220	- do -
	M/s	IGI Insurance Limited - Related Party	774	645	129	524	Insurance claim
		IGI Insurance Limited - Related Party	369	177	192	580	- do -
Plant and machinery		**Outsiders**					
	M/s	Boss Link Pakistan	36,285	36,199	86	3,735	Negotiation
Other assets with book value less than Rs. 50,000			22,089	21,877	212	6,528	-
			72,750	**64,676**	**8,074**	**21,252**	

2007							
Particulars of assets		Sold to	Cost	Accumulated depreciation	Book value	Sales proceeds	Mode of Disposal
			(Rupees in thousand)				
Vehicles		Employees					
	Dr.	Babar Ali	849	495	354	645	Company policy
	Mr.	Abdur Rahman	530	203	327	413	- do -
		Adnan Saud Sharif	399	286	113	202	- do -
		Ahsan Feroze	416	270	146	273	- do -
		Ahsan Manzoor	409	164	245	303	- do -
		Mohammad Khalid	560	495	65	335	Negotiation
		Bilal A Qureshi	603	221	382	479	Company policy
		Chaudhry Jawad Saqlain	609	69	540	522	- do -
		Faisal Akram	608	46	562	553	- do -
		Fiaz Ahmed	600	45	555	557	- do -
		Humayun Kabir	899	202	697	725	- do -
		Imran Majeed	380	95	285	277	- do -
		Mohammad Iqbal Ansari	841	533	308	624	- do -
		Javaid Maqbool	563	56	507	479	- do -
		Khawaja Muhammad Arshad	350	192	158	202	- do -
		Khuram Rashid	370	117	253	268	- do -
		Khushi Muhammad	371	124	247	312	Negotiation
		Luqman Khalid	750	512	238	546	Company policy
		Mohammad Shafique Shakir	692	346	346	285	Negotiation
		Muhammad Asad	331	281	50	164	Company policy
		Muhammad Mansha	464	104	360	404	- do -
		Mustansar Bashir	781	716	65	533	- do -
		Shaukat Ali	564	498	66	400	Negotiation
		Sharif Hussain	609	315	294	446	Company policy
		Umar Rafique	534	151	383	420	- do -
		Waseem Ahmad	359	32	327	327	- do -
	Ms.	Samina Jamil	504	160	344	394	- do -
	Syed	Ali Hassan	327	239	88	197	- do -
	Syed	Muhammad Kazmi	509	38	471	509	- do -
		Outsiders					
	Mr.	Sheikh Sohail Majeed	711	249	462	1,050	Negotiation
		Muhammad Amin	356	190	166	272	- do -
	M/s	IGI Insurance Limited - Related Party	1,222	570	652	975	Insurance claim
		DIC Pakistan Limited - Related party	831	374	457	650	Company policy
Heavy vehicles		Outsiders					
	M/s	Syedanwala Agricultural Farm - Related party	660	253	407	418	Negotiation
		Packages Construction (Pvt.) Limited - Related party	9,425	471	8,954	8,954	- do -
Plant and machinery		Outsiders					
	M/s	Packages Construction (Pvt.) Limited - Related party	11,930	596	11,334	11,334	- do -
Other equipment		Outsiders					
	M/s	Syedanwala Agricultural Farm - Related party	7,973	3,012	4,961	5,094	- do -
		IGI Insurance Limited - Related Party	106	3	103	80	Insurance claim
Other assets with book value less than Rs. 50,000			24,019	23,786	233	7,780	-
			73,014	36,509	36,505	48,401	

14. Intangible assets

	Cost as at December 31, 2007	Additions	Cost as at December 31, 2008	Accumulated amortisation as at December 31, 2007	Amortisation charge for the year	Accumulated amortisation as at December 31, 2008	Book value as at December 31, 2008
	(Rupees in thousand)						
Computer software and ERP system	124,075	311	**124,386**	123,712	433	**124,145**	**241**
2008	**124,075**	**311**	**124,386**	**123,712**	**433**	**124,145**	**241**
2007	124,075	-	124,075	121,543	2,169	123,712	363

The cost of fully amortised assets which are still in use as at December 31, 2008 is Rs. 124.075 million (2007: Rs. 122.644 million).

14.1 The depreciation/amortisation charge for the year has been allocated as follows:

	Note	Depreciation	Amortisation	Total 2008	Total 2007
		(Rupees in thousand)			
Cost of sales	25	858,164	213	**858,377**	529,543
Administrative expenses	26	21,424	220	**21,644**	21,277
Distribution and marketing costs	27	4,643	-	**4,643**	4,597
		884,231	433	**884,664**	555,417

15. Investment property

2008

	Cost as at December 31, 2007	Transfer in	Additions	Cost as at December 31, 2008	Accumulated depreciation as at December 31, 2007	Depreciation charge for the year	Transfer in	Accumulated depreciation as at December 31, 2008	Book value as at December 31, 2008
	(Rupees in thousand)								
Land	8,594	-	-	**8,594**	-	-	-	**-**	**8,594**
Buildings on freehold land	6,295	-	-	**6,295**	2,300	420	-	**2,720**	**3,575**
Buildings on leasehold land	26,406	911	-	**27,317**	12,940	960	292	**14,192**	**13,125**
	41,295	911	-	**42,206**	15,240	1,380	292	**16,912**	**25,294**

2007

	Cost as at December 31, 2006	Transfer in	Additions	Cost as at December 31, 2007	Accumulated depreciation as at December 31, 2006	Depreciation charge for the year	Transfer in	Accumulated depreciation as at December 31, 2007	Book value as at December 31, 2007
	(Rupees in thousand)								
Land	-	8,594	-	8,594	-	-	-	-	8,594
Buildings on freehold land	-	6,295	-	6,295	-	35	2,265	2,300	3,995
Buildings on leasehold land	26,406	-	-	26,406	11,983	957	-	12,940	13,466
	26,406	14,889	-	41,295	11,983	992	2,265	15,240	26,055

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

Fair value of the investment property, based on the valuation carried out by an independent valuer, as at December 31, 2008 is Rs. 87.499 million (2007: Rs. 93.252 million).

16. Capital work-in-progress

	Note	2008	2007
		(Rupees in thousand)	
Civil works		**14,279**	91,505
Plant and machinery [including in transit Rs. Nil (2007: Rs. 155.767 million)]		**16,551**	765,696
Others		**27**	1,412
Expansion project:			
Civil works		**742,994**	868,503
Plant and machinery [including in transit Rs. 2.400 million (2007: Rs. 70.789 million)]		**5,767,935**	5,208,386
Advances	16.1	**5,534**	40,769
Unallocated expenditure	16.2	**1,607,919**	824,412
		8,124,382	6,942,070
		8,155,239	7,800,683

16.1 Advances

	Note	2008	2007
Civil works		**3,481**	16,572
Plant and machinery	16.1.1	**1,921**	24,197
Others		**132**	-
		5,534	40,769

16.1.1 It includes an amount of Rs. 0.793 million (2007: Rs. 16.336 million) given to Siemens Pakistan Engineering Company, a related party, for development of electrical infrastructure.

16.2 Unallocated expenditure

	Note	2008	2007
		(Rupees in thousand)	
Foreign consultancy services		**14,597**	14,597
Technical and other staff salaries		**176,958**	65,290
Finance costs		**1,370,459**	703,012
Others		**45,905**	41,513
		1,607,919	824,412

17. Investments

These represent the long-term investments in:

	Note	2008	2007
Related parties	17.1	**8,362,460**	10,080,234
Others	17.5	**25**	25
		8,362,485	10,080,259

17.1 Related parties

Subsidiaries - unquoted

	2008	2007
DIC Pakistan Limited		
3,377,248 (2007: 3,377,248) fully paid ordinary shares of Rs. 10 each		
Equity held 54.98% (2007: 54.98%)	**15,010**	15,010
Packages Construction (Private) Limited		
2,500,000 (2007: 2,500,000) fully paid ordinary shares of Rs. 10 each		
Equity held 99.99% (2007: 99.99%)	**25,000**	25,000
Packages Lanka (Private) Limited		
64,779,884 (2007: 64,779,884) shares of SL Rs. 10 each		
Equity held 79.07% (2007: 79.07%)	**442,938**	442,938
Less: Impairment loss	**(46,371)**	(46,371)
	396,567	396,567
Carried Forward	**436,577**	436,577

	Note	2008	2007
		(Rupees in thousand)	
Brougt Forward		**436,577**	436,577
Associated companies			
Quoted			
Nestle Pakistan Limited 3,649,248 (2007: 3,649,248) fully paid ordinary shares of Rs. 10 each Equity held 8.05% (2007: 8.05%) Market value - Rs. 4,866.272 million (2007: Rs. 6,568.646 million)		**4,866,272**	6,568,646
IGI Insurance Limited 6,354,412 (2007: 3,389,020) fully paid ordinary shares of Rs. 10 each Equity held 10.61% (2007: 10.61%) Market value - Rs. 732.473 million (2007: Rs. 1,403.224 million)		**878,378**	878,378
Tri-Pack Films Limited 10,000,000 (2007: 10,000,000) fully paid ordinary shares of Rs. 10 each Equity held 33.33% (2007: 33.33%) Market value - Rs. 1,246.400 million (2007: Rs. 2,033.000 million)		**2,141,233**	2,141,233
IGI Investment Bank Limited 4,610,915 (2007: 4,610,915) fully paid ordinary shares of Rs. 10 each Equity held 2.17% (2007: 4.99%) Market value - Rs. 14.524 million (2007: Rs. 68.011 million)		**35,000**	35,000
		7,920,883	9,623,257
Unquoted			
Tetra Pak Pakistan Limited Nil (2007: 30,800,000) fully paid ordinary shares of Rs. 10 each Equity held Nil (2007: 44%)	17.4	**-**	15,400
Coca-Cola Beverages Pakistan Limited 500,000 (2007: 500,000) fully paid ordinary shares of Rs. 10 each Equity held 0.14% (2007: 0.14%)		**5,000**	5,000
		5,000	20,400
		7,925,883	9,643,657
		8,362,460	10,080,234

17.2 Nestle Pakistan Limited and Coca-Cola Beverages Pakistan Limited are associated undertakings as per the Companies Ordinance, 1984, however, for the purpose of measurement, these have been classified as available for sale and measured at fair value as referred to in note 4.7.

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

17.4 The company's investment in Tetra Pak Pakistan Limited has been shown under current assets as non-current assets classified as held-for-sale as referred to in note 11.

17.5 Others

	2008	2007
	(Rupees in thousand)	
Unquoted		
Pakistan Tourism Development Corporation Limited		
2,500 (2007: 2,500) fully paid ordinary shares of Rs. 10 each	**25**	25
Orient Match Company Limited		
1,900 (2007: 1,900) fully paid ordinary shares of Rs. 100 each	-	-
	25	25

For the purposes of measurement, investments in others have been classified as available for sale investments.

18. Long-term loans and deposits

	Note	2008	2007
		(Rupees in thousand)	
Loans to employees - considered good	18.1	**2,153**	2,132
Loan to SNGPL	18.2	**131,200**	147,600
Sales tax recoverable		**-**	72,039
Security deposits		**22,129**	22,768
		155,482	244,539
Less: Receivable within one year			
Loans to employees - considered good		**380**	373
		155,102	244,166

18.1 These represent interest free loans to employees for purchase of motor cycles and cycles and are repayable in monthly instalments over a period of 58 to 249 months.

Loans to employees aggregating Rs. 0.259 million (2007: Rs. 0.398 million) are secured by joint registration of motor cycles in the name of employees and the company. The remaining loans are unsecured.

18.2 This represents an unsecured loan given to Sui Northern Gas Pipelines Limited for the development of the infrastructure for the supply of natural gas to the plants at Bulleh Shah Paper Mill (Expansion project). Mark up is charged at the rate of 1.5% per annum and is received annually. This amount is receivable in 10 annual instalments commenced on December 26, 2008.

19. Retirement benefits

	2008	2007
	(Rupees in thousand)	
Pension fund	**32,725**	(1,481)
Gratuity fund	**94,793**	89,743
	127,518	88,262

	Pension Fund		Gratuity Fund	
	2008	2007	**2008**	2007
	(Rupees in thousand)			
The amounts recognized in the balance sheet are as follows:				
Fair value of plan assets	**493,088**	644,296	**283,474**	296,469
Present value of defined benefit obligation	**(595,808)**	(547,041)	**(211,836)**	(178,979)
Non vested past service cost to be recognized in later periods	**3,025**	6,046	**-**	-
Unrecognized actuarial loss / (gains)	**132,420**	(104,782)	**23,155**	(27,747)
Asset / (liability) as at December 31	**32,725**	(1,481)	**94,793**	89,743
Net (liability) / asset as at January 1	**(1,481)**	(10,646)	**89,743**	80,451
Charge to profit and loss account	**7,174**	(13,568)	**(3,482)**	1,686
Contribution by the company	**27,032**	22,733	**8,532**	7,606
Asset / (liability) as at December 31	**32,725**	(1,481)	**94,793**	89,743
The movement in the present value of defined benefit obligation is as follows:				
Present value of defined benefit obligation as at January 1	**547,041**	496,792	**178,979**	167,073
Service cost	**16,872**	16,297	**9,547**	9,345
Interest cost	**58,412**	53,041	**18,410**	17,392
Benefits paid	**(32,913)**	(29,991)	**(23,862)**	(18,409)
Past service cost	**-**	-	**9,297**	-
Experience loss	**6,396**	10,902	**19,465**	3,578
Present value of defined benefit obligation as at December 31	**595,808**	547,041	**211,836**	178,979
The movement in fair value of plan assets is as follows:				
Fair value as at January 1	**644,296**	483,965	**296,469**	257,356
Expected return on plan assets	**70,883**	53,121	**31,790**	27,730
Company contributions	**27,032**	22,733	**8,533**	7,606
Employee contributions	**6,077**	5,115	**-**	-
Benefits paid	**(32,913)**	(29,991)	**(23,862)**	(18,409)
Experience (loss) / gain	**(222,287)**	109,353	**(29,456)**	22,186
Fair value as at December 31	**493,088**	644,296	**283,474**	296,469
Plan assets are comprised as follows:				
Debt	**46,649**	79,458	**12,996**	34,136
Equity	**153,588**	252,026	**66,471**	33,738
Mixed funds	**-**	292,865	**-**	205,474
Cash	**274,440**	19,947	**201,053**	23,121
	474,677	644,296	**280,520**	296,469

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

	2008	2007	2006	2005	2004
	(Rupees in thousand)				
As at December 31					
Present value of defined benefit obligation	**595,808**	547,041	496,792	474,774	435,580
Fair value of plan assets	**493,088**	644,296	483,965	437,180	366,448
(Deficit) / surplus	**(102,720)**	97,255	(12,827)	(37,594)	(69,132)
Experience adjustment on obligation	**1%**	2%	-3%	2%	5%
Experience adjustment on plan assets	**-51%**	17%	0%	8%	-3%

Fair value of plan assets include ordinary shares of the company, whose fair value as at December 31, 2008 is Rs. 48 million (2007: Rs. 204 million).

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

	2008	2007	2006	2005	2004
	(Rupees in thousand)				
As at December 31					
Present value of defined benefit obligation	**211,836**	178,979	167,073	150,527	147,984
Fair value of plan assets	**283,474**	296,469	257,356	243,427	236,801
Surplus	**71,638**	117,490	90,283	92,900	88,817
Experience adjustment on obligation	**9%**	2%	2%	3%	5%
Experience adjustment on plan assets	**-10%**	7%	-1%	0%	-3%

Fair value of plan assets include ordinary shares of the company, whose fair value as at December 31, 2008 is Rs. 9 million (2007: Rs. 32 million).

20. Stores and spares

	2008	2007
	(Rupees in thousand)	
Stores [including in transit Rs. 13.601 million (2007: Rs. 29.291 million)]	**347,159**	299,909
Spares [including in transit Rs. 12.071 million (2007: Rs. 32.619 million)]	**494,328**	415,931
	841,487	715,840

Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

21. Stock-in-trade

	2008	2007
	(Rupees in thousand)	
Raw materials [including in transit Rs. 199.569 million (2007: Rs. 577.582 million)]	**2,133,360**	1,461,641
Work-in-process	**205,551**	117,400
Finished goods	**1,313,350**	627,150
	3,652,261	2,206,191

Finished goods of Rs. 231.143 million (2007: Rs. 171.406 million) are being carried at net realisable value and an amount of Rs. 22.727 million (2007: Rs. 16.859 million) has been charged to cost of sales, being the cost of inventory written down during the year.

22. Trade debts

	Note	2008	2007
		(Rupees in thousand)	
Considered good			
Related parties - unsecured	22.1	**302,933**	372,757
Others	22.2	**1,220,116**	916,171
		1,523,049	1,288,928

22.1 Related parties - unsecured

	2008	2007
Subsidiary		
DIC Pakistan Limited	**3,582**	684
Associated undertakings		
Tetra Pak Pakistan Limited	**-**	94,599
Nestle Pakistan Limited	**157,277**	157,078
Tri-Pack Films Limited	**5,019**	4,968
Coca-Cola Beverages Pakistan Limited	**1,532**	2,288
Other related parties		
Tetra Pak Pakistan Limited	**125,500**	-
Unilever Pakistan Limited	**-**	94,834
Treet Corporation	**25**	845
Mitchell's Fruit Farms Limited	**7,843**	17,212
Others	**2,155**	249
	302,933	372,757

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

22.2 Others include secured debts of Rs. 109.181 million (2007: Rs. 8.049 million).

23. Loans, advances, deposits, prepayments and other receivables

	Note	2008	2007
		(Rupees in thousand)	
Loans to employees - considered good		**380**	373
Current portion of loan receivable from SNGPL		**16,400**	16,400
Advances - considered good			
To employees	23.1	**9,427**	8,530
To suppliers		**62,163**	42,782
		71,590	51,312
Due from related parties - unsecured	23.2	**25,874**	41,754
Trade deposits		**89,258**	142,431
Prepayments		**15,050**	14,465
Balances with statutory authorities			
Customs duty		**1,100**	16,512
Claims recoverable from Government			
Sales tax		**60,921**	5,310
Income tax refundable		**362,690**	153,689
Income tax recoverable	23.3	**36,013**	36,013
		459,624	195,012
Interest receivable on loan to SNGPL		**115**	2,588
Letter of credit margin		**6,688**	-
Other receivables		**5,997**	44,574
		692,076	525,421

23.1 Included in advances to employees are amounts due from executives of Rs. 0.375 million (2007: Rs. 1.882 million).

23.2 Due from related parties - unsecured

	2008	2007
	(Rupees in thousand)	
Subsidiaries		
DIC Pakistan Limited	**11,991**	4,070
Packages Lanka (Private) Limited	**79**	123
Associated undertakings		
Tri-Pack Films Limited	**-**	64
Tetra Pak Pakistan Limited	**-**	7,318
IGI Insurance Limited	**271**	942
Other related parties		
Tetra Pak Pakistan Limited	**3,547**	-
Siemens Pakistan Limited	**9,645**	28,805
BOC Pakistan	**213**	175
Others	**128**	257
	25,874	41,754

These relate to normal business of the company and are interest free.

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

The company had filed an appeal against the revised orders of the ITO before the Commissioner of Income Tax (Appeals) [CIT(A)], Karachi. The Commissioner has, in his order issued in 1988, held the assessments reframed by the ITO for the years 1983 and 1984 presently to be void and of no legal effect. The Income Tax Officer 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 amount recoverable Rs. 36.013 million represents the additional taxes paid as a result of the disallowance of the tax credits on reframing of the assessments.

24. Cash and bank balances

	Note	2008	2007
		(Rupees in thousand)	
At banks:			
On saving accounts	24.1	**10**	18
On current accounts [including USD 735.15 (2007: Nil)]	24.2	**190,621**	88,024
		190,631	88,042
In hand		**8,557**	12,980
		199,188	101,022

24.1 The balances in saving accounts bear mark-up which ranges from 0.25% to 11.50% per annum.

24.2 Included in these are total restricted funds of Rs. 1.349 million (2007: Rs. 1.349 million) held as payable to TFC holders as referred to in note 10.

25. Cost of sales

	Note	2008	2007
		(Rupees in thousand)	
Opening work-in-process		**117,400**	97,561
Materials consumed		**7,639,296**	5,108,396
Salaries, wages and amenities	25.1	**681,050**	533,893
Fuel and power		**1,739,748**	1,069,317
Production supplies		**330,632**	235,487
Excise duty and sales tax		**1,333**	1,768
Rent, rates and taxes		**72,620**	2,589
Insurance		**57,340**	36,959
Repairs and maintenance		**410,370**	254,503
Packing expenses		**73,746**	50,817
Depreciation on property, plant and equipment		**858,164**	527,611
Amortisation on intangible assets		**213**	1,932
Depreciation on assets subject to finance lease		**-**	15
Technical fee and royalty		**5,876**	5,616
Other expenses		**185,443**	121,531
		12,173,231	8,047,995
Less: Closing work-in-process		**205,551**	117,400
Cost of goods produced		**11,967,680**	7,930,595
Opening stock of finished goods		**627,150**	525,917
		12,594,830	8,456,512
Less: Closing stock of finished goods		**1,313,350**	627,150
		11,281,480	7,829,362

Cost of goods produced includes Rs. 1,176.582 million (2007: Rs. 840.483 million) for stores and spares consumed, Rs. 9.536 million (2007: Rs. 2.488 million) and Rs. 2.841 million (2007: Rs. 1.425 million) for raw materials and stores and spares written off respectively.

25.1 Salaries, wages and amenities

	2008	2007
	(Rupees in thousand)	
Salaries, wages and amenities include following in respect of retirement benefits:		
Pension		
Current service cost	**10,928**	10,023
Interest cost for the year	**37,833**	34,596
Expected return on plan assets	**(45,910)**	(34,645)
Contribution made by the employees	**(3,937)**	(3,146)
Recognition of past service cost	**1,957**	1,858
Recognition of gain	**(5,518)**	(341)
	(4,647)	8,345
Gratuity		
Current service cost	**7,091**	6,867
Interest cost for the year	**13,673**	14,229
Expected return on plan assets	**(23,610)**	(21,826)
Recognition of gain	**(1,472)**	(508)
Recognition of past service cost	**6,904**	-
	2,586	(1,238)

In addition to above, salaries, wages and amenities include Rs. 14.383 million (2007: Rs. 13.049 million) and Rs. 11.974 million (2007: Rs. 7.608 million) in respect of provident fund contribution by the company and accumulating compensated absences respectively.

26. Administrative expenses

	Note	2008	2007
		(Rupees in thousand)	
Salaries, wages and amenities	26.1	**167,267**	134,700
Travelling		**41,544**	30,943
Rent, rates and taxes	26.2	**15,701**	21,668
Insurance		**6,127**	4,548
Printing, stationery and periodicals		**17,386**	13,841
Postage, telephone and telex		**20,683**	14,857
Motor vehicles running		**14,826**	10,355
Computer charges		**11,307**	10,370
Professional services	33	**130,324**	9,089
Repairs and maintenance		**12,561**	13,373
Depreciation on property, plant and equipment		**21,424**	21,040
Amortisation on intangible assets		**220**	237
Depreciation on assets subject to finance lease		**-**	110
Depreciation on investment property		**1,380**	992
Advances written off		**-**	9,823
Other expenses		**51,439**	52,118
		512,189	348,064

Administrative expenses include Rs. 31.668 million (2007: Rs. 27.827 million) for stores and spares consumed.

26.1 Salaries, wages and amenities

Salaries, wages and amenities include following in respect of retirement benefits:

	2008	2007
	(Rupees in thousand)	
Pension		
Current service cost	**4,360**	4,653
Interest cost for the year	**15,094**	16,060
Expected return on plan assets	**(18,316)**	(16,083)
Contribution made by the employees	**(1,570)**	(1,460)
Recognition of past service cost	**781**	862
Recognition of gain	**(2,201)**	(158)
	(1,852)	3,874
Gratuity		
Current service cost	**1,802**	1,838
Interest cost for the year	**3,474**	3,809
Expected return on plan assets	**(5,999)**	(5,843)
Recognition of gain	**(374)**	(136)
Recognition of past service cost	**1,754**	-
	657	(332)

In addition to above, salaries, wages and amenities include Rs. 3.531 million (2007: Rs. 3.293 million) and Rs. 6.741 million (2007: Rs. 3.962 million) in respect of provident fund contribution by the company and accumulating compensated absences respectively.

26.2 Rent, rates and taxes include operating lease rentals amounting to Rs. 11.965 million (2007: Rs. 11.558 million).

27. Distribution and marketing costs

	Note	2008	2007
		(Rupees in thousand)	
Salaries, wages and amenities	27.1	**59,488**	46,954
Travelling		**12,923**	9,489
Rent, rates and taxes	27.2	**2,934**	2,826
Freight and distribution		**188,199**	105,041
Insurance		**1,055**	805
Advertising		**65,414**	50,940
Depreciation on property, plant and equipment		**4,643**	4,597
Depreciation on assets subject to finance lease		**-**	79
Other expenses		**27,769**	19,626
		362,425	240,357

Distribution and marketing costs include Rs. 5.621 million (2007: Rs. 3.862 million) for stores and spares consumed.

27.1 Salaries, wages and amenities

Salaries, wages and amenities include following in respect of retirement benefits:

	2008	2007
	(Rupees in thousand)	
Pension		
Current service cost	**1,584**	1,621
Interest cost for the year	**5,485**	5,597
Expected return on plan assets	**(6,656)**	(5,605)
Contribution made by the employees	**(571)**	(509)
Recognition of past service cost	**283**	301
Recognition of gain	**(800)**	(55)
	(675)	1,350
Gratuity		
Current service cost	**655**	640
Interest cost for the year	**1,263**	1,326
Expected return on plan assets	**(2,181)**	(2,034)
Recognition of gain	**(136)**	(47)
Recognition of past service cost	**638**	-
	239	(115)

In addition to above, salaries, wages and amenities include Rs. 1.256 million (2007: Rs. 1.148 million) and Rs. 2.551 million (2007: Rs. 1.548 million) in respect of provident fund contribution by the company and accumulating compensated absences respectively.

27.2 Rent, rates and taxes include operating lease rentals amounting to Rs. 2.534 million (2007: Rs. 2.826 million).

28. Other operating expenses

	Note	2008	2007
		(Rupees in thousand)	
Workers' profit participation fund		**-**	50,601
Workers' welfare fund		**-**	94,550
Donations	34	**324**	288
		324	145,439

29. Other operating income

	Note	2008	2007
		(Rupees in thousand)	
Income from financial assets			
Income on bank deposits		**724**	4,684
Interest on loan to SNGPL		**2,447**	2,548
		3,171	7,232
Income from non-financial assets			
Management and technical fee [including Rs. 15.283 million (2007: Rs. 4.905 million) from related parties]		**35,107**	20,052
Insurance commission from related party		**4,322**	3,661
Rental income from investment property [including Rs. 34.810 million (2007: Rs. 31.947 million) from related parties]		**35,672**	32,227
Profit on disposal of property, plant and equipment		**13,178**	11,896
Scrap sales		**3,828**	2,537
Provisions and unclaimed balances no longer required written back		**232,469**	22,008
Profit on outside jobs [including Rs. 1.698 million (2007: Rs. 1.033 million) from related parties]		**2,550**	1,056
Gain on cross currency swap		**-**	18,701
Others		**6,668**	2,815
		333,794	114,953
		336,965	122,185

30. Finance costs

		2008	2007
Interest and mark up including commitment charges on			
Long-term finances		**752,729**	234,747
Finances under mark up arrangements		**257,126**	87,433
Finance lease		**-**	8
Loan handling charges		**639**	9,765
Loss on cross currency swap		**72,885**	-
Exchange loss		**567,710**	28,930
Bank charges		**11,005**	6,495
		1,662,094	367,378

31. Investment income

	Note	2008	2007
Dividend income from related parties	31.1	**948,879**	646,650
Gain on sale of long-term investments		**-**	3,766,078
		948,879	4,412,728

31.1 Dividend income from related parties

	2008	2007
Subsidiary		
DIC Pakistan Limited	**72,611**	50,659
Associated undertakings		
Tetra Pak Pakistan Limited	**634,480**	470,800
IGI Insurance Limited	**5,083**	16,945
Nestle Pakistan Limited	**96,705**	18,246
Tri-Pack Films Limited	**140,000**	90,000
	948,879	646,650

32. Taxation

	2008	2007
	(Rupees in thousand)	
For the year		
Current	**10,000**	46,000
Deferred	**(95,000)**	274,000
	(85,000)	320,000
Prior years		
Current	**1,936**	-
Deferred	**(29,000)**	(13,000)
	(27,064)	(13,000)
	(112,064)	307,000

In view of the available tax losses, the provision for current taxation represents tax on income under 'Final Tax Regime'. Such tax is not available for set off against normal tax liability arising in future years.

For the purposes of current taxation, the tax losses available for carry forward as at December 31, 2008 are estimated approximately at Rs. 5,540 million (2007: Rs. 3,720 million).

32.1 Tax charge reconciliation

	2008	2007
	% age	% age
Numerical reconciliation between the average effective tax rate and the applicable tax rate		
Applicable tax rate	**35.00**	35.00
Tax effect of amounts that are:		
Not deductible for tax purposes	**(2.16)**	0.24
Exempt for tax purposes	**3.98**	(28.60)
Chargeable to tax at different rates	**3.11**	(0.27)
Effect of change in prior years' tax	**9.42**	(0.28)
Tax effect under presumptive tax regime and others	**(12.95)**	0.54
	1.40	(28.37)
Average effective tax rate charged to profit and loss account	**36.40**	6.63

33. Professional services

The charges for professional services include the following in respect of auditors' services for:

	2008	2007
Statutory audit	**1,300**	950
Half yearly review	**400**	325
Tax services	**2,484**	2,479
Workers' profit participation fund audit, management staff pension and gratuity fund audit, special reports and certificates for lending agencies and sundry services	**182**	230
Out of pocket expenses	**353**	270
	4,719	4,254

34. Donations

None of the directors and their spouses had any interest in any of the donees during the year.

35. Remuneration of Chief Executive, Directors and Executives

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

	Chief Executive		Directors and alternate Directors		Executives	
	2008	2007	**2008**	2007	**2008**	2007
Number of persons	1	1	3	4	47	32
	(Rupees in thousand)					
Short-term employee benefits						
Managerial remuneration	**4,339**	3,590	**13,696**	8,983	**79,295**	62,962
Housing	**2,863**	2,160	**6,929**	4,375	**19,608**	16,998
Utilities	**771**	781	**1,367**	896	**4,993**	3,901
Bonus	**1,264**	1,045	**3,090**	2,446	**10,388**	7,941
Leave passage	**647**	299	**1,546**	698	**1,974**	1,541
Medical expenses	**1,041**	467	**353**	234	**2,920**	3,796
Club expenses	**41**	54	**139**	204	**42**	84
Others	**-**	-	**-**	-	**2,453**	1,062
	10,966	8,396	**27,120**	17,836	**121,673**	98,285
Post employment benefits						
Contribution to provident, gratuity and pension funds	**1,495**	1,237	**2,775**	2,427	**8,603**	5,608
Other long-term benefits						
Accumulating compensated absences	**1,628**	172	**908**	1,202	**2,897**	1,540
	14,089	9,805	**30,803**	21,465	**133,173**	105,433

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

35.2 Remuneration to other directors

Aggregate amount charged in the financial statements for the year for fee to 6 directors (2007: 4 directors) is Rs. 145,000 (2007: Rs. 90,000).

36. Transactions with related parties

The related parties comprise subsidiaries, associated undertakings, other related group companies, directors, key management personnel and post employment benefit plans. The company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables, amounts due from directors and key management personnel are shown under receivables and remuneration of directors and key management personnel is disclosed in note 35. Other significant transactions with related parties are as follows:

Relationship with the company	Nature of transactions	2008	2007
		(Rupees in thousand)	
i. Subsidiaries	Purchase of goods and services	**537,861**	404,638
	Sale of goods and services	**17,377**	12,368
	Sale of property, plant and equipment	**-**	20,662
	Dividend income	**72,611**	50,659
	Rental income	**8,169**	6,929
	Management and technical fee	**15,283**	4,905
ii. Associated undertakings	Purchase of goods and services	**312,769**	235,100
	Sale of goods and services	**1,698,033**	2,176,500
	Sale of property, plant and equipment	**-**	5,511
	Purchase of property, plant and equipment	**-**	680
	Insurance premium	**100,710**	73,582
	Insurance claims	**103,339**	58,341
	Capital gain	**-**	5,737
	Rental income	**26,641**	25,019
	Dividend income	**779,564**	595,991
iii. Other related parties	Purchase of goods and services	**133,322**	56,926
	Sale of goods and services	**1,227,072**	1,019,073
	Purchase of equity shares	**-**	7,920,129
	Sale of equity shares	**-**	7,978,654
	Dividend income	**96,705**	-
	Rental payment	**1,560**	2,393
	Mark up expense	**3,960**	-
	Commission paid	**-**	8,370
iv. Post employment benefit plans	Expense charged in respect of retirement benefit plans	**56,405**	48,809
	Mark up income on temporary loans	**1,570**	-

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

36.1 Subsequent to December 23, 2008, TPPL ceased to be an associated undertaking of the company under the provision of the Companies Ordinance, 1984 as all directors appointed by the company on TPPL's board resigned. However TPPL is considered to be a related party as at December 31, 2008 by virtue of company's shareholding in TPPL.

37. Capacity and production - tonnes

	Capacity		Actual production	
	2008	2007	**2008**	2007
Paper and paperboard produced	**208,067**	143,283	**154,231**	114,993
Paper and paperboard converted	**124,298**	119,633	**91,450**	92,499
Plastics all sorts converted	**13,000**	12,000	**9,724**	10,300

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

38. Rates of exchange

Liabilities in foreign currencies have been translated into PAK Rupees at USD 1.2647 (2007: USD 1.6247), EURO 0.9000 (2007: EURO 1.1017) SFR 1.3414 (2007: SFR 1.8245), SEK 9.8425 (2007: SEK 10.3734), GBP 0.8780 (2007: GBP 0.8131), SGD 1.8238 (2007: SGD 2.3425) and YEN 114.4951 (2007: YEN 181.9174) equal to Rs. 100. Assets in foreign currency have been translated into PAK Rupees at USD 1.2706 (2007: USD 1.6300) equal to Rs. 100.

39. Cash generated from operations

	2008	2007
	(Rupees in thousand)	
(Loss) / profit before tax	(307,889)	4,632,948
Adjustments for:		
Depreciation on property, plant and equipment	884,231	553,248
Amortisation on intangible assets	433	2,169
Depreciation on investment property	1,380	992
Depreciation on assets subject to finance lease	-	204
Provision for accumulating compensated absences	21,266	13,118
Retirement benefits - net	(3,692)	11,882
Gain on sale of long-term investment	-	(3,766,078)
Net profit on disposal of property, plant and equipment	(13,178)	(11,896)
Finance costs	1,662,094	367,378
Dividend income	(948,879)	(646,650)
Profit before working capital changes	1,295,766	1,157,315
Effect on cash flow due to working capital changes		
Increase in stores and spares	(125,647)	(230,175)
Increase in stock-in-trade	(1,446,070)	(559,018)
Increase in trade debts	(234,121)	(467,768)
Decrease / (increase) in loans, advances, deposits, prepayments and other receivables	42,346	(78,709)
(Decrease) / increase in trade and other payables	(241,090)	504,472
	(2,004,582)	(831,198)
	(708,816)	326,117

40. Cash and cash equivalents

	2008	2007
Cash and bank balances	199,188	101,022
Finances under mark up arrangements - secured	(2,587,819)	(401,019)
	(2,388,631)	(299,997)

41. Earnings per share

41.1 Basic earnings per share

		2008	2007
(Loss) / profit for the year	Rupees in thousand	(195,825)	4,325,948
Weighted average number of ordinary shares	Numbers	84,379,504	84,379,504
(Loss) / earnings per share	Rupees	(2.32)	51.27

41.2 Diluted earnings per share

Diluted earnings per share has not been presented as the company does not have any convertible instruments in issue as at December 31, 2008 and December 31, 2007 which would have any effect on the earnings per share if the option to convert is exercised.

42. Financial assets and liabilities

	2008									
	Interest/mark up bearing				Non interest bearing				Total	Credit Risk
	Maturity upto one year	Maturity after one year but within five years	Maturity after five years	Sub total	Maturity upto one year	Maturity after one year but within five years	Maturity after five years	Sub total	2008	2008
Financial assets	(Rupees in thousand)									
On balance sheet										
Investments	-	-	-	-	-	4,871,297	-	4,871,297	**4,871,297**	**4,871,297**
Loans to employees	-	-	-	-	380	1,773	-	2,153	**2,153**	**2,153**
Long-term security deposits	16,400	65,600	65,600	147,600	-	22,129	-	22,129	**169,729**	**169,729**
Trade debts	-	-	-	-	1,523,049	-	-	1,523,049	**1,523,049**	**1,523,049**
Loans, advances, deposits, prepayments and other receivables:										
Trade deposit	-	-	-	-	89,258	-	-	89,258	**89,258**	**89,258**
Interest receivable on loan to SNGPL	-	-	-	-	115	-	-	115	**115**	**115**
Letter of credit margin	-	-	-	-	6,688	-	-	6,688	**6,688**	**6,688**
Others	-	-	-	-	31,871	-	-	31,871	**31,871**	**31,871**
Cash and bank balances	10	-	-	10	199,178	-	-	199,178	**199,188**	**190,631**
Non-current assets classified as held-for-sale - investment in related party	-	-	-	-	15,400	-	-	15,400	**15,400**	**15,400**
	16,410	65,600	65,600	147,610	1,865,939	4,895,199	-	6,761,138	**6,908,748**	**6,900,191**
Off balance sheet	-	-	-	-	-	-	-	-	**-**	**-**
Total	16,410	65,600	65,600	147,610	1,865,939	4,895,199	-	6,761,138	**6,908,748**	**6,900,191**
Financial liabilities										
On balance sheet										
Long-term finances - secured	550,000	7,205,771	5,098,629	12,854,400	-	-	-	-	**12,854,400**	
Finances under mark up arrangements - secured	2,587,819	-	-	2,587,819	-	-	-	-	**2,587,819**	
Trade and other payables	-	-	-	-	1,386,053	-	-	1,386,053	**1,386,053**	
Liabilities directly associated with non-current assets classified as held-for-sale - advance against sale of shares	-	-	-	-	1,017,150	-	-	1,017,150	**1,017,150**	
	3,137,819	7,205,771	5,098,629	15,442,219	2,403,203	-	-	2,403,203	**17,845,422**	
Off balance sheet										
Contracts for capital expenditure	-	-	-	-	265,907	-	-	265,907	**265,907**	
Letters of credit other than for capital expenditure	-	-	-	-	280,896	-	-	280,896	**280,896**	
Future payments under operating leases	-	-	-	-	164,150	1,220,468	386,326	1,770,944	**1,770,944**	
	-	-	-	-	710,953	1,220,468	386,326	2,317,747	**2,317,747**	
Total	3,137,819	7,205,771	5,098,629	15,442,219	3,114,156	1,220,468	386,326	4,720,950	**20,163,169**	
On balance sheet gap	(3,121,409)	(7,140,171)	(5,033,029)	(15,294,609)	(537,264)	4,895,199	-	4,357,935	**(10,936,674)**	
Off balance sheet gap	-	-	-	-	(710,953)	(1,220,468)	(386,326)	(2,317,747)	**(2,317,747)**	

The effective interest / mark up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

	2007									
	Interest/mark up bearing				Non interest bearing				Total	Credit Risk
	Maturity upto one year	Maturity after one year but within five years	Maturity after five years	Sub total	Maturity upto one year	Maturity after one year but within five years	Maturity after five years	Sub total	2007	2007
	(Rupees in thousand)									
Financial assets										
On balance sheet										
Investments	-	-	-	-	-	6,568,671	-	6,568,671	6,568,671	6,568,671
Loans to employees	-	-	-	-	373	1,759	-	2,132	2,132	2,132
Long-term security deposits	-	-	147,600	147,600	-	22,768	-	22,768	170,368	170,368
Trade debts	-	-	-	-	1,288,928	-	-	1,288,928	1,288,928	1,288,928
Loans, advances, deposits, prepayments and other receivables:										
Trade deposits	-	-	-	-	142,431	-	-	142,431	142,431	142,431
Interest receivable on loan to SNGPL	-	-	-	-	2,588	-	-	2,588	2,588	2,588
Others	-	-	-	-	85,343	-	-	85,343	85,343	85,343
Cash and bank balances	18	-	-	18	101,004	-	-	101,004	101,022	88,042
Non-current assets classified as held-for-sale - investment in related party	-	-	-	-	-	-	-	-	-	-
	18	-	147,600	147,618	1,620,667	6,593,198	-	8,213,865	8,361,483	8,348,503
Off balance sheet	-	-	-	-	-	-	-	-	-	-
Total	18	-	147,600	147,618	1,620,667	6,593,198	-	8,213,865	8,361,483	8,348,503
Financial liabilities										
On balance sheet										
Long-term finances - secured	-	5,066,607	-	7,279,893	12,346,500	-	-	-	12,346,500	
Finances under mark up arrangements - secured	401,019	-	-	401,019	-	-	-	-	401,019	
Trade and other payables	-	-	-	-	1,107,381	-	-	1,107,381	1,107,381	
Liabilities directly associated with non-current assets classified as held-for-sale - advance against sale of shares	-	-	-	-	-	-	-	-	-	
	401,019	5,066,607	7,279,893	12,747,519	1,107,381	-	-	1,107,381	13,854,900	
Off balance sheet										
Contracts for capital expenditure	-	-	-	-	1,103,199	-	-	1,103,199	1,103,199	
Letters of credit other than for capital expenditure	-	-	-	-	717,981	-	-	717,981	717,981	
Future payments under operating leases	-	-	-	-	1,304	6,849	1,412	9,565	9,565	
	-	-	-	-	1,822,484	6,849	1,412	1,830,745	1,830,745	
Total	401,019	5,066,607	7,279,893	12,747,519	2,929,865	6,849	1,412	2,938,126	15,685,645	
On balance sheet gap	(401,001)	(5,066,607)	(7,132,293)	(12,599,901)	513,286	6,593,198	-	7,106,484	(5,493,417)	
Off balance sheet gap	-	-	-	-	(1,822,484)	(6,849)	(1,412)	(1,830,745)	(1,830,745)	

The effective interest / mark up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

42.1 Financial risk management objectives

The company's activities expose it to a variety of financial risks, including the effects of changes in foreign exchange rates, market interest rates such as KIBOR and Treasury bills rate, credit and liquidity risk associated with various financial assets and liabilities respectively as referred to in note 42 and cash flow risk associated with accrued interests in respect of borrowings as referred to in note 7.

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

Taken as a whole, risk arising from the company's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments.

(a) Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The company's credit risk is primarily attributable to its trade debts and its balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The company has no significant concentration of credit risk as exposure is spread over a large number of counter parties in the case of trade debts. Out of the total financial assets of Rs. 6,908.748 million (2007: Rs. 8,361.483 million) financial assets which are subject to credit risk amount to Rs. 6,900.191 million (2007: Rs. 8,348.503 million). To manage exposure to credit risk, the company applies credit limits to its customers and also obtains collaterals, where considered necessary.

(b) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. Payables exposed to foreign currency risks are covered partially through forward foreign exchange contracts and foreign currency forward options, where considered necessary. Furthermore, the company has entered into a cross currency swap arrangement for its foreign currency loan to hedge the possible adverse movements in exchange rates as referred to in note 7.2.1.

(c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The company borrows at fixed and market based rates and as such the risk is minimized. Significant interest rate risk exposures are primarily managed by a mix of borrowings at fixed and variable interest rates as referred to in note 7.

(d) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The company follows an effective cash management and planning policy to ensure availability of funds. The company also aims at maintaining flexibility in funding by keeping committed credit lines available.

42.1.1 Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders through repurchase of shares, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders the company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long-term loans obtained by the company as referred to in note 7. Total capital employed includes equity as shown in the balance sheet plus borrowings. The company's strategy, which was unchanged from last year, was to maintain a gearing ratio of 60% debt and 40% equity. The gearing ratio as at year ended December 31, 2008 and December 31, 2007 are as follows:

		December 31, 2008	December 31, 2007
Borrowings	**Rupees in thousand**	**12,854,400**	12,346,500
Total equity	**Rupees in thousand**	**16,272,572**	18,170,772
Gearing ratio	**Percentage**	**44**	40

42.2 Fair value of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values except for investments which are stated at cost. Fair value is determined on the basis of objective evidence at each reporting date.

43. Date of authorization for issue

These financial statements were authorised for issue on Mrach 16, 2009 by the Board of Directors of the company.

44. Events after the balance sheet date

There are no subsequent events occurring after the balance sheet date except for:

Sale of TPPL shares by the parent company as referred to in note 11.

Partial prepayment of long-term finances amounting to Rs. 5,000 million in respect to which Waiver and Prepayment Agreement has been signed 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 consortium loan and local currency other loan as referred to in note 7 have been reduced by Rs. 4,714.285 million and Rs. 285.714 million respectively.

45. Corresponding figures

Corresponding figures have been re-arranged, wherever necessary, for the purpose 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

Consolidated Financial Statements

Directors' Report on the Consolidated Financial Statements

بسم الله الرحمن الرحيم

The directors are pleased to present the audited consolidated accounts of the group for the year ended December 31, 2008.

Group results

During the year the group's sales increased by 38%. However, the increase in finance costs and a 28% devaluation of the local currency had a marked impact on its financial performance. The group financial results are as follows:

	2008	2007
	(Rupees in million)	
Gross Sales	**16,124**	11,686
Gross Profit	**1,383**	1,506
Profit from operations	**713**	767
Investment Income	**731**	3,761
(Loss) / income from associates	**(227)**	1,423
(Loss) / profit before tax	**(550)**	5,538

DIC Pakistan Limited

DIC Pakistan Limited has shown tremendous growth in sales of 49 % over previous year and its gross sales have reached Rs. 1,629 million. This has resulted in increase in operating profits by 34 %. The company faced pressure of increasing costs mainly due to devaluation of Pak rupee and increased borrowing rates, however, it was offset by production efficiencies and cost rationalization measures. The company has embarked upon the process of implementing SAP Enterprise Resource planning system (ERP) in the current year to further integrate and streamline its processes.

Packages Lanka (Pvt.) Limited (PLL)

Packages Lanka (Pvt.) Limited achieved sales of Sri Lankan Rs. 1,157 million for the year ended December 31, 2008. This signifies a growth of 42% over corresponding period of last year. The operating profit increased from Sri Lankan Rs. 58.6 million in 2007 to Sri Lankan Rs. 116.2 million in 2008. The company faced increase in raw material prices as well as increase in fuel and electricity rates. However, the company's strategy to focus on productivity helped in achieving sales above budget and the operating profits target.

The company has invested in a new solvent based laminator during 2008, enhancing its ability to maximize capacity utilization as well as improve delivery times.

We expect that year 2009 will be challenging for the Sri Lankan economy. This is putting pressure on the purchasing power of consumers. The company intends to mitigate these risks by increasing its market share amongst the key customers. The company is confident to maintain its profitability during this economic down turn and position itself to take advantage when the economy prospects improve.

Pattern of Shareholding

The pattern of shareholding is included in the parent company's information annexed to their directors' report.

Towfiq Habib Chinoy
Chairman
Lahore, March 16, 2009

Syed Hyder Ali
Chief Executive & Managing Director
Lahore, March 16, 2009

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Packages Limited (the holding company) and its subsidiary companies as at December 31, 2008 and the related consolidated profit and loss account consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Packages Limited and its subsidiary companies except for Packages Lanka (Private) Limited which was audited by other firm of auditors, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for such company, is based solely on the report of such other auditors. These financial statements are the responsibility of the holding company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion the consolidated financial statements present fairly the financial position of Packages Limited and its subsidiary companies as at December 31, 2008 and the results of their operations for the year then ended.

A. F. FERGUSON & CO.
Chartered Accountants
Lahore, March 16, 2009

Consolidated Balance Sheet
as at December 31, 2008

	Note	2008	2007
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital 150,000,000 (2007: 150,000,000) ordinary shares of Rs. 10 each		**1,500,000**	1,500,000
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Issued, subscribed and paid up capital 84,379,504 (2007: 73,373,482) ordinary shares of Rs. 10 each	5	**843,795**	733,735
Reserves	6	**15,622,089**	13,077,991
Unappropriated (loss) / profit		**(61,652)**	4,830,239
		16,404,232	18,641,965
MINORITY INTEREST		**130,412**	129,365
		16,534,644	18,771,330
NON-CURRENT LIABILITIES			
Long-term finances - secured	7	**12,304,400**	12,346,500
Liabilities against assets subject to finance lease	8	**18,465**	-
Deferred liabilities	9	**1,006,540**	1,181,761
		13,329,405	13,528,261
CURRENT LIABILITIES			
Current portion of long-term liabilities	10	**558,718**	15,452
Finances under mark up arrangements - secured	11	**3,259,035**	717,667
Trade and other payables	12	**1,588,447**	1,614,220
Provision for taxation		**6,824**	-
		5,413,024	2,347,339
Liabilities directly associated with non-current assets classified as held-for-sale - advance against sale of shares	13	**1,017,150**	-
		6,430,174	2,347,339
CONTINGENCIES AND COMMITMENTS	14	-	-
		36,294,223	34,646,930

	Note	2008	2007
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	**11,600,184**	10,636,868
Intangible assets	16	**241**	363
Investment property	17	**6,788**	7,388
Assets subject to finance lease	18	**30,454**	1,286
Capital work-in-progress	19	**8,165,283**	7,806,978
Investments	20	**8,255,412**	10,483,095
Long-term loans and deposits	21	**155,707**	244,582
Retirement benefits	22	**127,518**	88,262
		28,341,587	29,268,822
CURRENT ASSETS			
Stores and spares	23	**862,048**	731,176
Stock-in-trade	24	**4,288,551**	2,509,728
Trade debts	25	**1,790,189**	1,447,219
Loans, advances, deposits, prepayments and other receivables	26	**721,079**	546,051
Cash and bank balances	27	**215,648**	143,934
		7,877,515	5,378,108
Non-current assets classified as held-for-sale - investment in related party	13	**75,121**	-
		7,952,636	5,378,108
		36,294,223	34,646,930

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

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

Consolidated Profit and Loss Account
for the year ended December 31, 2008

		Note	2008	2007
			(Rupees in thousand)	
Local sales			**15,451,951**	11,494,329
Export sales			**672,483**	192,085
			16,124,434	11,686,414
Less: Sales tax and excise duty			**2,203,697**	1,592,627
Commission			**23,084**	14,148
			2,226,781	1,606,775
			13,897,653	10,079,639
Cost of sales		28	**(12,514,644)**	(8,573,800)
Gross profit			**1,383,009**	1,505,839
Administrative expenses		29	**(572,008)**	(420,390)
Distribution and marketing costs		30	**(409,922)**	(276,131)
Other operating expenses		31	**(12,731)**	(156,247)
Other operating income		32	**325,122**	114,215
Profit from operations			**713,470**	767,286
Finance costs		33	**(1,768,120)**	(413,266)
Investment income		34	**731,185**	3,760,981
Share of (loss) / profit of associates			**(226,597)**	1,422,974
(Loss) / profit before tax			**(550,062)**	5,537,975
Taxation				
- Group		35	**116,105**	(506,520)
- Associates			**(78,507)**	(377,897)
			37,598	(884,417)
(Loss) / profit for the year			**(512,464)**	4,653,558
Attributable to:				
Equity holders of the parent			**(565,094)**	4,606,178
Minority interest			**52,630**	47,380
			(512,464)	4,653,558
Combined (loss) / earnings per share	Rupees	44	**(6.70)**	54.59

Appropriations have been reflected in the statement of changes in equity.

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

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

Consolidated Cash Flow Statement

for the year ended December 31, 2008

	Note	2008	2007
		(Rupees in thousand)	
Cash flow from operating activities			
Cash (used in) / generated from operations	42	**(699,080)**	413,509
Finance cost paid		**(1,890,225)**	(1,022,926)
Taxes paid		**(288,379)**	(191,994)
Payments for accumulating compensated absences		**(12,716)**	(6,859)
Retirement benefits paid		**(35,564)**	(30,592)
Net cash used in operating activities		**(2,925,964)**	(838,862)
Cash flow from investing activities			
Purchase of property, plant and equipment		**(2,536,059)**	(4,862,618)
Net decrease / (increase) in long-term loans and deposits		**88,875**	(63,385)
Advance received against sale of shares		**1,017,150**	-
Proceeds from sale of property, plant and equipment		**24,061**	28,132
Dividends received		**876,269**	595,991
Proceeds from sale of investments		**-**	71,428
Purchase of investments		**-**	(394)
Net cash used in investing activities		**(529,704)**	(4,230,846)
Cash flow from financing activities			
Proceeds from long-term finances		**-**	6,347,685
Repayment of long-term finances		**(15,345)**	(18,097)
Payment of finance lease liabilities		**(395)**	(2,036)
Proceeds from Ijarah finance		**1,061,208**	-
Dividend paid		**-**	(418,194)
Dividend paid to minority shareholders		**(59,454)**	(41,479)
Net cash from financing activities		**986,014**	5,867,879
Net (decrease) / increase in cash and cash equivalents		**(2,469,654)**	798,171
Cash and cash equivalents at the beginning of the year		**(573,733)**	(1,371,904)
Cash and cash equivalents at the end of the year	43	**(3,043,387)**	(573,733)

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

Towfiq Habib Chinoy
Chairman

Syed Hyder Ali
Chief Executive & Managing Director

Syed Aslam Mehdi
Director

Consolidated Statement of Changes in Equity
for the year ended December 31, 2008

	Attributable to equity holders of the parent							Minority Interest	Total equity
	Share capital	Share premium	Exchange difference on translation of foreign subsidiary	Fair value reserve	General reserve	Unappropriated profit/(loss)	Total		
	(Rupees in thousand)								
Balance as on December 31, 2006	698,795	2,986,953	(31,572)	198,447	3,686,936	6,324,878	13,864,437	123,643	**13,988,080**
Final dividend for the year ended December 31, 2006 Rs. 6.00 per share	-	-	-	-	-	(419,277)	(419,277)	(41,479)	**(460,756)**
Transferred from profit and loss account	-	-	-	-	5,646,600	(5,646,600)	-	-	-
3,493,975 ordinary shares of Rs. 10 each issued as fully paid bonus shares	34,940	-	-	-	-	(34,940)	-	-	-
Fair value gain during the year	-	-	-	2,476,829	-	-	2,476,829	-	**2,476,829**
Transferred to profit and loss account on disposal of shares in The Resource Group (TRG) Pakistan Limited and Nestle Pakistan Limited	-	-	-	(1,885,525)	-	-	(1,885,525)	-	**(1,885,525)**
Profit for the year	-	-	-	-	-	4,606,178	4,606,178	47,380	**4,653,558**
Exchange adjustments	-	-	(677)	-	-	-	(677)	(179)	**(856)**
Balance as on December 31, 2007	733,735	2,986,953	(32,249)	789,751	9,333,536	4,830,239	18,641,965	129,365	**18,771,330**
Final dividend for the year ended December 31, 2007 Rs. 15.00 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)**
Transferred from profit and loss account	-	-	-	-	4,326,797	(4,326,797)	-	-	-
11,006,022 ordinary shares of Rs. 10 each issued as fully paid bonus shares	110,060	(110,060)	-	-	-	-	-	-	-
Fair value loss during the year	-	-	-	(1,702,375)	-	-	(1,702,375)	-	**(1,702,375)**
(Loss) / profit for the year	-	-	-	-	-	(565,094)	(565,094)	52,630	**(512,464)**
Exchange adjustments	-	-	29,736	-	-	-	29,736	7,871	**37,607**
Balance as on December 31, 2008	**843,795**	**2,876,893**	**(2,513)**	**(912,624)**	**13,660,333**	**(61,652)**	**16,404,232**	**130,412**	**16,534,644**

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

Towfiq Habib Chinoy
Chairman

Syed Hyder Ali
Chief Executive & Managing Director

Syed Aslam Mehdi
Director

Notes to and Forming Part of the Consolidated Financial Statements
for the year ended December 31, 2008

1. Legal Status and nature of business

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

Packaging: Representing manufacture and sale of paper, paperboard, packaging materials and tissue products.

Inks: Representing manufacture and sale of finished and semi finished inks.

Construction: Representing all types of construction activities and development of real estate.

2. Basis of preparation

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

2.2 Standards, interpretations and amendments to published approved accounting standards

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

2.2.1 Amendments to published standards effective in current year

IFRIC 14, ' IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' is effective from January 01, 2008. IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum requirement. It's adoption does not have any significant impact on the Group's financial statements.

2.2.2 Amendments to published standards applicable to the Group not yet effective

The following amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after their respective effective dates:

IAS 1 (Revised), 'Presentation of financial statements' is effective from January 01, 2009. The revised standard will prohibit 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 will be required to be shown in performance statement, but Group can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The above standard will only impact the presentation of financial statements.

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.

IFRS 8 'Operating Segments' is effective from January 01, 2009. It sets out requirements for disclosure of information about the Group's operating segments and also about the Group's products and services, the geographical areas in which it operates, and its major customers.

Certain amendments to IAS 23 'Borrowing Costs' have been published that are applicable to the Group's financial statements covering annual periods, beginning on or after January 01, 2009. Adoption of these amendments would require the Group to capitalise the borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing these borrowing costs will be removed. Its adoption will not have any impact on the Group's financial statements.

2.2.3 Standards and interpretations to existing standards that are not applicable to the Group and not yet effective

Standards or Interpretation	Effective date
IFRS 2 - Share based payment	January 01, 2009
IFRIC 12 - Service concession arrangements	January 01, 2009
IFRIC 13 - Customer loyalty programmes	January 01, 2009
IFRIC 15 - Accounting for agreements for the construction of real estate	January 01, 2009
IFRIC 16 - Hedge of net investment in a foreign operation	January 01, 2009

In addition to the above, a new standard 'IFRS 4 - Insurance Contracts' has been issued by the International Accounting Standards Board and has been adopted by the Institute of Chartered Accountants of Pakistan (ICAP) but the notification from SECP is still awaited and, hence, presently do not form part of the local financial reporting framework.

3. Basis of measurement

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

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

a) Employee retirement benefits

The Group uses the valuation performed by an independent actuary as the present value of its retirement benefit obligations. The valuation is based on assumptions as mentioned in note 4.10.

b) Provision for taxation

The Group takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the Group's view differs from the view taken by the income tax department at the assessment stage and where the Group considers that its views on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

c) Useful life and residual values of property, plant and equipment

The Group reviews the useful lives of property, plant and equipment on regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

4. Significant accounting policies

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

4.1 Principles of consolidation

a) Subsidiaries

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the profit and loss account.

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

b) Minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the group. Disposals to minority interests result in gains and losses for the Group that are recorded in the profit and loss account.

c) Associates

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

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

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

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

4.2 Taxation

Current

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

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

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

4.3 Property, plant and equipment

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Cost in relation to certain plant and machinery signifies historical cost, gain and losses transferred from equity on qualifying cash flow hedges as referred in note 4.20 and borrowing costs as referred to in note 4.23.

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

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

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Group's estimate of the residual value of its property, plant and equipment as at December 31, 2008 has not required any adjustment as its impact is considered insignificant.

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

The Group assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account during the year. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

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

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

4.4 Intangible assets

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

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

The Group assesses at each balance sheet date whether there is any indication that intangible asset may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account during the year. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the amortisation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.5 Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss.

4.6 Investment property

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

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

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Group's estimate of the residual value of its investment property as at December 31, 2008 has not required any adjustment as its impact is considered insignificant.

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

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

4.7 Leases

(1) The Group is the lessee:

Finance leases

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

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease as referred to in note 8. The liabilities are classified as current and long-term depending upon the timing of the payment.

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

Assets acquired under a finance lease are depreciated over the useful life of the asset on a straight-line method at the rates given in note 4.3. Depreciation of leased assets is charged to profit and loss account.

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

Operating leases

Leases including ijarah financing where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight-line basis over the lease / ijarah term.

(2) The Group is the lessor:

Operating leases

Assets leased out under operating leases are included in investment property as referred to in note 17. These are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognized on a straight-line basis over the lease term.

4.8 Goodwill

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

4.9 Investments

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

Investments in equity instruments of associated companies

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

Other investments

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

Held to maturity

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

Available for sale

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

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

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

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

4.10 Employee retirement benefits

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

4.10.1 Defined benefit plans

(a) All the executive staff participates in an approved funded defined benefit pension plan. In addition, there is an approved funded defined benefit gratuity plan for all employees. Monthly contributions are made to these funds on the basis of actuarial recommendation at the rate of 20 percent per annum of basic salaries for pension and 4.50 percent per annum of basic salaries for gratuity. The latest actuarial valuation for the pension and gratuity schemes was carried out as at December 31, 2008. The actual losses on plan assets during the year were Rs. 169.815 million and Rs. 0.620 million for the pension and gratuity funds respectively. The actual returns on plan assets represent the difference between the fair value of plan assets at beginning of the year and end of the year after adjustments for contributions made by the Group as reduced by benefits paid during the year.

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

Discount rate 16 percent per annum.

Expected rate of increase in salary level 13.79 percent per annum.

Expected rate of return 16 percent per annum.

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

The Group is expected to contribute Rs. 31 million to the pension fund and Rs. 10 million to the gratuity fund in the next financial year.

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

(b) Accumulating compensated absences

Provisions are made annually to cover the obligation for accumulating compensated absences and are charged to profit.

4.10.2 Defined contribution plan

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

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

4.11 Stores and spares

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

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

4.12 Stock-in-trade

Stock of raw materials, except for those in transit, work-in-process and finished goods are valued principally at the lower of weighted average cost and net realisable value. Cost of work-in-process and finished goods comprises cost of direct materials, labour and appropriate manufacturing overheads.

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

Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale. Provision is made in the financial statements for obsolete and slow moving stock-in-trade based on management estimate.

4.13 Financial instruments

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

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

4.14 Offsetting of financial assets and liabilities

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

4.15 Trade debts

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

4.16 Cash and cash equivalents

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

4.17 Non-current assets held-for-sale

Non-current assets are classified as assets held-for-sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying value is to be recovered principally through a sale transaction rather than through continuing use.

4.18 Borrowings

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

4.19 Trade and other payables

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

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.20 Derivative financial instruments

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

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

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

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

4.21 Revenue recognition

Revenue is recognized on despatch of goods or on the performance of services except for management fee, which is recognized on receipt. It includes sales to associated companies but does not include sales by associated companies or sales between Group companies.

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

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

4.22 Foreign currency transactions and translation

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

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

4.23 Borrowing costs

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

4.24 Dividend

Dividend distribution to the shareholders is recognized as a liability in the period in which the dividends are approved.

5. Issued, subscribed and paid up capital

2008	2007		2008	2007
(Number of shares)			(Rupees in thousand)	
33,603,295	33,603,295	Ordinary shares of Rs. 10 each fully paid in cash	**336,033**	336,033
148,780	148,780	Ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash	**1,488**	1,488
50,627,429	39,621,407	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	**506,274**	396,214
84,379,504	73,373,482		**843,795**	733,735

19,007,860 (2007: 16,521,117) ordinary shares of the holding company are held by IGI Insurance Limited, an associated undertaking.

6. Reserves

	Note	2008	2007
		(Rupees in thousand)	
Movement in and composition of reserves is as follows:			
Capital			
Share premium			
At the beginning of the year		**2,986,953**	2,986,953
Issue of 11,006,022 ordinary shares of Rs. 10 each as fully paid bonus shares		**(110,060)**	-
	6.1	**2,876,893**	2,986,953
Exchange difference on translation of foreign subsidiary			
At the beginning of the year		**(32,249)**	(31,572)
Exchange difference for the year		**29,736**	(677)
		(2,513)	(32,249)
Fair value reserve			
At the beginning of the year		**789,751**	198,447
Fair value (loss) / gain during the year		**(1,702,375)**	2,476,829
Transfer to profit and loss account		**-**	(1,885,525)
	6.2	**(912,624)**	789,751
		1,961,756	3,744,455
Revenue			
General reserve			
At the beginning of the year		**9,333,536**	3,686,936
Transfer from profit and loss account		**4,326,797**	5,646,600
		13,660,333	9,333,536
		15,622,089	13,077,991

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

6.2 As referred to in note 4.9 this represents the unrealised (loss) / gain on remeasurement of investments at fair value and is not available for distribution. This will be transferred to profit and loss account on derecognition of investments.

7. Long-term finances - secured

	Note	2008	2007
		(Rupees in thousand)	
These are composed of:			
Local currency loans	7.1	**10,500,000**	10,500,000
Foreign currency loans	7.2	**2,354,400**	1,861,845
		12,854,400	12,361,845
Less: Current portion shown under current liabilities		**550,000**	15,345
		12,304,400	12,346,500

7.1 Local currency loans

7.1.1 Consortium Loan

This loan has been obtained from a consortium of commercial banks led by MCB Bank Limited. It is secured by a first ranking exclusive hypothecation / equitable mortgage charge over all present and future fixed assets of the Group amounting to Rs. 13,200 million in favour of MCB Bank Limited being security trustee on behalf of consortium. It carries mark up at six month Karachi Inter Bank Offered Rate (KIBOR) plus 1.35 percent per annum and is payable semi annually. The effective mark up charged during the year ranges from 11.31% to 17.01% per annum. Of the aggregate facility of Rs. 9,900 million, the amount availed as at December 31, 2008 is Rs. 9,900 million (2007: Rs. 9,900 million), repayable in 14 equal semi annual instalments commencing June 06, 2009, December 06, 2009 and December 06, 2010 for Rs. 1,000 million, Rs. 5,700 million and Rs. 3,200 million respectively.

7.1.2 Others

This loan has been obtained from Citibank. It is secured by a first ranking exclusive hypothecation / equitable mortgage charge over all present and future fixed assets of the Group amounting to Rs. 800 million in favour of MCB Bank Limited being security trustee on behalf of Citibank. It carries mark up at six month KIBOR plus 0.90 percent per annum and is payable semi annually. The effective mark up charged during the year ranges from 10.86% to 16.56% per annum. Of the aggregate facility of Rs. 600 million, the amount availed as at December 31, 2008 is Rs. 600 million (2007: Rs. 600 million), repayable in 7 semi annual instalments divided into 6 semi annual instalments of Rs. 75 million commencing June 06, 2010 and last instalment of Rs. 150 million.

7.2 Foreign currency loans

7.2.1 This loan has been obtained from International Finance Corporation (IFC). It is secured by a first ranking exclusive hypothecation / equitable mortgage charge over all present and future fixed assets of the Group amounting to USD 40 million. It carries mark up at six month London Inter Bank Offered Rate (LIBOR) plus 1.85 per cent per annum and is payable semi annually. The effective mark up charged during the year ranges from 4.972% to 7.554% per annum. Of the aggregate facility of USD 30 million, the amount availed as at December 31, 2008 is USD 30 million (2007: USD 30 million), repayable in 14 equal semi annual instalments commencing July 15, 2010.

7.2.2 Derivative cross currency swap

The Group has entered into a derivative cross currency swap of USD 30 million for its foreign currency loan to hedge the possible adverse movements in exchange rates. Under the terms of the cross currency swap arrangement, the Group pays KIBOR minus bank spread to the arranging bank , and receives LIBOR plus bank spread on the foreign currency loan denominated in PKR for the purposes of the cross currency swap from the arranging bank. There has been no transfer of liability under this arrangement, only the nature of the interest payments has changed. As this hedging relationship is ineffective and does not meet the criteria of cash flow hedge, this arrangement does not qualify for special hedge accounting specified in IAS 39 'Financial instruments: Recognition and Measurement'.

8. Liabilities against assets subject to finance lease

	2008	2007
	(Rupees in thousand)	
Present value of minimum lease payments	**27,183**	107
Less: Current portion shown under current liabilities	**8,718**	107
	18,465	-

The present value of minimum lease payments have been discounted at implicit interest rate of 22.50% per annum to arrive at their present value. The lessee has the option to purchase the assets after expiry of the lease term.

Taxes, repairs, replacements and insurance costs are to be borne by the lessee.

The amount of future payments of the lease and the period in which these payments will become due are as follows:

Years	Minimum lease payment	Future finance charge	Present value of lease liability	
	(Rupees in thousand)			
			2008	2007
Not later than one year	13,971	5,253	**8,718**	107
Later than one year and not later than five years	22,120	3,655	**18,465**	-
	36,091	8,908	**27,183**	107

9. Deferred liabilities

	Note	2008	2007
		(Rupees in thousand)	
Deferred taxation	9.1	**892,875**	1,079,700
Accumulating compensated absences	9.2	**109,740**	99,449
Staff gratuity	9.3	**3,925**	2,612
		1,006,540	1,181,761

9.1 Deferred taxation

	2008	2007
The liability for deferred taxation comprises timing differences relating to:		
Accelerated tax depreciation	**2,796,503**	2,272,350
Unused tax losses	**(1,939,112)**	(1,302,102)
Minimum tax available for carry forward	**(47,935)**	(46,000)
Provision for accumulating compensated absences	**(38,409)**	(34,807)
Impairment loss in value of investments	**(16,230)**	(16,230)
Provision for doubtful debts	**(1,896)**	(547)
Provision for slow moving items	**(519)**	(2,437)
Provision for doubtful receivables	**(527)**	(527)
Investments in associated companies	**141,000**	210,000
	892,875	1,079,700

9.2 Accumulating compensated absences

	2008	2007
Opening balance	**99,449**	92,380
Provision for the year	**22,783**	14,180
	122,232	106,560
Less: Payments made during the year	**12,492**	7,111
Closing balance	**109,740**	99,449

9.3 Staff gratuity fund

This represents staff gratuity of employees of Packages Lanka (Private) Limited and is unfunded.

10. Current portion of long-term liabilities

	Note	2008	2007
Long-term finances - secured	7	**550,000**	15,345
Liabilities against assets subject to finance lease	8	**8,718**	107
		558,718	15,452

11. Finances under mark up arrangements - secured

	Note	2008	2007
Running finances	11.1	**3,123,871**	534,589
Term finance	11.2	**135,164**	183,078
		3,259,035	717,667

11.1 Running finances

Short-term running finances available from a consortium of commercial banks under mark up arrangements amount to Rs. 6,527.200 million (2007: Rs. 6,288.600 million). The rates of mark up range from Re 0.2689 to Re 0.5191 per Rs. 1,000 per diem or part thereof on the balances outstanding. In the event, the Group fails to pay the balances on the expiry of the quarter, year or earlier demand, mark up is to be computed at the rates ranging from Re 0.3363 to Re 0.6011 per 1,000 per diem or part thereof on the balances unpaid. The aggregate running finances are secured by hypothecation of stores, spares, stock-in-trade and trade debts.

11.2 Term finance

Term finance available from a consortium of commercial banks under mark up arrangement amount to Rs. 180.200 million (2007: Rs. 176 million). The rates of mark up range from Re 0.2720 to Re 0.4671 per Rs. 1,000 per diem or part thereof. It is secured by hypothecation of stores, stock-in-trade and trade debts.

Of the aggregate facility of Rs. 8,125.065 million (2007: Rs. 11,111.945 million) for opening letters of credit and Rs. 1,524 million (2007: Rs. 1,524 million) for guarantees, the amount utilised at December 31, 2008 was Rs. 428.866 million (2007: Rs. 1,274.570 million) and Rs. 661.619 million (2007: Rs. 655.323 million) respectively. Of the facility for guarantees, Rs. 1,444 million (2007: Rs. 1,444 million) is secured by second hypothecation charge over stores, spares, stock-in-trade and trade debts.

12. Trade and other payables

	Note	2008	2007
		(Rupees in thousand)	
Trade creditors	12.1	**277,727**	268,862
Accrued liabilities	12.2	**736,148**	693,867
Sales tax payable		**32,780**	36,411
Excise duty payable		**6,994**	5,621
Customers' balances		**102,137**	126,609
Deposits - interest free repayable on demand		**6,006**	5,846
Mark up accrued on:			
Long-term finances - secured		**184,045**	122,318
Finances under mark up arrangements - secured		**111,969**	18,278
Workers' profit participation fund	12.3	**8,255**	58,470
Workers' welfare fund		**4,002**	221,748
Derivative cross currency swap	12.4	**72,885**	11,111
TFCs payable		**1,405**	1,405
Unclaimed dividends		**9,975**	9,975
Others		**34,119**	33,699
		1,588,447	1,614,220

12.1 Trade creditors include amount due to related parties Rs. 21.568 million (2007: Rs. 22.560 million).

12.2 Accrued liabilities include amount due to related parties Rs. 0.884 milion (2007: Rs. 5.737 million).

12.3 Workers' profit participation fund

	Note	2008	2007
		(Rupees in thousand)	
Opening balance		**58,470**	91,567
Provision for the year	31	**8,255**	58,428
		66,725	149,995
Less: Payments made during the year		**58,470**	91,525
Closing balance		**8,255**	58,470

12.4 During the year, the Group entered into a derivative cross currency swap arrangement to hedge for the possible adverse movements in exchange rates arising on its foreign currency loan as referred in note 7.2.2. The derivative cross currency swap outstanding as at December 31, 2008 has been marked to market and the resulting loss of Rs. 72.885 million has been recognized in profit and loss account as this hedging relationship does not meet the criteria of cash flow hedge and does not qualify for special hedge accounting specified in IAS 39 'Financial Instruments: Recognition and Measurement'.

13. Liabilities directly associated with the non-current assets classified as held-for-sale - advance against sale of shares

This represents advance received from Tetra Laval Holding and Finance S.A (TLH) amounting to USD 15 million against sale of Group's shareholding in Tetra Pak Pakistan Limited (TPPL). Currently the Group holds 30,800,000 shares i.e. 44% of paid up capital of TPPL. The Board of the parent company, in the meeting held on December 23, 2008, decided to dispose off the entire shareholding in TPPL to TLH against consideration of USD 115 million and terminate the earlier arrangement of 'Call Option' with TLH. The agreement for sale of shares with TLH has been signed, subsequent to the balance sheet date, on January 03, 2009 and shares have also been transferred to TLH on January 09, 2009.

In view of the above arrangement, investment in TPPL has been accounted for in accordance with IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations' and disclosed under current assets and measured at lower of cost and fair value less cost to sell.

Liabilities directly associated with non-current assets classified as held-for-sale

	2008	2007
	(Rupees in thousand)	
Advance against sale of shares	**1,017,150**	-

Non-current assets held-for-sale - investment in related party

	2008	2007
Tetra Pak Pakistan Limited		
30,800,000 fully paid ordinary shares of Rs. 10 each		
Equity held: 44%	**75,121**	-

14. Contingencies and commitments

14.1 Contingencies

(i) Claims against the Group not acknowledged as debts Rs. 14.193 million (2007: Rs. 12.766 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 recognized 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 recognized in the financial statements as the management is of the view that the appeal of the STO will not be upheld by the ITAT.

(iii) Post dated cheques not provided in these financial statements has been furnished by the Group in favour of Collector of Customs against custom levies aggregated to Rs. 28.544 million (2007: Rs. 8.339 million) in respect of goods imported.

14.2 Commitments in respect of

(i) Letters of credit and contracts for capital expenditure Rs. 292.347 million (2007: Rs. 1,124.424 million).

(ii) Letters of credit and contracts other than for capital expenditure Rs. 319.416 million (2007: Rs. 749.242 million).

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

	2008	2007
	(Rupees in thousand)	
Not later than one year	**171,057**	9,111
Later than one year and not later than five years	**1,222,353**	16,608
Later than five years	**386,327**	1,412
	1,779,737	27,131

15. Property, plant and equipment

2008

	Cost as at December 31, 2007	Transfer in	Exchange adjustment on opening cost	Additions/ (deletions)	Cost as at December 31, 2008	Accumulated depreciation as at December 31, 2007	Exchange adjustment on opening accumulated depreciation	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at December 31, 2008	Book value as at December 31, 2008
	(Rupees in thousand)									
Freehold land	318,705	-	5,073	11,517	**335,295**	-	-	-	-	**335,295**
Buildings on freehold land	1,427,677	-	8,633	522,431	**1,958,741**	121,613	4,002	70,889	**196,504**	**1,762,237**
Buildings on leasehold land	194,516	-	-	-	**194,516**	60,061	-	7,708	**67,769**	**126,747**
Plant and machinery	13,658,635	-	50,729	1,240,236 (41,312)	**14,908,288**	5,048,530	29,469	774,101 (41,188)	**5,810,912**	**9,097,376**
Other equipments	408,643	-	10,729	40,919 (1,028)	**459,263**	294,441	10,248	33,455 (1,146)	**336,998**	**122,265**
Furniture and fixtures	31,052	-	631	2,240 (54)	**33,869**	22,342	514	2,979 (54)	**25,781**	**8,088**
Vehicles	269,423	-	624	49,441 (33,983)	**285,505**	124,796	283	35,586 (23,336)	**137,329**	**148,176**
	16,308,651	-	76,419	1,866,784 (76,377)	**18,175,477**	5,671,783	44,516	924,718 (65,724)	**6,575,293**	**11,600,184**

2007

	Cost as at December 31, 2006	Transfer in	Exchange adjustment on opening cost	Additions/ (deletions)	Cost as at December 31, 2007	Accumulated depreciation as at December 31, 2006	Exchange adjustment on opening accumulated depreciation	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at December 31, 2007	Book value as at December 31, 2007
	(Rupees in thousand)									
Freehold land	298,737	-	(119)	20,087	318,705	-	-	-	-	318,705
Buildings on freehold land	289,312	-	(201)	1,138,566	1,427,677	89,526	(83)	32,170	121,613	1,306,064
Buildings on leasehold land	194,516	-	-	-	194,516	52,754	-	7,307	60,061	134,455
Plant and machinery	7,024,813	-	(1,173)	6,640,899 (5,904)	13,658,635	4,569,492	(616)	485,558 (5,904)	5,048,530	8,610,105
Other equipments	391,746	-	(248)	30,185 (13,040)	408,643	272,911	(232)	29,686 (7,924)	294,441	114,202
Furniture and fixtures	28,736	-	(14)	2,641 (311)	31,052	19,431	(12)	3,126 (203)	22,342	8,710
Vehicles	215,343	1,697	(10)	84,881 (32,488)	269,423	114,727	(5)	31,569 (21,495)	124,796	144,627
	8,443,203	1,697	(1,765)	7,917,259 (51,743)	16,308,651	5,118,841	(948)	589,416 (35,526)	5,671,783	10,636,868

Property, plant and equipment include mark up capitalised of Rs. 118.326 million (2007: Rs. 437.716 million).

Property, plant and equipment include assets amounting to Rs. 12.026 million (2007: Rs. 12.041 million) of the Group which are not in operation.

The cost of fully depreciated assets which are still in use as at December 31, 2008 is Rs. 3,156.950 million (2007: Rs. 3,136.591 million).

15.1 Disposal of property, plant and equipment

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

Particulars of assets		Sold to	Cost	Accumulated depreciation	Book value	Sales proceeds	Mode of Disposal
			2008				
			(Rupees in thousand)				
Vehicles		**Employees**					
	Mr.	Ali Munir	494	80	414	432	Company policy
		Muhammad Nauman Zafar	602	351	251	430	- do -
		Malik Babar Jan	650	379	271	472	- do -
		Rehan Yacob	831	526	305	630	- do -
		Emad Zubair	430	16	414	411	- do -
		Naveed Waheed Malik	400	35	365	343	- do -
		Muhammad Kamran Ejaz	500	138	362	386	- do -
		Muhammad Ayub	585	161	424	427	- do -
		Muhammad Tariq Ashfaq	900	405	495	480	- do -
		Ahsan Iqbal	379	183	196	237	- do -
		Imran Riaz	532	301	231	369	- do -
		Asim Saeed	515	292	223	355	- do -
		Muhammad Yasin	640	491	149	413	- do -
		Sheikh Saif-ur-Rehman	645	505	140	417	- do -
		Kashif Ahmed	371	65	306	316	- do -
		Nabeel Ahmed Tahir	373	230	143	240	- do -
		Hamza Bin Lodhi	360	49	311	306	- do -
		Omer Ijaz	355	278	77	249	- do -
		Abdul Khaliq	365	174	191	224	- do -
		Naveed Qureshi	650	49	601	580	- do -
		Jawad Saleem	560	49	511	560	- do -
	Syed	Izzat Hassan	750	131	619	676	- do -
	Ms.	Maria Mohni	390	20	370	390	- do -
	Mr.	Naveed Qureshi	370	116	254	265	Negotiation
		Salman	370	139	231	226	- do -
		Outsiders					
	Mr.	Adnan Bhatti	354	207	147	263	Negotiation
		Muhammad Asif	380	29	351	406	- do -
		Sajjad Ali	355	225	130	260	- do -
		Islam Akbar	532	20	512	460	- do -
		Raheel Iqbal	569	398	171	423	- do -
	Syed	Sajjad Haider	355	237	118	220	- do -
	Syed	Riaz Ahmed	372	112	260	311	- do -
	Ms.	Shaheen Mujeeb	366	55	311	280	- do -
	M/s	IGI Insurance Limited - Related Party	774	645	129	524	Insurance claim
		IGI Insurance Limited - Related Party	369	177	192	580	- do -
		IGI Insurance Limited - Related Party	366	14	352	325	- do -
Plant and machinery		**Outsiders**					
	M/s	Boss Link Pakistan	36,285	36,199	86	3,735	Negotiation
		DIC Lanka (Private) Limited	140	102	38	77	- do -
Other assets with book value less than Rs. 50,000			22,143	22,141	2	6,363	-
			76,377	**65,724**	**10,653**	**24,061**	

Particulars of assets		Sold to	Cost	Accumulated depreciation	Book value	Sales proceeds	Mode of Disposal
			2007				
			(Rupees	in	thousand)		
Vehicles		Employees					
	Mr.	Adnan Saud Sharif	399	286	113	202	Company policy
		Ahsan Feroze	416	270	146	273	- do -
		Fiaz Ahmed	600	45	555	557	- do -
		Humayun Kabir	899	202	697	725	- do -
		Imran Majeed	380	95	285	277	- do -
		Javaid Maqbool	563	56	507	479	- do -
		Khawaja Muhammad Arshad	350	192	158	202	- do -
		Luqman Khalid	750	512	238	546	- do -
		Mustansar Bashir	781	716	65	533	- do -
		Shaukat Ali	564	498	66	400	Negotiation
		Sharif Hussain	609	315	294	446	Company policy
		Abdur Rahman	530	203	327	413	- do -
		Ahsan Manzoor	409	164	245	303	- do -
		Mohammad Khalid	560	495	65	335	Negotiation
		Bilal A Qureshi	603	221	382	479	Company policy
		Chaudhry Jawad Saqlain	609	69	540	522	- do -
		Dr Babar Ali	849	495	354	645	- do -
		Faisal Akram	608	46	562	553	- do -
		Mohammad Iqbal Ansari	841	533	308	624	- do -
		Khuram Rashid	370	117	253	268	- do -
		Khushi Muhammad	371	124	247	312	Negotiation
		Mohammad Shafique Shakir	692	346	346	285	- do -
		Muhammad Asad	331	281	50	164	Company policy
		Muhammad Mansha	464	104	360	404	- do -
		Umar Rafique	534	151	383	420	- do -
		Waseem Ahmad	359	32	327	327	- do -
	Syed	Ali Hassan	327	239	88	197	- do -
	Syed	Muhammad Kazmi	509	38	471	509	- do -
	Ms.	Samina Jamil	504	160	344	394	- do -
		Outsiders					
	Mr.	Sheikh Sohail Majeed	711	249	462	1,050	Negotiation
		Muhammad Amin	356	190	166	272	- do -
	M/s	IGI Insurance Limited - Related party	1,222	570	652	975	Insurance claim
Heavy Vehicles		Outsiders					
	M/s	Syedanwala Agricultural Farm - Related party	660	253	407	418	Negotiation
Other equipment	Outsiders						
	M/s	Syedanwala Agricultural Farm - Related party	7,973	3,012	4,961	5,094	Negotiation
		IGI Insurance Limited - Related party	106	3	103	80	Insurance claim
Other assets with book value less than Rs. 50,000			24,934	24,244	690	8,449	-
			51,743	35,526	16,217	28,132	

16. Intangible assets

	Cost as at December 31, 2007	Additions	Cost as at December 31, 2008	Accumulated amortisation as at December 31, 2007	Amortisation charge for the year	Accumulated amortisation as at December 31, 2008	Book value as at December 31, 2008
	(Rupees in thousand)						
Computer software and ERP system	124,775	311	**125,086**	124,412	433	**124,845**	**241**
2008	**124,775**	**311**	**125,086**	**124,412**	**433**	**124,845**	**241**
2007	124,775	-	124,775	122,173	2,239	124,412	363

The cost of fully amortised assets which are still in use as at December 31, 2008 is Rs. 124.075 million (2007: Rs. 122.622 million).

16.1 The depreciation/amortisation charge for the year has been allocated as follows:

	Note	Depreciation	Amortisation	Total 2008	Total 2007
		(Rupees in thousand)			
Cost of sales	28	893,460	213	**893,673**	561,529
Administrative expenses	29	25,854	220	**26,074**	24,733
Distribution and marketing costs	30	5,404	-	**5,404**	5,394
		924,718	433	**925,151**	591,656

17. Investment property

	Cost as at December 31, 2007	Transfer in	Additions	Cost as at December 31, 2008	Accumulated depreciation as at December 31, 2007	Transfer in	Depreciation charge for the year	Accumulated depreciation as at December 31, 2008	Book value as at December 31, 2008
	(Rupees in thousand)								
Buildings on leasehold land	15,976	-	-	**15,976**	8,588	-	600	**9,188**	**6,788**
2008	**15,976**	**-**	**-**	**15,976**	**8,588**	**-**	**600**	**9,188**	**6,788**
2007	15,976	-	-	15,976	7,988	-	600	8,588	7,388

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

Fair value of the investment property, based on the valuation carried out by an independent valuer, as at December 31, 2008 is Rs. 17.120 million (2007: Rs. 18.936 million)

18. Assets subject to finance lease

2008

	Cost as at December 31, 2007	Exchange adjustment	Additions	Cost as at December 31, 2008	Accumulated depreciation as at December 31, 2007	Exchange adjustment	Depreciation charge for the year	Accumulated depreciation as at December 31, 2008	Book value as at December 31, 2008
	(Rupees in thousand)								
Plant and machinery	3,152	3,526	27,471	**34,149**	1,866	555	1,274	**3,695**	**30,454**
Vehicles	-	-	-	**-**	-	-	-	**-**	**-**
	3,152	3,526	27,471	**34,149**	1,866	555	1,274	**3,695**	**30,454**

2007

	Cost as at December 31, 2006	Exchange adjustment	Deletions	Cost as at December 31, 2007	Accumulated depreciation as at December 31, 2006	Exchange adjustment	Depreciation charge / (deletion) for the year	Accumulated depreciation as at December 31, 2007	Book value as at December 31, 2007
	(Rupees in thousand)								
Plant and machinery	3,169	(17)	-	3,152	1,242	(8)	632	1,866	1,286
Vehicles	4,073	-	- (4,073)	-	2,172	-	204 (2,376)	-	-
	7,242	(17)	- (4,073)	3,152	3,414	(8)	836 (2,376)	1,866	1,286

Deletion represents the asset transferred to property, plant and equipment on termination of lease during the year.

18.1 The depreciation charge for the year has been allocated as follows:

	Note	2008	2007
		(Rupees in thousand)	
Cost of sales	28	**-**	15
Administrative expenses	29	**1,274**	742
Distribution and marketing costs	30	**-**	79
		1,274	836

19. Capital work-in-progress

	Note	2008	2007
		(Rupees in thousand)	
Civil works		**16,975**	91,505
Plant and machinery [including in transit Rs. 7.833 million (2007: Rs. 155.767 million)]		**25,421**	773,005
Others		**27**	1,412
Expansion project:			
Civil works		**741,472**	867,489
Plant and machinery [including in transit Rs. 2.40 million (2007: Rs. 70.789 million)]		**5,767,935**	5,208,386
Advances	19.1	**5,534**	40,769
Unallocated expenditure	19.2	**1,607,919**	824,412
		8,122,860	6,941,056
		8,165,283	7,806,978

19.1 Advances

	Note	2008	2007
Civil works		**3,481**	16,572
Plant and machinery	19.1.1	**1,921**	24,197
Others		**132**	-
		5,534	40,769

19.1.1 It includes an amount of Rs. 0.793 million (2007: Rs. 16.336 million) given to Siemens Pakistan Engineering Company, a related party, for development of electrical infrastructure.

19.2 Unallocated expenditure

	Note	2008	2007
		(Rupees in thousand)	
Foreign consultancy services		**14,597**	14,597
Technical and other staff salaries		**176,958**	65,290
Finance costs		**1,370,459**	703,012
Others		**45,905**	41,513
		1,607,919	824,412

20. Investments

These represent the long-term investments in:

	Note	2008	2007
Equity instruments of associated companies	20.1	**3,384,409**	3,909,718
Others	20.6	**4,871,003**	6,573,377
		8,255,412	10,483,095

20.1 In equity instruments of associated companies

	Note	2008	2007
Cost		**3,773,785**	1,632,552
Transferred during the year		**-**	2,141,233
		3,773,785	3,773,785
Post acquisition profit brought forward		**135,933**	243,644
		3,909,718	4,017,429
(Loss) / profit for the year			
Before taxation		**(226,597)**	1,422,974
Provision for taxation		**(78,507)**	(377,897)
		(305,104)	1,045,077
		3,604,614	5,062,506
Less: Dividends received during the year		**145,084**	577,745
Investment disposed off during the year		**-**	575,043
Investment classified as held for sale		**75,121**	-
		220,205	1,152,788
Balance as on December 31	20.2	**3,384,409**	3,909,718

20.2 In equity instruments of associated companies

	Note	2008	2007
		(Rupees in thousand)	
Quoted			
IGI Insurance Limited			
6,354,412 (2007: 3,389,020) fully paid ordinary shares of Rs. 10 each			
Market value - Rs. 732.473 million (2007: Rs. 1,403.224 million)		**1,141,310**	1,187,667
Tri-Pack Films Limited			
10,000,000 (2007: 10,000,000) fully paid ordinary shares of Rs. 10 each			
Market value - Rs. 1,246.400 million (2007: Rs. 2,033 million)		**2,197,782**	2,177,923
IGI Investment Bank Limited			
4,610,915 (2007: 4,610,915) fully paid ordinary shares of Rs. 10 each			
Market value - Rs. 14.524 million (2007: Rs. 68.011 million)		**45,317**	47,899
Unquoted			
Tetra Pak Pakistan Limited			
Nil (2007: 30,800,000) fully paid ordinary shares of Rs. 10 each	20.4	**-**	496,229
		3,384,409	3,909,718

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

20.4 The Group's investment in Tetra Pak Pakistan Limited has been shown under current assets as non-current assets classified as held-for-sale as referred to in note 13.

20.5 The Group's share of the result of its associates, all of which are incorporated in Pakistan, and its share of the assets and liabilities in case of those associates whose financial information is available publicly, are as follows:

Name	Percentage interest held	Assets	Liabilities	Revenues	Profit/(loss)
		(Rupees in thousand)			
December 31, 2007					
IGI Insurance Limited	10.61%	1,569,827	368,092	64,435	310,903
Tri-Pack Films Limited	33.33%	1,113,774	696,279	1,518,239	146,704
IGI Investment Bank Limited	4.99%	765,764	665,281	63,806	(3,812)
		3,449,365	1,729,652	1,646,480	453,795
September 30, 2008					
IGI Insurance Limited	10.61%	**1,490,827**	**288,117**	**43,825**	**10,946**
Tri-Pack Films Limited	33.33%	**1,271,914**	**858,187**	**1,522,054**	**136,348**
IGI Investment Bank Limited	2.17%	**186,883**	**139,869**	**14,170**	**(94)**
		2,949,624	**1,286,173**	**1,580,049**	**147,200**

20.6 Others

	2008	2007
	(Rupees in thousand)	
Quoted		
Nestle Pakistan Limited		
3,649,248 (2007: 3,649,248) fully paid ordinary shares of Rs. 10 each	**4,866,272**	6,568,646
Unquoted		
Pakistan Tourism Development Corporation Limited		
2,500 (2007: 2,500) fully paid ordinary shares of Rs. 10 each	**25**	25
Orient Match Company Limited		
1,900 (2007: 1,900) fully paid ordinary shares of Rs. 100 each	**-**	-
Coca-Cola Beverages Pakistan Limited		
500,000 (2007: 500,000) fully paid ordinary shares of Rs. 10 each	**4,706**	4,706
	4,871,003	6,573,377

Nestle Pakistan Limited and Coca-Cola Beverages Pakistan Limited are associated undertakings as per the Companies Ordinance, 1984, however, for the purpose of measurement, these have been classified as available for sale and measured at fair value as referred to in note 4.9.

21. Long-term loans and deposits

	Note	2008	2007
		(Rupees in thousand)	
Loans to employees - considered good	21.1	**2,339**	2,287
Loan to SNGPL	21.2	**131,200**	147,600
Sales tax recoverable		**-**	72,039
Security deposits		**22,633**	23,029
		156,172	244,955
Less: Receivable within one year			
Loans to employees - considered good		**465**	373
		155,707	244,582

21.1 These represent interest free loans to employees for purchase of motor cycles and cycles and are repayable in monthly instalments over a period of 58 to 249 months.

Loans to employees aggregating Rs. 0.445 million (2007: Rs. 0.553 million) are secured by joint registration of motor cycles in the name of employees and the Group. The remaining loans are unsecured.

21.2 This represents an unsecured loan given to Sui Northern Gas Pipelines Limited (SNGPL) by the parent company for the development of infrastructure for the supply of natural gas to the plants at Bulleh Shah Paper Mill (Expansion project). Mark up is charged at the rate of 1.5% per annum and is received annually. This amount is receivable in 10 annual instalments commenced on December 26, 2008.

22. Retirement benefits

	2008	2007
	(Rupees in thousand)	
Pension fund	**32,725**	(1,481)
Gratuity fund	**94,793**	89,743
	127,518	88,262

	Pension Fund		Gratuity Fund	
	2008	2007	**2008**	2007
	(Rupees in thousand)			
The amounts recognized in the balance sheet are as follows:				
Fair value of plan assets	**493,088**	644,296	**283,474**	296,469
Present value of defined benefit obligation	**(595,808)**	(547,041)	**(211,836)**	(178,979)
Non vested past service cost to be recognized in later periods	**3,025**	6,046	**-**	-
Unrecognized actuarial loss / (gains)	**132,420**	(104,782)	**23,155**	(27,747)
Asset / (liability) as at December 31	**32,725**	(1,481)	**94,793**	89,743
Net (liability) / asset as at January 1	**(1,481)**	(10,646)	**89,743**	80,451
Charge to profit and loss account	**7,174**	(13,568)	**(3,482)**	1,686
Contribution by the Group	**27,032**	22,733	**8,532**	7,606
Asset / (liability) as at December 31	**32,725**	(1,481)	**94,793**	89,743
The movement in the present value of defined benefit obligation is as follows:				
Present value of defined benefit obligation as at January 1	**547,041**	496,792	**178,979**	167,073
Service cost	**16,872**	16,297	**9,547**	9,345
Interest cost	**58,412**	53,041	**18,410**	17,392
Benefits paid	**(32,913)**	(29,991)	**(23,862)**	(18,409)
Past service cost	**-**	-	**9,297**	-
Experience loss	**6,396**	10,902	**19,465**	3,578
Present value of defined benefit obligation as at December 31	**595,808**	547,041	**211,836**	178,979
The movement in fair value of plan assets is as follows:				
Fair value as at January 1	**644,296**	483,965	**296,469**	257,356
Expected return on plan assets	**70,883**	53,121	**31,790**	27,730
Group contributions	**27,032**	22,733	**8,533**	7,606
Employee contributions	**6,077**	5,115	**-**	-
Benefits paid	**(32,913)**	(29,991)	**(23,862)**	(18,409)
Experience (loss) / gain	**(222,287)**	109,353	**(29,456)**	22,186
Fair value as at December 31	**493,088**	644,296	**283,474**	296,469
Plan assets are comprised as follows:				
Debt	**46,649**	79,458	**12,996**	34,136
Equity	**153,588**	252,026	**66,471**	33,738
Mixed funds	**-**	292,865	**-**	205,474
Cash	**274,440**	19,947	**201,053**	23,121
	474,677	644,296	**280,520**	296,469

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

	2008	2007	2006	2005	2004
	(Rupees in thousand)				
Present value of defined benefit obligation	**595,808**	547,041	496,792	474,774	435,580
Fair value of plan assets	**493,088**	644,296	483,965	437,180	366,448
(Deficit) / surplus	**(102,720)**	97,255	(12,827)	(37,594)	(69,132)
Experience adjustment on obligation	**1%**	2%	-3%	2%	5%
Experience adjustment on plan assets	**-51%**	17%	0%	8%	-3%

Fair value of plan assets include ordinary shares of the parent company, whose fair value as at December 31, 2008 is Rs. 48 million (2007: Rs. 204 million).

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

	2008	2007	2006	2005	2004
	(Rupees in thousand)				
Present value of defined benefit obligation	**211,836**	178,979	167,073	150,527	147,984
Fair value of plan assets	**283,474**	296,469	257,356	243,427	236,801
Surplus	**71,638**	117,490	90,283	92,900	88,817
Experience adjustment on obligation	**9%**	2%	2%	3%	5%
Experience adjustment on plan assets	**-10%**	7%	-1%	0%	-3%

Fair value of plan assets include ordinary shares of the parent company, whose fair value as at December 31, 2008 is Rs. 9 million (2007: Rs. 32 million).

23. Stores and spares

	2008	2007
	(Rupees in thousand)	
Stores [including in transit Rs. 13.601 million (2007: Rs. 29.291 million)]	**352,998**	303,635
Spares [including in transit Rs. 12.071 million (2007: Rs. 32.619 million)]	**509,050**	427,541
	862,048	731,176

Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

24. Stock-in-trade

Raw materials [including in transit Rs. 263.206 million (2007: Rs. 614.801 million)]	**2,624,005**	1,688,289
Work-in-process	**301,323**	169,391
Finished goods	**1,368,640**	659,010
	4,293,968	2,516,690
Less: Provision for slow moving items	**5,417**	6,962
	4,288,551	2,509,728

Finished goods of Rs. 231.143 million (2007: Rs. 171.406 million) are being carried at net realisable value and an amount of Rs. 22.727 million (2007: Rs. 16.859 million) has been charged to cost of sales, being the cost of inventory written down during the year.

25. Trade debts

	Note	2008	2007
		(Rupees in thousand)	
Considered good			
Related parties - unsecured	25.1	**320,957**	383,616
Others	25.2	**1,473,943**	1,068,464
		1,794,900	1,452,080
Considered doubtful			
Others		**1,484**	1,563
		1,796,384	1,453,643
Less: Provision for doubtful debts		**6,195**	6,424
		1,790,189	1,447,219

25.1 Related parties - unsecured

	2008	2007
Associated undertakings		
Treet Corporation	**25**	845
Nestle Pakistan Limited	**157,277**	157,078
Tetra Pak Pakistan Limited	**-**	97,730
Tri-Pack Films Limited	**5,019**	4,968
Coca-Cola Beverages Pakistan Limited	**1,532**	2,288
Other Related Parties		
Tetra Pak Pakistan Limited	**135,669**	-
Unilever Pakistan Limited	**-**	94,834
Mitchell's Fruit Farms Limited	**7,843**	17,212
Ceylon Tea Services Limited	**11,437**	8,412
Others	**2,155**	249
	320,957	383,616

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

25.2 Others include secured debts of Rs. 109.181 million (2007: Rs. 8.049 million).

26. Loans, advances, deposits, prepayments and other receivables

	Note	2008	2007
		(Rupees in thousand)	
Loans to employees - considered good		**465**	470
Current portion of loan receivable from SNGPL		**16,400**	16,400
Advances - considered good			
To employees	26.1	**10,116**	9,410
To suppliers		**63,668**	44,974
		73,784	54,384
Due from related parties - unsecured	26.2	**13,804**	37,561
Trade deposits		**92,004**	147,111
Security deposits		**48**	39
Prepayments		**17,212**	16,364
Balances with statutory authorities			
Customs duty		**1,100**	16,512
Claims recoverable from Government			
Sales tax		**60,921**	5,310
Income tax refundable		**380,147**	153,689
Income tax recoverable	26.3	**36,013**	37,989
Octroi - considered doubtful		**1,506**	1,506
		478,587	198,494
Interest receivable on loans to SNGPL		**115**	2,588
Defence levy recoverable		**-**	238
Letter of credit margin		**6,688**	-
Other receivables		**22,378**	57,396
		722,585	547,557
Less: Provision against doubtful advances		**1,506**	1,506
		721,079	546,051

26.1 Included in advances to employees are amounts due from Executives of Rs. 0.375 million (2007: Rs. 1.882 million).

26.2 Due from related parties - unsecured

	2008	2007
	(Rupees in thousand)	
Associated undertakings		
Tetra Pak Pakistan Limited	**-**	7,318
Tri-Pack Films Limited	**-**	64
IGI Insurance Limited	**271**	942
Other related parties		
BOC Pakistan	**213**	175
Tetra Pak Pakistan Limited	**3,547**	-
Siemens Pakistan Limited	**9,645**	28,805
Others	**128**	257
	13,804	37,561

These relate to normal business of the Group and are interest free.

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

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

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

27. Cash and bank balances

	Note	2008	2007
		(Rupees in thousand)	
At banks			
On deposit accounts [including USD 10,874.07 (2007: USD 3,969.89)]		**3,927**	3,381
On saving accounts	27.1	**10**	18
On current accounts [including USD 837.94 (2007: USD 89.71)]	27.2	**202,797**	127,315
		206,734	130,714
In hand		**8,914**	13,220
		215,648	143,934

27.1 The balances in saving accounts bear mark up which ranges from 0.25% to 11.50% per annum.

27.2 Included in these are total restricted funds of Rs. 1.349 million (2007: Rs. 1.349 million) held as payable to TFC holders as referred to in note 12.

28. Cost of sales

	Note	2008	2007
		(Rupees in thousand)	
Opening work-in-process		**169,391**	140,257
Materials consumed		**8,668,038**	5,699,045
Salaries, wages and amenities	28.1	**744,234**	583,810
Fuel and power		**1,795,552**	1,106,961
Production supplies		**331,586**	236,181
Excise duty and sales tax		**1,333**	1,768
Rent, rates and taxes		**72,756**	3,200
Insurance		**59,575**	38,313
Repairs and maintenance		**441,937**	277,487
Packing expenses		**109,309**	50,817
Depreciation on property, plant and equipment		**893,460**	559,597
Amortisation on intangible assets		**213**	1,932
Depreciation on assets subject to finance lease		**-**	15
Technical fee and royalty		**40,802**	28,227
Travelling and conveyance		**4,845**	4,348
Provision for slow moving items		**-**	(2,460)
Other expenses		**191,960**	124,699
		13,524,991	8,854,197
Less: Closing work-in-process		**301,323**	169,391
Cost of goods produced		**13,223,668**	8,684,806
Opening stock of finished goods		**662,771**	551,765
		13,886,439	9,236,571
Less: Closing stock of finished goods		**1,371,795**	662,771
		12,514,644	8,573,800

Cost of goods produced includes Rs. 1,177.184 million (2007: Rs. 844.803 million) for stores and spares consumed, Rs. 12.405 million (2007: Rs. 2.488 million) and Rs. 2.841 million (2007: Rs. 1.425 million) for raw materials and stores and spares written off respectively.

28.1 Salaries, wages and amenities

Salaries, wages and amenities include following in respect of retirement benefits:

	2008	2007
	(Rupees in thousand)	
Pension		
Current service cost	**10,928**	10,023
Interest cost for the year	**37,833**	34,596
Expected return on plan assets	**(45,910)**	(34,645)
Contribution made by the employees	**(3,937)**	(3,146)
Recognition of gain	**(5,518)**	(341)
Recognition of past service cost	**1,957**	1,858
	(4,647)	8,345
Gratuity		
Current service cost	**7,091**	6,867
Interest cost for the year	**13,673**	14,229
Expected return on plan assets	**(23,610)**	(21,826)
Recognition of gain	**(1,472)**	(508)
Recognition of past service cost	**6,904**	-
	2,586	(1,238)

In addition to above, salaries, wages and amenities include Rs. 18.760 million (2007: Rs. 13.614 million) and Rs. 12.506 million (2007: Rs. 8.011 million) in respect of provident fund contribution by the parent company and accumulating compensated absences respectively.

29. Administrative expenses

	Note	2008	2007
		(Rupees in thousand)	
Salaries, wages and amenities	29.1	**198,816**	159,375
Travelling		**48,223**	34,749
Rent, rates and taxes	29.2	**16,907**	22,615
Insurance		**6,496**	5,219
Printing, stationery and periodicals		**19,994**	16,080
Postage, telephone and telex		**23,370**	17,464
Motor vehicles running		**15,687**	10,879
Computer charges		**11,307**	10,370
Professional services	36	**131,350**	10,476
Repairs and maintenance		**13,514**	14,165
Depreciation on property, plant and equipment		**25,854**	24,426
Amortisation on intangible assets		**220**	307
Depreciation on investment property		**600**	600
Depreciation on assets subject to finance lease		**1,274**	742
Impairment of goodwill		**-**	26,504
Provision for doubtful advances		**-**	574
Security services		**1,906**	1,403
Advances written off		**-**	9,823
Bad debts written off		**-**	210
Other expenses		**56,490**	54,409
		572,008	420,390

Administration expenses include Rs. 31.668 million (2007: Rs. 27.827 million) for stores and spares consumed.

29.1 Salaries, wages and amenities

	2008	2007
	(Rupees in thousand)	
Salaries, wages and amenities include following in respect of retirement benefits:		
Pension		
Current service cost	**4,360**	4,653
Interest cost for the year	**15,094**	16,060
Expected return on plan assets	**(18,316)**	(16,083)
Contribution made by the employees	**(1,570)**	(1,460)
Recognition of gain	**(2,201)**	(158)
Recognition of past service cost	**781**	862
	(1,852)	3,874
Gratuity		
Current service cost	**1,802**	1,838
Interest cost for the year	**3,474**	3,809
Expected return on plan assets	**(5,999)**	(5,843)
Recognition of gain	**(374)**	(136)
Recognition of past service cost	**1,754**	-
	657	(332)

In addition to above, salaries, wages and amenities include Rs. 4.825 million (2007: Rs. 3.583 million) and Rs. 7.372 million (2007: Rs. 4.168 million) in respect of provident fund contribution by the parent company and accumulating compensated absences respectively.

29.2 Rent, rates and taxes include operating lease rentals amounting to Rs. 11.965 million (2007: Rs. 11.558 million).

30. Distribution and marketing costs

	Note	2008	2007
		(Rupees in thousand)	
Salaries, wages and amenities	30.1	**71,729**	57,529
Travelling		**22,344**	17,241
Rent, rates and taxes	30.2	**3,273**	3,067
Freight and distribution		**202,452**	112,953
Insurance		**1,309**	1,022
Printing, stationery and periodicals		**304**	233
Postage, telephone and telex		**472**	357
Advertising		**70,240**	52,965
Depreciation on property, plant and equipment		**5,404**	5,394
Depreciation on assets subject to finance lease		**-**	79
Repairs and maintenance		**513**	245
Bad debts written off		**(1,374)**	1,683
Other expenses		**33,256**	23,363
		409,922	276,131

Distribution and marketing expenses include Rs. 5.621 million (2007: Rs. 3.862 million) for stores and spares consumed.

30.1 Salaries, wages and amenities

	2008	2007
Salaries, wages and amenities include following in respect of retirement benefits:	(Rupees in thousand)	
Pension		
Current service cost	**1,584**	1,621
Interest cost for the year	**5,485**	5,597
Expected return on plan assets	**(6,656)**	(5,605)
Contribution made by the employees	**(571)**	(509)
Recognition of gain	**(800)**	(55)
Recognition of past service cost	**283**	301
	(675)	1,350
Gratuity		
Current service cost	**655**	640
Interest cost for the year	**1,263**	1,326
Expected return on plan assets	**(2,181)**	(2,034)
Recognition of gain	**(136)**	(47)
Recognition of past service cost	**638**	-
	239	(115)

In addition to above, salaries, wages and amenities include Rs. 1.761 million (2007: Rs. 1.357 million) and Rs. 2.905 million (2007: Rs. 1.673 million) in respect of provident fund contribution by the parent company and accumulating compensated absences respectively.

30.2 Rent, rates and taxes include operating lease rentals amounting to Rs. 2.534 million (2007: Rs. 2.826 million).

31. Other operating expenses

	Note	2008	2007
		(Rupees in thousand)	
Workers' profit participation fund		**8,255**	58,428
Workers' welfare fund		**3,137**	97,524
Donations	37	**1,339**	295
		12,731	156,247

32. Other operating income

	Note	2008	2007
		(Rupees in thousand)	
Income from financial assets			
Exchange gain		**-**	98
Income on bank deposits		**1,057**	4,835
Interest on loan to SNGPL		**2,447**	2,548
		3,504	7,481
Income from non-financial assets			
Management and technical fee		**22,756**	15,147
Insurance commission from related party		**4,574**	4,533
Rental income from investment property [including Rs. 26.641 million (2007: Rs. 25.019 million) from related parties]		**27,503**	25,298
Profit on disposal of property, plant and equipment		**13,408**	11,915
Scrap sales		**7,578**	5,261
Provisions and unclaimed balances written back		**236,067**	22,008
Rebate income		**514**	-
Profit on outside jobs [including Rs. 1.068 million (2007: Rs. 0.837 million) from related parties]		**2,550**	1,056
Gain on cross currency swap		**-**	18,701
Others		**6,668**	2,815
		321,618	106,734
		325,122	114,215

33. Finance costs

	Note	2008	2007
Interest and mark up including commitment charges on			
Long-term finances - secured		**763,135**	243,615
Finances under mark up arrangements - secured		**326,684**	121,199
Finance lease		**2,472**	8
Loan handling charges		**639**	9,765
Loss on currency swap		**72,885**	-
Exchange loss		**587,806**	30,243
Bank charges		**14,499**	8,436
		1,768,120	413,266

34. Investment income

	Note	2008	2007
Dividend income from related parties	34.1	**731,185**	18,246
Gain on sale of long-term investments		**-**	3,742,735
		731,185	3,760,981

34.1. Dividend income from related parties - Associated undertakings

	Note	2008	2007
Tetra Pak Pakistan Limited		**634,480**	-
Nestle Pakistan Limited		**96,705**	18,246
		731,185	18,246

35. Taxation

	Note	2008	2007
For the year			
Current		**69,483**	94,800
Deferred		**(158,021)**	425,250
		(88,538)	520,050
Prior years			
Current		**1,433**	(530)
Deferred		**(29,000)**	(13,000)
		(27,567)	(13,530)
		(116,105)	506,520

In view of the available tax losses of the parent company, the provision for current taxation includes tax on income under 'Final Tax Regime' Rs. 10 million (2007: Nil). Such tax is not available for set off against normal tax liability arising in future years.

For the purposes of current taxation of the parent company, the tax losses available for carry forward as at December 31, 2008 are estimated approximately at Rs. 5,540 million (2007: Rs. 3,720 million).

36. Professional services

	2008	2007
	(Rupees in thousand)	
The charges for professional services include the following in respect of auditors' services for:		
Statutory audit	**1,811**	1,320
Half yearly review	**400**	325
Tax services	**2,729**	3,033
Workers' profit participation fund audit, management staff pension and gratuity fund audit, special reports and certificates for lending agencies and sundry services	**387**	380
Out of pocket expenses	**390**	340
	5,717	5,398

37. Donations

None of the directors and their spouses had any interest in any of the donees during the year.

38. Remuneration of Chief Executive, Director and Executives

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

	Chief Executive		Directors and alternate Directors		Executives	
	2008	2007	**2008**	2007	**2008**	2007
Number of persons	1	1	3	4	53	37
	(Rupees in thousand)					
Short-term employee benefits						
Managerial remuneration	**4,339**	3,590	**13,696**	8,983	**89,544**	71,468
Housing	**2,863**	2,160	**6,929**	4,375	**22,655**	19,407
Utilities	**771**	781	**1,367**	896	**5,433**	4,477
Bonus	**1,264**	1,045	**3,090**	2,446	**10,388**	7,941
Leave passage	**647**	299	**1,546**	698	**2,546**	1,782
Medical expenses	**1,041**	467	**353**	234	**2,987**	3,869
Club expenses	**41**	54	**139**	204	**42**	214
Overseas travels	-	-	-	-	**764**	482
Others	-	-	-	-	**2,772**	1,447
	10,966	8,396	**27,120**	17,836	**137,131**	111,087
Post employment benefits						
Contribution to provident, gratuity and pension funds	**1,495**	1,237	**2,775**	2,427	**9,959**	6,609
Other long-term benefits						
Accumulating compensated absences	**1,628**	172	**908**	1,202	**3,532**	1,815
	14,089	9,805	**30,803**	21,465	**150,622**	119,511

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

38.2 Remuneration to other directors

Aggregate amount charged in the financial statements for the year for fee to 6 directors (2007: 4 directors) is Rs. 145,000 (2007: Rs. 90,000).

39. Transactions with related parties

The related parties comprise associated undertakings, other related group companies, directors of the parent company, key management personnel and post employment benefit plans. The Group in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables, amounts due from directors and key management personnel are shown under receivables and remuneration of directors and key management personnel is disclosed in note 38. Other significant transactions with related parties are as follows:

Relationship with the Group	Nature of transactions	2008	2007
		(Rupees in thousand)	
i. Associated undertakings	Purchase of goods and services	**434,574**	265,895
	Sale of goods and services	**1,808,098**	2,270,678
	Sale of property, plant and equipment	**-**	6,566
	Purchase of property, plant and equipment	**-**	680
	Insurance premium	**100,710**	73,582
	Insurance claims	**103,339**	58,341
	Capital gain	**-**	5,737
	Dividend income	**779,564**	595,991
	Rental income	**26,641**	25,019
ii. Other related parties	Purchase of goods and services	**133,322**	56,926
	Sale of goods and services	**1,227,072**	1,019,073
	Purchase of equity shares	**-**	7,920,129
	Sale of equity shares	**-**	7,978,654
	Rental payments	**1,560**	2,393
	Commission paid	**3,960**	8,370
	Management and technical fee	**34,926**	22,611
	Dividend income	**96,705**	-
iii. Post employment benefit plans	Expense charged in respect of retirement benefit plans	**58,383**	48,809
	Mark up income on temporary loans	**1,570**	-

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

39.1 Subsequent to December 23, 2008, TPPL ceased to be an associated undertaking of the company under the provision of the Companies Ordinance, 1984 as all directors appointed by the company on TPPL's board resigned. However, TPPL is considered to be a related party as at December 31, 2008 by virtue of company's shareholding in TPPL.

40. Capacity and production

	Capacity		Actual production	
	2008	2007	**2008**	2007
Paper and paperboard produced - tonnes	**208,067**	143,283	**154,231**	114,993
Paper and paperboard converted - tonnes	**124,298**	119,633	**91,450**	92,499
Plastics all sorts converted - tonnes	**13,000**	12,000	**9,724**	10,300
Inks produced - tonnes	**5,590**	4,500	**5,474**	3,915
Flexible packaging material - meters '000'	**54,000**	54,000	**42,966**	40,868

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

41. Rates of exchange

Liabilities in foreign currencies have been translated into Pak Rupees at USD 1.2647 (2007: USD 1.6247), EURO 0.9000 (2007: EURO 1.1017) SFR 1.3414 (2007: SFR 1.8245), SEK 9.8425 (2007: SEK 10.3734), GBP 0.8780 (2007: GBP 0.8131), SGD 1.8238 (2007: SGD 2.3425) and YEN 114.4951 (2007: YEN 181.9174) equal to Rs. 100. Assets in foreign currency have been translated into Pak Rupees at USD 1.2706 (2007: USD 1.6300) equal to Rs. 100.

42. Cash generated from operations

	2008	2007
	(Rupees in thousand)	
(Loss) / profit before tax	**(550,062)**	5,537,975
Adjustments for:		
Depreciation on property, plant and equipment	**924,718**	589,417
Amortisation on intangible assets	**433**	2,239
Depreciation on investment property	**600**	600
Depreciation on assets subject to finance lease	**1,274**	836
Impairment of goodwill	**-**	26,504
Provision for accumulating compensated absences and staff gratuity	**24,320**	14,819
Retirement benefits - net	**(3,692)**	11,882
Exchange adjustments	**37,607**	(847)
Gain on sale of long-term investments	**-**	(3,760,981)
Net profit on disposal of property, plant and equipment	**(13,408)**	(11,915)
Finance cost	**1,768,120**	413,266
Dividend income from other investments	**(731,185)**	(18,246)
Loss / (income) from associated companies	**226,597**	(1,422,974)
Profit before working capital changes	**1,685,322**	1,382,575
Effect on cash flow due to working capital changes		
Increase in stores and spares	**(130,872)**	(231,193)
Increase in stock-in-trade	**(1,778,823)**	(633,959)
Increase in trade debts	**(342,970)**	(470,945)
Decrease / (increase) in loans, advances, deposits, prepayments and other receivables	**49,454**	(90,668)
(Decrease) / increase in trade and other payables	**(181,191)**	457,699
	(2,384,402)	(969,066)
	(699,080)	413,509

43. Cash and cash equivalents

	2008	2007
Cash and bank balances	**215,648**	143,934
Finances under mark up arrangements -secured	**(3,259,035)**	(717,667)
	(3,043,387)	(573,733)

44. Combined earnings per share

44.1 Combined basic earnings per share

		2008	2007
Net (loss) / profit for the year attributable to equity holders	**Rupees in thousand**	**(565,094)**	4,606,178
Weighted average number of ordinary shares	**Numbers**	**84,379,504**	84,379,504
Combined basic (loss) / earnings per share	**Rupees**	**(6.70)**	54.59

44.2 Combined diluted earnings per share

Diluted earnings per share has not been presented as the Group does not have any convertible instruments in issue as at December 31, 2008 and December 31, 2007 which would have any effect on the earnings per share if the option to convert is exercised.

45. Financial assets and liabilities

	2008									
	Interest / mark up bearing				Non interest / mark up bearing				Total	Credit Risk
Financial assets	Maturity upto one year	Maturity after one year but within five years	Maturity after five years	Sub total	Maturity upto one year	Maturity after one year but within five years	Maturity after five years	Sub total	2008	2008
	(Rupees in thousand)									
On balance sheet										
Investments	-	-	-	-	-	4,871,003	-	4,871,003	**4,871,003**	**4,871,003**
Loans to employees	-	-	-	-	465	1,874	-	2,339	**2,339**	**2,339**
Long-term loans and depsoits	16,400	65,600	65,600	147,600	-	22,633	-	22,633	**170,233**	**170,233**
Trade debts	-	-	-	-	1,790,189	-	-	1,790,189	**1,790,189**	**1,790,189**
Loans, advances, deposits, prepayments and other receivables										
Trade deposits	-	-	-	-	92,004	-	-	92,004	**92,004**	**92,004**
Security deposits	-	-	-	-	48	-	-	48	**48**	**48**
Interest receivable on loan to SNGPL	-	-	-	-	115	-	-	115	**115**	**115**
Letter of credit margin	-	-	-	-	6,688	-	-	6,688	**6,688**	**6,688**
Others	-	-	-	-	36,182	-	-	36,182	**36,182**	**36,182**
Cash and bank balances	3,937	-	-	3,937	211,711	-	-	211,711	**215,648**	**206,734**
Non-current assets classified as held-for-sale - investment in related party	-	-	-	-	75,121	-	-	75,121	**75,121**	**75,121**
	20,337	65,600	65,600	151,537	2,212,523	4,895,510	-	7,108,033	**7,259,570**	**7,250,656**
Off balance sheet	-	-	-	-	-	-	-	-	**-**	**-**
Total	20,337	65,600	65,600	151,537	2,212,523	4,895,510	-	7,108,033	**7,259,570**	**7,250,656**
Financial liabilities										
On balance sheet										
Long-term finances - secured	550,000	7,205,771	5,098,629	12,854,400	-	-	-	-	**12,854,400**	
Liabilities against assets subject to finance lease	8,718	18,465	-	27,183	-	-	-	-	**27,183**	
Finances under mark up arrangements - secured	3,259,035	-	-	3,259,035	-	-	-	-	**3,259,035**	
Trade and other payables	-	-	-	-	1,434,279	-	-	1,434,279	**1,434,279**	
Liabilities directly associated with non-current assets classified as held-for-sale - advance against sale of shares	-	-	-	-	1,017,150	-	-	1,017,150	**1,017,150**	
	3,817,753	7,224,236	5,098,629	16,140,618	2,451,429	-	-	2,451,429	**18,592,047**	
Off balance sheet										
Contracts for capital expenditure	-	-	-	-	292,347	-	-	292,347	**292,347**	
Letters of credit other than for capital expenditure	-	-	-	-	319,416	-	-	319,416	**319,416**	
Future payments under operating leases	-	-	-	-	171,057	1,222,353	386,327	1,779,737	**1,779,737**	
	-	-	-	-	782,820	1,222,353	386,327	2,391,500	**2,391,500**	
Total	3,817,753	7,224,236	5,098,629	16,140,618	3,234,249	1,222,353	386,327	4,842,929	**20,983,547**	
On balance sheet gap	(3,797,416)	(7,158,636)	(5,033,029)	(15,989,081)	(238,906)	4,895,510	-	4,656,604	**(11,332,477)**	
Off balance sheet gap	-	-	-	-	(782,820)	(1,222,353)	(386,327)	(2,391,500)	**(2,391,500)**	

The effective interest / mark up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

	2007									
	Interest/mark up bearing				Non interest bearing				Total	Credit Risk
	Maturity upto one year	Maturity after one year but within five years	Maturity after five years	Sub total	Maturity upto one year	Maturity after one year but within five years	Maturity after five years	Sub total	2007	2007
	(Rupees in thousand)									
Financial assets										
On balance sheet										
Investments	-	-	-	-	-	6,568,646	-	6,568,646	6,568,646	6,568,646
Loans to employees	-	-	-	-	373	1,914	-	2,287	2,287	2,287
Long term loans and depsoits	-	-	147,600	147,600	-	23,029	-	23,029	170,629	170,629
Trade debts	-	-	-	-	1,447,219	-	-	1,447,219	1,447,219	1,447,219
Loans, advances, deposits, prepayments and other receivables										
Trade deposits	-	-	-	-	147,111	-	-	147,111	147,111	147,111
Security deposits	-	-	-	-	39	-	-	39	39	39
Interest receivable on loan to SNGPL	-	-	-	-	2,588	-	-	2,588	2,588	2,588
Letter of credit margin	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	94,957	-	-	94,957	94,957	94,957
Cash and bank balances	3,399	-	-	3,399	140,535	-	-	140,535	143,934	130,714
Non-current assets classified as held-for-sale - investment in related party	-	-	-	-	-	-	-	-	-	-
	3,399	-	147,600	150,999	1,832,822	6,593,589	-	8,426,411	8,577,410	8,564,190
Off balance sheet	-	-	-	-	-	-	-	-	-	-
Total	3,399	-	147,600	150,999	1,832,822	6,593,589	-	8,426,411	8,577,410	8,564,190
Financial liabilities										
On balance sheet										
Long-term finances - secured	15,345	4,060,750	8,285,858	12,361,953	-	-	-	-	12,361,953	
Liabilities against assets subject to finance lease	-	107	-	107	-	-	-	-	107	
Finances under mark up arrangements - secured	717,667	-	-	717,667	-	-	-	-	717,667	
Trade and other payables	-	-	-	-	1,118,634	-	-	1,118,634	1,118,634	
Liabilities directly associated with non-current assets classified as held-for-sale advance against sale of shares	-	-	-	-	-	-	-	-	-	
	733,012	4,060,857	8,285,858	13,079,727	1,118,634	-	-	1,118,634	14,198,361	
Off balance sheet										
Contracts for capital expenditure	-	-	-	-	1,124,424	-	-	1,124,424	1,124,424	
Letters of credit other than for capital expenditure	-	-	-	-	748,687	-	-	748,687	748,687	
Future payments under operating leases	-	-	-	-	9,111	16,608	1,412	27,131	27,131	
	-	-	-	-	1,882,222	16,608	1,412	1,900,242	1,900,242	
Total	733,012	4,060,857	8,285,858	13,079,727	3,000,856	16,608	1,412	3,018,876	16,098,603	
On balance sheet gap	(729,613)	(4,060,857)	(8,138,258)	(12,928,728)	714,188	6,593,589	-	7,307,777	(5,620,951)	
Off balance sheet gap	-	-	-	-	(1,882,222)	(16,608)	(1,412)	(1,900,242)	(1,900,242)	

The effective interest / mark up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

45.1 Financial risk management objectives

The Group's activities expose it to a variety of financial risks, including the effects of changes in foreign exchange rates, market interest rates such as Karachi Inter Bank Offered Rate and Treasury bills rate, credit and liquidity risk associated with various financial assets and liabilities respectively as referred to in note 45 and cash flow risk associated with accrued interests in respect of borrowings as referred to in note 7.

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

Taken as a whole, risk arising from the Group's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments.

(a) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The Group's credit risk is primarily attributable to its trade debts and its balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Group has no significant concentration of credit risk as exposure is spread over a large number of counter parties in the case of trade debts. Out of the total financial assets of Rs. 7,259.570 million (2007: Rs. 8,577.410 million) financial assets which are subject to credit risk amount to Rs. 7,250.656 million (2007: Rs. 8,564.190 million). To manage exposure to credit risk, the Group applies credit limits to its customers and also obtains collaterals, where considered necessary.

(b) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. Payables exposed to foreign currency risks are covered partially through forward foreign exchange contracts and foreign currency forward options, where considered necessary. Furthermore, the Group has entered into a cross currency swap arrangement for its foreign currency loan to hedge the possible adverse movements in exchange rates as referred to in note 7.2.2.

(c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group borrows at fixed and market based rates and as such the risk is minimized. Significant interest rate risk exposures are primarily managed by a mix of borrowings at fixed and variable interest rates as referred to in note 7.

(d) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group follows an effective cash management and planning policy to ensure availability of funds. The Group also aims at maintaining flexibility in funding by keeping committed credit lines available.

45.1.1 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders through repurchase of shares, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders the Group monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long-term loans obtained by the Group as referred to in note 7. Total capital employed includes equity as shown in the balance sheet plus borrowings. The Group's strategy, which was unchanged from last year, was to maintain a gearing ratio of 60% debt and 40% equity. The gearing ratio as at year ended December 31, 2007 and December 31, 2008 are as follows:

		December 31, 2008	December 31, 2007
Borrowings	**Rupees in thousand**	**12,854,400**	12,361,845
Total equity	**Rupees in thousand**	**16,534,644**	18,771,330
Gearing ratio	**Percentage**	**44**	40

45.2 Fair value of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values except for investments in associates which are stated at equity. Fair value is determined on the basis of objective evidence at each reporting date.

46. Detail of subsidiaries

Name of the subsidiaries	Accounting year end	Percentage of holding	Country of incorporation
Packages Lanka (Private) Limited	December 31, 2008	79.07%	Sri Lanka
DIC Pakistan Limited	December 31, 2008	54.98%	Pakistan
Packages Construction (Private) Limited	December 31, 2008	99.99%	Pakistan

47. Date of authorization for issue

These financial statements were authorised for issue on March 16, 2009 by the Board of Directors.

48. Events after the balance sheet date

There are no subsequent events occurring after the balance sheet date except for:

Sale of TPPL shares by the parent company as referred to in note 13.

Partial prepayment of long-term finances amounting to Rs. 5,000 million in respect to which Waiver and Prepayment Agreement has been signed 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 consortium loan and local currency other loan as referred to in note 7 have been reduced by Rs. 4,714.285 million and Rs. 285.714 million respectively.

49. Corresponding figures

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

FORM OF PROXY

54th Annual General Meeting

I/We ____

of ______________________________ being a member of Packages Limited and

holder of ______________ Ordinary Shares as per Share Register Folio No. ______________
(Number of Shares)

and / or CDC Participant I.D. No. ______________ and Sub Account No. ______________

hearby appoint ______________ of ______________ or failing him / her ______________

of ______________ or failing him / her ______________ of ______________ as my proxy to vote for me and on my behalf at the Annual General Meeting of the company to be held on Tuesday, April 21, 2009 at 10.30 a.m. at Beach Luxury Hotel, Moulvi Tamizuddin Khan Road, Karachi and at any adjournment thereof.

Signed this ______________ day of ______________ 2009.

WITNESSES:

1. Signature: ______________
Name: ______________
Address: ______________

NIC or
Passport No. ______________

2. Signature: ______________
Name: ______________
Address: ______________

NIC or
Passport No. ______________

Signature

Please affix
Rupees five
revenue stamp

(Signature should agree with
the specimen signature
registered with the company)

Note : Proxies, in order to be effective, must be received by the company not less than 48 hours before the meeting. A proxy need not to be a member of the company.

CDC Shareholders and their Proxies are each requested to attach an attested photocopy of their National Identity Card or Passport with this proxy form before submission to the company.

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AFFIX
CORRECT
POSTAGE

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