Auditors' Report to the Members

We have audited the annexed balance sheet of Packages Limited as at December 31, 2010 and the related profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, statement of changes in equity and statement of cash flow 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, 2010 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, February 18, 2011

Engagement partner: Shahzad Hussain

Balance Sheet

as at December 31, 2010

(Rupees in thousand)	Note	2010	2009
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
150,000,000 (2009: 150,000,000) ordinary shares of Rs. 10 each		1,500,000	1,500,000
22,000,000 (2009: 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 (2009: 84,379,504) ordinary shares of Rs. 10 each	5	843,795	843,795
Reserves	6	24,218,774	17,099,138
Preference shares / convertible stock reserve	7	1,605,875	1,605,875
Unappropriated profit		261,441	3,868,099
		26,929,885	23,416,907
NON-CURRENT LIABILITIES			
Long-term finances	7	7,956,291	7,970,577
Deferred income tax liabilities	8	2,168,000	2,353,000
Retirement benefits	9	167	-
Deferred liabilities	10	149,173	124,852
		10,273,631	10,448,429
CURRENT LIABILITIES			
Current portion of long-term finances - secured	7	14,286	-
Finances under mark up arrangements - secured	11	141,231	86,496
Trade and other payables	12	1,794,059	1,406,516
Accrued finance cost	13	471,712	249,681
		2,421,288	1,742,693
CONTINGENCIES AND COMMITMENTS	14	-	-
		39,624,804	35,608,029

(Rupees in thousand)	Note	2010	2009
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	17,861,486	19,161,332
Intangible assets	16	2,392	137
Investment property	17	31,588	55,335
Capital work-in-progress	18	753,328	65,578
Investments	19	12,219,037	8,099,401
Long-term loans and deposits	20	128,429	139,577
Retirement benefits	9	94,557	107,900
		31,090,817	27,629,260
CURRENT ASSETS			
Stores and spares	21	1,049,950	870,951
Stock-in-trade	22	3,669,151	4,102,396
Trade debts	23	1,643,275	1,752,216
Loans, advances, deposits, prepayments and other receivables	24	265,361	203,817
Income tax receivable	25	766,107	593,669
Cash and bank balances	26	1,140,143	455,720
		8,533,987	7,978,769
		39,624,804	35,608,029

The annexed notes 1 to 46 form an integral part of these financial statements.

Towfiq Habib Chinoy
Chairman

Syed Hyder Ali
Chief Executive & Managing Director

Syed Aslam Mehdi
Director

Profit and Loss Account

for the year ended December 31, 2010

(Rupees in thousand)		Note	2010	2009
Local sales			20,598,198	15,775,713
Export sales			1,239,235	757,575
			21,837,433	16,533,288
Less: Sales tax and excise duty			3,266,556	2,466,027
Commission			34,969	23,428
			3,301,525	2,489,455
			18,535,908	14,043,833
Cost of sales		27	(17,740,467)	(13,736,498)
Gross profit			795,441	307,335
Administrative expenses		28	(521,269)	(467,582)
Distribution and marketing costs		29	(565,638)	(444,210)
Other operating expenses		30	(15,185)	(118,682)
Other operating income		31	202,368	385,299
Impairment charged on available for sale investment		32	-	(1,793,991)
Loss from operations			(104,283)	(2,131,831)
Finance costs		33	(1,210,323)	(1,278,433)
Investment income		34	997,260	9,179,837
(Loss) / profit before tax			(317,346)	5,769,573
Taxation		35	(15,079)	(1,705,649)
(Loss) / profit for the year			(332,425)	4,063,924
(Loss) / earnings per share				
Basic	Rupees	42	(3.94)	48.16
Diluted	Rupees	42	(3.94)	44.72

The annexed notes 1 to 46 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, 2010

(Rupees in thousand)	2010	2009
(Loss) / profit after taxation	(332,425)	4,063,924
Other comprehensive income		
Surplus / (deficit) on re-measurement of available		
for sale financial assets	4,119,636	(319,455)
Impairment loss transferred to profit and loss account	-	1,793,991
Other comprehensive income for the year	4,119,636	1,474,536
Total comprehensive income for the year	3,787,211	5,538,460

The annexed notes 1 to 46 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, 2010

(Rupees in thousand)	Share capital	Share premium	Fair value reserve	General reserve	Preference shares / convertible stock reserve	Unappro-priated (loss) / profit	Total
Balance as on December 31, 2008	843,795	2,876,893	(912,624)	13,660,333	-	(195,825)	16,272,572
Equity component of preference shares / convertible stock as referred to in note 7.2 (net of transaction costs)	-	-	-	-	1,605,875	-	1,605,875
Total comprehensive income for the year	-	-	1,474,536	-	-	4,063,924	5,538,460
Balance as on December 31, 2009	843,795	2,876,893	561,912	13,660,333	1,605,875	3,868,099	23,416,907
Transferred from profit and loss account	-	-	-	3,000,000	-	(3,000,000)	-
Final dividend for the year ended December 31, 2009 Rs. 3.25 per share	-	-	-	-	-	(274,233)	(274,233)
Total comprehensive income / (loss) for the year	-	-	4,119,636	-	-	(332,425)	3,787,211
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

The annexed notes 1 to 46 form an integral part of these financial statements.

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

Cash Flow Statement

for the year ended December 31, 2010

(Rupees in thousand)	Note	2010	2009
Cash flow from operating activities			
Cash generated from operations	40	2,048,790	618,112
Finance cost paid		(988,292)	(1,479,667)
Taxes paid		(490,263)	(285,615)
Payments for accumulating compensated absences		(16,805)	(6,971)
Retirement benefits paid		(50,488)	(44,236)
Net cash generated from / (used in) operating activities		502,942	(1,198,377)
Cash flow from investing activities			
Fixed capital expenditure		(633,758)	(972,975)
Investment - net		50,968	(10,000)
Net decrease in Long-term loans and deposits		11,148	15,525
Proceeds from disposal of property, plant and equipment		25,034	23,543
Proceeds from disposal of non-current assets classified as held-for-sale		-	7,865,000
Dividends received		946,292	313,087
Net cash generated from investing activities		399,684	7,234,180
Cash flow from financing activities			
Payment of long-term finances - secured		-	(7,354,400)
Proceeds from issuance of preference shares / convertible stock - net		-	4,076,452
Dividend paid		(272,938)	-
Net cash used in financing activities		(272,938)	(3,277,948)
Net increase in cash and cash equivalents		629,688	2,757,855
Cash and cash equivalents at the beginning of the year		369,224	(2,388,631)
Cash and cash equivalents at the end of the year	41	998,912	369,224

The annexed notes 1 to 46 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 Company') is a public limited Company incorporated in Pakistan and is listed on Karachi, Lahore and Islamabad Stock Exchanges. It is principally engaged in the manufacture and sale of paper, paperboard, packaging materials and tissue products.

2. Basis of preparation

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

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

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

2.2.1 Amendments to published standards effective in current year

New and amended standards, and interpretations mandatory for the first time for the financial year beginning January 01, 2010 but not currently relevant to the Company (although they may affect the accounting for future transactions and events).

IFRIC 17, 'Distribution of non-cash assets to owners', effective on or after July 01, 2009. The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after July 01, 2009. This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).

IFRIC 9, 'Reassessment of embedded derivatives' and IAS 39, 'Financial instruments': Recognition and measurement', effective July 01, 2009. This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remain classified as at fair value through profit or loss in its entirety.

IFRIC 16, 'Hedges of a net investment in a foreign operation', effective July 01, 2009. This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within a group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied. In particular, the entity should clearly document its hedging strategy because of the possibility of different designations at different levels of the entity.

IAS 1 (Amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

IAS 36 (Amendment), 'Impairment of assets', effective January 01, 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics).

IAS 38 (Amendment), 'Intangible assets', effective January 01, 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic life.

IFRS 2 (Amendments), 'Group cash-settled share-based payment transactions', effective from January 01, 2010. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation.

IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations'. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held-for-sale or discontinued operations. It also clarifies that the general requirement of IAS 1, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainity) still apply.

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 01, 2011 or later periods, but the Company has not early adopted them:

IFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Company's accounting for its financial assets. The standard is not applicable until January 01, 2013 but is available for early adoption. The Company is yet to assess IFRS 9's full impact.

IAS 1 (Amendments), clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. This amendment is effective for periods beginning on or after January 01, 2011.

IAS 24 (Revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (Revised) is mandatory for periods beginning on or after January 01, 2011. Earlier application, in whole or in part, is permitted.

The revised standard clarifies and simplifies the definition of a related party and removes the requirement for Government-related entities to disclose details of all transactions with the Government and other Government-related entities. The Company will apply the revised standard from January 01, 2011.

IAS 32 (Amendments), 'Classification of right issues' , issued in October 2009. The amendment applies to annual periods beginning on or after February 01, 2010. Earlier application is permitted. The amendment addresses the accounting for right issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'. The adoption of this amendment is not expected to have any impact on the Company's financial statements.

IFRIC 19, 'Extinguishing financial liabilities with equity instruments', effective July 01, 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss account, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. It is not expected to have any impact on the Company's financial statements.

IFRIC 14 (Amendment), 'Prepayments of a minimum funding requirement'. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning January 01, 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The Company will apply these amendments for the financial reporting period commencing on January 01, 2011. It is not expected to have any impact on the Company's 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.

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

a) Employee retirement benefits

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

b) Provision for taxation

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

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

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

4. Significant accounting policies

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

4.1 Taxation

Current

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

Deferred

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

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the 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 4.18 and borrowing costs as referred to in note 4.21.

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

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

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Company's estimate of the residual value of its property, plant and equipment as at December 31, 2010 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 will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.

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

4.3 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 years.

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

The Company assesses at each balance sheet date whether there is any indication that intangible assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amounts exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in 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.

4.4 Capital work-in-progress

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

4.5 Investment property

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

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

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Company's estimate of the residual value of its investment property as at December 31, 2010 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.

4.6 Leases

(1) The Company is the lessee:

Finance leases

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

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

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

Assets acquired under a finance lease are depreciated over the useful life of the asset on a straight-line method at the rates given in note 4.2. Depreciation of leased assets is charged to 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 17. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

4.7 Investments

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

Investments in equity instruments of subsidiaries and associated companies

Investments in subsidiaries and associates where the Company has significant influence are measured at cost in the Company's financial statements. Cost in relation to investments made in foreign currency is determined by translating the consideration paid in foreign currency into 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 associated undertakings, in the consolidated financial statements, are being accounted for using the equity method.

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

4.8 Employee retirement benefits

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

4.8.1 Defined benefit plans

(a) All the executive staff participates in an approved funded defined benefit pension plan. In addition, there is an approved funded defined benefit gratuity plan for all employees. Monthly contributions are made to these funds on the basis of actuarial recommendation at the rate of 20 percent per annum of basic salaries for pension and 4.50 percent per annum of basic salaries for gratuity. The latest actuarial valuation for the pension and gratuity schemes was carried out as at

December 31, 2010. The actual returns on plan assets during the year were Rs. 71.157 million and Rs. 26.761 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 14.25 percent per annum.
Expected rate of increase in salary level 12 percent per annum.
Expected rate of return 14.25 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. 44 million to the pension fund and Rs. 13 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'.

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

(b) Accumulating compensated absences

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

4.8.2 Defined contribution plan

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

4.9 Stores and spares

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

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

4.10 Stock-in-trade

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

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

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

4.11 Financial instruments

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

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

4.12 Offsetting of financial assets and liabilities

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

4.13 Trade debts

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

4.14 Cash and cash equivalents

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

4.15 Non-current assets held-for-sale

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

4.16 Borrowings

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

4.17 Trade and other payables

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

4.18 Derivative financial instruments

These are initially recorded at cost on the date a derivative contract is entered into and are remeasured to fair value at subsequent reporting dates. The method of 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 will effect profit or loss. However, when the forecast hedged transaction results in the recognition of a non-financial asset or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

4.19 Revenue recognition

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

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

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

4.20 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses on translation are recognised in the 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.

4.21 Borrowing costs

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

4.22 Dividend

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

4.23 Compound financial instruments

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

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

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

4.24 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 will be required to settle the obligation; and
(iii) the amount has been reliably estimated.

Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will 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

2010	2009		2010	2009
(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

20,151,487 (2009: 19,007,860) ordinary shares of the Company are held by IGI Insurance Limited, an associated undertaking.

(Rupees in thousand)	Note	2010	2009
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		561,912	(912,624)
Fair value gain / (loss) during the year		4,119,636	(319,455)
Impairment loss transferred to profit and loss account		-	1,793,991
	6.2	4,681,548	561,912
		7,558,441	3,438,805
Revenue			
General reserve			
At the beginning of the year		13,660,333	13,660,333
Transferred from profit and loss account		3,000,000	-
		16,660,333	13,660,333
		24,218,774	17,099,138

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

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

(Rupees in thousand)	Note	2010	2009
7. Long-term finances			
These are composed of:			
Local currency loans - secured			
Consortium Loan	7.1.1	5,185,714	5,185,714
Others	7.1.2	314,286	314,286
		5,500,000	5,500,000
Preference shares / convertible stock - unsecured	7.2	2,470,577	2,470,577
		7,970,577	7,970,577
Current portion shown under current liabilities		(14,286)	-
		7,956,291	7,970,577

7.1 Local currency loans - secured

7.1.1 Consortium Loan

This loan has been obtained from a consortium of commercial banks led by MCB Bank Limited. It is secured by a first ranking exclusive hypothecation / equitable mortgage charge over all present and future fixed assets of the Company amounting to Rs. 6,914 million (2009: Rs. 6,914 million) in favour of MCB Bank Limited being security trustee on behalf of consortium. It carries mark up at six month Karachi Inter Bank Offered Rate (KIBOR) plus 1.35% per annum and is payable in 11 unequal semi-annual instalments starting in June 2012 and ending June 2017. The effective mark up charged during the year ranges from 13.69% to 14.93% per annum.

7.1.2 Others

This loan has been obtained from Citibank. It is secured by a first ranking exclusive hypothecation / equitable mortgage charge over all present and future fixed assets of the Company amounting to Rs. 419 million (2009: Rs. 419 million) in favour of MCB Bank Limited being security trustee on behalf of Citibank. It carries mark up at six month Karachi Inter Bank Offered Rate (KIBOR) plus 0.90% per annum and is payable in 4 unequal semi-annual instalments starting in December 2011 and ending June 2013. The effective mark up charged during the year ranges from 13.24% to 14.48% per annum.

7.2 Preference shares / convertible stock - unsecured

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

Terms of redemption / conversion

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

Rate of return

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

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

(Rupees in thousand)	2010	2009
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	193,435

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

8. Deferred income tax liabilities

The liability for deferred taxation comprises timing differences relating to:

(Rupees in thousand)	Note	2010	2009
Accelerated tax depreciation		3,750,576	3,938,121
Unused tax losses	8.1	(1,347,842)	(1,412,460)
Minimum tax available for carry forward	8.2	(183,493)	(130,935)
Provision for accumulating compensated absences		(49,181)	(41,746)
Provision for doubtful debts		(10,861)	(8,906)
Preference shares / convertible stock transaction cost - liability portion		8,801	8,926
		2,168,000	2,353,000

8.1 Unused tax losses available to the Company contains unused business losses amounting to Rs. 141.886 million (2009: Rs. 377.609 million) which are available till December 31, 2014 and the Company expects to utilize these losses till then.

8.2 The Company has not adjusted the net deferred tax liability against tax credit available to the Company under section 113 of the Income Tax Ordinance, 2001 amounting to Rs. 116.748 million (2009: Nil) available till December 31, 2012 in view of management's estimate that these tax credits may not be utilized till December 31, 2012 due to sufficient unused tax losses, as referred to in note 35, available to the Company for adjustment against future profits.

9. Retirement benefits

(Rupees in thousand)	2010	2009
Classified under non-current liabilities		
Pension fund	167	-
Classified under non-current assets		
Pension fund	-	13,295
Gratuity fund	94,557	94,605
	94,557	107,900

(Rupees in thousand)	Pension Fund 2010	Pension Fund 2009	Gratuity Fund 2010	Gratuity Fund 2009
The amounts recognised in the balance sheet are as follows:				
Fair value of plan assets	649,568	592,086	304,449	303,425
Present value of defined benefit obligation	(890,215)	(767,086)	(285,349)	(247,893)
Unrecognised actuarial loss	240,480	188,295	75,457	39,073
(Liability) / asset as at December 31	(167)	13,295	94,557	94,605
Net asset as at January 1	13,295	32,725	94,605	94,793
Charge to profit and loss account	(52,332)	(53,755)	(11,666)	(10,099)
Contribution by the Company	38,870	34,325	11,618	9,911
Net (liability) / asset as at December 31	(167)	13,295	94,557	94,605
The movement in the present value of defined benefit obligation is as follows:				
Present value of defined benefit obligation as at January 1	767,086	595,808	247,893	211,836
Service cost	27,636	20,987	15,532	13,466
Interest cost	94,384	92,483	29,296	32,154
Benefits paid	(55,300)	(36,950)	(37,355)	(22,591)
Transferred to IGI Insurance Limited	(2,500)	-	-	-
Transferred to Tri-Pack Films Limited	(5,067)	-	-	-
Experience loss	63,976	94,758	29,983	13,028
Present value of defined benefit obligation as at December 31	890,215	767,086	285,349	247,893
The movement in fair value of plan assets is as follows:				
Fair value as at January 1	592,086	493,088	303,425	283,474
Expected return on plan assets	73,110	65,612	35,784	37,107
Company contributions	38,870	34,325	11,618	9,911
Employee contributions	10,322	7,722	-	-
Benefits paid	(55,300)	(36,950)	(37,355)	(22,591)
Transferred to IGI Insurance Limited	(2,500)	-	-	-
Transferred to Tri-Pack Films Limited	(5,067)	-	-	-
Experience (loss) / gain	(1,953)	28,289	(9,023)	(4,476)
Fair value as at December 31	649,568	592,086	304,449	303,425
The amounts recognized in the profit and loss account are as follows:				
Current service cost	27,636	20,987	15,532	13,466
Interest cost for the year	94,384	92,483	29,296	32,154
Expected return on plan assets	(73,110)	(65,612)	(35,784)	(37,107)
Contribution made by the employees	(10,322)	(7,722)	-	-
Recognition of loss	13,744	10,594	2,622	1,586
Recognition of past service cost	-	3,025	-	-
Total, included in salaries and wages	52,332	53,755	11,666	10,099
Plan assets are comprised as follows:				
Debt	272,819	136,991	219,203	110,746
Equity	181,879	124,518	79,157	25,796
Cash	194,870	330,577	6,089	166,883
	649,568	592,086	304,449	303,425

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)	2010	2009	2008	2007	2006
As at December 31					
Present value of defined benefit obligation	890,215	767,086	595,808	547,041	496,792
Fair value of plan assets	649,568	592,086	493,088	644,296	483,965
(Deficit) / surplus	(240,647)	(175,000)	(102,720)	97,255	(12,827)
Experience adjustment on obligation	5%	6%	1%	2%	-3%
Experience adjustment on plan assets	0%	5%	-51%	17%	0%

Fair value of plan assets include ordinary shares of the Company, whose fair value as at December 31, 2010 is Rs. 85 million (2009: Rs. 96 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)	2010	2009	2008	2007	2006
As at December 31					
Present value of defined benefit obligation	285,349	247,893	211,836	178,979	167,073
Fair value of plan assets	304,449	303,425	283,474	296,469	257,356
Surplus	19,100	55,532	71,638	117,490	90,283
Experience adjustment on obligation	9%	5%	9%	2%	2%
Experience adjustment on plan assets	-3%	-1%	-10%	7%	-1%

Fair value of plan assets include ordinary shares of the Company, whose fair value as at December 31, 2010 is Rs. 13 million (2009: Rs. 15 million).

(Rupees in thousand)	Note	2010	2009
10. Deferred liabilities			
This represents provision made to cover the obligation for accumulating compensated absences.			
Opening balance		124,852	102,788
Provision for the year		41,126	29,035
		165,978	131,823
Payments made during the year		(16,805)	(6,971)
Closing balance		149,173	124,852
11. Finances under mark up arrangements - secured			
Running finances - secured	11.1	107,106	86,496
Bills discounted - secured	11.2	34,125	-
Short-term finances - secured	11.3	-	-
		141,231	86,496

11.1 Running finances - secured

Short-term running finances available from a consortium of commercial banks under mark up arrangements amount to Rs. 7,240 million (2009: Rs. 6,382 million). The rates of mark up range from Re. 0.3433 to Re. 0.4658 per Rs. 1,000 per diem or part thereof on the balances outstanding. In the event the Company fails to pay the balances on the expiry of the quarter, year or earlier demand, mark up is to be computed at the rates ranging from Re. 0.4384 to Re. 0.6575 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. 331 million (2009: Rs. 31 million) are available to the Company as a sub-limit of the running finance facilities referred to in note 11.1. Mark up is to be 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, as referred to in note 23.2.

11.3 Short-term finances - secured

Facilities for obtaining short-term finances of Rs. 2,865 million (2009: Rs. 2,865 million) are available to the Company as a sub-limit of the running finance facilities referred to in note 11.1. Mark up is to be fixed as per mutual agreement at the time of disbursement. These were not availed during the year.

11.4 Letters of credit and bank guarantees

Of the aggregate facility of Rs. 7,298 million (2009: Rs. 6,610.500 million) for opening letters of credit and Rs. 1,294 million (2009: Rs. 1,294 million) for guarantees, the amount utilised at December 31, 2010 was Rs. 1,346.574 million (2009: Rs. 234.138 million) and Rs. 689.551 million (2009: Rs. 664.944 million) respectively. Of the facility for guarantees, Rs. 1,294 million (2009: Rs. 1,294 million) is secured by second hypothecation charge over stores, spares, stock-in-trade and trade debts.

(Rupees in thousand)	Note	2010	2009
12. Trade and other payables			
Trade creditors	12.1	658,430	498,416
Accrued liabilities		591,896	451,563
Bills payable		324,207	55,785
Retention money payable		59,250	59,250
Sales tax payable		30,457	73,015
Excise duty payable		8,004	11,054
Advances from customers		60,840	84,770
Deposits - interest free repayable on demand		9,739	8,511
Workers' welfare fund	12.2	-	117,746
TFCs payable		1,387	1,389
Unclaimed dividends		11,264	9,969
Others		38,585	35,048
		1,794,059	1,406,516

12.1 Trade creditors include amount due to related parties Rs. 81.890 million (2009: Rs. 63.783 million).

(Rupees in thousand)	2010	2009
12.2 Workers' welfare fund		
Opening balance	117,746	865
Provision for the year	-	116,881
	117,746	117,746
Payments made during the year	(117,746)	-
Closing balance	-	117,746

(Rupees in thousand)	2010	2009
13. Accrued finance cost		
Accrued mark up / return on:		
Long-term loans - secured	59,203	54,556
Preference shares / convertible stock - unsecured	412,050	193,435
Short-term borrowings - secured	459	1,690
	471,712	249,681

14. Contingencies and commitments

14.1 Contingencies

(i) Claims against the Company not acknowledged as debts Rs. 17.952 million (2009: Rs. 15.802 million).

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

(iii) Post dated cheques not provided in the financial statements have been furnished by the Company in favour of the Collector of Customs against custom levies aggregated to Rs. 88.769 million (2009: Rs. 27.305 million) in respect of goods imported.

14.2 Commitments in respect of

(i) Letters of credit and contracts for capital expenditure Rs. 782.605 million (2009: Rs. 6.967 million).

(ii) Letters of credit and contracts other than for capital expenditure Rs. 761.100 million (2009: Rs. 418.044 million).

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

(Rupees in thousand)	2010	2009
Not later than one year	219,612	85,574
Later than one year and not later than five years	1,118,159	1,223,841
Later than five years	-	232,853
	1,337,771	1,542,268

15. Property, plant and equipment

2010

(Rupees in thousand)	Cost as at December 31, 2009	Transfer in	Additions / (deletions)	Cost as at December 31, 2010	Accumulated depreciation as at December 31, 2009	Depreciation charge / (deletions) for the year	Transfer in	Accumulated depreciation as at December 31, 2010	Book value as at December 31, 2010
Freehold land	307,835	-	13,495	321,330	-	-	-	-	321,330
Buildings on freehold land	3,134,568	23,464	14,226	3,172,258	287,140	126,787	2,494	416,421	2,755,837
Buildings on leasehold land	179,494	-	-	179,494	67,988	6,808	-	74,796	104,698
Plant and machinery	22,281,824	-	123,717	22,373,894	6,684,508	1,311,829	-	7,987,294	14,386,600
			(31,647)			(9,043)			
Other equipments (computers, lab									
equipments and other office equipments)	422,681	-	41,686	463,151	274,549	47,485	-	320,867	142,284
			(1,216)			(1,167)			
Furniture and fixtures	19,132	-	186	19,318	12,650	1,054	-	13,704	5,614
Vehicles	274,373	-	51,662	285,897	131,740	35,752	-	140,774	145,123
			(40,138)			(26,718)			
	26,619,907	23,464	244,972	26,815,342	7,458,575	1,529,715	2,494	8,953,856	17,861,486
			(73,001)			(36,928)			

2009

(Rupees in thousand)	Cost as at December 31, 2008	Transfer out / Adjustments	Additions / (deletions)	Cost as at December 31, 2009	Accumulated depreciation as at December 31, 2008	Depreciation charge / (deletions) for the year	Transfer out / Adjustments	Accumulated depreciation as at December 31, 2009	Book value as at December 31, 2009
Freehold land	299,365	-	8,470	307,835	-	-	-	-	307,835
Buildings on freehold land	1,905,930	(41,922)	1,270,560	3,134,568	171,180	117,047	(1,087)	287,140	2,847,428
Buildings on leasehold land	183,175	(3,681)	-	179,494	62,641	6,844	(1,497)	67,988	111,506
Plant and machinery	14,476,085	(15,198)	7,835,880	22,281,824	5,569,178	1,129,426	-	6,684,508	15,597,316
			(14,943)			(14,096)			
Other equipments (computers, lab									
equipments and other office equipments)	335,214	-	89,550	422,681	244,929	31,627	-	274,549	148,132
			(2,083)			(2,007)			
Furniture and fixtures	15,621	-	3,944	19,132	11,496	1,567	-	12,650	6,482
			(433)			(413)			
Vehicles	252,284	-	56,187	274,373	122,957	33,614	-	131,740	142,633
			(34,098)			(24,831)			
	17,467,674	(60,801)	9,264,591	26,619,907	6,182,381	1,320,125	(2,584)	7,458,575	19,161,332
			(51,557)			(41,347)			

15.1 Additions to property, plant and equipment include mark up capitalised of Rs. Nil (2009: Rs. 1,546.219 million).

15.2 Property, plant and equipment include assets amounting to Rs. 12.026 million (2009: Rs. 12.026 million) of the Company which are not in operation.

15.3 The cost of fully depreciated assets which are still in use as at December 31, 2010 is Rs. 3,745.196 million (2009: Rs. 3,246.669 million).

(Rupees in thousand)	Note	2010	2009
15.4 The depreciation charge for the year has been allocated as follows:			
Cost of sales	27	1,505,608	1,296,000
Administrative expenses	28	17,530	18,485
Distribution and marketing costs	29	6,577	5,640
		1,529,715	1,320,125

15.5 Disposal of property, plant and equipment

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

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sales proceeds	Mode of disposal
				2010		
(Rupees in thousand)						
Vehicles	**Employees**					
	Ahsan Majeed Malik	670	67	603	588	Company policy
	Amer Iqbal	605	325	280	330	- do -
	Amjad Hussain	867	369	498	490	- do -
	Asad Ali Mufti	849	425	424	605	- do -
	Asghar Abbas	850	266	584	659	- do -
	Ashfaq Khattak	841	326	515	638	- do -
	Dr. Abida Riaz	998	611	387	660	- do -
	Dr. Babar Ali	1,400	105	1,295	1,400	- do -
	Farooq Ahmad Qureshi	620	302	318	405	- do -
	Imran Zaheer	800	693	107	516	- do -
	Major Arif Shaheed	775	136	639	659	- do -
	Mujeeb Rashid	1,536	768	768	787	- do -
	Mushtaq Ahmad	984	578	406	649	- do -
	Nasir Hussain Shah Bukhari	900	101	799	816	- do -
	Nauman Noor	479	186	293	320	- do -
	Sahil Zaheer	888	814	74	482	- do -
	Salman Yunus	851	362	489	644	- do -
	Shafi Karim	418	89	329	304	- do -
	Shahid Ul Haq	814	71	743	725	- do -
	Shamiyal Shariq	493	105	388	419	- do -
	Syed Ali Murtaza	403	207	196	222	- do -
	Syed M. Shahid	609	297	312	437	- do -
	Outsiders					
	Adnan Rafique Qureshi	696	331	365	702	Negotiation
	Azeem Ahmad	488	67	421	421	- do -
	Fauzia Masood	861	430	431	500	- do -
	Jawaid Roshan Ali	381	152	229	375	- do -
	Shaheen Mujeeb	1,076	242	834	848	- do -
	Irfan Traders	877	358	519	236	- do -
Plant and machinery	**Outsiders**					
	Muhammad Amin	559	247	312	125	Negotiation
	Scrapped	28,461	6,168	22,293	-	Scrapped
Other assets with book value less than Rs. 50,000		21,952	21,730	222	9,072	-
		73,001	**36,928**	**36,073**	**25,034**	

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

16. Intangible assets

(Rupees in thousand)	Cost as at December 31, 2009	Additions	Cost as at December 31, 2010	Accumulated amortisation as at December 31, 2009	Amortisation charge for the year	Accumulated amortisation as at December 31, 2010	Book value as at December 31, 2010
Computer software and ERP system	124,386	2,573	126,959	124,249	318	124,567	2,392
2010	124,386	2,573	126,959	124,249	318	124,567	2,392
2009	124,386	-	124,386	124,145	104	124,249	137

16.1 The cost of fully amortised assets which are still in use as at December 31, 2010 is Rs. 124.075 million (2009: Rs. 124.075 million).

(Rupees in thousand)	Note	2010	2009
16.2 The amortisation charge for the year has been allocated as follows:			
Cost of sales	27	18	18
Administrative expenses	28	300	86
		318	104

17. Investment property

(Rupees in thousand)	2010								
	Cost as at December 31, 2009	Transfer out	Additions	Cost as at December 31, 2010	Accumulated depreciation as at December 31, 2009	Depreciation charge for the year	Transfer out	Accumulated depreciation as at December 31, 2010	Book value as at December 31, 2010
Land	8,594	-	-	8,594	-	-	-	-	8,594
Buildings on freehold land	29,760	(23,464)	-	6,296	4,776	1,281	(2,494)	3,563	2,733
Buildings on leasehold land	38,808	-	-	38,808	17,051	1,496	-	18,547	20,261
	77,162	(23,464)	-	53,698	21,827	2,777	(2,494)	22,110	31,588

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

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

17.2 Fair value of the investment property, based on the valuation carried out by an independent valuer, as at December 31, 2010 is Rs. 173.313 million (2009: Rs. 116.324 million).

(Rupees in thousand)		Note	2010	2009
18.	**Capital work-in-progress**			
	Civil works		19,695	12,928
	Plant and machinery [including in transit Rs. 301.537 million (2009: Nil)]		570,995	52,494
	Others		336	156
	Advances		162,302	-
			753,328	65,578
19.	**Investments**			
	These represent the long-term investments in:			
	Related parties	19.1	12,219,012	8,099,376
	Others	19.5	25	25
			12,219,037	8,099,401
19.1	**Related parties**			
	Subsidiaries - unquoted			
	DIC Pakistan Limited			
	3,377,248 (2009: 3,377,248) fully paid ordinary shares of Rs. 10 each			
	Equity held 54.98% (2009: 54.98%)		15,010	15,010
	Packages Construction (Private) Limited			
	2,500,000 (2009: 2,500,000) fully paid ordinary shares of Rs. 10 each			
	Equity held 99.99% (2009: 99.99%)		25,000	25,000
	Packages Lanka (Private) Limited			
	44,698,120 (2009: 64,779,884) shares of SL Rupees 10 each			
	Equity held 79.07% (2009: 79.07%)	19.4	442,938	442,938
	Carried Forward		482,948	482,948

(Rupees in thousand)	2010	2009
Brought Forward	482,948	482,948
Associated companies		
Quoted		
Nestle Pakistan Limited		
3,649,248 (2009: 3,649,248) fully paid ordinary shares of Rs. 10 each		
Equity held 8.05% (2009: 8.05%)		
Market value - Rs. 8,666.453 million (2009: Rs. 4,546.817 million)	8,666,453	4,546,817
IGI Insurance Limited		
7,625,294 (2009: 6,354,412) fully paid ordinary shares of Rs. 10 each		
Equity held 10.61% (2009: 10.61%)		
Market value - Rs. 738.815 million (2009: Rs. 558.489 million)	878,378	878,378
Tri-Pack Films Limited		
10,000,000 (2009: 10,000,000) fully paid ordinary shares of Rs. 10 each		
Equity held 33.33% (2009: 33.33%)		
Market value - Rs. 1,221.6 million (2009: Rs. 1,030 million)	2,141,233	2,141,233
IGI Investment Bank Limited		
4,610,915 (2009: 4,610,915) fully paid ordinary shares of Rs. 10 each		
Equity held 2.17% (2009: 2.17%)		
Market value - Rs. 13.510 million (2009: Rs. 16.277 million)	35,000	35,000
	11,721,064	7,601,428
	12,204,012	8,084,376
Unquoted		
Tetra Pak Pakistan Limited		
1,000,000 (2009: 1,000,000) fully paid non-voting ordinary shares of Rs. 10 each	10,000	10,000
Coca-Cola Beverages Pakistan Limited		
500,000 (2009: 500,000) fully paid ordinary shares of Rs. 10 each		
Equity held 0.14% (2009: 0.14%)	5,000	5,000
	15,000	15,000
	12,219,012	8,099,376

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

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

19.4 During the current year Packages Lanka (Private) Limited (PLL) carried out financial restructuring resulting in adjustment of net accumulated losses against its share capital and revaluation of its existing land and building. Consequent to this restructuring, the total share capital of PLL reduced from 81,922,124 fully paid ordinary shares to 56,526,266 fully paid ordinary shares of SLR 10 each. This has however not led to any dilution of the Company's shareholding in PLL. Pursuant to this restructuring, PLL is in a position to declare and distribute dividends to its shareholders.

(Rupees in thousand)		2010	2009
19.5	**Others**		
	Unquoted		
	Pakistan Tourism Development Corporation Limited		
	2,500 (2009: 2,500) fully paid ordinary shares of Rs. 10 each	25	25
	Orient Match Company Limited		
	1,900 (2009: 1,900) fully paid ordinary shares of Rs. 100 each	-	-
		25	25

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

(Rupees in thousand)		Note	2010	2009
20.	**Long-term loans and deposits**			
	Considered good			
	Loans to employees	20.1	3,378	2,128
	Loan to SNGPL	20.2	114,800	131,200
	Security deposits		27,226	23,003
			145,404	156,331
	Receivable within one year			
	Loans to employees		(575)	(354)
	Loan to SNGPL		(16,400)	(16,400)
			(16,975)	(16,754)
			128,429	139,577

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

Loans to employees aggregating Rs. 1.284 million (2009: Rs. 0.220 million) are secured by joint registration of motor cycles in the name of employees and the Company. The remaining loans are unsecured.

20.2 This represents an unsecured loan given to Sui Northern Gas Pipelines Limited (SNGPL) for the development of the infrastructure for the supply of natural gas to the plants at Bulleh Shah Paper Mill. Mark up is charged at the rate of 1.5% per annum and is received annually. The remaining amount is receivable in 7 annual instalments.

(Rupees in thousand)		2010	2009
21.	**Stores and spares**		
	Stores [including in transit Rs. 14.721 million (2009: Rs. 1.734 million)]	566,257	400,453
	Spares [including in transit Rs. 1.479 million (2009: Rs. 1.592 million)]	483,693	470,498
		1,049,950	870,951

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

(Rupees in thousand)	2010	2009
22. Stock-in-trade		
Raw materials [including in transit Rs. 261.736 million (2009: Rs. 208.525 million)].	1,673,034	1,922,269
Work-in-process	209,916	145,140
Finished goods	1,786,201	2,034,987
	3,669,151	4,102,396

Finished goods of Rs. 341.064 million (2009: Rs. 966.351 million) are being carried at net realisable value and an amount of Rs. 126.202 million (2009: Rs. 99.397 million) has been charged to cost of sales, being the cost of inventory written down during the year.

(Rupees in thousand)	Note	2010	2009
23. Trade debts			
Considered good			
Related parties - unsecured	23.1	217,517	393,975
Others	23.2	1,425,758	1,358,241
		1,643,275	1,752,216
Considered doubtful			
Others		32,942	26,636
		1,676,217	1,778,852
Provision for doubtful debts	23.3	(32,942)	(26,636)
		1,643,275	1,752,216
23.1 Related parties - unsecured			
Subsidiaries			
DIC Pakistan Limited		2,212	2,196
Packages Lanka (Private) Limited		439	-
Associated undertaking			
Tri-Pack Films Limited		3,127	6,259
Other related parties			
Nestle Pakistan Limited		173,819	121,091
Tetra Pak Pakistan Limited		13,401	214,920
Treet Corporation		4,372	1,304
Mitchell's Fruit Farms Limited		8,250	18,864
Coca-Cola Beverages Pakistan Limited		5,893	1,318
Others		6,004	28,023
		217,517	393,975

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

23.2 Others include debts of Rs. 198.838 million (2009: Rs. 166.416 million) which are secured by way of bank guarantees and inland letters of credit. Out of these, debts amounting to Rs. 34.125 million (2009: Nil) are under lien against credit facilities available as referred to in note 11.2.

(Rupees in thousand)	Note	2010	2009
23.3 The movement in provision during the year is as follows:			
Balance as at January 1		26,636	-
Provision during the year		6,306	26,636
Balance as at December 31		32,942	26,636

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

(Rupees in thousand)	Note	2010	2009
Current portion of loans to employees		575	354
Current portion of loan receivable from SNGPL		16,400	16,400
Advances - considered good			
To employees	24.1	10,915	10,813
To suppliers		64,087	35,128
		75,002	45,941
Due from related parties - unsecured	24.2	23,954	19,343
Trade deposits		96,872	81,702
Prepayments		17,822	14,825
Balances with statutory authorities			
Customs duty		7,905	2,621
Sales tax recoverable		6,393	9,962
		14,298	12,583
Mark up receivable on			
Loan to SNGPL		90	103
Term deposits and saving accounts		2,392	-
		2,482	103
Other receivables		17,956	12,566
		265,361	203,817

24.1 Included in advances to employees are amounts due from executives of Rs. 0.896 million (2009: Rs. 1.878 million).

(Rupees in thousand)	2010	2009
24.2 Due from related parties - unsecured		
Subsidiaries		
DIC Pakistan Limited	7,482	5,815
Packages Lanka (Private) Limited	3,612	5,299
Associated undertakings		
Tri-Pack Films Limited	97	1,330
IGI Insurance Limited	278	87
Other related parties		
Tetra Pak Pakistan Limited	6,637	4,420
Siemens Pakistan Limited	5,682	1,575
BOC Pakistan	166	319
Others	-	498
	23,954	19,343

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

(Rupees in thousand)	Note	2010	2009
25. Income tax receivable			
Income tax refundable		730,094	557,656
Income tax recoverable	25.1	36,013	36,013
		766,107	593,669

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

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

(Rupees in thousand)	Note	2010	2009
26. Cash and bank balances			
At banks:			
On saving accounts [including USD 305,162 (2009: Nil)]	26.1	925,786	294,363
On current accounts [including USD 801,129 (2009: USD 242,909)]	26.2	208,687	156,284
		1,134,473	450,647
In hand		5,670	5,073
		1,140,143	455,720

26.1 The balances in saving accounts bear mark up which ranges from 5.0 % to 12.3 % per annum.

26.2 Included in these are total restricted funds of Rs. 1.332 million (2009: Rs. 1.334 million) held as payable to TFC holders.

(Rupees in thousand)	Note	2010	2009

27. Cost of sales

Opening work-in-process		145,140	205,551
Materials consumed		10,210,767	8,685,223
Salaries, wages and amenities	27.1	1,142,067	895,697
Fuel and power		2,947,886	2,055,631
Production supplies		464,466	395,188
Excise duty and sales tax		2,694	1,783
Rent, rates and taxes	27.2	235,267	156,335
Insurance		76,328	82,286
Repairs and maintenance		627,209	494,000
Packing expenses		111,644	114,532
Depreciation on property, plant and equipment	15.4	1,505,608	1,296,000
Amortisation on intangible assets	16.2	18	18
Technical fee and royalty		16,294	11,062
Other expenses		216,209	209,969
		17,701,597	14,603,275
Closing work-in-process		(209,916)	(145,140)
Cost of goods produced		17,491,681	14,458,135
Opening stock of finished goods		2,034,987	1,313,350
		19,526,668	15,771,485
Closing stock of finished goods		(1,786,201)	(2,034,987)
		17,740,467	13,736,498

Cost of goods produced includes Rs. 2,102.493 million (2009: Rs. 1,153.297 million) for stores and spares consumed Rs. 24.733 million (2009: Rs. 93.185 million) and Rs. 1.771 million (2009: Rs. 17.977 million) for raw material and stores and spares written off respectively.

(Rupees in thousand)	2010	2009

27.1 Salaries, wages and amenities

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

Pension

Current service cost	18,677	13,909
Interest cost for the year	63,787	61,289
Expected return on plan assets	(49,410)	(43,481)
Contribution made by the employees	(6,976)	(5,117)
Recognition of past service cost	-	2,005
Recognition of loss	9,289	7,021
	35,367	35,626

Gratuity

Current service cost	11,450	9,762
Interest cost for the year	21,597	23,310
Expected return on plan assets	(26,380)	(26,900)
Recognition of loss	1,933	1,150
	8,600	7,322

In addition to above, salaries, wages and amenities include Rs. 19.705 million (2009: Rs. 17.403 million) and Rs. 23.392 million (2009: Rs. 15.660 million) in respect of provident fund contribution by the Company and accumulating compensated absences respectively.

27.2 Rent, rates and taxes include operating lease / Ujrah rentals amounting to Rs. 231.735 million (2009: Rs. 153.563 million).

(Rupees in thousand)	Note	2010	2009
28. Administrative expenses			
Salaries, wages and amenities	28.1	258,611	222,047
Travelling		41,733	36,182
Rent, rates and taxes	28.2	13,588	14,367
Insurance		6,493	8,121
Printing, stationery and periodicals		22,276	16,774
Postage and telephone		18,447	19,662
Motor vehicles running		17,284	11,031
Computer charges		18,536	13,407
Professional services	28.3	24,936	33,742
Repairs and maintenance		13,943	11,988
Depreciation on property, plant and equipment	15.4	17,530	18,485
Amortisation on intangible assets	16.2	300	86
Depreciation on investment property	17.1	2,777	2,332
Other expenses		64,815	59,358
		521,269	467,582

Administrative expenses include Rs. 53.762 million (2009: Rs. 44.985 million) for stores and spares consumed.

(Rupees in thousand)	2010	2009
28.1 Salaries, wages and amenities		
Salaries, wages and amenities include following in respect of retirement benefits:		
Pension		
Current service cost	6,367	4,962
Interest cost for the year	21,744	21,868
Expected return on plan assets	(16,843)	(15,514)
Contribution made by the employees	(2,378)	(1,826)
Recognition of past service cost	-	715
Recognition of loss	3,166	2,505
	12,056	12,710
Gratuity		
Current service cost	2,901	2,597
Interest cost for the year	5,471	6,200
Expected return on plan assets	(6,683)	(7,155)
Recognition of loss	490	306
	2,179	1,948

In addition to above, salaries, wages and amenities include Rs. 4.992 million (2009: Rs. 4.278 million) and Rs. 12.633 million (2009: Rs. 8.149 million) in respect of provident fund contribution by the Company and accumulating compensated absences respectively.

28.2 Rent, rates and taxes include operating lease rentals amounting to Rs. 10.291 million (2009: Rs. 11.313 million).

(Rupees in thousand)	Note	2010	2009
28.3 Professional services			
The charges for professional services include the following in respect of auditors' services for:			
Statutory audit		1,800	1,600
Half yearly review		575	500
Tax services		2,965	2,743
Workers' profit participation fund, management staff pension and gratuity fund audit and sundry services		313	442
Out of pocket expenses		346	456
		5,999	5,741

29. Distribution and marketing costs

(Rupees in thousand)	Note	2010	2009
Salaries, wages and amenities	29.1	101,787	92,401
Travelling		18,101	15,906
Rent, rates and taxes	29.2	3,199	2,479
Freight and distribution		286,493	199,290
Insurance		887	1,213
Advertising		108,094	71,538
Depreciation on property, plant and equipment	15.4	6,577	5,640
Provision for doubtful debts	23.3	6,306	26,636
Other expenses		34,194	29,107
		565,638	444,210

Distribution and marketing costs include Rs. 2.807 million (2009: Rs. 4.290 million) for stores and spares consumed.

(Rupees in thousand)	2010	2009
29.1 Salaries, wages and amenities		
Salaries, wages and amenities include following in respect of retirement benefits:		
Pension		
Current service cost	2,592	2,116
Interest cost for the year	8,853	9,326
Expected return on plan assets	(6,857)	(6,617)
Contribution made by the employees	(968)	(779)
Recognition of past service cost	-	305
Recognition of loss	1,289	1,068
	4,909	5,419
Gratuity		
Current service cost	1,181	1,107
Interest cost for the year	2,228	2,644
Expected return on plan assets	(2,721)	(3,052)
Recognition of loss	199	130
	887	829

In addition to above, salaries, wages and amenities include Rs. 2.032 million (2009: Rs. 1.778 million) and Rs. 5.101 million (2009: Rs. 5.226 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. 3.199 million (2009: Rs. 2.479 million).

(Rupees in thousand)	Note	2010	2009
30. Other operating expenses			
Workers' welfare fund		-	116,881
Loss on disposal of property, plant and equipment		11,039	-
Donations	30.1	4,146	1,801
		15,185	118,682

30.1 During the year the Company donated Rs. 0.750 million to Babar Ali Foundation (BAF) for carrying out flood relief activities. Chief Executive Officer of the Company is also a member of the Board of Governors of BAF. None of the directors and their spouses had any interest in any of the remaining donees during the year.

(Rupees in thousand)	Note	2010	2009
31. Other operating income			
Income from financial assets			
Income on bank deposits		37,082	116,188
Interest on loan to SNGPL		1,955	2,201
Exchange gain - net		10,007	17,968
		49,044	136,357
Income from non-financial assets			
Management and technical fee [including Rs. 20.806 million (2009: Rs. 45.216 million) from related party]		54,930	88,655
Insurance commission from related party		5,236	6,026
Rental income from investment property [including Rs. 42.124 million (2009: Rs. 41.868 million) from related party]	31.1	44,234	43,374
Profit on disposal of property, plant and equipment		-	13,333
Scrap sales		4,757	9,443
Reversal of impairment loss on investment in subsidiary		-	46,371
Provisions and unclaimed balances written back		20,687	12,941
Profit on outside jobs from related parties		434	372
Others		23,046	28,427
		153,324	248,942
		202,368	385,299

31.1 The expenses relating directly to the income from investment property amount to Rs. 2.777 million (2009: Rs. 2.332 million).

31.2 The future minimum lease payments receivable under non-cancelable operating leases are as follows:

(Rupees in thousand)	2010	2009
Not later than one year	59,895	18,535
Later than one year and not later than five years	12,215	11,728
	72,110	30,263

32. Impairment charged on available for sale investment

This represents the decline in value of shares of Nestle Pakistan Limited, classified as available for sale investment, which was considered other than temporary and was accordingly charged to profit and loss account in 2009.

(Rupees in thousand)	Note	2010	2009
33. Finance costs			
Interest and mark up including commitment charges on:			
Long-term finances - secured		768,568	905,504
Finances under mark up arrangements - secured		3,245	39,026
Discounting charges		12,841	-
Return on preference shares / convertible stock		412,050	193,435
Loan handling charges		1,210	957
Cross currency swap expense		-	128,479
Bank charges		12,409	11,032
		1,210,323	1,278,433
34. Investment income			
Dividend income from related parties	34.1	946,292	313,087
Gain on sale of short-term investments		50,968	-
Gain on sale of long-term investments		-	8,866,750
		997,260	9,179,837
34.1 Dividend income from related parties			
Subsidiaries			
DIC Pakistan Limited		40,527	-
Packages Lanka (Private) Limited		17,052	-
Associated undertakings			
IGI Insurance Limited		23,512	15,886
Tri-Pack Films Limited		100,000	60,000
Other related parties			
Tetra Pak Pakistan Limited		528,000	-
Nestle Pakistan Limited		237,201	237,201
		946,292	313,087
35. Taxation			
For the year			
Current		201,000	83,000
Deferred		(193,073)	1,681,000
		7,927	1,764,000
Prior years			
Current		(921)	7,649
Deferred		8,073	(66,000)
		7,152	(58,351)
		15,079	1,705,649

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, 2010 are estimated approximately at Rs. 3,850.978 million (2009: Rs. 4,034.301 million).

		2010 % age	2009 % age
35.1	**Tax charge reconciliation**		
	Numerical reconciliation between the average effective tax rate and the applicable tax rate		
	Applicable tax rate	35.00	35.00
	Tax effect of amounts that are:		
	Not deductible for tax purposes	(19.40)	8.13
	Exempt for tax purposes	8.86	(13.98)
	Chargeable to tax at different rates	3.65	(0.21)
	Effect of change in prior years' tax	(2.25)	(1.01)
	Tax credits for which no deferred tax asset has been recognised	(36.79)	-
	Tax effect under presumptive tax regime and others	6.18	1.63
		(39.75)	(5.44)
	Average effective tax rate charged to profit and loss account	(4.75)	29.56

36. Remuneration of Chief Executive, Directors and Executives

36.1 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	
	2010	2009	2010	2009	2010	2009
Number of persons	**1**	**1**	**2**	**3**	**60**	**53**
			(Rupees in thousand)			
Short-term employee benefits						
Managerial remuneration	6,385	5,585	9,950	12,596	62,258	73,018
Housing	3,443	2,624	4,343	5,289	28,629	21,091
Utilities	1,174	941	901	1,158	7,826	5,744
Bonus	1,713	1,492	2,629	3,360	21,782	14,135
Leave passage	1,811	1,581	1,225	1,076	2,338	2,405
Medical expenses	2,334	1,012	220	653	829	696
Club expenses	106	41	202	195	105	114
Others	-	-	-	-	10,547	6,532
	16,966	13,276	19,470	24,327	134,314	123,735
Post employment benefits						
Contribution to provident, gratuity and pension funds	2,026	1,764	2,345	2,542	16,102	11,840
Other long-term benefits						
Accumulating compensated absences	646	814	411	1,073	6,209	9,589
	19,638	15,854	22,226	27,942	156,625	145,164

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

36.2 Remuneration to other directors

Aggregate amount charged in the financial statements for the year for fee to 7 directors (2009: 5 directors) is Rs. 360,000 (2009: Rs. 340,000).

37. Transactions with related parties

The related parties comprise subsidiaries, associated undertakings, other related group companies, directors, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables, amounts due from directors and key management personnel are shown under receivables and remuneration of directors and key management personnel is disclosed in note 36. Other significant transactions with related parties are as follows:

(Rupees in thousand)		2010	2009
Relationship with the Company	**Nature of transactions**		
i. Subsidiaries	Purchase of goods and services	618,106	589,706
	Sale of goods and services	20,234	16,330
	Sale of property, plant and equipment	-	280
	Dividend income	57,579	-
	Rental income	11,969	10,331
	Management and technical fee	20,806	45,216
ii. Associated undertakings	Purchase of goods and services	456,619	299,414
	Purchase of property, plant and equipment	950	-
	Sale of goods and services	30,928	30,011
	Insurance premium	119,392	120,505
	Commission earned	5,236	6,026
	Insurance claims	1,829	5,621
	Dividend income	123,511	75,886
iii. Other related parties	Purchase of goods and services	46,795	65,075
	Sale of goods and services	5,206,432	3,282,460
	Investment made	1,853,486	-
	Proceeds from sale of investment	1,870,598	-
	Dividend income	765,201	237,201
	Rental income	30,155	31,537
	Rental expense	-	1,678
	Mark up expense	-	60
iv. Post employment benefit plans	Expense charged in respect of retirement benefit plans	90,727	87,313

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

38. Capacity and production - tons

	Capacity		Actual production	
	2010	2009	2010	2009
Paper and paperboard produced	288,250	290,360	176,950	174,008
Paper and paperboard converted	146,834	128,000	119,480	99,436
Plastics all sorts converted	19,500	19,500	13,084	12,299

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

39. Rates of exchange

Liabilities in foreign currencies have been translated into PKR at USD 1.1641 (2009: USD 1.1862), EURO 0.8757 (2009: EURO 0.8258), SFR 1.0922 (2009: SFR 1.2277), SEK 7.8678 (2009: SEK 8.4818), GBP 0.7539 (2009: GBP 0.7386), SGD 1.4981 (2009: SGD 1.6647) and YEN 94.8767 (2009: YEN 109.5770) equal to Rs. 100. Assets in foreign currencies have been translated into PKR at USD 1.1669 (2009: USD 1.1891) and EURO 0.8777 (2009: EURO 0.8277) equal to Rs. 100.

(Rupees in thousand)		2010	2009
40. Cash generated from operations			
(Loss) / profit before tax		(317,346)	5,769,573
Adjustments for:			
Depreciation on property, plant and equipment		1,529,715	1,320,125
Amortisation on intangible assets		318	104
Depreciation on investment property		2,777	2,332
Impairment loss recognised on available for sale investment		-	1,793,991
Reversal of impairment on investment in subsidiary		-	(46,371)
Provision for accumulating compensated absences		41,126	29,035
Provision for retirement benefits		63,998	63,854
Provision for doubtful debts		6,306	26,636
Gain on disposal of non-current assets classified as held-for-sale		-	(8,866,750)
Net loss / (profit) on disposal of property, plant and equipment		11,039	(13,333)
Finance costs		1,210,323	1,278,433
Gain on sale of short-term investments		(50,968)	-
Dividend income		(946,292)	(313,087)
Profit before working capital changes		1,550,996	1,044,542
Effect on cash flow due to working capital changes			
Increase in stores and spares		(178,999)	(29,464)
Decrease / (increase) in stock-in-trade		433,245	(450,135)
Decrease / (increase) in trade debts		102,635	(255,803)
(Increase) / decrease in loans, advances, deposits, prepayments and other receivables		(61,544)	89,556
Increase in trade and other payables		202,457	219,416
		497,794	(426,430)
		2,048,790	618,112
41. Cash and cash equivalents			
Cash and bank balances		1,140,143	455,720
Finances under mark up arrangements - secured		(141,231)	(86,496)
		998,912	369,224
42. (Loss) / earnings per share			
42.1 Basic (loss) / earnings per share			
(Loss) / profit for the year	Rupees in thousand	(332,425)	4,063,924
Weighted average number of ordinary shares	Numbers	84,379,504	84,379,504
(Loss) / earnings per share	Rupees	(3.94)	48.16
42.2 Diluted (loss) / earnings per share			
(Loss) / profit for the year	Rupees in thousand	(332,425)	4,063,924
Return on preference shares / convertible stock - net of tax	Rupees in thousand	329,922	154,323
		(2,503)	4,218,247
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	9,939,803
		106,066,346	94,319,307
Diluted (loss) / earnings per share	Rupees	(0.02)	44.72

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

43. Financial risk management

43.1 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, non-derivative financial instruments and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

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

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

At December 31, 2010, if the Pak Rupee had weakened / strengthened by 10% against the US dollar with all other variables held constant, post-tax profit for the year would have been Rs. 2.035 million (2009: Rs. 4.386 million) higher / lower, as a result of foreign exchange gains / losses on translation of US dollar-denominated financial assets and liabilities.

At December 31, 2010, if the Pak Rupee had weakened / strengthened by 10% against the Euro with all other variables held constant, post-tax profit for the year would have been Rs. 19.620 million lower / higher (2009: Rs. 4.779 million higher / lower) mainly as a result of foreign exchange losses / gains (2009: gains / losses) on translation of Euro-denominated financial assets and liabilities.

(ii) Price risk

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

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

The table below summarises the impact of increases / decreases of the KSE-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	
	2010	2009	**2010**	2009
(Rupees in thousand)				
Karachi Stock Exchange	-	-	632,322	323,032

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, 2010, if interest rates on floating rate borrowings had been 1% higher / lower with all other variables held constant, post-tax profit for the year would have been Rs. 55.220 million (2009: Rs. 57.578 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings.

(b) Credit risk

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

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

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

(Rupees in thousand)	2010	2009
Long-term loans and deposits	128,429	139,577
Trade debts	1,090,556	1,175,815
Loans, advances, deposits, prepayments and other receivables	265,361	203,817
Balances with banks	1,134,473	450,647
	2,618,819	1,969,856

As of December 31, 2010, trade receivables of Rs. 552.719 million (2009: Rs. 576.401 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)	2010	2009
Up to 90 days	490,212	495,599
90 to 180 days	40,860	61,484
181 to 365 days	21,647	19,318
	552,719	576,401

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

The credit quality of 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	2010	2009
Allied Bank Limited	A1+	AA	PACRA	7,542	952
Askari Bank Limited	A1+	AA	PACRA	302,571	685
Bank Alfalah Limited	A1+	AA	PACRA	1,122	170
Bank Al-Habib Limited	A1+	AA+	PACRA	389	8,866
BankIslami Pakistan Limited	A1	A	PACRA	2,510	-
Barclays Bank PLC, Pakistan	A1+	AA-	S&P	83,376	218,680
Citibank N.A.	A1	A+	S&P	3,522	891
Deutsche Bank A.G.	A1	A+	S&P	725	38,947
Faysal Bank Limited	A1+	AA	JCR-VIS	149	841
Habib Bank Limited	A1+	AA+	JCR-VIS	2,200	1,390
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	899	769
HSBC Bank Middle East Limited	P1	AA3	Moody's	1,402	853
JS Bank Limited	A1	A	PACRA	7,860	8,041
MCB Bank Limited	A1+	AA+	PACRA	71,277	20,532
Meezan Bank Limited	A1	AA-	JCR-VIS	796	6
National Bank of Pakistan	A1+	AAA	JCR-VIS	320,973	84,679
NIB Bank Limited	A1+	AA-	PACRA	275,329	46,485
Oman International Bank, S.A.O.G.	A-2	BBB	JCR-VIS	-	256
SAMBA Bank Limited	A1	A	JCR-VIS	3,403	1,383
Silk Bank Limited	A-3	A-	JCR-VIS	2	3
Soneri Bank Limited	A1+	AA-	PACRA	14	14
Standard Chartered Bank Pakistan Limited	A1+	AAA	JCR-VIS	47,512	15,269
The Bank of Tokyo Mitsubishi UFJ, Limited	A1	A+	S&P	824	-
The Royal Bank of Scotland	A1+	AA	PACRA	-	682
United Bank Limited	A1+	AA+	JCR-VIS	76	253
				1,134,473	450,647

(c) Liquidity risk

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

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

Management monitors the forecasts of the Company's cash and cash equivalents (note 41) 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 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, 2010	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long-term finances	14,286	380,952	4,011,905	1,092,857
Finances under mark up arrangements - secured	141,231	-	-	-
Trade and other payables	1,794,059	-	-	-
Accrued finance cost	471,712	-	-	-
	2,421,288	380,952	4,011,905	1,092,857

At December 31, 2009	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long-term finances - secured	-	14,286	2,978,571	2,507,143
Finances under mark up arrangements - secured	86,496	-	-	-
Trade and other payables	1,406,516	-	-	-
Accrued finance cost	249,681	-	-	-
	1,742,693	14,286	2,978,571	2,507,143

43.2 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 2010, the Company's strategy was to maintain the gearing ratio below 60% and AA credit rating. The gearing ratios at December 31, 2010 and 2009 were as follows:

(Rupees in thousand)	2010	2009
Long-term finances	7,956,291	7,970,577
Total equity	26,929,885	23,416,907
Total capital	34,886,176	31,387,484
Gearing ratio	23%	25%

43.3 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.

44. Date of authorisation for issue

These financial statements were authorised for issue on February 18, 2011 by the Board of Directors of the Company.

45. Non-Adjusting events after the balance sheet date

The Board of Directors have proposed a final cash dividend for the year ended December 31, 2010 of Rs. 3.25 per share (2009: Rs. 3.25 per share), amounting to Rs. 274.233 million (2009: Rs. 274.233 million) at their meeting held on February 18, 2011 for approval of the members at the Annual General Meeting to be held on April 20, 2011. The board has also recommended to transfer Rs. Nil (2009: Rs. 3,000 million) to general reserves from unappropriated profit and to transfer Rs. 500 million (2009: Rs. Nil) to unappropriated profit from general reserves.

46. Corresponding figures

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purposes of comparison. Significant re-arrangements made are as follows:

(Rupees in thousand)	
Re-classified as a separate line item on face of the balance sheet	
Deferred income tax liabilities re-classified from deferred liabilities	2,353,000
Accrued finance cost re-classified from trade and other payables	249,681
Current income tax receivable re-classified from loans, advances, deposits, prepayments and other receivables	593,669
Re-classified within trade and other payables	
Accrued liabilities re-classified as trade creditors	303,479
Accrued liabilities re-classified as bills payable	55,785
Trade creditors re-classified as retention money payable	59,250
Accrued liabilities re-classified as sales tax payable	2,150

Towfiq Habib Chinoy
Chairman

Syed Hyder Ali
Chief Executive & Managing Director

Syed Aslam Mehdi
Director

Consolidated Financial Statements

For the year ended December 31, 2010

Directors' Report on the Consolidated Financial Statements

بسم الله الرحمن الرحيم

The directors are pleased to present the audited consolidated accounts of the Group for the year ended December 31, 2010.

Group Results

The comparison of annual audited results of 2010 as against 2009 is as follows:

(Rupees in million)	2010	2009
Invoiced Sales – Net	20,696	15,830
Profit / (loss) from operations - excluding impairment loss	246	(65)
Share of profit of associates	324	136
Profit / (loss) before tax (excluding capital gain & impairment loss)	68	(942)

During the year 2010, the Group's sales increased by 31% as compared to 2009. This has resulted in improved operating results as the Group has generated profit from operations of Rs. 246 million in 2010 as against loss from operations of Rs. 65 million in 2009. This growth in operating profits is indicative of increased capacity utilisation and better product mix offered by the Parent Company and its subsidiaries specifically Packages Lanka (Private) Limited. Associated undertakings have also shown better operating results during the year 2010 due to which Group's share in profit of associates improved by Rs. 188 million over 2009.

Annual performance of individual subsidiaries is as follows:

DIC PAKISTAN LIMITED

DIC Pakistan Limited, a non listed public limited subsidiary of Packages Limited has achieved sales of Rs. 1,591 million during the year 2010 as compared to Rs. 1,537 million of last year. The Company has generated profit before tax of Rs. 122 million in 2010 as against Rs. 154 million in 2009. This decline in profitability is mainly attributable to increase in international raw material prices that could not be passed on fully to the customers. Moving forward, the management is focusing on improving its operating margins through effective price rationalisation, tighter operating cost control and efficient working capital management.

PACKAGES LANKA (PRIVATE) LIMITED

Packages Lanka (Private) Limited, a private limited subsidiary of Packages Limited operating in Sri Lanka, has achieved sales of SLR 1,457 million during 2010 as compared to SLR 1,184 million in 2009 representing sales growth of 23%. The Company has generated profit before tax of SLR 222 million during the year 2010 as compared to SLR 136 million in 2009. This growth is attributable to both revenue growth and operating cost optimisation that has enabled the Company to declare an interim dividend of SLR 0.5 per share during the year 2010 for the first time in its operating history. Moving forward, the Company is fully focused to capitalise on the growth opportunities available in the country with improving economic position.

Being socially responsible corporate, both DIC Pakistan Limited and Packages Lanka (Private) Limited have contributed towards flood relief activities to facilitate rehabilitation of persons affected by catastrophic floods in Pakistan during the year 2010.

PATTERN OF SHAREHOLDING

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

(Towfiq Habib Chinoy)
Chairman
Lahore, February 18, 2011

(Syed Hyder Ali)
Chief Executive & Managing Director
Lahore, February 18, 2011

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, 2010 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Packages Limited and its subsidiary companies except for Packages Lanka (Private) Limited which was audited by other firm of auditors, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for such Company, is based solely on the report of such other auditors. These financial statements are the responsibility of the holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As stated in note 2.3.1 annexed to the financial statements the Group has changed its accounting policies on initial application of standards, amendments or interpretations to existing standards.

Group's Share of income from associated companies of Rs. 324.219 million shown in the consolidated Income statement and note 22 to the consolidated financial statements includes a loss of Rs. 8.251 million, representing Group's share of loss in one of its associates, and is based on unaudited financial statements of the associate.

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, 2010 and the results of their operations for the year then ended.

A.F.FERGUSON & CO.
Chartered Accountants
Lahore, February 18, 2011

Engagement partner: Shahzad Hussain

Consolidated Balance Sheet

as at December 31, 2010

(Rupees in thousand)	Note	2010	2009 (Restated)
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
150,000,000 (2009: 150,000,000) ordinary shares of Rs. 10 each		1,500,000	1,500,000
22,000,000 (2009: 22,000,000) 10 % non-voting cumulative preference shares / convertible stock of Rs. 190 each		4,180,000	4,180,000
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Issued, subscribed and paid up capital			
84,379,504 (2009: 84,379,504) ordinary shares of Rs. 10 each	5	843,795	843,795
Reserves	6	24,238,689	17,104,368
Preference shares / convertible stock reserve	7	1,605,875	1,605,875
Unappropriated profit		577,487	4,003,965
		27,265,846	23,558,003
NON-CONTROLLING INTEREST		213,718	186,388
		27,479,564	23,744,391
NON-CURRENT LIABILITIES			
Long-term finances	7	7,956,291	7,970,577
Liabilities against assets subject to finance lease	8	-	8,015
Deferred income tax liabilities	9	2,348,704	2,517,698
Retirement benefits	10	167	-
Deferred liabilities	11	163,853	138,164
		10,469,015	10,634,454
CURRENT LIABILITIES			
Current portion of long-term liabilities - secured	12	14,286	11,532
Finances under mark up arrangements - secured	13	511,439	430,508
Trade and other payables	14	1,896,664	1,506,702
Accrued finance cost	15	475,249	261,319
Provision for taxation		46,094	29,600
		2,943,732	2,239,661
CONTINGENCIES AND COMMITMENTS	16	-	-
		40,892,311	36,618,506

(Rupees in thousand)	Note	2010	2009 (Restated)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	17	18,209,643	19,513,093
Intangible assets	18	16,099	16,605
Investment property	19	5,589	28,020
Assets subject to finance lease	20	-	29,381
Capital work-in-progress	21	753,328	65,578
Investments in associates	22	3,530,286	3,410,008
Other long-term investments	23	8,681,184	4,561,548
Long-term loans and deposits	24	139,943	139,901
Retirement benefits	10	94,557	107,900
		31,430,629	27,872,034
CURRENT ASSETS			
Stores and spares	25	1,080,181	898,383
Stock-in-trade	26	4,163,403	4,483,990
Trade debts	27	1,947,316	2,031,990
Loans, advances, deposits, prepayments and other receivables	28	282,616	210,186
Income tax receivable	29	821,717	624,610
Cash and bank balances	30	1,166,449	497,313
		9,461,682	8,746,472
		40,892,311	36,618,506

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, 2010

(Rupees in thousand)		Note	2010	2009
Local sales			22,895,960	17,700,693
Export sales			1,282,680	777,703
			24,178,640	18,478,396
Less: Sales tax and excise duty			3,445,150	2,622,492
Commission			37,699	25,696
			3,482,849	2,648,188
			20,695,791	15,830,208
Cost of sales		31	(19,385,205)	(15,028,289)
Gross profit			1,310,586	801,919
Administrative expenses		32	(607,224)	(539,029)
Distribution and marketing costs		33	(611,742)	(493,158)
Other operating expenses		34	(27,366)	(130,426)
Other operating income		35	181,787	295,884
Impairment charged on available for sale investment		36	-	(1,793,991)
Profit / (loss) from operations			246,041	(1,858,801)
Finance costs		37	(1,267,253)	(1,370,630)
Investment income		38	816,169	9,044,230
Share of profit of associates			324,219	136,126
Profit before tax			119,176	5,950,925
Taxation				
Group		39	(129,901)	(1,796,741)
Associates			(80,430)	(34,641)
			(210,331)	(1,831,382)
(Loss) / profit for the year			(91,155)	4,119,543
Attributable to:				
Equity holders of the parent			(152,245)	4,065,617
Non-controlling interest			61,090	53,926
			(91,155)	4,119,543
Combined (loss) / earnings per share				
Basic	Rupees	46	(1.80)	48.18
Diluted	Rupees	46	(1.80)	44.74

The annexed notes 1 to 52 form an integral part of these financial statements.

Towfiq Habib Chinoy
Chairman

Syed Hyder Ali
Chief Executive & Managing Director

Syed Aslam Mehdi
Director

Consolidated Statement of Comprehensive Income

for the year ended December 31, 2010

(Rupees in thousand)	2010	2009 (Restated)
(Loss) / profit after taxation	(91,155)	4,119,543
Other comprehensive income		
Exchange differences on translating foreign subsidiary	18,572	9,793
Gain / (deficit) on remeasurement of available for sale financial assets	4,119,636	(319,455)
Impairment loss transferred to profit and loss account	-	1,793,991
Other comprehensive income for the year	4,138,208	1,484,329
Total comprehensive income for the year	4,047,053	5,603,872
Attributable to:		
Equity holders of the parent	3,982,076	5,547,896
Non-controlling interest	64,977	55,976
	4,047,053	5,603,872

The annexed notes 1 to 52 form an integral part of these financial statements.

Towfiq Habib Chinoy
Chairman

Syed Hyder Ali
Chief Executive & Managing Director

Syed Aslam Mehdi
Director

Consolidated Statement of Changes in Equity

for the year ended December 31, 2010

	Attributable to equity holders of the parent								Restated	
(Rupees in thousand)	Share capital	Share premium	Exchange difference on translation of foreign subsidiary	Fair value reserve	General reserve	Preference shares / convertible stock reserve	Unappro-priated (loss) / profit	Total	Non-controlling interest	Total equity
Balance as on December 31, 2008	843,795	2,876,893	(2,513)	(912,624)	13,660,333	-	(61,652)	16,404,232	130,412	16,534,644
Equity component of preference shares / convertible stock as referred to in note 7.2 (net of transaction costs)	-	-	-	-	-	1,605,875	-	1,605,875	-	1,605,875
Total comprehensive income for the year - restated	-	-	7,743	1,474,536	-	-	4,065,617	5,547,896	55,976	5,603,872
Balance as on December 31, 2009 - restated	843,795	2,876,893	5,230	561,912	13,660,333	1,605,875	4,003,965	23,558,003	186,388	23,744,391
Transferred from profit and loss account	-	-	-	-	3,000,000	-	(3,000,000)	-	-	-
Final Dividend for the year ended December 31, 2009 Rs. 3.25 per share	-	-	-	-	-	-	(274,233)	(274,233)	-	(274,233)
Dividends relating to 2009 paid to non-controlling interests	-	-	-	-	-	-	-	-	(37,647)	(37,647)
Total comprehensive income / (loss) for the year	-	-	14,685	4,119,636	-	-	(152,245)	3,982,076	64,977	4,047,053
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

The annexed notes 1 to 52 form an integral part of these financial statements.

Towfiq Habib Chinoy
Chairman

Syed Hyder Ali
Chief Executive & Managing Director

Syed Aslam Mehdi
Director

Consolidated Cash Flow Statement

for the year ended December 31, 2010

(Rupees in thousand)	Note	2010	2009
Cash flow from operating activities			
Cash generated from operations	44	2,329,634	1,235,262
Finance cost paid		(1,053,323)	(1,581,436)
Taxes paid		(597,254)	(357,592)
Payments for accumulating compensated absences		(19,202)	(8,321)
Retirement benefits paid		(50,488)	(44,236)
Net cash generated from / (used in) operating activities		609,367	(756,323)
Cash flow from investing activities			
Fixed capital expenditure		(678,592)	(1,057,685)
Investment - net		50,968	(10,000)
Net (increase) / decrease in long-term loans and deposits		(42)	15,806
Proceeds from disposal of property, plant and equipment		47,924	25,891
Proceeds from disposal of non-current assets classified as held-for-sale		-	7,865,000
Dividends received		888,712	313,087
Net cash generated from investing activities		308,970	7,152,099
Cash flow from financing activities			
Payment of long-term finances - secured		-	(7,354,400)
Proceeds from issuance of preference shares / convertible stock - net		-	4,076,452
Payment of finance lease liabilities		(19,547)	(7,636)
Dividend paid to equity holders of parent		(272,938)	-
Dividend paid to non-controlling interest		(37,647)	-
Net cash used in financing activities		(330,132)	(3,285,584)
Net increase in cash and cash equivalents		588,205	3,110,192
Cash and cash equivalents at the beginning of the year		66,805	(3,043,387)
Cash and cash equivalents at the end of the year	45	655,010	66,805

The annexed notes 1 to 52 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 Parent Company) and its subsidiaries, DIC Pakistan Limited, Packages Lanka (Private) Limited and Packages Construction (Private) Limited (together, 'The Group') are engaged in the following businesses:

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

2. Basis of preparation

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

2.2 During the previous year, Packages Lanka (Private) Limited revalued its land and buildings and incorporated a revaluation increase of Rs. 111 million in its books which was not eliminated when its results and balances were being consolidated as at December 31, 2009. IAS 27 - 'Consolidated and separate financial statements' requires that if a member of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are to be made to its financial statements in preparing the consolidated financial statements.

This correction has the following impact:	**Rupees in thousand**
Decrease in other comprehensive income for the year ended December 31, 2009 attributable to:	
Equity holders of the parent	87,825
Non-controlling interest	23,247

The previously reported figures of property, plant and equipment have also been changed due to this correction.

2.3 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:

2.3.1 Amendments to published standards effective in current year

(a) New and amended standards adopted by the Group

IAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit and loss account. IAS 27 (Revised) has no impact on the current period, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.

IFRS 3 (Revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 01, 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt and subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the 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. All acquisition-related costs are expensed.

(b) New and amended standards and interpretations mandatory for the first time for the financial year beginning January 01, 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events).

IFRIC 17, 'Distribution of non-cash assets to owners', effective on or after July 01, 2009. The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after July 01, 2009. This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).

IFRIC 9, 'Reassessment of embedded derivatives' and IAS 39, 'Financial instruments: Recognition and measurement', effective July 01, 2009. This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remain classified as at fair value through profit or loss in its entirety.

IFRIC 16, 'Hedges of a net investment in a foreign operation', effective July 01, 2009. This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within a group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied. In particular, the entity should clearly document its hedging strategy because of the possibility of different designations at different levels of the entity.

IAS 1 (Amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

IAS 36 (Amendment), 'Impairment of assets', effective January 01, 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, ' Operating segments' (that is, before the aggregation of segments with similar economic characteristics).

IAS 38 (Amendment), 'Intangible assets', effective January 01, 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic life.

IFRS 2 (Amendments), 'Group cash-settled share-based payment transactions', effective from January 01, 2010. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation.

IFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations'. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held-for-sale or discontinued operations. It also clarifies that the general requirement of IAS 1, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainity) still apply.

2.3.2 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 01, 2011 or later periods, but the Group has not early adopted them:

IFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until January 01, 2013 but is available for early adoption. The Group is yet to assess IFRS 9's full impact.

IAS 1 (Amendments), clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. This amendment is effective for periods beginning on or after January 01, 2011.

IAS 24 (Revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (Revised) is mandatory for periods beginning on or after January 01, 2011. Earlier application, in whole or in part, is permitted.

The revised standard clarifies and simplifies the definition of a related party and removes the requirement for Government-related entities to disclose details of all transactions with the Government and other Government-related entities. The Group will apply the revised standard from January 01, 2011.

IAS 32 (Amendment), 'classification of right issues', issued in October 2009. The amendment applies to annual periods beginning on or after February 01, 2010. Earlier application is permitted. The amendment addresses the accounting for right issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such right issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'. The adoption of this amendment is not expected to have any impact on the Group's financial statements.

IFRIC 19, 'Extinguishing financial liabilities with equity instruments', effective July 01, 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit and loss account, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. It is not expected to have any impact on the Group's financial statements.

IFRIC 14 (Amendment), 'Prepayments of a minimum funding requirement'. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning January 01, 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The Group will apply these amendments for the financial reporting period commencing on January 01, 2011. It is not expected to have any impact on the Group's 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.

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

a) Employee retirement benefits

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

b) Provision for taxation

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

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

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

4. Significant accounting policies

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

4.1 Principles of consolidation

a) Subsidiaries

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

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 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 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 of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to 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 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 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 profit and loss account.

Changes in accounting policy

The Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control or significant influence from January 01, 2010 when revised IAS 27, 'Consolidated and separate financial statements', became effective. The revision to IAS 27 contained consequential amendments to IAS 28, 'Investments in associates', and IAS 31, Interests in joint ventures.

Previously transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in profit and loss account and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit and loss account or directly to retained earnings.

Previously, when the Group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets.

The Group has applied the new policy prospectively to transactions occurring on or after January 01, 2010. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

4.2 Taxation

Current

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

Deferred

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

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

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

4.3 Property, plant and equipment

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

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

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

The asset's 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, 2010 has not required any adjustment as its impact is considered insignificant.

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

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

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

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 years.

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

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

4.5 Capital work-in-progress

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

4.6 Investment property

Property not held for own use or for sale in the ordinary course of business is classified as investment property. The investment property of the Group comprises 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, 2010 has not required any adjustment as its impact is considered insignificant.

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

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

4.7 Leases

(1) The Group is the lessee:

Finance leases

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

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

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

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

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

Operating leases

Leases including Ijarah financing where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight-line basis over the lease / Ijarah term 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 19. These are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

4.8 Goodwill

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

4.9 Investments

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

Investments in equity instruments of associated companies

Associates are all entities over which the Group has significant influence but not control. Investments in 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 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 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.

4.10 Employee retirement benefits

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

4.10.1 Defined benefit plans

(a) All the executive staff participates in an approved funded defined benefit pension plan. In addition, there is an approved funded defined benefit gratuity plan for all employees. Monthly contributions are made to these funds on the basis of actuarial recommendation at the rate of 20 percent per annum of basic salaries for pension and 4.50 percent per annum of basic salaries for gratuity. The latest actuarial valuation for the pension and gratuity schemes was carried out as at December 31, 2010. The actual returns on plan assets during the year were Rs. 71.157 million and Rs. 26.761 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 14.25 percent per annum.
Expected rate of increase in salary level 12 percent per annum.
Expected rate of return 14.25 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. 44 million to the pension fund and Rs. 13 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'.

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

(b) Accumulating compensated absences

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

4.10.2 Defined contribution plan

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

4.11 Stores and spares

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

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

4.12 Stock-in-trade

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

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

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

4.13 Financial instruments

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

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

4.14 Offsetting of financial assets and liabilities

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

4.15 Trade debts

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

4.16 Cash and cash equivalents

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

4.17 Non-current assets held-for-sale

Non-current assets are classified as assets held-for-sale 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.

4.18 Borrowings

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

4.19 Trade and other payables

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

4.20 Derivative financial instruments

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

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

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

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

4.21 Revenue recognition

Revenue is recognised on despatch of goods or on the performance of services. It includes sales to associated companies but does not include sales by associated companies or sales between Group companies.

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

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

4.22 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses on translation are recognised in the 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.

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

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

4.23 Borrowing costs

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

4.24 Dividend

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

4.25 Compound financial instruments

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

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

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

4.26 Segment reporting

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

4.27 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 will be required to settle the obligation; and
(iii) the amount has been reliably estimated.

Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will 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

2010	2009		2010	2009
(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

20,151,487 (2009: 19,007,860) ordinary shares of the Parent Company are held by IGI Insurance Limited, an associated undertaking.

(Rupees in thousand)	Note	2010	2009 Restated
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		5,230	(2,513)
Exchange difference for the year		14,685	7,743
		19,915	5,230
Fair value reserve			
At the beginning of the year		561,912	(912,624)
Fair value gain / (loss) during the year		4,119,636	(319,455)
Transfer to profit and loss account		-	1,793,991
	6.2	4,681,548	561,912
		7,578,356	3,444,035
Revenue			
General reserve			
At the beginning of the year		13,660,333	13,660,333
Transfer from profit and loss account		3,000,000	-
		16,660,333	13,660,333
		24,238,689	17,104,368

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

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

(Rupees in thousand)	Note	2010	2009
7. Long-term finances			
These are composed of:			
Local currency loans - secured			
Consortium Loan	7.1.1	5,185,714	5,185,714
Others	7.1.2	314,286	314,286
		5,500,000	5,500,000
Preference shares / convertible stock - unsecured	7.2	2,470,577	2,470,577
		7,970,577	7,970,577
Current portion shown under current liabilities		(14,286)	-
		7,956,291	7,970,577

7.1 Local currency loans - secured

7.1.1 Consortium Loan

This loan has been obtained from a consortium of commercial banks led by MCB Bank Limited. It is secured by a first ranking exclusive hypothecation / equitable mortgage charge over all present and future fixed assets of the Parent Company amounting to Rs. 6,914 million (2009: Rs. 6,914 million) in favour of MCB Bank Limited being security trustee on behalf of consortium. It carries mark up at six month Karachi Inter Bank Offered Rate (KIBOR) plus 1.35% per annum and is payable in 11 unequal semi-annual instalments starting in June 2012 and ending June 2017. The effective mark up charged during the year ranges from 13.69% to 14.93% per annum.

7.1.2 Others

This loan has been obtained from Citibank. It is secured by a first ranking exclusive hypothecation / equitable mortgage charge over all present and future fixed assets of the Parent Company amounting to Rs. 419 million (2009: Rs. 419 million) in favour of MCB Bank Limited being security trustee on behalf of Citibank. It carries mark up at six month KIBOR plus 0.90 percent per annum and is payable in 4 unequal semi-annual instalments starting in December 2011 and ending June 2013. The effective mark up charged during the year ranges from 13.24% to 14.48% per annum.

7.2 Preference shares / convertible stock - unsecured

During the year 2009, the Parent Company issued 10% local currency non-voting cumulative preference shares / convertible stock at the rate of Rs. 190 per share amounting to USD 50 million equivalent to PKR 4,120.5 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 of the Parent Company, one ordinary share of the Parent Company 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 shares / convertible stock holder 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 shares / convertible stock holder do not opt for the conversion or cash settlement.

Rate of return

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

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

(Rupees in thousand)	2010	2009
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	193,435

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

(Rupees in thousand)	2010	2009
8. Liabilities against assets subject to finance lease		
Present value of minimum lease payments	-	19,547
Current portion shown under current liabilities	-	(11,532)
	-	8,015

The present value of minimum lease payments have been discounted at implicit interest rate of Nil (2009: 22.50%) per annum to arrive at their present value. The lessee has the option to purchase the assets after expiry of the lease term.

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

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

	Minimum lease payment	Future finance charge	Present value of lease liability	
(Rupees in thousand)			2010	2009
Not later than one year	-	-	-	11,532
Later than one year and not later than five years	-	-	-	8,015
	-	-	-	19,547

(Rupees in thousand)	Note	2010	2009
9. Deferred income tax liabilities			
The liability for deferred taxation comprises timing differences relating to:			
Accelerated tax depreciation		3,776,011	3,966,741
Unused tax losses	9.1	(1,347,841)	(1,412,460)
Minimum tax available for carry forward	9.2	(183,493)	(130,935)
Provision for accumulating compensated absences		(52,046)	(44,581)
Preference shares / convertible stock issue cost - liability portion		8,801	8,926
Provision for doubtful debts		(11,899)	(10,802)
Provision for slow moving items		(1,896)	(1,057)
Provision for doubtful receivables		(527)	(527)
Investments in associated companies		163,000	144,000
Exchange difference		613	-
Provision for unfunded defined benefit plan		(2,019)	(1,607)
		2,348,704	2,517,698

9.1 Unused tax losses available to the Group contains unused business losses, of the Parent Company, amounting to Rs. 141.886 million (2009: Rs. 377.609 million) which are available till December 31, 2014 and the Group expects to utilize these losses till then.

9.2 The Group has not adjusted the net deferred tax liability against tax credit available to the Parent Company under section 113 of the Income Tax Ordinance, 2001 amounting to Rs. 116.748 million (2009: Nil) available till December 31, 2012 in view of management's estimate that these tax credits may not be utilized till December 31, 2012 due to sufficient unused tax losses, as referred to in note 39, available to the Parent Company for adjustment against future profits.

(Rupees in thousand)	2010	2009
10. Retirement benefits		
Classified under non-current liabilities		
Pension fund	167	-
Classified under non-current assets		
Pension fund	-	13,295
Gratuity fund	94,557	94,605
	94,557	107,900

	Pension Fund		Gratuity Fund	
(Rupees in thousand)	2010	2009	2010	2009
The amounts recognised in the balance sheet are as follows:				
Fair value of plan assets	649,568	592,086	304,449	303,425
Present value of defined benefit obligation	(890,215)	(767,086)	(285,349)	(247,893)
Unrecognised actuarial loss	240,480	188,295	75,457	39,073
Net (liability) / asset as at December 31	(167)	13,295	94,557	94,605
Net asset as at January 1	13,295	32,725	94,605	94,793
Charge to profit and loss account	(52,332)	(53,755)	(11,666)	(10,099)
Contribution by the Group	38,870	34,325	11,618	9,911
Net (liability) / asset as at December 31	(167)	13,295	94,557	94,605

(Rupees in thousand)	Pension Fund 2010	Pension Fund 2009	Gratuity Fund 2010	Gratuity Fund 2009
The movement in the present value of defined benefit obligation is as follows:				
Present value of defined benefit obligation as at January 1	767,086	595,808	247,893	211,836
Service cost	27,636	20,987	15,532	13,466
Interest cost	94,384	92,483	29,296	32,154
Benefits paid	(55,300)	(36,950)	(37,355)	(22,591)
Transferred to IGI Insurance Limited	(2,500)	-	-	-
Transferred to Tri-Pack Film Limited	(5,067)	-	-	-
Experience loss	63,976	94,758	29,983	13,028
Present value of defined benefit obligation as at December 31	890,215	767,086	285,349	247,893
The movement in fair value of plan assets is as follows:				
Fair value as at January 1	592,086	493,088	303,425	283,474
Expected return on plan assets	73,110	65,612	35,784	37,107
Employer contributions	38,870	34,325	11,618	9,911
Employee contributions	10,322	7,722	-	-
Benefits paid	(55,300)	(36,950)	(37,355)	(22,591)
Transferred to IGI Insurance Limited	(2,500)	-	-	-
Transferred to Tri-Pack Film Limited	(5,067)	-	-	-
Experience (loss) / gain	(1,953)	28,289	(9,023)	(4,476)
Fair value as at December 31	649,568	592,086	304,449	303,425
The amounts recognized in the profit and loss account are as follows:				
Current service cost	27,636	20,987	15,532	13,466
Interest cost for the year	94,384	92,483	29,296	32,154
Expected return on plan assets	(73,110)	(65,612)	(35,784)	(37,107)
Contribution made by the employees	(10,322)	(7,722)	-	-
Recognition of loss	13,744	10,594	2,622	1,586
Recognition of past service cost	-	3,025	-	-
Total, included in salaries and wages	52,332	53,755	11,666	10,099
Plan assets are comprised as follows:				
Debt	272,819	136,991	219,203	110,746
Equity	181,879	124,518	79,157	25,796
Cash	194,870	330,577	6,089	166,883
	649,568	592,086	304,449	303,425

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)	2010	2009	2008	2007	2006
As at December 31					
Present value of defined benefit obligation	890,215	767,086	595,808	547,041	496,792
Fair value of plan assets	649,568	592,086	493,088	644,296	483,965
(Deficit) / surplus	(240,647)	(175,000)	(102,720)	97,255	(12,827)
Experience adjustment on obligation	5%	6%	1%	2%	-3%
Experience adjustment on plan assets	0%	5%	-51%	17%	0%

Fair value of plan assets include ordinary shares of the Parent Company, whose fair value as at December 31, 2010 is Rs. 85 million (2009: Rs. 96 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)	2010	2009	2008	2007	2006
As at December 31					
Present value of defined benefit obligation	285,349	247,893	211,836	178,979	167,073
Fair value of plan assets	304,449	303,425	283,474	296,469	257,356
Surplus	19,100	55,532	71,638	117,490	90,283
Experience adjustment on obligation	9%	5%	9%	2%	2%
Experience adjustment on plan assets	-3%	-1%	-10%	7%	-1%

Fair value of plan assets include ordinary shares of the Parent Company, whose fair value as at December 31, 2010 is Rs. 13 million (2009: Rs. 15 million).

(Rupees in thousand)	Note	2010	2009
11. Deferred liabilities			
Accumulating compensated absences	11.1	157,357	132,946
Staff gratuity	11.2	6,496	5,218
		163,853	138,164
11.1 Accumulating compensated absences			
Opening balance		132,946	109,740
Provision for the year		43,613	31,527
		176,559	141,267
Payments made during the year		(19,202)	(8,321)
Closing balance		157,357	132,946

11.2 Staff gratuity

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

	Note	2010	2009
12. Current portion of long-terms liabilities			
Long-term finances - secured	7	14,286	-
Liabilities against assets subject to finance lease	8	-	11,532
		14,286	11,532
13. Finances under mark up arrangements - secured			
Running finances - secured	13.1	137,314	156,716
Bills discounted - secured	13.2	34,125	-
Short-term finances - secured	13.3	340,000	273,792
		511,439	430,508

13.1 Running finances - secured

Short-term running finances available from a consortium of commercial banks under mark up arrangements amount to Rs. 8,005 million (2009: Rs. 7,387 million). The rates of mark up range from Re. 0.3433 to Re. 0.5205 per Rs. 1,000 per diem or part thereof on the balances outstanding. In the event, the Group fails to pay the balances on the expiry of the quarter, year or earlier demand, mark up is to be computed at the rates ranging from Re. 0.4225 to Re. 0.6575 per 1000 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.

13.2 Bills discounted - secured

Facilities for discounting of export / inland bills of Rs. 331 million (2009: Rs. 31 million) are available to the Group as a sub-limit of the running finance facilities referred to in note 13.1. Mark up is to be 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 13.1, on the specific bills discounted, as referred to in note 27.2.

13.3 Short-term finances - secured

Facilities for obtaining short-term finances of Rs. 3,205 million (2009: Rs. 3,545 million) are available to the Group as a sub-limit of the running finance facilities referred to in note 13.1. Mark up charged during the year ranging from Re 0.3436 to Re 0.3718 per Rs. 1,000 per diem or part thereof.

13.4 Letters of credit and bank guarantees

Of the aggregate facility of Rs. 7,878 million (2009: Rs. 6,970.500 million) for opening letters of credit and Rs. 1,294 million (2009: Rs. 1,294 million) for guarantees, the amount utilised at December 31, 2010 was Rs. 1,397.624 million (2009: Rs. 273.388 million) and Rs. 689.511 million (2009: Rs. 664.944 million) respectively. Of the facility for guarantees, Rs. 1,294 million (2009: Rs. 1,294 million) is secured by second hypothecation charge over stores, spares, stock-in-trade and trade debts.

(Rupees in thousand)	Note	2010	2009
14. Trade and other payables			
Trade creditors	14.1	652,453	496,490
Accrued liabilities	14.2	641,442	511,160
Bills payable		324,207	55,785
Retention money payable		59,250	59,250
Sales tax payable		35,551	81,555
Excise duty payable		8,004	11,054
Advances from customers		108,177	112,432
Deposits - interest free repayable on demand		9,739	8,511
Workers' welfare fund	14.3	2,758	120,882
TFCs payable		1,387	1,389
Unclaimed dividends		11,264	9,969
Others		42,432	38,225
		1,896,664	1,506,702

14.1 Trade creditors include amount due to related parties Rs. 18.662 million (2009: Rs. 19.636 million).

14.2 Accrued liabilities include amount due to related parties Rs. 17.901 (2009: Rs. 10.798 million).

(Rupees in thousand)	2010	2009
14.3 Workers' welfare fund		
Opening balance	120,882	4,002
Provision for the year	2,695	120,017
	123,577	124,019
Payments made during the year	(120,819)	(3,137)
Closing balance	2,758	120,882

(Rupees in thousand)	2010	2009
15. Accrued finance cost		
Accrued mark up / return on:		
Long-term loans - secured	59,203	54,556
Preference shares / convertible stock - unsecured	412,050	193,435
Short-term borrowings - secured	3,996	13,328
	475,249	261,319

16. Contingencies and commitments

16.1 Contingencies

(i) Claims against the Group not acknowledged as debts Rs. 17.952 million (2009: Rs. 15.802 million).

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

(iii) Post dated cheques not provided in the financial statements have been furnished by the Group in favour of the Collector of Customs against custom levies aggregated to Rs. 88.769 million (2009: Rs. 27.305 million) in respect of goods imported.

16.2 Commitments in respect of

(i) Letters of credit and contracts for capital expenditure Rs. 782.605 million (2009: Rs. 6.967 million).

(ii) Letters of credit and contracts other than for capital expenditure Rs. 812.150 million (2009: Rs. 457.295 million).

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

(Rupees in thousand)	2010	2009
Not later than one year	232,167	93,898
Later than one year and not later than five years	1,130,762	1,232,819
Later than five years	-	232,853
	1,362,929	1,559,570

17. Property, plant and equipment

2010

(Rupees in thousand)	Cost as at December 31, 2009	Exchange adjustment on opening cost	Transfer in	Additions / (deletions)	Cost as at December 31, 2010	Accumulated depreciation as at December 31, 2009	Exchange adjustment on opening accumulated depreciation	Depreciation charge / (deletions) for the year	Transfer in	Accumulated depreciation as at December 31, 2010	Book value as at December 31, 2010
Freehold land	345,366	1,807	-	13,495	360,668	-	-	-	-	-	360,668
Buildings on freehold land	3,197,822	3,557	23,465	14,226	3,239,070	317,050	1,671	128,722	2,494	449,937	2,789,133
Buildings on leasehold land	203,492	-	-	-	203,492	76,419	-	7,703	-	84,122	119,370
Plant and machinery	22,773,832	19,531	33,053	145,472	22,908,305	6,967,640	12,760	1,347,744	2,754	8,311,144	14,597,161
				(63,583)				(19,754)			
Other equipments (computers, lab equipments and other office equipments)	559,171	4,187	-	44,839	599,497	378,348	4,059	55,933	-	430,467	169,030
				(8,700)				(7,873)			
Furniture and fixtures	39,284	249	-	1,312	40,256	27,618	203	2,615	-	29,955	10,301
				(589)				(481)			
Vehicles	308,553	280	-	58,809	320,493	147,352	183	40,011	-	156,513	163,980
				(47,149)				(31,033)			
	27,427,520	29,611	56,518	278,153	27,671,781	7,914,427	18,876	1,582,728	5,248	9,462,138	18,209,643
				(120,021)				(59,141)			

2009

(Rupees in thousand)	Cost as at December 31, 2008	Exchange adjustment on opening cost	Transfer out / adjustments	Additions / (deletions)	Cost as at December 31, 2009	Accumulated depreciation as at December 31, 2008	Exchange adjustment on opening accumulated depreciation	Depreciation charge / (deletions) for the year	Transfer out/ adjustments	Accumulated depreciation as at December 31, 2009	Book value as at December 31, 2009
Freehold land	335,295	1,601	-	8,470	345,366	-	-	-	-	-	345,366
Buildings on freehold land	1,958,741	2,938	(41,923)	1,278,084	3,197,822	196,504	1,406	120,227	(1,087)	317,050	2,880,772
				(18)	-						
Buildings on leasehold land	194,516	-	-	8,976	203,492	67,769	-	8,650	-	76,419	127,073
Plant and machinery	14,908,288	16,562	(11,327)	7,878,467	22,773,832	5,810,912	10,225	1,160,232	3,066	6,967,640	15,806,192
				(18,158)				(16,795)			
Other equipments (computers, lab equipments and other office equipments)	459,263	3,657	-	98,343	559,171	336,998	3,514	39,843	-	378,348	180,823
				(2,092)				(2,007)			
Furniture and fixtures	33,869	203	-	6,054	39,284	25,781	168	2,265	-	27,618	11,666
				(842)				(596)			
Vehicles	285,505	246	-	60,373	308,553	137,329	123	37,282	-	147,352	161,201
				(37,571)				(27,382)			
	18,175,477	25,207	(53,250)	9,338,767	27,427,520	6,575,293	15,436	1,368,499	1,979	7,914,427	19,513,093
				(58,681)				(46,780)			

17.1 Additions to property, plant and equipment include mark up capitalised of Rs. Nil (2009: Rs. 1,546.219 million).

17.2 Property, plant and equipment include assets amounting to Rs. 12.026 million (2009: Rs. 12.026 million) of the Group which are not in operation.

17.3 The cost of fully depreciated assets which are still in use as at December 31, 2010 is Rs. 3,808.126 million (2009: Rs. 3,317.532 million).

(Rupees in thousand)	Note	2010	2009
17.4 The depreciation charge for the year has been allocated as follows:			
Cost of sales	31	1,548,606	1,336,484
Administrative expenses	32	26,526	25,307
Distribution and marketing costs	33	7,596	6,708
		1,582,728	1,368,499

17.5 Disposal of property, plant and equipment

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

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sales proceeds	Mode of disposal
		2010				
(Rupees in thousand)						
Vehicles	**Employees**					
	Ahmed Raza	367	306	61	164	Company policy
	Ahsan Majeed Malik	670	67	603	588	- do -
	Amer Iqbal	605	325	280	330	- do -
	Amjad Hussain	867	369	498	490	- do -
	Asad Ali Mufti	849	425	424	605	- do -
	Asghar Abbas	850	266	584	659	- do -
	Ashfaq Khattak	841	326	515	638	- do -
	Dr. Abida Riaz	998	611	387	660	- do -
	Dr. Babar Ali	1,400	105	1,295	1,400	- do -
	Farooq Ahmad Qureshi	620	302	318	405	- do -
	Imran Zaheer	800	693	107	516	- do -
	Jawad Gill	378	193	185	197	- do -
	Major Arif Shaheed	775	136	639	659	- do -
	Mujeeb Rashid	1,536	768	768	787	- do -
	Mushtaq Ahmad	984	578	406	649	- do -
	Nadeem Aslam	1,255	192	1,063	1,063	- do -
	Nasir Hussain Shah Bukhari	900	101	799	816	- do -
	Nauman Noor	479	186	293	320	- do -
	Sahil Zaheer	888	814	74	482	- do -
	Salman Yunus	851	362	489	644	- do -
	Shafi Karim	418	89	329	304	- do -
	Shahid Ul Haq	814	71	743	725	- do -
	Shamiyal Shariq	493	105	388	419	- do -
	Syed Ali Murtaza	403	207	196	222	- do -
	Syed M. Shahid	609	297	312	437	- do -
	Tanveer Ahmed	841	420	421	528	- do -
	Outsiders					
	Adnan Rafique Qureshi	696	331	365	702	Negotiation
	Anees Sozer	365	233	132	232	- do -
	Azeem Ahmad	488	67	421	421	- do -
	Fauzia Masood	861	430	431	500	- do -
	Irfan Traders	877	358	519	236	- do -
	Jawaid Roshan Ali	381	152	229	375	- do -
	M. Sohail Yaseen	465	105	360	360	- do -
	Muhammad Jahangir	500	25	475	490	- do -
	Shaheen Mujeeb	1,076	242	834	848	- do -

		2010				
Particulars of assets (Rupees in thousand)	Sold to	Cost	Accumulated depreciation	Book value	Sales proceeds	Mode of disposal
Computer Hardware	**Employee**					
	Nadeem Aslam	90	32	58	57	Negotiation
Plant and machinery	**Outsiders**					
	Muhammad Amin	559	247	312	125	Negotiation
	Tetra Pak Pakistan Limited - Related party	21,826	-	21,826	18,439	- do -
	Scrapped	38,113	15,820	22,293	-	Scrapped
Other assets with book value less than Rs. 50,000		33,233	32,785	448	10,432	
		120,021	**59,141**	**60,880**	**47,924**	

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

18. Intangible assets

(Rupees in thousand)	Cost as at December 31, 2009	Additions	Cost as at December 31, 2010	Accumulated amortisation as at December 31, 2009	Amortisation charge for the year	Accumulated amortisation as at December 31, 2010	Book value as at December 31, 2010
Computer software and ERP system	142,025	2,573	144,598	125,420	3,079	128,499	16,099
2010	142,025	2,573	144,598	125,420	3,079	128,499	16,099
2009	125,086	16,939	142,025	124,845	575	125,420	16,605

18.1 The cost of fully amortised assets which are still in use as at December 31, 2010 is Rs. 124.776 million (2009: Rs. 124.776 million).

(Rupees in thousand)	Note	2010	2009
18.2 The amortisation charge for the year has been allocated as follows:			
Cost of sales	31	18	18
Administrative expenses	32	3,061	369
Distribution and marketing costs	33	-	188
		3,079	575

19. Investment property

2010

(Rupees in thousand)	Cost as at December 31, 2009	Transfer out	Additions	Cost as at December 31, 2010	Accumulated depreciation as at December 31, 2009	Transfer out	Depreciation charge for the year	Accumulated depreciation as at December 31, 2010	Book value as at December 31, 2010
Buildings on freehold land	23,465	(23,465)	-	-	1,635	(2,494)	859	-	-
Buildings on leasehold land	15,976	-	-	15,976	9,786	-	601	10,387	5,589
	39,441	(23,465)	-	15,976	11,421	(2,494)	1,460	10,387	5,589

2009

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

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

19.2 Fair value of the investment property, based on the valuation carried out by an independent valuer, as at December 31, 2010 is Rs. 38.953 million (2009: Rs. 39.378 million).

20. Assets subject to finance lease

(Rupees in thousand)	Cost as at December 31, 2009	Exchange adjustments	Additions / (Deletions)	Cost as at December 31, 2010	Accumulated depreciation as at December 31, 2009	Exchange adjustments	Depreciation charge/(deletions) for the year	Accumulated depreciation as at December 31, 2010	Book value as at December 31, 2010
Plant and machinery	32,052	1,001	-	-	2,671	83	-	-	-
			(33,053)				(2,754)		
	32,052	1,001	-	-	2,671	83	-	-	-
2010			(33,053)				(2,754)		
	34,149	1,774	-	32,052	3,695	94	1,948	2,671	29,381
2009			(3,871)				(3,066)		

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

20.1 The depreciation charge for the year has been allocated to cost of sales.

(Rupees in thousand)	Note	2010	2009
21. Capital work-in-progress			
Civil works		19,695	12,928
Plant and machinery [including in transit Rs. 301.537 million (2009: Nil)]		570,995	52,494
Others		336	156
Advances		162,302	-
		753,328	65,578
22. Investments in associates			
Cost		3,758,386	3,758,386
Post acquisition loss brought forward		(348,378)	(373,977)
		3,410,008	3,384,409
Profit for the year:			
Before taxation		324,219	136,126
Provision for taxation		(80,430)	(34,641)
		243,789	101,485
		3,653,797	3,485,894
Dividends received during the year		(123,511)	(75,886)
Balance as on December 31	22.1	3,530,286	3,410,008
22.1 In equity instruments of associated companies			
Quoted			
IGI Insurance Limited			
7,625,294 (2009: 6,354,412) fully paid ordinary shares of Rs. 10 each	22.2		
Market value - Rs. 738.815 million (2009: Rs. 558.489 million)		1,135,713	1,076,190
Tri-Pack Films Limited			
10,000,000 (2009: 10,000,000) fully paid ordinary shares of Rs. 10 each			
Market value - Rs. 1,221.600 million (2009: Rs. 1,030.000 million)		2,357,450	2,292,513
Carried Forward		3,493,163	3,368,703

(Rupees in thousand)	Note	2010	2009
Brought Forward		3,493,163	3,368,703
IGI Investment Bank Limited			
4,610,915 (2009: 4,610,915) fully paid ordinary shares of Rs. 10 each			
Market value - Rs. 13.510 million (2009: Rs. 16.277 million)	22.2	37,123	41,305
		3,530,286	3,410,008

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

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

(Rupees in thousand)

Name	Percentage interest held	Assets	Liabilities	Revenues	Profit/(loss)
December 31, 2010					
IGI Insurance Limited	10.61%	1,375,104	146,906	80,177	88,759
Tri-Pack Films Limited	33.33%	1,466,435	869,453	2,539,936	164,932
IGI Investment Bank Limited	2.17%	184,337	148,633	23,639	(4,068)
		3,025,876	1,164,992	2,643,752	249,623
December 31, 2009					
IGI Insurance Limited	10.61%	1,312,040	149,097	72,125	28,007
Tri-Pack Films Limited	33.33%	1,505,458	973,418	1,895,039	154,676
IGI Investment Bank Limited	2.17%	175,910	135,197	16,265	(3,254)
		2,993,408	1,257,712	1,983,429	179,429

(Rupees in thousand)	2010	2009
23 Other long-term investments		
In related parties		
Quoted		
Nestle Pakistan Limited		
3,649,248 (2009: 3,649,248) fully paid ordinary shares of Rs. 10 each Equity held 8.05% (2009: 8.05%) Market value - Rs. 8,666.453 million (2009: Rs. 4,546.817 million)	8,666,453	4,546,817
Unquoted		
Tetra Pak Pakistan Limited		
1,000,000 (2009: 1,000,000) fully paid non-voting ordinary shares of Rs. 10 each	10,000	10,000
Coca-Cola Beverages Pakistan Limited		
500,000 (2009: 500,000) fully paid ordinary shares of Rs. 10 each Equity held 0.14% (2009: 0.14%)	4,706	4,706
Carried Forward	8,681,159	4,561,523

(Rupees in thousand)	2010	2009
Brought Forward	8,681,159	4,561,523
Others - unquoted		
Pakistan Tourism Development Corporation Limited 2,500 (2009: 2,500) fully paid ordinary shares of Rs. 10 each	25	25
Orient Match Company Limited 1,900 (2009: 1,900) fully paid ordinary shares of Rs. 100 each	-	-
	25	25
	8,681,184	4,561,548

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

(Rupees in thousand)	Note	2010	2009
24. Long-term loans and deposits			
Loans to employees - considered good	24.1	3,636	2,340
Loan to SNGPL	24.2	114,800	131,200
Security deposits		38,556	23,184
		156,992	156,724
Receivable within one year			
Loans to employees - considered good		(649)	(423)
Loan to SNGPL		(16,400)	(16,400)
		(17,049)	(16,823)
		139,943	139,901

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

Loans to employees aggregating Rs. 1.536 million (2009: Rs. 0.432 million) are secured by joint registration of motor cycles in the name of employees and the Group. The remaining loans are unsecured.

24.2 This represents an unsecured loan given, by the Parent Company, to Sui Northern Gas Pipelines Limited (SNGPL) for the development of the infrastructure for the supply of natural gas to the plants at Bulleh Shah Paper Mill. Mark up is charged at the rate of 1.5% per annum and is received annually. The remaining amount is receivable in 7 annual instalments.

(Rupees in thousand)	2010	2009
25. Stores and spares		
Stores [including in transit Rs. 14.721 million (2009: Rs. 1.734 million)]	573,277	407,044
Spares [including in transit Rs. 1.479 million (2009: Rs. 1.592 million)]	506,904	491,339
	1,080,181	898,383

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

(Rupees in thousand)	2010	2009
26. Stock-in-trade		
Raw materials [including in transit Rs. 306.308 million (2009: Rs. 231.406 million)]	2,073,136	2,194,222
Work-in-process	269,221	227,609
Finished goods	1,826,463	2,067,576
	4,168,820	4,489,407
Provision for slow moving items	(5,417)	(5,417)
	4,163,403	4,483,990

Finished goods of Rs. 341.064 million (2009: Rs. 966.351 million) are being carried at net realisable value and an amount of Rs. 126.202 million (2009: Rs. 99.397 million) has been charged to cost of sales, being the cost of inventory written down during the year.

(Rupees in thousand)		Note	2010	2009
27.	**Trade debts**			
	Considered good			
	Related parties - unsecured	27.1	242,563	437,656
	Others	27.2	1,704,753	1,594,334
			1,947,316	2,031,990
	Considered doubtful			
	Others		35,958	31,226
			1,983,274	2,063,216
	Provision for doubtful debts	27.3	(35,958)	(31,226)
			1,947,316	2,031,990
27.1	**Related parties - unsecured**			
	Associated undertaking			
	Tri-Pack Films Limited		3,127	6,259
	Other Related Parties			
	Treet Corporation		4,372	1,304
	Nestle Pakistan Limited		173,819	121,091
	Coca-Cola Beverages Pakistan Limited		5,893	1,318
	Tetra Pak Pakistan Limited		35,192	246,933
	Mitchell's Fruit Farms Limited		8,250	18,864
	Ceylon Tea Services Limited		5,906	13,864
	Others		6,004	28,023
			242,563	437,656

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

27.2 Others include debts of Rs. 198.838 million (2009: Rs. 166.416 million) which are secured by way of bank guarantees and inland letters of credit. Out of these, debts amounting to Rs. 34.125 million (2009: Nil) are under lien against credit facilities available as referred to in note 13.2.

(Rupees in thousand)		Note	2010	2009
27.3	**The movement in provision during the year is as follows:**			
	Balance as at January 1		31,226	6,195
	Provision during the year		6,306	28,181
			37,532	34,376
	Bad debts written off against provision		(1,574)	(3,150)
	Balance as at December 31		35,958	31,226
28.	**Loans, advances, deposits, prepayments and other receivables**			
	Current portion of loans to employees		649	423
	Current portion of loan receivable from SNGPL		16,400	16,400
	Advances - considered good			
	To employees	28.1	11,273	10,914
	To suppliers		68,125	39,341
			79,398	50,255
	Carried Forward		96,447	67,078

(Rupees in thousand)	Note	2010	2009
Brought Forward		96,447	67,078
Due from related parties - unsecured	28.2	21,178	8,236
Trade deposits		101,945	84,121
Security deposits		116	51
Prepayments		19,215	16,802
Balances with statutory authorities			
Customs duty		7,905	2,621
Sales tax		6,393	9,962
Octroi - considered doubtful		1,506	1,506
		15,804	14,089
Mark up receivable on:-			
Loan to SNGPL		90	103
Term deposits and on saving accounts		2,411	-
		2,501	103
Workers' profit participation fund	28.3	443	748
Other receivables		26,473	20,464
		284,122	211,692
Provision against doubtful advances		(1,506)	(1,506)
		282,616	210,186

28.1 Included in advances to employees are amounts due from Executives of Rs. 0.896 million (2009: Rs. 1.878 million).

(Rupees in thousand)	2010	2009
28.2 Due from related parties - unsecured		
Associated undertakings		
Tri-Pack Films Limited	97	1,330
IGI Insurance Limited	278	87
Other related parties		
BOC Pakistan	166	319
Tetra Pak Pakistan Limited	14,955	4,420
Siemens Pakistan Limited	5,682	1,575
Others	-	505
	21,178	8,236

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

(Rupees in thousand)	Note	2010	2009
28.3 Workers' profit participation fund			
Opening balance		748	(8,255)
Payments made during the year		7,000	17,255
		7,748	9,000
Provision for the year		(7,305)	(8,252)
Closing balance		443	748
29. Income tax receivable			
Income tax refundable		785,704	588,597
Income tax recoverable	29.1	36,013	36,013
		821,717	624,610

29.1 In 1987, the 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 Commissioner of Income Tax (Appeals) [CIT(A)], Karachi. The Commissioner has, in his order issued in 1988, held the assessments reframed by the ITO for the years 1983 and 1984 presently to be void and of no legal effect. The ITO has filed an appeal against the Commissioner's order with the Income Tax Appellate Tribunal (ITAT). The ITAT has in its order issued in 1996 maintained the order of CIT(A). The assessing officer after the receipt of the appellate order passed by CIT (A), has issued notices under section 65 of the Income Tax Ordinance, 1979 and the Parent Company has filed a writ petition against the aforesaid notices with the High Court of Sindh, the outcome of which is still pending.

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

(Rupees in thousand)	Note	2010	2009
30. Cash and bank balances			
At banks			
On deposit accounts [including USD 7,340 (2009: USD 10,874)]		616	6,344
On saving accounts [including USD 305,162 (2009: Nil)]	30.1	926,232	294,363
On current accounts [including USD 801,222 (2009: USD 243,012)]	30.2	233,739	191,247
		1,160,587	491,954
In hand		5,862	5,359
		1,166,449	497,313

30.1 The balances in saving accounts bear mark up which ranges from 5% to 12.3% per annum.

30.2 Included in these are total restricted funds of Rs. 1.332 million (2009: Rs. 1.334 million) held as payable to TFC holders.

(Rupees in thousand)	Note	2010	2009
31. Cost of sales			
Opening work-in-process		227,609	301,323
Materials consumed		11,494,979	9,636,519
Salaries, wages and amenities	31.1	1,229,430	973,851
Fuel and power		3,018,069	2,110,119
Production supplies		465,797	396,273
Excise duty and sales tax		2,694	1,783
Rent, rates and taxes	31.2	234,729	156,787
Insurance		78,176	85,173
Repairs and maintenance		663,208	532,740
Packing expenses		143,377	148,164
Depreciation on property, plant and equipment		1,548,606	1,336,484
Amortisation on intangible assets		18	18
Depreciation on assets subject to finance lease		-	1,948
Technical fee and royalty		55,908	49,039
Travelling and conveyance		6,734	4,677
Other expenses		240,496	220,263
		19,409,830	15,955,161
Closing work-in-process		(269,221)	(227,609)
Cost of goods produced		19,140,609	15,727,552
Opening stock of finished goods		2,071,058	1,371,795
		21,211,667	17,099,347
Closing stock of finished goods		(1,826,462)	(2,071,058)
		19,385,205	15,028,289

Cost of goods produced includes Rs. 2,106.486 million (2009: Rs. 1,154.694 million) for stores and spares consumed, Rs. 24.733 million (2009: Rs. 93.185 million) and Rs. 1.771 million (2009: Rs. 17.977 million) for raw materials and stores and spares written off respectively.

(Rupees in thousand)	2010	2009
31.1 Salaries, wages and amenities		
Salaries, wages and amenities include following in respect of retirement benefits:		
Pension		
Current service cost	18,677	13,909
Interest cost for the year	63,787	61,289
Expected return on plan assets	(49,410)	(43,481)
Contribution made by the employees	(6,976)	(5,117)
Recognition of loss	9,289	7,021
Recognition of past service cost	-	2,005
	35,367	35,626
Gratuity		
Current service cost	11,450	9,762
Interest cost for the year	21,597	23,310
Expected return on plan assets	(26,380)	(26,900)
Recognition of loss	1,933	1,150
	8,600	7,322

In addition to above, salaries, wages and amenities include Rs. 20.674 million (2009: Rs. 18.180 million) and Rs. 24.726 million (2009: Rs. 16.410 million) in respect of provident fund contribution by the Group and accumulating compensated absences respectively.

31.2 Rent, rates and taxes include operating lease / ujrah rentals amounting to Rs. 231.735 million (2009: Rs. 153.563 million).

(Rupees in thousand)	Note	2010	2009
32. Administrative expenses			
Salaries, wages and amenities	32.1	304,072	264,451
Travelling		48,582	40,848
Rent, rates and taxes	32.2	14,955	15,839
Insurance		6,877	8,478
Printing, stationery and periodicals		25,267	19,215
Electricity		532	-
Postage and telephone		21,531	22,576
Motor vehicles running		18,285	11,935
Computer charges		18,536	13,407
Professional services	32.3	29,014	36,523
Repairs and maintenance		15,283	12,838
Depreciation on property, plant and equipment		26,526	25,307
Amortisation on intangible assets		3,061	369
Depreciation on investment property		1,460	1,146
Depreciation on assets subject to finance lease		-	-
Security services		2,715	2,277
Advances written off		-	612
Other expenses		70,528	63,208
		607,224	539,029

Administrative expenses include Rs. 53.762 million (2009: Rs. 44.985 million) for stores and spares consumed.

(Rupees in thousand)	2010	2009
32.1 Salaries, wages and amenities		
Salaries, wages and amenities include following in respect of retirement benefits:		
Pension		
Current service cost	6,367	4,962
Interest cost for the year	21,744	21,868
Expected return on plan assets	(16,843)	(15,514)
Contribution made by the employees	(2,378)	(1,826)
Recognition of loss	3,166	2,505
Recognition of past service cost	-	715
	12,056	12,710
Gratuity		
Current service cost	2,901	2,597
Interest cost for the year	5,471	6,200
Expected return on plan assets	(6,683)	(7,155)
Recognition of loss	490	306
	2,179	1,948

In addition to above, salaries, wages and amenities include Rs. 5.485 million (2009: Rs. 4.507 million) and Rs. 13.744 million (2009: Rs. 8.914 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. 10.291 million (2009: Rs. 11.313 million).

(Rupees in thousand)	Note	2010	2009
32.3 Professional services			
The charges for professional services include the following in respect of auditors' services for:			
Statutory audit		2,560	2,222
Half yearly review		875	500
Tax services		3,603	3,513
Workers' profit participation fund, management staff pension and gratuity fund audit and sundry services		373	472
Out of pocket expenses		451	584
		7,862	7,291

33. Distribution and marketing costs

	Note	2010	2009
Salaries, wages and amenities	33.1	115,686	109,196
Travelling		28,633	26,638
Rent, rates and taxes	33.2	3,421	2,736
Freight and distribution		297,330	210,247
Insurance		1,125	1,526
Printing, stationery and periodicals		-	263
Electricity		355	-
Postage and telephone		346	423
Advertising		113,473	74,314
Depreciation on property, plant and equipment		7,596	6,708
Amortisation of intangible assets		-	188
Repairs and maintenance		20	657
Provision for doubtful debts		6,306	28,181
Bad debts written off		(2,099)	(3,329)
Other expenses		39,550	35,410
		611,742	493,158

Distribution and marketing expenses include Rs. 2.807 million (2009: Rs. 4.290 million) for stores and spares consumed.

(Rupees in thousand)	2010	2009
33.1 Salaries, wages and amenities		
Salaries, wages and amenities include following in respect of retirement benefits:		
Pension		
Current service cost	2,592	2,116
Interest cost for the year	8,853	9,326
Expected return on plan assets	(6,857)	(6,617)
Contribution made by the employees	(968)	(779)
Recognition of loss	1,289	1,068
Recognition of past service cost	-	305
	4,909	5,419
Gratuity		
Current service cost	1,181	1,107
Interest cost for the year	2,228	2,644
Expected return on plan assets	(2,721)	(3,052)
Recognition of loss	199	130
	887	829

In addition to above, salaries, wages and amenities include Rs. 2.331 million (2009: Rs. 2.021 million) and Rs. 5.145 million (2009: Rs. 6.204 million) in respect of provident fund contribution by the Group and accumulating compensated absences respectively.

33.2 Rent, rates and taxes include operating lease rentals amounting to Rs. 3.199 million (2009: Rs. 2.479 million).

(Rupees in thousand)	Note	2010	2009
34. Other operating expenses			
Workers' profit participation fund		6,558	8,252
Workers' welfare fund		2,695	120,017
Loss on disposal of property, plant and equipment		12,956	-
Donations	34.1	5,157	2,157
		27,366	130,426

34.1 During the year the Parent Company donated Rs. 0.750 million to Babar Ali Foundation (BAF) for carrying out flood relief activities. Chief Executive Officer of the Parent Company is also a member of the Board of Governors of BAF. None of the directors and their spouses had any interest in any of the remaining donees during the year.

(Rupees in thousand)	2010	2009
35. Other operating income		
Income from financial assets		
Exchange gain - net	11,648	18,806
Income on bank deposits	37,976	117,055
Interest on loan to SNGPL	1,955	2,201
Carried Forward	51,579	138,062

(Rupees in thousand)	2010	2009
Brought Forward	51,579	138,062
Income from non-financial assets		
Management and technical fee	34,124	49,609
Insurance commission from related party	5,497	6,343
Rental income from investment property [including Rs. 30.155 million (2009: Rs. 31.537 million) from related party]	32,265	33,043
Profit on disposal of property, plant and equipment	-	13,990
Scrap sales	11,368	11,112
Provisions and unclaimed balances written back	20,851	13,644
Rebate income	2,610	3,347
Profit on outside jobs from related party	434	372
Others	23,059	26,362
	130,208	157,822
	181,787	295,884

36. Impairment charged on available for sale investment

This represents the decline in value of shares of Nestle Pakistan Limited, classified as available for sale investment, which was considered other than temporary and was accordingly charged to profit and loss account in 2009.

(Rupees in thousand)	Note	2010	2009
37. Finance costs			
Interest and mark up including commitment charges on:			
Long-term finances - secured		768,568	905,504
Finances under mark up arrangements - secured		55,248	116,226
Finance lease		2,561	12,823
Discounting charges		12,841	-
Return on preference shares / convertible stock		412,050	193,435
Loan handling charges		1,210	957
Cross currency swap expense		-	128,479
Bank charges		14,775	13,206
		1,267,253	1,370,630
38 Investment income			
Dividend income from related parties	38.1	765,201	237,201
Gain on sale of short-term investments		50,968	-
Gain on sale of long-term investments		-	8,807,029
		816,169	9,044,230
38.1 Dividend income from related parties			
Tetra Pak Pakistan Limited		528,000	-
Nestle Pakistan Limited		237,201	237,201
		765,201	237,201

(Rupees in thousand)	2010	2009
39. Taxation - Group		
For the year		
Current	307,213	164,617
Deferred	(185,185)	1,690,500
	122,028	1,855,117
Prior years		
Current	(7,231)	7,559
Deferred	15,104	(65,935)
	7,873	(58,376)
	129,901	1,796,741

For the purposes of current taxation, the tax losses available for carry forward as at December 31, 2010 are estimated approximately at Rs. 3,850.978 million (2009: Rs. 4,034.301 million).

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 is as follows:

	Chief Executive		Directors		Executives	
	2010	2009	2010	2009	2010	2009
Number of persons	1	1	2	3	65	59
(Rupees in thousand)						
Short-term employee benefits						
Managerial remuneration	6,385	5,585	11,676	14,797	75,325	87,161
Housing	3,443	2,624	4,976	6,056	32,012	24,507
Utilities	1,174	941	1,042	1,328	8,437	6,618
Bonus	1,713	1,492	2,629	3,360	21,782	14,135
Leave passage	1,811	1,581	1,369	1,218	2,631	2,789
Medical expenses	2,334	1,012	280	654	933	744
Club expenses	106	41	202	195	105	114
Overseas travels	-	-	-	-	562	248
Others	-	-	422	428	12,313	8,606
	16,966	13,276	22,596	28,036	154,100	144,922
Post employment benefits						
Contribution to provident, gratuity and pension funds	2,026	1,764	2,832	3,128	17,757	13,467
Other long-term benefits						
Accumulating compensated absences	646	814	689	1,886	6,819	10,816
	19,638	15,854	26,117	33,050	178,676	169,205

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 (2009: 5 directors) is Rs. 360,000 (2009: Rs. 340,000).

41. Transactions with related parties

The related parties comprise associated undertakings, other related group companies, directors of the Parent Company, key management personnel and post employment benefit plans. The Group in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables, amounts due from directors and key management personnel are shown under receivables and remuneration of directors and key management personnel is disclosed in note 40. Other significant transactions with related parties are as follows:

(Rupees in thousand)		2010	2009
Relationship with the Group	**Nature of transactions**		
i. Associated undertakings	Purchase of goods and services	456,619	299,414
	Purchase of property, plant & equipment	950	-
	Sale of goods and services	30,928	30,011
	Insurance premium	126,662	127,775
	Insurance commission received	5,553	6,343
	Insurance claims	1,829	5,621
	Dividend income	123,511	75,886
ii. Other related parties	Purchase of goods and services	211,344	190,068
	Sale of goods and services	5,547,759	3,572,017
	Sale of property, plant and equipment	22,186	-
	Royalty and technical fee	38,433	37,977
	Rebate received	2,610	1,556
	Management and technical fee	-	6,170
	Mark up expense	-	60
	Investment made	1,853,486	-
	Proceeds from sale of investment	1,870,598	-
	Dividend income	765,201	237,201
	Rental expense	-	1,678
	Rental income	30,155	31,537
iii. Post employment benefit plans	Expense charged in respect of retirement benefit plans	97,393	93,521

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

42. Capacity and production

	Capacity		Actual production	
	2010	2009	2010	2009
Paper and paperboard produced - tons	288,250	290,360	176,950	174,008
Paper and paperboard converted - tons	146,834	128,000	119,480	99,436
Plastics all sorts converted - tons	19,500	19,500	13,084	12,299
Inks produced - tons	7,100	7,100	5,319	5,114
Flexible packaging material - meters '000'	90,000	54,000	53,038	47,492

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

43. Rates of exchange

Liabilities in foreign currencies have been translated into PKR at USD 1.1641 (2009: USD 1.1862), EURO 0.8757 (2009: EURO 0.8258), SFR 1.0922 (2009: SFR 1.2277), SEK 7.8678 (2009: SEK 8.4818), GBP 0.7539 (2009: GBP 0.7386), SGD 1.4981 (2009: SGD 1.6647), YEN 94.8767 (2009: YEN 109.5770) and SLR 128.6173 (2009: SLR 136.6494) equal to Rs. 100. Assets in foreign currencies have been translated into PKR at USD 1.1669 (2009: USD 1.1891), EURO 0.8777 (2009: EURO 0.8277) and SLR 128.6173 (2009: SLR 136.6494) equal to Rs. 100.

(Rupees in thousand)	2010	2009
44. Cash generated from operations		
Profit before tax	119,176	5,950,925
Adjustments for:		
Depreciation on property, plant and equipment	1,582,728	1,368,499
Amortisation on intangible assets	3,079	575
Depreciation on investment property	1,460	1,146
Depreciation on assets subject to finance lease	-	1,948
Impairment loss recognised on available for sale investment	-	1,793,991
Provision for accumulating compensated absences and staff gratuity	44,891	32,820
Provision for retirement benefits	63,998	63,854
Provision for doubtful debts	6,306	28,181
Exchange adjustments	18,572	9,793
Gain on disposal of non-current assets classified as held-for-sale	-	(8,807,029)
Gain on sale of short-term investments	(50,968)	-
Net loss / (profit) on disposal of property, plant and equipment	12,956	(13,990)
Finance cost	1,267,253	1,370,630
Dividend income	(765,201)	(237,201)
Share of profit of associates	(324,219)	(136,126)
Profit before working capital changes	1,980,031	1,428,016
Effect on cash flow due to working capital changes:		
Increase in stores and spares	(181,798)	(36,335)
Decrease / (increase) in stock-in-trade	320,587	(195,439)
Decrease / (increase) in trade debts	78,368	(269,982)
(Increase) / decrease in loans, advances, deposits, prepayments and other receivables	(72,430)	94,733
Increase in trade and other payables	204,876	214,269
	349,603	(192,754)
	2,329,634	1,235,262
45. Cash and cash equivalents		
Cash and bank balances	1,166,449	497,313
Finances under mark up arrangements - secured	(511,439)	(430,508)
	655,010	66,805

(Rupees in thousand)		2010	2009

46. Combined (loss) / earnings per share

46.1 Combined basic (loss) / earnings per share

		2010	2009
Net (loss) / profit for the year attributable to equity holders of the Parent Company	Rupees in thousand	(152,245)	4,065,617
Weighted average number of ordinary shares	Numbers	84,379,504	84,379,504
Combined basic (loss) / earnings per share	Rupees	(1.80)	48.18

46.2 Combined diluted earnings per share

		2010	2009
Net (loss) / profit for the year attributable to equity holders of the Parent Company	Rupees in thousand	(152,245)	4,065,617
Return on preference shares / convertible stock	Rupees in thousand	329,922	154,323
		177,677	4,219,940
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	9,939,803
		106,066,346	94,319,307
Combined diluted earnings per share	Rupees	1.68	44.74

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

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**
Packaging	Manufacture and market packing products
Paper & Board	Manufacture and market paper, paperboard and tissue products
Ink	Manufacture and market industrial and commercial ink products
General & Others	Workshop and other general businesses

(Rupees in thousand)

	Packaging Division		Paper & Board Division		Ink Division		General & Others		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Total revenue	11,531,453	9,153,625	14,446,398	10,258,529	1,591,109	1,536,843	296,245	186,556	27,865,205	21,135,553
Intersegment revenue	(530,565)	(432,813)	(5,980,839)	(4,207,084)	(530,563)	(592,486)	(127,447)	(72,962)	(7,169,414)	(5,305,345)
	11,000,888	8,720,812	8,465,559	6,051,445	1,060,546	944,357	168,798	113,594	20,695,791	15,830,208
Interest revenue	19,970	65,183	18,890	52,266	-	-	1,071	1,807	39,931	119,256
Interest expense	(22,046)	(51,638)	(1,196,085)	(1,250,188)	(49,062)	(67,545)	(60)	(1,259)	(1,267,253)	(1,370,630)
Depreciation and amortisation	326,234	293,162	1,203,582	1,017,858	26,720	21,904	30,731	39,558	1,587,267	1,372,482
Gain on sale of investments	-	-	-	-	-	-	50,968	8,807,029	50,968	8,807,029
Impairment on available for sale investment	-	-	-	-	-	-	-	1,793,991	-	1,793,991
Segment profit / (loss) before tax	1,273,317	712,135	(2,564,482)	(2,407,057)	121,900	153,657	1,084,069	7,561,220	(85,196)	6,019,955
Segment taxation	160,914	43,957	90,309	8,851	43,813	51,106	(184,135)	1,689,827	110,901	1,793,741
Segment profit / (loss) after tax	1,112,403	668,178	(2,654,791)	(2,415,908)	78,087	102,551	1,268,204	5,871,393	(196,097)	4,226,214
Segment assets	5,459,523	4,917,236	19,592,348	20,913,814	757,953	711,760	633,392	619,479	26,443,216	27,162,289

(Rupees in thousand)	2010	2009
47.1 Reconciliation of segment profit		
Total (Loss) / profit for reportable segments	(85,196)	6,019,955
Income from associates	200,709	60,240
Intercompany adjustment	3,663	(129,270)
Profit before tax	119,176	5,950,925
47.2 Reconciliation of reportable segment assets		
Total assets for reportable segments	26,443,216	27,162,289
Intersegment assets	(173,247)	(172,025)
Other corporate assets	14,622,342	9,628,242
Total assets	40,892,311	36,618,506
47.3 Reconciliation of segment taxation		
Total tax expense for reportable segments	110,901	1,793,741
Intercompany consolidation adjustments		
Group	19,000	3,000
Associates	80,430	34,641
Taxation as per consolidated profit and loss account	210,331	1,831,382

(Rupees in thousand)		2010	2009
47.4	**Reconciliation of segment (loss) / profit after tax**		
	Total (loss) / profit after tax for reportable segments	(196,097)	4,226,214
	Intercompany adjustment for profit before tax	204,372	(69,030)
	Intercompany adjustment for taxation	(99,430)	(37,641)
	(Loss) / profit as per consolidated profit and loss account	(91,155)	4,119,543

47.4 Information by geographical area

	Revenue		Non - current assets	
	2010	2009	2010	2009
(Rupees in thousand)				
Pakistan	18,337,859	14,211,505	18,929,725	19,585,812
Sri Lanka	1,531,584	1,003,741	194,877	206,766
Sweden	169,201	61,345	-	-
UAE	229,276	130,956	-	-
USA	50,620	35,187	-	-
Others	377,251	387,474	-	-
	20,695,791	15,830,208	19,124,602	19,792,578

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

47.5 Information about major customers

Included in the total revenue is revenue from two (2009: three) customers of the Group from the packaging and paper & board segments which represent approximately Rs. 5,871.12 million (2009: Rs. 5,627.47 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 in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments, non-derivative financial instruments and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

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

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Sri Lankan Rupee, 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, 2010, if the Pak Rupee had weakened / strengthened by 10% against the US dollar with all other variables held constant, post-tax profit for the year would have been Rs. 1.209 million (2009: Rs. 4.115 million) higher / lower, as a result of foreign exchange gains / losses on translation of US dollar-denominated financial assets and liabilities.

At December 31, 2010, if the Pak Rupee had weakened / strengthened by 10% against the Euro with all other variables held constant, post-tax profit for the year would have been Rs. 19.735 million lower / higher (2009: Rs. 4.779 million higher / lower), mainly as a result of foreign exchange losses / gains (2009: gains / losses) on translation of Euro-denominated financial assets and liabilities.

At December 31, 2010, if the Pak 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. 53.057 million (2009: Rs. 41.794 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 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	
	2010	2009	2010	2009
(Rupees in thousand)				
Karachi Stock Exchange	-	-	632,322	323,032

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

(iii) Cash flow and fair value interest rate risk

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

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

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

At December 31, 2010, if interest rates on borrowings had been 1% higher / lower with all other variables held constant, post-tax profit for the year would have been Rs. 57.818 million (2009: Rs. 61.793 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings.

(b) Credit risk

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

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

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

(Rupees in thousand)	2010	2009
Long-term loans and deposits	139,943	139,901
Trade debts	1,304,903	1,350,802
Loans, advances, deposits, prepayments and other receivables	282,616	210,186
Balances with banks	1,160,587	491,954
	2,888,049	2,192,843

As of December 31, 2010, trade receivables of Rs. 642.413 million (2009: Rs. 681.188 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)	2010	2009
Up to 90 days	570,628	588,180
90 to 180 days	48,409	71,596
181 to 365 days	23,376	21,412
	642,413	681,188

The management estimates the recoverability of trade receivables on the basis of financial position and past history of its customers based on the objective evidence that it will not receive the amount due from the particular customer. The provision is written off by the Group when it expects that it cannot recover the balance due. Any subsequent receipts 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	2010	2009
Allied Bank Limited	A1+	AA	PACRA	7,542	952
Askari Bank Limited	A1+	AA	PACRA	302,571	685
Bank Alfalah Limited	A1+	AA	PACRA	1,127	170
Bank Al-Habib Limited	A1+	AA+	PACRA	389	8,865
BankIslami Pakistan Limited	A1	A	PACRA	2,510	-
Barclays Bank PLC, Pakistan	A1+	AA-	S&P	83,376	218,681
Citibank N.A.	A1	A+	S&P	3,523	891
Deutsche Bank A.G.	A1	A+	S&P	725	38,947
Faysal Bank Limited	A1+	AA	JCR-VIS	467	841
Habib Bank Limited	A1+	AA+	JCR-VIS	3,361	1,391
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	899	769
HSBC Bank Middle East Limited	P1	AA3	Moody's	1,402	853
JS Bank Limited	A1	A	PACRA	7,861	8,041
MCB Bank Limited	A1+	AA+	PACRA	71,291	20,932
Meezan Bank Limited	A1	AA-	JCR-VIS	2,201	15
National Bank of Pakistan	A1+	AAA	JCR-VIS	322,905	87,361
NIB Bank Limited	A1+	AA-	PACRA	283,179	53,415
Oman International Bank S.A.O.G.	A-2	BBB	JCR-VIS	-	256
SAMBA Bank Limited	A1	A	JCR-VIS	3,403	2,918
Silk Bank Limited	A-3	A-	JCR-VIS	2	3
Soneri Bank Limited	A1+	AA-	PACRA	14	14
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	JCR-VIS	47,512	16,000
The Bank of Tokyo Mitsubishi UFJ, Limited	A1	A+	S&P	824	-
The Royal Bank of Scotland	A1+	AA	PACRA	-	28,836
United Bank Limited	A1+	AA+	JCR-VIS	82	269
MCB Bank Limited- Sri Lanka	A1+	AA+	PACRA	9,972	-
Standard Chartered Bank- Sri Lanka		AA	Fitch	928	-
NDB Bank Plc	A1	AA	Fitch	636	-
Commercial Bank Limited- Sri Lanka	A1+	AA+	Fitch	12	8
Hatton Bank Limited - Sri Lanka	A1+	AA-	Fitch	1,873	841
				1,160,587	491,954

(c) Liquidity risk

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

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

Management monitors the forecasts of the Group's cash and cash equivalents (note 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 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, 2010	Less than 1 year	Between 1 and 2 year	Between 2 and 5 years	Over 5 years
Long-term finances	14,286	380,952	4,011,905	1,092,857
Finances under mark up arrangements - secured	511,439	-	-	-
Trade and other payables	1,896,664	-	-	-
Accrued finance cost	475,249	-	-	-
	2,897,638	380,952	4,011,905	1,092,857

(Rupees in thousand)

At December 31, 2009	Less than 1 year	Between 1 and 2 year	Between 2 and 5 years	Over 5 years
Long-term finances - secured	-	14,286	2,978,571	2,507,143
Finance Lease	11,532	8,015	-	-
Finances under mark up arrangements - secured	430,508	-	-	-
Trade and other payables	1,506,702	-	-	-
Accrued finance cost	261,319	-	-	-
	2,210,061	22,301	2,978,571	2,507,143

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 2010, the Group's strategy was to maintain the gearing ratio below 60% and AA credit rating. The gearing ratios at December 31, 2010 and 2009 were as follows:

(Rupees in thousand)	2010	2009
Long-term finances	7,956,291	7,970,577
Total equity	27,479,564	23,744,391
Total capital	35,435,855	31,714,968
Gearing ratio	22%	25%

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 cross currency swaps is calculated as the present value of the estimated future cash flows.

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

49. Detail of subsidiaries

Name of the subsidiaries	Accounting year end	Percentage of holding	Country of incorporation
Packages Lanka (Private) Limited	December 31, 2010	79.07%	Sri Lanka
DIC Pakistan Limited	December 31, 2010	54.98%	Pakistan
Packages Construction (Private) Limited	December 31, 2010	99.99%	Pakistan

50. Date of authorisation for issue

These financial statements were authorised for issue on February 18, 2011 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, 2010 of Rs. 3.25 per share (2009: Rs. 3.25 per share), amounting to Rs. 274.233 million (2009: Rs. 274.233 million) at their meeting held on February 18, 2011 for approval of the members at the Annual General Meeting to be held on April 20, 2011. The board has also recommended to transfer Rs. Nil (2009: Rs. 3,000 million) to general reserves from unappropriated profit and to transfer Rs. 500 million (2009: Rs. Nil) to unappropriated profit from general reserves.

52. Corresponding figures

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purposes of comparison. Significant re-arrangements made are as follows:

	(Rupees in thousand)
Re-classified as a separate line item on face of the balance sheet	
Deferred income tax liabilities re-classified from deferred liabilities	2,517,698
Accrued finance cost re-classified from trade and other payables	261,319
Income tax receivable re-classified from loans, advances, deposits, prepayments and other receivables	624,610
Investment in associates re-classified from long-term investments	3,410,008
Re-classified within trade and other payables	
Accrued liabilities re-classified as trade creditors	303,479
Accrued liabilities re-classified as bills payable	55,785
Trade creditors re-classified as retention money payable	59,250
Accrued liabilities re-classified as sales tax payable	2,150

Towfiq Habib Chinoy
Chairman

Syed Hyder Ali
Chief Executive & Managing Director

Syed Aslam Mehdi
Director

Form of Proxy

56th Annual General Meeting

I/We ____

of ______________________________ being a member of Packages Limited and

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

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

hereby appoint ______________ of ______________ or failing him / her ______________

of ______________ or failing him / her ______________ of ______________ as my proxy to vote for me and

on my behalf at the Annual General Meeting of the Company to be held on Wednesday, April 20, 2011 at 10:30 a.m. at Beach Luxury Hotel, Moulvi Tamizuddin Khan Road, Karachi and at any adjournment thereof.

Signed this ______________ day of ______________ 2011.

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