

Balance Sheet

as at December 31, 2009

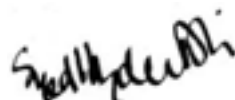
(Rupees in thousand)	Note	2009	2008
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
150,000,000 (2008: 150,000,000) ordinary shares of Rs. 10 each		1,500,000	1,500,000
22,000,000 (2008: Nil) 10 % non-voting cumulative preference shares / convertible stock of Rs. 190 each		4,180,000	-
Issued, subscribed and paid up capital			
84,379,504 (2008: 84,379,504) ordinary shares of Rs. 10 each	5	843,795	843,795
Reserves	6	17,099,138	15,624,602
Preference shares / convertible stock reserve		1,605,875	-
Unappropriated profit / (loss)		3,868,099	(195,825)
		23,416,907	16,272,572
NON-CURRENT LIABILITIES			
Long-term finances	7	7,970,577	12,304,400
Deferred liabilities	8	2,477,852	840,788
		10,448,429	13,145,188
CURRENT LIABILITIES			
Current portion of long-term finances	7	-	550,000
Finances under mark up arrangements - secured	9	86,496	2,587,819
Trade and other payables	10	1,656,197	1,461,904
		1,742,693	4,599,723
Liabilities directly associated with non-current assets classified as held-for-sale - advance against sale of shares		-	1,017,150
		1,742,693	5,616,873
CONTINGENCIES AND COMMITMENTS			
	11	-	-
		35,608,029	35,034,633

(Rupees in thousand)	Note	2009	2008
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	19,161,332	11,285,293
Intangible assets	13	137	241
Investment property	14	55,335	25,294
Capital work-in-progress	15	65,578	8,155,239
Investments	16	8,099,401	8,362,485
Long-term loans and deposits	17	139,577	155,102
Retirement benefits	18	107,900	127,518
		27,629,260	28,111,172
CURRENT ASSETS			
Stores and spares	19	870,951	841,487
Stock-in-trade	20	4,102,396	3,652,261
Trade debts	21	1,752,216	1,523,049
Loans, advances, deposits, prepayments and other receivables	22	797,486	692,076
Cash and bank balances	23	455,720	199,188
		7,978,769	6,908,061
Non-current assets classified as held-for-sale - investment in related party		-	15,400
		7,978,769	6,923,461
		35,608,029	35,034,633

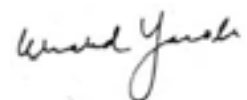
The annexed notes 1 to 45 form an integral part of these financial statements.



Toufiq Habib Chinoy
Chairman



Syed Hyder Ali
Chief Executive & Managing Director



Khalid Yacob
Director

Profit and Loss Account

for the year ended December 31, 2009

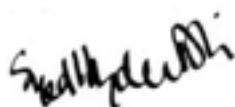
(Rupees in thousand)	Note	2009	2008
Local sales		15,775,713	13,697,837
Export sales		757,575	603,086
		16,533,288	14,300,923
Less : Sales tax and excise duty		2,466,027	2,056,475
Commission		23,428	19,669
		2,489,455	2,076,144
		14,043,833	12,224,779
Cost of sales	24	(13,736,498)	(11,281,480)
Gross profit		307,335	943,299
Administrative expenses	25	(467,582)	(512,189)
Distribution and marketing costs	26	(444,210)	(362,425)
Other operating expenses	27	(118,682)	(324)
Other operating income	28	385,299	336,965
Impairment charged on available for sale investment	29	(1,793,991)	-
(Loss) / profit from operations		(2,131,831)	405,326
Finance costs	30	(1,278,433)	(1,662,094)
Investment income	31	9,179,837	948,879
Profit / (loss) before tax		5,769,573	(307,889)
Taxation	32	(1,705,649)	112,064
Profit / (loss) for the year		4,063,924	(195,825)
Earnings / (loss) per share			
basic	Rupees	48.16	(2.32)
diluted	Rupees	45.14	(2.32)

56

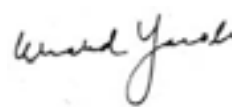
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Khalid Yacob
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Statement of Comprehensive Income

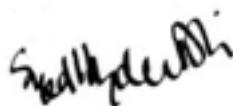
for the year ended December 31, 2009

(Rupees in thousand)	2009	2008
Profit / (loss) after taxation	4,063,924	(195,825)
Other comprehensive income		
Deficit on remeasurement of available for sale financial assets	(319,455)	(1,702,375)
Impairment loss transferred to profit and loss account	1,793,991	-
Other comprehensive income / (loss) for the year	1,474,536	(1,702,375)
Total comprehensive income / (loss) for the year	5,538,460	(1,898,200)

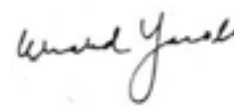
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Cash Flow Statement

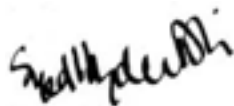
for the year ended December 31, 2009

(Rupees in thousand)	Note	2009	2008
Cash flow from operating activities			
Cash generated from / (used in) operations	39	618,112	(708,816)
Finance cost paid		(1,479,667)	(1,800,985)
Taxes paid		(285,615)	(220,937)
Payments for accumulating compensated absences		(6,971)	(12,268)
Retirement benefits paid		(44,236)	(35,564)
Net cash used in operating activities		(1,198,377)	(2,778,570)
Cash flow from investing activities			
Fixed capital expenditure		(972,975)	(2,447,617)
Investment		(10,000)	-
Advance against sale of non-current assets classified as held-for-sale		-	1,017,150
Net decrease in long-term loans and deposits		15,525	89,064
Proceeds from disposal of property, plant and equipment		23,543	21,252
Proceeds from disposal of non-current assets classified as held-for-sale		7,865,000	-
Dividends received		313,087	948,879
Net cash generated from / (used in) investing activities		7,234,180	(371,272)
Cash flow from financing activities			
Payment of long-term finances - secured		(7,354,400)	-
Proceeds from issuance of preference shares / convertible stock - net		4,076,452	-
Proceeds from Ijarah finance		-	1,061,208
Net cash (used in) / generated from financing activities		(3,277,948)	1,061,208
Net increase / (decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		(2,388,631)	(299,997)
Cash and cash equivalents at the end of the year	40	369,224	(2,388,631)

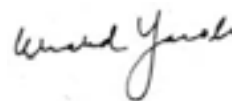
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Statement of Changes in Equity

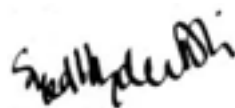
for the year ended December 31, 2009

	Share capital	Share premium	Fair value reserve	General reserve	Preference shares/ convertible stock reserve	Unappropriated profit / (loss)	Total
(Rupees in thousand)							
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)	-
Total comprehensive loss for the year	-	-	(1,702,375)	-	-	(195,825)	(1,898,200)
Balance as on December 31, 2008	843,795	2,876,893	(912,624)	13,660,333	-	(195,825)	16,272,572
Equity component of preference shares/convertible stock as referred to in note 7.3 (net of transaction costs)	-	-	-	-	1,605,875	-	1,605,875
Total comprehensive income for the year	-	-	1,474,536	-	-	4,063,924	5,538,460
Balance as on December 31, 2009	843,795	2,876,893	561,912	13,660,333	1,605,875	3,868,099	23,416,907

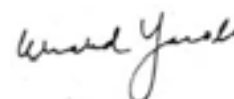
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Notes to and Forming Part of the Financial Statements

for the year ended December 31, 2009

1. Legal status and nature of business

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

2. Basis of preparation

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

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

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

2.2.1 Standards, amendments to published standards and interpretations that are effective in 2009 and are relevant to the company

- IAS 1 (Revised), 'Presentation of Financial Statements' is effective from January 1, 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the company shows all owner related changes in equity in statement of changes in equity, whereas all non-owner changes in equity are presented in other comprehensive income. Comparative information is required to be re-presented so that it is in conformity with the revised standard.

The company has preferred to present two statements; a profit and loss account (income statement) and a second statement beginning with profit or loss and display components of other comprehensive income (statement of comprehensive income). Comparative information has also been re-presented so it is in conformity with the revised standard. As this change only impacts presentation aspects, there is no impact on profit for the year.

IAS 23 (Amendment), 'Borrowing Costs' is effective from January 1, 2009. The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed. The company's current accounting policy is in compliance with this amendment, and therefore there is no impact on the company's financial statements.

IFRS 7, 'Financial Instruments: Disclosures' is effective from January 1, 2009. IFRS 7 introduces new disclosures relating to financial instruments and does not have any impact on the classification and measurement of the company's financial instruments. The application of IFRS 7 has resulted in additional disclosures in the company's financial statements, however, there is no impact on profit for the year.

IFRS 8 'Operating Segments' is effective from January 1, 2009. IFRS 8 replaces IAS 14, 'Segment Reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes, and introduces detailed disclosures regarding the reportable segments and products. There is no impact of the new standard on the company's financial statements. Disclosure relating to operating segments is presented in the consolidated financial statements.

2.2.2 Standards, amendments to published standards and interpretations that are effective in 2009 but not relevant to the company

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2009 are considered not to be relevant or to have any significant impact on the company's financial reporting and operations.

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

The following amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after January 1, 2010 or later periods, but the company has not early adopted them:

IAS 1 (Amendment), 'Presentation of Financial Statements': The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The company will apply IAS 1 (amendment) from January 1, 2010. It is not expected to have a material impact on the company's financial statements.

IAS 27 (Revised), 'Consolidated and Separate Financial Statements', is effective from July 1, 2009. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in income statement. The company will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from January 1, 2010. It is not expected to have a material impact on the company's financial statements.

IAS 38 (Amendment), 'Intangible Assets': The amendment is part of the IASB's annual improvements project published in April 2009 and the company will apply IAS 38 (amendment) from the date IFRS 3 (Revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in any significant impact on the company's financial statements.

IAS 39 (Amendment); 'Cash Flow Hedge Accounting': This amendment provides clarification when to recognise gains or losses on hedging instruments as a reclassification adjustments in a cash flow hedge of a forecast transaction that results subsequently in the recognition of a financial instrument. The amendment clarifies that gains or losses should be reclassified from equity to income statement in the period in which the hedged forecast cash flow affects income statement. The company will apply IAS 39 (Amendment) from January 1, 2010. It is not expected to have any significant impact on the company's financial statements.

IFRS 3 (Revised), 'Business Combinations' is effective from July 1, 2009. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The company will apply IFRS 3 (Revised) prospectively to all business combinations from January 1, 2010. It is not expected to have a material impact on the company's financial statements.

IFRS 5 (Amendment), 'Measurement of Non-Current Assets (or disposal groups) Classified as Held-For-Sale': The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held-for-sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The company will apply IFRS 5 (Amendment) from January 1, 2010. It is not expected to have a material impact on the company's financial statements.

There are a number of minor amendments in other IFRS and IAS which are part of annual improvement project published in April 2009 (not addressed above). These amendments are unlikely to have any impact on the company's financial statements and therefore have not been analysed in detail.

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 and estimation involved in their application and their impact on these financial statements. Judgments and estimates are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

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 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 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	2.50%	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, 2009 has not required any adjustment as its impact is considered insignificant.

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

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

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

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

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

4.4 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, 2009 has not required any adjustment as its impact is considered insignificant.

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

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

4.6 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. Asset subject to finance lease are initially recognised at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss.

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

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

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

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 14. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

4.7 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.

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

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

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 recognised on the trade date which is the date that the company commits to purchase or sell the investment. Cost of purchase includes transaction cost.

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

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, 2009. The actual returns on plan assets during the year were Rs. 93.901 million and Rs. 32.631 million for the pension and gratuity funds respectively. The actual returns on plan assets represent the difference between the fair value of plan assets at beginning of the year and end of the year after adjustments for contributions made by the company as reduced by benefits paid during the year.

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

Discount rate 12.75 percent per annum.

Expected rate of increase in salary level 10.60 percent per annum.

Expected rate of return 12.75 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. 38 million to the pension fund and Rs. 11 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 realizable 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 recognised at the time when the company becomes a party to the contractual provisions of the instrument and derecognised when the company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gains or losses on derecognition of financial assets and financial liabilities is included in the income statement 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 recognised amount and the company intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

4.13 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 when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

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 recognised in statement of other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement .

Amounts accumulated in equity are recognised in income statement 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.

4.19 Revenue recognition

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

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

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

4.20 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 recognised in the income statement. 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 income statement.

4.22 Dividend

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

4.23 Compound financial instruments

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

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

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

5. Issued, subscribed and paid up capital

2009 (Number of shares)		2008 (Number of shares)		2009 (Rupees in thousand)		2008 (Rupees in thousand)	
33,603,295	33,603,295	Ordinary shares of Rs. 10 each fully paid in cash		336,033		336,033	
148,780	148,780	Ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash		1,488		1,488	
50,627,429	50,627,429	Ordinary shares of Rs. 10 each issued as fully paid bonus shares		506,274		506,274	
84,379,504	84,379,504			843,795		843,795	

19,007,860 (2008: 19,007,860) ordinary shares of the company are held by IGI Insurance Limited, an associated undertaking.

(Rupees in thousand)	Note	2009	2008
6. Reserves			
Movement in and composition of reserves is as follows:			
Capital			
Share premium			
Issue of 11,006,022 ordinary shares of Rs. 10 each as fully paid bonus shares		2,876,893	2,986,953
		-	(110,060)
	6.1	2,876,893	2,876,893
Fair value reserve			
At the beginning of the year		(912,624)	789,751
Fair value loss during the year		(319,455)	(1,702,375)
Transferred to profit and loss account		1,793,991	-
	6.2	561,912	(912,624)
		3,438,805	1,964,269
Revenue			
General reserve			
At the beginning of the year		13,660,333	9,333,536
Transfer from profit and loss account		-	4,326,797
		13,660,333	13,660,333
		17,099,138	15,624,602

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 gain / (loss) on remeasurement of investments at fair value and is not available for distribution. This will be transferred to income statement on derecognition of investments.

(Rupees in thousand)	Note	2009	2008
7. Long-term finances			
These are composed of:			
Local currency loans - secured	7.1	5,500,000	10,500,000
Foreign currency loans - secured	7.2	-	2,354,400
		5,500,000	12,854,400
Preference shares / convertible stock - unsecured	7.3	2,470,577	-
		7,970,577	12,854,400
Less : Current portion shown under current liabilities		-	550,000
		7,970,577	12,304,400

71 Local currency loans - secured

7.1.1 Consortium Loan

This loan has been obtained from a consortium of commercial banks led by MCB Bank Limited. It is secured by a first ranking exclusive hypothecation / equitable mortgage charge over all present and future fixed assets of the company amounting to Rs. 6,914 million (2008: 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% per annum and is payable semi annually. The effective mark up charged during the year ranges from 13.76% to 17.01% per annum.

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. 419 million (2008: Rs. 800 million) in favour of MCB Bank Limited being security trustee on behalf of Citibank. It carries mark up at six month Karachi Inter Bank Offered Rate (KIBOR) plus 0.90% per annum and is payable semi annually. The effective mark up charged during the year ranges from 13.31% to 16.56% per annum.

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

72 Foreign currency loan - secured

The company has fully prepaid foreign currency loan taken from International Finance Corporation (IFC) amounting USD 30 million equivalent to Rs. 2,354,400 million out of the subscription proceeds of preference share/convertible stock issued during the year as referred in note 7.3.

7.2.1 Derivative cross currency swap

The company had 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 paid KIBOR minus bank spread to the arranging bank, and received 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 had been no transfer of liability under this arrangement, only the nature of the interest payments had changed. As this hedging relationship was ineffective and did not meet the criteria of cash flow hedge, this arrangement did not qualify for special hedge accounting specified in IAS 39 "Financial Instruments: Recognition and Measurement". This swap has been early wound up by the company during the year and the early wind up cost has been included in the finance cost.

7.3 Preference shares / convertible stock - unsecured

During the current period, company has issued 10% local currency non-voting cumulative preference shares / convertible stock at the rate of Rs. 190 per share amounting to USD 50 million equivalent to PKR 4,120.500 million under "Subscription Agreement" dated March 25, 2009 with IFC.

Terms of redemption / conversion

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

Rate of return

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

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

(Rupees in thousand)	2009	2008
Face value of preference shares / convertible stock	4,120,500	-
Transaction costs	(44,048)	-
	4,076,452	-
Equity component - classified under capital and reserves	(1,605,875)	-
Liability component - classified under long-term finances	2,470,577	-
Accrued return on preference shares / convertible stock classified under trade and other payables	193,435	-

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

(Rupees in thousand)	Note	2009	2008
8. Deferred liabilities			
Deferred taxation	8.1	2,353,000	738,000
Accumulating compensated absences	8.2	124,852	102,788
		2,477,852	840,788
8.1 Deferred taxation			
The liability for deferred taxation comprises temporary differences relating to:			
Accelerated tax depreciation		3,940,073	2,777,253
Unused tax losses		(1,412,460)	(1,939,112)
Minimum tax available for carry forward		(130,935)	(47,935)
Provision for accumulating compensated absences		(43,698)	(35,976)
Provision for doubtful debts		(9,323)	-
Impairment loss in the value of investments		-	(16,230)
Preference shares / convertible stock transaction cost - liability portion		9,343	-
		2,353,000	738,000

(Rupees in thousand)		Note	2009	2008
8.2	Accumulating compensated absences			
	Opening balance		102,788	93,790
	Provision for the year		29,035	21,266
			131,823	115,056
	Less: Payments made during the year		6,971	12,268
	Closing balance		124,852	102,788
9.	Finances under mark up arrangements - secured			
	Running finances	9.1	86,496	2,587,819
			86,496	2,587,819

9.1 Running finances

Short-term running finances available from a consortium of commercial banks under mark up arrangements amount to Rs. 6,382 million (2008: Rs. 5,832 million). The rates of mark up range from Re 0.3189 to Re 0.5205 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. 0.4384 to Re. 0.6027 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. 6,610.500 million (2008: Rs. 7,591.945 million) for opening letters of credit and Rs. 1,294 million (2008: Rs. 1,444 million) for guarantees, the amount utilised at December 31, 2009 was Rs. 234.138 million (2008: Rs. 409.317 million) and Rs. 664.944 million (2008: Rs. 661.208 million) respectively. Of the facility for guarantees, Rs. 1,294 million (2008: Rs. 1,444 million) is secured by second hypothecation charge over stores, spares, stock-in-trade and trade debts.

(Rupees in thousand)		Note	2009	2008
10.	Trade and other payables			
	Trade creditors	10.1	254,187	290,551
	Accrued liabilities	10.2	812,977	674,833
	Sales tax payable		70,865	26,336
	Excise duty payable		11,054	6,994
	Customers' balances		84,770	64,311
	Deposits - interest free repayable on demand		8,511	6,006
	Mark up accrued on:			
	Long-term finances - secured		54,556	184,045
	Finances under mark up arrangements - secured		1,690	90,759
	Accrued preference return		193,435	-
	Workers' profit participation fund	10.3	-	-
	Workers' welfare fund		117,746	865
	Derivative cross currency swap		-	72,885
	TFCs payable		1,389	1,405
	Unclaimed dividends		9,969	9,975
	Others		35,048	32,939
			1,656,197	1,461,904

10.1 Trade creditors include amount due to related parties Rs. 63.783 million (2008: Rs. 67.514 million).

10.2 Accrued liabilities include amount due to related party Nil (2008: Rs. 0.884 million).

(Rupees in thousand)	2009	2008
10.3 Workers' profit participation fund		
Opening balance	-	50,601
Provision for the year	-	-
	-	50,601
Less: Payments made during the year	-	50,601
Closing balance	-	-

11. Contingencies and commitments

11.1 Contingencies

- (i) Claims against the company not acknowledged as debts Rs. 15.802 million (2008: Rs. 14.193 million).
- (ii) Against a sales tax refund aggregating Rs. 12.827 million determined by the Sales Tax Officer (STO) on the basis of the orders of the Appellate Assistant Commissioner (Inland Revenue), AAC, for the assessment years 1977-78 through 1980-81 and recognised in the financial statements in 1985, the STO filed an appeal in 1986 with the Income Tax Appellate Tribunal (ITAT) against the Orders of the AAC for these years. The orders of the AAC were based on a decision already given by the ITAT on the company's appeal for application of a lower rate of sales tax on self consumed material for earlier years. Pending the outcome of the appeal filed by STO no adjustment has been made for the refunds recognised in the financial statements as the management is of the view that the appeal of the STO will not be upheld by the ITAT.
- (iii) Post dated cheques not provided in the financial statements have been furnished by the company in favour of the Collector of Customs against custom levies aggregated to Rs. 27.305 million (2008: Rs. 28.544 million) in respect of goods imported.

11.2 Commitments in respect of

- (i) Letters of credit and contracts for capital expenditure Rs. 6.967 million (2008: Rs. 265.907 million).
- (ii) Letters of credit and contracts other than for capital expenditure Rs. 418.044 million (2008: Rs. 280.896 million).
- (iii) The amount of future payments under operating leases and Ijarah financing and the period in which these payments will become due are as follows:

(Rupees in thousand)	2009	2008
Not later than one year	230,527	164,150
Later than one year and not later than five years	1,180,215	1,220,468
Later than five years	129,661	386,326
	1,540,403	1,770,944

12. Property, plant and equipment

	2009								
	Cost as at December 31, 2008	Transfer out / Adjustment	Additions / (deletions)	Cost as at December 31, 2009	Accumulated depreciation as at December 31, 2008	Depreciation charge / (deletions) for the year	Transfer out / Adjustment	Accumulated depreciation as at December 31, 2009	Book value as at December 31, 2009
(Rupees in thousand)									
Freehold land	299,365	-	8,470	307,835	-	-	-	-	307,835
Buildings on freehold land	1,905,930	(41,922)	1,270,560	3,134,568	171,180	117,047	(1,087)	287,140	2,847,428
Buildings on leasehold land	183,175	(3,681)	-	179,494	62,641	6,844	(1,497)	67,988	111,506
Plant and machinery	14,476,085	(15,198)	7,835,880	22,281,824	5,569,178	1,129,426	-	6,684,508	15,597,316
			(14,943)			(14,096)			
Other equipments	335,214	-	89,550	422,681	244,929	31,627	-	274,549	148,132
			(2,083)			(2,007)			
Furniture and fixtures	15,621	-	3,944	19,132	11,496	1,567	-	12,650	6,482
			(433)			(413)			
Vehicles	252,284	-	56,187	274,373	122,957	33,614	-	131,740	142,633
			(34,098)			(24,831)			
	17,467,674	(60,801)	9,264,591	26,619,907	6,182,381	1,320,125	(2,584)	7,458,575	19,161,332
		-	(51,557)			(41,347)	-		
2008									
	Cost as at December 31, 2007	Transfer out / Adjustment	Additions / (deletions)	Cost as at December 31, 2008	Accumulated depreciation as at December 31, 2007	Depreciation charge / (deletions) for the year	Transfer out / Adjustment	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	14,476,085	4,863,034	747,230	-	5,569,178	8,906,907
			(41,172)			(41,086)			
Other equipments	303,072	-	33,170	335,214	218,892	26,973	-	244,929	90,285
			(1,028)			(936)			
Furniture and fixtures	15,175	-	446	15,621	9,421	2,075	-	11,496	4,125
Vehicles	241,041	-	41,793	252,284	113,363	32,248	-	122,957	129,327
			(30,550)			(22,654)			
	15,724,371	(911)	1,816,964	17,467,674	5,363,118	884,231	(292)	6,182,381	11,285,293
			(72,750)			(64,676)			

Property, plant and equipment include mark up capitalised of Rs. 1,546.219 million (2008: Rs. 118.326 million).

Property, plant and equipment include assets amounting to Rs. 12.026 million (2008: Rs. 12.026 million) of the company which are not in operation.

The cost of fully depreciated assets which are still in use as at December 31, 2009 is Rs. 3,246.669 million (2008: Rs. 3,104.154 million).

12.1 Disposal of property, plant and equipment

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

		2009				
Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sales proceeds	Mode of disposal
(Rupees in thousand)						
Vehicles	Employees					
	Mr. Asad Javaid	841	284	557	588	Company policy
	Ata un Noor Ahmad	431	323	108	775	Negotiation
	Azhar Ali	730	119	611	657	Company policy
	Jamshaid Raza	408	81	327	320	- do -
	Khalid Abdul Quddus	567	454	113	297	- do -
	Mubarik Ali Rana	532	73	459	467	- do -
	Mughees Afzal	545	27	518	509	- do -
	Muhammad Naseem	536	90	446	334	- do -
	Muhammad Farhan Bashir	800	384	416	721	- do -
	Mureed Hussain	624	133	491	534	- do -
	Mushtaq Ahmad	831	651	180	582	- do -
	Naveed Ahmad Taj	277	149	128	440	Negotiation
	Noman Majeed Khan	333	250	83	525	- do -
	Shahid Rasheed	244	183	61	445	- do -
	Shoaib Jawaid	565	141	424	445	Company policy
	Suleman Arshad Pall	380	124	256	277	- do -
	Tariq Ikram	590	393	197	317	- do -
	Zeeshan Zahid	381	81	300	275	- do -
	Outsiders					
	Mr. Allah Rakha	1,453	1,114	339	678	Negotiation
	Muhammad Ejaz	2,310	780	1,530	366	- do -
	Muhammad Mushtaq	915	625	290	736	- do -
	Muhammad Pervaiz	333	249	84	435	- do -
	Muhammad Qadir	370	265	105	281	- do -
	Muhammad Raza Kazmi	1,594	1,195	399	670	- do -
	M/s IGI Insurance Limited - Related Party	382	48	334	350	Insurance claim
	IGI Insurance Limited - Related Party	405	51	354	380	- do -
Plant and machinery	Outsiders					
	M/s Packages Lanka - Related Party	237	70	167	140	Negotiation
	Packages Lanka - Related Party	924	274	650	140	- do -
Other assets with book value less than Rs. 50,000		33,019	32,736	283	10,859	-
		51,557	41,347	10,210	23,543	

		2008				
Particulars of assets	Sold to	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 Ishfaq	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 -
	Syed Sajjad Haider	355	237	118	220	- 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 -
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	-
		<u>72,750</u>	<u>64,676</u>	<u>8,074</u>	<u>21,252</u>	

13. Intangible assets

	Cost as at December 31, 2008	Additions	Cost as at December 31, 2009	Accumulated amortisation as at December 31, 2008	Amortisation charge for the year	Accumulated amortisation as at December 31, 2009	Book value as at December 31, 2009
(Rupees in thousand)							
Computer softwares and ERP system	124,386	-	124,386	124,145	104	124,249	137
2009	124,386	-	124,386	124,145	104	124,249	137
2008	124,075	311	124,386	123,712	433	124,145	241

The cost of fully amortised assets which are still in use as at December 31, 2009 is Rs. 124.075 million (2008: Rs. 124.075 million).

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

	Note	Depreciation	Amortisation	Total	
				2009	2008
(Rupees in thousand)					
Cost of sales	24	1,296,000	18	1,296,018	858,377
Administrative expenses	25	18,485	86	18,571	21,644
Distribution and marketing costs	26	5,640	-	5,640	4,643
		1,320,125	104	1,320,229	884,664

14. Investment property

	2009								
	Cost as at December 31, 2008	Transfer in	Additions	Cost as at December 31, 2009	Accumulated depreciation as at December 31, 2008	Transfer in	Depreciation charge for the year	Accumulated depreciation as at December 31, 2009	Book value as at December 31, 2009
(Rupees in thousand)									
Land	8,594	-	-	8,594	-	-	-	-	8,594
Buildings on freehold land	6,295	23,465	-	29,760	2,720	1,087	969	4,776	24,984
Buildings on leasehold land	27,317	3,681	7,810	38,808	14,192	1,496	1,363	17,051	21,757
	42,206	27,146	7,810	77,162	16,912	2,583	2,332	21,827	55,335
	2008								
	Cost as at December 31, 2007	Transfer in	Additions	Cost as at December 31, 2008	Accumulated depreciation as at December 31, 2008	Transfer in	Depreciation charge for the year	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	292	960	14,192	13,125
	41,295	911	-	42,206	15,240	292	1,380	16,912	25,294

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, 2009 is Rs. 116.324 million (2008: Rs. 87.499 million).

(Rupees in thousand)	Note	2009	2008
15. Capital work-in-progress			
Civil works		12,928	14,279
Plant and machinery		52,494	16,551
Others		156	27
Expansion project:			
Civil works		-	742,994
Plant and machinery (including in transit Nil (2008: Rs. 2.40 million))		-	5,767,935
Advances		-	5,534
Unallocated expenditure		-	1,607,919
		-	8,124,382
		65,578	8,155,239
16. Investments			
These represent the long-term investments in:			
Related parties	16.1	8,099,376	8,362,460
Others	16.5	25	25
		8,099,401	8,362,485
16.1 Related parties			
Subsidiaries - unquoted			
DIC Pakistan Limited			
3,377,248 (2008: 3,377,248) fully paid ordinary shares of Rs. 10 each Equity held 54.98% (2008: 54.98%)		15,010	15,010
Packages Construction (Private) Limited			
2,500,000 (2008: 2,500,000) fully paid ordinary shares of Rs. 10 each Equity held 99.99% (2008: 99.99%)		25,000	25,000
Packages Lanka (Private) Limited			
64,779,884 (2008: 64,779,884) shares of SL Rupees 10 each Equity held 79.07% (2008: 79.07%)		442,938	442,938
Less: Impairment loss	16.2	-	46,371
		442,938	396,567
Carried Forward		482,948	436,577

(Rupees in thousand)	2009	2008
Brought Forward	482,948	436,577
Associated companies		
Quoted		
Nestle Pakistan Limited		
3,649,248 (2008: 3,649,248) fully paid ordinary shares of Rs. 10 each		
Equity held 8.05% (2008: 8.05%)		
Market value - Rs. 4,546.817 million (2008: Rs. 4,866.272 million)	4,546,817	4,866,272
IGI Insurance Limited		
6,354,412 (2008: 6,354,412) fully paid ordinary shares of Rs. 10 each		
Equity held 10.61% (2008: 10.61%)		
Market value - Rs. 558.489 million (2008: Rs. 732.473 million)	878,378	878,378
Tri-Pack Films Limited		
10,000,000 (2008: 10,000,000) fully paid ordinary shares of Rs. 10 each		
Equity held 33.33% (2008: 33.33%)		
Market value - Rs. 1,030.000 million (2008: Rs. 1,246.400 million)	2,141,233	2,141,233
IGI Investment Bank Limited		
4,610,915 (2008: 4,610,915) fully paid ordinary shares of Rs. 10 each		
Equity held 2.17% (2008: 2.17%)		
Market value - Rs. 16.277 million (2008: Rs. 14.524 million)	35,000	35,000
	7,601,428	7,920,883
Unquoted		
Tetra Pak Pakistan Limited		
1,000,000 (2008: Nil) fully paid non-voting ordinary shares of Rs. 10 each	10,000	-
Coca-Cola Beverages Pakistan Limited		
500,000 (2008: 500,000) fully paid ordinary shares of Rs. 10 each		
Equity held 0.14% (2008: 0.14%)	5,000	5,000
	15,000	5,000
	7,616,428	7,925,883
	8,099,376	8,362,460

16.2 The company has reversed impairment loss on investment in Packages Lanka (Private) Limited amounting to Rs. 46.371 million due to improvement in its economic performance. The reversal of impairment loss is included in other operating income as referred to in note 28.

16.3 Nestle Pakistan Limited, Tetra Pak 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.

16.4 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.

(Rupees in thousand)		2009	2008
16.5	Others		
	Unquoted		
	Pakistan Tourism Development Corporation Limited		
	2,500 (2008: 2,500) fully paid ordinary shares of Rs. 10 each	25	25
	Orient Match company Limited		
	1,900 (2008: 1,900) fully paid ordinary shares of Rs. 100 each	-	-
		<u>25</u>	<u>25</u>

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

(Rupees in thousand)		Note	2009	2008
17.	Long-term loans and deposits			
	Loans to employees - considered good	17.1	2,128	2,153
	Loan to SNGPL	17.2	131,200	147,600
	Security deposits		23,003	22,129
			<u>156,331</u>	<u>171,882</u>
	Less: Receivable within one year			
	Loans to employees - considered good		354	380
	Loan to SNGPL		16,400	16,400
			<u>16,754</u>	<u>16,780</u>
			<u>139,577</u>	<u>155,102</u>

17.1 These represent interest free loans to employees for purchase of motor cycles and cycles and are repayable in monthly instalments over a period of 57 to 248 months.

Loans to employees aggregating Rs. 0.220 million (2008: Rs. 0.259 million) are secured by joint registration of motor cycles in the name of employees and the company. The remaining loans are unsecured.

17.2 This represents an unsecured loan given to Sui Northern Gas Pipelines Limited (SNGPL) for the development of the infrastructure for the supply of natural gas to the plants at Bulleh Shah Paper Mill (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.

(Rupees in thousand)	2009	2008
18. Retirement benefits		
Pension fund	13,295	32,725
Gratuity fund	94,605	94,793
	107,900	127,518

(Rupees in thousand)	Pension Fund		Gratuity Fund	
	2009	2008	2009	2008
The amounts recognised in the balance sheet are as follows:				
Fair value of plan assets	592,086	493,088	303,425	283,474
Present value of defined benefit obligation	(767,086)	(595,808)	(247,893)	(211,836)
Non vested past service cost to be recognised in later periods	-	3,025	-	-
Unrecognised actuarial loss	188,295	132,420	39,073	23,155
Asset as at December 31	13,295	32,725	94,605	94,793
Net asset / (liability) as at January 1	32,725	(1,481)	94,793	89,743
Charge to income statement	(53,755)	7,174	(10,099)	(3,482)
Contribution by the company	34,325	27,032	9,911	8,532
Asset as at December 31	13,295	32,725	94,605	94,793
The movement in the present value of defined benefit obligation is as follows:				
Present value of defined benefit obligation as at January 1	595,808	547,041	211,836	178,979
Service cost	20,987	16,872	13,466	9,547
Interest cost	92,483	58,412	32,154	18,410
Benefits paid	(36,950)	(32,913)	(22,591)	(23,862)
Past service cost	-	-	-	9,297
Experience loss	94,758	6,396	13,028	19,465
Present value of defined benefit obligation as at December 31	767,086	595,808	247,893	211,836
The movement in fair value of plan assets is as follows:				
Fair value as at January 1	493,088	644,296	283,474	296,469
Expected return on plan assets	65,612	70,883	37,107	31,790
Company contributions	34,325	27,032	9,911	8,533
Employee contributions	7,722	6,077	-	-
Benefits paid	(36,950)	(32,913)	(22,591)	(23,862)
Experience gain / (loss)	28,289	(222,287)	(4,476)	(29,456)
Fair value as at December 31	592,086	493,088	303,425	283,474
Plan assets are comprised as follows:				
Debt	136,991	46,657	110,746	12,996
Equity	124,518	171,943	25,796	69,425
Cash	330,577	274,488	166,883	201,053
	592,086	493,088	303,425	283,474

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

(Rupees in thousands)	2009	2008	2007	2006	2005
As at December 31					
Present value of defined benefit obligation	767,086	595,808	547,041	496,792	474,774
Fair value of plan assets	592,086	493,088	644,296	483,965	437,180
(Deficit) / surplus	(175,000)	(102,720)	97,255	(12,827)	(37,594)
Experience adjustment on obligation	6%	1%	2%	-3%	2%
Experience adjustment on plan assets	5%	-51%	17%	0%	8%

Fair value of plan assets include ordinary shares of the company, whose fair value as at December 31, 2009 is Rs. 96 million (2008: Rs. 48 million).

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

(Rupees in thousands)	2009	2008	2007	2006	2005
As at December 31					
Present value of defined benefit obligation	247,893	211,836	178,979	167,073	150,527
Fair value of plan assets	303,425	283,474	296,469	257,356	243,427
Surplus	55,532	71,638	117,490	90,283	92,900
Experience adjustment on obligation	5%	9%	2%	2%	3%
Experience adjustment on plan assets	-1%	-10%	7%	-1%	0%

Fair value of plan assets include ordinary shares of the company, whose fair value as at December 31, 2009 is Rs. 15 million (2008: Rs. 9 million).

(Rupees in thousand)	2009	2008
19. Stores and spares		
Stores [including in transit Rs. 1.734 million (2008: Rs. 13.601 million)]	400,453	347,159
Spares [including in transit Rs. 1.592 million (2008: Rs. 12.071 million)]	470,498	494,328
	870,951	841,487

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

(Rupees in thousand)	2009	2008
20. Stock-in-trade		
Raw materials [including in transit Rs. 208.525 million (2008: Rs. 199.569 million)].	1,922,269	2,133,360
Work-in-process	145,140	205,551
Finished goods	2,034,987	1,313,350
	4,102,396	3,652,261

Finished goods of Rs. 966.351 million (2008: Rs. 231.143 million) are being carried at net realisable value and an amount of Rs. 99.397 million (2008: Rs. 22.727 million) has been charged to cost of sales, being the cost of inventory written down during the year.

(Rupees in thousand)		Note	2009	2008
21.	Trade debts			
	Considered good			
	Related parties - unsecured	21.1	393,975	302,933
	Others	21.2	1,358,241	1,220,116
			1,752,216	1,523,049
	Considered doubtful		26,636	-
			1,778,852	1,523,049
	Less: Provision for doubtful debts	21.3	26,636	-
			1,752,216	1,523,049
21.1	Related parties - unsecured			
	Subsidiary			
	DIC Pakistan Limited		2,196	3,582
	Associated undertakings			
	Nestle Pakistan Limited		121,091	157,277
	Tri-Pack Films Limited		6,259	5,019
	Coca-Cola Beverages Pakistan Limited		1,318	1,532
	Other related parties			
	Tetra Pak Pakistan Limited		214,920	125,500
	Treet Corporation		1,304	25
	Mitchell's Fruit Farms Limited		18,864	7,843
	Others		28,023	2,155
			393,975	302,933

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

21.2 Others include debts of Rs. 166.416 million (2008: Rs. 109.181 million) which are secured by way of bank guarantees and inland letters of credit

(Rupees in thousand)		2009	2008
21.3	The movement in provision during the year is as follows:		
	Balance as at January 1	-	-
	Add: Provision during the year	26,636	-
	Balance as at December 31	26,636	-

(Rupees in thousand)	Note	2009	2008
22. Loans, advances, deposits, prepayments and other receivables			
Current portion of loans to employees - considered good		354	380
Current portion of loan receivable from SNGPL		16,400	16,400
Advances - considered good			
To employees	22.1	10,813	9,427
To suppliers		35,128	62,163
		45,941	71,590
Due from related parties - unsecured	22.2	19,343	25,874
Trade deposits		81,702	89,258
Prepayments		14,825	15,050
Balances with statutory authorities			
Customs duty		2,621	1,100
Claims recoverable from Government			
Sales tax		9,962	60,921
Income tax refundable		557,656	362,690
Income tax recoverable	22.3	36,013	36,013
		603,631	459,624
Interest receivable on loan to SNGPL		103	115
Letter of credit margin		-	6,688
Other receivables		12,566	5,997
		797,486	692,076

22.1 Included in advances to employees are amounts due from executives of Rs. 1.878 million (2008: Rs. 0.375 million).

(Rupees in thousand)	2009	2008
22.2 Due from related parties - unsecured		
Subsidiaries		
DIC Pakistan Limited	5,815	11,991
Packages Lanka (Private) Limited	5,299	79
Associated undertakings		
Tri-Pack Films Limited	1,330	-
IGI Insurance Limited	87	271
Other related parties		
Tetra Pak Pakistan Limited	4,420	3,547
Siemens Pakistan Limited	1,575	9,645
BOC Pakistan	319	213
Others	498	128
	19,343	25,874
These are in the normal course of business and are interest free.		

22.3 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 ITO has filed an appeal against the Commissioner's order with the Income Tax Appellate Tribunal (ITAT). The ITAT has in its order issued in 1996 maintained the order of CIT(A). The assessing officer after the receipt of the appellate order passed by CIT (A), has issued notices under section 65 of the Income Tax Ordinance, 1979 and the company has filed a writ petition against the aforesaid notices with the High Court of Sindh, the outcome of which is still pending.

The 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.

(Rupees in thousand)	Note	2009	2008
23. Cash and bank balances			
At banks:			
On saving accounts	23.1	294,363	10
On current accounts (including USD 242,909 (2008: USD 735.15))	23.2	156,284	190,621
		450,647	190,631
In hand		5,073	8,557
		455,720	199,188

23.1 The balances in saving accounts bear mark up which ranges from 5.0 % to 12.35% per annum.

23.2 Included in these are total restricted funds of Rs. 1.334 million (2008: Rs. 1.349 million) held as payable to TFC holders as referred to in note 10.

(Rupees in thousand)	Note	2009	2008
24. Cost of sales			
Opening work-in-process		205,551	117,400
Materials consumed		8,685,223	7,639,296
Salaries, wages and amenities	24.1	895,697	681,050
Fuel and power		2,055,631	1,739,748
Production supplies		395,188	330,632
Excise duty and sales tax		1,783	1,333
Rent, rates and taxes	24.2	156,335	72,620
Insurance		82,286	57,340
Repairs and maintenance		494,000	410,370
Packing expenses		114,532	73,746
Depreciation on property, plant and equipment		1,296,000	858,164
Amortisation on intangible assets		18	213
Technical fee and royalty		11,062	5,876
Other expenses		209,969	185,443
		14,603,275	12,173,231
Less: Closing work-in-process		145,140	205,551
Cost of goods produced		14,458,135	11,967,680
Opening stock of finished goods		1,313,350	627,150
Cost of goods available for sale		15,771,485	12,594,830
Less: Closing stock of finished goods		2,034,987	1,313,350
		13,736,498	11,281,480

Cost of goods produced includes Rs. 1,153.297 million (2008: Rs. 1,176.582 million) for stores and spares consumed, Rs. 93.185 million (2008: Rs. 9.536 million) and Rs. 17.977 million (2008: Rs. 2.841 million) for raw material and stores & spares written off respectively.

(Rupees in thousand)		2009	2008
24.1	Salaries, wages and amenities		
	Salaries, wages and amenities include following in respect of retirement benefits:		
	Pension		
	Current service cost	13,908	10,928
	Interest cost for the year	61,289	37,833
	Expected return on plan assets	(43,481)	(45,910)
	Contribution made by the employees	(5,117)	(3,937)
	Recognition of past service cost	2,005	1,957
	Recognition of loss / (gain)	7,021	(5,518)
		35,625	(4,647)
	Gratuity		
	Current service cost	9,762	7,091
	Interest cost for the year	23,310	13,673
	Expected return on plan assets	(26,900)	(23,610)
	Recognition of loss / (gain)	1,150	(1,472)
	Recognition of past service cost	-	6,904
		7,322	2,586

In addition to above, salaries, wages and amenities include Rs. 17,403 million (2008: Rs. 14,383 million) and Rs. 15,660 million (2008: Rs. 11,974 million) in respect of provident fund contribution by the company and accumulating compensated absences respectively.

24.2 Rent, rates and taxes include operating lease rentals amounting to Rs. 153.563 million (2008: Rs. 70.037 million).

(Rupees in thousand)		Note	2009	2008
25.	Administrative expenses			
	Salaries, wages and amenities	25.1	222,047	167,267
	Travelling		36,182	41,544
	Rent, rates and taxes	25.2	14,367	15,701
	Insurance		8,121	6,127
	Printing, stationery and periodicals		16,774	17,386
	Postage, telephone and telex		19,662	20,683
	Motor vehicles running		11,031	14,826
	Computer charges		13,407	11,307
	Professional services	33	33,742	130,324
	Repairs and maintenance		11,988	12,561
	Depreciation on property, plant and equipment		18,485	21,424
	Amortisation on intangible assets		86	220
	Depreciation on investment property		2,332	1,380
	Other expenses		59,358	51,439
			467,582	512,189

Administrative expenses include Rs. 44,985 million (2008: Rs. 31,668 million) for stores and spares consumed.

(Rupees in thousand)	2009	2008
25.1 Salaries, wages and amenities		
Salaries, wages and amenities include following in respect of retirement benefits:		
Pension		
Current service cost	4,962	4,360
Interest cost for the year	21,868	15,094
Expected return on plan assets	(15,514)	(18,316)
Contribution made by the employees	(1,826)	(1,570)
Recognition of past service cost	715	781
Recognition of loss / (gain)	2,505	(2,201)
	12,710	(1,852)
Gratuity		
Current service cost	2,597	1,802
Interest cost for the year	6,200	3,474
Expected return on plan assets	(7,155)	(5,999)
Recognition of loss / (gain)	306	(374)
Recognition of past service cost	-	1,754
	1,948	657

In addition to above, salaries, wages and amenities include Rs. 4.278 million (2008: Rs. 3.531 million) and Rs. 8.149 million (2008: Rs. 6.741 million) in respect of provident fund contribution by the company and accumulating compensated absences respectively.

25.2 Rent, rates and taxes include operating lease rentals amounting to Rs. 11.313 million (2008: Rs. 11.965 million).

(Rupees in thousand)	Note	2009	2008
26. Distribution and marketing costs			
Salaries, wages and amenities	26.1	92,401	59,488
Travelling		15,906	12,923
Rent, rates and taxes	26.2	2,479	2,934
Freight and distribution		199,290	188,199
Insurance		1,213	1,055
Advertising		71,538	65,414
Depreciation on property, plant and equipment		5,640	4,643
Provision for doubtful debts	21.3	26,636	-
Other expenses		29,107	27,769
		444,210	362,425

Distribution and marketing costs include Rs. 4.290 million (2008: Rs. 5.621 million) for stores and spares consumed.

(Rupees in thousand)		2009	2008
26.1	Salaries, wages and amenities		
	Salaries, wages and amenities include following in respect of retirement benefits:		
	Pension		
	Current service cost	2,116	1,584
	Interest cost for the year	9,326	5,485
	Expected return on plan assets	(6,617)	(6,656)
	Contribution made by the employees	(779)	(571)
	Recognition of past service cost	305	283
	Recognition of loss / (gain)	1,068	(800)
		5,419	(675)
	Gratuity		
	Current service cost	1,107	655
	Interest cost for the year	2,644	1,263
	Expected return on plan assets	(3,052)	(2,181)
	Recognition of loss / (gain)	130	(136)
	Recognition of past service cost	-	638
		829	239

In addition to above, salaries, wages and amenities include Rs. 1.778 million (2008: Rs. 1.256 million) and Rs. 5.226 million (2008: Rs. 2.551 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. 2.479 million (2008: Rs. 2.534 million).

(Rupees in thousand)		Note	2009	2008
27.	Other operating expenses			
	Workers' welfare fund		116,881	-
	Donations	34	1,801	324
			118,682	324
28.	Other operating income			
	Income from financial assets			
	Income on bank deposits		116,188	724
	Interest on loan to SNGPL		2,201	2,447
	Exchange gain - net		17,968	-
			136,357	3,171
	Income from non-financial assets			
	Management and technical fee (including Rs. 45.216 million (2008: Rs. 15.283 million) from related parties)		88,655	35,107
	Insurance commission from related party		6,026	4,322
	Rental income from investment property (including Rs. 41.868 million (2008: Rs. 34.810 million) from related parties)		43,374	35,672
	Profit on disposal of property, plant and equipment		13,333	13,178
	Scrap sales		9,443	3,828
	Reversal of impairment loss on investment in subsidiary	16.2	46,371	-
	Provisions and unclaimed balances no longer required written back		12,941	232,469
	Profit on outside jobs (including Rs. 0.372 million (2008: Rs. 1.698 million) from related parties)		372	2,550
	Others		28,427	6,668
			248,942	333,794
			385,299	336,965

29. This represents the decline in value of shares of Nestle Pakistan Limited classified as available for sale investment which is considered other than temporary and accordingly charged to income statement.

(Rupees in thousand)		Note	2009	2008
30.	Finance costs			
	Interest and mark up including commitment charges on			
	Long-term finances - secured		905,504	752,729
	Finances under mark up arrangements - secured		39,026	257,126
	Return on preference shares / convertible stock		193,435	-
	Loan handling charges		957	639
	Cross currency swap expense		128,479	72,885
	Exchange loss - net		-	567,710
	Bank charges		11,032	11,005
			<u>1,278,433</u>	<u>1,662,094</u>
31.	Investment income			
	Dividend income from related parties	31.1	313,087	948,879
	Gain on sale of long-term investments		8,866,750	-
			<u>9,179,837</u>	<u>948,879</u>
31.1	Dividend income from related parties			
	Subsidiary			
	DIC Pakistan Limited		-	72,611
	Associated undertakings			
	Tetra Pak Pakistan Limited		-	634,480
	IGI Insurance Limited		15,886	5,083
	Nestle Pakistan Limited		237,201	96,705
	Tri-Pack Films Limited		60,000	140,000
			<u>313,087</u>	<u>948,879</u>
32.	Taxation			
	For the year			
	Current		83,000	10,000
	Deferred		1,681,000	(95,000)
			<u>1,764,000</u>	<u>(85,000)</u>
	Prior years			
	Current		7,649	1,936
	Deferred		(66,000)	(29,000)
			<u>(58,351)</u>	<u>(27,064)</u>
			<u>1,705,649</u>	<u>(112,064)</u>

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

For the purposes of current taxation, the tax losses available for carry forward as at December 31, 2009 are estimated approximately at Rs. 4,034.301 million (2008: Rs. 5,540.319 million).

	2009 % age	2008 % age
32.1 Tax charge reconciliation		
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	8.13	(2.16)
Exempt for tax purposes	(13.98)	3.98
Chargeable to tax at different rates	(0.21)	3.11
Effect of change in prior years' tax	(1.01)	9.42
Tax effect under presumptive tax regime and others	1.63	(12.95)
	(5.44)	1.40
Average effective tax rate charged to income statement	29.56	36.40

(Rupees in thousand)	2009	2008
33. Professional services		
The charges for professional services include the following in respect of auditors' services for:		
Statutory audit	1,600	1,300
Half yearly review	500	400
Tax services	2,743	2,484
Workers' profit participation fund audit, management staff pension and gratuity fund audit, special reports and certificates for lending agencies and sundry services	442	182
Out of pocket expenses	456	353
	5,741	4,719

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 and Executives of the company are as follows:

	Chief Executive		Directors		Executives	
	2009	2008	2009	2008	2009	2008
Number of persons	1	1	3	3	53	47
	(Rupees in thousand)					
Short-term employee benefits						
Managerial remuneration	5,585	4,567	12,596	14,344	73,018	85,483
Housing	2,624	2,863	5,289	6,929	21,091	19,608
Utilities	941	771	1,158	1,367	5,744	4,993
Bonus	1,492	1,264	3,360	3,090	14,135	10,388
Leave passage	1,232	1,504	1,076	1,546	2,405	1,974
Medical expenses	1,012	1,041	653	353	696	2,920
Club expenses	41	41	195	139	114	42
Others	-	-	-	-	6,532	2,453
	12,927	12,051	24,327	27,768	123,735	127,861
Post employment benefits						
Contribution to provident, gratuity and pension funds	1,764	1,495	2,542	2,775	11,840	8,603
Other long-term benefits						
Accumulating compensated absences	814	1,628	1,073	908	9,589	2,897
	15,505	15,174	27,942	31,451	145,164	139,361

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 5 directors (2008: 6 directors) is Rs. 340,000 (2008: Rs. 145,000).

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:

(Rupees in thousand)		2009	2008
Relationship with the company	Nature of transactions		
i. Subsidiaries	Purchase of goods and services	589,706	537,861
	Sale of goods and services	16,330	17,377
	Sale of property, plant and equipment	280	-
	Dividend income	-	72,611
	Rental income	10,331	8,169
	Management and technical fee received	45,216	15,283
ii. Associated undertakings	Purchase of goods and services	299,414	312,769
	Sale of goods and services	30,011	1,698,033
	Insurance premium	114,479	100,710
	Insurance claims	5,621	103,339
	Dividend income	75,886	779,564
	Rental income	-	26,641
iii. Other related parties	Purchase of goods and services	65,075	133,322
	Sale of goods and services	3,282,460	1,227,072
	Dividend income	237,201	96,705
	Rental income	31,537	-
	Rental expense	1,678	1,560
	Mark up expense	60	3,960
iv. Post employment benefit plans	Expense charged in respect of retirement benefit plans	63,732	56,405
	Mark up income on temporary loans	-	1,570

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

37. Capacity and production - tons

	Capacity		Actual production	
	2009	2008	2009	2008
Paper and paperboard produced	290,360	180,067	174,008	154,231
Paper and paperboard converted	128,000	120,298	99,436	88,750
Plastics all sorts converted	19,500	17,000	12,299	12,424

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 1.1862 (2008: USD 1.2647), EURO 0.8258 (2008: EURO 0.9000), SFR 1.2277 (2008: SFR 1.3414), SEK 8.4818 (2008: SEK 9.8425), GBP 0.7386 (2008: GBP 0.8780), SGD 1.6647 (2008: SGD 1.8238) and YEN 109.5770 (2008: YEN 114.4951) equal to Rs. 100. Assets in foreign currencies have been translated into Pak Rupees at USD 1.1891 (2008: USD 1.2706) and EURO 0.8277 (2008: EURO 0.9023) equal to Rs. 100.

(Rupees in thousand)		2009	2008	
39.	Cash generated from operations			
	Profit / (loss) before tax	5,769,573	(307,889)	
	Adjustments for:			
	Depreciation on property, plant and equipment	1,320,125	884,231	
	Amortisation on intangible assets	104	433	
	Depreciation on investment property	2,332	1,380	
	Impairment loss recognised on available for sale investment	1,793,991	-	
	Reversal of impairment on investment in subsidiary	(46,371)	-	
	Provision for accumulating compensated absences	29,035	21,266	
	Retirement benefits - net	63,854	(3,692)	
	Provision for doubtful debts	26,636	-	
	Gain on disposal of non-current assets classified as held-for-sale	(8,866,750)	-	
	Net profit on disposal of property, plant and equipment	(13,333)	(13,178)	
	Finance costs	1,278,433	1,662,094	
	Dividend income	(313,087)	(948,879)	
	Profit before working capital changes	1,044,542	1,295,766	
	Effect on cash flow due to working capital changes			
	Increase in stores and spares	(29,464)	(125,647)	
	Increase in stock-in-trade	(450,135)	(1,446,070)	
	Increase in trade debts	(255,803)	(234,121)	
	Decrease in loans, advances, deposits, prepayments and other receivables	89,556	42,346	
	Increase / (decrease) in trade and other payables	219,416	(241,090)	
		(426,430)	(2,004,582)	
		618,112	(708,816)	
40.	Cash and cash equivalents			
	Cash and bank balances	455,720	199,188	
	Finances under mark up arrangements - secured	(86,496)	(2,587,819)	
		369,224	(2,388,631)	
41.	Earnings per share			
41.1	Basic earnings per share			
	Profit / (loss) for the year	Rupees in thousand	4,063,924	(195,825)
	Weighted average number of ordinary shares	Numbers	84,379,504	84,379,504
	Earnings / (loss) per share	Rupees	48.16	(2.32)
41.2	Diluted earnings per share			
	Profit / (loss) for the year	Rupees in thousand	4,063,924	(195,825)
	Add : Return on preference shares / convertible stock	Rupees in thousand	193,435	-
			4,257,359	(195,825)
	Weighted average number of ordinary shares	Numbers	84,379,504	84,379,504
	Add : Weighted average number of notionally converted preference shares / convertible stock	Numbers	9,939,803	-
			94,319,307	84,379,504
	Earnings / (loss) per share	Rupees	45.14	(2.32)

42. Financial risk management

42.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

At December 31, 2009, if the Rupee had weakened / strengthened by 10% against the US dollar with all other variables held constant, post-tax profit for the year would have been Rs. 4.386 million (2008: Rs. 7.262 million) higher / lower, as a result of foreign exchange gains / losses on translation of US dollar denominated financial assets and liabilities.

At December 31, 2009, if the Rupee had weakened / strengthened by 10% against the Euro with all other variables held constant, post-tax profit for the year would have been Rs. 4.779 million (2008: Nil) higher / lower, mainly as a result of foreign exchange gains / losses on translation of Euro denominated financial assets and liabilities.

(ii) Price risk

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

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

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

	Impact on post-tax profit		Impact on other components of equity	
	2009	2008	2009	2008
(Rupees in thousand)				
Karachi Stock Exchange	-	-	323,032	358,724

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

(iii) Cash flow and fair value interest rate risk

As the company has no significant interest-bearing assets, the company's income and operating cash flows are substantially independent of changes in market interest rates.

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

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

At December 31, 2009, if interest rates on long-term borrowings had been 1% higher / lower with all other variables held constant, post-tax profit for the year would have been Rs. 55,000 million (2008: Rs. 128,544 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings.

(b) Credit risk

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

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

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

(Rupees in thousand)	2009	2008
Investments	4,561,842	4,866,297
Long-term loans and deposits	139,577	155,102
Trade debts	1,752,216	1,523,049
Loans, advances, deposits, prepayments and other receivables	797,486	692,076
Balances with banks	450,647	190,631
Non-current assets classified as held-for-sale		
- investment in related party	-	15,400
	7,701,768	7,427,155

The company's exposure to credit risk is limited to the carrying amount of trade receivables and bank balances presented on the face of the balance sheet. The aging analysis of trade receivable balances is as follows:

(Rupees in thousand)	2009	2008
Upto 90 days	1,673,187	1,403,124
90 to 180 days	49,339	64,012
181 to 365 days	23,606	49,829
More than 365 days	6,084	6,084
	1,752,216	1,523,049

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

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

	Rating Short-term	Rating Long-term	Rating Agency	2009	2008
(Rupees in thousand)					
Allied Bank Limited	A1 +	AA	PACRA	952	-
Askari Bank Limited	A1 +	AA	PACRA	685	-
Bank Alfalah Limited	A1 +	AA	PACRA	170	-
Bank Al-Habib Limited	A1 +	AA +	PACRA	8,866	-
Barclays Bank PLC, Pakistan	A1 +	AA -	S&P	218,681	-
Citibank N.A.	A1	A +	S&P	891	-
Deutsche Bank A.G.	A1	A +	S&P	38,947	-
Faysal Bank Limited	A2	AA	JCR-VIS	841	1,515
Habib Bank Limited	A1 +	AA +	JCR-VIS	1,390	1,550
Habib Metropolitan Bank Limited	A1 +	AA +	PACRA	769	-
HSBC Bank Middle East Limited	P1	AA2	Moody's	853	-
JS Bank Limited	A1	A	PACRA	8,041	50
MCB Bank Limited	A1 +	AA +	PACRA	20,532	58
Meezan Bank Limited	A1	A +	JCR-VIS	6	7
National Bank of Pakistan	A1 +	AAA	JCR-VIS	84,680	6,679
NIB Bank Limited	A1 +	AA -	PACRA	46,485	32,495
Oman International Bank, S.A.O.G.	A-2	BBB	JCR-VIS	256	51
The Royal Bank of Scotland Limited	A1 +	AA	PACRA	682	-
Silk Bank Limited (Formerly Saudi Pak Commercial Bank Limited)	A-3	A -	JCR-VIS	3	-
SAMBA Bank Limited	A1	A	JCR-VIS	1,383	1,349
Soneri Bank Limited	A1 +	AA -	PACRA	14	14
Standard Chartered Bank (Pakistan) Limited	A1 +	AA +	JCR-VIS	15,269	146,862
United Bank Limited	A1 +	AA +	JCR-VIS	253	-
				450,647	190,631

(c) Liquidity risk

Liquidity risk represents the risk that the company will encounter difficulties in meeting obligations associated with financial liabilities.

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

Management monitors the forecasts of the company's cash and cash equivalents (note 40) on the basis of expected cash flow. This is generally carried out in accordance with practice and limits set by the company. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the company's liquidity management policy involves projecting cashflows in each quarter and considering the level of liquid assets necessary to meet its liabilities, monitoring balance sheet liquidity ratios against internal and external regulatory requirements, and maintaining debt financing plans.

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

(Rupees in thousand)				
At December 31, 2009	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long-term finances	-	14,286	2,978,571	4,977,720
Finances under mark up arrangements - secured	86,496	-	-	-
Derivative financial instruments	-	-	-	-
Trade and other payables	1,656,197	-	-	-
	1,742,693	14,286	2,978,571	4,977,720
At December 31, 2008	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long-term finances - secured	550,000	1,504,357	5,704,714	5,095,329
Finances under mark up arrangements - secured	2,587,819	-	-	-
Derivative financial instruments	72,885	-	-	-
Trade and other payables	1,389,019	-	-	-
	4,599,723	1,504,357	5,704,714	5,095,329

42.2 Capital risk management

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

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

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. During 2009, the company's strategy, which was unchanged from 2008, was to maintain the gearing ratio within 40% to 60% and a AA credit rating. The gearing ratios at December 31, 2009 and 2008 were as follows:

(Rupees in thousand)	2009	2008
Long-term finances	7,970,577	12,854,400
Total equity	23,416,907	16,272,572
Total capital	31,387,484	29,126,972
Gearing ratio	25%	44%

42.3 Fair value estimation

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

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

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

43. Date of authorisation for issue

These financial statements were authorised for issue on February 16, 2010 by the Board of Directors of the company.

44. Non-Adjusting events after the balance sheet date

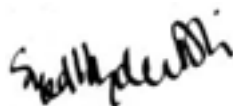
The Board of Directors have proposed a final cash dividend for the year ended December 31, 2009 of Rs. 3.25 per share (2008 Nil), amounting to Rs. 247.233 million (2008 Nil) at their meeting held on February 16, 2010 for approval of the members at the Annual General Meeting to be held on April 20, 2010. The Board has also recommended to transfer Rs. 3,000.000 million (2008: Nil) to general reserve from unappropriated profit.

45. Corresponding figures

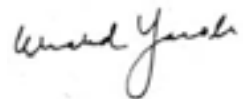
Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However, no significant re-arrangements have been made.



Tawfiq Habib Chinoy
Chairman



Syed Hyder Ali
Chief Executive & Managing Director



Khalid Yacob
Director

Directors' Report on the Consolidated Financial Statements

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

The directors are pleased to present the audited consolidated accounts of the Group for the year ended December 31, 2009.

Group Results

During the year, Group has achieved sales growth of 14% over 2008, however, operating results remained under pressure due to increase in depreciation and finance cost resulting mainly from capitalisation of second phase of expansion project "Bulleh Shah Paper Mill", increase in fuel and power costs due to energy crises and lower machine capacity utilisation at project optimisation stage during the year 2009. Moving forward incremental costs are expected to be absorbed through increased capacity utilisation that will improve operating results of the Group in the coming months. The Group's financial results are as follows:

(Rupees in million)	2009	2008
Net Sales	15,830	13,898
Gross Profit	802	1,383
(Loss) / Profit from operations	(65)	713
Investment Income	9,044	731
Share of Profit / (Loss) of associates	136	(227)
Profit / (Loss) before tax	5,950	(550)

During the year 2009, profit before tax of the Group increased to Rs. 5,950 million primarily due to disposal of Parent Company's entire shareholding in its associated company namely Tetra Pak Pakistan Limited in January 2009 against sale consideration of USD 115 million that has yielded one-off capital gain of Rs. 8,807 million as partially offset against impairment loss recognised by the Parent Company of Rs. 1,794 million on its available for sale investment in Nestle Pakistan Limited that is considered to be other than temporary.

Annual performance of individual subsidiaries is as follows:

DIC PAKISTAN LIMITED

During the year 2009, DIC Pakistan Limited, a non listed public limited subsidiary of Packages Limited operating in

Pakistan, has successfully maintained its operating profits despite increase in cost of imported raw materials and energy shortages prevalent. Such a stable operating performance is mainly attributable to top line growth of 9% that is indicative of entity's ability to transfer increase in production costs across the value chain. The company has implemented SAP Enterprise Resource Planning System (ERP) to integrate and streamline its processes to achieve desired efficiencies and productivity through real time results. Moving forward the company is fully committed to further enhance its sales volume and operating results through increase in customer base, increasing its business with existing customers and operating cost rationalisation.

PACKAGES LANKA (PRIVATE) LIMITED

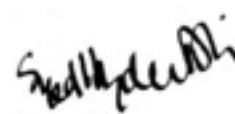
Packages Lanka (Private) Limited, a private limited subsidiary of Packages Limited operating in Sri Lanka, has doubled its bottom line during the year 2009 as profit before tax of the company has grown to SLR 135.64 million against SLR 66.63 million earned by the company during 2008. This growth is mainly attributable to reduction in operating costs including material and fuel & power costs and financial charges. Despite economic pressures in the resident country during first half of 2009, Packages Lanka has maintained its business volume with a marginal top line growth 2.3% over the year 2008. During the year, the company has reduced its short and long-term financial liabilities to the tune of SLR 161.481 million out of its operating cash flows that has resulted in a lower finance cost of the company by SLR 16.930 million during 2009. Moving forward, company is fully focussed to capitalise on the growth opportunities available in the country with improving economic position. In conjunction with group's strategy of investing in product and process quality, Packages Lanka is also targeting ISO 22000 certification and implementation of Total Productive Maintenance in 2010.

PATTERN OF SHAREHOLDING

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



(Towfiq Habib Chinoy)
Chairman
Karachi, February 16, 2010



(Syed Hyder Ali)
Chief Executive & Managing Director
Karachi, February 16, 2010

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Packages Limited (the holding company) and its subsidiary companies (the Group) as at December 31, 2009 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Packages Limited and its subsidiary companies except for Packages Lanka (Private) Limited which was audited by other firm of auditors, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for such company, is based solely on the report of such other auditors. These financial statements are the responsibility of the holding company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Group's Share of income from associated companies of Rs. 136.126 million shown in the consolidated income statement and note 19.1 to the consolidated financial statements is based on unaudited financial statements of these associated companies.

Except for the effect, if any, of the matter referred to in the preceding paragraph, in our opinion the consolidated financial statements present fairly the financial position of Packages Limited and its subsidiary companies (the Group) as at December 31, 2009 and the results of their operations for the year then ended.



A.F. FERGUSON & CO.
Chartered Accountants
Lahore, February 16, 2010

Engagement partner: Mr. Muhammad Masood

Consolidated Balance Sheet

as at December 31, 2009

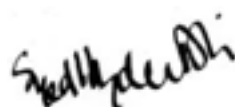
(Rupees in thousand)	Note	2009	2008
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
150,000,000 (2008: 150,000,000) ordinary shares of Rs. 10 each		1,500,000	1,500,000
22,000,000 (2008: Nil) 10 % non-voting cumulative preference shares / convertible stock of Rs. 190 each		4,180,000	-
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Issued, subscribed and paid up capital			
84,379,504 (2008: 84,379,504) ordinary shares of Rs. 10 each	5	843,795	843,795
Reserves	6	17,192,193	15,622,089
Preference shares / convertible stock reserve		1,605,875	-
Unappropriated profit / (loss)		4,003,965	(61,652)
		23,645,828	16,404,232
NON CONTROLLING INTEREST			
		209,635	130,412
		23,855,463	16,534,644
NON-CURRENT LIABILITIES			
Long-term finances	7	7,970,577	12,304,400
Liabilities against assets subject to finance lease	8	8,015	18,465
Deferred liabilities	9	2,655,862	1,006,540
		10,634,454	13,329,405
CURRENT LIABILITIES			
Current portion of long-term liabilities	10	11,532	558,718
Finances under mark up arrangements - secured	11	430,508	3,259,035
Trade and other payables	12	1,768,021	1,588,447
Provision for taxation		29,600	6,824
		2,239,661	5,413,024
Liabilities directly associated with non-current assets classified as held-for-sale - advance against sale of shares		-	1,017,150
		2,239,661	6,430,174
CONTINGENCIES AND COMMITMENTS			
	13	-	-
		36,729,578	36,294,223

(Rupees in thousand)	Note	2009	2008
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	14	19,624,165	11,600,184
Intangible assets	15	16,605	241
Investment property	16	28,020	6,788
Assets subject to finance lease	17	29,381	30,454
Capital work-in-progress	18	65,578	8,165,283
Investments	19	7,971,556	8,255,412
Long-term loans and deposits	20	139,901	155,707
Retirement benefits	21	107,900	127,518
		27,983,106	28,341,587
CURRENT ASSETS			
Stores and spares	22	898,383	862,048
Stock-in-trade	23	4,483,990	4,288,551
Trade debts	24	2,031,990	1,790,189
Loans, advances, deposits, prepayments and other receivables	25	834,796	721,079
Cash and bank balances	26	497,313	215,648
		8,746,472	7,877,515
Non-current assets classified as held-for-sale - investment in related party		-	75,121
		8,746,472	7,952,636
		36,729,578	36,294,223

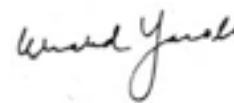
The annexed notes 1 to 50 form an integral part of these financial statements.



Towfiq Habib Chinoy
Chairman



Syed Hyder Ali
Chief Executive & Managing Director



Khalid Yacob
Director

Consolidated Profit and Loss Account

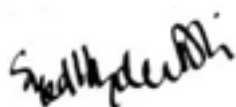
for the year ended December 31, 2009

(Rupees in thousand)	Note	2009	2008
Local sales		17,700,693	15,451,951
Export sales		777,703	672,483
		18,478,396	16,124,434
Less: Sales tax and excise duty		2,622,492	2,203,697
Commission		25,696	23,084
		2,648,188	2,226,781
		15,830,208	13,897,653
Cost of sales	27	(15,028,289)	(12,514,644)
Gross profit		801,919	1,383,009
Administrative expenses	28	(539,029)	(572,008)
Distribution and marketing costs	29	(493,158)	(409,922)
Other operating expenses	30	(130,426)	(12,731)
Other operating income	31	295,884	325,122
Impairment charged on available for sale investment	32	(1,793,991)	-
(Loss) / profit from operations		(1,858,801)	713,470
Finance costs	33	(1,370,630)	(1,768,120)
Investment income	34	9,044,230	731,185
Share of profit / (loss) of associates		136,126	(226,597)
Profit / (loss) before tax		5,950,925	(550,062)
Taxation			
Group	35	(1,796,741)	116,105
Associates		(34,641)	(78,507)
		(1,831,382)	37,598
Profit / (loss) for the year		4,119,543	(512,464)
Attributable to:			
Equity holders of the parent		4,065,617	(565,094)
Non controlling interest		53,926	52,630
		4,119,543	(512,464)
Combined earnings / (loss) per share			
basic	Rupees 44	48.18	(6.70)
diluted	Rupees 44	45.16	(6.70)

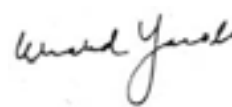
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Towfiq Habib Chinoy
Chairman



Syed Hyder Ali
Chief Executive & Managing Director



Khalid Yacob
Director

Consolidated Statement of Comprehensive Income

for the year ended December 31, 2009

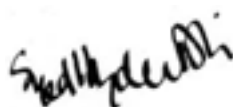
(Rupees in thousand)	2009	2008
Profit / (loss) after taxation	4,119,543	(512,464)
Other comprehensive income		
Exchange differences on translating foreign subsidiary	9,793	37,607
Deficit on remeasurement of available for sale financial assets	(319,455)	(1,702,375)
Surplus on revaluation of fixed assets	111,072	-
Impairment loss transferred to profit and loss account	1,793,991	-
Other comprehensive income / (loss) for the year	1,595,401	(1,664,768)
Total comprehensive income / (loss) for the year	5,714,944	(2,177,232)
Attributable to:		
Equity holders of the parent	5,635,721	(2,237,733)
Non controlling interest	79,223	60,501
	5,714,944	(2,177,232)

103

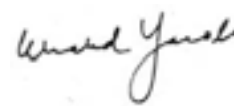
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Tawfiq Habib Chinoy
Chairman



Syed Hyder Ali
Chief Executive & Managing Director



Khalid Yacob
Director

Consolidated Cash Flow Statement

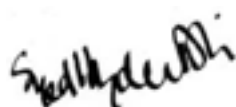
for the year ended December 31, 2009

(Rupees in thousand)	Note	2009	2008
Cash flow from operating activities			
Cash generated from / (used in) operations	42	1,235,262	(699,080)
Finance cost paid		(1,581,436)	(1,890,225)
Taxes paid		(357,592)	(288,379)
Payments for accumulating compensated absences		(8,321)	(12,716)
Retirement benefits paid		(44,236)	(35,564)
Net cash used in operating activities		(756,323)	(2,925,964)
Cash flow from investing activities			
Fixed capital expenditure		(1,057,685)	(2,536,059)
Investment		(10,000)	-
Advance against sale of non-current assets classified as held-for-sale		-	1,017,150
Net decrease in long-term loans and deposits		15,806	88,875
Proceeds from disposal of property, plant and equipment		25,891	24,061
Proceeds from disposal of non-current assets classified as held-for-sale		7,865,000	-
Dividends received		313,087	876,269
Net cash generated from / (used in) investing activities		7,152,099	(529,704)
Cash flow from financing activities			
Payment of long-term finances - secured		(7,354,400)	(15,345)
Proceeds from issuance of preference shares / convertible stock - net		4,076,452	-
Payment of finance lease liabilities		(7,636)	(395)
Proceeds from Ijarah finance		-	1,061,208
Dividend paid to non controlling interest		-	(59,454)
Net cash (used in) / generated from financing activities		(3,285,584)	986,014
Net increase / (decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		(3,043,387)	(573,733)
Cash and cash equivalents at the end of the year	43	66,805	(3,043,387)

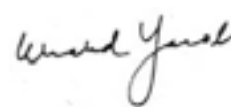
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Towfiq Habib Chinoy
Chairman



Syed Hyder Ali
Chief Executive & Managing Director



Khalid Yacob
Director

Consolidated Statement of Changes in Equity

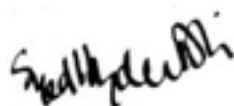
for the year ended December 31, 2009

	Attributable to equity holders of the parent								Non controlling interest	Total equity	
	Share capital	Share premium	Exchange difference on translation of foreign subsidiary	Revaluation reserve	Fair value reserve	General reserve	Preference shares / convertible stock reserve	Unappropriated profit / (loss)			Total
(Rupees in thousand)											
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)
Issue of 11,006,022 ordinary share of											
Rs. 10 each as fully paid bonus shares	110,060	(110,060)	-	-	-	-	-	-	-	-	-
Transferred from profit and loss account	-	-	-	-	-	4,326,797	-	(4,326,797)	-	-	-
Total comprehensive income / (loss) for the year	-	-	29,736	-	(1,702,375)	-	-	(565,094)	(2,237,733)	60,501	(2,177,232)
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
Equity component of preference shares / convertible											
stock as referred to in note 7.3 (net of transaction costs)	-	-	-	-	-	-	1,605,875	-	1,605,875	-	1,605,875
Total comprehensive income for the year	-	-	7,743	87,825	1,474,536	-	-	4,065,617	5,635,721	79,223	5,714,944
Balance as on December 31, 2009	843,795	2,876,893	5,230	87,825	561,912	13,660,333	1,605,875	4,003,965	23,645,828	209,635	23,855,463

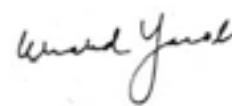
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Towfiq Habib Chinoy
Chairman



Syed Hyder Ali
Chief Executive & Managing Director



Khalid Yacub
Director

Notes to and Forming Part of the Consolidated Financial Statements

for the year ended December 31, 2009

1. Legal Status and nature of business

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

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

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

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

2. Basis of preparation

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

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

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

2.2.1 Standards, amendments to published standards and interpretations that are effective in 2009 and are relevant to the Group

IAS 1 (Revised), 'Presentation of Financial Statements' is effective from January 1, 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the entity shows all owner related changes in equity in statement of changes in equity, whereas all non-owner changes in equity are presented in other comprehensive income. Comparative information is required to be re-presented so that it is in conformity with the revised standard.

The Group has preferred to present two statements; a profit and loss account (income statement) and a second statement beginning with profit or loss and displaying components of other comprehensive income (statement of comprehensive income). Comparative information has also been re-presented so it is in conformity with the revised standard. As this change only impacts presentation aspects, there is no impact on profit for the year.

IAS 23 (Amendment), 'Borrowing Costs' is effective from January 1, 2009. The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed. The Group's current accounting policy is in compliance with this amendment, and therefore there is no impact on the Group's financial statements.

IFRS 7, 'Financial Instruments: Disclosures' is effective from January 1, 2009. IFRS 7 introduces new disclosures relating to financial instruments and does not have any impact on the classification and measurement of the entity's financial instruments. The application of IFRS 7 has resulted in additional disclosures in the Group's financial statements, however, there is no impact on profit for the year.

IFRS 8 'Operating Segments' is effective from January 1, 2009. IFRS 8 replaces IAS 14, 'Segment Reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes, and introduces detailed disclosures regarding the reportable segments and products. The application of IFRS 8 has resulted in detailed disclosures relating to operating segments in the Group's financial statements, however, there is no impact on profit for the year.

2.2.2 Standards, amendments to published standards and interpretations that are effective in 2009 but not relevant to the Group

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2009 are considered not to be relevant or to have any significant impact on the Groups's financial reporting and operations.

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

The following amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after January 1, 2010 or later periods, but the Group has not early adopted them:

IAS 1 (Amendment), 'Presentation of Financial Statements'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group will apply IAS 1 (amendment) from January 1, 2010. It is not expected to have a material impact on the Group's financial statements.

IAS 27 (Revised), 'Consolidated and Separate Financial Statements', is effective from July 1, 2009. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in income statement. The Group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from January 1, 2010. It is not expected to have a material impact on the Group's financial statements.

IAS 38 (Amendment), 'Intangible Assets'. The amendment is part of the IASB's annual improvements project published in April 2009 and the Group will apply IAS 38 (Amendment) from the date IFRS 3 (Revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in any significant impact on the Group's financial statements.

IAS 39 (Amendment), 'Cash Flow Hedge Accounting'. This amendment provides clarification when to recognise gains or losses on hedging instruments as a reclassification adjustments in a cash flow hedge of a forecast transaction that results subsequently in the recognition of a financial instrument. The amendment clarifies that gains or losses should be reclassified from equity to income statement in the period in which the hedged forecast cash flow affects income statement. The Group will apply IAS 39 (Amendment) from January 1, 2010. It is not expected to have any significant impact on the Group's financial statements.

IFRS 3 (Revised), 'Business Combinations' is effective from July 1, 2009. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquire at fair value or at the non-controlling interest's proportionate share of the acquire's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (Revised) prospectively to all business combinations from January 1, 2010. It is not expected to have a material impact on the Group's financial statements.

IFRS 5 (Amendment), 'Measurement of Non-Current Assets (or disposal groups) Classified as Held-For-Sale'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held-for-sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Group will apply IFRS 5 (Amendment) from January 1, 2010. It is not expected to have a material impact on the Group's financial statements.

There are a number of other amendments in other IFRS and IAS which are part of annual improvement project published in April 2009 (not addressed above). These amendments are unlikely to have any impact on the Group's financial statements and therefore have not been analysed in detail.

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 and estimation involved in their application and their impact on these financial statements. Judgments and estimates are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

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 non-controlling 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 recognised directly in the income statement.

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

b) Non Controlling Interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to non controlling interests result in gains and losses for the Group that are recorded in the income statement.

c) Associates

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

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

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

Dilution gains and losses arising in investments in associates are recognised in the income statement.

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 income statement, 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. Freehold land and building of Packages Lanka (Private) Limited is stated at revalued amount. 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	2.50%	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, 2009 has not required any adjustment as its impact is considered insignificant.

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

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

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

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

4.4 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 amount exceeds the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in income statement during the year. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the 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, 2009 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 amount exceeds the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in income statement during the year. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

4.7 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.

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 income statement.

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.

[111](#)

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 16. 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 recognised 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 recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

4.9 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 recognised at cost. The Group's investment

in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Associates are all entities over which the group has significant influence but not control. Investments in equity instruments of associates are accounted for using the equity method of accounting and are initially recognised at cost.

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 recognised on the trade date which is the date that the Group commits to purchase or sell the investment. Cost of purchase includes transaction cost.

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

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, 2009. The actual returns on plan assets during the year were Rs. 93.901 million and Rs. 32.631 million for the pension and gratuity funds respectively. The actual returns on plan assets represent the difference between the fair value of plan assets at beginning of the year and end of the year after adjustments for contributions made by the Group as reduced by benefits paid during the year.

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

Discount rate 12.75 percent per annum.

Expected rate of increase in salary level 10.60 percent per annum. -

Expected rate of return 12.75 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. 38 million to the pension fund and Rs. 11 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 recognised at the time when the Group becomes a party to the contractual provisions of the instrument and derecognised when the Group loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the income statement 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 recognised amount and the Group intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

4.15 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 amount 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 recognised 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 recognised in statement of other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recognised in income statement in the periods when the hedged item will effect income statement. 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 recognised on despatch of goods or on the performance of services. 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 recognised 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 recognised in the income statement. All non-monetary items are translated into pak rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

For the purposes of consolidation, income and expense items of the foreign subsidiary are translated at annual average exchange rate. All monetary and non monetary assets and liabilities are translated at the exchange rate prevailing at the balance sheet date except for share capital which is translated at historical rate. Exchange differences arising on the translation of foreign subsidiary are classified as equity reserve until the disposal of interest in such subsidiary.

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

4.23 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 recognised as a liability in the period in which the dividends are approved.

4.25 Compound financial instruments

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

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

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

4.26 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the parent company that makes strategic decisions.

5. Issued, subscribed and paid up capital

2009 (Number of shares)		2008 (Number of shares)		2009 (Rupees in thousand)		2008 (Rupees in thousand)	
33,603,295	33,603,295	33,603,295	33,603,295	336,033	336,033	336,033	336,033
148,780	148,780	148,780	148,780	1,488	1,488	1,488	1,488
50,627,429	50,627,429	50,627,429	50,627,429	506,274	506,274	506,274	506,274
84,379,504	84,379,504	84,379,504	84,379,504	843,795	843,795	843,795	843,795

19,007,860 (2008: 19,007,860) ordinary shares of the holding company are held by IGI Insurance Limited, an associated undertaking.

(Rupees in thousand)		Note	2009	2008
6. Reserves				
Movement in and composition of reserves is as follows:				
Capital				
Share premium				
At the beginning of the year			2,876,893	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	2,876,893
Exchange difference on translation of foreign subsidiary				
At the beginning of the year			(2,513)	(32,249)
Exchange difference for the year			7,743	29,736
			5,230	(2,513)
Fair value reserve				
At the beginning of the year			(912,624)	789,751
Fair value loss during the year			(319,455)	(1,702,375)
Transfer to income statement			1,793,991	-
	6.2		561,912	(912,624)
Revaluation reserve				
At the beginning of the year			-	-
Surplus on revaluation during the year			87,825	-
			87,825	-
			3,531,860	1,961,756
Revenue				
General reserve				
At the beginning of the year			13,660,333	9,333,536
Transfer from profit and loss account			-	4,326,797
			13,660,333	13,660,333
			17,192,193	15,622,089

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 gain / (loss) on remeasurement of investments at fair value and is not available for distribution. This will be transferred to income statement on derecognition of investments.

(Rupees in thousand)	Note	2009	2008
7. Long-term finances			
These are composed of:			
Local currency loans-secured	7.1	5,500,000	10,500,000
Foreign currency loans-secured	7.2	-	2,354,400
		5,500,000	12,854,400
Preference shares / convertible stock - unsecured	7.3	2,470,577	-
		7,970,577	12,854,400
Less : Current portion shown under current liabilities		-	550,000
		7,970,577	12,304,400

71 Local currency loans - secured

7.1.1 Consortium Loan

This loan has been obtained from a consortium of commercial banks led by MCB Bank Limited. It is secured by a first ranking exclusive hypothecation / equitable mortgage charge over all present and future fixed assets of the parent company amounting to Rs. 6,914 million (2008: 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% per annum and is payable semi annually. The effective mark up charged during the year ranges from 13.76% to 17.01% per annum.

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 parent company amounting to Rs. 419 million (2008: Rs. 800 million) in favour of MCB Bank Limited being security trustee on behalf of Citibank. It carries mark up at six month Karachi Inter Bank Offered Rate (KIBOR) plus 0.90% per annum and is payable semi annually. The effective mark up charged during the year ranges from 13.31% to 16.56% per annum.

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

72 Foreign currency loans - secured

The parent company has fully prepaid foreign currency loan taken from International Finance Corporation (IFC) amounting USD 30 million equivalent to Rs. 2,354,400 million out of the subscription proceeds of preference share / convertible stock issued during the year as referred in note 7.3.

7.2.1 Derivative cross currency swap

The parent company had 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 parent company paid KIBOR minus bank spread to the arranging bank, and received 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 had been no transfer of liability under this arrangement, only the nature of the interest payments had changed. As this hedging relationship was ineffective and did not meet the criteria of cash flow hedge, this arrangement did not qualify for special hedge accounting specified in IAS 39 'Financial instruments: Recognition and Measurement'. This swap has been early wound up by the parent company during the year and the early wind up cost has been included in the finance cost.

7.3 Preference shares / convertible stock - unsecured

During the current period, parent company has issued 10% local currency non-voting cumulative preference shares / convertible stock at the rate of Rs. 190 per share amounting to USD 50 million equivalent to PKR 4,120.500 million under "Subscription Agreement" dated March 25, 2009 with IFC.

Terms of redemption / conversion

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

Rate of return

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

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

(Rupees in thousand)	2009	2008
Face value of preference shares / convertible stock	4,120,500	-
Transaction costs	(44,048)	-
	4,076,452	-
Equity component - classified under capital and reserves	1,605,875	-
Liability component - classified under long-term finances	2,470,577	-
Accrued return on preference shares / convertible stock classified under trade and other payables	193,435	-

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

(Rupees in thousand)	2009	2008
8. Liabilities against assets subject to finance lease		
Present value of minimum lease payments	19,547	27,183
Less: Current portion shown under current liabilities	11,532	8,718
	8,015	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 (Rupees in thousand)	Minimum lease payment	Future finance charge	Present value of lease liability	
			2009	2008
Not later than one year	14,741	3,209	11,532	8,718
Later than one year and not later than five years	8,718	704	8,015	18,465
	<u>23,459</u>	<u>3,913</u>	<u>19,547</u>	<u>27,183</u>

(Rupees in thousand)	Note	2009	2008
9. Deferred liabilities			
Deferred taxation	9.1	2,517,698	892,875
Accumulating compensated absences	9.2	132,946	109,740
Staff gratuity	9.3	5,218	3,925
		<u>2,655,862</u>	<u>1,006,540</u>
9.1 Deferred taxation			
The liability for deferred taxation comprises timing differences relating to:			
Accelerated tax depreciation		3,967,086	2,796,503
Unused tax losses		(1,412,460)	(1,939,112)
Minimum tax available for carry forward		(130,935)	(47,935)
Provision for accumulating compensated absences		(46,533)	(38,409)
Impairment loss in value of investments		-	(16,230)
Preference share / convertible stock issue cost - liability portion		9,343	-
Provision for doubtful debts		(11,219)	(1,896)
Provision for slow moving items		(1,057)	(519)
Provision for doubtful receivables		(527)	(527)
Investments in associated companies		144,000	141,000
		<u>2,517,698</u>	<u>892,875</u>
9.2 Accumulating compensated absences			
Opening balance		109,740	99,449
Provision for the year		31,527	22,783
		<u>141,267</u>	<u>122,232</u>
Less: Payments made during the year		8,321	12,492
Closing balance		<u>132,946</u>	<u>109,740</u>
9.3 Staff gratuity			
This represents staff gratuity of employees of Packages Lanka (Private) Limited and is unfunded.			
10. Current portion of long-term liabilities			
Long-term finances - secured	7	-	550,000
Liabilities against assets subject to finance lease	8	11,532	8,718
		<u>11,532</u>	<u>558,718</u>
11. Finances under mark up arrangements - secured			
Running finances	11.1	156,716	3,123,871
Term finance	11.2	273,792	135,164
		<u>430,508</u>	<u>3,259,035</u>

11.1 Running finances

Short term running finances available from a consortium of commercial banks under mark up arrangements amount to Rs. 7,387,000 million (2008: Rs. 6,527,200 million). The rates of mark up range from Re. 0.3189 to Re. 0.5205 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. 0.4384 to Re. 0.6027 per Rs. 1,000 per diem or part thereof on the balances unpaid. The aggregate running finances are secured by hypothecation of stores, spares, stock-in-trade and trade debts.

11.2 Term finance

Term finance available from a consortium of commercial banks under mark up arrangement amount to Rs. 679,200 million (2008: Rs. 180,200 million). The rates of mark up range from Re. 0.3559 to Re. 0.3671 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. 6,970,500 million (2008: Rs. 8,125,065 million) for opening letters of credit and Rs. 1,294 million (2008: Rs. 1,524 million) for guarantees, the amount utilised at December 31, 2009 was Rs. 273,388 million (2008: Rs. 428,866 million) and Rs. 664,944 million (2008: Rs. 661,619 million) respectively. Of the facility for guarantees, Rs. 1,294 million (2008: Rs. 1,444 million) is secured by second hypothecation charge over stores, spares, stock-in-trade and trade debts.

(Rupees in thousand)	Note	2009	2008
12. Trade and other payables			
Trade creditors	12.1	252,261	277,727
Accrued liabilities	12.2	872,574	736,148
Sales tax payable		79,405	32,780
Excise duty payable		11,054	6,994
Customers' balances		112,432	102,137
Deposits - interest free repayable on demand		8,511	6,006
Mark up accrued on:			
Long-term finances - secured		54,556	184,045
Finances under mark up arrangements - secured		13,328	111,969
Accrued preference return		193,435	-
Workers' profit participation fund	12.3	-	8,255
Workers' welfare fund		120,882	4,002
Derivative cross currency swap		-	72,885
TFCs payable		1,389	1,405
Unclaimed dividends		9,969	9,975
Others		38,225	34,119
		1,768,021	1,588,447

12.1 Trade creditors include amount due to related parties Rs. 11,041 million (2008: Rs. 21,568 million).

12.2 Accrued liabilities include amount due to related parties Rs. 19,393 (2008: Rs. 0,884 million).

(Rupees in thousand)	Note	2009	2008
12.3 Workers' profit participation fund			
Opening balance		8,255	58,470
Add: Provision for the year	30	8,252	8,255
		16,507	66,725
Less: Payments made during the year		17,255	58,470
Closing balance - classified as loans, advances, deposits prepayments and other receivables		(748)	8,255

13. Contingencies and commitments

13.1 Contingencies

- (i) Claims against the Group not acknowledged as debts Rs. 15.802 million (2008: Rs. 14.193 million).
- (ii) Against a sales tax refund aggregating Rs. 12.827 million determined by the Sales Tax Officer (STO) on the basis of the orders of the Appellate Assistant Commissioner (Inland Revenue), AAC, for the assessment years 1977-78 through 1980-81 and recognised in the financial statements in 1985, the STO filed an appeal in 1986 with the Income Tax Appellate Tribunal (ITAT) against the Orders of the AAC for these years. The orders of the AAC were based on a decision already given by the ITAT on the Group's appeal for application of a lower rate of sales tax on self consumed material for earlier years. Pending the outcome of the appeal filed by STO no adjustment has been made for the refunds recognised in the financial statements as the management is of the view that the appeal of the STO will not be upheld by the ITAT.
- (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. 27.305 million (2008: Rs. 28.544 million) in respect of goods imported.

13.2 Commitments in respect of

- (i) Letters of credit and contracts for capital expenditure Rs. 6.967 million (2008: Rs. 292.347 million).
- (ii) Letters of credit and contracts other than for capital expenditure Rs. 457.295 million (2008: Rs. 319.416 million).
- (iii) The amount of future payments under operating leases and Ijarah financing and the period in which these payments will become due are as follows:

(Rupees in thousand)	2009	2008
Not later than one year	230,527	171,057
Later than one year and not later than five years	1,180,215	1,222,353
Later than five years	129,661	386,327
	1,540,403	1,779,737

14. Property, plant and equipment

	2009												
	Cost as at December 31, 2008	Transfer in / (out) / adjustment	Exchange adjustment on opening cost	Additions / (deletions)	Revaluation of foreign subsidiary	Cost as at December 31, 2009	Accumulated depreciation as at December 31, 2008	Exchange adjustment on opening accumulated depreciation	Depreciation charge / (deletions) for the year	Transfer (out) / adjustment	Revaluation adjustment	Accumulated depreciation as at December 31, 2009	Book value as at December 31, 2009
(Rupees in thousand)													
Freehold land	335,295	-	1,601	8,470	83,029	428,395	-	-	-	-	-	-	428,395
Buildings on freehold land	1,958,741	(41,923)	2,938	1,278,083	1,274	3,199,095	196,504	1,406	120,227	(1,087)	(26,770)	290,280	2,908,815
Buildings on leasehold land	194,516	-	-	8,976	-	203,492	67,769	-	8,650	-	-	76,419	127,073
Plant and machinery	14,908,288	(11,327)	16,562	7,878,467	-	22,773,832	5,810,912	10,225	1,160,232	3,066	-	6,967,640	15,806,192
Other equipments	459,263	-	3,657	98,343	-	559,171	336,998	3,514	39,843	-	-	378,348	180,823
Furniture and fixtures	33,869	-	203	6,054	-	39,284	25,781	168	2,265	-	-	27,618	11,666
Vehicles	285,505	-	246	60,373	-	308,553	137,329	123	37,282	-	-	147,352	161,201
	18,175,477	(53,250)	25,207	9,338,766	84,303	27,511,822	6,575,293	15,436	1,368,499	1,979	(26,770)	7,887,657	19,624,165
				(58,681)					(46,780)				

2008

	Cost as at December 31, 2007	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	14,908,288	5,048,530	29,469	774,101	5,810,912	9,097,376
Other equipments	408,643	10,729	40,919	459,263	294,441	10,248	33,455	336,998	122,265
Furniture and fixtures	31,052	631	2,240	33,869	22,342	514	2,979	25,781	8,088
Vehicles	269,423	624	49,441	285,505	124,796	283	35,586	137,329	148,176
	16,308,651	76,419	1,866,784	18,175,477	5,671,783	44,516	924,718	6,575,293	11,600,184
			(76,377)				(65,724)		

Property, plant and equipment include mark up capitalised of Rs. 1,546.219 million (2008: Rs. 118.326 million).

Property, plant and equipment include assets amounting to Rs. 12.026 million (2008: Rs. 12.026 million) of the Group which are not in operation.

The cost of fully depreciated assets which are still in use as at December 31, 2009 is Rs. 3,317.502 million (2008: Rs. 3,156.950 million).

14.1 Disposal of property, plant and equipment

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

		2009				
Particulars of assets (Rupees in thousand)	Sold to	Cost	Accumulated depreciation	Book value	Sales proceeds	Mode of disposal
Vehicles	Employees					
	Mr. Asad Javaid	841	284	557	588	Company policy
	Ata un Noor Ahmad	431	323	108	775	Negotiation
	Azhar Ali	730	119	611	657	Company policy
	Fiaz Ahmad	440	72	368	355	Negotiation
	Jamshaid Raza	408	81	327	320	Company policy
	Khalid Abdul Quddus	567	454	113	297	- do -
	M.H.Babary	1,000	935	65	209	Negotiation
	Mubarik Ali Rana	532	73	459	467	Company policy
	Mubasshir Ahmed Sheikh	262	88	174	168	Negotiation
	Mughees Afzal	545	27	518	509	Company policy
	Muhammad Naseem	536	90	446	334	- do -
	Muhammad Farhan Bashir	800	384	416	721	- do -
	Mureed Hussain	624	133	491	534	- do -
	Mushtaq Ahmad	831	651	180	582	- do -
	Naveed Ahmad Taj	277	149	128	440	Negotiation
	Noman Majeed Khan	333	250	83	525	- do -
	Shahid Rasheed	244	183	61	445	- do -
	Shoaib Jawaid	565	141	424	445	Company policy
	Suleman Arshad Pall	380	124	256	277	- do -
	Tariq Ikram	590	393	197	317	- do -
	Zeeshan Zahid	381	81	300	275	- do -
	Outsiders					
	Mr. Allah Rakha	1,453	1,114	339	678	Negotiation
	Muhammad Ejaz	2,310	780	1,530	366	-do-
	Muhammad Mushtaq	915	625	290	736	-do-
	Muhammad Pervaiz	333	249	84	435	-do-
	Muhammad Qadir	370	265	105	281	-do-
	Muhammad Raza Kazmi	1,594	1,195	399	670	-do-
	M/s Gulzar Sons	137	11	126	48	-do-
	Gulzar Sons	53	1	52	31	-do-
	IGI Insurance Limited - Related Party	382	48	334	350	Insurance claim
	IGI Insurance Limited - Related Party	405	51	354	380	-do-
	IGI Insurance Limited - Related Party	380	57	323	323	-do-
Other assets with book value less than Rs. 50,000		39,032	37,349	1,683	12,353	-
		58,681	46,780	11,901	25,891	

		2008				
Particulars of assets	Sold to	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 -
	Tariq Ishfaq	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 Hussan	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. Riaz Ahmed	372	112	260	311	Negotiation
	Muhammad Asif	380	29	351	406	- do -
	Adnan Bhatti	354	207	147	263	- 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 -
	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	-
		<u>76,377</u>	<u>65,724</u>	<u>10,653</u>	<u>24,061</u>	

15. Intangible assets

(Rupees in thousand)	Cost as at December 31, 2008	Additions	Cost as at December 31, 2009	Accumulated amortisation as at December 31, 2008	Amortisation charge for the year	Accumulated amortisation as at December 31, 2009	Book value as at December 31, 2009
Computer software and ERP system	125,086	16,939	142,025	124,845	575	125,420	16,605
2009	125,086	16,939	142,025	124,845	575	125,420	16,605
2008	124,775	311	125,086	124,412	433	124,845	241

The cost of fully amortised assets which are still in use as at December 31, 2009 is Rs. 124.776 million (2008: Rs. 124.075 million).

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

(Rupees in thousand)	Note	Depreciation	Amortisation	Total	
				2009	2008
Cost of sales	27	1,336,484	18	1,336,502	893,673
Administrative expenses	28	25,307	369	25,676	26,074
Distribution and marketing costs	29	6,708	188	6,896	5,404
		1,368,499	575	1,369,074	925,151

16. Investment property

(Rupees in thousand)	Cost as at December 31, 2008	Transfer in	Additions	Cost as at December 31, 2009	Accumulated depreciation as at December 31, 2008	Transfer in	Depreciation charge for the year	Accumulated depreciation as at December 31, 2009	Book value as at December 31, 2009
Buildings on freehold land	-	23,465	-	23,465	-	1,087	548	1,635	21,830
Buildings on leasehold land	15,976	-	-	15,976	9,188	-	598	9,786	6,190
2009	15,976	23,465	-	39,441	9,188	1,087	1,146	11,421	28,020
2008	15,976	-	-	15,976	8,588	-	600	9,188	6,788

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, 2009 is Rs. 39.378 million (2008: Rs. 17.120 million).

17. Assets subject to finance lease

(Rupees in thousand)	Cost as at December 31, 2008	Exchange adjustment	Additions / (Deletions)	Cost as at December 31, 2009	Accumulated depreciation as at December 31, 2008	Exchange adjustment	Depreciation charge / (deletions) for the year	Accumulated depreciation as at December 31, 2009	Book value as at December 31, 2009
Plant and machinery	34,149	1,774	-	32,052	3,695	94	1,948	2,671	29,381
			(3,871)				(3,066)		
2009	34,149	1,774	-	32,052	3,695	94	1,948	2,671	29,381
			(3,871)				(3,066)		
2008	3,152	3,526	27,471	34,149	1,866	555	1,274	3,695	30,454

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

17.1 The depreciation change for the year has been allocated as follows:

(Rupees in thousand)	Note	2009	2008
Cost of sales	27	1,948	-
Administrative expenses	28	-	1,274
		1,948	1,274

(Rupees in thousand)	Note	2009	2008
18. Capital work-in-progress			
Civil works		12,928	16,975
Plant and machinery (including in transit Nil (2008: Rs. 7.833 million))		52,494	25,421
Others		156	27
Expansion project:			
Civil works		-	741,472
Plant and machinery (including in transit Nil (2008: Rs. 2.40 million))		-	5,767,935
Advances		-	5,534
Unallocated expenditure		-	1,607,919
		-	8,122,860
		65,578	8,165,283
19. Investments			
These represent the long-term investments in:			
Equity instruments of associated companies	19.1	3,410,008	3,384,409
Others	19.5	4,561,548	4,871,003
		7,971,556	8,255,412
19.1 In equity instruments of associated companies			
Cost		3,758,386	3,773,785
Post acquisition (loss) / profit brought forward		(373,977)	135,933
		3,384,409	3,909,718
Profit / (loss) for the year			
Before taxation		136,126	(226,597)
Provision for taxation		(34,641)	(78,507)
		101,485	(305,104)
		3,485,894	3,604,614
Less: Dividends received during the year		75,886	145,084
Investment classified as held-for-sale		-	75,121
		75,886	220,205
Balance as on December 31	19.2	3,410,008	3,384,409
19.2 In equity instruments of associated companies			
Quoted			
IGI Insurance Limited			
6,354,412 (2008: 6,354,412) fully paid ordinary shares of Rs. 10 each Market value - Rs. 558.489 million (2008: Rs. 732.473 million)		1,076,190	1,141,310
Tri-Pack Films Limited			
10,000,000 (2008: 10,000,000) fully paid ordinary shares of Rs. 10 each Market value - Rs. 1,030.000 million (2008: Rs. 1,246.400 million)		2,292,513	2,197,782
IGI Investment Bank Limited			
4,610,915 (2008: 4,610,915) fully paid ordinary shares of Rs. 10 each Market value - Rs. 16.277 million (2008: Rs. 14.524 million)		41,305	45,317
		3,410,008	3,384,409

19.3 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.

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

(Rupees in thousand)					
Name	Percentage interest held	Assets	Liabilities	Revenues	Profit / (loss)
December 31, 2008					
IGI Insurance Limited	10.61%	1,400,588	249,772	63,553	(42,875)
Tri-Pack Films Limited	33.33%	1,437,588	1,000,230	1,954,967	159,979
IGI Investment Bank Limited	2.17%	155,592	111,255	19,335	(3,605)
		<u>2,993,768</u>	<u>1,361,257</u>	<u>2,037,855</u>	<u>113,499</u>
September 30, 2009					
IGI Insurance Limited	10.61%	1,429,736	208,063	52,900	101,612
Tri-Pack Films Limited	33.33%	1,354,322	876,958	1,361,211	100,000
IGI Investment Bank Limited	2.17%	150,908	110,750	11,499	(5,850)
		<u>2,934,966</u>	<u>1,195,771</u>	<u>1,425,610</u>	<u>195,762</u>

(Rupees in thousand)		2009	2008
19.5	Others		
	Quoted		
	Nestle Pakistan Limited		
	3,649,248 (2008: 3,649,248) fully paid ordinary shares of Rs. 10 each	4,546,817	4,866,272
	Unquoted		
	Tetra Pak Pakistan Limited		
	1,000,000 (2008: Nil) fully paid non-voting ordinary shares of Rs. 10 each	10,000	-
	Pakistan Tourism Development Corporation Limited		
	2,500 (2008: 2,500) fully paid ordinary shares of Rs. 10 each	25	25
	Orient Match company Limited		
	1,900 (2008: 1,900) fully paid ordinary shares of Rs. 100 each	-	-
	Coca-Cola Beverages Pakistan Limited		
	500,000 (2008: 500,000) fully paid ordinary shares of Rs. 10 each	4,706	4,706
		<u>4,561,548</u>	<u>4,871,003</u>

Nestle Pakistan Limited, Tetra Pak 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.

(Rupees in thousand)	Note	2009	2008
20. Long-term loans and deposits			
Loans to employees - considered good	20.1	2,340	2,339
Loan to SNGPL	20.2	131,200	147,600
Security deposits		23,184	22,633
		156,724	172,572
Less: Receivable within one year			
Loans to employees - considered good		423	465
Loan to SNGPL		16,400	16,400
		16,823	16,865
		139,901	155,707

20.1 These represent interest free loans to employees for purchase of motor cycles and cycles and are repayable in monthly instalments over a period of 57 to 248 months.

Loans to employees aggregating Rs. 0.432 million (2008: Rs. 0.445 million) are secured by joint registration of motor cycles in the name of employees and the Group. The remaining loans are unsecured.

20.2 This represents an unsecured loan given to Sui Northern Gas Pipelines Limited (SNGPL) for the development of the infrastructure for the supply of natural gas to the plants at Bulleh Shah Paper Mill (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 December 26, 2008.

(Rupees in thousand)	2009	2008
21. Retirement benefits		
Pension fund	13,295	32,725
Gratuity fund	94,605	94,793
	107,900	127,518

(Rupees in thousand)	Pension Fund		Gratuity Fund	
	2009	2008	2009	2008
The amounts recognised in the balance sheet are as follows:				
Fair value of plan assets	592,086	493,088	303,425	283,474
Present value of defined benefit obligation	(767,086)	(595,808)	(247,893)	(211,836)
Non vested past service cost to be recognised in later periods	-	3,025	-	-
Unrecognised actuarial loss	188,295	132,420	39,073	23,155
Asset as at December 31	13,295	32,725	94,605	94,793
Net asset / (liability) as at January 1	32,725	(1,481)	94,793	89,743
Charge to income statement	(53,755)	7,174	(10,099)	(3,482)
Contribution by the company	34,325	27,032	9,911	8,532
Asset as at December 31	13,295	32,725	94,605	94,793
The movement in the present value of defined benefit obligation is as follows:				
Present value of defined benefit obligation as at January 1	595,808	547,041	211,836	178,979
Service cost	20,987	16,872	13,466	9,547
Interest cost	92,483	58,412	32,154	18,410
Benefits paid	(36,950)	(32,913)	(22,591)	(23,862)
Past service cost	-	-	-	9,297
Experience loss	94,758	6,396	13,028	19,465
Present value of defined benefit obligation as at December 31	767,086	595,808	247,893	211,836
The movement in fair value of plan assets is as follows:				
Fair value as at January 1	493,088	644,296	283,474	296,469
Expected return on plan assets	65,612	70,883	37,107	31,790
Company contributions	34,325	27,032	9,911	8,533
Employee contributions	7,722	6,077	-	-
Benefits paid	(36,950)	(32,913)	(22,591)	(23,862)
Experience gain / (loss)	28,289	(222,287)	(4,476)	(29,456)
Fair value as at December 31	592,086	493,088	303,425	283,474
Plan assets are comprised as follows:				
Debt	136,991	46,657	110,746	12,996
Equity	124,518	171,943	25,796	69,425
Cash	330,577	274,488	166,883	201,053
	592,086	493,088	303,425	283,474

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

(Rupees in thousands)	2009	2008	2007	2006	2005
As at December 31					
Present value of defined benefit obligation	767,086	595,808	547,041	496,792	474,774
Fair value of plan assets	592,086	493,088	644,296	483,965	437,180
(Deficit) / surplus	(175,000)	(102,720)	97,255	(12,827)	(37,594)
Experience adjustment on obligation	6%	1%	2%	-3%	2%
Experience adjustment on plan assets	5%	-51%	17%	0%	8%

Fair value of plan assets include ordinary shares of the parent company, whose fair value as at December 31, 2009 is Rs. 96 million (2008: Rs. 48 million).

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

(Rupees in thousands)	2009	2008	2007	2006	2005
As at December 31					
Present value of defined benefit obligation	247,893	211,836	178,979	167,073	150,527
Fair value of plan assets	303,425	283,474	296,469	257,356	243,427
Surplus	55,532	71,638	117,490	90,283	92,900
Experience adjustment on obligation	5%	9%	2%	2%	3%
Experience adjustment on plan assets	-1%	-10%	7%	-1%	0%

Fair value of plan assets include ordinary shares of the parent company, whose fair value as at December 31, 2009 is Rs. 15 million (2008: Rs. 9 million).

(Rupees in thousand)		2009	2008
22.	Stores and spares		
	Stores (including in transit Rs. 1.734 million (2008: Rs. 13.601 million))	407,044	352,998
	Spares (including in transit Rs. 1.592 million (2008: Rs. 12.071 million))	491,339	509,050
		898,383	862,048
	Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.		
23.	Stock-in-trade		
	Raw materials (including in transit Rs. 231.406 million (2008: Rs. 263.606 million))	2,194,222	2,624,005
	Work-in-process	227,609	301,323
	Finished goods	2,067,576	1,368,640
		4,489,407	4,293,968
	Less: Provision for slow moving items	5,417	5,417
		4,483,990	4,288,551

Finished goods of Rs. 966.351 million (2008: Rs. 231.143 million) are being carried at net realisable value and an amount of Rs. 99.397 million (2008: Rs. 22.727 million) has been charged to cost of sales, being the cost of inventory written down during the year.

(Rupees in thousand)		Note	2009	2008
24.	Trade debts			
	Considered good			
	Related parties - unsecured	24.1	437,656	320,957
	Others	24.2	1,594,334	1,473,943
			2,031,990	1,794,900
	Considered doubtful			
	Others		31,226	1,484
			2,063,216	1,796,384
	Provision for doubtful debts	24.3	(31,226)	(6,195)
			2,031,990	1,790,189
24.1	Related parties - unsecured			
	Associated undertakings			
	Treet Corporation		1,304	25
	Nestle Pakistan Limited		121,091	157,277
	Tri-Pack Films Limited		6,259	5,019
	Coca-Cola Beverages Pakistan Limited		1,318	1,532
	Other Related Parties			
	Tetra Pak Pakistan Limited		246,933	135,669
	Mitchell's Fruit Farms Limited		18,864	7,843
	Ceylon Tea Services Limited		13,864	11,437
	Others		28,023	2,155
			437,656	320,957

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

24.2 Others include debts of Rs. 166.416 million (2008: Rs. 109.181 million) which are secured by way of bank guarantees and inland letters of credit.

(Rupees in thousand)	Note	2009	2008
24.3	The movement in provision during the year is as follows:		
Balance as at January 1		6,195	6,424
Add: Provision during the year		28,181	-
Balance as at December 31		34,376	6,424
Bad debts written off against provision		(3,150)	(229)
Balance as at December 31		31,226	6,195
25.	Loans, advances, deposits, prepayments and other receivables		
Current portion of loans to employees - considered good		423	465
Current portion of loan receivable from SNGPL		16,400	16,400
Advances - considered good			
To employees	25.1	10,914	10,116
To suppliers		39,341	63,668
		50,255	73,784
Due from related parties - unsecured	25.2	8,236	13,804
Trade deposits		84,121	92,004
Security deposits		51	48
Prepayments		16,802	17,212
Balances with statutory authorities			
Customs duty		2,621	1,100
Claims recoverable from Government			
Sales tax		9,962	60,921
Income tax refundable		588,597	380,147
Income tax recoverable	25.3	36,013	36,013
Octroi - considered doubtful		1,506	1,506
		636,078	478,587
Interest receivable on loans to SNGPL		103	115
Workers' profit participation fund		748	-
Letter of credit margin		-	6,688
Other receivables		20,464	22,378
		836,302	722,585
Less: Provision against doubtful advances		1,506	1,506
		834,796	721,079

25.1 Included in advances to employees are amounts due from executives of Rs. 1.878 million (2008: Rs. 0.375 million).

(Rupees in thousand)	2009	2008
25.2 Due from related parties - unsecured		
Associated undertakings		
Tri-Pack Films Limited	1,330	-
IGI Insurance Limited	87	271
Other related parties		
BOC Pakistan Limited	319	213
Tetra Pak Pakistan Limited	4,420	3,547
Siemens Pakistan Limited	1,575	9,645
Others	505	128
	8,236	13,804

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

- 25.3** 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 ITO has filed an appeal against the Commissioner's order with the Income Tax Appellate Tribunal (ITAT). The ITAT has in its order issued in 1996 maintained the order of CIT(A). The assessing officer after the receipt of the appellate order passed by CIT(A), has issued notices under section 65 of the Income Tax Ordinance, 1979 and the parent company has filed a writ petition against the aforesaid notices with the High Court of Sindh, the outcome of which is still pending.

The 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.

(Rupees in thousand)	Note	2009	2008
26. Cash and bank balances			
At banks:			
On deposit accounts (including USD 10,874.07 (2008: USD 10,874.07))		6,344	3,927
On saving accounts	26.1	294,363	10
On current accounts (including USD 243,011.79 (2008: USD 837.94))	26.2	191,247	202,797
		491,954	206,734
In hand		5,359	8,914
		497,313	215,648

- 26.1** The balances in saving accounts bear mark up which ranges from 5.0 % to 16% per annum.

- 26.2** Included in these are total restricted funds of Rs. 1.334 million (2008: Rs. 1.349 million) held as payable to TFC holders as referred to in note 12.

(Rupees in thousand)	Note	2009	2008
27. Cost of sales			
Opening work-in-process		301,323	169,391
Materials consumed		9,636,519	8,668,038
Salaries, wages and amenities	27.1	973,851	744,234
Fuel and power		2,110,119	1,795,552
Production supplies		396,273	331,586
Excise duty and sales tax		1,783	1,333
Rent, rates and taxes	27.2	156,787	72,756
Insurance		85,173	59,575
Repairs and maintenance		532,740	441,937
Packing expenses		148,164	109,309
Depreciation on property, plant and equipment		1,336,484	893,460
Amortisation on intangible assets		18	213
Depreciation on assets subject to finance lease		1,948	-
Technical fee and royalty		49,039	40,802
Travelling and conveyance		4,677	4,845
Other expenses		220,263	191,960
		15,955,161	13,524,991
Less: Closing work-in-process		227,609	301,323
Cost of goods produced		15,727,552	13,223,668
Opening stock of finished goods		1,371,795	662,771
Cost of goods available for sale		17,099,347	13,886,439
Less: Closing stock of finished goods		2,071,058	1,371,795
		15,028,289	12,514,644

Cost of goods produced includes Rs. 1,154.694 million (2008: Rs. 1,177.184 million) for stores and spares consumed, Rs. 93.185 million (2008: Rs. 12.405 million) and Rs. 17.977 million (2008: Rs. 2.841 million) for raw material and stores & spares written off respectively.

(Rupees in thousand)	2009	2008
27.1 Salaries, wages and amenities		
Salaries, wages and amenities include following in respect of retirement benefits:		
Pension		
Current service cost	13,908	10,928
Interest cost for the year	61,289	37,833
Expected return on plan assets	(43,481)	(45,910)
Contribution made by the employees	(5,117)	(3,937)
Recognition of loss / (gain)	7,021	(5,518)
Recognition of past service cost	2,005	1,957
	35,625	(4,647)
Gratuity		
Current service cost	9,762	7,091
Interest cost for the year	23,310	13,673
Expected return on plan assets	(26,900)	(23,610)
Recognition of loss / (gain)	1,150	(1,472)
Recognition of past service cost	-	6,904
	7,322	2,586

In addition to above, salaries, wages and amenities include Rs. 17403 million (2008: Rs. 18.760 million) and Rs. 15.660 million (2008: Rs. 12.506 million) in respect of provident fund contribution by the parent company and accumulating compensated absences respectively.

27.2 Rent, rates and taxes include operating lease rentals amounting to Rs. 153.563 million (2008: Rs. 70.037 million).

(Rupees in thousand)		Note	2009	2008
28.	Administrative expenses			
	Salaries, wages and amenities	28.1	264,451	198,816
	Travelling		40,848	48,223
	Rent, rates and taxes	28.2	15,839	16,907
	Insurance		8,478	6,496
	Printing, stationery and periodicals		19,215	19,994
	Postage, telephone and telex		22,576	23,370
	Motor vehicles running		11,935	15,687
	Computer charges		13,407	11,307
	Professional services	36	36,523	131,350
	Repairs and maintenance		12,838	13,514
	Depreciation on property, plant and equipment		25,307	25,854
	Amortisation on intangible assets		369	220
	Depreciation on investment property		1,146	600
	Depreciation on assets subject to finance lease		-	1,274
	Security services		2,277	1,906
	Advances written off		612	-
	Other expenses		63,208	56,490
			539,029	572,008

Administrative expenses include Rs. 44.985 million (2008: Rs. 31.668 million) for stores and spares consumed.

135

(Rupees in thousand)		2009	2008
28.1	Salaries, wages and amenities		
	Salaries, wages and amenities include following in respect of retirement benefits:		
	Pension		
	Current service cost	4,962	4,360
	Interest cost for the year	21,868	15,094
	Expected return on plan assets	(15,514)	(18,316)
	Contribution made by the employees	(1,826)	(1,570)
	Recognition of loss / (gain)	2,505	(2,201)
	Recognition of past service cost	715	781
		12,710	(1,852)
	Gratuity		
	Current service cost	2,597	1,802
	Interest cost for the year	6,200	3,474
	Expected return on plan assets	(7,155)	(5,999)
	Recognition of loss / (gain)	306	(374)
	Recognition of past service cost	-	1,754
		1,948	657

In addition to above, salaries, wages and amenities include Rs. 4.278 million (2008: Rs. 4.825 million) and Rs. 8.149 million (2008: Rs. 7.372 million) in respect of provident fund contribution by the parent company and accumulating compensated absences respectively.

28.2 Rent, rates and taxes include operating lease rentals amounting to Rs. 11.313 million (2008: Rs. 11.965 million).

(Rupees in thousand)	Note	2009	2008
29. Distribution and marketing costs			
Salaries, wages and amenities	29.1	109,196	71,729
Travelling		26,638	22,344
Rent, rates and taxes	29.2	2,736	3,273
Freight and distribution		210,247	202,452
Insurance		1,526	1,309
Printing, stationery and periodicals		263	304
Postage, telephone and telex		423	472
Advertising		74,314	70,240
Depreciation on property, plant and equipment		6,708	5,404
Amoritsation on intangible assets		188	-
Repairs and maintenance		657	513
Provision for doubtful debts		28,181	-
Bad debts written off		(3,329)	(1,374)
Other expenses		35,410	33,256
		493,158	409,922

Distribution and marketing cost include Rs. 4.290 million (2008: Rs. 5.621 million) for stores and spares consumed.

(Rupees in thousand)	2009	2008
29.1 Salaries, wages and amenities		
Salaries, wages and amenities include following in respect of retirement benefits:		
Pension		
Current service cost	2,116	1,584
Interest cost for the year	9,326	5,485
Expected return on plan assets	(6,617)	(6,656)
Contribution made by the employees	(779)	(571)
Recognition of loss / (gain)	1,068	(800)
Recognition of past service cost	305	283
	5,419	(675)
Gratuity		
Current service cost	1,107	655
Interest cost for the year	2,644	1,263
Expected return on plan assets	(3,052)	(2,181)
Recognition of loss / (gain)	130	(136)
Recognition of past service cost	-	638
	829	239

In addition to above, salaries, wages and amenities include Rs. 1.778 million (2008: Rs. 1.761 million) and Rs. 5.226 million (2008: Rs. 2.905 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. 2.479 million (2008: Rs. 2.534 million).

(Rupees in thousand)		Note	2009	2008
30.	Other operating expenses			
	Workers' profit participation fund		8,252	8,255
	Workers' welfare fund		120,017	3,137
	Donations	37	2,157	1,339
			130,426	12,731
31.	Other operating income			
	Income from financial assets			
	Exchange gain - net		18,806	-
	Income on bank deposits		117,055	1,057
	Interest on loan to SNGPL		2,201	2,447
			138,062	3,504
	Income from non-financial assets			
	Management and technical fee		49,609	22,756
	Insurance commission from related party		6,343	4,574
	Rental income from investment property (including Rs. 31.537 million (2008: Rs. 25.019 million) from related parties)		33,043	27,503
	Profit on disposal of property, plant and equipment		13,990	13,408
	Scrap sales		11,112	7,578
	Provisions and unclaimed balances written back		13,644	236,067
	Rebate income		3,347	514
	Profit on outside jobs (including Rs. 0.163 million (2008: Rs. 1.698 million) from related parties)		372	2,550
	Others		26,362	6,668
			157,822	321,618
			295,884	325,122

32. This represents the decline in value of shares of Nestle Pakistan Limited held by the parent company and classified as available for sale investment which is considered other than temporary and accordingly charged to income statement.

(Rupees in thousand)		Note	2009	2008
33.	Finance costs			
	Interest and mark up including commitment charges on			
	Long-term finances-secured		905,504	763,135
	Finances under mark up arrangements-secured		116,226	326,684
	Finance lease		12,823	2,472
	Return on preference shares / convertible stock		193,435	-
	Loan handling charges		957	639
	Cross currency swap expense		128,479	72,885
	Exchange loss-net		-	587,806
	Bank charges		13,206	14,499
			1,370,630	1,768,120
34.	Investment income			
	Dividend income from related parties	34.1	237,201	731,185
	Gain on sale of long-term investment		8,807,029	-
			9,044,230	731,185

(Rupees in thousand)	2009	2008
34.1 Dividend income from related parties		
Tetra Pak Pakistan Limited	-	634,480
Nestle Pakistan Limited	237,201	96,705
	<u>237,201</u>	<u>731,185</u>
35. Taxation		
For the year		
Current	164,617	69,483
Deferred	1,690,500	(158,021)
	<u>1,855,117</u>	<u>(88,538)</u>
Prior years		
Current	7,559	1,433
Deferred	(65,935)	(29,000)
	<u>(58,376)</u>	<u>(27,567)</u>
	<u>1,796,741</u>	<u>(116,105)</u>
36. Professional services		
The charges for professional services include the following in respect of auditors' services for:		
Statutory audit	2,222	1,811
Half yearly review	500	400
Tax services	3,513	2,729
Workers' profit participation fund audit, management staff pension and gratuity fund audit, special reports and certificates for lending agencies and sundry services	472	387
Out of pocket expenses	584	390
	<u>7,291</u>	<u>5,717</u>

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, Directors 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 and Executives of the Group are as follows:

	Chief Executive		Directors		Executives	
	2009	2008	2009	2008	2009	2008
Number of persons	1	1	3	3	61	53
(Rupees in thousand)						
Short-term employee benefits						
Managerial remuneration	5,585	4,567	12,596	14,344	89,362	95,231
Housing	2,624	2,863	5,289	6,929	25,274	22,548
Utilities	941	771	1,158	1,367	6,788	5,424
Bonus	1,492	1,264	3,360	3,090	14,135	10,388
Leave passage	1,232	1,504	1,076	1,546	2,931	2,453
Medical expenses	1,012	1,041	653	353	745	2,972
Club expenses	41	41	195	139	114	42
Overseas travels	-	-	-	-	248	607
Others	-	-	-	-	9,034	2,772
	12,927	12,051	24,327	27,768	148,631	142,437
Post employment benefits						
Contribution to provident, gratuity and pension funds	1,764	1,495	2,542	2,775	14,053	9,959
Other long-term benefits						
Accumulating compensated absences	814	1,628	1,073	908	11,629	3,532
	15,505	15,174	27,942	31,451	174,313	155,928

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 5 directors (2008: 6 directors) is Rs. 340,000 (2008: Rs. 145,000).

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:

(Rupees in thousand)		2009	2008
Relationship with the Group	Nature of transactions		
i. Associated undertakings	Purchase of goods and services	314,456	323,054
	Sale of goods and services	30,011	1,808,098
	Insurance premium	121,432	102,903
	Insurance claims	5,621	103,339
	Dividend income	75,886	779,564
	Rental income	-	26,641
ii. Other related parties	Purchase of goods and services	175,026	169,623
	Sale of goods and services	3,572,017	1,354,122
	Royalty and technical fee	37,977	34,926
	Rebate received	1,556	-
	Management and technical fee paid	6,170	-
	Mark up expense	60	3,960
	Dividend income	237,201	96,705
	Rental expense	1,678	1,560
	Rental income	31,537	-
iii. Post employment benefit plans	Expense charged in respect of retirement benefit plans	69,940	58,383
	Mark up income on temporary loans	-	1,570

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

40. Capacity and production

	Capacity		Actual production	
	2009	2008	2009	2008
Paper and paperboard produced - tons	290,360	180,067	174,008	154,231
Paper and paperboard converted - tons	128,000	120,298	99,436	88,750
Plastics all sorts converted - tons	19,500	17,000	12,299	12,424
Inks produced - tons	7,100	5,590	5,114	5,474
Flexible packaging material - meters '000'	54,000	54,000	47,492	42,966

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 1.1862 (2008: USD 1.2647), EURO 0.8258 (2008: EURO 0.9000), SFR 1.2277 (2008: SFR 1.3414), SEK 8.4818 (2008: SEK 9.8425), GBP 0.7386 (2008: GBP 0.8780), SGD 1.6647 (2008: SGD 1.8238) and YEN 109.5770 (2008: YEN 114.4951) equal to Rs. 100. Assets in foreign currencies have been translated into Pak Rupees at USD 1.1891 (2008: USD 1.2706) and EURO 0.8277 (2008: EURO 0.9023) equal to Rs. 100.

(Rupees in thousand)		2009	2008
42.	Cash generated from operations		
	Profit / (loss) before tax	5,950,925	(550,062)
	Adjustments for:		
	Depreciation on property, plant and equipment	1,368,499	924,718
	Amortisation on intangible assets	575	433
	Depreciation on investment property	1,146	600
	Depreciation on assets subject to finance lease	1,948	1,274
	Impairment loss recognised on available for sale investment	1,793,991	-
	Provision for accumulating compensated absences and staff gratuity	32,820	24,320
	Retirement benefits - net	63,854	(3,692)
	Provision for doubtful debts	28,181	-
	Exchange adjustments	9,793	37,607
	Gain on disposal of non-current assets classified as held-for-sale	(8,807,029)	-
	Net profit on disposal of property, plant and equipment	(13,990)	(13,408)
	Finance cost	1,370,630	1,768,120
	Dividend income	(237,201)	(731,185)
	(Income) / loss from associated companies	(136,126)	226,597
	Profit before working capital changes	1,428,016	1,685,322
	Effect on cash flow due to working capital changes		
	Increase in stores and spares	(36,335)	(130,872)
	Increase in stock-in-trade	(195,439)	(1,778,823)
	Increase in trade debts	(269,982)	(342,970)
	Decrease in loans, advances, deposits, prepayments and other receivables	94,733	49,454
	Increase / (decrease) in trade and other payables	214,269	(181,191)
		(192,754)	(2,384,402)
		1,235,262	(699,080)
43.	Cash and cash equivalents		
	Cash and bank balances	497,313	215,648
	Finances under mark up arrangements - secured	(430,508)	(3,259,035)
		66,805	(3,043,387)
44.	Combined earnings per share		
44.1	Combined basic earnings per share		
	Net profit / (loss) for the year attributable to equity holders	Rupees in thousand 4,065,617	(565,094)
	Weighted average number of ordinary shares	Numbers 84,379,504	84,379,504
	Combined earnings / (loss) per share	Rupees 48.18	(6.70)
44.2	Combined diluted earnings per share		
	Net profit / (loss) for the year attributable to equity holders	Rupees in thousand 4,065,617	(565,094)
	Add : Return on preference shares / convertible stock	Rupees in thousand 193,435	-
		4,259,052	(565,094)
	Weighted average number of ordinary shares	Numbers 84,379,504	84,379,504
	Add : Weighted average number of notionally converted preference shares / convertible stock	Numbers 9,939,803	-
		94,319,307	84,379,504
	Combined earnings / (loss) per share	Rupees 45.16	(6.70)

45. Segment Information

A Business segment is a group of assets and operations engaged in providing products that are subject to risk and returns that are different from those of other business segments.

Types of Segments	Nature of business
Packaging	Manufacture and market packing products
Paper & Board	Manufacture and market paper & paperboard and tissue products
Ink	Manufacture and market industrial and commercial ink products
General & Others	Workshop and other general businesses

(Rupees in thousand)	Packaging Division		Paper & Board Division		Ink Division		General & Others		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Total revenue	9,153,625	8,440,250	10,258,529	8,887,264	1,536,843	1,407,290	186,556	47,709	21,135,553	18,782,513
Less: Intersegment revenue	(432,813)	(412,476)	(4,207,084)	(3,996,896)	(592,486)	(460,312)	(72,962)	(15,176)	(5,305,345)	(4,884,860)
	8,720,812	8,027,774	6,051,445	4,890,368	944,357	946,978	113,594	32,533	15,830,208	13,897,653
Interest revenue	65,183	432	52,266	2,737	-	-	1,807	335	119,256	3,504
Interest expense	(51,638)	(172,975)	(1,250,188)	(1,519,742)	(67,545)	(73,677)	(1,259)	(1,726)	(1,370,630)	(1,768,120)
Depreciation and amortisation	293,162	279,065	1,017,858	577,775	21,904	17,810	39,244	52,375	1,372,168	927,025
Gain on sale of long-term investments	-	-	-	-	-	-	8,866,750	-	8,866,750	-
Impairment on available for sale investment	-	-	-	-	-	-	(1,747,618)	-	(1,747,618)	-
Segment profit / (loss) before tax	712,135	566,772	(2,407,057)	(1,995,514)	153,657	153,706	442,088	1,168,015	6,019,955	(107,021)
Segment assets	4,989,482	5,081,230	20,913,814	20,171,773	622,644	815,128	611,231	676,503	27,137,171	26,744,634

(Rupees in thousand)		2009	2008
45.1	Reconciliation of segment profit / (loss)		
	Total profit or loss for reportable segments	6,019,955	(107,021)
	Income from Associates	60,240	(444,291)
	Intercompany adjustment	(129,270)	1,250
	Profit before tax	5,950,925	(550,062)
45.2	Reconciliation of reportable segment assets		
	Total assets for reportable segments	27,137,171	26,744,634
	Intersegment assets	(33,065)	(38,379)
	Other corporate assets	9,625,472	9,587,968
	Total assets	36,729,578	36,294,223
45.3	Information by geographical area		
		Revenue	Non-current assets
		2009	2008
		2009	2008
	(Rupees in thousand)		
	Pakistan	14,211,505	12,526,278
	Sri Lanka	1,003,741	869,803
	Others	614,962	501,572
		15,830,208	13,897,653
		19,903,650	19,958,657

Sales are allocated to geographical areas according to the location of the country producing the goods or providing services.

45.4 Information about major customers

Included in the total revenue is revenue from three customers of the Group from the packaging and paper & board segments which represent approximately Rs. 5,62747 million of the Group's total revenue.

46. Financial risk management

46.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

At December 31, 2009, if the Rupee had weakened / strengthened by 10% against the US dollar with all other variables held constant, post-tax profit for the year would have been Rs. 4.115 million (2008: Rs. 5.539 million) higher / lower, as a result of foreign exchange gains / losses on translation of US dollar-denominated financial assets and liabilities.

At December 31, 2009, if the Rupee had weakened / strengthened by 10% against the Euro with all other variables held constant, post-tax profit for the year would have been Rs. 4.779 million (2008: Nil) higher / lower, mainly as a result of foreign exchange gains / losses on translation of Euro denominated financial assets and liabilities.

(ii) Price risk

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

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

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

Rupees in thousand	Impact on post-tax profit		Impact on other components of equity	
	2009	2008	2009	2008
Karachi Stock Exchange	-	-	323,032	358,724

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

(iii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

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

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

At December 31, 2009, if interest rates on borrowings had been 1% higher / lower with all other variables held constant, post-tax profit for the year would have been Rs. 58.105 million (2008: Rs. 130.612 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings.

(b) Credit risk

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

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

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

(Rupees in thousand)	2009	2008
Investments - other than associate companies	4,561,548	4,871,003
Long-term loans and deposits	139,901	155,707
Trade debts	2,031,990	1,790,189
Loans, advances, deposits, prepayments and other receivables	834,796	721,079
Balances with banks	491,954	206,734
Non-current assets classified as held-for-sale -investment in related party	-	75,121
	8,060,189	7,819,833

145

The Group's exposure to credit risk is limited to the carrying amount of trade receivables and bank balances presented on the face of the balance sheet. The aging analysis of trade receivable balances is as follows:

(Rupees in thousand)	2009	2008
Upto 90 days	1,947,758	1,666,835
90 to 180 days	53,597	67,091
181 to 365 days	24,551	50,179
More than 365 days	6,084	6,084
	2,031,990	1,790,189

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

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

Rupees in thousand	Rating Short-term	Rating Long-term	Rating Agency	2009	2008
Allied Bank Limited	A1 +	AA	PACRA	952	-
Askari Bank Limited	A1 +	AA	PACRA	685	-
Bank Alfalah Limited	A1 +	AA	PACRA	170	-
Bank Al-Habib Limited	A1 +	AA +	PACRA	8,865	-
Barclays Bank PLC, Pakistan	A1 +	AA -	S&P	218,681	-
Citibank N.A.	A1	A +	S&P	891	108
Deutsche Bank A.G.	A1	A +	S&P	38,947	-
Faysal Bank Limited	A2	AA	JCR-VIS	841	1,515
Habib Bank Limited	A1 +	AA +	JCR-VIS	1,391	1,550
Habib Metropolitan Bank Limited	A1 +	AA +	PACRA	769	-
HSBC Bank Middle East Limited	P1	AA2	Moody's	853	-
JS Bank Limited	A1	A	PACRA	8,041	50
MCB Bank Limited	A1 +	AA +	PACRA	20,932	514
Meezan Bank Limited	A1	A +	JCR-VIS	15	7
National Bank of Pakistan	A1 +	AAA	JCR-VIS	87,361	12,045
NIB Bank Limited	A1 +	AA -	PACRA	53,415	41,175
Oman International Bank, S.A.O.G.	A-2	BBB	JCR-VIS	256	51
The Royal Bank of Scotland Limited	A1 +	AA	PACRA	28,836	-
Silk Bank Limited (Formerly Saudi Pak Commercial Bank Limited)	A-3	A -	JCR-VIS	3	-
SAMBA Bank Limited	A1	A	JCR-VIS	2,918	1,349
Soneri Bank Limited	A1 +	AA -	PACRA	14	14
Standard Chartered Bank (Pakistan) Limited	A1 +	AA +	JCR-VIS	16,000	147,581
United Bank Limited	A1 +	AA +	JCR-VIS	269	-
Commercial Bank Limited- Srilanka	A1 +	AA +	Fitch	8	741
Hatton Bank Limited - Srilanka	A1 +	AA -	Fitch	841	8
National Trust Bank - Srilanka	A1	A	Fitch	-	26
				491,954	206,734

(c) Liquidity risk

Liquidity risk represents the risk that the Group will encounter difficulties in meeting obligations associated with financial liabilities.

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

Management monitors the forecasts of the Group's cash and cash equivalents (note 43) on the basis of expected cash flow. This is generally carried out in accordance with practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cashflows in each quarter and considering the level of liquid assets necessary to meet its liabilities, monitoring balance sheet liquidity ratios against internal and external regulatory requirements, and maintaining debt financing plans.

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

(Rupees in thousand)				
At December 31, 2009	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long-term finances	-	14,286	2,978,571	4,977,720
Finance Lease	11,532	8,015	-	-
Finances under mark up arrangements - secured	430,508	-	-	-
Derivative financial instruments	-	-	-	-
Trade and other payables	1,768,021	-	-	-
	2,210,061	22,301	2,978,571	4,977,720
At December 31, 2008	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long-term finances - secured	550,000	1,504,357	5,704,714	5,095,329
Finance Lease	8,718	18,465	-	-
Finances under mark up arrangements - secured	3,259,035	-	-	-
Derivative financial instruments	72,885	-	-	-
Trade and other payables	1,515,562	-	-	-
	5,406,200	1,522,822	5,704,714	5,095,329

46.2 Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. During 2009, the Group's strategy, which was unchanged from 2008, was to maintain the gearing ratio within 40% to 60% and AA credit rating. The gearing ratios at December 31, 2009 and 2008 were as follows:

(Rupees in thousand)	2009	2008
Long-term finances	7,970,577	12,854,400
Total equity	23,645,828	16,404,232
Total capital	31,616,405	29,258,632
Gearing ratio	25%	44%

46.3 Fair value estimation

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

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

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

47. Detail of subsidiaries

Name of the subsidiaries	Accounting year end	Percentage of holding	Country of incorporation
Packages Lanka (Private) Limited	December 31, 2009	79.07%	Sri Lanka
DIC Pakistan Limited	December 31, 2009	54.98%	Pakistan
Packages Construction (Private) Limited	December 31, 2009	99.99%	Pakistan

48. Date of authorisation for issue

These financial statements were authorised for issue on February 16, 2010 by the Board of Directors.

49. Non-Adjusting events after the balance sheet date

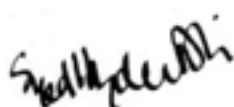
The Board of Directors of parent company have proposed a final cash dividend for the year ended December 31, 2009 of Rs. 3.25 per share (2008 Nil), amounting to Rs. 274.233 million (2008 Nil) at their meeting held on February 16, 2010 for approval of the members at the Annual General Meeting to be held on April 20, 2010. The Board has also recommended to transfer Rs. 3,000.000 million (2008: Nil) to general reserve from unappropriated profit.

50. Corresponding figures

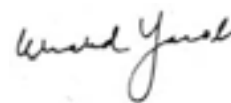
Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However, no significant re-arrangements have been made.



Towfiq Habib Chinoy
Chairman



Syed Hyder Ali
Chief Executive & Managing Director



Khalid Yacob
Director

Form of Proxy

55th Annual General Meeting



I/We _____
of _____ being a member of Packages Limited and
holder of _____ Ordinary Shares as per Shares Register Folio No. _____
(Number of Shares)
and / or CDC Participant I.D. No. _____ and Sub Account No. _____
hereby 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 20, 2010 at 10:30 a.m. at Beach Luxury
Hotel, Moulvi Tamizuddin Khan Road, Karachi and at any adjournment thereof.

Signed this _____ day of _____ 2010.

WITNESSES:

1. Signature : _____
Name : _____
Address : _____

CNIC or
Passport No. _____

2. Signature : _____
Name : _____
Address : _____

CNIC or
Passport No. _____

Signature

Please affix.
Rupees five
revenue stamp

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

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

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

The company Secretary
PACKAGES LIMITED
4th Floor, The Forum
Suite # 416 - 422
G-20, Block 9, Khayaban-e-Jami,
Clifton, Karachi - 75600

AFFIX
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