Packages Limited

Annual Report for the year ended December 31, 2012

An illustration denoting the timeless elegance of Suraj Miani Sahib in Multan.
created by Mavra Almas, 2005

Naqsh School of Arts was established by the Babar Ali Foundation in 2003, with the purpose to revive the traditional arts of miniature, naqashi (the art of arabesques) and calligraphy.

Naqsh artists and students have excelled in the art of naqashi, which has been inspired from the rich historical monuments of the Mughal era.

Packages Limited is proud to have been a patron of Naqsh over the years. We are happy to dedicate the theme of this year's Annual Report to the revival of traditional naqashi, using some of the artworks produced by the Naqsh School of Arts.

On the Cover Page:
A magnificent display of true arabesque patterns coming to life
– a masterpiece inspired by Jahangir's tomb in Lahore.
created by Afshan Ijaz, n.d.

A spectacularly intricate painting depicting the mausoleum of Shah Rukn-e-Alam in Multan.
Created by Sadia Jamil, 2012

Contents

Company Profile

Historical Overview

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

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

In 1982, Packages modified a paper machine to produce tissue paper in response to growing awareness and demand for hygienic and disposable tissues. The "Rose Petal" Brand name was launched with facial tissues and was later expanded to include toilet paper, kitchen roll, and table napkins.

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

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

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

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

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

In 2000, Packages successfully completed the expansion of the flexible packaging line by installing a new rotogravure printing machine and enhancing the carton line by putting up a new Lemanic rotogravure in-line printing and cutting creasing machine. In addition, a new 8 Color Flexo Graphic Printing Machine was also installed in the Business Unit Flexible Packaging in 2001. Packages started producing corrugated boxes from its plant in Karachi from 2002.

In 2005, the Company embarked upon its Paper & Board expansion plan at a new site (Bulleh Shah Paper Mill, Kasur), almost tripling its capacity from the current 100,000 tons per annum to 300,000 tons per annum. Capacity expansion at Bulleh Shah Paper Mill was completed in two phases. In the first phase, Brown Board Machine PM-6 alongwith high yield straw pulping & OCC plants and its back processes such as 11 MW Power House, Gas Turbine and Primary Effluent Treatment Plant were capitalized and commercial

AN EXQUISITELY ORNATE PAINTING REPRESENTING THE HISTORIC SHRINE OF SHAH SHAMS TABREZ IN MULTAN.
CREATED BY NASEEM AMIR & NOUREEN RASHEED, 2005

operations were commenced during the year 2007. Second phase comprising of Writing and Printing Paper Machine PM-7, De-inking Pulp Plant, 41MW Power House, Steam Turbine and Secondary Effluent Treatment Plant was completed in the year 2009.

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

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

Paper Machine PM-6 rebuild project was also completed during 2011 leading to capacity expansion of 30,000 tons per year. The machine started commercial operations with enhanced capability of producing high value added liquid packaging and bleached board.

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

YEAR 2012

To enable continuous growth and technical development in the Paper & Paperboard segment, the Board of Directors of Packages Limited have signed an agreement on September 17, 2012 with "Stora Enso OYJ Group" (Stora Enso) of Finland entering into 50/50 Joint Venture in its 100% wholly owned subsidiary "Bulleh Shah Packaging (Private) Limited" [formerly "Bulleh Shah Paper Mill (Private) Limited"] ('BSPL'). This Joint Venture Agreement would enable greater focus on Paper & Paperboard and Corrugated businesses which are integrally linked and have specific capital and technology requirements.

As part of its efforts to remain abreast with improved technological developments in the Packaging business, the Company has invested in a New Rotogravure Machine for its Flexible Packaging Business with total estimated project cost of Rs. 326 million.

Company Information

A floral decorated panel showcasing the solemn beauty of Jahangir's tomb in Lahore.
Created by Sadta Khalid, 2012

Board of Directors

Towfiq Habib Chinoy
(Chairman)
(Non - Executive Director)

Syed Hyder Ali
(Chief Executive & Managing Director)
(Executive Director)

Khalid Yacob
(Executive Director)

Mats Nordlander
(Non - Executive Director)

Muhammad Aurangzeb
(Independent Director)

Shahid Aziz Siddiqui
(Independent Director)

Shamim Ahmad Khan
(Non - Executive Director)

Syed Aslam Mehdi
(Executive Director)

Syed Shahid Ali
(Non - Executive Director)

Wazir Ali Khoja
(Independent Director)

Advisor

Syed Babar Ali

Company Secretary

Adi J. Cawasji

Rating Agency

PACRA

Company Credit Rating

Long-Term : AA
Short-Term : A1+

Auditors

A.F. Ferguson & Co.
Chartered Accountants

Legal Advisors

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

Shares Registrar

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

PABX	: (021) 32420755
	: (021) 32427012
	: (021) 32425467
Fax	: (021) 32426752

Bankers & Lenders

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

Head Office & Works

Shahrah-e-Roomi,
P.O. Amer Sidhu,
Lahore - 54760, Pakistan

PABX	: (042) 35811541-46
	: (042) 35811191-94
Fax	: (042) 35811195
	: (042) 35820147

Kasur Factory
10-km Kasur Kot Radha Kishan Road,
District Kasur, Pakistan

Tel	: (049) 2717335 - 43
Fax	: (049) 2717220

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

Tel	: (021) 35045320, 35045310
Fax	: (021) 35045330

Registered Office & Regional Sales Office
4th Floor, The Forum
Suite No. 416 - 422, G-20, Block 9,
Khayaban-e-Jami, Clifton,
Karachi-75600, Pakistan

PABX	: (021) 35874047-49
	: (021) 35378650-52
	: (021) 35831618, 35833011
Fax	: (021) 35860251

Regional Sales Office
2nd Floor, G.D. Arcade
73-E, Fazal-ul-Haq Road, Blue Area,
Islamabad-44000, Pakistan

PABX	: (051) 2276765
	: (051) 2276768
	: (051) 2278632
Fax	: (051) 2829411

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

9th Floor State Life Building,
2-Liaquat Road,
Faisalabad - Pakistan

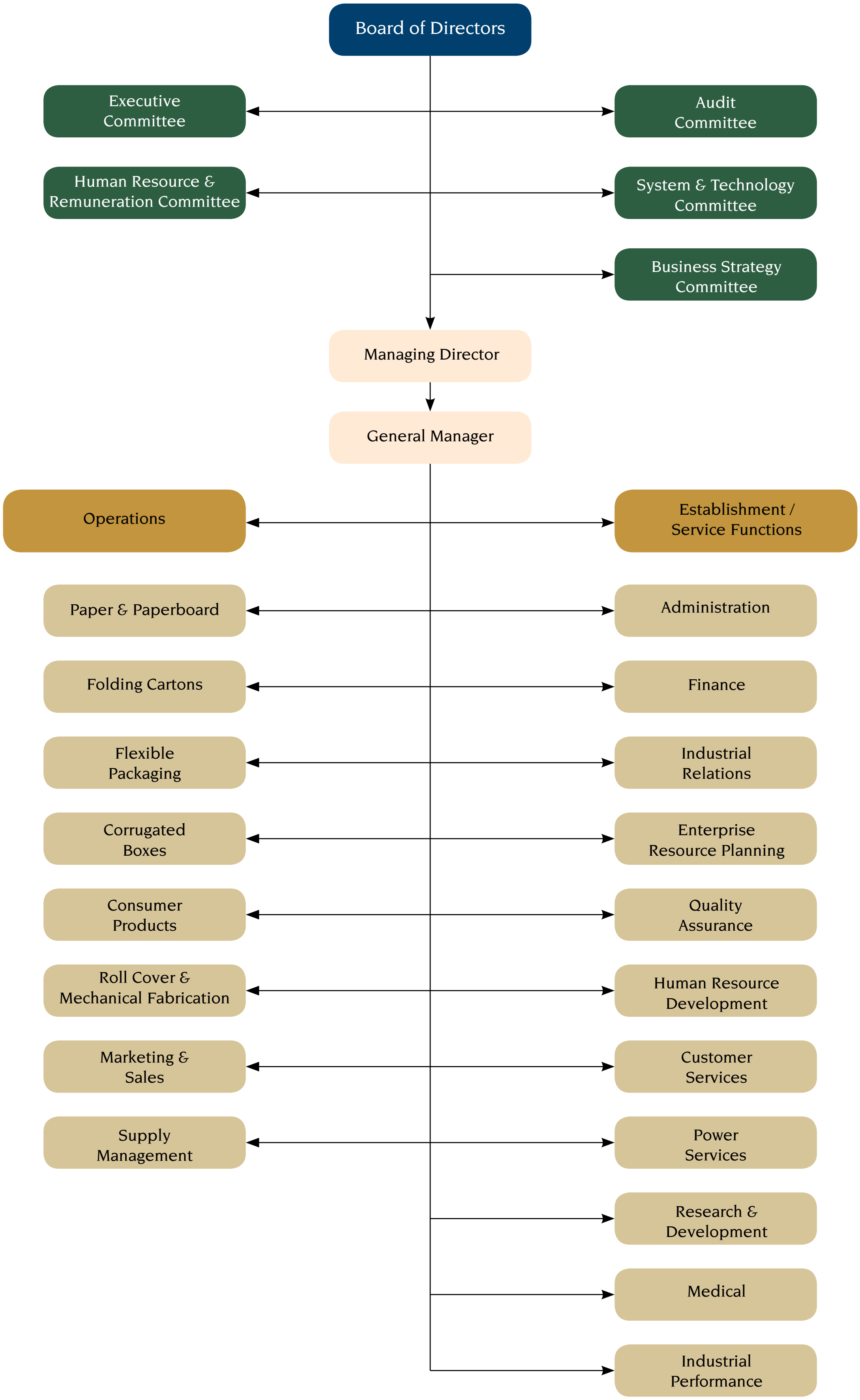
Tel	: (041) 2540842
Fax	: (041) 2540815

Web Presence

www.packages.com.pk

Organogram

An intriguing composition of vibrant colors and elaborate motifs – inspired by the Wazir Khan Mosque in Lahore.
Created by Fakhra Rashid, 2010



Paper & Paperboard and Corrugated Boxes businesses will be transferred to Bulleh Shah Packaging (Private) Limited [Formerly Bulleh Shah Paper Mill (Private) Limited] during 2013 as a result of joint venture agreement signed between Packages Limited and Stora Enso OYJ Group.

Business Divisions

Paper & Paperboard Division

In 1968, Packages established a pulp and paper mill with a capacity of 24,000 tons per year.

Paper and board production capacity increased to 100,000 tons per year by 2003.

Packages enhanced its production capacity to 300,000 tons per annum by investing in a cutting edge new paper & board mill "Bulleh Shah Paper Mill" near Kasur in two phases. The first phase was completed in 2007 through installation of Paper and Board Machine (PM-6) whereas the second Phase was completed in 2009 with the installation of Writing and Printing Paper Machine (PM-7).

Paper Machine (PM-6) was rebuilt in the second quarter of 2011 leading to capacity expansion of 30,000 tons per year.

Major Production Lines

Paper and Paperboard Division comprises of the following major machines:

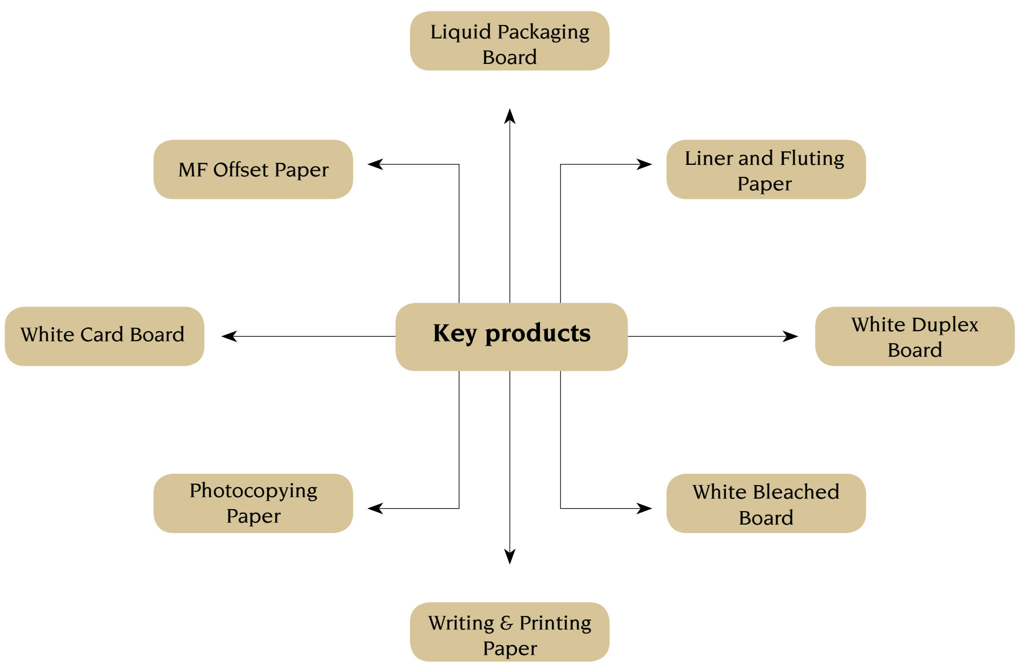
- Paper and Board Machine (PM-6)
- Paper Machine (PM-7)
- Offline Coating Machine
- Core Making Machine

Brands

Photocopy paper is available in market under the brand name of "Copymate Plus" that is a premium quality wood pulp paper.

Management Structure

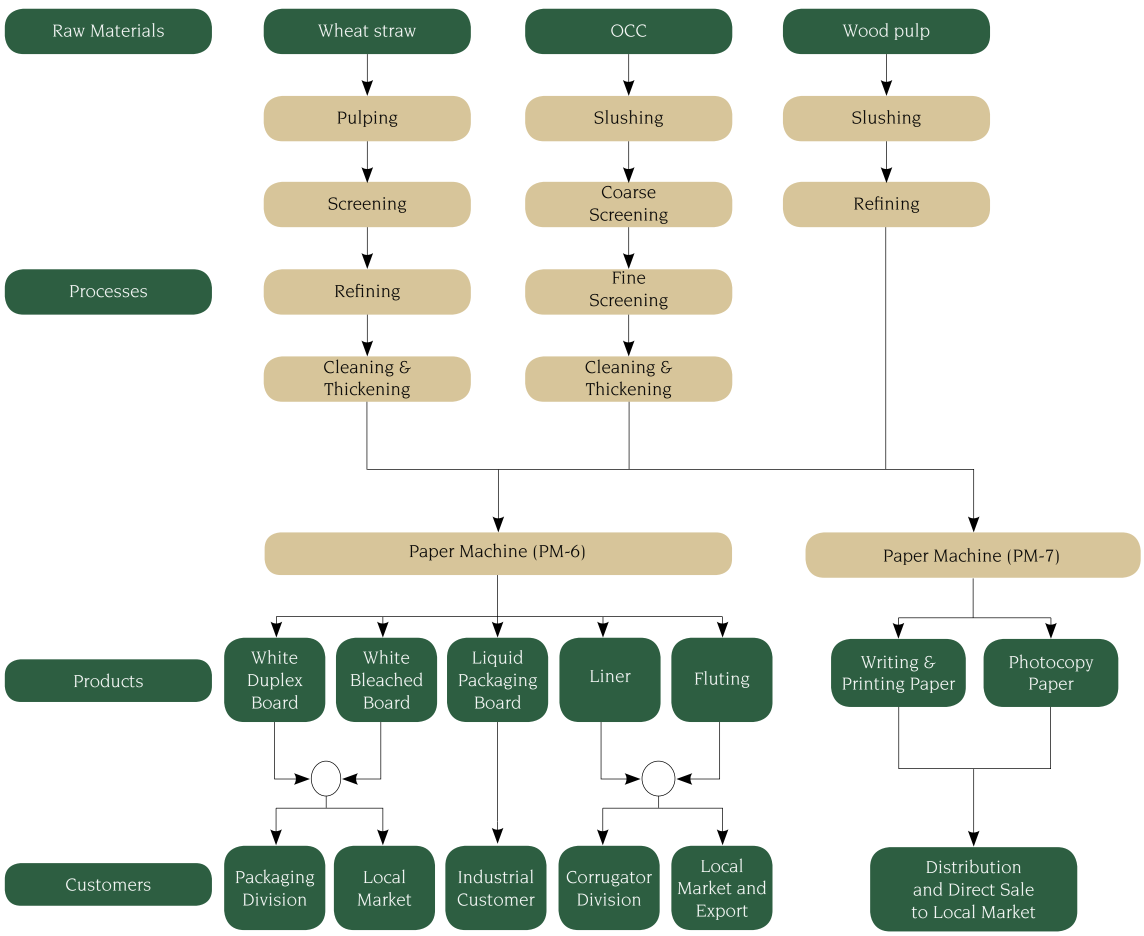
Business Unit Manager
- Marketing Manager
- Mill Manager
- Production Manager
    - Line Manager (PM-6)
    - Line Manager (PM-7)
- Manager Coating
- Mill Services Manager



Paper & Paperboard business will be transferred to Bulleh Shah Packaging (Private) Limited [Formerly Bulleh Shah Paper Mill (Private) Limited] during 2013 as a result of joint venture agreement signed between Packages Limited and Stora Enso OYJ Group

A dazzling composition of floriated motifs – inspired by the shrine of Baba Bhuman Shah in Okara.
Created by Noohi Ejaz, 2006

Process Flow of Paper & Paperboard Division



Packaging Division

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

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

- Folding Cartons
- Flexible Packaging
- Corrugated Boxes

Folding Cartons

With over 55 years of experience in providing reliable service and quality, Business Unit Folding Cartons provides a wide range of products to tobacco, pharmaceutical, FMCG, personal care and food industries.

With a strong backward integration, state of the art hardware, in-house press facilities, dedicated, qualified and professionally trained manpower is geared to provide high volumes, consistent quality and value addition at a competitive price.

Operations

Folding Carton line uses both state of the art rotogravure and offset printing technologies for printing and conversion of folding cartons.

Rotogravure printing

The Rotogravure process is a type of intaglio process in which the actual image is etched into the surface of metallic cylinder. The image consists of tiny cells (or wells) engraved into the cylinder. The print quality of photographs using gravure is often superior to other printing processes and is preferred method when large print runs are required.

The tobacco carton manufacturing has always been a unique feature of Packages since its inception, especially after installation of Lemanic and Riveria DR-67 to produce carton with in line printing, embossing, rotary cutting & creasing function. These are intelligent high speed gravure lines with in-line quality check and bundling. Quality assurance is 100% with the register automatically preset at standstill, reducing waste and reaching production conditions faster by minimizing waste, maximizing up-times, quick settings and production speeds.

Offset printing

Offset printing is a commonly used printing technique in which the inked image is transferred (or "offset") from a plate to a rubber blanket, then to the printing surface. It is the most commonly used method today, and has many advantages over other forms of printing, especially when we need high and consistent image quality.

Business Unit has the most sophisticated hardware from the world leaders in the design and build of sheet feed offset presses with double coater option. With the latest technology available in house, offset printing produces sharp and clean images with consistent high image quality. It gives BUFC a competitive edge from market to deliver quality and meet the customer requirement for high value jobs.

Die Making

BUFC has the most advanced and reliable technology available for the preparation of die. Packages is the only company in the country having this facility available for its die making requirements.

Conversion

For the conversion requirement of printing material, Business Unit has the top of the line hardware for both cutting & creasing and gluing operations. At cutting & creasing, a fleet of high end die cutters are available which provide finest cutting & creasing quality. Moreover, specialized machines gives best hot foil stamping on cartons to cater the value addition requirement of customers.

Market Segmentation

The market's increased focus on product differentiation and attractive packaging is driving demand for our products. Business unit folding carton works firmly to deliver the best carton board products to support the brand and packaging requirements of customers as well as high value-added packaging for:

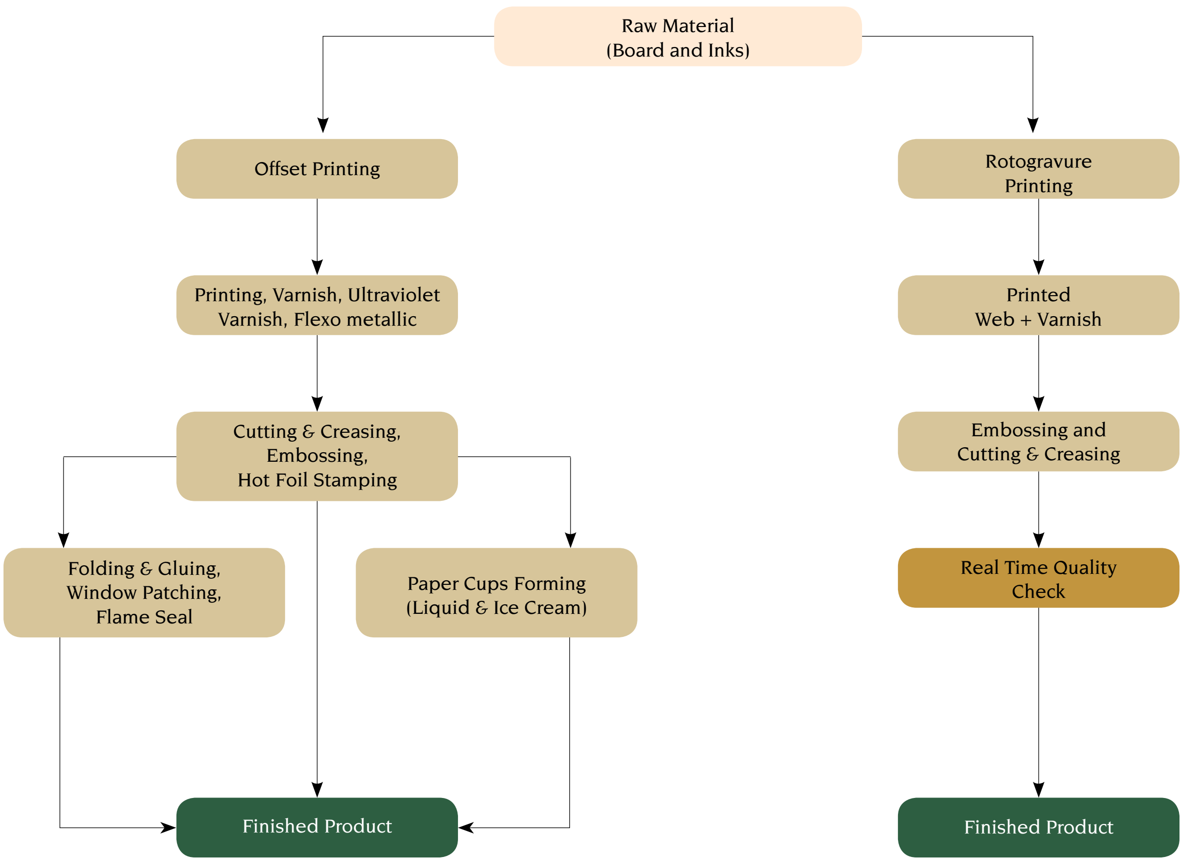
- Pharmaceuticals
- Personal care
- Tobacco
- Home care products.

Management Structure

Business Unit Manager

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

Process Flow of Folding Cartons



Flexible Packaging

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

Business Unit Flexible Packaging (BUFP) provides a one stop packaging solution by providing high quality detailed graphics in Flexographic and Rotogravure printing. BUFP also provides lamination for plastic films, aluminium foil, paper, multi-layer blown film extrusion for high speed technology in multi-lane slitting, standalone spout inserted bags, poly-bags, zipper-bags, sleeves and ice cream-cones.

Environment – increasingly important

As a part of an environmental friendly organization, BUFP is also working on 4 R's of packaging i.e. Reduce, Re-use, Recycle and Recover. BUFP is a responsible organization certified for properly implementing Quality Management System ISO 9000, Environment Management System ISO 14000 and hygiene Management System HACCP.

Market Segmentation

We not only provide cost effective and perfect packaging solutions to our valuable customers; also we offer them strong technical support on our product. We have great in-house R&D facilities which help us in keeping ourselves updated to the aggressive market needs.

Operations

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

Flexographic Printing line

On flexographic line, up to eight colors flexographic printing can be done on paper, poly-coated paper and films.

Packages has the ability to print real life images on materials like Polyethylene, OPP, Special paper and Polyester.

Video Mounter System has eliminated the mis-registration from the print.

Rotogravure Printing line

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

Automatic viscosity control system ensures consistent quality.

Lamination

Business Unit has both solvent base and solvent less laminators that can laminate BOPP, Polyester, Al foil, Met OPP, Met PET and Paper.

Business Unit also helps customers in developing cost effective laminates to match their needs.

It also entails a soap wrapper manufacturing facility. Packages is honored to be the sole supplier of soap wrappers for the entire soap industry in Pakistan.

Extrusion

Business Unit has its own multi-layer extrusion facility that can extrude polyethylene of different grades and colors.

Extrusion line extrudes a number of specialized films which includes oil, ghee, detergent and food films which are known for their strength and high barrier properties.

This Business Unit also has the biggest blown film extruder with the highest per hour capacity in Pakistan.

Slitting

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

Finishing

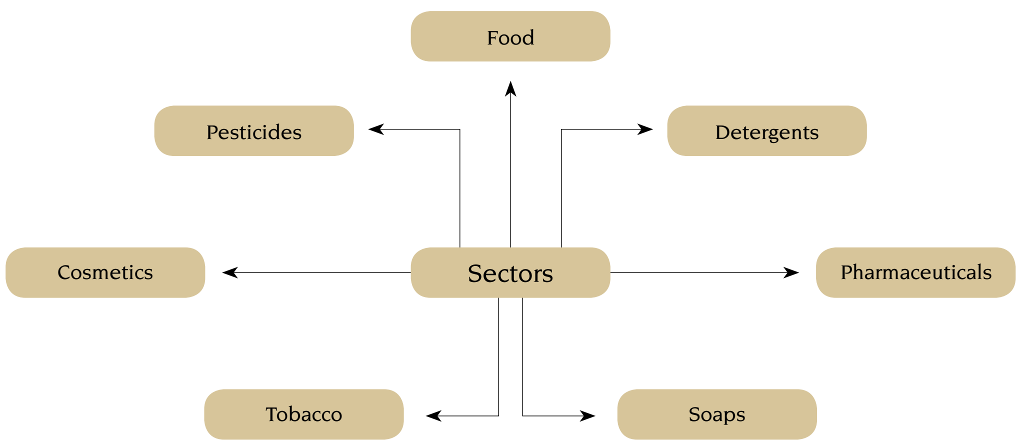
Bag & Sleeve making: Bag making is an integral part of the flexible line that provides a wide variety of bag constructions such as Side Seal, Double side seal, Bottom Seal, Three Side Seal, Bottom Gusset Bags and Side Gusset Bags.

Cone Making: There are five high speed machines which produce cones in all sizes. Packages is the exclusive producer of cones in Pakistan.

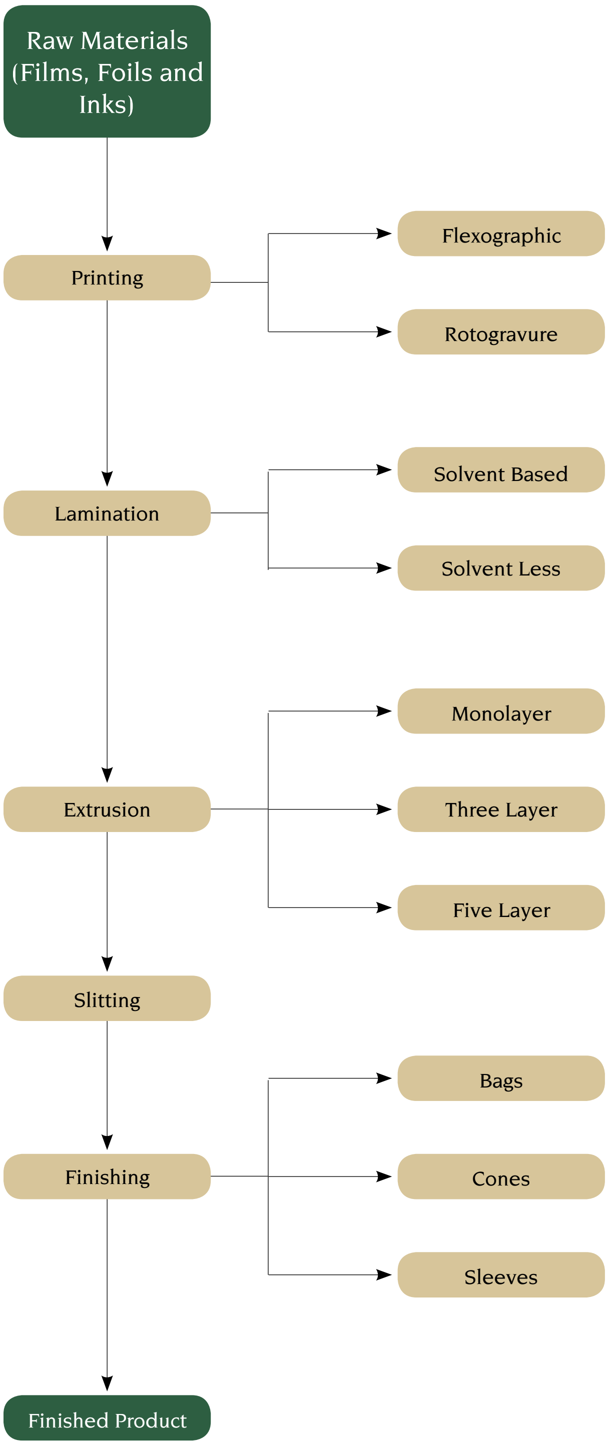
Management Structure

Business Unit Manager

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



Process Flow of Flexible Packaging



An oil painting depicting the transcendent charm of the Wazir Khan Mosque in Lahore.
Created by Khurram Arshad, 2010

A majestic artwork signifying the grandeur of Sawi Mosque in Multan.
Created by Soulat Raza, 2005

Corrugated Boxes

Packages Limited has been manufacturing corrugated containers since 1974. Produced in a variety of sizes and shapes, these containers are of great value to our diverse portfolio of customers for secure transportation of their products to local and international markets. With plants in Kasur and Karachi, we have the capability of producing more than 170 million corrugated containers per year to cater to the ever-increasing demand of high quality shipping cartons.

Operations

Corrugated Containers are produced out of Liner and Fluting paper obtained from Company's Paper & Board Mills. Corrugator machine corrugates the fluting paper and joins it with the liner papers using starch glue and heat to produce corrugated board that is slit, creased and cut into corrugated sheets as per dimensions required by Customers.

These Corrugated Sheets are later fed into printing and box making machines that print, slot, crease, glue and fold them in-line automatically to produce complete ready to dispatch Corrugated Boxes tied into bundles. Some constructions require die-cut and stitching processes as well.

Management Structure

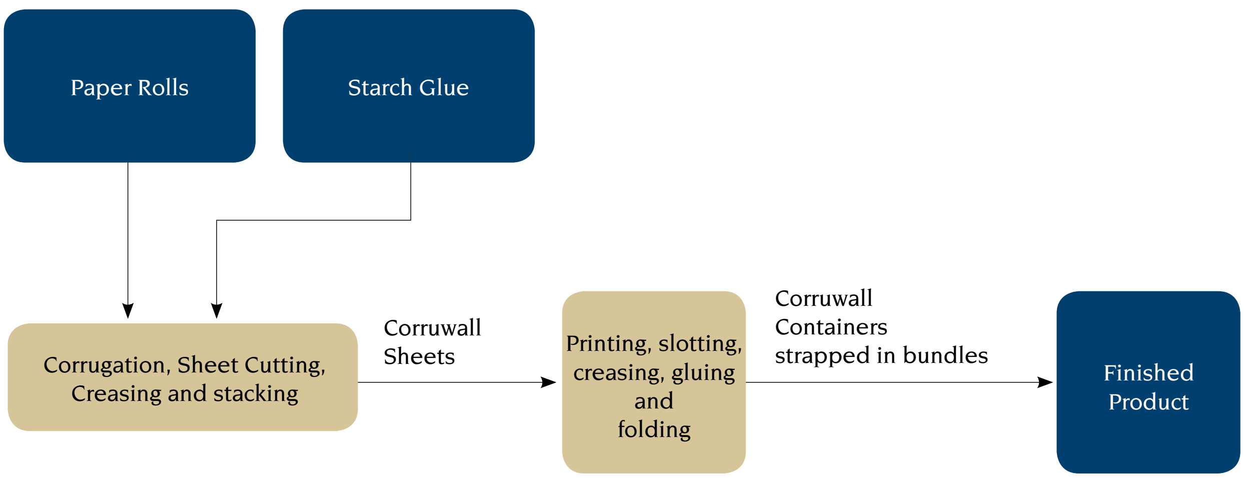
Business Unit Manager

- Planning Manager
- Plant Manager – Karachi
- Production Manager – Kasur
    - Manager Conversion
    - Manager Sheeting
    - Technical Manager

Sectors

- Textile & Hosiery
- Food & Beverage
- Dairy & Ice Cream
- Tea
- Tobacco
- Soaps and Detergents
- Lubricants
- Match
- Pharma & Chemical
- Fruits & Vegetables
- Electrical & Household appliances
- Sports Goods
- Shoe & Rubber
- Biscuits
- Bulbs
- Defense

Process Flow of Corrugated Boxes



Corrugated Boxes business will be transferred to Bulleh Shah Packaging (Private) Limited [Formerly Bulleh Shah Paper Mill (Private) Limited] during 2013 as a result of joint venture agreement signed between Packages Limited and Stora Enso OYJ Group

An artwork inspired from the ancient shrine of Shah Shams Tabrez in Multan.
Created by Sadia Aslam, 2012

Consumer Products Division

Packages started commercial production of tissue and other consumer products in 1982 at the Lahore Plant. We currently provide a complete range of tissue and personal hygiene products that are convenient, quick and easy to use; ranging from facial tissues to tissue rolls, table napkins, pocket packs, kitchen rolls, wet tissues, party packs, paper plates, cups and adult diapers. We provide consumers complete convenience with tissue and paper products for every occasion. With its high-quality tissue and consumer products, business unit makes life more comfortable for consumers every day. The ideal solution for all cleaning needs, our products give consumers the confidence to always be at their best.

Operations

Tissue manufacturing activity is carried out at Paper Machine (PM-9) with a production capacity of 100 tons per day.

Conversion includes making of facial box tissue, tissue rolls, napkins, party packs, kitchen rolls, pocket packs, paper cups and plates.

We place great emphasis on product development, after assessing the demands and needs of our consumers; continuously working on providing improved and innovative products to our consumers.

Brands

Key brands of Consumer Products Division are:

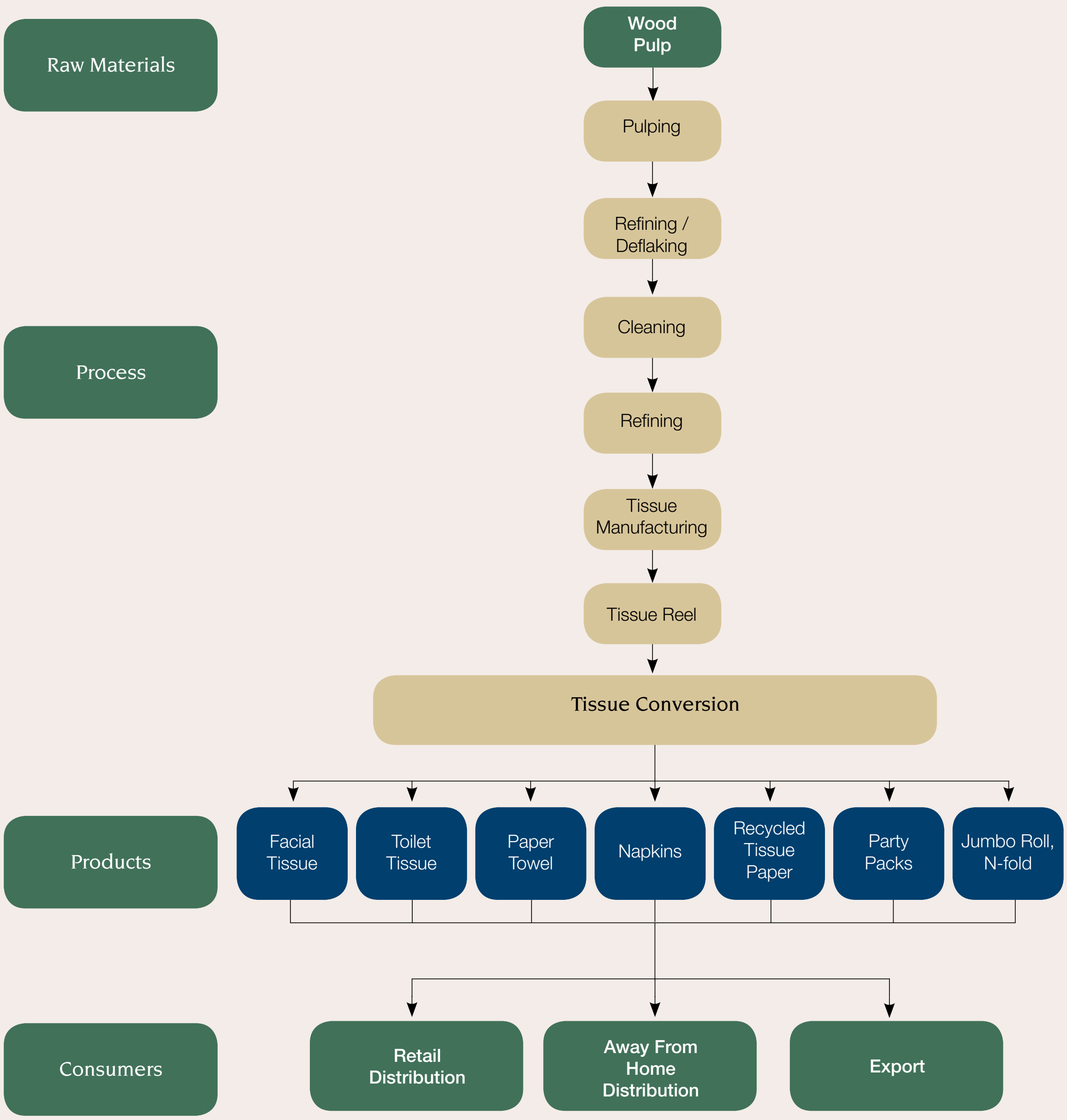
- Rose Petal
- Tulip
- Double Horse
- Tena

Management Structure

Business Unit Manager

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

Process Flow of Consumer Products Division



Services

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

Customer Services Department (CSD)

Our service does not end once the contract has been signed; CSD comprehensively monitors processes to ensure on-time delivery to the customer and follows new orders from Pre-Press up to final delivery to make sure our product exceeds customer's expectations. CSD also arranges development activities as well as technical support and after-sales support to customers. Customer complaints are followed by proper feedback and management reporting. With these activities, our customers are given due attention and the essential quick response all the time.

Pre-Press Department

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

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

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

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

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

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

Research & Development

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

Supply Management

Supply Management function came into existence to provide one window operation to the Business Units encompassing material procurement, logistics (for incoming materials and outgoing finished goods), warehousing, miscellaneous services and waste sales. In order to rationalize the vendor base and to include quality vendors, vendor development has also become one of the integral activities of the division.

Entity Rating of Packages Limited

Long-Term AA

Short-Term A1+

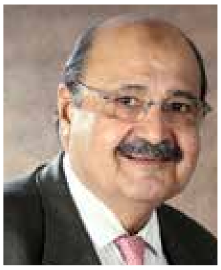
The Pakistan Credit Rating Agency Limited

Rating as on: July 2012

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

An exemplary art piece that displays the essence of the Lahore Fort.
Created by Rehan, 2010

Board of Directors



Mr. Towfiq Habib Chinoy

Mr. Chinoy, Non - Executive Director, has been associated with the Company as Chairman of the Board of Directors since 2008. He holds chairmanship of Jubilee General Insurance Company Limited and HBL Asset Management Ltd. He also holds directorship of Linde Pakistan Limited, IGI Investment Bank Limited, International Steels Limited, Jubilee Life Insurance Company Limited and Pakistan Center for Philanthropy. He is also serving as Trustee of Mohatta Palace Gallery Trust.

Syed Hyder Ali

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

Syed Aslam Mehdi

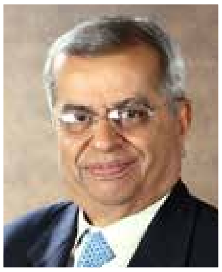
Mr. Mehdi joined the Company in 1980 and currently holds the position of Director and General Manager of the Company. He has a Masters degree in Business Administration from Institute of Business Administration, Karachi and has served Packages Group Companies in various capacities over the years. Currently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

Mr. Khalid Yacob

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

Mr. Muhammad Aurangzeb

Mr. Aurangzeb is an Independent Director of the Company and has over 26 years banking experience and has served The Royal Bank of Scotland in various positions including Country Manager Pakistan, CFO Financial Markets Business, Global Head Portfolio Management and Global Head Commercial Client Segment. Currently he is serving as the CEO of J.P. Morgan's Corporate Bank for Asia.

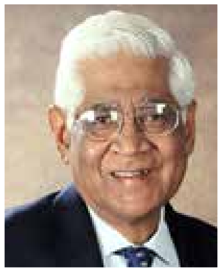


Mr. Wazir Ali Khoja

Mr. Khoja, is a NIT Nominee Director on Board of Packages Limited. He has over 32 years professional experience in the field of Banking, Finance and Mutual Fund Industry. He is also member on the Board of other institutions i.e., Bank Al-Habib Limited, Fauji Fertilizer Company Limited, Askari Bank Limited, Habib Metropolitan Bank Limited, Pakistan State Oil Company Limited, Pak Suzuki Motors Company Limited, Burshane Gas LPG (Pakistan) Limited, Sui Northern Gas Pipelines Limited, Sui Southern Gas Company Limited and Thatta Cement Company Limited

Syed Shahid Ali

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



Mr. Shamim Ahmad Khan

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

Mr. Mats Nordlander

Mr. Nordlander has been appointed as a Non-Executive Director of the Company as a Nominee Director of Stora Enso in place of Mr. Matti Ilmari Naaka who has vacated his position during the year 2012. Mr. Nordlander is Executive Vice President at Renewable Packaging, having Regional responsibility for Asia Pacific and holding position as MD Stora Enso AB Sweden (Country Manager). He is also member of the Board of Directors of several Stora Enso subsidiaries. He did Diploma in Mechanical Engineering. He is also member of the Stora Enso Group Executive Team since September 2007, Chairman of Board of Innventia, a pulp, paper and packaging R&D Company, member of Swedish Industrial Board of Axcel private equity fund, Vice Chairman of the Board of Swedish Forest Industrial Federation and also member of the Board of Industrikraft.

Mr. Shahid Aziz Siddiqui

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

Management Committees

Executive Committee

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

Executive committee is involved in day to day operations of the Company and is authorized to conduct every business except the businesses to be carried out by Board of Directors as required by section 196 of The Companies Ordinance, 1984.

Audit Committee

Shahid Aziz Siddiqui *(Independent Director)* - *Appointed on August 25, 2012*	Chairman
Mats Nordlander *(Non-Executive Director)* - *Appointed on October 20, 2012*	Member
Muhammad Aurangzeb *(Independent Director)*	Member
Shamim Ahmad Khan *(Non-Executive Director)*	Member
Syed Aslam Mehdi *(Executive Director)*	Member
Syed Shahid Ali *(Non-Executive Director)*	Member
Adi J. Cawasji	Secretary

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

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

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

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

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

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

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

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

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

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

i. Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;

j. Ascertaining that the internal control system including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;

k. Review of the Company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;

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

m. Determination of compliance with relevant statutory requirements;

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

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

Human Resource and Remuneration (HR&R) Committee

"Remuneration and Appointments Committee" was renamed to "Human Resource and Remuneration (HR&R) Committee" during the year 2012 with its terms of reference amended in accordance with the Code. Number of Committee members increased from three to five with the induction of Mr. Shahid Aziz Siddiqui and Mr. Shamim Ahmad Khan as Independent Director and Non-Executive Director respectively.

Committee members include the following:-

Mr. Towfiq Habib Chinoy *(Non-Executive Director)*	Chairman
Shahid Aziz Siddiqui *(Independent Director)*	Member
Shamim Ahmad Khan *(Non-Executive Director)*	Member
Syed Hyder Ali *(Executive Director)*	Member
Syed Aslam Mehdi *(Executive Director)*	Member
Ms. Asma Javed	Secretary

This Committee is responsible for:

(i) Recommending human resource management policies to the Board;

(ii) Recommending to the Board the selection, evaluation, compensation (Including retirement benefits) and succession planning of the Managing Director/ Chief Executive Officer;

(iii) Recommending to the Board the selection, evaluation, compensation (including retirement benefits) of Chief Operating Officer, Chief Financial Officer, Company Secretary and Head of Internal Audit; and

(iv) Consideration and approval on recommendations of Chief Executive Officer on such matters for key management positions who report directly to Chief Executive Officer or Chief Operating Officer.

Business Strategy Committee

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

This Committee is responsible for:

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

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

c) Evaluation of proposed projects and funding thereof;

d) Investment portfolio analysis and strategic business dimension.

System and Technology Committee

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

This Committee is responsible for:

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

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

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

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

Vision, Mission & Policies

A painted vision of the Wali Mosque in Multan.
Created by Usman Alvi, 2005

Vision

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

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

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

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

Mission Statement

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

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

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

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

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

An alluring illustration of the iconic artwork of the Lahore Fort.
Created by Khurram, 2012

Integrated Management System (IMS) Policy

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

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

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

Quality Policy

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

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

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

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

Statement of Ethical Practices

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

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

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

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

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

Total Productive Maintenance (TPM) Policy

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

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

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

- Zero accidents
- Zero breakdowns
- Zero defects

Core Values

Underlying everything we do and everything we believe in is a set of core values. These guide us to deal with every aspect of any issue we might encounter in our personal and professional lives. These values help us grow inside and outside, personally and as an organization.

Good Governance

We are committed to running our business successfully and efficiently, providing long term benefits to our employees and shareholders, and enriching the lives of those whom we serve by fulfilling our corporate responsibility to the best of our ability. We expect excellence from all processes, whether they relate to policy formation and accounting procedures or product development and customer service.

Work Environment

Our policies and core values are aimed towards creating an informal yet stimulating team-oriented work environment with a culture of sharing and open communication. We cherish the diversity of viewpoint of every individual; we realize this encourages innovation and develops character. All employees have the right to a stress and injury free work environment. All our employees are permitted and encouraged to afford time and attention to personal concerns.

Our People

The success of any organization is largely dependent on the people working for it. Each member of our team is considered equally important and provided constant training, motivation and guidance. We possess a dedicated staff of the highest caliber committed to making our business a success.

We ensure that every employee has the opportunity for maximum professional development. To achieve this goal, we seek to provide challenging work prospects for all employees. Each person is compensated and rewarded for his or her performance and hard work on a strict merit basis.

Conservation

We expect and encourage our employees to actively participate in community service and to take care of the environment entrusted to us as citizens sharing the earth's resources.

Customer Satisfaction

We are customer-driven; we go the extra mile to make sure our clients' expectations are met and exceeded on every issue. We partner with leading companies to arm ourselves with the latest technology and provide customers with innovative solutions in the most cost-effective manner available.

Ethical Behaviour

We make it clear that a sincere, honest and decent human being takes precedence over everything else. In the Packages family, there is an all-round respect for elders, tolerance for equals and affection for youngsters. Managers are expected to lead from the front, train junior colleagues through delegation, resolve conflicts speedily, be visible at all times and act as role models for others.

Code of Conduct

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

Packages Limited code of conduct has been prepared to assist each of us in our efforts to not only maintain but enhance this reputation. It provides guidance for business conduct in a number of areas and references to more detailed corporate policies for further direction.

The adherence of all employees to high standards of integrity and ethical behaviour is mandatory and benefits all stakeholders including our customers, our communities, our shareholders and ourselves.

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

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

General Principles

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

Decade at a Glance

(Rupees in Million)	2012	2011	2010
Assets Employed:			
Fixed Assets at Cost	9,275	28,472	27,749
Accumulated Depreciation / Amortisation	5,749	10,057	9,101
Net Fixed Assets	**3,526**	**18,415**	**18,648**
Other Non-Current Assets	20,932	16,488	12,442
Current Assets	7,030	8,841	8,534
Current Liabilities	4,482	3,442	2,421
Net Current and Other Non-Current Assets	**23,480**	**21,887**	**18,555**
Assets of Disposal Group	14,543	-	-
Net Assets Employed	**41,549**	**40,301**	**37,204**
Financed By:			
Paid up Capital	844	844	844
Reserves	28,406	27,098	24,480
Preference Shares / Convertible stock reserve	1,606	1,606	1,606
Shareholder's Equity	**30,856**	**29,548**	**26,930**
Deferred Liabilities	553	2,178	2,317
Long-term Finances	4,471	8,575	7,956
Total Non-Current Liabilities	**5,024**	**10,753**	**10,274**
Liabilities of Disposal Group	5,669	-	-
Total Funds Invested	**41,549**	**40,301**	**37,204**
Invoiced Sales	13,871*	13,797*	21,837
Materials Consumed	7,407*	7,282*	10,211
Cost of Goods Sold	10,386*	10,071*	17,733
Gross Profit	1,359*	1,315*	803
Employees Remuneration	1,174*	912*	1,502
Profit / (loss) from Operations	**855*	**872*	(104)
Profit / (loss) Before Interest & Tax	2,750*	1,521*	881
Profit / (loss) After Tax	1,347*	161*	(332)
EBITDA from Operations	947*	897*	1,242
Key Ratios:			
Profitability			
Gross Profit Ratio (%)	9.80*	9.53*	3.68
Profit before Tax (%)	16.02*	7.52*	(1.45)
EBITDA Margin to Sales (%)	6.83*	6.50*	5.68
Return on Assets (Rs.)	0.05*	0.01*	(0.01)
Total Assets Turnover Ratio	0.44*	0.32*	0.55
Fixed Assets Turnover Ratio	4.42*	0.76*	1.22
Liquidity			
Current Ratio	1.57*	2.57	3.52
Quick Ratio	1.03*	0.96	1.57
Gearing			
Debt : Equity Ratio	13:87	22:78	23:77
Return on Equity (%)	**3.20*	**1.87*	(1.23)
Investment			
Basic EPS (Rs.)	15.97*	1.90*	(3.94)
Diluted EPS (Rs.)	15.76*	1.90*	(3.94)
Price - Earning Ratio	9.47*	43.43*	(32.65)
Interest Cover Ratio	5.22*	3.16*	0.74
Dividend Yield (%)	2.98	1.81	2.53
Dividend Cover Ratio	3.55*	1.27*	(1.21)
Cash dividend %	45.00	15.00	32.50
Stock dividend %	-	-	-
Break-up value per Ordinary share (Rs.)	346.65	331.15	300.12
Market value per Ordinary Share - Year End (Rs.)	151.16	82.72	128.61
Cash dividend per share (Rs.)	4.5	1.5	3.25

* Represents Continuing Operations only

** Excluding reversal of impairment / (impairment) on available for sale investments

2009	2008	2007	2006	2005	2004	2003
26,887	25,789	23,691	18,217	10,925	7,578	7,227
7,605	6,323	5,502	4,984	4,633	4,277	3,928
19,282	**19,466**	**18,189**	**13,233**	**6,292**	**3,301**	**3,299**
8,347	8,645	10,413	6,026	770	749	685
7,979	6,923	4,837	3,414	4,559	2,425	2,171
1,743	5,617	1,965	2,312	2,336	1,749	1,098
14,583	**9,952**	**13,285**	**7,128**	**2,993**	**1,425**	**1,757**
-	-	-	-	-	-	
33,865	**29,418**	**31,473**	**20,361**	**9,285**	**4,726**	**5,056**
844	844	734	699	699	475	475
20,967	15,429	17,437	12,974	7,037	3,716	3,157
1,606	-	-	-	-	-	-
23,417	**16,273**	**18,171**	**13,673**	**7,736**	**4,192**	**3,633**
2,478	841	956	688	547	527	567
7,971	12,304	12,347	6,000	1,001	6	857
10,448	**13,145**	**13,302**	**6,688**	**1,548**	**534**	**1,423**
-	-	-	-	-	-	-
33,865	**29,418**	**31,473**	**20,361**	**9,285**	**4,726**	**5,056**
16,533	14,301	10,540	9,028	8,163	6,893	6,293
8,685	7,639	5,108	4,247	3,521	2,710	2,263
13,736	11,281	7,829	6,552	5,746	4,678	4,242
307	943	1,199	1,295	1,353	1,309	1,194
1,229	1,033	835	758	651	576	551
(384)**	405	588	758	902	789	718
5,770	(308)	4,633	6,348	1,330	1,187	1,037
4,064	(196)	4,326	6,101	1,015	958	814
719	955	1,167	1,098	1,217	1,246	1,138
1.86	6.60	11.38	14.34	16.57	18.98	18.97
34.90	(2.15)	43.96	70.31	16.29	17.21	16.48
14.91	6.68	11.08	12.17	14.91	18.07	18.09
0.11	(0.01)	0.13	0.27	0.09	0.15	0.13
0.46	0.41	0.32	0.40	0.70	1.06	1.02
0.86	1.26	1.01	2.92	2.70	2.32	2.13
4.58	1.23	2.46	1.48	1.95	1.39	1.98
1.72	0.43	0.97	0.55	1.30	0.54	0.88
25:75	44:56	40:60	30:70	11:89	00:100	19:81
**(13.05)	(1.20)	4.39	14.80	13.12	22.84	22.39
48.16	(2.32)	58.96	87.30	16.24	19.68	17.11
44.72	(2.32)	-	-	-	-	-
2.99	(34.98)	6.17	2.41	12.44	10.10	9.81
5.55	0.81	13.84	92.93	9.18	9.93	8.03
2.26	-	-	2.86	2.97	4.27	5.06
14.82	-	-	14.55	2.42	2.37	2.01
32.50	-	-	60.00	60.00	85.00	85.00
-	-	15.00	5.00	-	-	-
258.49	192.85	247.65	195.66	110.71	88.18	76.42
144.00	81.19	363.80	210.00	202.00	198.85	167.90
3.25	-	-	6.00	6.00	8.50	8.50

Horizontal & Vertical Analysis
Balance Sheet

Horizontal Analysis

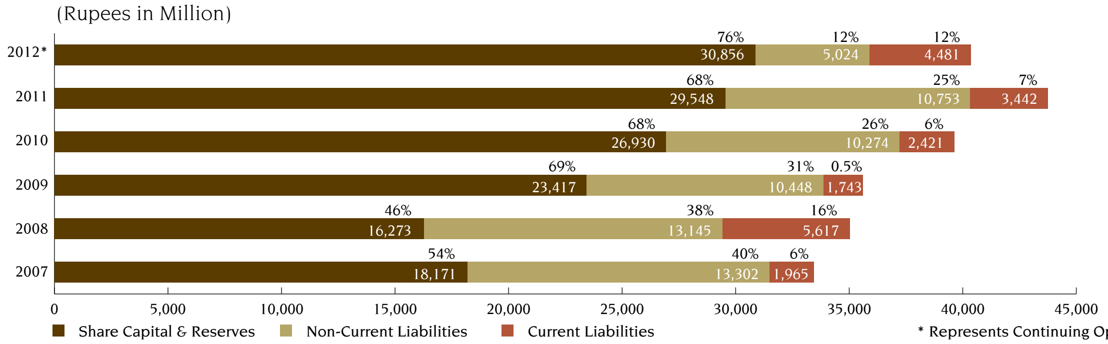
(Rupees in Million)

EQUITY & LIABILITIES	2012 Rs.	12 vs 11 %	2011 Rs.	11 vs 10 %	2010 Rs.	10 vs 09 %	2009 Rs.	09 vs 08 %	2008 Rs.	08 vs 07 %	2007 Rs.
SHARE CAPITAL & RESERVES											
Issued Subscribed and Paid Up Capital	844	-	844	-	844	-	844	-	844	14.99	734
Reserves	31,075	10.28	28,179	16.35	24,219	41.64	17,099	9.44	15,625	19.18	13,110
Preference shares / convertible stock reserve	1,606	-	1,606	-	1,606	-	1,606	100.00	-	-	-
Unappropriated (loss) / profit	(2,669)	146.90	(1,081)	(514.18)	261	(93.25)	3,868	(2,073.47)	(196)	(104.53)	4,327
NON-CURRENT LIABILITIES											
Long-term finances	4,471	(47.86)	8,575	7.77	7,957	(0.16)	7,970	(35.22)	12,304	(0.34)	12,346
Deferred income tax liabilities	346	(82.73)	2,004	(7.56)	2,168	(7.86)	2,353	218.83	738	(14.39)	862
Retirement benefits	86	561.54	13	7,684.43	0.17	100.00	-	-	-	-	-
Deferred liabilities	121	(25.31)	162	8.72	149	19.20	125	21.36	103	9.57	94
CURRENT LIABILITIES											
Current portion of long-term finances	1,000	162.47	381	2,621.43	14	100.00	-	(100.00)	550	100.00	-
Finances under mark up arrangements - secured	809	1.63	796	464.54	141	63.95	86	(96.68)	2,588	545.39	401
Derivative financial instruments	165	100.00	-	-	-	-	-	-	-	-	-
Trade and other payables	1,977	14.21	1,731	(3.51)	1,794	27.51	1,407	18.53	1,187	(16.88)	1,428
Accrued Finance Cost	531	(0.56)	534	13.14	472	88.80	250	(9.09)	275	102.21	136
Liabilities directly associated with non-current assets classified as held-for-sale	5,669	100.00	-	-	-	-	-	(100.00)	1,017	100.00	-
TOTAL	46,031	5.23	43,744	10.39	39,625	11.28	35,608	1.64	35,035	4.77	33,438

Vertical Analysis

EQUITY & LIABILITIES	2012 Rs.	2012 %	2011 Rs.	2011 %	2010 Rs.	2010 %	2009 Rs.	2009 %	2008 Rs.	2008 %	2007 Rs.	2007 %
SHARE CAPITAL & RESERVES												
Issued Subscribed and Paid Up Capital	844	1.83	844	1.93	844	2.13	844	2.37	844	2.41	734	2.20
Reserves	31,075	67.51	28,179	64.42	24,219	61.12	17,099	48.02	15,625	44.60	13,110	39.21
Preference shares / convertible stock reserve	1,606	3.49	1,606	3.67	1,606	4.05	1,606	4.51	-	-	-	-
Unappropriated (loss) / profit	(2,669)	(5.80)	(1,081)	(2.47)	261	0.66	3,868	10.86	(196)	(0.56)	4,327	12.94
NON-CURRENT LIABILITIES												
Long-term finances	4,471	9.72	8,575	19.60	7,957	20.08	7,970	22.38	12,304	35.12	12,346	36.92
Deferred income tax liabilities	346	0.75	2,004	4.58	2,168	5.47	2,353	6.61	738	2.11	862	2.58
Retirement benefits	86	0.19	13	0.03	0.17	0.00	-	-	-	-	-	-
Deferred liabilities	121	0.26	162	0.37	149	0.38	125	0.35	103	0.29	94	0.28
CURRENT LIABILITIES												
Current portion of long-term finances	1,000	2.17	381	0.87	14	0.04	-	-	550	1.57	-	-
Finances under mark up arrangements - secured	809	1.76	796	1.82	141	0.36	86	0.24	2,588	7.39	401	1.20
Derivative financial instruments	165	0.36	-	-	-	-	-	-	-	-	-	-
Trade and other payables	1,977	4.29	1,731	3.96	1,794	4.53	1,407	3.95	1,187	3.39	1,428	4.27
Accrued Finance Cost	531	1.15	534	1.22	472	1.19	250	0.70	275	0.78	136	0.41
Liabilities directly associated with non-current assets classified as held-for-sale	5,669	12.32	-	-	-	-	-	-	1,017	2.90	-	-
TOTAL	46,031	100	43,744	100	39,625	100	35,608	100	35,035	100	33,438	100

Equity and Liabilities
(Rupees in Million)



* Represents Continuing Operations only

Horizontal Analysis

(Rupees in Million)

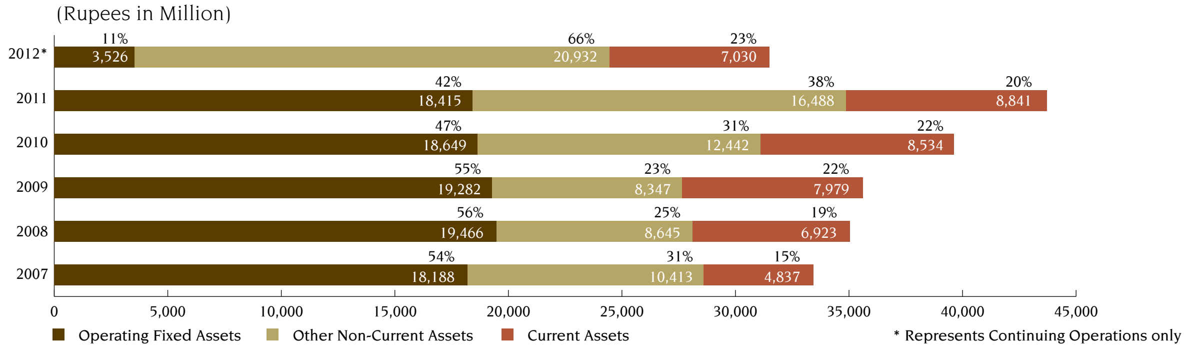
ASSETS	2012 Rs.	12 vs 11 %	2011 Rs.	11 vs 10 %	2010 Rs.	10 vs 09 %	2009 Rs.	09 vs 08 %	2008 Rs.	08 vs 07 %	2007 Rs.
NON-CURRENT ASSETS											
Property, plant and equipment	3,459	(81.15)	18,346	(1.45)	18,615	(3.18)	19,227	(1.11)	19,442	7.04	18,163
Intangible assets	26	(33.33)	39	1,850.00	2	100.00	-	-	-	-	-
Investment property	41	36.67	30	(6.25)	32	(41.82)	55	120.00	25	(3.85)	26
Investments	20,796	27.68	16,288	33.30	12,219	50.87	8,099	(3.15)	8,362	(17.04)	10,080
Long- term loans and deposits	97	(12.61)	111	(13.95)	129	(7.86)	140	(10.26)	156	(36.07)	244
Retirement benefits	39	(56.18)	89	(6.32)	95	(12.04)	108	(15.63)	128	45.45	88
CURRENT ASSETS											
Stores and spares	462	(52.81)	979	(6.76)	1,050	20.55	871	3.57	841	17.46	716
Stock-in-trade	1,909	(57.82)	4,526	23.36	3,669	(10.56)	4,102	12.32	3,652	65.55	2,206
Trade debts	2,280	29.18	1,764	7.43	1,643	(6.22)	1,752	15.04	1,523	18.15	1,289
Loans, advances, deposits, prepayments and other receivables	413	(9.23)	455	71.70	265	29.90	204	(30.38)	293	(12.54)	335
Income Tax Receivable	1,603	70.35	941	22.85	766	28.96	594	48.87	399	110.00	190
Cash and bank balances	363	106.25	176	(84.56)	1,140	150.00	456	129.15	199	97.03	101
Non-current assets classified as held-for-sale	14,543	100.00	-	-	-	-	-	(100.00)	15	100.00	-
TOTAL	46,031	5.23	43,744	10.40	39,625	11.28	35,608	1.64	35,035	4.78	33,438

Vertical Analysis

ASSETS	2012 Rs.	2012 %	2011 Rs.	2011 %	2010 Rs.	2010 %	2009 Rs.	2009 %	2008 Rs.	2008 %	2007 Rs.	2007 %
NON-CURRENT ASSETS												
Property, plant and equipment	3,459	7.51	18,346	41.93	18,615	46.97	19,227	54.00	19,442	55.50	18,163	54.32
Intangible assets	26	0.06	39	0.09	2	0.01	-	-	-	-	-	-
Investment property	41	0.09	30	0.07	32	0.08	55	0.15	25	0.07	26	0.08
Investments	20,796	45.19	16,288	37.23	12,219	30.84	8,099	22.74	8,362	23.87	10,080	30.15
Long- term loans and deposits	97	0.21	111	0.25	129	0.33	140	0.39	156	0.45	244	0.73
Retirement benefits	39	0.08	89	0.20	95	0.24	108	0.30	128	0.37	88	0.26
CURRENT ASSETS												
Stores and spares	462	1.00	979	2.24	1,050	2.65	871	2.45	841	2.40	716	2.14
Stock-in-trade	1,909	4.15	4,526	10.35	3,669	9.26	4,102	11.52	3,652	10.42	2,206	6.60
Trade debts	2,280	4.95	1,764	4.03	1,643	4.15	1,752	4.92	1,523	4.35	1,289	3.85
Loans, advances, deposits, prepayments and other receivables	413	0.90	455	1.04	265	0.67	204	0.57	293	0.84	335	1.00
Income Tax Receivable	1,603	3.48	941	2.15	766	1.93	594	1.67	399	1.14	190	0.57
Cash and bank balances	363	0.79	176	0.40	1,140	2.88	456	1.28	199	0.57	101	0.30
Non-current assets classified as held-for-sale	14,543	31.59	-	-	-	-	-	-	15	0.04	-	-
TOTAL	46,031	100	43,744	100	39,625	100	35,608	100	35,035	100	33,438	100

Composition of Assets

(Rupees in Million)



Horizontal & Vertical Analysis
Profit and Loss Account

Horizontal Analysis

(Rupees in Million)

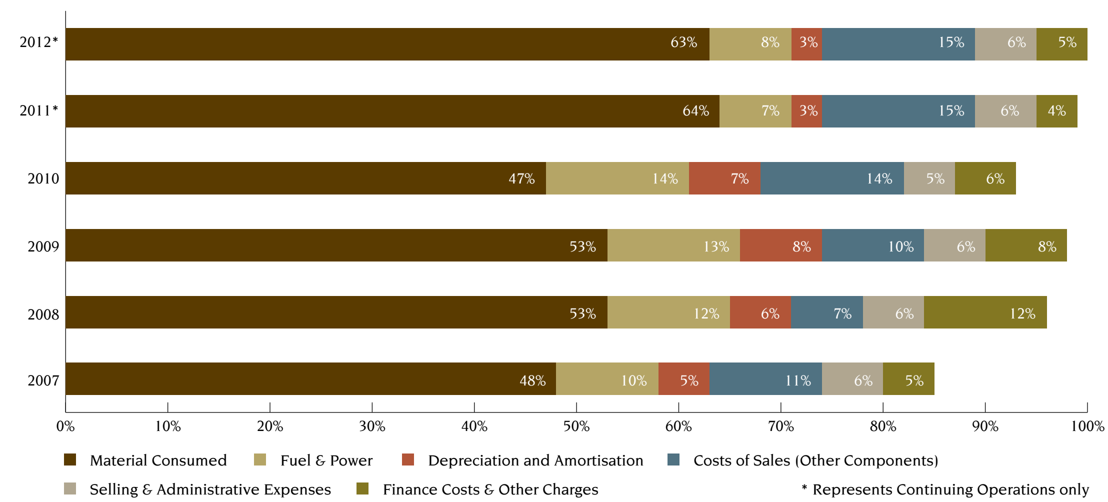
	2012 Rs.	12 vs 11 %	2011 Rs. (Represented)	11 vs 10 %	2010 Rs.	10 vs 09 %	2009 Rs.	09 vs 08 %	2008 Rs.	08 vs 07 %	2007 Rs.
Local sales	13,808	0.62	13,723	(33.38)	20,598	30.57	15,776	15.17	13,698	32.16	10,365
Export sales	63	(14.86)	74	(94.03)	1,239	63.67	757	25.54	603	244.57	175
Gross sales	13,871	0.54	13,797	(36.82)	21,837	32.08	16,533	15.61	14,301	35.68	10,540
Sales tax and excise duty	(2,110)	(11.83)	(2,393)	(26.75)	(3,267)	32.48	(2,466)	19.94	(2,056)	36.98	(1,501)
Commission	(16)	(11.11)	(18)	(47.06)	(34)	47.83	(23)	15.00	(20)	100.00	(10)
Net sales	11,745	3.15	11,386	(38.57)	18,536	31.99	14,044	14.88	12,225	35.40	9,029
Cost of sales	(10,386)	3.13	(10,071)	(43.21)	(17,733)	29.10	(13,736)	21.75	(11,282)	44.09	(7,830)
Gross profit	1,359	3.35	1,315	63.76	803	160.71	308	(67.34)	943	(21.35)	1,199
Administrative expenses	(346)	20.56	(287)	(43.84)	(511)	9.19	(468)	(8.59)	(512)	47.13	(348)
Distribution and marketing costs	(416)	7.77	(386)	(33.33)	(579)	30.41	(444)	22.65	(362)	50.83	(240)
Projects expenditure	-	(100.00)	(56)	1,300.00	(4)	100.00	-	-	-	-	-
Other operating expenses	(31)	675.00	(4)	(73.33)	(15)	(87.39)	(119)	100.00	-	(100.00)	(145)
Other operating income	289	(0.34)	290	43.56	202	(47.53)	385	14.58	336	175.41	122
Profit / (Loss) from operations	855	(1.95)	872	(938.46)	(104)	(69.23)	(338)	(183.46)	405	(31.12)	588
Finance costs	(528)	9.09	(484)	(60.00)	(1,210)	(5.32)	(1,278)	(23.10)	(1,662)	351.63	(368)
Investment income	1,534	47.50	1,040	4.31	997	(89.14)	9,180	867.33	949	(78.50)	4,413
Reversal of Impairment/ (impairment) on investments	361	(192.33)	(391)	100.00	-	(100.00)	*(1,794)	100.00	-	-	-
Profit / (Loss) before tax	2,222	114.27	1,037	(427.13)	(317)	(105.49)	5,770	(1,973.38)	(308)	(106.65)	4,633
Taxation	(875)	(0.11)	(876)	5,740.00	(15)	(99.12)	(1,706)	(1,623.21)	112	(136.48)	(307)
Profit / (Loss) for the year from continuing operations	1,347	736.65	161	(148.49)	(332)	(108.17)	4,064	(2,173.47)	(196)	(104.53)	4,326
Loss for the year from Discontinued operations	(4,059)	134.76	(1,729)	-	-	-	-	-	-	-	-
(Loss) / profit for the year	(2,712)	72.96	(1,568)	(148.49)	(332)	(108.17)	4,064	(2,173.47)	(196)	(104.53)	4,326
Basic earnings/ (loss) per share											
- From Continuing operations	15.97		1.90								
- From Discontinued operations	(48.10)		(20.48)								
- From (loss) / profit for the year	(32.13)		(18.58)		3.94		48.16		2.32		51.27
Diluted earnings/ (loss) per share											
- From Continuing operations	15.76		1.90								
- From Discontinued operations	(48.10)		(20.48)								
- From (loss) / profit for the year	(32.34)		(18.58)		3.94		48.16		-		-

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

This financial information is based upon audited financial results of the Company of respective years unless represented in accordance with applicable financial reporting framework

Profit and Loss – Breakup of Major Expenses as % of Sales

(Rupees in Million)



Vertical Analysis

(Rupees in Million)

	2012		2011		2010		2009		2008		2007	
	Rs.	%	Rs. (Represented)	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
Local sales	13,808	99.55	13,723	99.46	20,598	94.33	15,776	95.42	13,698	95.78	10,365	98.34
Export sales	63	0.45	74	0.54	1,239	5.67	757	4.58	603	4.22	175	1.66
Gross sales	13,871	100.00	13,797	100.00	21,837	100.00	16,533	100.00	14,301	100.00	10,540	100.00
Sales tax and excise duty	(2,110)	(15.21)	(2,393)	(17.34)	(3,267)	(14.96)	(2,466)	(14.92)	(2,056)	(14.38)	(1,501)	(14.24)
Commission	(16)	(0.12)	(18)	(0.13)	(34)	(0.16)	(23)	(0.14)	(20)	(0.14)	(10)	(0.09)
Net sales	11,745	84.67	11,386	82.53	18,536	84.88	14,044	84.95	12,225	85.48	9,029	85.66
Cost of sales	(10,386)	(74.88)	(10,071)	(72.99)	(17,733)	(81.21)	(13,736)	(83.08)	(11,282)	(78.89)	(7,830)	(74.29)
Gross profit	1,359	9.80	1,315	9.53	803	3.68	308	1.86	943	6.59	1,199	11.38
Administrative expenses	(346)	(2.49)	(287)	(2.08)	(511)	(2.34)	(468)	(2.83)	(512)	(3.58)	(348)	(3.30)
Distribution and marketing costs	(416)	(3.00)	(386)	(2.80)	(579)	(2.65)	(444)	(2.69)	(362)	(2.53)	(240)	(2.28)
Projects expenditure	-	-	(56)	(0.41)	(4)	(0.02)	-	-	-	-	-	-
Other operating expenses	(31)	(0.22)	(4)	(0.03)	(15)	(0.07)	(119)	(0.72)	-	-	(145)	(1.38)
Other operating income	289	2.08	290	2.10	202	0.93	385	2.33	336	2.35	122	1.16
Profit / (Loss) from operations	855	6.16	872	6.32	(104)	(0.48)	(338)	(2.04)	405	2.83	588	5.58
Finance costs	(528)	(3.81)	(484)	(3.51)	(1,210)	(5.54)	(1,278)	(7.73)	(1,662)	(11.62)	(368)	(3.49)
Investment income	1,534	11.06	1,040	7.54	997	4.57	9,180	55.53	949	6.64	4,413	41.87
Reversal of Impairment/ (impairment) on investments	361	2.60	(391)	(2.83)	-	-	*(1,794)	(10.85)	-	-	-	-
Profit / (Loss) before tax	2,222	16.02	1,037	7.52	(317)	(1.45)	5,770	34.90	(308)	(2.15)	4,633	43.96
Taxation	(875)	(6.31)	(876)	(6.35)	(15)	(0.07)	(1,706)	(10.32)	112	0.78	(307)	(2.91)
Profit / (Loss) for the year from continuing operations	1,347	9.71	161	1.17	(332)	(1.52)	4,064	24.58	(196)	(1.37)	4,326	41.04
Loss for the year from Discontinued operations	(4,059)	(29.26)	(1,729)	-	-	-	-	-	-	-	-	-
(Loss) / profit for the year	(2,712)	(19.55)	(1,568)	1.17	(332)	(1.52)	4,064	24.58	(196)	(1.37)	4,326	41.04
Basic earnings/ (loss) per share												
- From Continuing operations	15.97		1.90									
- From Discontinued operations	(48.10)		(20.48)									
- From (loss) / profit for the year	(32.13)		(18.58)		3.94		48.16		2.32		51.27	
Diluted earnings/ (loss) per share												
- From Continuing operations	15.76		1.90									
- From Discontinued operations	(48.10)		(20.48)									
- From (loss) / profit for the year	(32.34)		(18.58)		3.94		48.16		-		-	

* Impairment charged on investments has been reclassified for the purposes of comparison

This financial information is based upon audited financial results of the Company of respective years unless represented in accordance with applicable financial reporting framework

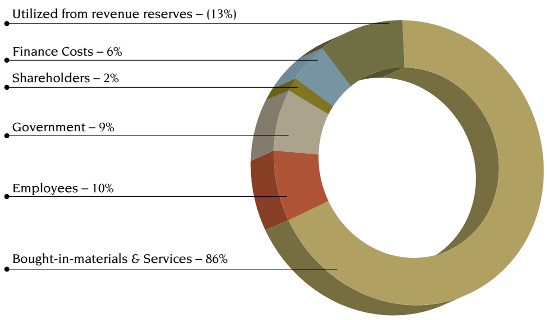
Value Added and its Distribution

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

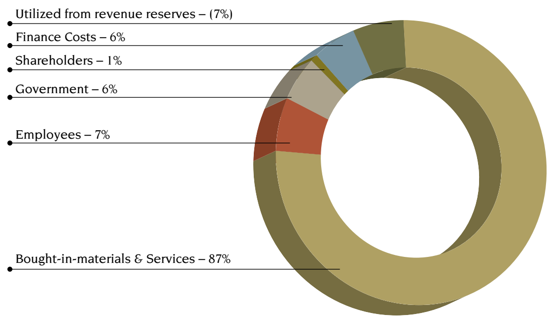
(Rupees in thousand)	2012		2011		2010	
Wealth Generated						
Sales	25,934,550		24,543,691		21,837,433	
Dividend Income	1,534,440		1,037,255		946,292	
Other Income-net of Impairment	(3,924,330)		(33,825)		253,336	
	23,544,660	100%	25,547,121	100%	23,037,061	100%
Wealth Distributed						
Bought-in-materials & Services	20,366,109	86%	22,419,506	87%	19,014,938	83%
To Employees						
Remuneration, benefits and facilities	2,251,291	10%	1,772,035	7%	1,502,465	7%
To Government						
Income Tax, Sales Tax, Custom & Excise Duties, Workers' Funds, EOBI & Social Security Contribution, Professional & Local Taxes	2,132,850	9%	1,438,222	6%	1,641,760	7%
To Providers of Capital						
Cash dividend to the ordinary shareholders	379,708	2%	126,569	1%	274,233	1%
Finance Costs	1,505,875	6%	1,485,310	6%	1,210,323	5%
Utilized from revenue reserves	(3,091,173)	-13%	(1,694,521)	-7%	(606,658)	-3%
	23,544,660	100%	25,547,121	100%	23,037,061	100%

This statement is prepared at Entity level by combining the results of Continuing and Discontinued Operations for more proper presentation of Entity level generation of wealth and its distribution.

Value Added and its Distubution - 2012
(Percentage)



Value Added and its Distubution - 2011
(Percentage)



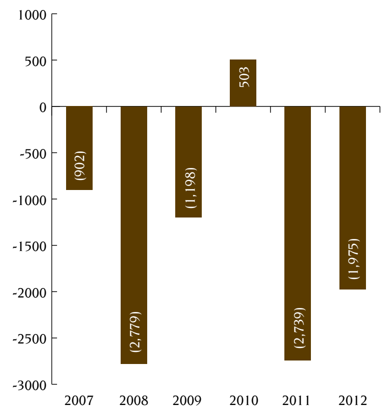
Sources and Application of Funds

Over the last six years

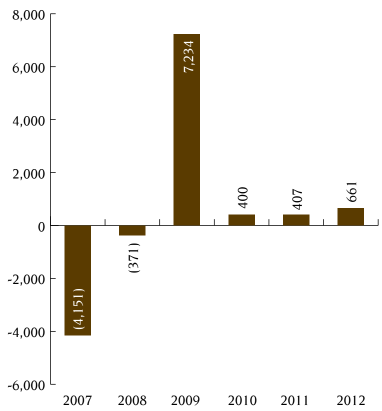
(Rupees in thousand)

	2012	2011	2010	2009	2008	2007
Cash flow from operating activities						
Cash generated from / (used in) operations	395,637	(810,780)	2,048,790	618,112	(708,816)	326,117
Finance cost paid	(1,509,395)	(1,423,001)	(988,292)	(1,479,667)	(1,800,985)	(1,051,738)
Taxes paid	(758,677)	(431,528)	(490,263)	(285,615)	(220,937)	(139,191)
Payments for accumulating compensated absences	(28,670)	(10,524)	(16,805)	(6,971)	(12,268)	(6,783)
Retirement benefits paid	(73,960)	(62,831)	(50,488)	(44,236)	(35,564)	(30,339)
Net cash (used in) / generated from operating activities	(1,975,065)	(2,738,664)	502,942	(1,198,377)	(2,778,570)	(901,934)
Cash flow from investing activities						
Fixed capital expenditure	(1,234,627)	(1,225,371)	(633,758)	(972,975)	(2,447,617)	(4,841,392)
Acquisition of subsidiary	(9)	-	-	-	-	-
Investment - net	13	3,035	50,968	(10,000)	-	(12,903)
Advance against disposal of investments	-	-	-	-	1,017,150	-
Net decrease / (increase) in long-term loans and deposits	13,768	17,556	11,148	15,525	89,064	(63,548)
Proceeds from disposal of property, plant and equipment	113,764	190,023	25,034	23,543	21,252	48,401
Proceeds from assets written off due to fire	233,463	384,563	-	-	-	-
Proceeds from disposal of investments	-	-	-	7,865,000	-	71,428
Dividends received	1,534,440	1,037,255	946,292	313,087	948,879	646,650
Net cash generated from / (used in) investing activities	660,812	407,061	399,684	7,234,180	(371,272)	(4,151,364)
Cash flow from financing activities						
Repayment of long-term finances - secured	(5,485,714)	(14,286)	-	(7,354,400)	-	-
Proceeds from long-term finances	2,000,000	1,000,000	-	-	-	6,346,500
Proceeds from issuance of preference shares / convertible stock - net	-	-	-	4,076,452	-	-
Proceeds from Ijarah finance	-	-	-	-	1,061,208	-
Payment of finance lease liabilities	-	-	-	-	-	(851)
Dividend paid	(126,044)	(273,574)	(272,938)	-	-	(418,194)
Net cash (used in) / generated from financing activities	(3,611,758)	712,140	(272,938)	(3,277,948)	1,061,208	5,927,455
Net (decrease) / increase in cash and cash equivalents	(4,926,011)	(1,619,463)	629,688	2,757,855	(2,088,634)	874,157
Cash and cash equivalents at the beginning of the year	(620,551)	998,912	369,224	(2,388,631)	(299,997)	(1,174,154)
Cash and cash equivalents at the end of the year	(5,546,562)	(620,551)	998,912	369,224	(2,388,631)	(299,997)

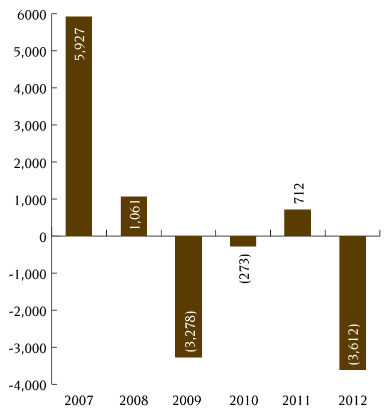
Operating Activities
(Rupees in Million)



Investing Activities
(Rupees in Million)



Financing Activities
(Rupees in Million)



Corporate Calendar

An artwork displaying the arabesque elements found in the interior of the Wazir Khan Mosque in Lahore.
Created by Abdul Samad, 2010

Major Events and Meetings	Date
Audit Committee and Board of Directors meeting to consider annual accounts of the Company for the year ended December 31, 2011	March 21 ,2012
Audit Committee and Board of Directors meeting to consider quarterly accounts of the Company for the quarter ended March 31, 2012	April 24 , 2012
Annual General Meeting of shareholders to consider annual accounts of the Company for the year ended December 31, 2011 and dividend announcement	April 30, 2012
Successful completion of 10 years operations of Corrugator Plant, Karachi	July 31, 2012
Audit Committee and Board of Directors meeting to consider quarterly accounts of the Company for the quarter ended June 30, 2012	August 25 , 2012
Re-commencement of commercial operations of Consumer Products Division after the unfortunate fire incident in 2011	August 31, 2012
Signing of Joint Venture Agreement with Stora Enso OYJ Group of Finland in respect of Paper & Paperboard and Corrugated businesses	September 17, 2012
Audit Committee and Board of Directors meeting to consider quarterly accounts of the Company for the quarter ended September 30, 2012	October 20 , 2012
Installation of High Speed Rotogravure printing machine in Business Unit Flexible Packaging	October 31, 2012

Corporate Social Responsibility

Environment Preservation

Health And Safety

Quality Product

Social Responsibility

Human Capital

Corporate Social Responsibility (CSR) is about capacity building for sustainable livelihoods. It respects cultural differences and finds the business opportunities in building the skills of employees, the community and the government", In a nutshell, CSR is about business "giving back to society". Packages activities in the field of corporate social responsibility are an important part of corporate sustainability. As successful members of the community, we have a responsibility to help those that are less fortunate and contribute to the common good. CSR practice at Packages is an evidence of commitment to its stakeholders. On a daily basis, we strive to safeguard the health and well being of our employees, neighbors and customers, as well as the communities in which we live, work and operate. Our work is based on the Code of Conduct, which provides the basis for our approach to such issues as environment, health and safety, employee relations, human rights, business ethics and community involvement.

Environment

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

Packages is a member of the global network of green offices project of the World Wide Fund for nature and the first company in Pakistan to be awarded Green Office Diploma in the manufacturing sector. Green Office is an environmental service for offices. With its help, workplaces are able to reduce their burden on the environment, achieve savings and slow down climate changes.

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

We have conducted detailed energy audits to identify projects that can efficiently use, reduce or recycle energy. Packages is also working on proper utilization of Solar technology and as a first step; the Company has replaced all its street lights with solar backed LED lights. Production lights were also replaced by less and more efficient LED systems. Future solar projects are also in pipelines to reduce our carbon footprint.

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

By reducing, re-using and recycling waste material including waste paper and post consumer liquid packaging waste we are contributing to the well being of society.

Packages has installed an Effluent Treatment Plant worth Rs. 476 million at its Kasur Plant offering a clean environment to the surrounding locality by treating waste water as per prescribed limits before discharge to the drain. We also reuse and recycle our process water.

Packages has also gone through the new certification audits for OHSAS 18001 for Lahore and Kasur sites, Quality Management System QMS ISO:9001 & Food Safety Management System FSMS ISO:22000 for Kasur Site, Environment Management System EMS ISO 14001 for Kasur Site. EMS ISO: 14001, HACCP recertification audit for Lahore site.

Other than certifications Packages was also awarded Fire Safety award 2012, Food Safety award 2012, Environment Excellence award 2012, Green Supply chain Award 2012 and CSR award 2012.

Health and safety

Sound environmental practices are an important component of Packages corporate culture. On daily basis we strive to safeguard the health and well being of our employees, neighbours and customers, as well as the communities where we live, work and in which we operate.

One of the Corporate Objectives of the Company is to provide safe and healthy work place to its employees and other stakeholders. The provision of a safe working environment is paramount at Packages. Safety statistics fill an important function in the company's health and safety activities and form the basis of risk analysis and continuous improvements.

Our main procedures in safety include a comprehensive risk assessment and control procedure, permit to work, log out tag out, incident reporting, emergency response, and compliance evaluation procedures. All new entrants go through safety orientation program and sign an affidavit of their awareness. We carry both external and internal trainings regarding occupational health and safety.

We also abide by all national and local laws applicable to our industry. We are audited on them by government bodies and our status is available on SEDEX (Supplier Ethical Data Exchange Program). We regularly review our risk assessments and infer our yearly targets from them as well. All incidents and changes are immediately incorporated in risk assessments. A special contractor safety program is also available.

We also maintain loss time incident and loss time accident reports based on OHSAS and IFC guidelines. Packages has a well defined emergency response procedure both centrally and on department levels. These drills are practiced regularly in all three shifts. All departments have their own rescue, salvage and fire fighting teams in addition to the central fire department.

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

Quality Product

One of our prime responsibility is to deliver quality product to our customers so that the eventual consumer can cherish the benefits of a quality product. To achieve quality product, an organization needs to have tighter control over the quality of inputs and outputs and also need to review its production process regularly to generate value preposition for its customers and stakeholders. In this respect, Packages takes various initiatives to achieve overall product excellence like implementation of Total Productive Maintenance ('TPM') that is improving our production efficiencies. The Company is certified for the quality management system ISO 9001:2008 Edition. The quality assurance initiatives for the year 2012 were not only a source of inspiration for all our employees but also resulted in reduction in process waste and cost. In line with our approach, we have been through a number of third party and customer audits in 2012 to reiterate our promise of delivering quality products.

Society

It's our mission to create opportunities so people can live better. We consider it our responsibility to make a positive impact in the communities we serve. Whether it's through the grants we provide to the thousands of organizations that share our mission or through the inspiring volunteer efforts, we are passionate about helping people live better.

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

Community welfare schemes

Making a difference is important to all of us at Packages. We are proud of our 56-year history of corporate giving, supporting groups working for progressive social change in various arenas. We offered our contributions to various hospitals, trusts and non-profit organizations during the year.

Promoting Traditional Mela Culture

Packages Limited is an organization which always looks forward to arrange different events to promote traditional activities within the society. Women and Children Mela is one of these activities which Packages is organizing for the last many years. The objective of this event is to provide entertainment to the family members of our employees and the residents of our vicinity keeping in view the cultural aspect of our society. More than 1000 families participate in this event every year and enjoy the real taste of a "Mela".

Rose Festival

Promotion of natural beauty always remains at top priority in Packages Limited. One of its example is the most famous and colourful event, "The Packages Rose Festival". We conduct this event in our garden every year where there are more than three hundred types of roses show their beautiful colours to welcome the distinguished guests from local community, customers, vendors and employees. A display of different kinds of peacocks is an essential part of this event where these beautiful birds attract the audience especially children by making arch of their naturally colored wings.

Promoting Sports Activities

Promotion of sports always plays a big role in our corporate social responsibilities initiatives. To carry out all these sports activities, we have a complete sports department within the Packages. Some of these activities which aim to promote sports at grass root level within the country are:

- Jaffar Memorial Inter School Hockey Tournament
- Babar Ali Foundation Inter School Football Tournament

Besides this, Packages do have sports facilities for its employees as well. Every year, inter departmental tournament starts the sports year of Packages and ends with the annual sports day celebrations. These sports activities also provide a platform to the employees to become part of the Packages Sports Teams which represents the Company in different sports competition.

Human Capital

Employment Initiatives

Our greatest asset is our employees. We are committed to attracting, retaining, and developing the highest quality and most dedicated work force. So we strive to hire and promote people on the basis of their qualifications, performance, and abilities and are determined to provide equal opportunities to our employees and to provide them work environment free of any form of illegal discrimination both direct and indirect.

Trainings

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

Packages Limited is also recognized as a training organization as it is one of the platinum rated training providers for 'Association of Chartered Accountants' UK. We also provide necessary apprenticeships to industrial diploma holders in our production departments.

Healthcare and Fitness facilities

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

The Company has also invested in a sports complex for indoor games such as Badminton, squash and Table tennis etc and a gymnasium with state of the art fitness equipment for its employees.

THE CERAMIC SPLENDOR OF FINE TILE WORK – INSPIRED BY THE EXTERIOR WALLS OF THE LAHORE FORT.
CREATED BY RABIA ALI KHAN, 2013

Fair Price Shop

Packages Limited has also established a fair price shop for its employees to facilitate them in the purchase of their grocery items. Packages is spending a good amount of money as subsidy on the pulses for the workers. Fair Price shop is also offering other general stores & clothing items on no profit no loss basis to employees. Workers may get these items on monthly credit as well.

Scholarships

We offer merit scholarships to the children of our employees to appreciate their talent and promote healthy competition in the form of monitory reimbursements that vary with the level of education.

Hajj Facility

Every year, Packages has the privilege to send 10 of its employees for Hajj through ballot. This includes 7 employees from workers staff and 3 from executive and management staff. The Company bears all expenses of these employees pertaining to this religious offering.

Notice of Annual General Meeting

Notice is hereby given that the 58th Annual General Meeting of Packages Limited will be held on Tuesday, April 30, 2013 at 11.00 a.m. at the Beach Luxury Hotel, Moulvi Tamizuddin Khan Road, Karachi to transact the following ordinary business :-

1. To confirm the Minutes of the 57th Annual General Meeting of the Company held on April 30, 2012.

2. To receive and adopt the Audited Financial Statements of the Company for the year ended December 31, 2012 together with the Directors' and Auditors' Reports thereon.

3. To consider and approve the payment of cash dividend for the year ended December 31, 2012 as recommended by the Board of Directors -

    a) to the preference share/convertible stock holder (International Finance Corporation) at the rate of Rs. 19 (10%) per preference share/convertible stock of Rs. 190 in terms of the Subscription Agreement between Packages Limited and International Finance Corporation; and

    b) to the ordinary shareholders at the rate of Rs. 4.50 (45%) per ordinary share of Rs. 10.

4. To appoint Auditors for the year 2013 and to fix their remuneration.

By Order of the Board

Karachi
March 28, 2013

Adi J. Cawasji
Company Secretary

Notes :

1. The Share Transfer Books of the Company will remain closed from April 19, 2013 to April 30, 2013 (both days inclusive) and the final dividend will be paid to the shareholders whose names will appear in the Register of Members on April 18, 2013.

2. A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on the member's behalf. A Proxy need not be a member of the Company.

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

4. Shareholders (Non-CDC) are requested to promptly notify the Company's Registrar of any change in their addresses and submit, if applicable to them, the Non-deduction of Zakat Form CZ-50 with the Registrar of the Company M/s FAMCO Associates (Pvt.) Limited, 1st Floor, State Life Building No.1-A, I. I. Chundrigar Road, Karachi-74000. All the Shareholders holding their shares through the CDC are requested to please update their addresses and Zakat status with their Participants. This will assist in the prompt receipt of Dividend.

5. The Securities and Exchange Commission of Pakistan has directed vide SRO 779 (I) 2011 dated August 18, 2011 to issue dividend warrant only crossed as "A/c Payee only" and should bear the Computerized National Identity Card Number (CNIC) of the registered member. Members, who have not yet submitted photocopy of their valid CNIC are requested to send the same at the earliest directly to the Company's Share Registrar M/s FAMCO Associates (Pvt.) Limited, 1st Floor, State Life Building No.1-A, I. I. Chundrigar Road, Karachi-74000.

6. As directed by the Securities and Exchange Commission of Pakistan vide Circular No.18 of 2012 dated June 5, 2012, we give the shareholders the opportunity to authorize the Company to directly credit in their bank account the cash dividend, if any, declared by the Company in the future. If the shareholder wishes that the cash dividend, if declared by the Company, be directly credited into his/her/its bank account instead of issuing a dividend warrant, please provide the following details :-

Title of Bank Account
Bank Account Number
Bank's Name
Branch Name and Address
Cell number of Shareholder
Landline number of Shareholder

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

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

A depiction of the elaborate wall art adorning the mausoleum of Shah Rukn-e-Alam in Multan.
Created by Shaista, 2005

DIRECTORS' REPORT TO THE SHAREHOLDERS

بسم الله الرحمن الرحيم

The Board of Directors are pleased to submit their Annual Report along with the audited financial statements of the Company for the year ended December 31, 2012.

Performance Outlook

Significant events impacting the Company

Despite challenging business environment prevalent in the country, the Board of Directors of your Company have signed an agreement on September 17, 2012 with "Stora Enso OYJ Group" (Stora Enso) of Finland entering into 50/50 joint venture in its 100% wholly owned subsidiary "Bulleh Shah Packaging (Private) Limited" [formerly "Bulleh Shah Paper Mill (Private) Limited"] ('BSPL') to enable continuous growth and technical development in the Paper & Paperboard segment. This Joint Venture Agreement would enable greater focus on Paper & Paperboard and Corrugated businesses which are integrally linked and have different capital and technology requirements as well as market focus as compared to Packaging and Consumer Product businesses. It will also enable access to Stora Enso's technology as well as using its platform for exports.

The Joint Venture covers Paper & Paperboard and Corrugated businesses operational at Kasur Mills and Karachi and will involve initial equity participation of Stora Enso of 35% by way of subscription of right shares with a commitment to increase the shareholding to 50% at a later stage subject to certain conditions being met. The agreed value for 100% of the joint venture company is USD 107.5 million on a cash and debt free basis with additional equity to be subscribed by Stora Enso through right shares in the joint venture company of USD 17.5 million based on the financial results of H2-2012 and H1-2013. Packages shall continue to hold minimum 50% ownership and would be entitled to future proportionate profits of the Joint Venture. Accordingly, the Company's operations have been divided into Continuing and Discontinued Operations for financial reporting purposes.

Paper and Paperboard and Corrugated businesses have been recognized as Discontinued Operations with respect to Packages Limited as these will form part of the Joint Venture.

The results of Continuing Operations include Folding Cartons, Flexible Packaging and Consumer Products Divisions that will continue to be part of Packages Limited on a standalone basis.

Financial and Operational Performance

Rupees in million

	2012	2011 Represented
Continuing Operations		
Net sales	11,745	11,386
EBITDA – operations	**947**	**897**
Depreciation & amortization	(350)	(310)
EBIT – operations	**597**	**587**
Finance costs	(528)	(484)
Other operating income / (expenses) – net	258	285
Investment income	1,534	1,040
Reversal of impairment / (impairment) charged on investments	361	(391)
Earnings before tax	**2,222**	**1,037**
Taxation	(875)	(876)
Earnings after tax	**1,347**	**161**
Basic earnings per share – Rupees	**15.97**	**1.90**
Discontinued Operations		
Operational loss after tax	(1,057)	(1,729)
Loss after tax on re-measurement of assets of Disposal Group	(3,002)	-
Loss after tax	**(4,059)**	**(1,729)**
Basic loss per share – Rupees	**(48.10)**	**(20.48)**

Continuing Operations

In 2012, Continuing operations have achieved net sales of Rs. 11,745 million against net sales of Rs. 11,386 million for the year 2011 representing sales growth of 3%. This growth has been marginal due to unfortunate fire incident that occurred towards the end of 2011 in Consumer Products Division and adversely impacted operations of the Division during the first half of 2012. Moreover, the consumer industry has also shown stable business volumes in recent times due to inflationary pressures, energy situation and product variant rationalization. Operations have generated EBITDA of Rs. 947 million during 2012 against Rs. 897 million of 2011 representing an increase of Rs. 50 million despite increase in energy costs by Rs. 149 million.

The Company has also recognized reversal of impairment amounting to Rs. 355 million and Rs. 6 million during 2012 on its investments held in IGI Insurance Limited and IGI Investment Bank Limited respectively on the basis of recovery in recoverable amount.

Investment income has increased by Rs. 494 million during 2012 over 2011 values that is indicative of improved operational performance of the investee companies.

As part of its efforts to remain abreast with improved technological developments in the Packaging business, the Company has invested in a New Rotogravure Machine for its Flexible Packaging Business with a project cost of Rs. 326 million. The Machine has started commercial operations and is serving growing needs of the market. On the Folding Cartons side, the Company has also invested in a New Cutting & Creasing machine that has commenced commercial operations during 1Q 2013 subsequent to year-end. Packaging operations are fully geared up to meet enhanced customer requirements and are also actively pursuing cost control measures to improve bottom line results.

Consumer Products Division has registered sales of Rs. 2,064 million during 2012 as compared to Rs. 1,965 million of 2011 representing sales growth of 5% despite the unfortunate fire incident that occurred towards the end of 2011 and adversely impacted operations of the Division during 1H2012. The Company has actively pursued on re-commencement of operations and all the critical machines including Facial Tissue machines, Toilet Roll machines, Table Napkin machines, Paper Cup and N-Fold machines have been installed and have commenced commercial operations during second half of the year 2012. The Company has also rigorously followed cost control measures within the Division and has managed to improve its operating earnings by Rs. 146 million in 2012. The Company has also substantially regained its market share after re-commencement of own conversion operations through its rigorous marketing strategies towards the end of 2012.

The production statistics for the period under review along with its comparison with the corresponding period are as follows:

	2012	2011
Consumer products produced - tons	8,698	9,145
Carton board & consumer products converted - tons	27,807	30,488
Plastics all sorts converted - tons	13,594	12,845

Discontinued Operations

Paper & Paperboard and Corrugated businesses have been recognized as Discontinued Operations with respect to Packages Limited as these will form part of the Joint Venture. Discontinued Operations have achieved external sales of Rs. 8,709 million during the year 2012 as against Rs. 7,602 million of 2011 representing 12% top line growth. Operating results have also indicated improvement as Discontinued Operations have sustained an Operational Loss Before Tax of Rs. 999 million during 2012 as against Operational Loss Before Tax of Rs. 2,417 million incurred during 2011. This improvement is primarily attributable to greater flexibility exercised after re-build of Paper Machine (PM-6) in terms of production of high value added products and energy management initiatives. The Company is still facing energy shortages as well as unfair competition in writing and printing paper segment from imported paper that is being sold at dumping prices in the local market. The Company is actively pursuing its applications for fixation of anti-dumping duty and Import Trade Price (ITP) with National Tariff Commission (NTC) and the custom authorities to protect its products i.e. writing and printing paper against unfair competition offered by imported paper. To overcome the energy shortage, the Company is at an advanced stage of placing an order for a bio-mass based boiler.

Pursuant to recognition as Disposal Group, the Management has recognized assets and liabilities of Paper & Paperboard and Corrugated businesses as 'Disposal group held for sale' in terms of applicable financial reporting framework and re-measured the underlying assets and liabilities at the lower of carrying amount and fair value less costs to sell at the date of held-for-sale classification and consequently has estimated a one-off non-cash charge of Rs. 3,002 million net of taxes in these financial statements for the year ended December 31, 2012.

The Management is fully confident that the operating results of Paper & Paperboard and Corrugated businesses will substantially improve through joint efforts of Stora Enso and local team. The Joint Venture will provide paperboard and packaging products to key local and international customers in the fast-growing Pakistani market. The Joint Venture is expected to commence its operations during 2Q 2013 upon completion of necessary regulatory approvals.

As part of the Agreement, both parties are committed to a substantial USD 135 million investment programme during 2013 and 2014 to further develop the business. To finance this investment program, Packages shall contribute USD 18.5 million to the Joint Venture and these investments including a new alternate fuel based power plant will further improve the product quality, competitiveness and profitability of the operations. Annual production capacity of the Joint Venture is expected to be 360,000 tons of paper board upon completion of investments.

The production statistics for the period under review along with its comparison with the corresponding period are as follows:

	2012	2011
Paper & paperboard produced - tons	139,846	136,682
Paper & paperboard converted - tons	79,589	79,828

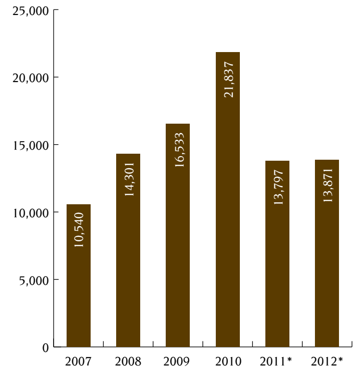
During the current year, the Company has also decided to close down its Paper & Paperboard operations in Lahore, accordingly, these operations have also been recognized as a Discontinued Operation. These operations incurred Net Loss of Rs. 211 million during the year 2012 including closure costs of Rs. 91 million incurred in respect of Voluntary Separation Scheme (VSS) offered to outgoing employees of these operations.

Financial Management

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

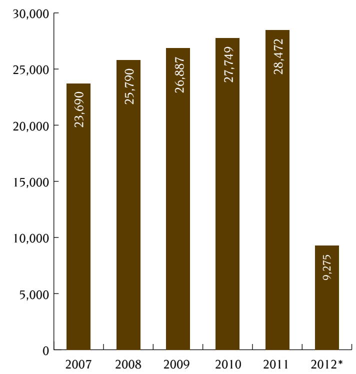
The investment portfolio of the Company is fairly diversified, as reflected by equity participation in Nestle Pakistan Limited, Tri-Pack Films Limited, Tetra Pak Pakistan Limited, DIC Pakistan Limited and Packages Lanka (Private) Limited. During the year 2012, the Company has recognized reversal of impairment amounting to Rs. 355 million and Rs. 6 million on its investments held in IGI Insurance Limited and IGI Investment Bank Limited respectively on the basis of recovery in recoverable amount.

Invoiced Sales
(Rupees in Million)



* Represents Continuing Operations only

Property, Plant and Equipment (Cost)
(Rupees in Million)



* Represents Continuing Operations only

The Board is satisfied that there are no short or long term financial constraints including access to credit and a strong balance sheet with December 2012 long term debt : equity ratio at 13:87.

Risk Mitigation

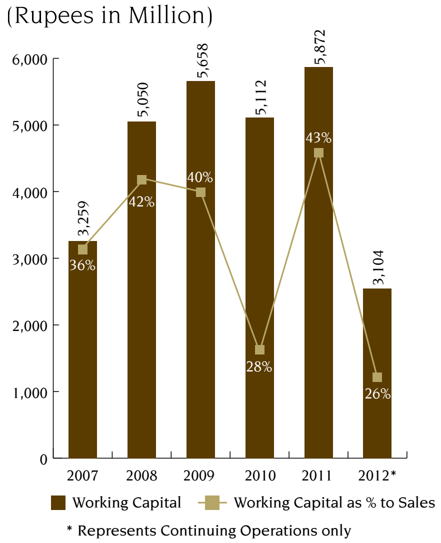
Credit Risk

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

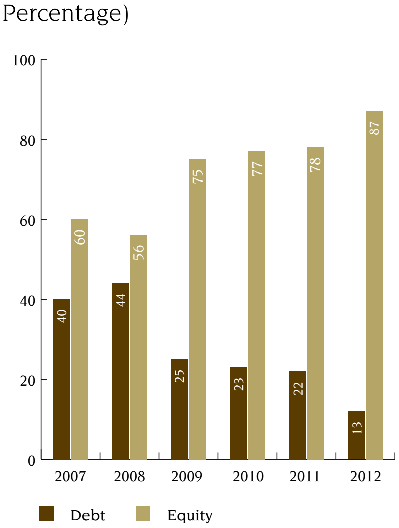
Liquidity Risk

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

Working Capital
(Rupees in Million)



Debt Equity Ratio
(Percentage)



Interest Rate Risk

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

Foreign Exchange Risk

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

Capital Management

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

Contribution to National Exchequer

Your Company is a noteworthy contributor to the national economy. Your Company has contributed Rs. 2,133 million during the year 2012 to the national exchequer on account of sales tax, income tax, import duties and statutory levies.

Environmental Health and Safety

In 2012, your Company adopted a systematic approach for the way it manages environment, health & safety (EHS) in the organization in the form of Integrated Management System. During the year, the Kasur Plant has managed to obtain the following certifications

- ISO 14001
- OHSAS 18001
- QMS 9001
- ISO 22000

The Lahore Plant got re-certifications for ISO14001 and HACCP and also got OHSAS 18001 certification last year.

Occupational Health and Safety remain the key focus areas throughout the year including fire safety, road safety, and behavior based safety, people empowerment & workforce involvement in safety issues and training & development. In 2012, the Company has installed fire detection system, security and surveillance cameras across the manufacturing facility along with modern control room to monitor the fire safety and security surveillance.

Your Company has always strived to remain at par with changing times and technologies. In 2012, the Company took the initiative to replace regular street lights with solar induction lights each with a backup of 10 hours. It has also transitioned from high wattage traditional lights with modern technology lighting system comprising of LED/SMD and Induction. Moreover, the Company has also undergone energy audits for steam, water and compressed air to reduce energy consumption.

During the year, your Company has been honored with the following awards

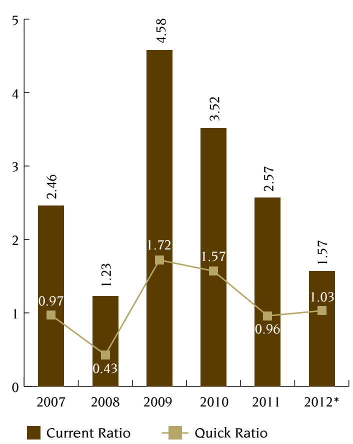
- Certificate of appreciation for Best Environmental Performance (2011-2012)
- CSR Business Excellence Awards 2012: Certificate of Excellence for remarkable efforts in CSR Activities in Pakistan, March 28, 2012
- 9th Annual Environment Excellence Awards 2012: Excellence in Services and Performance, July 12, 2012
- NFEH Fire Safety awards 2012: Excellence in Services and Performance - 13th December, 2012- Karachi

Packages moved one step ahead in environmental management as it Initiated a recovered fiber project with the help of IFC (World Bank Group) in which recycled and used paper is collected from all over Pakistan and brought to our factory or centers for processing.

Campaigns are an integral part of the Environmental Health and Safety initiatives; significant Campaigns of 2012 include the following;

1. IMS Campaign:
2. Dengue awareness and prevention Campaign
3. Defensive Driving and Bike Safety Campaign
4. Fork lifter and industrial vehicle safety Campaign

Current & Quick Ratio



* Represents Continuing Operations only

Training is considered as mandatory part of any occupational health and safety program. During the year 2012, your Company has arranged several trainings for its human capital including;

- Hazard identification
- Behavior based & fire safety
- Incident reporting & investigation
- Safety of high pressure cylinders
- Fire risk assessment
- Slip / trip and fall

Encouraging to Go Green

Your Company promotes responsible use of natural resources through sustainable procurement and green work practices. Having started the environmental system in 2007, your Company is striving hard to reduce carbon foot print since then by taking various environmental initiatives.

The Company's programs *inter-alia* include:

- Green office
- Improved energy efficiency in order to mitigate green house emissions
- Reduced waste, proper waste segregation and disposal
- Green procurement
- Numeric target in order to monitor achievement of targets
- Recovered fiber project
- Reusing waste in insulation material and substitution of chipboards
- Environmental awareness campaigns
- Usage of web tools instead of paper
- Solar street lights
- Usage of VFDs in all major devices

Quality Management

In the current business scenario, while the resources are limited and expensive, goals are high and challenging. Your Company in its 'continuous improvement' embarked upon Total Productive Maintenance ('TPM') Implementation in the year 2010. During the current year, this implementation has been extended across all business processes and such execution has given ground breaking results in all areas leading to new spirit and motivation in all departments with goal congruency. There is reduction in machine deterioration with lesser downtimes and unprecedented performances, reduced wastages, efficient housekeeping practices, decreased changeover times and increased safety levels at production facilities. On the employee front, a definite skill enhancement has occurred with daily awareness of solutions to problems.

Your Company is certified for the quality management system ISO 9001:2008 Edition. The quality assurance initiatives for the year 2012 were not only a source of inspiration for all our employees but also resulted in reduction in process waste and cost.

The management attributes high value to customer relations and always endeavours to meet top class quality and work place practices. In line with the management's approach, the Company has been through a number of third party and customer audits in 2012.

Asian Flexo Technological Award

Your Company has always believed in maximizing customer satisfaction and maintaining high quality levels which is also evident from its business policy. In an effort to test the ability and quality of products offered, flexographic process from Business Unit Flexible competed for Asian Flexo Technological Award 2011.

A sample CRISPO cooking oil packaging was sent for testing against 350 other competitors. Packages Limited was not only the first organization to have represented Pakistan at this forum but also made the country proud by securing bronze position in mid-web flexible (films) category in the flexographic printing process for achieving excellence in quality and commercial printing.

The quest for supreme productivity excellence does not end with these achievements, rather these results are acting as appetizer to the promised main course, which is yet to come.

Corporate Social Responsibility

Your Company has distinguished itself as a good neighbor, not only has the Company consistently delivered outstanding returns to its shareholders, it has also worked hard to be an employer of choice, to be a catalyst for the social and economic development of the communities in which it operates, and to minimize the environmental impact. The Company's CSR policy is driven by the imperative need to positively touch the lives of its stakeholders, with special emphasis on the indigent communities of the society. On CSR front, the management continued its focus on education, healthcare, skill development, environmental protection and societal welfare during the current year.

In 2012 your Company also undertook the remodeling of government schools and building a Teacher's Training Centre in the vicinity of Kasur. The Kasur city underwent a facelift after it created foreign investment opportunities and job opportunities for the locals.

Retirement Funds

Your Company takes care of its employees not only during the time of their employment with the Company but also offers them retirement benefits so that they continue to meet their needs afterwards. There are three retirement funds currently being operated by the Company namely Provident Fund, Gratuity Fund and Pension Fund.

The value of investments of Provident, Gratuity and Pension funds based on their audited accounts as on December 31, 2012 were the following:

Provident Fund	Rs. 1,100.593 million
Gratuity Fund	Rs. 341.022 million
Pension Fund	Rs. 1,005.960 million

In a meeting held on December 26, 2012, the Board of Trustees of the Pension Fund have decided to convert the existing defined benefit plan to defined contribution plan for all its employees active as on December 31, 2012 with effect from January 1, 2013 subject to such regulatory approvals as are necessary in the circumstances. The proposed scheme has been subsequently approved by the taxation authorities on February 22, 2013 and respective employees consent with the proposed scheme has also been obtained in the subsequent period. There has been no effect of such conversion on the pensioner's appearing in pensioner's list of the Fund as of December 31, 2012. Such conversion has been accounted for in accordance with the provisions of relevant financial reporting framework.

Appropriation

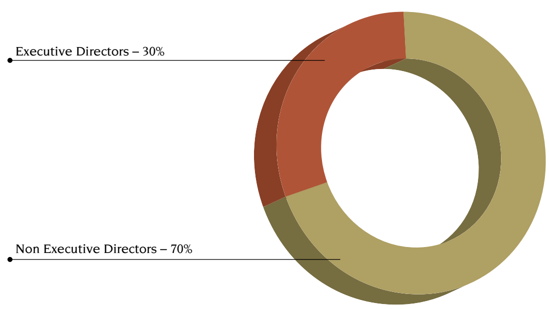
During the year 2012, Company's Continuing Operations have achieved positive results. These results have been augmented with significant increase in dividend income during the year with a resultant Earning per Share of Rs. 15.97 on Continuing Operations.

Operating performance of Discontinued Operations have also improved during the year 2012 compared to the last year; yet these still ended up in a Loss After Tax of Rs. 4,059 million due to a one-off impairment charge of Rs. 3,002 million net of taxes with a resultant Loss per Share of Rs. 48.10 on Discontinued Operations.

These factors resulted into net loss after tax of Rs. 2,711 million for the year ended December 31, 2012. However, in view of the continuous support of shareholders during this difficult period, the Board of Directors of the Company has recommended cash dividend of 45 percent (i.e. Rs. 4.5 per share) accordingly, following appropriations have been made:

	(Rupees in thousand)
Loss after tax for the year 2012 after appropriation of preference dividend/ return of Rs. 412.050 M	(2,711,465)
Un-appropriated profit brought forward	42,687
	(2,668,778)
Transfer from General Reserve	3,100,000
Available for appropriation	431,222
Cash Dividend	(379,708)
To be carried forward to 2013	51,514

Board Composition



Auditors

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

As suggested by the Audit Committee, the Board of Directors has recommended their reappointment as Auditors of the Company for the year ending December 31, 2013, at a fee to be mutually agreed.

Compliance with the Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by the Karachi, Lahore and Islamabad Stock Exchanges in their Listing Regulations, relevant for the year ended December 31, 2012 have been adopted by the Company and have been duly complied with. A Statement to this effect is annexed to the Report.

Material Changes

There have been no material changes since December 31, 2012 and the Company has not entered into any commitment, which would affect its financial position at the date except for those mentioned in the audited financial statements of the Company for the year ended December 31, 2012.

Changes in the Composition of Board and its Sub-Committees

During the year 2012, a casual vacancy was created on the Board of Directors of the Company on October 20, 2012 with the resignation of Mr. Matti Ilmari Naaka, a nominee of Stora Enso. Mr. Mats Nordlander was nominated by Stora Enso on the Board of Directors of the Company in his place who will hold office for the remainder of the term of Mr. Matti Ilmari Naaka.

The Board also resolved to change composition of its Sub-Committees namely Audit Committee and Human Resource and Remuneration (HR&R) Committee in the following manner;

Audit Committee

In view of the requirements of the revised Code of Corporate Governance 2012, it has been decided to nominate an Independent Director as Chairman of the Audit Committee. Consequently, Mr. Shahid Aziz Siddiqui, an independent director, has been nominated as Chairman of the Audit Committee in place of Mr. Shamim Ahmad Khan, a Non-Executive Director. Mr. Shamim Ahmad Khan would continue serving the Audit Committee as a Non-Executive Director in place of Mr. Wazir Ali Khoja.

Human Resource and Remuneration (HR&R) Committee

"Remuneration and Appointments Committee" was renamed to "Human Resource and Remuneration (HR&R) Committee" with its terms of reference amended in accordance with the Code. Number of Committee members increased from three to five with the induction of Mr. Shahid Aziz Siddiqui and Mr. Shamim Ahmad Khan as Independent Director and Non-Executive Director respectively.

The Board welcomes new members and wishes to place on record its appreciation of the services rendered by outgoing members during the tenure of their office.

Meetings of Board of Directors

During the year 2012, six Board meetings were held and the number of meetings attended by each Director is given hereunder:-

Name of Director	No. of meetings attended
Mr. Towfiq Habib Chinoy (Chairman)	6
Syed Hyder Ali (Chief Executive)	6
Mr. Khalid Yacob	6
Mr. Mats Nordlander (*Appointed on October* 20, 2012)	Nil
Mr. Matti Ilmari Naakka (*Resigned on October* 20, 2012)	1
Mr. Muhammad Aurangzeb	3
Mr. Shahid Aziz Siddiqui	5
Mr. Shamim Ahmad Khan	6
Syed Aslam Mehdi	6
Syed Shahid Ali	1
Mr. Wazir Ali Khoja	4
Mr. Ali Aslam (*Alternate to Mr. Matti Ilmari Naakka*)	1

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

Audit Committee

An Audit Committee of the Board has been in existence since the enforcement of the Code of Corporate Governance, which comprises of two Independent Directors (including its Chairman), three Non-Executive and one Executive Director.

During the year, four (4) meetings of the Audit Committee were held. The attendance of each Member is given hereunder:

Name of member	No. of meetings attended
Mr. Shahid Aziz Siddiqui - Chairman (*Appointed on August* 25,2012)	Nil
Mr. Mats Nordlander (*Appointed on October* 20, 2012)	Nil
Mr. Matti Ilmari Naakka (*Resigned on October* 20, 2012)	1
Mr. Muhammad Aurangzeb	3
Mr. Shamim Ahmad Khan	4
Syed Aslam Mehdi	2
Syed Shahid Ali	1
Mr. Wazir Ali Khoja (*Resigned on August* 25, 2012)	2
Mr. Ali Aslam (*Alternate to Mr. Matti Ilmari Naakka*)	1

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

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

Human Resource and Remuneration (HR&R) Committee

During the year, two (2) meetings of the Human Resource and Remuneration (HR&R) Committee were held. The attendance of each Member is given hereunder:

Name of member	No. of meetings attended
Mr. Towfiq Habib Chinoy - Chairman *(Non- Executive Director)*	2
Syed Hyder Ali *(Executive Director)*	2
Syed Aslam Mehdi *(Executive Director)*	2
Mr. Shahid Aziz Siddiqui *(Independent Director)* *(Appointed on August 25, 2012)*	1
Mr. Shamim Ahmad Khan *(Non- Executive Director)* *(Appointed on August 25, 2012)*	1
Ms. Asma Javed *(Secretary)*	2

Corporate and Financial Reporting Framework

- The financial statements together with the notes thereon have been drawn up by the management in conformity with The Companies Ordinance, 1984. These Statements present fairly the Company's state of affairs, the results of its operations, cash flow and changes in equity.

- Proper books of account have been maintained by the Company.

- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of the financial statements.

- The system of internal control is sound in design and has been effectively implemented and monitored and is being continuously reviewed by the internal audit function.

- There are no doubts upon the Company's ability to continue as a going concern.

- There has been no material departure from the Best Practices of Corporate Governance, as detailed in the Listing Regulations.

- The key operating and financial data for the last ten years is annexed.

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

Purchase of Shares:	No. of shares
Chief Executive Officer	100,000
Director – Syed Aslam Mehdi	5,000
Chief Financial Officer	Nil
Company Secretary	Nil
Other Executives	10,136
Spouses	Nil

Sale of Shares:	
Directors – Mr. Towfiq Habib Chinoy	200,000
Syed Shahid Ali	550,000

Pattern of Shareholding

A statement of the pattern of shareholding of certain class of shareholders as at December 31, 2012, whose disclosure is required under the reporting framework, is included in the annexed shareholders' information.

The Directors, CEO, CFO, Company Secretary, Head of Internal Audit and other executive employees and their spouses or minor children did not carry out any trade in the shares of the Company during the year as communicated to the Company, except as noted above. For the purpose of this regulation, executives are considered as those employees having annual basic salary of more than Rs. 500,000/-; being the threshold for the year 2012 as set by the Board.

Future Outlook

In respect of Continuing Operations, Consumer Products Division is expected to re-gain its market share after re-commencement of production operations. With start-up of New Rotogravure Machine by the current year-end, the Company is likely to improve its market share in the Flexible Packaging business. Despite rising raw material prices, electricity and gas shortages, your Company is improving shareholder's value through tight cost control, product and process optimization, price rationalization and efficient working capital management.

In respect of Paper & Paperboard and Corrugated Boxes businesses, the management believes that the New Joint Venture shall bring considerable value to its shareholders and will meet Stora Enso's and Packages' joint return on investment targets.

The management remains confident that the economy would improve in the future and the Company shall be able to maintain its market leadership.

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

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

Company's Staff and Customers

The management is thankful to the Company's customers and consumers for their continuing confidence in its products and services as this is providing confidence in the Company's growth initiatives.

The management also wants to express its gratitude to all the Company's employees who have worked tirelessly and delivered outstanding performance in the backdrop of the economic recession and a difficult business situation. We appreciate their hard work, loyalty and dedication.

Towfiq Habib Chinoy
Chairman

Karachi, March 18, 2013

Syed Hyder Ali
Chief Executive &
Managing Director

Karachi, March 18, 2013

Shareholders' Information

Registered Office

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

Shares Registrar

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

Listing on Stock Exchanges

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

Listing Fees

The annual listing fee for the financial year 2012-13 has been paid to all the three stock exchanges within the prescribed time limit.

Stock Code

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

Shares Registrar

Packages' shares department is operated by FAMCO Associates (Pvt.) Ltd and serves about 4,050 shareholders. It is managed by a well-experienced team of professionals and is equipped with the necessary infrastructure in terms of computer facilities and comprehensive set of systems and procedures for conducting the Registration function.

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

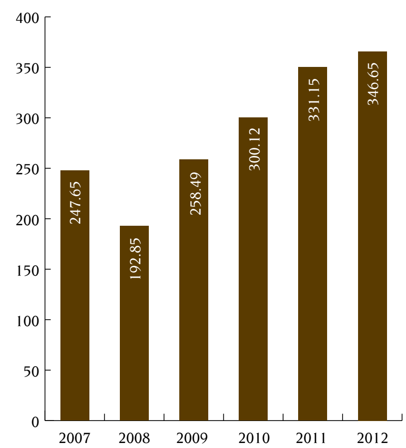
For assistance, shareholders may contact either the Registered Office or the Shares Registrar.

Contact persons:

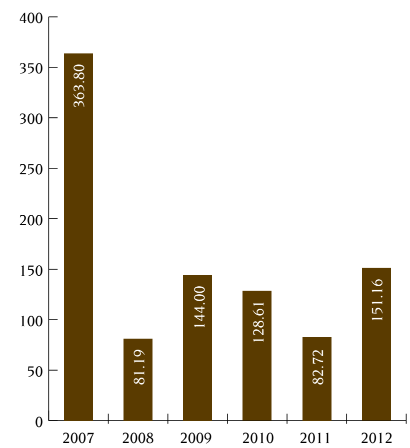
Mr. Rafique Khatri
Tel. # 92 21 35831618, 35831664, 35833011
Fax # 92 21 35860251

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

Break-up Value per Ordinary Share
(Rupees)



Market Value per Ordinary Share
(Rupees)



Service Standards

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

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

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

Statutory Compliance

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

Dematerialization of Shares

The equity shares of the Company are under the dematerialization category. As of date 71.61% of the equity shares of the Company have been dematerialized by the shareholders.

Dividend Announcement

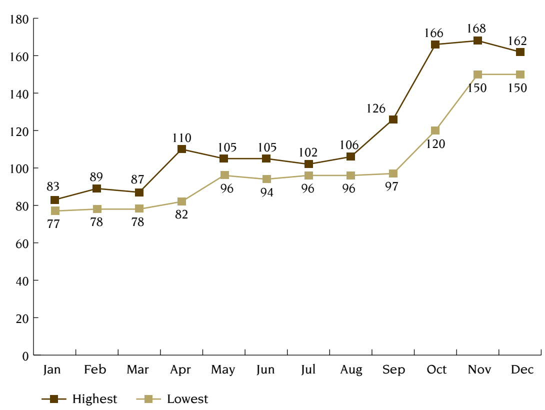
The board of directors of the Company has recommended for the financial year ended December 31, 2012 payment of cash dividend as follows -

a) to the preference share/convertible stock holder (International Finance Corporation) at the rate of Rs. 19.00 (10%) per preference share/convertible stock of Rs. 190.00 in terms of the Subscription Agreement between Packages Limited and International Finance Corporation (2011: Rs. 19.00 (10%) per preference share/convertible stock of Rs. 190.00).

b) to the ordinary shareholders at the rate of 45% (Rs. 4.50 per ordinary share of Rs. 10.00) subject to approval by the ordinary shareholders of the Company at the Annual General Meeting (2011: cash dividend 15%).

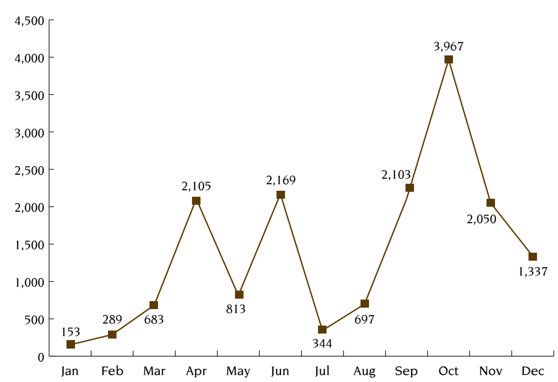
Share Price Movement

(Share Price on the KSE (Rupees / Share))



Trading Volume

(Volume of shares traded on the KSE (in thousand))



A remarkable art piece denoting the eternal allure of the Lahore Fort.
Created by Mohammad Umar, n.d.

Book Closure Dates

The Register of Members and Share Transfer Books of the Company will remain closed from April 19, 2013 to April 30, 2013 both days inclusive.

Dividend Remittance

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

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

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

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

Withholding of Tax & Zakat on Ordinary Dividend

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

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

Dividend Warrants

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

Investors' Grievances

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

Legal Proceedings

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

General Meetings & Voting Rights

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

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

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

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

Proxies

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

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

Web Presence

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

Pattern of Shareholding

The shareholding pattern of the equity share capital of the Company as at December 31, 2012 is as follows:

Shareholding		Numbers of Shareholders	Total shares held
From	To		
1	100	2,027	36,330
101	500	713	206,138
501	1,000	343	273,278
1,001	5,000	560	1,344,659
5,001	10,000	135	977,971
10,001	15,000	59	748,681
15,001	20,000	30	542,450
20,001	25,000	25	569,455
25,001	30,000	18	499,590
30,001	35,000	10	327,577
35,001	40,000	12	452,496
40,001	45,000	13	554,796
45,001	50,000	12	571,907
50,001	55,000	4	208,677
55,001	60,000	5	283,555
60,001	65,000	2	124,167
65,001	70,000	3	201,332
70,001	75,000	3	217,047
75,001	80,000	1	76,413
80,001	85,000	1	81,088
85,001	90,000	1	88,956
90,001	95,000	5	460,176
95,001	100,000	2	195,016
100,001	105,000	2	204,425
105,001	110,000	1	109,391
110,001	115,000	3	340,390
125,001	130,000	3	383,570
130,001	135,000	1	131,851
145,001	150,000	1	149,916
150,001	155,000	3	453,735
155,001	160,000	3	477,097
160,001	165,000	2	323,733
165,001	170,000	1	170,000
180,001	185,000	3	546,473
195,001	200,000	2	395,584
205,001	210,000	1	206,609
210,001	215,000	2	421,901
220,001	225,000	1	221,210
265,001	270,000	2	533,636
270,001	275,000	1	273,000
275,001	280,000	2	555,824
285,001	290,000	1	290,000
300,001	305,000	1	304,718
305,001	310,000	1	307,820
405,001	410,000	1	408,745
410,001	415,000	1	414,629
415,001	420,000	1	419,673
440,001	445,000	1	440,806
495,001	500,000	1	500,000
500,001	505,000	1	502,378
510,001	515,000	1	510,779
530,001	535,000	1	533,853
550,001	555,000	1	551,009
640,001	645,000	1	641,608
820,001	825,000	1	821,714
830,001	835,000	1	831,867
860,001	865,000	1	864,887
990,001	995,000	1	990,641
1,190,001	1,195,000	1	1,193,010
1,195,001	1,200,000	1	1,198,668
1,575,001	1,580,000	1	1,579,979
1,725,001	1,730,000	1	1,727,653
1,790,001	1,795,000	1	1,791,159
2,185,001	2,190,000	1	2,187,175
2,665,001	2,670,000	1	2,667,373
3,095,001	3,100,000	1	3,097,030
3,160,001	3,165,000	1	3,160,607
3,255,001	3,260,000	1	3,256,676
3,265,001	3,270,000	1	3,269,663
3,915,001	3,920,000	1	3,917,505
4,575,001	4,580,000	1	4,578,528
5,395,001	5,400,000	1	5,396,650
21,080,001	21,085,000	1	21,082,601
TOTAL		4,050	84,379,504

Information as required under the Code of Corporate Governance

Shareholders' category	Number of shareholders	Number of shares held
i. Associated Companies, Undertakings and Related Parties (name wise details)		
Gurmani Foundation	1	1,198,668
IGI Insurance Limited	1	21,082,601
Jubilee Life Insurance Company Limited	1	104,401
Babar Ali Foundation	1	3,097,030
Packages Limited Employees Gratuity Fund	2	104,494
Packages Limited Employees Provident Fund	2	2,067,893
Packages Limited Management Staff Pension Fund	2	660,036
Total :	10	28,315,123
ii. Mutual Funds (name wise details)		
CDC - Trustee ABL Stock Fund	1	94,500
CDC - Trustee AKD Index Tracker Fund	1	6,917
CDC - Trustee AL Meezan Mutual Fund	1	502,378
CDC - Trustee JS Pension Savings Fund - Equity Account	1	7,000
CDC - Trustee Meezan Balanced Fund	1	180,473
CDC - Trustee Meezan Islamic Fund	1	1,727,653
CDC - Trustee Meezan Tahaffuz Pension Fund - Equity Sub Fund	1	131,851
CDC - Trustee NIT-Equity Market Opportunity Fund	1	21,482
CDC - Trustee UBL Sharia Stock Fund	1	273,000
CDC - Trustee United Stock Advantage Fund	1	500,000
MC FSL - Trustee JS Growth Fund	1	90,500
MCBFSL - Trustee ABL AMC Capital Protected Fund	1	10,000
MCBFSL- Trustee UIRSF-Equity Sub Fund	1	17,000
MCBFSL- Trustee URSF-Equity Sub Fund	1	20,000
National Bank Of Pakistan-Trustee Department NI(U)T Fund	1	4,578,528
Total :	15	8,161,282
iii. Directors and their spouse(s) and minor children (name wise details)		
Khalid Yacob	1	1,023
Muhammad Aurangzeb	1	500
Shamim Ahmad Khan	1	603
Syed Aslam Mehdi	1	9,781
Syed Hyder Ali	2	2,287,175
Syed Shahid Ali	1	290,000
Towfiq Habib Chinoy	1	20,071
Total :	8	2,609,153
iv. Executives	12	5,472,341
Total :	12	5,472,341
v. Public Sector Companies and Corporations	4	4,750,873
Total :	4	4,750,873

Shareholders' category	Number of shareholders	Number of shares held
vi. Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds	27	5,131,998
Total :	27	5,131,998
vii. Shareholders Holding five percent or more Voting Rights in the Company (name wise details)		
IGI Insurance Limited	1	21,082,601
Stora Enso AB, Sweden	1	5,396,650
National Bank Of Pakistan-Trustee Department NI(U)T Fund	1	4,578,528
Total :	3	31,057,779

	Shareholders' category	Number of shareholders	Number of shares held	Percentage
1	Director, Chief Executive Officer, and their spouse and minor children	8	2,609,153	3.09
2	Associated Companies, undertakings and related parties	10	28,315,123	33.56
3	NIT and ICP	1	4,578,528	5.42
4	Banks, Development Financial Institutions, Non Banking Financial Institutions	17	4,403,718	5.22
5	Insurance Companies	11	5,465,940	6.48
6	Modarabas and Mutual Funds	16	3,584,513	4.25
7	Shareholders holding 10%	1	21,082,601	24.99
8	General Public:			
	a. Local	3,863	20,575,895	24.38
	b. Foreign	4	621,048	0.74
9	Others	120	14,225,586	16.86

Statement of Compliance
with the Code of Corporate Governance

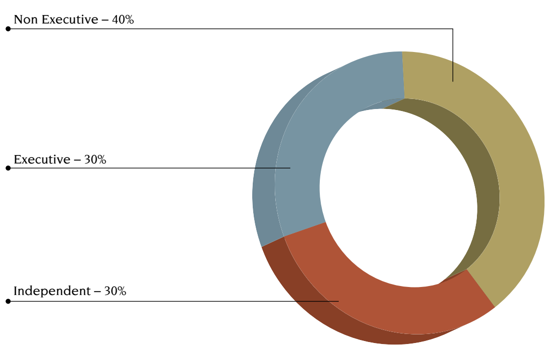
This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	**Names**
Independent Directors	1. Mr. Muhammad Aurangzeb
	2. Mr. Shahid Aziz Siddiqui
	3. Mr. Wazir Ali Khoja
Executive Directors	1. Syed Hyder Ali
	2. Syed Aslam Mehdi
	3. Mr. Khalid Yacob
Non-Executive Directors	1. Mr. Towfiq Habib Chinoy
	2. Mr. Shamim Ahmad Khan
	3. Syed Shahid Ali
	4. Mr. Mats Nordlander

Category of Directots
(Percentage)



The independent directors meet the criteria of independence under clause i(b) of the Code.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable) except Mr. Wazir Ali Khoja, Chairman of NIT and Mr. Shahid Aziz Siddiqui, Chairman of State Life Insurance Corporation of Pakistan who have been specifically exempted by the Securities and Exchange Commission of Pakistan for holding directorship in more than seven listed companies.

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

4. A casual vacancy that occurred on the board on 20 October 2012 was filled up by the directors on the same day.

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

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

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Company arranged one orientation course for its directors during the year. Mr. Towfiq Habib Chinoy and Mr. Shahid Aziz Siddiqui have obtained certification under the directors training program which meets the criteria specified by the Securities and Exchange Commission of Pakistan. As per clause (xi) of the Code, Syed Hyder Ali, Mr. Khalid Yacob and Syed Shahid Ali are exempted from the directors training program because of having more than 14 years of education and over 15 years of experience on the board of listed companies. The Company will ensure that the remaining directors acquire the certification under the directors training program within the time frame specified in the Code.

10. There were no new appointments of the CFO or Company Secretary during the year. However, all such appointments including their remuneration and terms and conditions of employment are approved by the board. There was a change in the Head of Internal Audit during the year. The remuneration and terms and conditions of employment of the Head of Internal Audit have been approved by the Board.

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

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

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

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

15. The board has formed an Audit Committee. It comprises of six members including two independent directors, three non-executive directors and one executive director. Chairman of the committee is an independent director.

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

17. The board has formed an Human Resource and Remuneration (HR & R) Committee. It comprises of five members, of whom three are non-executive directors, including its chairman.

18. The board has set up an effective internal audit function manned by suitably qualified and experienced personnel for the purpose and are conversant with the policies and procedures of the Company.

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

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

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to directors, employees and stock exchanges.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

23. We confirm that all other material principles enshrined in the Code have been complied with.

Towfiq Habib Chinoy
Chairman

Karachi: March 18, 2013

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

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

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

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

Regulations 35(x) of the Listing Regulations requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee.

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

Based on our review nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2012.

A.F.Ferguson & Co.
Chartered Accountants
Lahore, March 18, 2013

Name of Engagement Partner: Asad Aleem Mirza

Auditors' Report to the Members

We have audited the annexed balance sheet of Packages Limited as at December 31, 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion

  (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with The Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes resulted on initial application of standards, amendments, or an interpretation to the existing standards as stated in note 2.2.1 to the annexed financial statements, with which we concur;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by The Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2012 and of the loss, total comprehensive income, changes in equity and its cash flows for the year then ended; and

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

A.F.Ferguson & Co.
Chartered Accountants
Lahore, March 18, 2013

Name of Engagement Partner: Asad Aleem Mirza

Financial Statements
For the year ended December 31, 2012

Balance Sheet
as at December 31, 2012

(Rupees in thousand)	Note	2012	2011
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
150,000,000 (2011: 150,000,000) ordinary shares of Rs. 10 each		1,500,000	1,500,000
22,000,000 (2011: 22,000,000) 10 % non-voting cumulative preference shares / convertible stock of Rs. 190 each		4,180,000	4,180,000
Issued, subscribed and paid up capital			
84,379,504 (2011: 84,379,504) ordinary shares of Rs. 10 each	5	843,795	843,795
Reserves	6	31,075,416	28,179,067
Preference shares / convertible stock reserve	7	1,605,875	1,605,875
Accumulated loss		(2,668,778)	(1,080,744)
		30,856,308	29,547,993
NON-CURRENT LIABILITIES			
Long-term finances	7	4,470,577	8,575,339
Deferred income tax liabilities	8	345,808	2,004,000
Retirement benefits	9	86,512	12,358
Deferred liabilities	10	121,061	161,795
		5,023,958	10,753,492
CURRENT LIABILITIES			
Current portion of long-term finances - secured	7	1,000,000	380,952
Finances under mark up arrangements - secured	11	808,942	796,227
Derivative financial instruments	12	164,559	-
Trade and other payables	13	1,977,498	1,731,255
Accrued finance costs	14	530,501	534,021
		4,481,500	3,442,455
Liabilities of disposal group classified as held for sale	15	5,669,197	-
CONTINGENCIES AND COMMITMENTS	16	-	-
		46,030,963	43,743,940

(Rupees in thousand)	Note	2012	2011
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	17	3,459,115	18,346,058
Investment property	18	25,473	29,943
Intangible assets	19	41,411	38,888
Investments	20	20,795,660	16,288,141
Long-term loans and deposits	21	97,105	110,873
Retirement benefits	9	39,009	89,299
		24,457,773	34,903,202
CURRENT ASSETS			
Stores and spares	22	461,625	978,741
Stock-in-trade	23	1,909,807	4,525,757
Trade debts	24	2,279,915	1,764,577
Loans, advances, deposits, prepayments and other receivables	25	412,866	454,548
Income tax receivable	26	1,603,306	941,439
Cash and bank balances	27	362,380	175,676
		7,029,899	8,840,738
Assets of disposal group classified as held for sale	15	14,543,291	-
		46,030,963	43,743,940

The annexed notes 1 to 48 form an integral part of these financial statements.

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

Profit and Loss Account

for the year ended December 31, 2012

(Rupees in thousand)		Note	2012	2011 Represented
Continuing operations				
Local sales			13,808,154	13,723,196
Export sales			63,220	73,456
			13,871,374	13,796,652
Less: Sales tax and excise duty			2,110,315	2,393,077
Commission			15,769	17,164
			2,126,084	2,410,241
Net sales			11,745,290	11,386,411
Cost of sales		28	(10,386,198)	(10,071,355)
Gross profit			1,359,092	1,315,056
Administrative expenses		29	(345,690)	(286,809)
Distribution and marketing costs		30	(416,321)	(385,980)
Projects expenditure		31	-	(55,768)
Other operating expenses		32	(30,888)	(4,062)
Other operating income		33	288,492	289,281
Profit from operations			854,685	871,718
Finance costs		34	(528,371)	(483,649)
Investment income		35	1,534,453	1,040,290
Reversal of impairment / (impairment) on investments		36	361,161	(391,189)
Profit before tax			2,221,928	1,037,170
Taxation		37	(874,592)	(876,444)
Profit for the year from Continuing operations			1,347,336	160,726
Loss for the year from Discontinued operations		15.2	(4,058,801)	(1,728,678)
Loss for the year			(2,711,465)	(1,567,952)
Basic earnings / (loss) per share				
From Continuing operations	Rupees	44	15.97	1.90
From Discontinued operations	Rupees	44	(48.10)	(20.48)
From Loss for the year	Rupees		(32.13)	(18.58)
Diluted earnings / (loss) per share				
From Continuing operations	Rupees	44	15.76	1.90
From Discontinued operations	Rupees	44	(48.10)	(20.48)
From Loss for the year	Rupees		(32.34)	(18.58)

The annexed notes 1 to 48 form an integral part of these financial statements.

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

Statement of Comprehensive Income
for the year ended December 31, 2012

(Rupees in thousand)	2012	2011 Represented
Loss for the year	(2,711,465)	(1,567,952)
Other comprehensive income		
Surplus on re-measurement of available for sale financial assets	4,146,349	4,460,293
Total comprehensive income for the year	1,434,884	2,892,341
Attributable to:		
- Continuing operations	5,493,685	4,621,019
- Discontinued operations	(4,058,801)	(1,728,678)
	1,434,884	2,892,341

The annexed notes 1 to 48 form an integral part of these financial statements.

Towfiq Habib Chinoy
Chairman

Syed Hyder Ali
Chief Executive & Managing Director

Syed Aslam Mehdi
Director

Statement of Changes in Equity

FOR THE YEAR ENDED DECEMBER 31, 2012

(Rupees in thousand)	Share capital	Share premium	Fair value reserve	General reserve	Preference shares / convertible stock reserve	Accumulated profit / (loss)	Total
Balance as on December 31, 2010	843,795	2,876,893	4,681,548	16,660,333	1,605,875	261,441	26,929,885
Appropriation of funds							
Transferred to profit and loss account	-	-	-	(500,000)	-	500,000	-
Transactions with owners							
Final Dividend for the year ended December 31, 2010 Rs. 3.25 per share	-	-	-	-	-	(274,233)	(274,233)
Loss for the year	-	-	-	-	-	(1,567,952)	(1,567,952)
Other comprehensive income							
Surplus on re-measurement of available for sale financial assets	-	-	4,460,293	-	-	-	4,460,293
Total comprehensive income for the year	-	-	4,460,293	-	-	(1,567,952)	2,892,341
Balance as on December 31, 2011	843,795	2,876,893	9,141,841	16,160,333	1,605,875	(1,080,744)	29,547,993
Appropriation of funds							
Transferred to profit and loss account	-	-	-	(1,250,000)	-	1,250,000	-
Transactions with owners							
Final Dividend for the year ended December 31, 2011 Rs. 1.50 per share	-	-	-	-	-	(126,569)	(126,569)
Loss for the year	-	-	-	-	-	(2,711,465)	(2,711,465)
Other comprehensive income							
Surplus on re-measurement of available for sale financial assets	-	-	4,146,349	-	-	-	4,146,349
	-	-	4,146,349	-	-	(2,711,465)	1,434,884
Balance as on December 31, 2012	843,795	2,876,893	13,288,190	14,910,333	1,605,875	(2,668,778)	30,856,308

The annexed notes 1 to 48 form an integral part of these financial statements.

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

Cash Flow Statement

for the year ended December 31, 2012

(Rupees in thousand)	Note	2012	2011 Represented
Cash flows from operating activities			
Cash generated from / (used in) operations	42	395,637	(810,780)
Finance cost paid		(1,509,395)	(1,423,001)
Taxes paid		(758,677)	(431,528)
Payments for accumulating compensated absences		(28,670)	(10,524)
Retirement benefits paid		(73,960)	(62,831)
Net cash used in operating activities		(1,975,065)	(2,738,664)
Cash flows from investing activities			
Fixed capital expenditure		(1,234,627)	(1,225,371)
Acquisition of subsidiary		(9)	-
Investments - net		13	3,035
Net decrease in long-term loans and deposits		13,768	17,556
Proceeds from disposal of property, plant and equipment		113,764	190,023
Proceeds from assets written off due to fire		233,463	384,563
Dividends received		1,534,440	1,037,255
Net cash generated from investing activities		660,812	407,061
Cash flows from financing activities			
Repayment of long-term finances - secured		(5,485,714)	(14,286)
Proceeds from long-term finances - secured		2,000,000	1,000,000
Dividend paid		(126,044)	(273,574)
Net cash (used in) / generated from financing activities		(3,611,758)	712,140
Net decrease in cash and cash equivalents		(4,926,011)	(1,619,463)
Cash and cash equivalents at the beginning of the year		(620,551)	998,912
Cash and cash equivalents at the end of the year	43	(5,546,562)	(620,551)

The annexed notes 1 to 48 form an integral part of these financial statements.

Towfiq Habib Chinoy
Chairman

Syed Hyder Ali
Chief Executive & Managing Director

Syed Aslam Mehdi
Director

1. Legal status and nature of business

Packages Limited ('The 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.

The Company has entered into 50/50 Joint Venture Agreement (the "JV Agreement") on September 17, 2012 with 'Stora Enso OYJ Group' ('Stora Enso') of Finland in its 100% wholly owned subsidiary Bulleh Shah Packaging (Private) Limited [formerly Bulleh Shah Paper Mill (Private) Limited] ('BSPL'). The Joint Venture will include Paper & Paperboard and Corrugated business operations at Kasur and Karachi and will involve initial equity participation of Stora Enso of 35% by way of subscription of right shares with a commitment to increase the shareholding to 50% at a later stage subject to certain conditions being met. The agreed value for 100% of the Joint Venture Company is USD 107.5 million on a cash and debt free basis with additional equity to be subscribed by Stora Enso through right shares in the Joint Venture Company of USD 17.5 million, based on the financial results of second half of 2012 and first half of 2013. Packages Limited shall continue to hold minimum 50% ownership and future profits of the Joint Venture.

Moreover, the Company also decided to close down its Paper and Paperboard operations in Lahore, in addition to the above mentioned transaction, during the year.

As a result, the Company's operations have been divided into Continuing and Discontinued operations in accordance with the requirements of International Financial Reporting Standard (IFRS) 5, 'Non-current assets held for sale and Discontinued operations'. Paper & Paperboard and Corrugated businesses have been classified as Discontinued operations because these will form part of the Joint Venture. Continuing operations will include Folding Cartons, Flexible Packaging and Consumer Products businesses.

Upon subscription by Stora Enso in BSPL, the Company shall derecognise its investment in BSPL owing to loss of control and recognise an investment in jointly controlled entity, with Stora Enso as the joint venture partner. In view of the above, assets and corresponding liabilities as are envisaged to be transferred to BSPL are classified as held for sale under IFRS 5 as reflected in note 15 of these financial statements. These assets and liabilities have been measured at lower of their respective carrying values and fair values less cost to sell and the resultant estimated charge has been recognised in the profit and loss account.

The Paper and Paperboard operations in Lahore have also been classified as a Discontinued operation as reflected in note 15 of these financial statements, in accordance with the requirements of IFRS 5. This has not been classified as held for sale as it does not meet the criteria for being classified as held for sale under IFRS 5.

The figures of the prior period have been represented in accordance with the requirements of IFRS 5, wherever relevant.

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 the Institute of Chartered Accountants of Pakistan as are notified under The Companies Ordinance, 1984, provisions of and directives issued under The Companies Ordinance, 1984. Wherever the requirements of The Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of The Companies Ordinance, 1984 or the requirements of the said directives prevail.

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

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

2.2.1 Amendments to published standards effective in current year

New and amended standards, and interpretations mandatory for the first time for the financial year beginning January 1, 2012:

IFRS 1 (Amendment), 'First time adoption', on fixed dates and hyperinflation. These are applicable on accounting periods beginning on or after July 1, 2011. These amendments include two changes to IFRS 1, 'First time adoption' of IFRS. The first replaces references to a fixed date of January 1, 2004 with 'the date of transition to IFRSs', thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. The application of this amendment has no material impact on the Company's financial statements.

IFRS 7 (Amendments), 'Financial instruments: Disclosures' on transfers of assets. These are applicable on accounting periods beginning on or after July 1, 2011. These amendments arise from the IASB's review of off-balance sheet activities. The amendments shall promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. Earlier application is permitted. The application of these amendments have no material impact on the Company's financial statements.

IAS 12 (Amendments), 'Income taxes', on deferred tax. These are applicable on accounting periods beginning on or after January 1, 2012. IAS 12, 'Income taxes', currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery shall be through use or through sale when the asset is measured using the fair value model in IAS 40, 'Investment property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes - recovery of revalued non-depreciable assets', shall no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. The application of these amendments have no material impact on the Company's financial statements.

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

The following amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after January 1, 2013 or later periods, but the Company has not early adopted them:

Annual improvements to IFRSs 2011 are applicable on accounting periods beginning on or after January 1, 2013. This set of amendments includes changes to five standards: IFRS 1, 'First time adoption', IAS 1, 'Financial statement presentation', IAS 16, 'Property, plant and equipment', IAS 32, 'Financial instruments; Presentation' and IAS 34, 'Interim financial reporting'. The application of these amendments have no material impact on the Company's financial statements.

IFRS 1 (Amendments), 'First time adoption', on Government loans is applicable on accounting periods beginning on or after January 1, 2013. The amendment addresses how a first-time adopter would account for a Government loan with a below-market rate of interest when transitioning to IFRS. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first-time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 in 2008. The Company shall apply these amendments from January 1, 2013 and does not expect to have a material impact on its financial statements.

IFRS 7 (Amendments), 'Financial instruments: Disclosures', on offsetting financial assets and financial liabilities is applicable on accounting periods beginning on or after January 1, 2013. The amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. The Company shall apply these amendments from January 1, 2013 and does not expect to have a material impact on its financial statements.

IFRS 9 - 'Financial instruments' - classification and measurement. This is applicable on accounting periods beginning on or after January 1, 2015. This standard on classification and measurement of financial assets and financial liabilities will replace IAS 39, 'Financial instruments: Recognition and measurement'. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives.

The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions. The Company shall apply this standard from January 1, 2015 and does not expect to have a material impact on its financial statements.

IFRS 11 - 'Joint arrangements' is applicable on accounting periods beginning on or after January 1, 2013. IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Company shall apply this standard from January 1, 2013 and does not expect to have a material impact on its financial statements.

IFRS 12 - 'Disclosures of interests in other entities'. This is applicable on accounting periods beginning on or after January 1, 2013. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The Company shall apply this standard from January 1, 2013 and does not expect to have a material impact on its financial statements.

IFRS 13 - 'Fair value measurement'. This is applicable on accounting periods beginning on or after January 1, 2013. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Company shall apply this standard from January 1, 2013 and does not expect to have a material impact on its financial statements.

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

IAS 19 (Amendments), 'Employee benefits' is applicable on accounting periods beginning on or after January 1, 2013. These amendments shall eliminate the corridor approach and calculate finance costs on a net funding basis. The Company shall apply these amendments from January 1, 2013 and its impact on retained earnings shall be Rs. 259.306 million due to recognition of current unrealised actuarial losses on its defined benefit plans.

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

IAS 28 (Revised 2011), 'Associates and joint ventures' is applicable on accounting periods beginning on or after January 1, 2013. It includes the requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 11. The Company shall apply the revised standard from January 1, 2013 and does not expect to have a material impact on its financial statements.

IAS 32 (Amendments), 'Financial instruments: Presentation', on offsetting financial assets and financial liabilities is applicable on accounting periods beginning on or after January 1, 2014. These amendments update the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The Company shall apply these amendments from January 1, 2014 and does not expect to have a material impact on its financial statements.

3. Basis of measurement

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

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

i) Estimated useful lives of property, plant and equipment - note 4.2
ii) Provision for employees' retirement benefits - note 4.7 & 9
iii) Loss recognised on the re-measurement of assets of disposal group - note 15.2
iv) Recoverable amount of certain investments in equity instruments - note 20.2
v) Provision for taxation - note 37

4. Significant accounting policies

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

4.1 Taxation

Current

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

Deferred

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

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

4.2 Property, plant and equipment

Property, plant and equipment, except freehold land, 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 4.17 and borrowing costs as referred to in note 4.20.

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

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

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Company's estimate of the residual value of its property, plant and equipment as at December 31, 2012 has not required any adjustment as its impact is considered insignificant.

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

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

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

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

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

4.3 Investment property

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

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

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Company's estimate of the residual value of its investment property as at December 31, 2012 has not required any adjustment as its impact is considered insignificant.

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

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

4.4 Intangible assets

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

Development costs are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

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

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

4.5 Leases

(1) The Company is the lessee:

Finance leases

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

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

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

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

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

Operating leases

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

(2) The Company is the lessor:

Operating leases

Assets leased out under operating leases are included in investment property as referred to in note 18. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

4.6 Investments

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

Investments in equity instruments of subsidiaries and associates

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

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

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

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

Other investments

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

Held to maturity

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

Available for sale

The financial assets including investments in associated undertakings where the Company does not have significant influence 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 profit and loss account. In respect of 'available for sale' financial assets, cumulative impairment loss less any impairment loss on that financial asset previously recognised in profit and loss account, is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

4.7 Employee retirement benefits

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

4.7.1 Defined benefit plans

(a) All the executive staff 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 valuations for the pension and gratuity schemes were carried out as at December 31, 2012. The actual returns on plan assets during the year were Rs. 160.162 million and Rs. 65.516 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 11 percent per annum;
Expected rate of increase in salary level 9 percent per annum;
Expected mortality rate EFU 61-66 mortality table;
Expected rate of return 12.5 percent per annum; and
Future pension increase 2.5 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. 30.410 million to the pension fund and Rs. 12.422 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'.

In a meeting held on December 26, 2012 the board of trustees of the pension fund have decided to convert the existing defined benefit plan to defined contribution plan for all its employees active as on December 31, 2012 with effect from January 1, 2013 subject to such regulatory approvals as are necessary in the circumstances. The proposed scheme has been subsequently approved by the taxation authorities on February 22, 2013 and respective employees consent with the proposed scheme has also been obtained in the subsequent period. This conversion has been accounted for as a curtailment under IAS 19 - 'Employee benefits'.

The Joint Venture agreement with Stora Enso requires all accumulated balances due and payable to the employees in respect of pension and gratuity maintained with Packages Limited as a consequence of cessation of their employment with Packages Limited to be transferred by Packages Limited to BSPL or directly paid to the employees. This has been treated as a settlement as per IAS 19 - 'Employee benefits'.

(b) Accumulating compensated absences

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

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

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

Discount rate 11 percent per annum;
Expected rate of increase in salary level 9 percent per annum; and
Expected mortality rate EFU 61-66 mortality table.

4.7.2 Defined contribution plan

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

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

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

4.8 Stores and spares

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

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

4.9 Stock-in-trade

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

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

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

4.10 Financial instruments

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

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

4.11 Offsetting of financial assets and liabilities

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

4.12 Trade debts

Trade debts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

4.13 Cash and cash equivalents

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

4.14 Non-current assets held-for-sale

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

4.15 Borrowings

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

4.16 Trade and other payables

Liabilities for creditors and other amounts payable are recognised at fair value and subsequently measured at amortised cost using the effective interest method.

4.17 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 Company designates certain derivatives as cash flow hedges.

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

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

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

4.18 Revenue recognition

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

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

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

4.19 Foreign currency transactions and translation

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

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

4.20 Borrowing costs

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

4.21 Dividend

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

4.22 Compound financial instruments

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

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

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

4.23 Provisions

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

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

Restructuring provisions include lease termination penalties and employee termination payments and such other costs that are necessarily entailed by the restructuring and not associated with on going activities of the Company. Provisions are not recognised for future operating losses.

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

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

5. Issued, subscribed and paid up capital

2012 (Number of shares)	2011 (Number of shares)		2012 (Rupees in thousand)	2011 (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

21,082,601 (2011: 20,556,650) ordinary shares of the Company are held by IGI Insurance Limited, an associated undertaking.

(Rupees in thousand)	Note	2012	2011
6. Reserves			
Movement in and composition of reserves is as follows:			
Capital			
Share premium	6.1	2,876,893	2,876,893
Fair value reserve			
At the beginning of the year		9,141,841	4,681,548
Fair value gain during the year		4,146,349	4,460,293
	6.2	13,288,190	9,141,841
		16,165,083	12,018,734
Revenue			
General reserve			
At the beginning of the year		16,160,333	16,660,333
Transferred to profit and loss account		(1,250,000)	(500,000)
		14,910,333	16,160,333
		31,075,416	28,179,067

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

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

(Rupees in thousand)	Note	2012	2011
7. Long-term finances			
These are composed of:			
Local currency loans - secured			
Consortium Loan	7.1.1	-	5,185,714
Term Finance Loan	7.1.2	1,000,000	1,000,000
Long-term Finance Facility	7.1.3	2,000,000	-
Others	7.1.4	-	300,000
		3,000,000	6,485,714
Preference shares / convertible stock - unsecured	7.2	2,470,577	2,470,577
		5,470,577	8,956,291
Current portion shown under current liabilities		(1,000,000)	(380,952)
		4,470,577	8,575,339

7.1 Local currency loans - secured

7.1.1 Consortium Loan

This loan had been obtained from a consortium of commercial banks led by MCB Bank Limited. It was 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 (2011: Rs. 6,914 million) in favour of MCB Bank Limited being security trustee on behalf of consortium. It carried mark up at six month Karachi Inter Bank Offered Rate (KIBOR) plus 1.35 per cent per annum and was payable in 11 unequal semi-annual installments that started in June 2012 and ending in June 2017. The effective mark up charged during the year ranges from 13.31 per cent to 13.38 per cent per annum. This loan has been prepaid by the Company during the year using proceeds of short-term finances as referred to in note 15.1.5.

7.1.2 Term Finance Loan

The Company had obtained a long-term loan from Bank Al-Habib Limited for expansion in its paper, paperboard manufacturing capacity. Out of the total disbursement, Rs. 578 million have been provided by Bank Al-Habib Limited through its own source and Rs. 422 million have been provided under the State Bank of Pakistan's Long Term Finance Facility (LTFF). The entire amount is secured by a ranking charge over all present and future fixed assets of the Company amounting to Rs. 1,400 million (2011: Rs. 1,400 million) that has been subsequently modified. There is a pari passu charge over all present and future fixed assets of the Company amounting to Rs. 1,330 million (2011: Nil) in favour of Bank Al-Habib Limited (BAHL). The Company has prepaid this loan subsequent to the year end in March 2013.

7.1.2.1 Loan under Term Finance Facility (BAHL own source)

The loan was disbursed in tranches of Rs. 500 million, Rs. 47 million and Rs. 31 million on May 20, 2011, July 6, 2011 and December 30, 2011 respectively. It carries mark up at the rate of six month KIBOR plus 0.65 per cent per annum and is repayable within 7 years (including two years grace period) in 10 equal semi-annual installments starting on November 19, 2013, January 5, 2014 and June 29, 2014 respectively and ending on May 19, 2018, July 5, 2018 and December 29, 2018 respectively. However, owing to the decision of the Company to transfer the entire assets of its Kasur and Karachi operations to its wholly owned subsidiary, BSPL, the Company has prepaid the entire outstanding balance along with the mark up due thereon in March 2013. The effective mark up charged during the year ranges from 12.66 per cent to 12.69 per cent per annum.

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

The loan obtained from Bank Al-Habib Limited under State Bank of Pakistan, Long-Term Finance Facility of Rs. 422 million is comprised of Rs. 338 million and Rs. 84 million disbursed on July 6 ,2011 and November 16, 2011 respectively. This carries a fixed mark up of 11.20 per cent per annum and is repayable within 7 years (including two years grace period) in 10 equal semi-annual installments starting on January 5, 2014 and May 15, 2014 respectively and ending on July 5, 2018 and November 15, 2018 respectively. However, owing to the decision of the Company to transfer the entire assets of its Kasur and Karachi operations to its wholly owned subsidiary, BSPL, the Company has prepaid the entire outstanding balance along with the mark up due thereon in March 2013.

7.1.3 Long-Term Finance Facility

This loan has been obtained from Meezan Bank Limited under the Islamic mode of finance as a Musharika. It is secured by a pari passu charge over all present and future fixed assets of the Company amounting to Rs. 2,500 million. It carries mark up at six month KIBOR plus 0.65 per cent per annum and is repayable in 7 equal semi-annual installments starting in December 26, 2016 and ending December 28, 2019. The effective mark up charged during the year is 10.07 per cent per annum.

7.1.4 Others

This loan had been obtained from Citibank. It was 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 (2011: Rs. 419 million) in favour of MCB Bank Limited being security trustee on behalf of Citibank. It carried mark up at six month KIBOR plus 0.90 per cent per annum and was payable in 4 unequal semi-annual installments that started in December 2011 and ending in June 2013. The effective mark up charged during the year ranges from 12.86 per cent to 12.93 per cent per annum. This loan has been prepaid by the Company during the year using proceeds of short-term finances as referred to in note 15.1.5.

7.2 Preference shares / convertible stock - unsecured

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

Terms of redemption / conversion

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

Rate of return

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

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

(Rupees in thousand)	2012	2011
Face value of preference shares / convertible stock	4,120,500	4,120,500
Transaction costs	(44,048)	(44,048)
	4,076,452	4,076,452
Equity component - classified under capital and reserves	(1,605,875)	(1,605,875)
Liability component - classified under long-term finances	2,470,577	2,470,577
Accrued return on preference shares / convertible stock classified under accrued finance cost	412,050	412,050

The fair value of the liability component of the preference shares / convertible stock is calculated by discounting cash flows at a rate of approximately 16.50 per cent 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	2012	2011
8. Deferred income tax liabilities			
The liability for deferred taxation comprises timing differences relating to:			
Accelerated tax depreciation		551,041	3,951,743
Unused tax losses		(132,163)	(1,684,974)
Minimum tax available for carry forward	8.1	-	(203,745)
Provision for accumulating compensated absences		(63,829)	(54,219)
Provision for doubtful debts		(18,508)	(13,751)
Preference shares / convertible stock transaction cost - liability portion		9,267	8,946
		345,808	2,004,000

8.1 The Company has not adjusted the net deferred tax liability against aggregate tax credits of Rs. 566.842 million (2011: Rs. 300.571 million) and Rs. 261.474 million (2011: Rs. 196.059 million) available to the Company under section 113 and section 65B of the Income Tax Ordinance, 2001 ('Ordinance') respectively and unused tax losses of Nil (2011: Rs. 132.163 million) in view of the management's estimate that the Company may not be able to offset these against tax liability arising in respect of relevant business profits of future periods, before these expire / lapse. Tax credits under section 113 of the Ordinance amounting to Rs. 68.813 million, Rs. 183.823 million, Rs. 203.917 million and Rs. 110.288 million are set to lapse by the end of years ending on December 31, 2014, 2015, 2016 and 2017 respectively. Tax credit under section 65B of the Ordinance amounting to Rs. 190.334 million and Rs. 71.140 million shall lapse by the end of years ending on December 31, 2013 and 2014 respectively.

(Rupees in thousand)	2012	2011
9. Retirement benefits		
Classified under non-current liabilities		
Pension fund	86,512	12,358
Classified under non-current assets		
Gratuity fund	39,009	89,299

(Rupees in thousand)	Pension Fund 2012	Pension Fund 2011	Gratuity Fund 2012	Gratuity Fund 2011
The amounts recognised in the balance sheet are as follows:				
Fair value of plan assets	305,573	685,750	243,384	317,168
Present value of defined benefit obligation	(582,032)	(1,092,581)	(273,734)	(314,074)
Unrecognised actuarial loss	189,947	394,473	69,359	86,205
(Liability) / asset as at December 31	(86,512)	(12,358)	39,009	89,299
Net (liability) / asset as at January 1	(12,358)	(167)	89,299	94,557
Charge to profit and loss account	(132,248)	(61,520)	(66,156)	(18,760)
Contribution by the Company	58,094	49,329	15,866	13,502
Net (liability) / asset as at December 31	(86,512)	(12,358)	39,009	89,299
The movement in the present value of defined benefit obligation is as follows:				
Present value of defined benefit obligation as at January 1	1,092,581	890,215	314,074	285,349
Service cost	31,488	33,979	18,448	18,693
Interest cost	132,649	122,923	35,664	38,724
Benefits paid	(62,772)	(55,192)	(57,528)	(27,201)
Settlements	(553,090)	-	(97,638)	-
Curtailment / settlement (gain) / loss	(196,267)	-	17,182	-
Experience loss / (gain)	137,443	100,656	43,532	(1,491)
Present value of defined benefit obligation as at December 31	582,032	1,092,581	273,734	314,074
The movement in fair value of plan assets is as follows:				
Fair value as at January 1	685,750	649,568	317,168	304,449
Expected return on plan assets	86,516	93,200	37,042	42,408
Company contributions	58,094	49,329	15,866	13,502
Employee contributions	17,428	14,803	-	-
Benefits paid	(62,772)	(55,192)	(57,528)	(27,201)
Settlements	(553,090)	-	(97,638)	-
Experience gain / (loss)	73,647	(65,958)	28,474	(15,990)
Fair value as at December 31	305,573	685,750	243,384	317,168
The amounts recognised in the profit and loss account are as follows:				
Current service cost	31,488	33,979	18,448	18,693
Interest cost for the year	132,649	122,923	35,664	38,724
Expected return on plan assets	(86,516)	(93,200)	(37,042)	(42,408)
Contribution made by the employees	(17,428)	(14,803)	-	-
Curtailment / settlement losses charged out of unrecognised actuarial losses	244,554	-	27,362	-
(Gain) / loss on curtailment / settlement recongnised out of obligation	(196,267)	-	17,182	-
Recognition of loss	23,768	12,621	4,542	3,751
Total included in salaries, wages and amenities	132,248	61,520	66,156	18,760
Plan assets are comprised as follows:				
Debt	133,829	327,260	263,133	235,911
Equity	471,744	185,409	71,210	79,897
Cash	253,090	173,081	6,679	1,360
	858,663	685,750	341,022	317,168
Settlements	(553,090)	-	(97,638)	-
	305,573	685,750	243,384	317,168

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

(Rupees in thousand)	2012	2011	2010	2009	2008
As at December 31					
Present value of defined benefit obligation	582,032	1,092,581	890,215	767,086	595,808
Fair value of plan assets	305,573	685,750	649,568	592,086	493,088
Deficit	(276,459)	(406,831)	(240,647)	(175,000)	(102,720)
Experience adjustment on obligation	13%	11%	5%	6%	1%
Experience adjustment on plan assets	11%	-10%	0%	5%	-51%

Fair value of plan assets include ordinary shares of the Company, whose fair value as at December 31, 2012 is Rs. 99.771 million (2011: Rs. 54.598 million).

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

(Rupees in thousand)	2012	2011	2010	2009	2008
As at December 31					
Present value of defined benefit obligation	273,734	314,074	285,349	247,893	211,836
Fair value of plan assets	243,385	317,168	304,449	303,425	283,474
(Deficit) / Surplus	(30,349)	3,094	19,100	55,532	71,638
Experience adjustment on obligation	14%	-1%	9%	5%	9%
Experience adjustment on plan assets	9%	-5%	-3%	-1%	-10%

Fair value of plan assets include ordinary shares of the Company, whose fair value as at December 31, 2012 is Rs. 15.795 million (2011: Rs. 8.644 million).

(Rupees in thousand)	Note	2012	2011
10. Deferred liabilities			
This represents provision made to cover the obligation for accumulating compensated absences.			
Opening balance		161,795	149,173
Provision for the year		50,740	23,146
		212,535	172,319
Payments made during the year		(28,670)	(10,524)
		183,865	161,795
Settlement to be made for employees of Discontinued operations shown under accrued liabilities	10.1	(62,804)	-
Closing balance		121,061	161,795

10.1 This represents the obligations in respect of employees that are to be transferred to BSPL under the JV Agreement referred to in note 1 to these financial statements. Since this amount is to be settled by the Company before equity participation by Stora Enso into BSPL, it has been classified as a current liability and included in trade and other payables as referred to in note 13.2 to these financial statements.

(Rupees in thousand)	Note	2012	2011
11. Finances under mark up arrangements - secured			
Running finances - secured	11.1	225,883	196,227
Bills discounted - secured	11.2	-	-
Short-term finances - secured	11.3	583,059	600,000
		808,942	796,227

11.1 Running finances - secured

Short-term running finances available from a consortium of commercial banks under mark up arrangements amount to Rs. 7,790 million (2011: Rs. 7,290 million). The rates of mark up range from Re. 0.2638 to Re. 0.3622 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. 0.5479 to Re. 0.6849 per Rs. 1,000 per diem or part thereof on the balances unpaid. The aggregate running finances are secured by hypothecation of stores, spares, stock-in-trade and trade debts.

11.2 Bills discounted - secured

Facilities for discounting of export / inland bills of Rs. 581 million (2011: Rs. 581 million) are available to the Company as a sub-limit of the running finance facilities referred to in note 11.1. Mark up is fixed as per mutual agreement at the time of transaction. The outstanding balance of bills discounted is secured, in addition to the securities referred to in note 11.1, on the specific bills discounted. The facility has not been availed in the current year.

11.3 Short-term finances - secured

Facilities for obtaining short-term finances of Rs. 6,565 million (2011: Rs. 5,615 million) are available to the Company as a sub-limit of the running finance facilities referred to in note 11.1. The rates of mark up range from Re. 0.2569 to Re. 0.3348 per Rs. 1,000 per diem or part thereof on the balances outstanding.

11.4 Letters of credit and bank guarantees

Of the aggregate facility of Rs. 6,733 million (2011: Rs. 5,619 million) for opening letters of credit and Rs. 1,294 million (2011: Rs. 1,294 million) for guarantees, the amount utilised at December 31, 2012 was Rs. 852.874 million (2011: Rs. 572.814 million) and Rs. 606.653 million (2011: Rs. 621.581 million) respectively. Of the facility for guarantees, Rs. 1,294 million (2011: Rs. 1,294 million) is secured by second hypothecation charge over stores, spares, stock-in-trade and trade debts.

12. Derivative financial instruments

Liability in respect of arrangements under the JV Agreement

This represents amount in respect of arrangements under the JV Agreement between the Company and Stora Enso referred to in note 1; which provide Stora Enso the right, in case certain conditions specified in the JV Agreement are not met, and obligates Stora Enso, in case certain conditions specified in the JV Agreement are met, to subscribe to the share capital of BSPL. A key condition of such right and obligation relates to the envisaged Joint Venture achieving specified EBITDA, to which the subscription price is also linked. It is included in the loss recognised on re-measurement of the disposal group classified as held for sale referred to in note 15.1.2.

(Rupees in thousand)	Note	2012	2011
13. Trade and other payables			
Trade creditors	13.1	863,366	821,380
Accrued liabilities	13.2	684,022	576,677
Bills payable		171,271	27,210
Retention money payable		59,250	59,250
Sales tax payable		80,061	88,340
Advances from customers	13.3	49,623	83,627
Deposits - interest free repayable on demand		11,136	15,021
TFCs payable		1,387	1,387
Unclaimed dividends		12,448	11,923
Others		44,934	46,440
		1,977,498	1,731,255

13.1 Trade creditors include amounts due to related parties Rs. 170.458 million (2011: Rs. 109.335 million).

13.2 Accrued liabilities include amounts in respect of related parties Rs. 15.788 million (2011: Rs. 13.544 million). It also includes an amount of Rs. 62.804 million (2011: Nil) as referred to in note 10.1.

13.3 Advances from customers include amounts from related party Rs. 0.911 million (2011: Rs. 10.313 million).

(Rupees in thousand)	2012	2011
14. Accrued finance costs		
Accrued mark up / return on:		
Long-term local currency loans - secured	49,438	103,109
Preference shares / convertible stock - unsecured	412,050	412,050
Finances under mark up arrangements - secured	69,013	18,862
	530,501	534,021

15. Disposal group classified as held for sale and Discontinued operations

As more fully explained in note 1 to these financial statements, the disposal group comprises of the Paper & Paperboard and Corrugated business operations at Kasur and Karachi. The assets and liabilities of this disposal group have been separately classified as held for sale in note 15.1. In connection with this the profit and loss account for these operations have also been separately classified as a Discontinued operation in note 15.2.

Moreover, the Discontinued operations also include the Paper and Paperboard operations in Lahore that have been discontinued during the year, the profit and loss account of which is separately presented in note 15.2.

(Rupees in thousand)	Note	2012
15.1 Assets and liabilities of disposal group classified as held for sale		
a) Assets classified as held for sale		
Operating assets	15.1.1	10,249,450
Capital work-in-progress		162,365
Intangible assets		10,021
Stores and spares		695,153
Stock-in-trade		3,426,302
Total assets of the disposal group		14,543,291
b) Liabilities directly associated with assets classified as held for sale		
Deferred income tax liabilities	15.1.4	551,513
Short-term finances - secured	15.1.5	5,100,000
Other payables		17,684
Total liabilities of the disposal group		5,669,197
15.1.1 Operating assets		
Assets of disposal group classified as held for sale as at September 30, 2012		14,672,768
Net book value of additions till December 31, 2012		32,402
Net book value of deletions till December 31, 2012		(1,591)
		14,703,579
Loss recognised on the re-measurement of assets of disposal group	15.1.2	(4,454,129)
Carrying value as on December 31, 2012		10,249,450

15.1.2 Loss recognised on the re-measurement of assets of disposal group

This represents the difference between the carrying values of net assets to be transferred to BSPL and the estimated fair value thereof in the form of Company's interest in the envisaged Joint Venture, net of the amount as described in note 12.

15.1.3 Included in property, plant and equipment, there are certain capital expenditure incurred by the Company subsequent to the signing of the JV Agreement, which the Company believes are reimbursable by BSPL under the terms of the JV Agreement subject to consent of Stora Enso. The Company has claimed Rs. 226 million in this respect, and discussion are in progress with Stora Enso for their approval. However, no receivable has been recognised in these financial statements in respect of the above mentioned amount as the matter is in process of being finalised.

(Rupees in thousand)	2012

15.1.4 Deferred income tax liabilities

The liability for deferred taxation comprises temporary differences relating to:

Accelerated tax depreciation	2,011,843
Un-absorbed tax depreciation	(1,460,330)
	551,513

The tax losses as at December 31, 2012 transferable to BSPL are estimated approximately at Rs. 4,172.371 million (2011: Rs. 4,802.733 million).

15.1.5 Short-term finances - secured

This represents a short-term loan obtained from MCB Bank Limited and Allied Bank Limited to repay the Consortium Loan referred to in note 7.1.1 and loan from Citibank referred to in note 7.1.4. It is secured against pledge of 2,100,000 shares of Nestle Pakistan Limited as referred to in note 20.4. It carries mark up at three month KIBOR plus 0.75% per annum and is repayable on June 5, 2013. The effective mark up charged during the year is 10.18 per cent per annum.

15.1.6 Commitments in respect of disposal group classified as held for sale

(i) Letters of credit and contracts for capital expenditure Rs. 2.242 million (2011: Nil).
(ii) Letters of credit and contracts other than for capital expenditure Rs. 369.488 million (2011: Nil).
(iii) The amount of future payments under operating leases and the period in which these payments shall become due are as follows:

(Rupees in thousand)	2012	2011
Not later than one year	346	305
Later than one year and not later than five years	268	392
	614	697

15.2 Profit and loss account - Discontinued operations

(Rupees in thousand)	Note	Paper & Paperboard and Corrugated business operations at Kasur and Karachi 2012	2011 Represented	Paper & Paperboard operations at Lahore 2012	2011 Represented	Total 2012	2011 Represented
Local sales		10,039,377	8,834,315	42,002	212,521	10,081,379	9,046,836
Export sales		27,642	52,730	-	87,781	27,642	140,511
		10,067,019	8,887,045	42,002	300,302	10,109,021	9,187,347
Less: Sales tax and excise duty		1,357,088	1,283,810	3,523	31,314	1,360,611	1,315,124
Commission		34	1,092	-	-	34	1,092
		1,357,122	1,284,902	3,523	31,314	1,360,645	1,316,216
		8,709,897	7,602,143	38,479	268,988	8,748,376	7,871,131
Sales to Continuing operations		1,954,155	1,559,692	-	-	1,954,155	1,559,692
		10,664,052	9,161,835	38,479	268,988	10,702,531	9,430,823
Cost of sales		(10,149,138)	(10,193,212)	(294,164)	(288,487)	(10,443,302)	(10,481,699)
Gross profit / (loss)		514,914	(1,031,377)	(255,685)	(19,499)	259,229	(1,050,876)
Administrative expenses	15.2.1	(352,349)	(263,810)	(40,879)	(64,978)	(393,228)	(328,788)
Distribution and marketing costs		(186,631)	(146,740)	(16,718)	(29,948)	(203,349)	(176,688)
Other operating expenses		(38,472)	(18,895)	(15,942)	(1,066)	(54,414)	(19,961)
Other operating income		36,729	32,060	7,963	32,988	44,692	65,048
Loss from operations		(25,809)	(1,428,762)	(321,261)	(82,503)	(347,070)	(1,511,265)
Finance costs		(974,093)	(988,600)	(3,411)	(13,061)	(977,504)	(1,001,661)
Loss before tax from Discontinued operations		(999,902)	(2,417,362)	(324,672)	(95,564)	(1,324,574)	(2,512,926)
Taxation		154,092	756,093	113,828	28,155	267,920	784,248
Loss after tax from Discontinued operations		(845,810)	(1,661,269)	(210,844)	(67,409)	(1,056,654)	(1,728,678)
Loss before tax recognised on the re-measurement of assets of disposal group		(4,618,688)	-	-	-	(4,618,688)	-
Taxation		1,616,541	-	-	-	1,616,541	-
Loss after tax recognised on the re-measurement of assets of disposal group		(3,002,147)	-	-	-	(3,002,147)	-
Loss for the year from Discontinued operations		(3,847,957)	(1,661,269)	(210,844)	(67,409)	(4,058,801)	(1,728,678)

15.2.1 Included in administrative expenses of Paper & Paperboard and Corrugated business operations at Kasur and Karachi is an amount of Rs. 5.613 million (2011: Nil) and Rs. 7.338 million (2011: Nil) on account of legal and professional services and travelling respectively in respect of transaction referred to in note 1 to these financial statements.

15.3 Cash flows from Discontinued operations

(Rupees in thousand)	Paper & Paperboard and Corrugated business operations at Kasur and Karachi 2012	2011 Represented	Paper & Paperboard operations at Lahore 2012	2011 Represented	Total 2012	2011 Represented
Cash flows from operating activities	(523,873)	(2,082,984)	162,046	805,345	(361,827)	(1,277,639)
Cash flows from investing activities	(173,772)	(1,153,303)	49,160	28,081	(124,612)	(1,125,222)
Cash flows from financing activities	(5,485,714)	985,714	-	-	(5,485,714)	985,714
Total cash flows	(6,183,359)	(2,250,573)	211,206	833,426	(5,972,153)	(1,417,147)

16. Contingencies and commitments

16.1 Contingencies

(i) Claims against the Company not acknowledged as debts Rs. 25.860 million (2011: Rs. 18.612 million).

(ii) Post dated cheques not provided in the financial statements have been furnished by the Company in favour of the Collector of Customs against custom levies aggregated to Rs. 217.102 million (2011: Rs. 102.219 million) in respect of goods imported.

16.2 Commitments in respect of

(i) Letters of credit and contracts for capital expenditure Rs. 81.017 million (2011: Rs. 310.397 million).

(ii) Letters of credit and contracts other than for capital expenditure Rs. 618.740 million (2011: Rs. 433.814 million).

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

(Rupees in thousand)	Note	2012	2011
Not later than one year		170,192	191,388
Later than one year and not later than five years		495,581	813,699
		665,773	1,005,087

17. Property, plant and equipment

(Rupees in thousand)	Note	2012	2011
Operating assets	17.1	3,068,122	18,220,375
Capital work-in-progress	17.2	390,993	125,683
		3,459,115	18,346,058

17.1 Operating assets

2012

(Rupees in thousand)	Cost as at December 31, 2011	Additions / (deletions)	Transfer in (note 18)	Assets of disposal group classified as held for sale	Cost as at December 31, 2012	Accumulated depreciation as at December 31, 2011	Depreciation charge / (deletions) for the year	Transfer in (note 18)	Assets of disposal group classified as held for sale	Accumulated depreciation as at December 31, 2012	Book value as at December 31, 2012
Freehold land	311,489	-	-	(105,167)	206,322	-	-	-	-	-	206,322
		-									
Buildings on freehold land	3,143,215	8,236	-	(2,818,001)	333,450	518,783	89,669	-	(479,886)	128,566	204,884
		-									
Buildings on leasehold land	167,545	3,072	9,936	-	180,553	76,232	6,305	7,095	-	89,632	90,921
		-									
Plant and machinery	23,672,350	711,401	-	(16,899,351)	7,217,202	8,774,709	1,062,638	-	(4,738,318)	4,899,860	2,317,342
		(267,198)					(199,169)				
Other equipments (computers, lab equipments and other office equipments)	495,048	56,443	-	(78,374)	468,221	361,694	50,922	-	(46,001)	361,933	106,288
		(4,896)					(4,682)				
Furniture and fixtures	19,318	-	-	(5,923)	13,370	14,716	729	-	(2,769)	12,651	719
		(25)					(25)				
Vehicles	317,572	69,334	-	(87,875)	244,186	160,028	32,227	-	(54,949)	102,540	141,646
		(54,845)					(34,766)				
	28,126,537	848,486	9,936	(19,994,691)	8,663,304	9,906,162	1,242,490	7,095	(5,321,923)	5,595,182	3,068,122
		(326,964)					(238,642)				

(Rupees in thousand)	2011 Cost as at December 31, 2010	Additions / (deletions)	Transfer in	Assets written off due to fire (note 17.1.4)	Cost as at December 31, 2011	Accumulated depreciation as at December 31, 2010	Depreciation charge / (deletions) for the year	Transfer in	Assets written off due to fire (note 17.1.4)	Accumulated depreciation as at December 31, 2011	Book value as at December 31, 2011
Freehold land	321,330	2,185	-	-	311,489	-	-	-	-	-	311,489
		(12,026)									
Buildings on freehold land	3,172,258	30,089	-	(58,832)	3,143,215	416,421	128,627	-	(25,965)	518,783	2,624,432
		(300)					(300)				
Buildings on leasehold land	179,494	-	-	(11,949)	167,545	74,796	6,808	-	(5,372)	76,232	91,313
Plant and machinery	22,373,894	1,979,180	-	(193,420)	23,672,350	7,987,294	1,378,909	-	(104,275)	8,774,709	14,897,641
		(487,304)					(487,219)				
Other equipments (computers, lab equipments and other office equipments)	463,151	42,345	-	(5,453)	495,048	320,867	50,372	-	(4,915)	361,694	133,354
		(4,995)					(4,630)				
Furniture and fixtures	19,318	-	-	-	19,318	13,704	1,012	-	-	14,716	4,602
Vehicles	285,897	59,414	-	-	317,572	140,774	37,293	-	-	160,028	157,544
		(27,739)					(18,039)				
	26,815,342	2,113,213	-	(269,654)	28,126,537	8,953,856	1,603,021	-	(140,527)	9,906,162	18,220,375
		(532,364)					(510,188)				

17.1.1 Property, plant and equipment include assets amounting to Rs. 43.498 million (2011: Rs. 83.515 million) of the Company which are not in operation.

17.1.2 The cost of fully depreciated assets which are still in use as at December 31, 2012 is Rs. 3,785.491 million (2011: Rs. 3,385.397 million).

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

		Continuing operations		Discontinued operations Paper & Paperboard and Corrugated business at Kasur and Karachi		Discontinued operations Paper & Paperboard at Lahore		Total	
(Rupees in thousand)	**Note**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Cost of sales	28	327,956	294,072	852,967	1,229,216	34,003	55,071	1,214,926	1,578,359
Administrative expenses	29	10,858	9,596	7,493	6,371	1,140	1,399	19,491	17,366
Distribution and marketing costs	30	5,757	5,082	1,595	1,516	721	698	8,073	7,296
		344,571	308,750	862,055	1,237,103	35,864	57,168	1,242,490	1,603,021

17.1.4 During the last year fire at the tissue conversion line and stores damaged certain items of property, plant and equipment with an aggregate book value of Rs. 129.127 million. The Company had claimed such loss from its insurance providers in accordance with the relevant insurance policies as referred to in note 33.2.

17.1.5 Disposal of property, plant and equipment

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

(Rupees in thousand)			2012			
Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sales proceeds	Mode of disposal
Plant and machinery	**Outsiders**					
	Pak Board Mill, Muhammad Amin Dogar, Jutt Brothers, Boss Links	181,508	113,479	68,029	46,502	Negotiation
Other Equipments	**Outsiders**					
	M/s. Iqbal Jutt	650	509	141	173	Negotiation
Vehicles	**Employees**					
	Abida Akram	477	346	131	253	Company Policy
	Adnan Tufail	402	296	106	192	-do-
	Ali Hassan Siddique	495	142	353	358	-do-
	Ali Usman Awan	725	278	447	568	-do-
	Amad Ud Din	579	326	253	212	-do-
	Amir Janjua	979	710	269	590	-do-
	Ammarah Javed Agha	581	93	488	498	-do-
	Arslan Tauheed Abbasi	495	99	396	421	-do-
	Asma Yousaf	476	345	131	247	-do-
	Ataunnoor Ahmad	381	285	96	169	-do-
	Athar Riaz	615	454	161	365	-do-
	Attia Jamal	617	463	154	337	-do-
	Ayaz Haseeb	360	270	90	160	-do-
	Babar Hussain	849	637	212	556	-do-
	Behram Nazir	414	233	181	219	-do-
	Faraz Zafar	707	64	643	601	-do-
	Farhan M.Jaffer	716	105	611	629	-do-
	Farid Ahmad	1,269	555	714	980	-do-
	Haseeb Riaz	519	97	422	420	-do-
	Hassan Ahmed Mughal	384	245	139	202	-do-
	Iftikhar Ahmad	705	529	176	439	-do-
	Iftikhar Ahmad	1,232	462	770	875	-do-
	Ijaz Ahmad	988	580	408	629	-do-
	Ishtiaq Ur Rehman	385	231	154	203	-do-
	Jananzeb Khan	1,157	868	289	807	-do-
	Kamal Bariq	401	291	110	191	-do-
	Kamran Jamshed	850	425	425	485	-do-
	Khalid Bin Yousaf	700	236	464	515	-do-
	Khalid Mehmood	800	340	460	572	-do-
	Majeed Ghani	585	307	278	362	-do-
	Mian Javaid Iqbal	820	595	225	532	-do-
	Mudussar Anjum	384	259	125	177	-do-
	Muhammad Tariq	427	320	107	207	-do-
	Muhammad Ahmad	665	283	382	450	-do-
	Muhammad Amin	374	266	108	169	-do-
	Muhammad Anis	643	113	530	511	-do-
	Muhammad Faraz	396	262	134	208	-do-
	Muhammad Usman Akram	480	222	258	256	-do-
	Mustansar Bashir	475	339	136	251	-do-
	Naeem Shaukat	1,000	300	700	821	-do-
	Nauman Majeed Khan	1,318	264	1,054	952	-do-
	Naveed Ehsaan	859	268	591	689	-do-
	Omer Qureshi	366	275	91	138	-do-
	Rameez Jahangir	754	68	686	646	-do-
	Rana Sher Afghan	610	130	480	465	-do-
	Carried Forward	211,572	128,264	83,308	66,202	

(Rupees in thousand)			2012			
Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sales proceeds	Mode of disposal
	Brought Forward	211,572	128,264	83,308	66,202	
Vehicles	Sajjad Iftikhar	576	425	151	255	Company Policy
	Samreen Saleem	362	258	104	161	-do-
	Shabir Hussain	564	310	254	353	-do-
	Shahida Naeem	940	693	247	630	-do-
	Shoaib Nangiana	571	428	143	589	Negotiation
	Shoaib Saleem	479	317	162	255	Company Policy
	Syed Ahmad Mujtaba	360	270	90	160	-do-
	Syed Babar Hussain	549	99	450	460	-do-
	Tahir Mahmood	380	285	95	174	-do-
	Usman Ghani	660	289	371	446	-do-
	Usman Tahir	463	168	295	286	-do-
	Zaid Ashraf Nizami	498	137	361	361	-do-
	Outsiders					
	Adnan Rafique Qureshi	900	675	225	860	Negotiation
	IGI Insurance Limited - Related Party	4,706	1,621	3,085	4,329	Insurance Claim
	Maheen Saqib	916	687	229	800	Negotiation
	Maswar Subhani	1,072	804	268	725	-do-
Other assets with book value less than Rs. 50,000		204,045	203,970	75	36,718	
		429,613	339,700	89,913	113,764	

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

(Rupees in thousand)	2012	2011
17.2 Capital work-in-progress		
Civil works	172,830	15,784
Plant and machinery [including in transit Rs. 95.652 million (2011: Nil)]	197,731	105,571
Others	246	235
Advances	20,186	4,093
	390,993	125,683

17.2.1 During the last year fire at the tissue conversion line and stores damaged certain items of capital work-in-progress with an aggregate book value of Rs. 2.679 million. The Company had claimed such loss from its insurance providers in accordance with the relevant insurance policies as referred to in note 33.2.

18. Investment property

2012

(Rupees in thousand)	Cost as at December 31, 2011	Transfer out (note 17.1)	Cost as at December 31, 2012	Accumulated depreciation as at December 31, 2011	Depreciation charge for the year	Transfer out (note 17.1)	Accumulated depreciation as at December 31, 2012	Book value as at December 31, 2012
Land	8,594	-	8,594	-	-	-	-	8,594
Buildings on freehold land	6,296	-	6,296	3,984	420	-	4,404	1,892
Buildings on leasehold land	38,808	(9,936)	28,872	19,771	1,209	(7,095)	13,885	14,987
	53,698	(9,936)	43,762	23,755	1,629	(7,095)	18,289	25,473

2011

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

18.1 Depreciation charge for the year has been allocated to administrative expenses as referred to in note 29.

18.2 Fair value of the investment property, based on the valuation carried out by an independent valuer, as at December 31, 2012 is Rs. 153.334 million (2011: Rs. 171.926 million).

(Rupees in thousand)	Note	2012	2011
19. Intangible assets			
These represent computer software and ERP system.			
Cost			
As at January 1		165,620	126,959
Additions		11,668	38,661
Deletions		(637)	-
As at December 31		176,651	165,620
Accumulated amortisation			
As at January 1		(126,732)	(124,567)
Amortisation for the year	19.1	(9,145)	(2,165)
Deletions		637	-
As at December 31		(135,240)	(126,732)
		41,411	38,888

(Rupees in thousand)		Note	2012	2011
19.1	The amortisation charge for the year has been allocated as follows:			
	Continuing operations			
	Cost of sales	28	194	12
	Administrative expenses	29	4,789	1,409
			4,983	1,421
	Discontinued operations			
	Administrative expenses		4,162	744
			9,145	2,165
20.	**Investments**			
	These represent the long-term investments in:			
	Related parties	20.1	3,507,540	3,146,370
	Other long-term investments	20.3	17,288,120	13,141,771
			20,795,660	16,288,141
20.1	**Related parties**			
	Subsidiaries - unquoted			
	Bulleh Shah Packaging (Private) Limited [formerly Bulleh Shah Paper Mill (Private) Limited]			
	900 (2011: Nil) fully paid ordinary shares of Rs. 10 each Equity held 100.00% (2011: Nil)		9	-
	DIC Pakistan Limited			
	3,377,248 (2011: 3,377,248) fully paid ordinary shares of Rs. 10 each Equity held 54.98% (2011: 54.98%)		15,010	15,010
	Packages Construction (Private) Limited			
	2,500,000 (2011: 2,500,000) fully paid ordinary shares of Rs. 10 each Equity held 99.99% (2011: 99.99%)		19,090	19,090
	Packages Lanka (Private) Limited			
	44,698,120 (2011: 44,698,120) shares of SL Rupees 10 each Equity held 79.07% (2011: 79.07%)		442,938	442,938
			477,047	477,038
	Associates			
	Quoted			
	IGI Insurance Limited			
	11,838,267 (2011: 11,838,267) fully paid ordinary shares of Rs. 10 each Equity held 10.61% (2011: 10.61%) Market value - Rs. 1,139.788 million (2011: Rs. 523.488 million)	20.1.1	878,378	523,488
	Tri-Pack Films Limited			
	10,000,000 (2011: 10,000,000) fully paid ordinary shares of Rs. 10 each Equity held 33.33% (2011: 33.33%) Market value - Rs. 1,920 million (2011: Rs. 1,603 million)	20.2	2,141,233	2,141,233
	IGI Investment Bank Limited			
	4,610,915 (2011: 4,610,915) fully paid ordinary shares of Rs. 10 each Equity held 2.17% (2011: 2.17%) Market value - Rs. 10.882 million (2011: Rs. 4.150 million)	20.1.1	10,882	4,611
			3,030,493	2,669,332
			3,507,540	3,146,370

20.1.1 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 through representation on the board of directors of these companies.

The Company has recognised reversal of impairment losses in IGI Insurance Limited and IGI Investment Bank Limited during the year of Rs. 354.890 million and Rs. 6.271 million respectively as referred to in note 36.

20.2 The Company has assessed the recoverable amount of investment in Tri-Pack Films Limited based on value in use calculation. This calculation has been made on discounted cash flow methodology for real cash flows using a weighted average cost of capital of approximately 13%, cumulative annual growth rate of 15.27% in profit before tax till 2020 and terminal growth of Nil. Based on the above, the recoverable amount of investment in Tri-Pack Films Limited exceeds its existing carrying amount.

(Rupees in thousand)	Note	2012	2011
20.3 Others			
Quoted			
Nestle Pakistan Limited			
3,649,248 (2011: 3,649,248) fully paid ordinary shares of Rs. 10 each Equity held 8.05% (2011: 8.05%) Market value - Rs. 17,273.095 million (2011: Rs. 13,126.746 million)	20.4 & 20.5	17,273,095	13,126,746
Unquoted			
Tetra Pak Pakistan Limited			
1,000,000 (2011: 1,000,000) fully paid non-voting shares of Rs. 10 each	20.5	10,000	10,000
Coca-Cola Beverages Pakistan Limited			
500,000 (2011: 500,000) fully paid ordinary shares of Rs. 10 each Equity held 0.14% (2011: 0.14%)		5,000	5,000
Pakistan Tourism Development Corporation Limited			
2,500 (2011: 2,500) fully paid ordinary shares of Rs. 10 each		25	25
Orient Match Company Limited			
1,900 (2011: 1,900) fully paid ordinary shares of Rs. 100 each		-	-
		15,025	15,025
		17,288,120	13,141,771

20.4 2,100,000 shares (2011: Nil) of Nestle Pakistan Limited (market value: Rs. 9,939.993 million) are pledged with lenders of short-term finances facility as referred to in note 15.1.5.

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

(Rupees in thousand)	Note	2012	2011
21. Long-term loans and deposits			
Considered good			
Loans to employees	21.1	5,269	4,278
Loan to SNGPL	21.2	82,000	98,400
Security deposits		27,454	25,447
		114,723	128,125
Receivable within one year			
Loans to employees	25	(1,218)	(852)
Loan to SNGPL	25	(16,400)	(16,400)
		(17,618)	(17,252)
		97,105	110,873

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

Loans to employees aggregating Rs. 3.008 million (2011: Rs. 2.125 million) are secured by joint registration of motor cycles in the name of employees and the Company. The remaining loans are unsecured.

21.2 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 Kasur plant. Mark up is charged at the rate of 1.5% per annum and is received annually. The remaining amount is receivable in 5 annual installments.

(Rupees in thousand)	2012	2011
22. Stores and spares		
Stores [including in transit Rs. 6.328 million (2011: Rs. 11.444 million)]	261,120	571,039
Spares [including in transit Rs. 4.511 million (2011: Rs. 21.580 million)]	200,505	407,702
	461,625	978,741

22.1 Stores and spares include items which may result in fixed capital expenditure but are not distinguishable and are net of an amount of Rs. 1.452 million (2011: Rs. 1.452 million) in respect of provision for slow moving stores and spares.

22.2 During the last year fire at the tissue conversion line and stores damaged certain items of stores and spares. The carrying value of the assets damaged was Rs. 189.447 million. The Company had claimed such loss from its insurance providers as referred to in note 33.2.

(Rupees in thousand)	2012	2011
23. Stock-in-trade		
Raw materials [including in transit Rs. 194.250 million (2011: Rs. 243.329 million)].	970,058	2,079,815
Work-in-process	243,018	256,593
Finished goods	696,731	2,189,349
	1,909,807	4,525,757

23.1 Raw materials and finished goods with a cost of Nil (2011: Rs. 783.745 million) and Rs. 27.090 million (2011: Rs. 1,354.412 million) are being valued at net realizable value of Nil (2011: Rs. 653.129 million) and Rs. 23.864 million (2011: Rs. 1,092.969 million) respectively.

23.2 During the last year fire at the tissue conversion line and stores damaged certain items of stock-in-trade. The carrying value of the assets damaged was Rs. 215.201 million. The Company had claimed such loss from its insurance providers as referred to in note 33.2.

(Rupees in thousand)	Note	2012	2011
24. Trade debts			
Considered good			
Related parties - unsecured	24.1	16,311	8,725
Others	24.2	2,263,604	1,755,852
		2,279,915	1,764,577
Considered doubtful		54,550	42,269
		2,334,465	1,806,846
Provision for doubtful debts	24.3	(54,550)	(42,269)
		2,279,915	1,764,577
24.1 Related parties - unsecured			
Subsidiary			
DIC Pakistan Limited		4,190	2,766
Associate			
Tri-Pack Films Limited		12,121	5,959
		16,311	8,725

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

24.2 Others include debt of Rs. 264.286 million (2011: Rs. 210.034 million) which are secured by way of bank guarantees and inland letters of credit.

(Rupees in thousand)	Note	2012	2011
24.3 The movement in provisioin during the year is as follow:			
Balance as at January 1		42,269	40,524
Provision during the year	30	12,281	8,092
Trade debts written off during the year		-	(6,347)
Balance as at December 31		54,550	42,269
25. Loans, advances, deposits, prepayments and other receiables			
Current portion of loans to employees	21	1,218	852
Current portion of loan receivable from SNGPL	21	16,400	16,400
Advances - considered good			
To employees	25.1	22,514	12,167
To suppliers		40,729	52,255
		63,243	64,422
Due from related parties - unsecured	25.2	14,700	14,358
Trade deposits		108,633	95,187
Prepayments		22,134	24,244
Balances with statutory authorities			
Customs duty		6,937	-
Sales tax recoverable		13,970	10,307
		20,907	10,307
Mark up receivable on			
Loan to SNGPL		64	77
Term deposits and saving accounts		348	838
		412	915
Insurance claim receivable in respect of assets written off due to fire from IGI Insurance Limited - Related Party		89,412	172,791
Other receivables		75,807	55,072
		412,866	454,548

25.1 Included in advances to employees are amounts due from executives of Rs. 6.615 million (2011: Rs. 1.299 million).

(Rupees in thousand)	Note	2012	2011
25.2 Due from related parties - unsecured			
Subsidiaries			
DIC Pakistan Limited		9,966	8,542
Packages Lanka (Private) Limited		3,692	5,279
Bulleh Shah Packaging (Private) Limited [formerly Bulleh Shah Paper Mill (Private) Limited]		698	-
Associates			
Tri-Pack Films Limited		63	59
IGI Insurance Limited		281	478
		14,700	14,358
These are in the normal course of business and are interest free.			
26. Income tax receivable			
Income tax refundable		1,567,293	905,426
Income tax recoverable	26.1	36,013	36,013
		1,603,306	941,439

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

The Company had filed an appeal against the revised orders of the ITO before the Commissioner of Income Tax (Appeals) [CIT(A)], Karachi. CIT(A) 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 CIT(A)'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), had issued notices under section 65 of the Income Tax Ordinance, 1979 and the Company had 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	2012	2011
27. Cash and bank balances			
At banks:			
On saving accounts [including Nil (2011: USD 29,177)]	27.1	259,947	76,858
On current accounts [including USD 1,042 (2011: USD 4,973)]	27.2	96,628	89,150
		356,575	166,008
In hand		5,805	9,668
		362,380	175,676

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

27.2 Included in these are total restricted funds of Rs. 1.332 million (2011: Rs. 1.332 million) held as payable to TFC holders.

(Rupees in thousand)	Note	2012	2011 Represented
28. Cost of sales			
Materials consumed		7,406,733	7,282,395
Salaries, wages and amenities	28.1	871,950	665,034
Traveling		12,278	16,926
Fuel and power		920,546	747,907
Production supplies		232,923	250,062
Excise duty and sales tax		754	2,213
Rent, rates and taxes	28.2	313,037	346,809
Insurance		26,714	18,620
Repairs and maintenance		306,975	314,994
Packing expenses		42,044	52,337
Depreciation on property, plant and equipment	17.1.3	327,956	294,072
Amortisation of intangible assets	19.1	194	12
Technical fee and royalty		7,440	6,091
Other expenses	28.3	110,193	38,237
		10,579,737	10,035,709
Opening work-in-process		250,247	207,082
Closing work-in-process		(245,126)	(250,247)
Cost of goods produced		10,584,858	9,992,544
Opening stock of finished goods		609,944	688,755
		11,194,802	10,681,299
Closing stock of finished goods		(808,604)	(609,944)
		10,386,198	10,071,355

Cost of goods produced includes Rs. 1,168.420 million (2011: Rs. 1,140.515 million) for stores and spares consumed, Rs. 36.838 million (2011: Rs. 30.837 million) and Rs. 2.672 million (2011: Nil) for raw material and stores and spares written off respectively.

(Rupees in thousand)	2012	2011 Represented
28.1 Salaries, wages and amenities		
Salaries, wages and amenities include following in respect of retirement benefits:		
Pension		
Current service cost	9,037	8,941
Interest cost for the year	38,072	32,343
Expected return on plan assets	(24,832)	(24,522)
Contribution made by the employees	(5,002)	(3,894)
Net loss on curtailment / settlement	13,857	-
Recognition of loss	6,823	3,320
	37,955	16,188
Gratuity		
Current service cost	7,188	5,429
Interest cost for the year	13,896	11,247
Expected return on plan assets	(14,432)	(12,317)
Loss on settlement	17,356	-
Recognition of loss	1,769	1,089
	25,777	5,448

In addition to above, salaries, wages and amenities include Rs. 16.390 million (2011: Rs. 13.337 million) and Rs. 20.222 million (2011: Rs. 4.926 million) in respect of provident fund contribution by the Company and accumulating compensated absences respectively.

28.2 Rent, rates and taxes include operating lease / ujrah rentals amounting to Rs. 303.095 million (2011: Rs. 344.456 million).

28.3 Other expenses include provision for slow moving stores and spares amounting to Nil (2011: Rs. 1.452 million).

(Rupees in thousand)	Note	2012	2011 Represented
29. Administrative expenses			
Salaries, wages and amenities	29.1	179,222	148,937
Traveling		15,438	14,400
Rent, rates and taxes	29.2	9,917	7,025
Insurance		4,970	3,129
Printing, stationery and periodicals		12,578	11,415
Postage, telephone and telex		9,603	9,542
Motor vehicles running		12,438	12,190
Computer charges		9,237	8,876
Professional services	29.3	28,663	18,819
Repairs and maintenance		7,837	7,277
Depreciation on property, plant and equipment	17.1.3	10,858	9,596
Amortisation of intangible assets	19.1	4,789	1,409
Depreciation on investment property	18.1	1,629	1,645
Other expenses		38,511	32,549
		345,690	286,809

Administrative expenses include Rs. 56.536 million (2011: Rs. 45.775 million) for stores and spares consumed.

(Rupees in thousand)	2012	2011 Represented
29.1 Salaries, wages and amenities		
Salaries, wages and amenities include following in respect of retirement benefits:		
Pension		
Current service cost	3,748	3,980
Interest cost for the year	15,788	14,394
Expected return on plan assets	(10,297)	(10,914)
Contribution made by the employees	(2,074)	(1,733)
Net loss on curtailment / settlement	5,747	-
Recognition of loss	2,829	1,478
	15,741	7,205
Gratuity		
Current service cost	1,857	1,825
Interest cost for the year	3,591	3,777
Expected return on plan assets	(3,729)	(4,137)
Loss on settlement	4,485	-
Recognition of loss	457	366
	6,661	1,831

In addition to above, salaries, wages and amenities include Rs. 5.297 million (2011: Rs. 4.341 million) and Rs. 5.028 million (2011: Rs. 3.052 million) in respect of provident fund contribution by the Company and accumulating compensated absences respectively.

29.2 Rent, rates and taxes include operating lease rentals amounting to Rs. 8.157 million (2011: Rs. 7.598 million).

(Rupees in thousand)	2012	2011 Represented
29.3 Professional services		
The charges for professional services include the following in respect of auditors' services for:		
Statutory audit	2,400	2,000
Half yearly review	750	650
Tax services	3,300	5,151
Workers' profit participation fund audit, management staff pension and gratuity fund audit, audit of consolidated financial statements and other certification charges	758	844
Out of pocket expenses	410	516
	7,618	9,161

Charges for professional services rendered by the auditors relating to the Discontinued operations amount to Rs. 1.018 million (2011: Rs. 2.052 million).

(Rupees in thousand)	Note	2012	2011 Represented
30. Distribution and marketing costs			
Salaries, wages and amenities	30.1	122,723	98,069
Traveling		18,721	17,624
Rent, rates and taxes	30.2	8,374	2,380
Freight and distribution		109,786	107,713
Insurance		4,981	731
Advertising		96,870	117,800
Depreciation on property, plant and equipment	17.1.3	5,757	5,082
Provision for doubtful debts	24.3	12,281	8,092
Other expenses		36,828	28,489
		416,321	385,980

Distribution and marketing cost include Rs. 4.042 million (2011: Rs. 2.846 million) for stores and spares consumed.

(Rupees in thousand)	2012	2011 Represented
30.1 Salaries, wages and amenities		
Salaries, wages and amenities include following in respect of retirement benefits:		
Pension		
Current service cost	2,591	2,734
Interest cost for the year	10,916	9,894
Expected return on plan assets	(7,119)	(7,502)
Contribution made by the employees	(1,434)	(1,192)
Net loss on curtailment / settlement	3,974	-
Recognition of loss	1,956	1,016
	10,884	4,950
Gratuity		
Current service cost	1,284	1,255
Interest cost for the year	2,483	2,597
Expected return on plan assets	(2,579)	(2,844)
Loss on settlement	3,101	-
Recognition of loss	316	252
	4,605	1,260

In addition to above, salaries, wages and amenities include Rs. 2.434 million (2011: Rs. 1.907 million) and Rs. 3.476 million (2011: Rs. 3.206 million) in respect of provident fund contribution by the Company and accumulating compensated absences respectively.

30.2 Rent, rates and taxes include operating lease rentals amounting to Rs. 6.572 million (2011: Rs. 3.343 million).

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

(Rupees in thousand)	Note	2012	2011 Represented
32. Other operating expenses			
Exchange loss - net		30,128	3,606
Donations	32.1	760	456
		30,888	4,062

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

(Rupees in thousand)	Note	2012	2011 Represented
33. Other operating income			
Income from financial assets			
Income on bank deposits		9,912	7,911
Interest on loan to SNGPL		1,463	1,709
		11,375	9,620
Income from non-financial assets			
Management and technical fee [including Rs. 16.751 million (2011: Rs. 18.557 million) from related party]		35,919	53,607
Insurance commission from related party		1,873	1,474
Rental income from investment property [including Rs. 14.121 million (2011: Rs. 13.001 million) from related party]	33.1	35,092	49,811
Profit on disposal of property, plant and equipment		29,722	136,846
Net gain on insurance claim of assets written off due to fire	33.2	150,084	20,884
Scrap sales		90	98
Provisions and unclaimed balances written back		22,429	13,464
Others		1,908	3,477
		277,117	279,661
		288,492	289,281

33.1 The expenses directly relating to the income from investment property amount to Rs. 1.629 million (2011: Rs. 1.645 million).

33.2 As referred to in notes 17.1.4, 17.2.1, 22.2 and 23.2, during the last year a fire incident at the tissue conversion line and stores damaged certain items of property, plant and equipment, stores and spares and stock-in-trade. The Company filed the insurance claim in respect of these assets. The insurer had appointed a surveyor who completed his survey during the current year and assessed the insurance claim at Rs. 707.438 million including business interruption claim of Rs. 54.629 million. Out of the total claim the Company has received proceeds of Rs. 618.026 million from the insurers as of December 31, 2012.

(Rupees in thousand)	Note	2012	2011 Represented
Carrying value of assets written off due to fire			
Property, plant and equipment			
Buildings on freehold land	17.1	32,867	32,867
Buildings on leasehold land	17.1	6,577	6,577
Plant and machinery	17.1	89,145	89,145
Other equipments (computers, lab equipments and other office equipments)	17.1	538	538
Capital work-in-progress	17.2.1	2,679	2,679
		131,806	131,806
Stores and spares	22.2	189,447	189,447
Stock-in-trade	23.2	215,201	215,201
Carrying value of assets written off due to fire		536,454	536,454
Insurance claim verified to date		707,438	557,354
Aggregate gain on insurance claim of assets written off due to fire		170,984	20,900
Gain recognised till previous year		(20,900)	-
Net gain recognised during the year		150,084	20,900
Continuing operations		150,084	20,884
Discontinued operations		-	16
		150,084	20,900

33.3 The future minimum lease payments receivable under non-cancellable operating leases are as follows:

(Rupees in thousand)	Note	2012	2011 Represented
Not later than one year		12,517	22,640
Later than one year and not later than five years		11,320	5,398
		23,837	28,038

34. Finance costs

Interest and mark up including commitment charges on finances under mark up arrangements - secured		103,917	69,076
Return on preference shares / convertible stock		412,050	412,050
Loan handling charges		10,732	-
Bank charges		1,672	2,523
		528,371	483,649

35. Investment income

Dividend income from related parties	35.1	310,470	220,546
Dividend income from others		1,223,970	816,709
Gain on sale of short-term investments		13	3,035
		1,534,453	1,040,290

35.1 Dividend income from related parties

Subsidiaries			
DIC Pakistan Limited		27,356	50,321
Packages Lanka (Private) Limited		23,923	34,386
Associates			
IGI Insurance Limited		59,191	35,839
Tri-Pack Films Limited		200,000	100,000
		310,470	220,546

(Rupees in thousand)	2012	2011 Represented
36. Reversal of Impairment / (impairment) on investments		
Subsidiary - unquoted		
Packages Construction (Private) Limited	-	(5,910)
Associates - quoted		
IGI Insurance Limited	354,890	(354,890)
IGI Investment Bank Limited	6,271	(30,389)
	361,161	(391,189)

This represents reversal of impairment / (impairment charged) on investments based on assessment of recoverable amount. For quoted associates, the recoverable amount is equal to fair value which has been determined with reference to active market as at balance sheet date.

(Rupees in thousand)	2012	2011 Represented
37. Taxation		
Current		
Current year	68,000	129,000
Prior years	(16,190)	40,196
	51,810	169,196
Deferred	822,782	707,248
	874,592	876,444

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, 2012 are estimated approximately at Rs. 4,549.980 million (2011: Rs. 5,180.342 million). Unused tax losses available to the Continuing operations of the Company amount to Rs. 377.609 million (2011: Rs. 377.609 million).

	2012 %age	2011 %age Represented
37.1 Tax charge reconciliation		
Numerical reconciliation between the average effective tax rate and the applicable tax rate is as follows:		
Applicable tax rate	35.00	35.00
Tax effect of amounts that are:		
Not deductible for tax purposes	2.57	18.69
Exempt for tax purposes	(6.25)	(6.24)
Chargeable to tax at different rates	(0.02)	0.50
Effect of change in prior years' tax	(0.73)	3.88
Tax credits and losses in respect of which no deferred tax asset has been recognised	8.19	30.47
Tax effect under presumptive tax regime and others	0.60	2.20
	4.36	49.50
Average effective tax rate charged to profit and loss account	39.36	84.50

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 Company are as follows:

	Chief Executive		Directors		Executives	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Number of persons	**1**	**1**	**2**	**2**	**99**	**82**
(Rupees in thousand)						
Short-term employee benefits						
Managerial remuneration	10,020	8,539	14,805	12,624	127,180	93,445
Housing	3,960	3,337	6,106	5,145	63,957	46,695
Utilities	880	742	1,357	1,143	14,112	11,205
Bonus	2,567	2,164	3,959	3,336	49,439	37,287
Leave passage	1,927	1,039	1,633	1,065	4,766	4,647
Medical expenses	2,512	1,867	376	244	314	643
Club expenses	60	114	140	229	-	63
Others	-	-	-	-	22,271	17,394
	21,926	17,802	28,376	23,786	282,039	211,379
Post employment benefits						
Contribution to provident, gratuity and pension funds	3,037	2,560	3,530	2,975	34,046	25,070
Other long-term benefits						
Accumulating compensated absences	543	475	347	316	8,879	4,513
	25,506	20,837	32,253	27,007	324,964	240,962

The Company 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 7 directors (2011: 7 directors) is Rs. 935,000 (2011: Rs. 520,000).

39. Transactions with related parties

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

(Rupees in thousand)		2012	2011
Relationship with the Company	**Nature of transactions**		
i. Subsidiaries	Purchase of goods and services	811,579	898,801
	Sale of goods and services	24,703	18,197
	Sale of property, plant and equipment	-	1,290
	Investment	9	-
	Dividend income	51,279	84,707
	Rental income	14,121	13,001
	Management and technical fee	16,751	18,557
ii. Associates	Purchase of goods and services	815,352	757,176
	Sale of goods and services	83,151	52,152
	Insurance premium	200,952	146,027
	Commission earned	8,248	6,069
	Insurance claims received	237,547	408,128
	Dividend income	259,191	135,839
iii. Post employment benefit plans	Expense charged in respect of retirement benefit plans	233,298	110,600
	Mark up on temporary loans	-	46

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

40. Capacity and production - tons

	Capacity		Actual production	
	2012	2011	2012	2011
Paper and paperboard produced	271,400	316,250	148,055	145,826
Paper and paperboard converted	158,069	159,834	106,322	110,316
Plastics all sorts converted	20,000	20,000	14,494	14,498

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

41. Rates of exchange

Liabilities in foreign currencies have been translated into PAK Rupees at USD 1.0299 (2011: USD 1.1136), EURO 0.7794 (2011: EURO 0.8604), CHF 0.9409 (2011: CHF 1.0481), SEK 6.6979 (2011: SEK 7.6864), GBP 0.6373 (2011: GBP 0.7225), Nil (2011: SGD 1.4486), Nil (2011: CAD 1.1368) and YEN 88.5269 (2011: YEN 86.334) equal to Rs. 100. Assets in foreign currencies have been translated into PAK Rupees at USD 1.0320 (2011: USD 1.1161), EURO 0.7809 (2011: EURO 0.8624) and GBP 0.6387 (2011: Nil) equal to Rs. 100.

(Rupees in thousand)	Note	2012	2011 Represented
42. Cash generated from / (used in) operations			
Loss before tax including Discontinued operations		(3,721,334)	(1,475,756)
Adjustments for:			
Loss recognised on the re-measurement of assets of disposal group	15.2	4,618,688	-
Depreciation on property, plant and equipment	17.1.3	1,242,490	1,603,021
Depreciation on investment property	18	1,629	1,645
Amortisation on intangible assets	19.1	9,145	2,165
(Reversal of impairment) / impairment charged on investments	36	(361,161)	391,189
Provision for accumulating compensated absences		50,740	23,146
Provision for retirement benefits		198,404	80,280
Provision for doubtful debts	24.3	12,281	8,092
Net profit on disposal of property, plant and equipment		(23,851)	(167,847)
Net gain on insurance claim of assets written off due to fire	33.2	(150,084)	(20,900)
Finance costs		1,505,875	1,485,310
Gain on sale of short-term investments	35	(13)	(3,035)
Dividend income	35	(1,534,440)	(1,037,255)
Profit before working capital changes		1,848,369	890,055
Effect on cash flow due to working capital changes			
Increase in stores and spares		(178,037)	(118,238)
Increase in stock-in-trade		(810,352)	(1,071,807)
Increase in trade debts		(527,619)	(129,394)
Increase in loans, advances, deposits, prepayments and other receivables		(41,697)	(16,396)
Increase / (decrease) in trade and other payables		104,973	(365,000)
		(1,452,732)	(1,700,835)
		395,637	(810,780)
43. Cash and cash equivalents			
Cash and bank balances	27	362,380	175,676
Finances under mark up arrangements - secured	11	(808,942)	(796,227)
Short-term finances - secured	15.1	(5,100,000)	-
		(5,546,562)	(620,551)

44. Earnings / (loss) per share

44.1 Basic earnings per share - Continuing operations

		2012	2011
Profit for the year from Continuing operations	Rupees in thousand	1,347,336	160,726
Weighted average number of ordinary shares	Numbers	84,379,504	84,379,504
Earnings per share	Rupees	15.97	1.90

44.2 Basic loss per share - Discontinued operations

		2012	2011
Loss for the year from Discontinued operations	Rupees in thousand	(4,058,801)	(1,728,678)
Weighted average number of ordinary shares	Numbers	84,379,504	84,379,504
Loss per share	Rupees	(48.10)	(20.48)

(Rupees in thousand)			2012	2011 Represented
44.3	**Diluted earnings per share - Continuing operations**			
	Profit for the year from Continuing operations	Rupees in thousand	1,347,336	160,726
	Return on preference shares / convertible stock - net of tax	Rupees in thousand	324,421	325,002
			1,671,757	485,728
	Weighted average number of ordinary shares	Numbers	84,379,504	84,379,504
	Weighted average number of notionally converted preference shares / convertible stock	Numbers	21,686,842	21,686,842
			106,066,346	106,066,346
	Diluted earnings per share	Rupees	15.76	4.58

In respect of Continuing operations, diluted EPS is restricted to the basic EPS in cases where effect of the conversion of preference shares / convertible stock is anti-dilutive.

44.4 Diluted loss per share - Discontinued operations

The diluted loss per share of Discontinued operations is the same as the basic loss per share of Discontinued operations as there are no convertible instruments attributable to the Discontinued operations.

45. Financial risk management

45.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

At December 31, 2012, if the Rupee had weakened / strengthened by 10% against the US dollar with all other variables held constant, post-tax loss for the year would have been Rs. 9.497 million higher / lower (2011: Rs. 15.286 million higher / lower) mainly as a result of foreign exchange losses / gains on translation of US dollar-denominated financial assets and liabilities.

At December 31, 2012, if the Rupee had weakened / strengthened by 10% against the Euro with all other variables held constant, post-tax loss for the year would have been Rs. 10.098 million (2011: Rs. 6.497 million) higher / lower, mainly as a result of foreign exchange losses / gains on translation of Euro-denominated financial assets and liabilities.

(ii) Price risk

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

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

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

	Impact on post-tax profit		Impact on other components of equity	
(Rupees in thousand)	2012	2011	2012	2011
Karachi Stock Exchange	-	-	1,520,032	643,211

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

(iii) Cash flow and fair value interest rate risk

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

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

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

At December 31, 2012, if interest rates on floating rate borrowings had been 1% higher / lower with all other variables held constant, post-tax loss for the year would have been Rs. 43.908 million (2011: Rs. 41.864 million) higher / lower, mainly as a result of higher / lower interest expense on floating rate borrowings.

(b) Credit risk

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

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

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

(Rupees in thousand)	2012	2011
Long-term loans and deposits	97,105	110,873
Trade debts	1,496,835	1,270,175
Loans, advances, deposits, prepayments and other receivables	412,866	454,548
Balances with banks	356,575	166,008
	2,363,381	2,001,604

As of December 31, 2012, trade receivables of Rs. 783.080 million (2011: Rs. 494.402 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

(Rupees in thousand)	2012	2011
Up to 90 days	665,418	463,453
90 to 180 days	67,139	15,496
181 to 365 days	50,523	15,453
	783,080	494,402

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

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

(Rupees in thousand)	Rating Short-term	Rating Long-term	Rating Agency	2012	2011
Bank Al-Habib Limited	A1+	AA+	PACRA	4	4
BankIslami Pakistan Limited	A1	A	PACRA	10	2,675
Barclays Bank PLC, Pakistan	A-1	A+	S & P	254	13,773
Citibank N.A.	P-1	A1	Moody's	792	-
Deutsche Bank A.G.	A-1	A+	S & P	-	10,568
Dubai Islamic Bank Pakistan Limited	A-1	A	JCR-VIS	551	50
Faysal Bank Limited	A1+	AA	PACRA	229	723
Habib Bank Limited	A-1+	AA+	JCR-VIS	1,381	619
HSBC Bank Middle East Limited	P-1	A1	Moody's	10,570	56
JS Bank Limited	A1	A+	PACRA	50	2,729
MCB Bank Limited	A1+	AA+	PACRA	954	614
Meezan Bank Limited	A-1+	AA-	JCR-VIS	1,289	790
National Bank of Pakistan	A-1+	AAA	JCR-VIS	113,189	36,710
NIB Bank Limited	A1+	AA-	PACRA	164,805	19,222
Samba Bank Limited	A-1	AA-	JCR-VIS	1,332	2,392
Silk Bank Limited	A-2	A-	JCR-VIS	2	2
Soneri Bank Limited	A1+	AA-	PACRA	38	14
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	60,809	74,236
The Bank of Punjab	A1+	AA-	PACRA	316	9
The Bank of Tokyo-Mitsubishi UFJ, Limited	A-1	A+	S & P	-	278
United Bank Limited	A-1+	AA+	JCR-VIS	-	544
				356,575	166,008

(c) Liquidity risk

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

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

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

The table below analyses the Company's financial liabilities 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, 2012	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Long-term finances	1,000,000	-	857,130	1,142,870
Short-term finances - secured	5,100,000	-	-	-
Finances under mark up arrangements - secured	808,942	-	-	-
Trade and other payables	1,995,182	-	-	-
Accrued finance cost	530,501	-	-	-
	9,434,625	-	857,130	1,142,870

(Rupees in thousand)

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

45.2 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 2012, the Company's strategy was to maintain the gearing ratio below 60% and a AA credit rating. The gearing ratios at December 31, 2012 and 2011 were as follows:

(Rupees in thousand)	2012	2011
Long-term finances	4,470,577	8,575,339
Total equity	30,856,308	29,547,993
Total capital	35,326,885	38,123,332
Gearing ratio	13%	22%

45.3 Fair value estimation

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

46. Date of authorisation for issue

These financial statements were authorised for issue on March 18, 2013 by the Board of Directors of the Company.

47. Non-Adjusting events after the balance sheet date

The Board of Directors have proposed a final cash dividend for the year ended December 31, 2012 of Rs. 4.50 per share (2011: Rs. 1.50 per share), amounting to Rs. 379.708 million (2011: Rs. 126.569 million) at their meeting held on March 18, 2013 for approval of the members at the Annual General Meeting to be held on April 30, 2013. The board has also recommended to transfer Rs. 3,100 million (2011: Rs. 1,250 million) to accumulated profit / (loss) from general reserves.

48. Corresponding figures

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purposes of comparison. However, no significant re-classifications have been made except for representing the results of Discontinued operations in accordance with IFRS 5.

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

Consolidated Financial Statements

For the year ended December 31, 2012

Directors' Report
on the Consolidated Financial Statements

بسم الله الرحمن الرحيم

The Directors of Packages Limited are pleased to present the audited consolidated financial statements of the Group for the year ended December 31, 2012.

Significant events impacting Group results

During the current year, the Parent Company has entered into a 50/50 Joint Venture agreement on September 17, 2012 with "Stora Enso OYJ Group" (Stora Enso) of Finland in its 100% wholly owned subsidiary "Bulleh Shah Packaging (Private) Limited" [formerly "Bulleh Shah Paper Mill (Private) Limited"] ('BSPL'). The Joint Venture will include Paper & Paperboard and Corrugated businesses operational at Kasur and Karachi and will involve initial equity participation of Stora Enso of 35% by way of subscription of right shares with a commitment to increase the shareholding to 50% at a later stage subject to certain conditions being met. The Parent Company shall continue to hold minimum 50% ownership and future proportionate profits of the Joint Venture.

As a result, the Group results have been divided into Continuing and Discontinued Operations in accordance with the requirements of applicable financial reporting framework.

Group results

The comparison of annual audited results for the year 2012 as against year 2011 is as follows:

(Rupees in million)	2012	2011 Represented
Continuing operations:		
Invoiced Sales – Net	14,270	13,660
Profit from operations	1,068	1,140
Share of profit of associates	289	439
Reversal of impairment / (impairment) charged on investments	632	(643)
Investment income	1,224	820
Profit after tax	2,076	(345)
Discontinued operations:		
Operating Loss after tax	(1,013)	(1,681)
Loss on re-measurement of disposal group after tax	(3,002)	-

Continuing Operations

During the year 2012, Continuing Operations of the Group have achieved net sales of Rs. 14,270 million against net sales of Rs. 13,660 million achieved during the year 2011. Continuing Operations have generated operating profit of Rs. 1,068 million during 2012 against Rs. 1,140 million generated during 2011.

The Parent Company has also recognized reversal of impairment during 2012 amounting Rs. 616 million and Rs. 16 million on its investments held in IGI Insurance Limited and IGI Investment Bank Limited respectively as compared to 2011 values on the basis of recovery in recoverable amount of these investments.

Investment income has also increased by Rs. 404 million during 2012 that is indicative of improved operational performance of the investee companies.

Discontinued Operations

Discontinued Operations of the Parent Company classified as Held-for-Sale have sustained an Operational Loss After Tax of Rs. 802 million during 2012 as against Operational Loss After Tax of Rs. 1,614 million incurred during 2011. This improvement is primarily attributable to greater flexibility exercised after re-build of Paper Machine (PM-6) in terms of production of high value added products and energy management initiatives.

The assets and liabilities of the Discontinued Operations have been classified as 'Held for Sale'. Upon subscription by Stora Enso in BSPL, the Parent Company shall derecognise its investment in BSPL owing to loss of control and recognise an investment in jointly controlled entity, with Stora Enso as the JV partner. Therefore, assets and corresponding liabilities as are envisaged to be transferred to BSPL have been measured at lower of their respective carrying values and fair value less cost to sell and the resultant estimated one-off non-cash charge of Rs. 3,002 million net of taxes has been recognised in these financial statements for the year ended December 31, 2012.

During the current year, the Company has also decided to close down its Paper and Paperboard operations in Lahore, accordingly, these operations have also been recognised as a Discontinued Operation and reported in accordance with applicable financial reporting framework. These operations incurred Net Loss of Rs. 211 million during the year 2012 including closure costs of Rs. 91 million incurred in respect of Voluntary Separation Scheme (VSS) offered to outgoing employees of these operations.

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

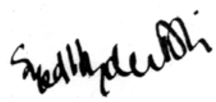
DIC PAKISTAN LIMITED

DIC Pakistan Limited is a non-listed public limited subsidiary of Packages Limited. It is principally engaged in manufacturing, processing and selling of industrial inks. The Company has achieved sales of Rs. 2,188 million during the year 2012 as compared to Rs. 1,955 million of 2011 with a sales growth of 12%. The Company has generated profit before tax of Rs. 130 million during the year 2012 as against Rs. 170 million of 2011. This decline in profit is primarily attributable to higher raw material cost and other overheads. The Company is focusing on improvement of operating results through tighter operating cost control, effective price rationalization and better working capital management.

PACKAGES LANKA (PRIVATE) LIMITED

Packages Lanka (Private) Limited is a Sri Lanka based subsidiary of Packages Limited. It is primarily engaged in production of flexible packaging solutions. The Company has achieved turnover of SLR 1,423 million during the year 2012 as compared to SLR 1,399 million of 2011. The Company has generated profit before tax of SLR 94 million in the year 2012 as compared to SLR 112 million of 2011. This decline in profit is mainly attributable to higher overheads and financial cost. To improve it's market share in the increasingly competitive flexible packaging market of the region, the Company has invested SLR. 251 million into new printing line which has become fully operational during the year. With installation of new printing line, the management is confident of improving its operating results targeted through sales growth, operational efficiencies and cost control.

Towfiq Habib Chinoy
Chairman
Karachi, March 18, 2013



Syed Hyder Ali
Chief Executive & Managing Director
Karachi, March 18, 2013

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, 2012 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Packages Limited and its subsidiary companies except for Packages Lanka (Private) Limited which was audited by other firm of auditors, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for such company, is based solely on the report of such other auditors. These financial statements are the responsibility of the holding company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

The Group's Share of income from associates of Rs. 288.552 million and taxation relating to associates of Rs. 95.628 million shown in the consolidated profit and loss account and note 20 to the consolidated financial statements includes a profit of Rs. 17.018 million and taxation of Rs. 2.032 million, representing Group's share in two of its associates, and is based on unaudited financial statements of the associates.

Except for the effect, if any, of the matter referred to in the preceding paragraph, in our opinion the consolidated financial statements present fairly the financial position of Packages Limited and its subsidiary companies (the Group) as at December 31, 2012 and the results of their operations for the year then ended.

A.F.FERGUSON & CO.
Chartered Accountants
Lahore, March 18, 2013

Name of Engagement Partner: Asad Aleem Mirza

Consolidated Balance Sheet
as at December 31, 2012

(Rupees in thousand)	Note	2012	2011
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
150,000,000 (2011: 150,000,000) ordinary shares of Rs. 10 each		1,500,000	1,500,000
22,000,000 (2011: 22,000,000) 10 % non-voting cumulative preference shares / convertible stock of Rs. 190 each		4,180,000	4,180,000
Issued, subscribed and paid up capital			
84,379,504 (2011: 84,379,504) ordinary shares of Rs. 10 each	5	843,795	843,795
Reserves	6	31,091,857	28,184,472
Preference shares / convertible stock reserve	7	1,605,875	1,605,875
Accumulated loss		(2,157,090)	(1,283,904)
		31,384,437	29,350,238
NON-CONTROLLING INTEREST		252,201	225,047
		31,636,638	29,575,285
NON-CURRENT LIABILITIES			
Long-term finances	7	4,687,220	8,575,339
Deferred income tax liabilities	8	510,808	2,632,844
Retirement benefits	9	86,512	12,358
Deferred liabilities	10	141,887	179,971
		5,426,427	11,400,512
CURRENT LIABILITIES			
Current portion of long-term finances - secured	7	1,000,000	380,952
Finances under mark up arrangements - secured	11	1,251,463	1,170,227
Derivative financial instruments	12	164,559	-
Trade and other payables	13	2,162,205	1,831,937
Accrued finance cost	14	543,187	542,031
Provision for taxation		-	13,832
		5,121,414	3,938,979
Liabilities of disposal group classified as held for sale	15	5,669,197	-
CONTINGENCIES AND COMMITMENTS	16	-	-
		47,853,676	44,914,776

(Rupees in thousand)	Note	2012	2011
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	17	4,020,733	18,685,332
Investment property	18	2,108	5,261
Intangible assets	19	50,053	49,834
Investments in associates	20	3,612,013	3,028,921
Other long-term investments	21	17,287,826	13,141,477
Deferred income tax	22	13,653	-
Long-term loans and deposits	23	97,747	111,424
Retirement benefits	9	39,009	89,299
		25,123,142	35,111,548
CURRENT ASSETS			
Stores and spares	24	507,521	1,013,766
Stock-in-trade	25	2,484,123	5,029,241
Trade debts	26	2,667,931	2,109,537
Loans, advances, deposits, prepayments and other receivables	27	446,758	466,564
Income tax receivable	28	1,664,333	983,800
Cash and bank balances	29	416,577	200,320
		8,187,243	9,803,228
Assets of disposal group classified as held for sale	15	14,543,291	-
		47,853,676	44,914,776

The annexed notes 1 to 52 form an integral part of these financial statements.

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

Consolidated Profit and Loss Account

for the year ended December 31, 2012

(Rupees in thousand)		Note	2012	2011 Represented
Continuing operations				
Local sales			16,452,568	16,169,012
Export sales			165,167	107,070
			16,617,735	16,276,082
Less: Sales tax and excise duty			2,331,665	2,598,300
Commission			16,456	17,537
			2,348,121	2,615,837
Net sales			14,269,614	13,660,245
Cost of sales		30	(12,471,618)	(11,888,452)
Gross profit			1,797,996	1,771,793
Administrative expenses		31	(460,279)	(385,134)
Distribution and marketing costs		32	(491,432)	(439,936)
Projects expenditure		33	-	(55,768)
Other operating expenses		34	(47,870)	(25,722)
Other operating income		35	269,148	274,632
Profit from operations			1,067,563	1,139,865
Finance costs		36	(589,102)	(543,610)
Investment income		37	1,223,983	819,744
Reversal of impairment / (impairment) on investments in associates		38	631,848	(642,903)
Share of profit of associates		20	288,552	439,243
Profit before tax			2,622,844	1,212,339
Taxation				
Group		39	(451,223)	(1,413,086)
Associates			(95,628)	(144,355)
			(546,851)	(1,557,441)
Profit / (loss) for the year from Continuing operations			2,075,993	(345,102)
Loss for the year from Discontinued operations - attributable to equity holders of the Parent Company		15.2	(4,014,886)	(1,681,075)
Loss for the year			(1,938,893)	(2,026,177)
Attributable to:				
Equity holders of the Parent Company			(1,996,617)	(2,087,158)
Non-controlling interest			57,724	60,981
			(1,938,893)	(2,026,177)
Combined earnings per share from Continuing and Discontinued operations attributable to equity holders of the Parent Company during the year				
Combined basic earnings / (loss) per share				
From Continuing operations	Rupees	46	23.92	(4.81)
From Discontinued operations	Rupees	46	(47.58)	(19.93)
From Loss for the year	Rupees		(23.66)	(24.74)
Combined diluted earnings / (loss) per share				
From Continuing operations	Rupees	46	22.09	(4.81)
From Discontinued operations	Rupees	46	(47.58)	(19.93)
From Loss for the year	Rupees		(25.49)	(24.74)

The annexed notes 1 to 52 form an integral part of these financial statements.

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

Consolidated Statement of Comprehensive Income

for the year ended December 31, 2012

(Rupees in thousand)	2012	2011 Represented
Loss for the year	(1,938,893)	(2,026,177)
Other comprehensive income		
Exchange differences on translating foreign subsidiary	(8,189)	3,796
Other reserves relating to associates - net of tax	17,511	(17,511)
Surplus on re-measurement of available for sale financial assets	4,146,349	4,460,293
Other comprehensive income for the year	4,155,671	4,446,578
Total comprehensive income for the year	2,216,778	2,420,401
Attributable to:		
Equity holders of the Parent Company	2,160,768	2,358,625
Non-controlling interest	56,010	61,776
Total comprehensive income for the year	2,216,778	2,420,401
Total comprehensive income attributable to equity holders of the Parent Company arising from:		
Continuing operations	6,175,654	4,039,700
Discontinued operations	(4,014,886)	(1,681,075)
	2,160,768	2,358,625

The annexed notes 1 to 52 form an integral part of these financial statements.

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

Consolidated Statement of Changes in Equity

for the year ended December 31, 2012

(Rupees in thousand)	Attributable to equity holders of the parent									Non-controlling interest	Total equity
	Share capital	Share premium	Exchange difference on translation of foreign subsidiary	Fair value reserve	General reserve	Preference shares / convertible stock reserve	Other reserves relating to associates	Accumulated profit / (loss)	Total		
Balance as on December 31, 2010	843,795	2,876,893	19,915	4,681,548	16,660,333	1,605,875	-	577,487	27,265,846	213,718	27,479,564
Appropriation of funds											
Transferred to consolidated profit and loss account	-	-	-	-	(500,000)	-	-	500,000	-	-	-
Transactions with owners											
Final Dividend for the year ended December 31, 2010 Rs. 3.25 per share	-	-	-	-	-	-	-	(274,233)	(274,233)	-	(274,233)
Dividends relating to 2010 paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(50,447)	(50,447)
Total contributions by and distributions to equity holders of the Parent Company, recognised directly in equity	-	-	-	-	-	-	-	(274,233)	(274,233)	(50,447)	(324,680)
(Loss) / profit for the year	-	-	-	-	-	-	-	(2,087,158)	(2,087,158)	60,981	(2,026,177)
Other comprehensive income	-	-	3,001	4,460,293	-	-	(17,511)	-	4,445,783	795	4,446,578
Total comprehensive income for the year	-	-	3,001	4,460,293	-	-	(17,511)	(2,087,158)	2,358,625	61,776	2,420,401
Balance as on December 31, 2011	843,795	2,876,893	22,916	9,141,841	16,160,333	1,605,875	(17,511)	(1,283,904)	29,350,238	225,047	29,575,285
Appropriation of funds											
Transferred to consolidated profit and loss account	-	-	-	-	(1,250,000)	-	-	1,250,000	-	-	-
Transactions with owners											
Final Dividend for the year ended December 31, 2011 Rs. 1.50 per share	-	-	-	-	-	-	-	(126,569)	(126,569)	-	(126,569)
Dividends relating to 2011 paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(28,856)	(28,856)
Total contributions by and distributions to equity holders of the Parent Company, recognised directly in equity	-	-	-	-	-	-	-	(126,569)	(126,569)	(28,856)	(155,425)
(Loss) / profit for the year	-	-	-	-	-	-		(1,996,617)	(1,996,617)	57,724	(1,938,893)
Other comprehensive income	-	-	(6,475)	4,146,349	-	-	17,511	-	4,157,385	(1,714)	4,155,671
Total comprehensive income for the year	-	-	(6,475)	4,146,349	-	-	17,511	(1,996,617)	2,160,768	56,010	2,216,778
Balance as on December 31, 2012	843,795	2,876,893	16,441	13,288,190	14,910,333	1,605,875	-	(2,157,090)	31,384,437	252,201	31,636,638

The annexed notes 1 to 52 form an integral part of these financial statements.

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2012

(Rupees in thousand)	Note	2012	2011 Represented
Cash flows from operating activities			
Cash generated from / (used in) operations	44	642,790	(480,422)
Finance cost paid		(1,565,450)	(1,478,489)
Taxes paid		(845,303)	(541,801)
Payments for accumulating compensated absences and staff gratuity		(30,041)	(10,562)
Retirement benefits paid		(73,960)	(62,831)
Net cash used in operating activities		(1,871,964)	(2,574,105)
Cash flows from investing activities			
Fixed capital expenditure		(1,514,505)	(1,271,337)
Investments - net		13	3,035
Net decrease in long-term loans and deposits		13,677	28,519
Proceeds from disposal of property, plant and equipment		115,147	190,167
Proceeds from assets written off due to fire		233,463	384,563
Dividends received		1,483,161	952,548
Net cash generated from investing activities		330,956	287,495
Cash flows from financing activities			
Repayment of long-term finances - secured		(5,485,714)	(14,286)
Proceeds from long-term finances - secured		2,216,643	1,000,000
Dividends paid to equity holders of parent		(126,044)	(273,574)
Dividends paid to non-controlling interest		(28,856)	(50,447)
Net cash (used in) / generated from financing activities		(3,423,971)	661,693
Net decrease in cash and cash equivalents		(4,964,979)	(1,624,917)
Cash and cash equivalents at the beginning of the year		(969,907)	655,010
Cash and cash equivalents at the end of the year	45	(5,934,886)	(969,907)

The annexed notes 1 to 52 form an integral part of these financial statements.

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

1. Legal status and nature of business

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

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

The Parent Company has entered into 50/50 Joint Venture Agreement (the "JV Agreement") on September 17, 2012 with 'Stora Enso OYJ Group' ('Stora Enso') of Finland in its 100% wholly owned subsidiary Bulleh Shah Packaging (Private) Limited [formerly Bulleh Shah Paper Mill (Private) Limited] ('BSPL'). The Joint Venture will include Paper & Paperboard and Corrugated business operations at Kasur and Karachi and will involve initial equity participation of Stora Enso of 35% by way of subscription of right shares with a commitment to increase the shareholding to 50% at a later stage subject to certain conditions being met. The agreed value for 100% of the Joint Venture Company is USD 107.5 million on a cash and debt free basis with additional equity to be subscribed by Stora Enso through right shares in the Joint Venture Company of USD 17.5 million, based on the financial results of second half of 2012 and first half of 2013. The Parent Company shall continue to hold minimum 50% ownership and future profits of the Joint Venture.

Moreover, the Parent Company also decided to close down its Paper and Paperboard operations in Lahore, in addition to the above mentioned transaction, during the year.

As a result, the Group's operations have been divided into Continuing and Discontinued operations in accordance with the requirements of International Financial Reporting Standard (IFRS) 5, 'Non-current assets held for sale and Discontinued operations'. Paper and Paperboard and Corrugated businesses of the Parent Company have been classified as Discontinued operations because these will form part of the Joint Venture.

Upon subscription by Stora Enso in BSPL, the Parent Company shall derecognise its net assets of BSPL owing to loss of control and recognise an investment in jointly controlled entity, with Stora Enso as the Joint Venture partner. In view of the above, assets and corresponding liabilities as are envisaged to be transferred to BSPL are classified as held for sale under IFRS 5 as reflected in note 15 of these financial statements. These assets and liabilities have been measured at lower of their respective carrying values and fair values less cost to sell and the resultant estimated charge has been recognised in the consolidated profit and loss account.

The Paper and Paperboard operations of the Parent Company in Lahore have also been classified as a Discontinued operation as reflected in note 15 of these financial statements, in accordance with the requirements of IFRS 5. This has not been classified as held for sale as it does not meet the criteria for being classified as held for sale under IFRS 5.

The figures of the prior period have been represented in accordance with the requirements of IFRS 5, wherever relevant.

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 the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives prevail.

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

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

2.2.1 Amendments to published standards effective in current year

New and amended standards, and interpretations mandatory for the first time for the financial year beginning January 1, 2012:

IFRS 1 (Amendment), 'First time adoption', on fixed dates and hyperinflation. These are applicable on accounting periods beginning on or after July 1, 2011. These amendments include two changes to IFRS 1, 'First time adoption' of IFRS. The first replaces references to a fixed date of January 1, 2004 with 'the date of transition to IFRSs', thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. The application of this amendment has no material impact on the Group's financial statements.

IFRS 7 (Amendments), 'Financial instruments: Disclosures' on transfers of assets. These are applicable on accounting periods beginning on or after July 1, 2011. These amendments arise from the IASB's review of off-balance sheet activities. The amendments shall promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. Earlier application is permitted. The application of these amendments have no material impact on the Group's financial statements.

IAS 12 (Amendments), 'Income taxes', on deferred tax. These are applicable on accounting periods beginning on or after January 1, 2012. IAS 12, 'Income taxes', currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery shall be through use or through sale when the asset is measured using the fair value model in IAS 40, 'Investment property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes - recovery of revalued non-depreciable assets', shall no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. The application of these amendments have no material impact on the Group's financial statements.

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

The following amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after January 1, 2013 or later periods, but the Group has not early adopted them:

Annual improvements to IFRSs 2011 are applicable on accounting periods beginning on or after January 1, 2013. This set of amendments includes changes to five standards: IFRS 1, 'First time adoption', IAS 1, 'Financial statement presentation', IAS 16, 'Property plant and equipment', IAS 32, 'Financial instruments; Presentation' and IAS 34, 'Interim financial reporting'. The application of these amendments have no material impact on the Group's financial statements.

IFRS 1 (Amendments), 'First time adoption', on Government loans is applicable on accounting periods beginning on or after January 1, 2013. The amendment addresses how a first-time adopter would account for a Government loan with a below-market rate of interest when transitioning to IFRS. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first-time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 in 2008. The Group shall apply these amendments from January 1, 2013 and does not expect to have a material impact on its financial statements.

IFRS 7 (Amendments), 'Financial instruments: Disclosures', on offsetting financial assets and financial liabilities is applicable on accounting periods beginning on or after January 1, 2013. The amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. The Group shall apply these amendments from January 1, 2013 and does not expect to have a material impact on its financial statements.

IFRS 9 - 'Financial instruments' - classification and measurement. This is applicable on accounting periods beginning on or after January 1, 2015. This standard on classification and measurement of financial assets and financial liabilities will replace IAS 39, 'Financial instruments: Recognition and measurement'. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions. The Group shall apply this standard from January 1, 2015 and does not expect to have a material impact on its financial statements.

IFRS 10 - 'Consolidated financial statements' is applicable on accounting period beginning on or after January 1, 2013. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a group consolidates as its subsidiaries. The Group shall apply this standard from January 1, 2013 and does not expect to have a material impact on its financial statements.

IFRS 11 - 'Joint arrangements' is applicable on accounting periods beginning on or after January 1, 2013. IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group shall apply this standard from January 1, 2013 and does not expect to have a material impact on its financial statements.

IFRS 12 - 'Disclosures of interests in other entities'. This is applicable on accounting periods beginning on or after January 1, 2013. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The Group shall apply this standard from January 1, 2013 and does not expect to have a material impact on its financial statements.

IFRS 13 - 'Fair value measurement'. This is applicable on accounting periods beginning on or after January 1, 2013. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group shall apply this standard from January 1, 2013 and does not expect to have a material impact on its financial statements.

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

IAS 19 (Amendments), 'Employee benefits' is applicable on accounting periods beginning on or after January 1, 2013. These amendments shall eliminate the corridor approach and calculate finance costs on a net funding basis. The Group shall apply these amendments from January 1, 2013 and its impact on retained earnings shall be Rs. 259.306 million due to recognition of current unrealised actuarial losses on its defined benefit plans.

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

IAS 28 (Revised 2011), 'Associates and joint ventures' is applicable on accounting periods beginning on or after January 1, 2013. It includes the requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 11. The Group shall apply the revised standard from January 1, 2013 and does not expect to have a material impact on its financial statements.

IAS 32 (Amendments), 'Financial instruments: Presentation', on offsetting financial assets and financial liabilities is applicable on accounting periods beginning on or after January 1, 2014. These amendments update the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The Group shall apply these amendments from January 1, 2014 and does not expect to have a material impact on its financial statements.

3. Basis of measurement

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

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

i) Estimated useful lives of property, plant and equipment - note 4.3
ii) Provision for employees' retirement benefits - note 4.9 & 9
iii) Loss recognised on the re-measurement of assets of disposal group - note 15.2
iv) Recoverable amount of certain investments in equity instruments - note 20.1.2
v) Provision for taxation - note 39

4. Significant accounting policies

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

4.1 Principles of consolidation

a) Subsidiaries

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

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

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

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

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

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

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

c) Associates

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

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

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

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

4.2 Taxation

Current

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

Deferred

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

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

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

4.3 Property, plant and equipment

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

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

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

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Group's estimate of the residual value of its property, plant and equipment as at December 31, 2012 has not required any adjustment as its impact is considered insignificant.

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

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

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

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

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

4.4 Investment property

Property not held for own use or for sale in the ordinary course of business is classified as investment property. The investment property of the Group comprises 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, 2012 has not required any adjustment as its impact is considered insignificant.

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

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

4.5 Intangible assets

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

Development costs are recognised as intangible assets when the following criteria are met:
- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

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

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

4.6 Leases

(1) The Group is the lessee:

Finance leases

Leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Asset subject to finance lease are 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 4.3. Depreciation of leased assets is charged to profit and loss account.

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

Operating leases

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

(2) The Group is the lessor:

Operating leases

Assets leased out under operating leases are included in investment property as referred to in note 18. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

4.7 Goodwill

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

4.8 Investments

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

Investments in equity instruments of associates

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

Other investments

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

Held to maturity

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

Available for sale

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

Investments classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are 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 the consolidated profit and loss account. In respect of 'available for sale' financial assets, cumulative impairment loss less any impairment loss on that financial asset previously recognised in consolidated profit and loss account, is removed from equity and recognised in the consolidated profit and loss account. Impairment losses recognised in the consolidated profit and loss account on equity instruments are not reversed through the consolidated profit and loss account.

4.9 Employee retirement benefits

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

4.9.1 Defined benefit plans

(a) All the executive staff 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, 2012. The actual returns on plan assets during the year were Rs. 160.162 million and Rs. 65.516 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 11 percent per annum;
Expected rate of increase in salary level 9 percent per annum;
Expected mortality rate EFU 61-66 mortality table;
Expected rate of return 12.5 percent per annum; and
Future pension increase 2.5 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. 30.410 million to the pension fund and Rs. 12.422 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'.

In a meeting held on December 26, 2012 the board of trustees of the pension fund have decided to convert the existing defined benefit plan to defined contribution plan for all its employees active as on December 31, 2012 with effect from January 1, 2013 subject to such regulatory approvals as are necessary in the circumstances. The proposed scheme has been subsequently approved by the taxation authorities on February 22, 2013 and respective employees consent with the proposed scheme has also been obtained in the subsequent period. This conversion has been accounted for as a curtailment under IAS 19 - Employee benefits.

The Joint Venture agreement with Stora Enso requires all accumulated balances due and payable to the employees in respect of pension and gratuity maintained with Packages Limited as a consequence of cessation of their employment with Packages Limited to be transferred by Packages Limited to BSPL or directly paid to the employees. This has been treated as a settlement as per IAS 19 - Employee Benefits.

(b) Accumulating compensated absences

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

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

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

Discount rate 11 percent per annum;
Expected rate of increase in salary level 9 percent per annum; and
Expected mortality rate EFU 61-66 mortality table.

4.9.2 Defined contribution plan

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

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

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

4.10 Stores and spares

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

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

4.11 Stock-in-trade

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

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

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

4.12 Financial instruments

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

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

4.13 Offsetting of financial assets and liabilities

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

4.14 Trade debts

Trade debts are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

4.15 Cash and cash equivalents

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

4.16 Non-current assets held for sale

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

4.17 Borrowings

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

4.18 Trade and other payables

Liabilities for creditors and other amounts payable are recognised at fair value and subsequently measured at amortised cost using the effective interest method.

4.19 Derivative financial instruments

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

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

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

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

4.20 Revenue recognition

Revenue is recognised on despatch of goods or on the performance of services. It includes sales to associates but doesn't include sales by associates or sales between Group companies.

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

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

4.21 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses on translation are recognised in the consolidated profit and loss account. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Foreign exchange gains and losses are recognised in the consolidated profit and loss account except incase of items recognised in equity in which case it is included in equity.

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

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

4.22 Borrowing costs

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

4.23 Dividend

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

4.24 Compound financial instruments

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

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

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

4.25 Segment reporting

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

4.26 Provisions

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

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

Restructuring provisions include lease termination penalties and employee termination payments and such other costs that are necessarily entailed by the restructuring and not associated with on going activities of the Group. Provisions are not recognised for future operating losses.

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

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

5. Issued, subscribed and paid up capital

2012	2011		2012	2011
(Number of shares)			(Rupees in thousand)	
33,603,295	33,603,295	Ordinary shares of Rs. 10 each fully paid in cash	336,033	336,033
148,780	148,780	Ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash	1,488	1,488
50,627,429	50,627,429	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	506,274	506,274
84,379,504	84,379,504		843,795	843,795

21,082,601 (2011: 20,556,650) ordinary shares of the Parent Company are held by IGI Insurance Limited, an associate.

(Rupees in thousand)	Note	2012	2011
6. Reserves			
Movement in and composition of reserves is as follows:			
Capital			
Share premium	6.1	2,876,893	2,876,893
Exchange difference on translation of foreign subsidiary			
At the beginning of the year		22,916	19,915
Exchange difference for the year		(6,475)	3,001
		16,441	22,916
Fair value reserve			
At the beginning of the year		9,141,841	4,681,548
Fair value gain during the year		4,146,349	4,460,293
	6.2	13,288,190	9,141,841
		16,181,524	12,041,650
Revenue			
General reserve			
At the beginning of the year		16,160,333	16,660,333
Transferred to consolidated profit and loss account		(1,250,000)	(500,000)
		14,910,333	16,160,333
Other reserves relating to associates			
At the beginning of the year		(17,511)	-
Income / (loss) during the year		17,511	(17,511)
		-	(17,511)
		14,910,333	16,142,822
		31,091,857	28,184,472

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

6.2 As referred to in note 4.8 this represents the unrealised gain on re-measurement of investments at fair value and is not available for distribution. This shall be transferred to consolidated profit and loss account on derecognition of investments.

(Rupees in thousand)	Note	2012	2011
7. Long-term finances			
These are composed of:			
Local currency loan - secured			
Consortium Loan	7.1.1	-	5,185,714
Term Finance Loan	7.1.2	1,000,000	1,000,000
Long-term Finance Facility	7.1.3	2,000,000	-
Term Loan	7.1.4	216,643	-
Others	7.1.5	-	300,000
		3,216,643	6,485,714
Preference shares / convertible stock - unsecured	7.2	2,470,577	2,470,577
		5,687,220	8,956,291
Current portion shown under current liabilities		(1,000,000)	(380,952)
		4,687,220	8,575,339

7.1 Local currency loans - secured

7.1.1 Consortium Loan

This loan had 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 (2011: Rs. 6,914 million) in favour of MCB Bank Limited being security trustee on behalf of consortium. It carried mark up at six month Karachi Inter Bank Offered Rate (KIBOR) plus 1.35 per cent per annum and was payable in 11 unequal semi-annual installments that started in June 2012 and ending in June 2017. The effective mark up charged during the year ranges from 13.31 per cent to 13.38 per cent per annum. This loan has been prepaid by the Parent Company during the year using proceeds of short-term finances as referred to in note 15.1.5.

7.1.2 Term Finance Loan

The Parent Company had obtained a long-term loan from Bank Al-Habib Limited for expansion in its paper and board manufacturing capacity. Out of the total disbursement, Rs. 578 million have been provided by Bank Al-Habib Limited through its own source and Rs. 422 million have been provided under the State Bank of Pakistan's Long Term Finance Facility (LTFF). The entire amount is secured by a ranking charge over all present and future fixed assets of the Parent Company amounting to Rs. 1,400 million (2011: Rs. 1,400 million) that has been subsequently modified. There is a pari passu charge over all present and future fixed assets of the Parent Company amounting to Rs. 1,330 million (2011: Nil) in favour of Bank Al-Habib Limited (BAHL). The Parent Company has prepaid this loan subsequent to the year end in March 2013.

7.1.2.1 Loan under Term Finance Facility (BAHL own source)

The loan was disbursed in tranches of Rs. 500 million, Rs. 47 million and Rs. 31 million on May 20, 2011, July 6, 2011 and December 30, 2011 respectively. It carries mark up at the rate of six month KIBOR plus 0.65 per cent per annum and is repayable within 7 years (including two years grace period) in 10 equal semi-annual installments starting on November 19, 2013, January 5, 2014 and June 29, 2014 respectively and ending on May 19, 2018, July 5, 2018 and December 29, 2018 respectively. However, owing to the decision of the Parent Company to transfer the entire assets of its Kasur and Karachi operations to its wholly owned subsidiary, BSPL, the Parent Company has prepaid the entire outstanding balance along with the mark-up due thereon in March 2013. The effective mark up charged during the year ranges from 12.66 per cent to 12.69 per cent per annum.

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

The loan obtained from Bank Al-Habib Limited under State Bank of Pakistan, Long Term Finance Facility of Rs. 422 million is comprised of Rs. 338 million and Rs. 84 million disbursed on July 6 ,2011 and November 16, 2011 respectively. This carries a fixed mark up of 11.20 per cent and is repayable within 7 years (including two years grace period) in 10 equal semi-annual installments starting on January 5, 2014 and May 15, 2014 respectively and ending on July 5, 2018 and November 15, 2018 respectively. However, owing to the decision of the Parent Company to transfer the entire assets of its Kasur and Karachi operations to its wholly owned subsidiary, BSPL, the Parent Company has prepaid the entire outstanding balance along with the mark up due thereon in March 2013.

7.1.3 Long-Term Finance Facility

This loan has been obtained from Meezan Bank Limited under the Islamic mode of finance as a Musharika. It is secured by a pari passu charge over all present and future fixed assets of the Parent Company amounting to Rs. 2,500 million. It carries mark up at six month KIBOR plus 0.65 per cent per annum and is repayable in 7 equal semi-annual instalments starting in December 26, 2016 and ending December 28, 2019. The effective mark up charged during the year is 10.07 per cent per annum.

7.1.4 Term Loan

Term loan has been obtained from MCB Bank Limited Sri Lanka that is repayable over seven years including two years grace period.

7.1.5 Others

This loan had been obtained from Citibank. It was 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 (2011: Rs. 419 million) in favour of MCB Bank Limited being security trustee on behalf of Citibank. It carried mark up at six month KIBOR plus 0.90 per cent per annum and was payable in 4 unequal semi-annual installments that started in December 2011 and ending June 2013. The effective mark up charged during the year ranges from 12.86 per cent to 12.93 per cent per annum. This loan has been prepaid by the Parent Company during the year using proceeds of short-term finances as referred to in note 15.1.5.

7.2 Preference shares / convertible stock - unsecured

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

Terms of redemption / conversion

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

Rate of return

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

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

(Rupees in thousand)	2012	2011
Face value of preference shares / convertible stock	4,120,500	4,120,500
Transaction costs	(44,048)	(44,048)
	4,076,452	4,076,452
Equity component - classified under capital and reserves	(1,605,875)	(1,605,875)
Liability component - classified under long-term finances	2,470,577	2,470,577
Accrued return on preference shares / convertible stock classified under accrued finance cost	412,050	412,050

The fair value of the liability component of the preference shares / convertible stock is calculated by discounting cash flows at a rate of approximately 16.50 per cent 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	2012	2011
8. Deferred income tax liabilities			
The liability for deferred taxation comprises temporary differences relating to:			
Accelerated tax depreciation		551,041	3,978,208
Unused tax losses		(132,163)	(1,684,974)
Minimum tax available for carry forward	8.1	-	(203,745)
Provision for accumulating compensated absences		(63,829)	(57,799)
Provision for doubtful debts		(18,508)	(14,633)
Preference shares / convertible stock transaction cost - liability portion		9,267	8,946
Provision for slow moving items		-	(1,496)
Provision for doubtful receivables		-	(527)
Investments in associates		165,000	611,000
Exchange difference		-	184
Provision for unfunded defined benefit plan		-	(2,320)
		510,808	2,632,844

8.1 The Group has not adjusted the net deferred tax liability against aggregate tax credits of Rs. 566.842 million (2011: Rs. 300.571 million) and Rs. 261.474 million (2011: Rs. 196.059 million) available to the Parent Company under section 113 and section 65B of the Income Tax Ordinance, 2001 ('Ordinance') respectively and unused tax losses of Nil (2011: Rs. 132.163 million) in view of the management's estimate that the Parent Company may not be able to offset these against tax liability arising in respect of relevant business profits of future periods, before these expire / lapse. Tax credits under section 113 of the Ordinance amounting to Rs. 68.813 million, Rs. 183.823 million, Rs. 203.917 million and Rs. 110.288 million are set to lapse by years ending on December 31, 2014, 2015, 2016 and 2017 respectively. Tax credit under section 65B of the Ordinance amounting to Rs. 190.334 million and Rs. 71.140 million shall lapse by years ending on December 31, 2013 and 2014 respectively.

(Rupees in thousand)	2012	2011
9. Retirement benefits		
Classified under non-current liabilities		
Pension fund	86,512	12,358
Classified under non-current assets		
Gratuity fund	39,009	89,299

	Pension Fund		Gratuity Fund	
(Rupees in thousand)	2012	2011	2012	2011
The amounts recognised in the consolidated balance sheet are as follows:				
Fair value of plan assets	305,573	685,750	243,384	317,168
Present value of defined benefit obligation	(582,032)	(1,092,581)	(273,734)	(314,074)
Unrecognised actuarial loss	189,947	394,473	69,359	86,205
(Liability) / asset as at December 31	(86,512)	(12,358)	39,009	89,299
Net (liability) / asset as at January 1	(12,358)	(167)	89,299	94,557
Charge to consolidated profit and loss account	(132,248)	(61,520)	(66,156)	(18,760)
Contribution by the Parent Company	58,094	49,329	15,866	13,502
Net (liability) / asset as at December 31	(86,512)	(12,358)	39,009	89,299

(Rupees in thousand)	Pension Fund 2012	Pension Fund 2011	Gratuity Fund 2012	Gratuity Fund 2011
The movement in the present value of defined benefit obligation is as follows:				
Present value of defined benefit obligation as at January 1	1,092,581	890,215	314,074	285,349
Service cost	31,488	33,979	18,448	18,693
Interest cost	132,649	122,923	35,664	38,724
Benefits paid	(62,772)	(55,192)	(57,528)	(27,201)
Settlements	(553,090)	-	(97,638)	-
Curtailment / settlement (gain) / loss	(196,267)	-	17,182	-
Experience loss / (gain)	137,443	100,656	43,532	(1,491)
Present value of defined benefit obligation as at December 31	582,032	1,092,581	273,734	314,074
The movement in fair value of plan assets is as follows:				
Fair value as at January 1	685,750	649,568	317,168	304,449
Expected return on plan assets	86,516	93,200	37,042	42,408
Parent Company contributions	58,094	49,329	15,866	13,502
Employee contributions	17,428	14,803	-	-
Benefits paid	(62,772)	(55,192)	(57,528)	(27,201)
Settlements	(553,090)	-	(97,638)	-
Experience gain / (loss)	73,647	(65,958)	28,474	(15,990)
Fair value as at December 31	305,573	685,750	243,384	317,168
The amounts recognised in the consolidated profit and loss account are as follows:				
Current service cost	31,488	33,979	18,448	18,693
Interest cost for the year	132,649	122,923	35,664	38,724
Expected return on plan assets	(86,516)	(93,200)	(37,042)	(42,408)
Contribution made by the employees	(17,428)	(14,803)	-	-
Curtailment / settlement losses charged out of unrecognised actuarial losses	244,554	-	27,362	-
(Gain) / loss on curtailment / settlement recognised out of obligation	(196,267)	-	17,182	-
Recognition of loss	23,768	12,621	4,542	3,751
Total included in salaries, wages and amenities	132,248	61,520	66,156	18,760
Plan assets are comprised as follows:				
Debt	133,829	327,260	263,133	235,911
Equity	471,744	185,409	71,210	79,897
Cash	253,090	173,081	6,679	1,360
	858,663	685,750	341,022	317,168
Settlements	(553,090)	-	(97,638)	-
	305,573	685,750	243,384	317,168

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

(Rupees in thousand)	2012	2011	2010	2009	2008
As at December 31					
Present value of defined benefit obligation	582,032	1,092,581	890,215	767,086	595,808
Fair value of plan assets	305,573	685,750	649,568	592,086	493,088
Deficit	(276,459)	(406,831)	(240,647)	(175,000)	(102,720)
Experience adjustment on obligation	13%	11%	5%	6%	1%
Experience adjustment on plan assets	11%	-10%	0%	5%	-51%

Fair value of plan assets include ordinary shares of the Parent Company, whose fair value as at December 31, 2012 is Rs. 99.771 million (2011: Rs. 54.598 million).

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

(Rupees in thousand)	2012	2011	2010	2009	2008
As at December 31					
Present value of defined benefit obligation	273,734	314,074	285,349	247,893	211,836
Fair value of plan assets	243,384	317,168	304,449	303,425	283,474
(Deficit) / Surplus	(30,350)	3,094	19,100	55,532	71,638
Experience adjustment on obligation	14%	-1%	9%	5%	9%
Experience adjustment on plan assets	9%	-5%	-3%	-1%	-10%

Fair value of plan assets include ordinary shares of the Parent Company, whose fair value as at December 31, 2012 is Rs. 15.795 million (2011: Rs. 8.644 million).

(Rupees in thousand)	Note	2012	2011
10. Deferred liabilities			
Accumulating compensated absences	10.1	133,359	172,022
Staff gratuity	10.2	8,528	7,949
		141,887	179,971
10.1 Accumulating compensated absences			
This represents provision made to cover the obligation for accumulating compensated absences.			
Opening balance		172,022	157,357
Provision for the year		54,182	25,227
		226,204	182,584
Payments made during the year		(30,041)	(10,562)
		196,163	172,022
Settlement to be made for employees of Discontinued operations shown under accrued liabilities	10.1.1	(62,804)	-
Closing balance		133,359	172,022

10.1.1 This represents the obligations in respect of employees that are to be transferred to BSPL under the JV Agreement referred to in note 1 to these financial statements. Since this amount is to be settled by the Parent Company before equity participation by Stora Enso into BSPL, it has been classified as a current liability and included in trade and other payables as referred to in note 13 to these financial statements.

10.2 Staff gratuity

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

(Rupees in thousand)	Note	2012	2011
11. Finances under mark up arrangements - secured			
Running finances - secured	11.1	258,404	275,227
Bills discounted - secured	11.2	-	-
Short-term finances - secured	11.3	993,059	895,000
		1,251,463	1,170,227

11.1 Running finances - secured

Short-term running finances available from a consortium of commercial banks under mark up arrangements amount to Rs. 9,413 million (2011: Rs. 8,875 million). The rates of mark up range from Re. 0.2608 to Re. 0.3622 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. 0.5479 to Re. 0.6849 per Rs. 1,000 per diem or part thereof on the balances unpaid. The aggregate running finances are secured by hypothecation of stores, spares, stock-in-trade and trade debts.

11.2 Bills discounted - secured

Facilities for discounting of export / inland bills of Rs. 581 million (2011: Rs. 581 million) are available to the Group as a sub-limit of the running finance facilities referred to in note 11.1. Mark up is fixed as per mutual agreement at the time of transaction. The outstanding balance of bills discounted is secured, in addition to the securities referred to in note 11.1, on the specific bills discounted. The facility has not been availed in the current year.

11.3 Short-term finances - secured

Facilities for obtaining short-term finances of Rs. 6,975 million (2011: Rs. 6,015 million) are available to the Group as a sub-limit of the running finance facilities referred to in note 11.1. The rates of mark up range from Re. 0.2569 to Re. 0.3348 per Rs. 1,000 per diem or part thereof on the balances outstanding.

11.4 Letters of credit and bank guarantees

Of the aggregate facility of Rs. 7,573 million (2011: Rs. 6,458 million) for opening letters of credit and Rs. 1,294 million (2011: Rs. 1,294 million) for guarantees, the amount utilised at December 31, 2012 was Rs. 895.964 million (2011: 602.784 million) and Rs. 606.653 million (2011: Rs. 621.581 million) respectively. Of the facility for guarantees, Rs. 1,294 million (2011: Rs. 1,294 million) is secured by second hypothecation charge over stores, spares, stock-in-trade and trade debts.

12 Derivative financial instruments

Liability in respect of arrangements under the JV Agreement

This represents amount in respect of arrangements under the JV Agreement between the Parent Company and Stora Enso referred to in note 1; which provide Stora Enso the right, in case certain conditions specified in the JV Agreement are not met, and obligates Stora Enso, in case certain conditions specified in the JV Agreement are met, to subscribe to the share capital of BSPL. A key condition of such right and obligation relates to the envisaged Joint Venture achieving specified EBITDA, to which the subscription price is also linked. It is included in the loss recognised on re-measurement of the disposal group classified as held for sale referred to in note 15.2.

(Rupees in thousand)	Note	2012	2011
13. Trade and other payables			
Trade creditors	13.1	865,735	806,406
Accrued liabilities	13.2	757,724	631,879
Bills payable		171,271	27,210
Retention money payable		59,250	59,250
Sales tax payable		84,007	97,577
Advances from customers	13.3	145,181	125,697
Deposits - interest free repayable on demand		11,136	15,021
Workers' welfare fund	13.4	2,911	3,596
Workers' profit participation fund	27.3	-	124
TFCs payable		1,387	1,387
Unclaimed dividends		12,448	11,923
Others		51,155	51,867
		2,162,205	1,831,937

13.1 Trade creditors include amounts due to related parties Rs. 127.040 million (2011: Rs. 54.799 million).

13.2 Accrued liabilities include amounts in respect of related parties Rs. 34.508 million (2011: Rs. 32.571 million). It also includes an amount of Rs. 62.804 million (2011: Nil) as referred to in note 10.1.

13.3 Advances from customers include amounts from related party Rs. 0.911 million (2011: Rs. 10.313 million).

(Rupees in thousand)	Note	2012	2011
13.4 Workers' welfare fund			
Opening balance		3,596	2,758
Provision for the year	34	3,000	3,596
		6,596	6,354
Payments made during the year		(3,685)	(2,758)
Closing balance		2,911	3,596

14. Accrued finance cost

(Rupees in thousand)	Note	2012	2011
Accrued mark up / return on:			
Long-term local currency loans - secured		49,438	103,109
Preference shares / convertible stock - unsecured		412,050	412,050
Finances under mark up arrangements - secured		81,699	26,872
		543,187	542,031

15. Disposal group classified as held for sale and Discontinued operations

As more fully explained in note 1 to these consolidated financial statements, the disposal group comprises of the Paperboard and Corrugated business operations at Kasur and Karachi. The assets and liabilities of this disposal group have been separately classified as held for sale in note 15.1. In connection with this the profit and loss account for these operations has also been separately classified as a discontinued operation in note 15.2.

Moreover, the Discontinued operations also include the Paper and Paperboard operations in Lahore that have been discontinued during the year, the profit and loss account of which is separately presented in note 15.2.

(Rupees in thousand)	Note	2012
15.1 Assets and liabilities of disposal group classified as held for sale		
a) Assets classified as held for sale		
Operating assets	15.1.1	10,249,450
Capital work-in-progress		162,365
Intangible assets		10,021
Stores and spares		695,153
Stock-in-trade		3,426,302
Total assets of the disposal group		14,543,291
b) Liabilities directly associated with assets classified as held for sale		
Deferred income tax liabilities	15.1.4	551,513
Short term finances - secured	15.1.5	5,100,000
Other payables		17,684
Total liabilities of the disposal group		5,669,197

(Rupees in thousand)		Note	2012
15.1.1	**Operating assets**		
	Assets of disposal group classified as held-for-sale as at September 30, 2012		14,672,768
	Net book value of additions till December 31, 2012		32,402
	Net book value of deletions till December 31, 2012		(1,591)
			14,703,579
	Loss recognised on the re-measurement of assets of disposal group	15.1.2	(4,454,129)
	Carrying value as on December 31, 2012		10,249,450

15.1.2 Loss recognised on the re-measurement of assets of disposal group

This represents the difference between the carrying values of net assets to be transferred to BSPL and the estimated fair value thereof in the form of Parent Company's interest in the envisaged joint venture, net of the amount as described in note 12.

15.1.3 Included in property, plant and equipment, there are certain capital expenditure incurred by the Parent Company subsequent to the signing of the JV Agreement, which the Parent Company believes are reimbursable by BSPL under the terms of the JV Agreement subject to consent of Stora Enso. The Parent Company has claimed Rs. 226 million in this respect, and discussion are in progress with Stora Enso for their approval. However, no receivable has been recognised in these financial statements in respect of the above mentioned amount as the matter is in the process of being finalised.

(Rupees in thousand)		2012
15.1.4	**Deferred income tax liabilities**	
	The liability for deferred taxation comprises temporary differences relating to:	
	Accelerated tax depreciation	2,011,843
	Un-absorbed tax depreciation	(1,460,330)
		551,513

The tax losses as at December 31, 2012 transferable to BSPL are estimated approximately at Rs. 4,172.371 million (2011: Rs. 4,802.733 million).

15.1.5 Short-term finances - secured

This represents a short-term loan obtained from MCB Bank Limited and Allied Bank Limited to repay the consortium loan referred to in note 7.1.1 and loan from Citibank referred to in note 7.1.5. It is secured against pledge of 2,100,000 shares of Nestle Pakistan Limited as referred to in note 21.1. It carries mark up at three month KIBOR plus 0.75% per annum and is repayable on June 5, 2013. The effective mark up charged during the year is 10.18 per cent per annum.

15.1.6 Commitments in respect of disposal group classified as held for sale

(i) Letters of credit and contracts for capital expenditure Rs. 2.242 million (2011: Nil).

(ii) Letters of credit and contracts other than for capital expenditure Rs. 369.488 million (2011: Nil).

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

(Rupees in thousand)	2012	2011
Not later than one year	346	305
Later than one year and not later than five years	268	392
	614	697

15.2 Profit and loss account - Discontinued operations

(Rupees in thousand)	Note	Paper & Paperboard and Corrugated business operations at Kasur and Karachi 2012	2011 Represented	Paper & Paperboard operations at Lahore 2012	2011 Represented	Total 2012	2011 Represented
Local sales		10,039,377	8,834,315	42,002	212,521	10,081,379	9,046,836
Export sales		27,642	52,730	-	87,781	27,642	140,511
		10,067,019	8,887,045	42,002	300,302	10,109,021	9,187,347
Less: Sales tax and excise duty		1,357,088	1,283,810	3,523	31,314	1,360,611	1,315,124
Commission		34	1,092	-	-	34	1,092
		1,357,122	1,284,902	3,523	31,314	1,360,645	1,316,216
		8,709,897	7,602,143	38,479	268,988	8,748,376	7,871,131
Sales to continuing operations		1,954,155	1,559,692	-	-	1,954,155	1,559,692
		10,664,052	9,161,835	38,479	268,988	10,702,531	9,430,823
Cost of sales		(10,105,223)	(10,145,609)	(294,164)	(288,487)	(10,399,387)	(10,434,096)
Gross profit / (loss)		558,829	(983,774)	(255,685)	(19,499)	303,144	(1,003,273)
Administrative expenses	15.2.1	(352,349)	(263,810)	(40,879)	(64,978)	(393,228)	(328,788)
Distribution and selling costs		(186,631)	(146,740)	(16,718)	(29,948)	(203,349)	(176,688)
Other operating expenses		(38,472)	(18,895)	(15,942)	(1,066)	(54,414)	(19,961)
Other operating income		36,729	32,060	7,963	32,988	44,692	65,048
Profit / (loss) from operations		18,106	(1,381,159)	(321,261)	(82,503)	(303,155)	(1,463,662)
Finance cost		(974,093)	(988,600)	(3,411)	(13,061)	(977,504)	(1,001,661)
Loss before tax from discontinued operations		(955,987)	(2,369,759)	(324,672)	(95,564)	(1,280,659)	(2,465,323)
Taxation		154,092	756,093	113,828	28,155	267,920	784,248
Loss after tax from discontinued operations		(801,895)	(1,613,666)	(210,844)	(67,409)	(1,012,739)	(1,681,075)
Loss before tax recognised on the re-measurement of assets of disposal group		(4,618,688)	-	-	-	(4,618,688)	-
Taxation		1,616,541	-	-	-	1,616,541	-
Loss after tax recognised on the re-measurement of assets of disposal group		(3,002,147)	-	-	-	(3,002,147)	-
Loss for the year from discontinued operations		(3,804,042)	(1,613,666)	(210,844)	(67,409)	(4,014,886)	(1,681,075)

15.2.1 Included in administrative expenses of Paper & Paperboard and Corrugated business operations at Kasur and Karachi is an amount of Rs. 5.613 million (2011: Nil) and Rs. 7.338 million (2011: Nil) on account of legal and professional services and travelling respectively in respect of transaction referred to in note 1 to these financial statements.

15.3 Cash flow from Discontinued operations

(Rupees in thousand)	Paper & Paperboard and Corrugated business operations at Kasur and Karachi 2012	2011 Represented	Paper & Paperboard operations at Lahore 2012	2011 Represented	Total 2012	2011 Represented
Cash flows from operating activities	(479,958)	(2,035,381)	162,046	805,345	(317,912)	(1,230,036)
Cash flows from investing activities	(173,772)	(1,153,303)	49,160	28,081	(124,612)	(1,125,222)
Cash flows from financing activities	(5,485,714)	985,714	-	-	(5,485,714)	985,714
Total cash flows	(6,139,444)	(2,202,970)	211,206	833,426	(5,928,238)	(1,369,544)

16. Contingencies and commitments

16.1. Contingencies

(i) Claims against the Parent Company not acknowledged as debts Rs. 25.860 million (2011: Rs. 18.612 million).

(ii) Post dated cheques not provided in the financial statements have been furnished by the Parent Company in favour of the Collector of Customs against custom levies aggregated to Rs. 217.102 million (2011: Rs. 102.219 million) in respect of goods imported.

16.2. Commitments in respect of

(i) Letters of credit and contracts for capital expenditure Rs. 81.017 million (2011: Rs. 310.397 million).

(ii) Letters of credit and contracts other than for capital expenditure Rs. 661.831 million (2011: Rs. 463.874 million).

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

(Rupees in thousand)	Note	2012	2011
Not later than one year		180,796	201,990
Later than one year and not later than five years		507,544	818,452
		688,340	1,020,442

17. Property, plant and equipment

	Note	2012	2011
Operating assets	17.1	3,629,740	18,559,649
Capital work-in-progress	17.2	390,993	125,683
		4,020,733	18,685,332

17.1 Operating assets

2012													
(Rupees in thousand)	Cost as at December 31, 2011	Exchange Adjustment on opening cost	Addition / (deletions)	Transfer in (note 18)	Assets of disposal group classified as held for sale	Cost as at December 31, 2012	Accumulated depreciation as at December 31, 2011	Exchange adjustment on opening accumulated depreciation	Depreciation charge / (deletions) for the year	Transfer in (note 18)	Assets of disposal group classified as held for sale	Accumulated depreciation as at December 31, 2012	Book value as at December 31, 2012
Freehold land	351,131	(811)	-	-	(105,167)	245,153	-	-	-	-	-	-	245,153
Buildings on freehold land	3,236,086	(2,140)	16,328	-	(2,818,001)	432,273	554,838	(837)	92,830	-	(479,886)	166,945	265,328
Buildings on leasehold land	191,543	-	3,072	9,936	-	204,551	86,454	-	7,202	7,095	-	100,751	103,800
Plant and machinery	24,216,842	(385)	895,187 (267,198)	-	(16,899,351)	7,945,095	9,136,787	(5,530)	1,097,987 (199,169)	-	(4,738,318)	5,291,757	2,653,338
Other equipments (computers, lab equipments and other office equipments)	638,613	1,138	122,674 (5,398)	-	(78,374)	678,653	480,811	(1,769)	60,628 (5,178)	-	(46,001)	488,491	190,162
Furniture and fixtures	42,159	85	5,754 (594)	-	(5,923)	41,481	32,551	(81)	2,655 (592)	-	(2,769)	31,764	9,717
Vehicles	354,796	(129)	78,914 (57,433)	-	(87,875)	288,273	180,080	(88)	37,226 (36,238)	-	(54,949)	126,031	162,242
	29,031,170	(2,242)	1,121,929 (330,623)	9,936	(19,994,691)	9,835,479	10,471,521	(8,305)	1,298,528 (241,177)	7,095	(5,321,923)	6,205,739	3,629,740

(Rupees in thousand)	2011												
	Cost as at December 31, 2010	Exchange Adjustment on opening cost	Addition / (deletions)	Transfer in (note 18)	Assets written off due to fire (note 17.1.4)	Cost as at December 31, 2011	Accumulated depreciation as at December 31, 2010	Exchange adjustment on opening accumulated depreciation	Depreciation charge / (deletions) for the year	Transfer in (note 18)	Assets written off due to fire (note 17.1.4)	Accumulated depreciation as at December 31, 2011	Book value as at December 31, 2011
Freehold land	360,668	304	2,185	-	-	351,131	-	-	-	-	-	-	351,131
			(12,026)										
Buildings on freehold land	3,239,070	600	55,548	-	(58,832)	3,236,086	449,937	297	130,869	-	(25,965)	554,838	2,681,248
			(300)						(300)				
Buildings on leasehold land	203,492	-	-	-	(11,949)	191,543	84,122	-	7,704	-	(5,372)	86,454	105,089
Plant and machinery	22,908,305	3,593	1,986,687	-	(193,420)	24,216,842	8,311,144	2,383	1,415,236	-	(104,275)	9,136,787	15,080,055
			(488,323)						(487,701)				
Other equipments (computers, lab equipments and other office equipments)	599,497	768	48,744	-	(5,453)	638,613	430,467	696	59,186	-	(4,915)	480,811	157,802
			(4,943)						(4,623)				
Furniture and fixtures	40,256	9	2,047	-	-	42,159	29,955	37	2,700	-	-	32,551	9,608
			(153)						(141)				
Vehicles	320,493	48	62,096	-	-	354,796	156,513	37	41,709	-	-	180,080	174,716
			(27,841)						(18,179)				
	27,671,781	5,322	2,157,307	-	(269,654)	29,031,170	9,462,138	3,450	1,657,404	-	(140,527)	10,471,521	18,559,649
			(533,586)						(510,944)				

17.1.1 Property, plant and equipment include assets amounting to Rs. 43.498 million (2011: Rs. 83.515 million) of the Group which are not in operation.

17.1.2 The cost of fully depreciated assets which are still in use as at December 31, 2012 is Rs. 3,862.098 million (2011: Rs. 3,450.527 million).

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

		Continuing operations		Discontinued operations Paper & Paperboard and Corrugated business at Kasur and Karachi		Discontinued operations Paper & Paperboard at Lahore		Total	
(Rupees in thousand)	**Note**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Cost of sales	30	371,781	337,607	852,967	1,229,216	34,003	55,071	1,258,751	1,621,894
Administrative expenses	31	21,686	19,282	7,493	6,371	1,140	1,399	30,319	27,052
Distribution and marketing costs	32	7,142	6,244	1,595	1,516	721	698	9,458	8,458
		400,609	363,133	862,055	1,237,103	35,864	57,168	1,298,528	1,657,404

17.1.4 During the last year fire at the tissue conversion line and stores damaged certain items of property, plant and equipment with an aggregate book value of Rs. 129.127 million. The Parent Company had claimed such loss from its insurance providers in accordance with the relevant insurance policies as referred to in note 35.1.

17.1.5 Disposal of property, plant and equipment

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

(Rupees in thousand)		2012				
Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sales proceeds	Mode of disposal
Plant and machinery	**Outsiders**					
	Pak Board Mill, Muhammad Amin Dogar, Jutt Brothers, Boss Links	181,508	113,479	68,029	46,502	Negotiation
Other Equipments	**Outsiders**					
	M/s. Iqbal Jutt	650	509	141	173	Negotiation
Vehicles	**Employees**					
	Abida Akram	477	346	131	253	Group policy
	Adnan Tufail	402	296	106	192	-do-
	Ali Hassan Siddique	495	142	353	358	-do-
	Ali Usman Awan	725	278	447	568	-do-
	Amad Ud Din	579	326	253	212	-do-
	Amir Janjua	979	710	269	590	-do-
	Ammarah Javed Agha	581	93	488	498	-do-
	Arslan Tauheed Abbasi	495	99	396	421	-do-
	Asma Yousaf	476	345	131	247	-do-
	Ataunnoor Ahmad	381	285	96	169	-do-
	Athar Riaz	615	454	161	365	-do-
	Attia Jamal	617	463	154	337	-do-
	Ayaz Haseeb	360	270	90	160	-do-
	Babar Hussain	849	637	212	556	-do-
	Behram Nazir	414	233	181	219	-do-
	Faraz Zafar	707	64	643	601	-do-
	Farhan M.Jaffer	716	105	611	629	-do-
	Farid Ahmad	1,269	555	714	980	-do-
	Hassan Alam	685	163	522	530	-do-
	Haseeb Riaz	519	97	422	420	-do-
	Hassan Ahmed Mughal	384	245	139	202	-do-
	Iftikhar Ahmad	705	529	176	439	-do-
	Iftikhar Ahmad	1,232	462	770	875	-do-
	Ijaz Ahmad	988	580	408	629	-do-
	Ishtiaq Ur Rehman	385	231	154	203	-do-
	Jananzeb Khan	1,157	868	289	807	-do-
	Kamal Bariq	401	291	110	191	-do-
	Kamran Jamshed	850	425	425	485	-do-
	Khalid Bin Yousaf	700	236	464	515	-do-
	Khalid Mehmood	800	340	460	572	-do-
	Majeed Ghani	585	307	278	362	-do-
	Mian Javaid Iqbal	820	595	225	532	-do-
	Mubashir Ahmad Sheikh	845	412	433	519	-do-
	Mudussar Anjum	384	259	125	177	-do-
	Muhammad Tariq	427	320	107	207	-do-
	Muhammad Ahmad	665	283	382	450	-do-
	Muhammad Amin	374	266	108	169	-do-
	Muhammad Anis	643	113	530	511	-do-
	Muhammad Faraz	396	262	134	208	-do-
	Muhammad Usman Akram	480	222	258	256	-do-
	Mustansar Bashir	475	339	136	251	-do-
	Naeem Shaukat	1,000	300	700	821	-do-
	Nauman Majeed Khan	1,318	264	1,054	952	-do-
	Naveed Ehsaan	859	268	591	689	-do-
	Omer Qureshi	366	275	91	138	-do-
	Rameez Jahangir	754	68	686	646	-do-
	Rana Sher Afghan	610	130	480	465	-do-
	Carried Forward	211,572	128,264	83,308	66,202	

(Rupees in thousand)			2012			
Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sales proceeds	Mode of disposal
	Brought Forward	211,572	128,264	83,308	66,202	
Vehicles	Sajjad Iftikhar	576	425	151	255	Group policy
	Samreen Saleem	362	258	104	161	-do-
	Shabee	378	217	161	197	-do-
	Shabir Hussain	564	310	254	353	-do-
	Shahida Naeem	940	693	247	630	-do-
	Shoaib Nangiana	571	428	143	589	Negotiation
	Shoaib Saleem	479	317	162	255	Group policy
	Syed Ahmad Mujtaba	360	270	90	160	-do-
	Syed Babar Hussain	549	99	450	460	-do-
	Tahir Mahmood	380	285	95	174	-do-
	Usman Ghani	660	289	371	446	-do-
	Usman Tahir	463	168	295	286	-do-
	Zaid Ashraf Nizami	498	137	361	361	-do-
	Outsiders					
	Adnan Rafique Qureshi	900	675	225	860	Negotiation
	IGI Insurance Limited - Related party	4,706	1,621	3,085	4,329	Insurance Claim
	Maheen Saqib	916	687	229	800	Negotiation
	Maswar Subhani	1,072	804	268	725	-do-
Other assets with book value less than Rs. 50,000		205,796	205,713	83	36,855	
		433,272	342,235	91,037	115,147	

(Rupees in thousand)		2011				
Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sales proceeds	Mode of disposal
Land	Outsiders					
	Haji Muhammad Ibrahim and others	12,026	-	12,026	143,550	Negotiation
Buildings	Outsiders					
	IGI Insurance Limited - Related Party	70,781	31,337	39,444	70,281	Insurance Claim
Plant and machinery	Outsiders					
	IGI Insurance Limited - Related Party	199,022	109,877	89,145	103,000	Insurance Claim
	Muhammad Amin	476,063	475,979	84	28,810	Negotiation
Other Equipments	Outsiders					
	IGI Insurance Limited - Related Party	5,453	4,915	538	2,131	Insurance Claim
	IGI Insurance Limited - Related Party	737	530	207	198	Insurance Claim
Vehicles	Employees					
	Adnan Yousaf	487	134	353	352	Group policy
	Akhtar Javed	618	456	162	368	-do-
	Almaee Hassan Jafri	1,278	208	1,070	1,071	-do-
	Dr. Arshad Mahmood	1,349	590	759	983	-do-
	Ehtisham Qureshi	520	390	130	288	-do-
	Faisal Amjad	403	302	101	192	-do-
	Ghulam Sarwar	610	267	343	434	-do-
	Hafiz Farhan Muhammad Jaffar	372	270	102	167	-do-
	Ishtiaq Ahmad	507	342	165	277	-do-
	Javed Iqbal	368	258	110	164	-do-
	Maheen Saqib	467	157	310	359	-do-
	Mehreen Bilal	366	192	174	191	-do-
	Mohammad Yasin	507	349	158	310	-do-
	Mubashir Ahmed	475	71	404	410	Negotiation
	Muhammad Ali	480	348	132	255	Group policy
	Muhammad Farhan	450	321	129	231	-do-
	Muhammad Haroon	329	247	82	650	Negotiation
	Muhammad Imran Aziz	610	168	442	469	Group policy
	Muhammad Ismail	625	461	164	373	-do-
	Muhammad Naveed	354	252	102	157	-do-
	Muhammad Rizwan	841	630	211	549	-do-
	Muhammad Uffan Sharif	525	394	131	292	-do-
	Muhammad Umar Rashid	523	392	131	290	-do-
	Sajjad Hussain	623	467	156	372	-do-
	Sajjad Nadeem	515	386	129	284	-do-
	Shoaib Kazi	697	61	636	631	-do-
	Suleman Javed	825	608	217	464	-do-
	Syed Haris Raza	520	273	247	321	-do-
	Syed Ihsanullah Shah	402	302	100	192	-do-
	Syed Kashif Alam	375	239	136	170	-do-
	Zafar Ahmad	700	105	595	617	-do-
	Outsiders					
	IGI Insurance Limited - Related Party	552	-	552	-	Insurance Claim
	Muhammad Jawaid	4,037	3,009	1,028	392	Negotiation
Other assets with book value less than Rs. 50,000		16,848	16,184	664	5,335	-
		803,240	651,471	151,769	365,580	

(Rupees in thousand)	2012	2011
17.2 Capital work-in-progress		
Civil works	172,830	15,784
Plant and machinery [including in transit Rs. 95.652 million (2011: Nil)]	197,731	105,571
Others	246	235
Advances	20,186	4,093
	390,993	125,683

17.2.1 During the last year fire at the tissue conversion line and stores damaged certain items of capital work-in-progress with an aggregate book value of Rs. 2,679 million. The Parent Company had claimed such loss from its insurance providers in accordance with the relevant insurance policies as referred to in note 35.1.

18. Investment property

2012

(Rupees in thousand)	Cost as at December 31, 2011	Transfer out (note 17.1)	Cost as at December 31, 2012	Accumulated depreciation as at December 31, 2011	Depreciation charge for the year	Transfer out (note 17.1)	Accumulated depreciation as at December 31, 2012	Book value as at December 31, 2012
Buildings on leasehold land	15,976	(9,936)	6,040	10,715	312	(7,095)	3,932	2,108
	15,976	(9,936)	6,040	10,715	312	(7,095)	3,932	2,108

2011

(Rupees in thousand)	Cost as at December 31, 2010	Transfer out	Cost as at December 31, 2011	Accumulated depreciation as at December 31, 2010	Depreciation charge for the year	Transfer out	Accumulated depreciation as at December 31, 2011	Book value as at December 31, 2011
Buildings on leasehold land	15,976	-	15,976	10,387	328	-	10,715	5,261
	15,976	-	15,976	10,387	328	-	10,715	5,261

18.1 Depreciation charge for the year has been allocated to administrative expenses as referred to in note 31.

18.2 Fair value of the investment property, based on the valuation carried out by an independent valuer, as at December 31, 2012 is Rs. 16.863 million (2011: Rs. 38.797 million).

19. Intangible assets

This represents computer software and ERP system.

(Rupees in thousand)	Note	2012	2011
Cost			
As at January 1		183,259	144,598
Additions		12,040	38,661
Deletions		(637)	-
As at December 31		194,662	183,259
Accumulated amortisation			
As at January 1		(133,425)	(128,499)
Amortisation for the year	19.1	(11,821)	(4,926)
Deletions		637	-
As at December 31		(144,609)	(133,425)
		50,053	49,834

19.1. The amortisation charge for the year has been allocated as follows:

	Note	2012	2011
Continuing operations			
Cost of sales	30	194	12
Administrative expenses	31	7,465	4,170
		7,659	4,182
Discontinued operations			
Administrative expenses		4,162	744
		11,821	4,926

(Rupees in thousand)	Note	2012	2011
20. Investments in associates			
Opening balance		3,028,921	3,530,286
Profit for the year			
Before taxation		288,552	439,243
Provision for taxation		(95,628)	(144,355)
		192,924	294,888
		3,221,845	3,825,174
Other comprehensive income		17,511	(17,511)
Dividends received during the year		(259,191)	(135,839)
Reversal of Impairment / (impairment) on investments in associates	38	631,848	(642,903)
Balance as on December 31	20.1	3,612,013	3,028,921
20.1 Investments in equity instruments of associates - Quoted			
IGI Insurance Limited			
11,838,267 (2011: 11,838,267) fully paid ordinary shares of Rs. 10 each			
Equity held 10.61% (2011: 10.61%)			
Market value - Rs. 1,139.788 million (2011: Rs. 523.488 million)	20.1.1	1,104,860	523,488
Tri-Pack Films Limited			
10,000,000 (2011: 10,000,000) fully paid ordinary shares of Rs. 10 each			
Equity held 33.33% (2011: 33.33%)			
Market value - Rs. 1,920 million (2011: Rs. 1,603 million)	20.1.2	2,496,271	2,500,822
IGI Investment Bank Limited			
4,610,915 (2011: 4,610,915) fully paid ordinary shares of Rs. 10 each			
Equity held 2.17% (2011: 2.17%)			
Market value - Rs. 10.882 million (2011: Rs. 4.150 million)	20.1.1	10,882	4,611
		3,612,013	3,028,921

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

The Group has recognised reversal of impairment losses in IGI Insurance Limited and IGI Investment Bank Limited during the year of Rs. 616.203 million and Rs. 15.645 million respectively as referred to in note 38.

20.1.2 The Group has assessed the recoverable amount of investment in Tri-Pack Films Limited based on value in use calculation. This calculation has been made on discounted cash flow methodology for real cash flows using a weighted average cost of capital of approximately 13%, cumulative annual growth rate of 15.27% in profit before tax till 2020 and terminal growth of Nil. Based on the above, the recoverable amount of investment in Tri-Pack Films Limited exceeds its existing carrying amount.

20.2 The Group's share of the result of its associates, all of which are incorporated in Pakistan, and its share of the assets (including goodwill) are as follows:

(Rupees in thousand) Name	Percentage interest held	Assets	Liabilities	Revenues	Profit/(loss)
December 31, 2012					
IGI Insurance Limited	10.61%	1,345,656	240,796	115,314	24,361
Tri-Pack Films Limited	33.33%	5,560,117	3,063,846	3,413,169	177,937
IGI Investment Bank Limited	2.17%	66,647	55,765	346,813	(9,374)
		6,972,420	3,360,407	3,875,296	192,924
December 31, 2011					
IGI Insurance Limited	10.61%	772,144	248,656	97,544	39,816
Tri-Pack Films Limited	33.33%	3,824,791	1,323,969	3,336,291	260,884
IGI Investment Bank Limited	2.17%	86,938	82,327	17,909	(5,812)
		4,683,873	1,654,952	3,451,744	294,888

(Rupees in thousand)	Note	2012	2011
21. Other long-term investments			
Quoted			
Nestle Pakistan Limited			
3,649,248 (2011: 3,649,248) fully paid ordinary shares of Rs. 10 each Equity held 8.05% (2011: 8.05%) Market value - Rs. 17,273.095 million (2011: Rs. 13,126.746 million)	21.1 & 21.2	17,273,095	13,126,746
Unquoted			
Tetra Pak Pakistan Limited			
1,000,000 (2011: 1,000,000) fully paid non-voting shares of Rs. 10 each	21.2	10,000	10,000
Coca-Cola Beverages Pakistan Limited			
500,000 (2011: 500,000) fully paid ordinary shares of Rs. 10 each Equity held 0.14% (2011: 0.14%)		4,706	4,706
Pakistan Tourism Development Corporation Limited			
2,500 (2011: 2,500) fully paid ordinary shares of Rs. 10 each		25	25
Orient Match Company Limited			
1,900 (2011: 1,900) fully paid ordinary shares of Rs. 100 each		-	-
		14,731	14,731
		17,287,826	13,141,477

21.1 2,100,000 shares (2011: Nil) of Nestle Pakistan Limited (market value: Rs. 9,939.993 million) are pledged with lenders of short-term finances facility as referred to in note 15.1.5.

21.2 Nestle Pakistan Limited and Tetra Pak Pakistan Limited are associated undertakings as per the Companies Ordinance, 1984, however, for the purpose of measurement, investments in others have been classified as available for sale as referred to in note 4.8.

(Rupees in thousand)	Note	2012	2011
22. Deferred income tax			
The asset for deferred taxation comprises temporary differences relating to:			
Accelerated tax depreciation		(19,717)	-
Provision for accumulating compensated absences		4,423	-
Unused tax losses		242	-
Provision for doubtful debts		800	-
Provision for slow moving items		3,135	-
Provision for doubtful receivables		1,270	-
Exchange difference		(1,198)	-
Effect of qualifying payment		23,675	-
Provision for unfunded defined benefit plan		1,023	-
		13,653	-
23. Long-term loans and deposits			
Considered good			
Loans to employees	23.1	5,847	4,638
Loan to SNGPL	23.2	82,000	98,400
Security deposits		27,754	25,737
		115,601	128,775
Receivable within one year			
Loans to employees	27	(1,349)	(951)
Security deposits		(105)	-
Loan to SNGPL	27	(16,400)	(16,400)
		(17,854)	(17,351)
		97,747	111,424

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

Loans to employees aggregating Rs. 3.481 million (2011: Rs. 2.485 million) are secured by joint registration of motor cycles in the name of employees and the Group companies. The remaining loans are unsecured.

23.2 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 Kasur plant. Mark up is charged at the rate of 1.5% per annum and is received annually. The remaining amount is receivable in 5 annual installments.

(Rupees in thousand)	2012	2011
24. Stores and spares		
Stores [including in transit Rs. 6.328 million (2011: Rs. 11.444 million)]	268,468	573,728
Spares [including in transit Rs. 6.661 million (2011: Rs. 22.014 million)]	239,053	440,038
	507,521	1,013,766

24.1 Stores and spares include items which may result in fixed capital expenditure but are not distinguishable and are net of an amount of Rs. 1.452 million (2011: Rs. 1.452 million) in respect of provision for slow moving stores and spares.

24.2 During the last year fire at the tissue conversion line and stores damaged certain items of stores and spares. The carrying value of the assets damaged was Rs. 189.447 million. The Parent Company had claimed such loss from its insurance providers as referred to in note 35.1.

(Rupees in thousand)	2012	2011
25. Stock-in-trade		
Raw materials [including in transit Rs. 271.225 million (2011: Rs. 290.300 million)].	1,415,026	2,471,356
Work-in-process	336,734	336,271
Finished goods	741,319	2,225,889
	2,493,079	5,033,516
Provision for slow moving items	(8,956)	(4,275)
	2,484,123	5,029,241

25.1 Raw materials and finished goods with a cost of Nil (2011: Rs. 783.745 million) and Rs. 27.090 million (2011: Rs. 1,354.412 million) are being valued at net realisable value of Nil (2011: Rs. 653.129 million) and Rs. 23.864 million (2011: Rs. 1,092.969 million) respectively.

25.2 During the last year fire at the tissue conversion line and stores damaged certain items of stock-in-trade. The carrying value of the assets damaged was Rs. 215.201 million. The Parent Company had claimed such loss from its insurance providers as referred to in note 35.1.

(Rupees in thousand)	Note	2012	2011
26. Trade debts			
Considered good			
Related parties - unsecured	26.1	27,930	30,858
Others	26.2	2,640,001	2,078,679
		2,667,931	2,109,537
Considered doubtful		59,546	45,059
		2,727,477	2,154,596
Provision for doubtful debts	26.3	(59,546)	(45,059)
		2,667,931	2,109,537
26.1 Related parties - unsecured			
Associate			
Tri-Pack Films Limited		12,121	5,959
Other Related Party			
DIC Asia Pacific Pte Ltd		15,809	24,899
		27,930	30,858

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

26.2 Others include debts of Rs. 264.286 million (2011: Rs. 210.034 million) which are secured by way of bank guarantees and inland letters of credit.

(Rupees in thousand)	Note	2012	2011
26.3 The movement in provision during the year is as follows:			
Balance as at January 1		45,059	43,540
Provision during the year	32	16,073	8,092
Trade debts written off during the year		(1,586)	(6,573)
Balance as at December 31		59,546	45,059

(Rupees in thousand)	Note	2012	2011
27. Loans, advances, deposits, prepayments and other receivables			
Current portion of loans to employees	23	1,349	951
Current portion of loan receivable from SNGPL	23	16,400	16,400
Advances - considered good			
To employees	27.1	22,632	13,439
To suppliers		44,109	55,909
		66,741	69,348
Due from related parties - unsecured	27.2	344	2,722
Trade deposits - considered good		109,918	101,194
Trade deposits - considered doubtful		1,650	880
Security deposits		114	117
Prepayments		23,709	25,766
Balances with statutory authorities			
Customs duty		6,937	-
Sales tax recoverable		13,970	10,307
Octroi - considered doubtful		1,506	1,506
		22,413	11,813
Mark up receivable on			
Loan to SNGPL		64	77
Term deposits and saving accounts		617	838
		681	915
Workers' profit participation fund	27.3	19	-
Insurance claim receivable in respect of assets written off due to fire from IGI Insurance Limited - an associate		89,412	172,791
Other receivables		117,638	66,053
Provision against doubtful receivables		(3,630)	(2,386)
		446,758	466,564

27.1 Included in advances to employees are amounts due from executives of Rs. 6.615 million (2011: Rs. 1.299 million).

(Rupees in thousand)	Note	2012	2011
27.2 Due from related parties - unsecured			
Associates			
Tri-Pack Films Limited		63	59
IGI Insurance Limited		281	1,133
Other Related Party			
DIC Asia Pacific Pte Ltd		-	1,530
		344	2,722

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

(Rupees in thousand)	Note	2012	2011
27.3 Workers' profit participation fund			
Opening balance		(124)	443
Payments made during the year		7,124	9,000
		7,000	9,443
Provision for the year		(6,981)	(9,567)
Closing balance		19	(124)
28. Income tax receivable			
Income tax refundable		1,628,320	947,787
Income tax recoverable	28.1	36,013	36,013
		1,664,333	983,800

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

The Parent Company had filed an appeal against the revised orders of the ITO before the then Commissioner of Income Tax (Appeals) [CIT(A)], Karachi. CIT(A) 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 CIT(A)'s order with the then 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), had issued notices under section 65 of the Income Tax Ordinance, 1979 and the Parent Company had 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	2012	2011
29. Cash and bank balances			
At banks:			
On deposit accounts [including USD 7,357 (2011: USD 6,963)]		717	622
On saving accounts [including Nil (2011: USD 29,177)]	29.1	268,347	84,358
On current accounts [including USD 1,125 (2011: USD 5,061)]	29.2	141,384	105,401
		410,448	190,381
In hand		6,129	9,939
		416,577	200,320

29.1 The balances in saving accounts bear mark up which ranges from 5.0 % to 12.7% per annum.

29.2 Included in these are total restricted funds of Rs. 1.332 million (2011: Rs. 1.332 million) held as payable to TFC holders.

(Rupees in thousand)	Note	2012	2011 Represented
30. Cost of sales			
Materials consumed		9,076,395	8,739,726
Salaries, wages and amenities	30.1	987,176	762,244
Travelling		22,395	24,923
Fuel and power		999,014	819,654
Production supplies		234,040	251,055
Excise duty and sales tax		754	2,213
Rent, rates and taxes	30.2	308,276	346,809
Insurance		28,846	20,660
Repairs and maintenance		360,800	359,354
Packing expenses		89,227	97,618
Depreciation on property, plant and equipment	17.1.3	371,781	337,607
Amortisation of intangible assets	19.1	194	12
Technical fee and royalty		51,769	46,405
Other expenses	30.3	156,576	61,177
		12,687,243	11,869,457
Opening work-in-process		329,925	266,387
Closing work-in-process		(338,842)	(329,925)
Cost of goods produced		12,678,326	11,805,919
Opening stock of finished goods		646,484	729,017
Closing stock of finished goods		(853,192)	(646,484)
		12,471,618	11,888,452

Cost of goods produced includes Rs. 1,204.113 million (2011: Rs. 1,175.44 million) for stores and spares consumed, Rs. 36.838 million (2011: Rs. 30.837 million) and Rs. 2.672 million (2011: Nil) for raw material and stores and spares written off respectively.

(Rupees in thousand)	2012	2011 Represented
30.1 Salaries, wages and amenities		
Salaries, wages and amenities include following in respect of retirement benefits:		
Pension		
Current service cost	9,037	8,941
Interest cost for the year	38,072	32,343
Expected return on plan assets	(24,832)	(24,522)
Contribution made by the employees	(5,002)	(3,894)
Net loss on curtailment / settlement	13,857	-
Recognition of loss	6,823	3,320
	37,955	16,188
Gratuity		
Current service cost	7,188	5,429
Interest cost for the year	13,896	11,247
Expected return on plan assets	(14,432)	(12,317)
Loss on settlement	17,356	-
Recognition of loss	1,769	1,089
	25,777	5,448

In addition to above, salaries, wages and amenities include Rs. 17.861 million (2011: Rs. 14.555 million) and Rs. 21.870 million (2011: Rs. 5.921 million) in respect of provident fund contribution by the Group and accumulating compensated absences respectively.

30.2 Rent, rates and taxes include operating lease / ujrah rentals amounting to Rs. 303.095 million (2011: Rs. 344.456 million).

30.3 Other expenses include provision for slow moving stores and spares amounting to Nil (2011: Rs. 1.452 million).

(Rupees in thousand)	Note	2012	2011 Represented
31. Administrative expenses			
Salaries, wages and amenities	31.1	237,938	197,014
Travelling		22,804	21,517
Rent, rates and taxes	31.2	14,515	8,175
Insurance		5,326	3,460
Printing, stationery and periodicals		16,071	14,680
Electricity		863	587
Postage, telephone and telex		12,938	12,697
Motor vehicles running		13,509	13,382
Computer charges		9,237	8,876
Professional services	31.3	34,085	23,729
Repairs and maintenance		10,592	8,875
Depreciation on property, plant and equipment	17.1.3	21,686	19,282
Amortisation of intangible assets	19.1	7,465	4,170
Depreciation on investment property	18.1	312	328
Security services		2,981	3,172
Advances written off		-	5,180
Other expenses		49,957	40,010
		460,279	385,134

Administrative expenses include Rs. 56.536 million (2011: Rs. 45.775 million) for stores and spares consumed.

(Rupees in thousand)	2012	2011 Represented
31.1 Salaries, wages and amenities		
Salaries, wages and amenities include following in respect of retirement benefits:		
Pension		
Current service cost	3,748	3,980
Interest cost for the year	15,788	14,394
Expected return on plan assets	(10,297)	(10,914)
Contribution made by the employees	(2,074)	(1,733)
Net loss on curtailment / settlement	5,747	-
Recognition of loss	2,829	1,478
	15,741	7,205
Gratuity		
Current service cost	1,857	1,825
Interest cost for the year	3,591	3,777
Expected return on plan assets	(3,729)	(4,137)
Loss on settlement	4,485	-
Recognition of loss	457	366
	6,661	1,831

In addition to above, salaries, wages and amenities include Rs. 6.182 million (2011: Rs. 5.080 million) and Rs. 6.286 million (2011: Rs. 4.884 million) in respect of provident fund contribution by the Group and accumulating compensated absences respectively.

31.2 Rent, rates and taxes include operating lease rentals amounting to Rs. 8.157 million (2011: Rs. 7.598 million).

(Rupees in thousand)	2012	2011 Represented
31.3 Professional services		
The charges for professional services include the following in respect of auditors' services for:		
Statutory audit	3,460	2,967
Half yearly review	1,150	1,090
Tax services	4,321	6,120
Workers' profit participation fund audit, management staff pension and gratuity fund audit, audit of consolidated financial statements and other certification charges	903	2,298
Out of pocket expenses	662	667
	10,496	13,142

Charges for professional services rendered by the auditors relating to the Discontinued operations amount to Rs. 1.018 million (2011: Rs. 2.052 million).

32. Distribution and marketing costs

(Rupees in thousand)	Note	2012	2011 Represented
Salaries, wages and amenities	32.1	146,095	116,774
Travelling		32,947	28,658
Rent, rates and taxes	32.2	9,684	2,431
Freight and distribution		126,960	118,660
Insurance		5,602	997
Electricity		581	391
Postage, telephone and telex		307	334
Advertising		100,577	121,967
Depreciation on property, plant and equipment	17.1.3	7,142	6,244
Repairs and maintenance		55	72
Provision for doubtful debts	26.3	16,073	8,092
Bad debts written off		2,328	(541)
Other expenses		43,081	35,857
		491,432	439,936

Distribution and marketing cost include Rs. 4.042 million (2011: Rs. 5.595 million) for stores and spares consumed.

(Rupees in thousand)	2012	2011 Represented
32.1 Salaries, wages and amenities		
Salaries, wages and amenities include following in respect of retirement benefits:		
Pension		
Current service cost	2,591	2,734
Interest cost for the year	10,916	9,894
Expected return on plan assets	(7,119)	(7,502)
Contribution made by the employees	(1,434)	(1,192)
Net loss on curtailment / settlement	3,974	-
Recognition of loss	1,956	1,016
	10,884	4,950
Gratuity		
Current service cost	1,284	1,255
Interest cost for the year	2,483	2,597
Expected return on plan assets	(2,579)	(2,844)
Loss on settlement	3,101	-
Recognition of loss	316	252
	4,605	1,260

In addition to above, salaries, wages and amenities include Rs. 2.816 million (2011: Rs. 2.276 million) and Rs. 4.012 million (2011: Rs. 4.962 million) in respect of provident fund contribution by the Group and accumulating compensated absences respectively.

32.2 Rent, rates and taxes include operating lease rentals amounting to Rs. 6.572 million (2011: Rs. 3.343 million).

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

(Rupees in thousand)		2012	2011 Represented
34. Other operating expenses			
Workers' profit participation fund		6,981	9,124
Workers' welfare fund	13.4	3,000	3,596
Exchange loss - net		37,129	11,110
Donations	34.1	760	1,892
		47,870	25,722

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

(Rupees in thousand)	Note	2012	2011 Represented
35. Other operating income			
Income from financial assets			
Income on bank deposits		10,754	8,809
Interest on loan to SNGPL		1,463	1,709
		12,217	10,518
Income from non-financial assets			
Management and technical fee		19,168	35,050
Insurance commission from related party		2,405	1,503
Rental income from investment property		20,971	36,810
Profit on disposal of property, plant and equipment		29,981	136,524
Net gain on insurance claim of assets written off due to fire	35.1	150,084	20,884
Scrap sales		9,259	8,272
Provisions and unclaimed balances written back		22,900	14,715
Rebate income		221	3,968
Others		1,942	6,388
		256,931	264,114
		269,148	274,632

35.1 As referred to in notes 17.1.4, 17.2.1, 24.2 and 25.2, during the last year a fire incident at the tissue conversion line and stores damaged certain items of property, plant and equipment, stores and spares and stock-in-trade. The Parent Company filed the insurance claim in respect of these assets. The insurer had appointed a surveyor who completed his survey during the current year and assessed the insurance claim at Rs. 707.438 million including business interruption claim of Rs. 54.629 million (2011: Nil). Out of the total claim the Parent Company has received proceeds of Rs. 618.026 million (2011: Rs. 373.500 million) from the insurers as of December 31, 2012.

(Rupees in thousand)	Note	2012	2011 Represented
Carrying value of assets written off due to fire			
Property, plant and equipment			
Buildings on freehold land	17.1	32,867	32,867
Buildings on leasehold land	17.1	6,577	6,577
Plant and machinery	17.1	89,145	89,145
Other equipments (computers, lab equipments and other office equipments)	17.1	538	538
Capital work-in-progress	17.2.1	2,679	2,679
		131,806	131,806
Stores and spares	24.2	189,447	189,447
Stock-in-trade	25.2	215,201	215,201
Carrying value of assets written off due to fire		536,454	536,454
Insurance claim verified to date		707,438	557,354
Aggregate gain on insurance claim of assets written off due to fire		170,984	20,900
Gain recognised till previous years		20,900	-
Net gain recognised during the year		150,084	20,900
Continuing operations		150,084	20,884
Discontinued operations		-	16
		150,084	20,900
36. Finance costs			
Interest and mark up including commitment charges on :			
Long-term finances - secured		1,276	-
Finances under mark up arrangements - secured		161,713	127,981
Return on preference shares / convertible stock		412,050	412,050
Loan handling charges		10,732	-
Bank charges		3,331	3,579
		589,102	543,610

(Rupees in thousand)	2012	2011 Represented
37. Investment income		
Dividend income	1,223,970	816,709
Gain on sale of short-term investments	13	3,035
	1,223,983	819,744
38. Reversal of impairment / (impairment) on investments in associates		
Associates - quoted		
IGI Insurance Limited	616,203	(616,203)
IGI Investment Bank Limited	15,645	(26,700)
	631,848	(642,903)

This represents reversal of impairment / (impairment) charged on investments based on assessment of recoverable amount. For quoted associates, the recoverable amount is equal to fair value which has been determined with reference to active market as at balance sheet date.

(Rupees in thousand)	2012	2011 Represented
39. Taxation		
Current		
Current year	119,582	219,437
Prior years	(13,644)	38,261
	105,938	257,698
Deferred	345,285	1,155,388
	451,223	1,413,086

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, 2012 are estimated approximately at Rs. 4,549.980 million (2011: Rs. 5,180.342 million). Unused tax losses available to the Continuing operations of the Parent Company amount to Rs. 377.609 million (2011: Rs. 377.609 million).

	2012 %age	2011 % age Represented
39.1 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:		
Associates results reported net of tax	(17.21)	36.18
Differences in overseas taxation rates	(0.60)	(0.81)
Not deductible for tax purposes	2.44	17.11
Deductible for tax purposes	(0.55)	(0.77)
Exempt for tax purposes	(5.29)	(5.34)
Chargeable to tax at different rates	(0.02)	0.43
Tax credits and losses in respect of which no deferred tax asset has been recognised	6.94	26.07
Effect of change in prior years' tax	(0.55)	3.19
Tax effect under presumptive tax regime and others	0.69	17.41
	(14.15)	93.47
Average effective tax rate charged to consolidated profit and loss account	20.85	128.47

40. Remuneration of Chief Executive, Directors and Executives

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

	Chief Executive		Directors		Executives	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Number of persons	**1**	**1**	**2**	**2**	**110**	**90**
(Rupees in thousand)						
Short-term employee benefits						
Managerial remuneration	10,020	8,539	18,767	15,926	152,245	112,983
Housing	3,960	3,337	7,353	6,247	71,594 -	52,127
Utilities	880	742	1,634	1,377	15,995	12,255
Bonus	2,567	2,164	3,959	3,336	49,439	37,287
Leave passage	1,927	1,039	2,111	1,315	5,311	5,161
Medical expenses	2,512	1,867	468	267	638	1,019
Club expenses	60	114	140	229	18	63
Others	-	-	30	106	26,998	21,376
	21,926	17,802	34,462	28,803	322,238	242,271
Post employment benefits						
Contribution to provident, gratuity and pension funds	3,037	2,560	4,486	3,781	37,970	27,916
Other long-term benefits						
Accumulating compensated absences	543	475	726	830	9,172	5,379
	25,506	20,837	39,674	33,414	369,380	275,566

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

40.2 Remuneration to other directors

Aggregate amount charged in the financial statements for the year for fee to 7 directors (2011: 7 directors) is Rs. 935,000 (2011: Rs. 520,000).

41. Transactions with related parties

The related parties comprise associates, directors, key management personnel and post employment benefit plans. The Group in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables, amounts due from directors and key management personnel are shown under receivables and remuneration of directors and key management personnel is disclosed in note 40. Other significant transactions with related parties are as follows:

(Rupees in thousand)		2012	2011
Relationship with the Company	**Nature of transactions**		
i. Associates	Purchase of goods and services	815,352	766,947
	Sale of goods and services	83,151	52,152
	Insurance premium	209,194	151,687
	Commission earned	8,779	6,098
	Insurance claims received	237,547	408,128
	Dividend income	259,191	135,839
ii. Other related parties	Purchase of goods and services	236,344	220,063
	Sale of goods and services	79,519	25,153
	Royalty and technical fee - Expense	39,766	41,355
	Rebate received	-	562
iii. Post employment benefit plans	Expense charged in respect of retirement benefit plans	241,789	117,755
	Mark up on temporary loans	-	46

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

42. Capacity and production

	Capacity		Actual production	
	2012	2011	2012	2011
Paper and paperboard produced - tons	271,400	316,250	148,055	145,826
Paper and paperboard converted - tons	158,069	159,834	106,322	110,316
Plastics all sorts converted - tons	20,000	20,000	14,494	14,498
Inks produced - tons	7,100	7,100	5,133	5,930
Flexible packaging material - meters '000'	90,000	90,000	47,934	51,572

The variance of actual production from capacity in respect of Paper and paperboard, Plastics and Flexible packaging material is primarily on account of the product mix. Variance in Inks production is due to market constraints.

43. Rates of exchange

Liabilities in foreign currencies have been translated into PAK Rupees at USD 1.0299 (2011: USD 1.1136), EURO 0.7794 (2011: EURO 0.8604), CHF 0.9409 (2011: CHF 1.0481), SEK 6.6979 (2011: SEK 7.6864), GBP 0.6373 (2011: GBP 0.7225), Nil (2011: SGD 1.4486), Nil (2011: CAD 1.1368), YEN 88.5269 (2011: YEN 86.334) and SLR 130.7702 (2011: SLR 127.3561) equal to Rs. 100. Assets in foreign currencies have been translated into PAK Rupees at USD 1.0320 (2011: USD 1.1161) ,EURO 0.7809 (2011: EURO 0.8624), GBP 0.6387 (2011: Nil) and SLR 130.7702 (2011: SLR 127.3561) equal to Rs. 100.

(Rupees in thousand)	Note	2012	2011 Represented

44. Cash generated from / (used in) operations

Loss before tax including Discontinued operations		(3,276,503)	(1,252,984)
Adjustments for:			
Loss recognised on the re-measurement of assets of disposal group	15.2	4,618,688	-
Depreciation on property, plant and equipment	17.1.3	1,298,528	1,657,404
Depreciation on investment property	18	312	328
Amortisation on intangible assets	19.1	11,821	4,926
Reversal of impairment / (impairment) on investments in associates	38	(631,848)	642,903
Provision for accumulating compensated absences and staff gratuity		54,761	26,680
Provision for retirement benefits		198,404	80,280
Provision for doubtful debts	26.3	16,073	8,092
Exchange adjustments		(8,189)	3,796
Net profit on disposal of property, plant and equipment		(24,110)	(167,525)
Net gain on insurance claim of assets written off due to fire	35.1	(150,084)	(20,900)
Finance costs		1,566,606	1,545,271
Gain on sale of short-term investments	37	(13)	(3,035)
Dividend income	37	(1,223,970)	(816,709)
Share of profit of associates	20	(288,552)	(439,243)
Profit before working capital changes		2,161,924	1,269,284
Effect on cash flow due to working capital changes			
Increase in stores and spares		(188,908)	(123,032)
Increase in stock-in-trade		(881,184)	(1,081,039)
Increase in trade debts		(574,467)	(170,313)
Increase in loans, advances, deposits, prepayments and other receivables		(63,573)	(11,157)
Increase / (decrease) in trade and other payables		188,998	(364,165)
		(1,519,134)	(1,749,706)
		642,790	(480,422)

45. Cash and cash equivalents

Cash and bank balances	29	416,577	200,320
Finances under mark up arrangements - secured	11	(1,251,463)	(1,170,227)
Short-term finances - secured	15.1	(5,100,000)	-
		(5,934,886)	(969,907)

46. Combined earnings / (loss) per share

46.1 Combined basic earnings / (loss) per share - Continuing operations

Profit / (loss) for the year from Continuing operations attributable to equity holders of the Parent Company	Rupees in thousand	2,018,269	(406,083)
Weighted average number of ordinary shares	Numbers	84,379,504	84,379,504
Earnings / (loss) per share	Rupees	23.92	(4.81)

46.2 Combined basic loss per share - Discontinued operations

Loss for the year from Discontinued operations	Rupees in thousand	(4,014,886)	(1,681,075)
Weighted average number of ordinary shares	Numbers	84,379,504	84,379,504
Loss per share	Rupees	(47.58)	(19.93)

(Rupees in thousand)			2012	2011 Represented
46.3	**Combined diluted earnings / (loss) per share - Continuing operations**			
	Profit / (loss) for the year from Continuing operations attributable to equity holders of the Parent Company	Rupees in thousand	2,018,269	(406,083)
	Return on preference shares / convertible stock - net of tax	Rupees in thousand	324,421	325,002
			2,342,690	(81,081)
	Weighted average number of ordinary shares	Numbers	84,379,504	84,379,504
	Weighted average number of notionally converted preference shares / convertible stock	Numbers	21,686,842	21,686,842
			106,066,346	106,066,346
	Combined diluted earnings / (loss) per share	Rupees	22.09	(0.76)

In respect of Continuing operations, combined diluted EPS is restricted to the basic EPS in cases where effect of the conversion of preference shares / convertible stock is anti-dilutive.

46.4 Combined diluted loss per share - Discontuned operations.

The combined diluted loss per share of Discontinued operations is the same as the basic loss per share of Discontinued operations as there are no convertible instruments attributable to the Discontinued operations.

47. 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**
Continuing operations	
Packaging	Manufacture and market packing products
Consumer Products Division	Manufacture and market consumer / tissue products
Ink	Manufacture and market industrial and commercial ink products
General & Others	Workshop and other general business
Discontinued operations	
Paper & Board Division	Manufacture and market paper and corrugated boxes

	Continuing operations								Sub total		Discontinued operations		Total	
	Packaging Division		Consumer Products Division		Ink Division		General & Others		Continuing operations		Paper & Board Division			
(Rupees in thousand)	2012	2011 Represented	2012	2011 Represented	2012	2011 Represented	2012	2011 Represented	2012	2011 Represented	2012	2011 Represented	2012	2011 Represented
Total revenue	10,713,311	10,512,323	2,075,587	1,973,446	2,188,239	1,954,910	690,390	955,256	15,667,527	15,395,935	10,702,531	9,430,823	26,370,058	24,826,758
Intersegment revenue	349,499	384,073	12,061	8,117	699,637	771,503	336,716	571,997	1,397,913	1,735,690	1,954,155	1,559,692	3,352,068	3,295,382
Revenue from external customers	10,363,812	10,128,250	2,063,526	1,965,329	1,488,602	1,183,407	353,674	383,259	14,269,614	13,660,245	8,748,376	7,871,131	23,017,990	21,531,376
Interest revenue	9,034	5,400	1,998	4,188	-	-	1,185	930	12,217	10,518	-	-	12,217	10,518
Interest expense	(426,840)	(388,244)	(92,829)	(83,500)	(53,259)	(55,582)	(16,174)	(16,284)	(589,102)	(543,610)	(977,504)	(1,001,661)	(1,566,606)	(1,545,271)
Depreciation and amortisation	289,252	249,421	49,067	48,599	24,671	23,778	37,619	41,335	400,609	363,133	897,919	1,294,271	1,298,528	1,657,404
Gain on sale of investments	-	-	-	-	-	-	13	3,035	13	3,035	-	-	13	3,035
Reversal of Impairment / (impairment) on investments in associates	-	-	-	-	-	-	631,848	(642,093)	631,848	(642,093)	-	-	631,848	(642,093)
Segment profit / (loss) before tax	732,824	991,127	90,449	(235,420)	129,650	169,753	1,735,107	111,945	2,688,030	1,037,405	(5,943,262)	(2,512,926)	(3,255,232)	(1,475,521)
Segment taxation	31,792	127,563	11,692	21,971	43,499	61,684	810,240	753,868	897,223	965,086	(1,884,461)	(784,248)	(987,238)	180,838
Segment profit / (loss) after tax	701,032	863,564	78,757	(257,391)	86,151	108,069	924,867	(641,923)	1,790,807	72,319	(4,058,801)	(1,728,678)	(2,267,994)	(1,656,359)
Segment assets	6,493,184	5,158,933	1,125,111	710,472	943,436	799,767	1,351,375	1,806,078	9,913,106	8,475,250	14,533,270	18,529,747	24,446,376	27,004,997

(Rupees in thousand)		2012	2011 Represented
47.1	**Reconciliation of segment profit / (loss)**		
	Total profit for reportable segments	2,688,030	1,037,405
	Income from associates	29,361	303,404
	Intercompany adjustment	(94,547)	(128,470)
	Profit before tax	2,622,844	1,212,339
47.2	**Reconciliation of reportable segment assets**		
	Total assets for reportable segments	24,446,376	27,004,997
	Intersegment assets	20,069	(201,517)
	Other corporate assets	23,387,231	18,111,296
	Total assets	47,853,676	44,914,776
47.3	**Reconciliation of segment taxation**		
	Total tax expense for reportable segments	897,223	965,086
	Intercompany consolidation adjustments		
	Group	(446,000)	448,000
	Associates	95,628	144,355
	Taxation as per consolidated profit and loss account		
		546,851	1,557,441
47.4	**Reconciliation of segment loss after tax**		
	Total profit after tax for reportable segments	1,790,807	72,319
	Intercompany adjustment for profit before tax	(65,186)	174,934
	Intercompany adjustment for taxation	350,372	(592,355)
	Profit / (loss) as per consolidated profit and loss account	2,075,993	(345,102)

47.5 Information by geographical area

	Revenue		Non - current assets	
(Rupees in thousand)	2012	2011	2012	2011
Afghanistan	63,220	64,020	-	-
Bangladesh	18,700	8,368	-	-
Pakistan	13,072,453	12,467,328	14,136,422	18,644,343
Singapore	78,728	24,791	-	-
Srilanka	1,036,513	1,095,738	456,055	207,508
	14,269,614	13,660,245	14,592,477	18,851,851

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

47.6 Information about major customers

Included in the total revenue is revenue from two (2011: three) customers of the Group from the packaging (2011: packaging) segments which represent approximately Rs. 5,801.113 million (2011: Rs. 8,118.60 million) of the Group's total revenue.

48. Financial risk management

48.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

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

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar 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, 2012, if the Rupee had weakened / strengthened by 10% against the US dollar with all other variables held constant, post-tax loss for the year would have been Rs. 10.196 million higher / lower (2011: Rs. 15.210 million higher / lower) mainly as a result of foreign exchange losses / gains on translation of US dollar-denominated financial assets and liabilities.

At December 31, 2012, if the Rupee had weakened / strengthened by 10% against the Euro with all other variables held constant, post-tax loss for the year would have been Rs. 10.098 million (2011: Rs. 6.293 million) higher / lower, mainly as a result of foreign exchange losses / gains on translation of Euro-denominated financial assets and liabilities.

At December 31, 2012, if the Rupee had weakened / strengthened by 10% against the Sri Lankan rupee with all other variables held constant, other component of equity would have been Rs. 49.588 million (2011: Rs. 44.583 million) higher / lower, mainly as a result of foreign exchange gains / losses on translation of net assets of Packages Lanka (Private) Limited, denominated in Sri Lankan Rupee.

(ii) Price risk

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

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

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

	Impact on post-tax profit		Impact on other components of equity	
(Rupees in thousand)	**2012**	**2011**	**2012**	**2011**
Karachi Stock Exchange	-	-	1,520,032	643,211

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

(iii) Cash flow and fair value interest rate risk

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

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

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on 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, 2012, if interest rates on floating rate borrowings had been 1% higher / lower with all other variables held constant, post-tax loss for the year would have been Rs. 72.195 million (2011: Rs. 68.223 million) higher / lower, mainly as a result of higher / lower interest expense on floating rate borrowings.

(b) Credit risk

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

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

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

(Rupees in thousand)	2012	2011
Long-term loans and deposits	97,747	111,424
Trade debts	1,672,462	1,433,613
Loans, advances, deposits, prepayments and other receivables	446,758	466,564
Balances with banks	410,448	190,381
	2,627,415	2,201,982

As of December 31, 2012, trade receivables of Rs. 995.469 million (2011: Rs. 675.924 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

Rupees in thousand)	2012	2011
Up to 90 days	868,868	634,405
90 to 180 days	70,358	20,015
181 to 365 days	56,243	21,504
	995,469	675,924

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

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

(Rupees in thousand)	Rating Short-term	Rating Long-term	Rating Agency	2012	2011
Bank Alfalah Limited	A1+	AA	PACRA	10	10
Bank Al-Habib Limited	A1+	AA+	PACRA	4	4
BankIslami Pakistan Limited	A1	A	PACRA	10	2,675
Barclays Bank PLC, Pakistan	A-1	A+	S & P	254	14,693
Citibank N.A.	P-1	A1	Moody's	792	1
Commercial Bank Limited Sri Lanka		AA	Fitch	-	8
Deutsche Bank A.G.	A-1	A+	S & P	-	10,576
Dubai Islamic Bank Pakistan Limited	A-1	A	JCR-VIS	551	50
Faysal Bank Limited	A1+	AA	PACRA	229	723
Habib Bank Limited	A-1+	AA+	JCR-VIS	1,381	619
Hatton Bank Limited Sri Lanka		AA-	Fitch	-	1,210
HSBC Bank Middle East Limited	P-1	A1	Moody's	10,570	56
JS Bank Limited	A1	A+	PACRA	51	2,730
MCB Bank Limited	A1+	AA+	PACRA	968	628
MCB Bank Limited Sri Lanka	A1+	AA+	PACRA	30,531	11,757
Meezan Bank Limited	A-1+	AA-	JCR-VIS	1,724	949
National Bank of Pakistan	A-1+	AAA	JCR-VIS	112,922	36,875
NDB Bank PLC		AA-	Fitch	717	655
NIB Bank Limited	A1+	AA-	PACRA	173,711	27,601
Samba Bank Limited	A-1	AA-	JCR-VIS	14,857	2,392
Silk Bank Limited	A-2	A-	JCR-VIS	2	2
Soneri Bank Limited	A1+	AA-	PACRA	38	14
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	60,809	74,236
Standard Chartered Bank Sri Lanka		AAA	Fitch	-	827
The Bank of Punjab	A1+	AA-	PACRA	316	9
The Bank of Tokyo-Mitsubishi UFJ, Limited	A-1	A+	S & P	-	527
United Bank Limited	A-1+	AA+	JCR-VIS	1	554
				410,448	190,381

(c) Liquidity risk

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

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

Management monitors the forecasts of the Group's cash and cash equivalents (note 45) on the basis of expected cash flow. This is generally carried out in accordance with practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in each quarter and considering the level of liquid assets necessary to meet its liabilities, monitoring 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, 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long-term finances	1,000,000	-	857,130	1,359,513
Short-term finances - secured	5,100,000	-	-	-
Finances under mark up arrangements - secured	1,251,463	-	-	-
Trade and other payables	2,179,889	-	-	-
Accrued finance cost	543,187	-	-	-
	10,074,539	-	857,130	1,359,513

(Rupees in thousand)

At December 31, 2011	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long-term finances - secured	380,952	1,233,333	4,292,857	578,572
Finances under mark up arrangements - secured	1,170,227	-	-	-
Trade and other payables	1,831,937	-	-	-
Accrued finance cost	542,031	-	-	-
	3,925,147	1,233,333	4,292,857	578,572

48.2 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 2012, the Group's strategy was to maintain the gearing ratio below 60% and a AA credit rating. The gearing ratios at December 31, 2012 and 2011 were as follows:

Rupees in thousand)	2012	2011
Long-term finances	4,687,220	8,575,339
Total equity	31,636,638	29,575,285
Total capital	36,323,858	38,150,624
Gearing ratio	13%	22%

48.3 Fair value estimation

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

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

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

49. Detail of subsidiaries

Name of the subsidiaries	Accounting year end	Percentage of holding	Country of incorporation
Packages Lanka (Private) Limited	December 31, 2012	79.07%	Sri Lanka
DIC Pakistan Limited	December 31, 2012	54.98%	Pakistan
Packages Construction (Private) Limited	December 31, 2012	99.99%	Pakistan
Bulleh Shah Packaging (Private) Limited [formerly Bulleh Shah Paper Mill (Private) Limited]	December 31, 2012	100%	Pakistan

50. Date of authorisation for issue

These financial statements were authorised for issue on March 18, 2013 by the Board of Directors of the Parent Company.

51. Non-Adjusting events after the balance sheet date

The Board of Directors of the Parent Company have proposed a final cash dividend for the year ended December 31, 2012 of Rs. 4.50 per share (2011: Rs. 1.50 per share), amounting to Rs. 379.708 million (2011: Rs. 126.569 million) at their meeting held on March 18, 2013 for approval of the members at the Annual General Meeting to be held on April 30, 2013. The board has also recommended to transfer Rs. 3,100 million (2011: Rs. 1,250 million) to accumulated profit / (loss) from general reserves.

52. Corresponding figures

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purposes of comparison. However, no significant re-classifications have been made except for representing the results of Discontinued operations in accordance with IFRS 5.

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

Form of Proxy
58th Annual General Meeting

I/We ______________________________

of ______________________________ being a member of Packages Limited and

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

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

here by appoint ______________ of ______________ or failing him / her ______________

of ______________ or failing him / her ______________ of ______________ as my proxy to vote for me and

on my behalf at the Annual General Meeting of the Company to be held on Tuesday, April 30, 2013 at 11:00 a.m. at Beach Luxury Hotel, Moulvi Tamizuddin Khan Road, Karachi and at any adjournment thereof.

Signed this ______________ day of ______________ 2013.

WITNESSES:

1. Signature : ______________
   Name : ______________
   Address : ______________

   CNIC or
   Passport No. ______________

2. Signature : ______________
   Name : ______________
   Address : ______________

   CNIC or
   Passport No. ______________

Signature

Please affix. Rupees five revenue stamp

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

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

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

AFFIX
CORRECT
POSTAGE

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

www.packages.com.pk

Annual Report for the year ended December 31, 2012

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

Printed on paper produced at
Designed & Printed by VANTAGE www.vantagepakistan.com