PACKAGES LIMITED

BALANCE SHEET AS AT DECEMBER 31, 2010

	Note	2010 (Rupees in thousand)	2009 (Rupees in thousand)
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 Rs190 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

	Note	2010 (Rupees in thousand)	2009 (Rupees in thousand)
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.

Chairman **Chief Executive** **Director**

PACKAGES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010

		Note	2010	2009
			(Rupees in thousand)	
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.

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Chairman **Chief Executive** **Director**

PACKAGES LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2010

	2010	2009
	(Rupees in thousand)	
(Loss) / profit after taxation	(332,425)	4,063,924
Other comprehensive income		
Surplus / (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	4,119,636	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.

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Chairman **Chief Executive** **Director**

PACKAGES LIMITED

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 profit / (loss)	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.

Chairman	**Chief Executive**	**Director**

PACKAGES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010

	Note	2010	2009
		(Rupees in thousand)	
Cash flows 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 flows 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 flows from financing activities			
Payment of long-term finances - secured		-	(7,354,400)
Proceeds from issuance of preference shares / convertible stock - net		-	4,076,452
Dividends paid		(272,938)	-
Net cash used in from 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.

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Chairman **Chief Executive** **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 remains classified as at fair value through profit or loss in its entirety.

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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 1 January 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 lives.

IFRS 2 (amendments), 'Group cash-settled share-based payment transactions', effective form 1 January 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 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1.

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

The following amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after January 1, 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 1 January 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.

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Revised 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.

'Classification of rights issues' (amendment to IAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment addresses the accounting for rights 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 1 July 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, 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.

'Prepayments of a minimum funding requirement' (amendments to IFRIC 14). 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 1 January 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 1 January 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.

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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%

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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 System (ERP) are capitalised as intangible assets and stated at cost less accumulated amortisation and any identified impairment loss. Intangible assets are amortised using the straight line method over a period of three years.

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

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

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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.

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4.7 Investments

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

Investments in equity instruments of subsidiaries and associated companies

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

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

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

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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

- 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'.

(b) Accumulating compensated absences

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

4.8.2 Defined contribution plan

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

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

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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.

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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 an accrual basis and are included in trade and other payables to the extent of the amount remaining unpaid.

4.17 Trade and other payables

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

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 gain and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

4.19 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 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 Provision

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.

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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.

6. Reserves

Movement in and composition of reserves is as follows:

		2010	2009
		(Rupees in thousand)	
Capital			
- Share premium	- note 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
	- note 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 remeasurement of investments at fair value and is not available for distribution. This will be transferred to profit and loss account on derecognition of investments.

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7. Long term finances

		2010	2009
		(Rupees in thousand)	
These are composed of:			
- Local currency loan - secured			
- Consortium Loan	- note 7.1.1	5,185,714	5,185,714
- Others	- note 7.1.2	314,286	314,286
		5,500,000	5,500,000
- Preference shares / convertible stock - unsecured	- note 7.2	2,470,577	2,470,577
		7,970,577	7,970,577
Less : 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 KIBOR plus 0.90 per cent 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 4,120.5 million under "Subscription Agreement" dated March 25, 2009 with IFC.

Terms of redemption / conversion

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

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Rate of return

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

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

	2010	2009
	(Rupees in thousand)	
Face value of preference shares / convertible stock	4,120,500	4,120,500
Less: 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

		2010	2009
		(Rupees in thousand)	
The liability for deferred taxation comprises temporary differences relating to:			
Accelerated tax depreciation		3,750,576	3,938,121
Unused tax losses	- note 8.1	(1,347,842)	(1,412,460)
Minimum tax available for carry forward	- note 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

	2010	2009
	(Rupees in thousand)	
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

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	Pension Fund		Gratuity Fund	
	2010	2009	2010	2009
	(Rupees in thousand)			
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 gain / (loss)	(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

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

	2010	2009	2008	2007	2006
	(Rupees in thousands)				
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:

	2010	2009	2008	2007	2006
	(Rupees in thousands)				
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).

	2010	2009
	(Rupees in thousand)	

10 Deferred liabilities

This represents provision made to cover the obligation for accumulating compensated absences.

	2010	2009
Opening balance	124,852	102,788
Provision for the year	41,126	29,035
	165,978	131,823
Less: Payments made during the year	16,805	6,971
Closing balance	149,173	124,852

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		2010	2009
		(Rupees in thousand)	

11. Finances under mark up arrangements - secured

		2010	2009
Running finances - secured	- note 11.1	107,106	86,496
Bills discounted - secured	- note 11.2	34,125	-
Short term finances - secured	- note 11.3	-	-
		141,231	86,496

11.1 Running finances

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 / in land 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. Markup 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 Letter of credits and bank guarantees

Of the aggregate facility of Rs 7,298 million (2009: Rs 6,610.5 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: 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.

12. Trade and other payables

		2010	2009
		(Rupees in thousand)	
Trade creditors	- note 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	- note 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

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

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

13. Accrued finance cost

	2010	2009
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 761.1 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:

	2010	2009
	(Rupees in thousand)	
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

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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 (31,647)	22,373,894	6,684,508	1,311,829 (9,043)	-	7,987,294	14,386,600
Other equipments (computers, lab equipments and other office equipments)	422,681	-	41,686 (1,216)	463,151	274,549	47,485 (1,167)	-	320,867	142,284
Furniture and fixtures	19,132	-	186	19,318	12,650	1,054	-	13,704	5,614
Vehicles	274,373	-	51,662 (40,138)	285,897	131,740	35,752 (26,718)	-	140,774	145,123
	26,619,907	23,464 -	244,972 (73,001)	26,815,342	7,458,575	1,529,715 (36,928)	2,494 -	8,953,856	17,861,486

	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 (14,943)	22,281,824	5,569,178	1,129,426 (14,096)	-	6,684,508	15,597,316
Other equipments (computers, lab equipments and other office equipments)	335,214	-	89,550 (2,083)	422,681	244,929	31,627 (2,007)	-	274,549	148,132
Furniture and fixtures	15,621	-	3,944 (433)	19,132	11,496	1,567 (413)	-	12,650	6,482
Vehicles	252,284	-	56,187 (34,098)	274,373	122,957	33,614 (24,831)	-	131,740	142,633
	17,467,674	(60,801)	9,264,591 (51,557)	26,619,907	6,182,381	1,320,125 (41,347)	(2,584)	7,458,575	19,161,332

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).

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

		Total 2010	Total 2009
		(Rupees in thousand)	
Cost of sales	- note 27	1,505,608	1,296,000
Administrative expenses	- note 28	17,530	18,485
Distribution and marketing costs	- note 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 -
	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. BabarAli	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 -
	Amjad Hussain	867	369	498	490	- do -
	Outsiders					
	Adnan Rafique Qureshi	696	331	365	702	Negotiation
	Shaheen Mujeeb	1,076	242	834	848	- do -
	Faozia Masood	861	430	431	500	- do -
	Azeem Ahmad	488	67	421	421	- do -
	Jawaid Roshan Ali	381	152	229	375	- 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**	

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Particulars of assets	Sold to	2009 Cost	Accumulated depreciation	Book value	Sales proceeds	Mode of disposal
		(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**	

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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).

16.2 The amortisation charge for the year has been allocated as follows:

		Total 2010	Total 2009
		(Rupees in thousand)	
Cost of sales	- note 27	18	18
Administrative expenses	- note 28	300	86
		318	104

17. 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	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

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	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).

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		2010	2009
		(Rupees in thousand)	

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	- note 19.1	12,219,012	8,099,376
- Others	- note 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%)	- note 19.4	442,938	442,938
		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
	C/F	**12,204,012**	**8,084,376**

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		2010	2009
		(Rupees in thousand)	
	B/F	12,204,012	8,084,376
Unquoted			
Tetra Pak Pakistan Limited			
1,000,000 (2009: Nil) 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 (PL) 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 PL 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 PL. Pursuant to this restructuring, PL is in a position to declare and distribute dividends to its shareholders.

	2010	2009
	(Rupees in thousand)	
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.

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

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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.

	2010	2009
	(Rupees in thousand)	

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 Rs1.479 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 .

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.

		2010	2009
		(Rupees in thousand)	

23. Trade debts

Considered good			
- Related parties - unsecured	- note 23.1	217,517	393,975
- Others	- note 23.2	1,425,758	1,358,241
		1,643,275	1,752,216
Considered doubtful		32,942	26,636
		1,676,217	1,778,852
Less: Provision for doubtful debts	- note 23.3	(32,942)	(26,636)
		1,643,275	1,752,216

23.1 Related parties - unsecured

Subsidiary		
DIC Pakistan Limited	2,212	2,196
Packages Lanka (Private) Limited	439	-
Associated undertakings		
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.

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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.

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

		2010		2009	
		(Rupees in thousand)			
24. Loans, advances, deposits, prepayments and other receivables					
Current portion of loans to employees			575		354
Current portion of loan receivable from SNGPL			16,400		16.400
Advances - considered good					
- To employees	- note 24.1	10,915		10,813	
- To suppliers		64,087		35,128	
			75,002		45,941
Due from related parties - unsecured	- note 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 on 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).

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	2010	2009
	(Rupees in thousand)	
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.

25. Income tax receivable

		2010	2009
- Income tax refundable		730,094	557,656
- Income tax recoverable	- note 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

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.

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

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26.1 The balances in saving accounts bear mark-up which ranges from 5.0 % to 12.30% 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.

27. Cost of sales

		2010	2009
		(Rupees in thousand)	
Opening work-in-process		145,140	205,551
Materials consumed		10,210,767	8,685,223
Salaries, wages and amenities	- note 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	- note 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	- note 15.4	1,505,608	1,296,000
Amortisation on intangible assets	- note 16.2	18	18
Technical fee and royalty		16,294	11,062
Other expenses		216,209	209,969
		17,701,597	14,603,275
Less: 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
Less: 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.

27.1 Salaries, wages and amenities

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

	2010	2009
	(Rupees in thousand)	
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.

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

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

	2010	2009
	(Rupees in thousand)	

28.1 Salaries, wages and amenities

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

	2010	2009
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 (2008: 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).

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		2010	2009
		(Rupees in thousand)	

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 audit, 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

Salaries, wages and amenities	- note 29.1	101,787	92,401
Travelling		18,101	15,906
Rent, rates and taxes	- note 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	- note 15.4	6,577	5,640
Provision for doubtful debts	- note 23.3	6,306	26,636
Other expenses		34,194	29,107
		565,638	444,210

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

	2010	2009
	(Rupees in thousand)	

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).

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30. Other operating expenses

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

30.1 During the year the Company donated Rs 750,000 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.

31. Other operating income

		2010	2009
		(Rupees in thousand)	
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 parties]		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 parties]	- note 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 no longer required 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-cancellable operating leases are as follows:

	2010	2009
	(Rupees in thousand)	
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, as at December 31, 2009 which was considered other than temporary and was accordingly charged to profit and loss account in 2009.

	2010	2009
	(Rupees in thousand)	

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	- note 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

Subsidiary		
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).

35.1 Tax charge reconciliation

	2010	2009
	% age	% age
Numerical reconciliation between the average effective tax rate and the applicable tax rate		
Applicable tax rate	35.00	35.00
Tax effect of amounts that are:		
- Not deductible for tax purposes	(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

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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
	(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
Number of persons	**1**	**1**	**2**	**3**	**60**	**53**

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).

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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:

Relationship with the Company	Nature of transactions	2010	2009
		(Rupees in thousand)	
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 - tonnes

	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.

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39. Rates of exchange

Liabilities in foreign currencies have been translated into PAK Rupees 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 PAK Rupees at USD 1.1669 (2009: USD 1.1891) and EURO 0.8777 (2009: EURO 0.8277) equal to Rs 100.

	2010	2009
	(Rupees in thousand)	

40. Cash generated from operations

	2010	2009
(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
- Retirement benefits - net	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

	2010	2009
Cash and bank balances	1,140,143	455,720
Finances under mark up arrangements - secured	(141,231)	(86,496)
	998,912	369,224

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42. (Loss) / earnings per share

42.1 Basic (loss) / earnings per share

		2010	2009
		(Rupees in thousand)	
(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

		2010	2009
(Loss) / profit for the year	Rupees in thousand	(332,425)	4,063,924
Add : 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
Add : 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 and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

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

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

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At December 31, 2010, if the Rupee had weakened / strengthened by 10% against the US dollar with all other variables held constant, post-tax profit for the year would have been Rs 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 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. 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.

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(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:

	2010	2009
	(Rupees in thousand)	
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 ageing analysis of these trade receivables is as follows:

	2010	2009
	(Rupees in thousand)	
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 repayments in relation to amount written off, are credited directly to profit and loss account.

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

	Rating Short term	Long term	Rating Agency	2010	2009
				Rupees in thousand	
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
Barclay's 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
The Royal Bank of Scotland	A1+	AA	PACRA	-	682
Silk Bank Limited	A-3	A-	JCR-VIS	2	3
SAMBA bank	A1	A	JCR-VIS	3,403	1,383
Soneri Bank Limited	A1+	AA-	PACRA	14	14
Standard Chartered Bank Pakistan Limited	A1+	AAA	JCR-VIS	47,512	15,269
United Bank Limited	A1+	AA+	JCR-VIS	76	253
Bank Islami	A1	A	PACRA	2,510	-
The Bank of Tokyo Mitsubishi UFJ, Limited	A1	A+	S&P	824	-
				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.

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

(Rupees in thousand)

At December 31, 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 a AA credit rating. The gearing ratios at December 31, 2010 and 2009 were as follows:

	2010	2009
	(Rupees in thousand)	
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%

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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 ______________ 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 _________ per share (2009: Rs 3.25 per share), amounting to Rs _________million (2009: Rs 274.233 million) at their meeting held on ___________ for approval of the members at the Annual General Meeting to be held on _____________. The board has also recommended to transfer Rs. _________ (2009: Rs 3,000,000) to general reserves from unappropriated profit.

46. Corresponding figures

Corresponding figures have been re-arranged and reclassified, 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 reclassified as trade creditors	303,479
- Accrued liabilities reclassified as bills payable	55,785
- Trade creditors reclassified as retention money payable	59,250
- Accrued liabilities reclassified as sales tax payable	2,150

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Chairman **Chief Executive** **Director**