





VISION STATEMENT

To transform the company into a modern and dynamic paper converting company by utilizing experience of the team of professionals to play a meaningful role on sustainable basis in the economy of Pakistan.

Mission Statement

To provide quality products to customers and explore new clients to promote sales of the company through good governance and encourage a sound and dynamic team, so as to achieve best prices of products of the company for sustainable growth and prosperity of the company.



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COMPANY INFORMATION

BOARD OF DIRECTORS

Chairman	Hashim Bin Sayeed
Chief Executive Directors	Abid Sayeed Mohammad Ali Sayeed Abbas Sayeed Mrs. Muleika Sayeed Dr. Asadullah Sayeed Bashir Ahmed - NIT Nominee
Audit Committee	Abbas Sayeed (<i>Chairman</i>) Abid Sayeed (<i>Member</i>) Dr. Asadullah Sayeed (<i>Member</i>)
Chief Financial Officer	Rizwan Ahmed Mughal
Company Secretary	M.Z.B. Chughtai
Auditors	Haider Shamsi & Co. Chartered Accountants
Share Registrar	F.D. Registrar Services (SMC-Pvt) Ltd.
Bankers	Bank Al Habib Limited Habib Bank Limited MCB Bank Limited
Registered Office and Factory	D-58, Estate Avenue, SITE, Karachi. Website: www.pakpaper.com



PAKISTAN PAPER PRODUCTS LIMITED

NOTICE OF MEETING

Notice is hereby given that the 49th Annual General meeting of the Shareholders of Pakistan Paper Products Ltd will be held at SITE Association Conference Hall, Aiwan-e-Sanat, H-16, Textile Avenue-Karachi on Tuesday the 11th October, 2011 at 11.30 AM to transact the following business :-

1. To confirm the Minutes of the last Extra Ordinary General Meeting held on 14th May, 2011.
2. To receive and adopt the audited accounts of the Company for the year ended on 30th June, 2011 together with the Directors' Report and Auditors' Report thereon.
3. To approve the payment of Dividend @ of Rs.4.00 per share (40%) as recommended by the Board of Directors.
4. To appoint Auditor for the year 2011-2012 and to fix their remuneration.
5. To transact any other business with the permission of the Chair.

By Order of the Board

(M.Z.B CHUGHTAI)
Company Secretary

Karachi
29th August, 2011

NOTES:

1. The Share Transfer Book of the Company will remain closed from 1-10-11 to 11-10-11 (both days inclusive).

2. A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend the meeting and vote instead of him/her. The proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.

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

A. For Attending the Meeting:

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per Regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity card (CNIC) or original Passport at the time of attending the meeting.

ii) In case of Corporate entity, the Board of Directors' resolution of attorney with specimen



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signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

B. For Appointing Proxies:

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
 - ii) The proxy form shall be witnessed by two persons whose names, address and CNIC Numbers shall be mentioned on the form.
 - iii) Attested copies of CNIC or Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iv) The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
 - v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.
3. Members who desire to stop deduction of Zakat from their dividends may submit a declaration on non-judicial stamp paper duly signed as required under the law (if not submitted earlier.)
4. Members are requested to provide by mail or fax their latest Computerized National Identity Card Number or Passport Number if foreigner (unless it has been provided earlier) to enable the Company comply with relevant law.
5. Members are also requested to notify any change in address immediately.
6. The shareholders are further requested to quote their folio number in all correspondence with the Company and at the time of attending the Annual General Meeting.



PAKISTAN PAPER PRODUCTS LIMITED

OPERATING HIGHLIGHTS

Rupees in Thousand

2011 2010 2009 2008 2007 2006

HISTORICAL TRENDS

Trading results

Turnover	433,925	362,435	342,308	241,725	221,961	227,662
Sales - Net	382,683	322,025	312,028	220,656	195,424	197,727
Gross Profit	94,830	77,991	70,797	58,551	61,323	65,731
Profit before tax	62,554	52,021	46,280	39,439	42,791	48,229
Taxation	21,678	15,991	14,918	13,314	15,055	16,931
Profit after tax	40,876	36,030	31,362	26,125	27,736	31,297

Dividend

	*					
Cash Dividend	40%	25%	20%	40%	70%	70%
Stock Dividend	-	33.33%	-	50%	-	-
Cash Dividend Value	20,000	9,375	7,500	10,000	17,500	17,500
Stock Dividend Value	-	12,500	-	12,500	-	-
Dividend Payout	48.93%	60.71%	23.91%	86.12%	63.09%	55.92%

Financial Position

Total Assets	440,856	380,573	352,434	351,469	334,930	289,692
Paid up Capital	50,000	37,500	37,500	25,000	25,000	25,000
Reserves	162,652	142,664	113,567	104,050	94,347	77,741
Working capital	128,839	114,419	102,818	87,029	77,544	73,976
Current Ratio	3.54	3.77	4.05	2.75	3.09	3.90

KEY INDICATORS

Operating

Gross Profit	24.78%	24.22%	22.69%	26.53%	31.38%	33.24%
Profit before tax	16.35%	16.15%	14.83%	17.87%	21.90%	24.39%
Profit after tax	10.68%	11.19%	10.05%	11.84%	14.19%	15.83%
Return on Equity	19.22%	20.00%	20.76%	20.24%	23.24%	30.46%
Return on Assets	9.27%	9.47%	8.90%	7.43%	8.28%	10.80%

Valuation

Earning per share (pre tax)	12.51	10.40	12.34	15.78	17.12	19.29
Earning per share (post tax)	8.18	7.21	8.36	10.45	11.09	12.52
Breakup value per share	42.53	48.04	40.28	51.62	47.74	41.10

Asset utilisation

Inventory turnover ratio	3.08	3.08	3.69	2.16	2.38	2.80
Total assets turnover ratio	0.87	0.85	0.89	0.63	0.58	0.68

Production

Exercise Books (Grouse)	45,690	45,122	54,419	48,439	43,539	38,478
Amonia Paper (Rolls 10 yds)	58,275	55,976	81,131	91,126	109,202	114,140
Pro-Labels (Sq. Meter)	2,423,480	2,091,423	1,665,778	1,197,405	1,163,105	1,408,588

*40% Final Cash Dividend proposed for the year 2011.

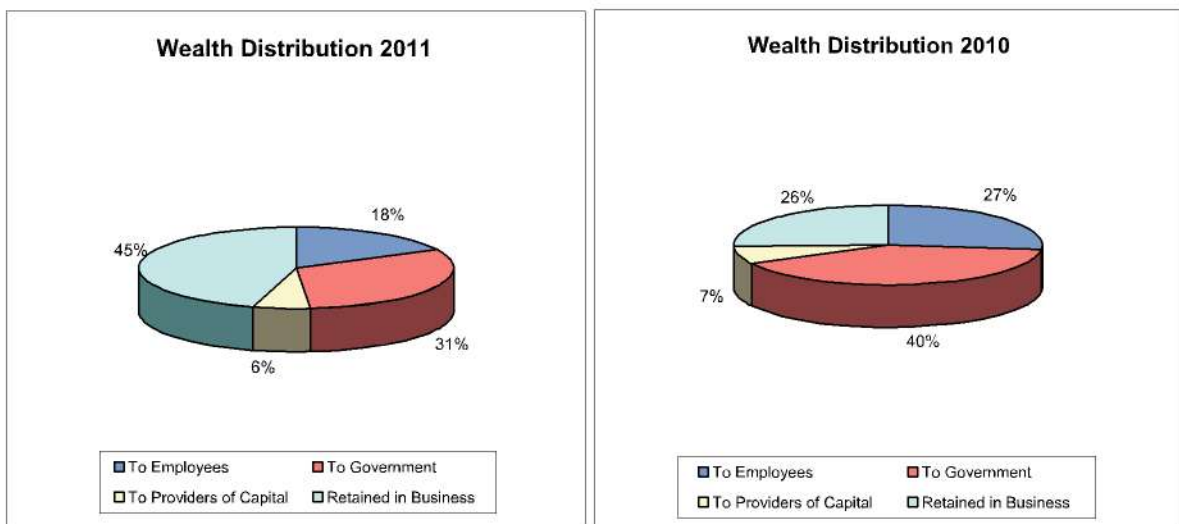


PAKISTAN PAPER PRODUCTS LIMITED

Statement of Value Added and its Distribution

	2011		2010	
	Rupees in thousand	%	Rupees in thousand	%
Wealth Generated				
Total revenue inclusive of sales tax & other income	434,519		363,089	
Bought-in-material & services	192,145		220,462	
	242,375	100.00%	142,627	100.00%
Wealth Distributed				
To Employees				
Salaries, wages, benefits & related cost	43,315	17.87%	38,519	27.01%
To Government				
Income tax, sales tax & workers' fund	74,197	30.61%	57,463	40.29%
To Providers of Capital				
Dividend to share holders	9,375	3.87%	7,500	5.26%
Markup on borrowed funds	5,222	2.15%	2,632	1.85%
Retained in Business				
Depreciation & retained profit	110,266	45.49%	36,513	25.60%
	242,375	100.00%	142,627	100.00%

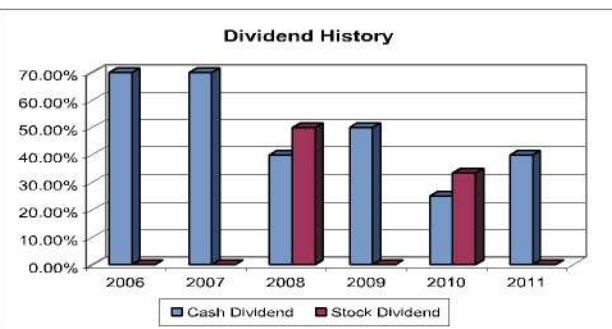
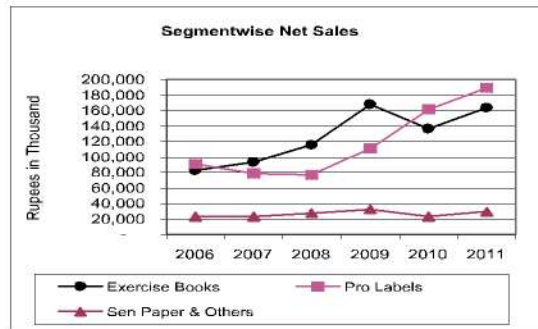
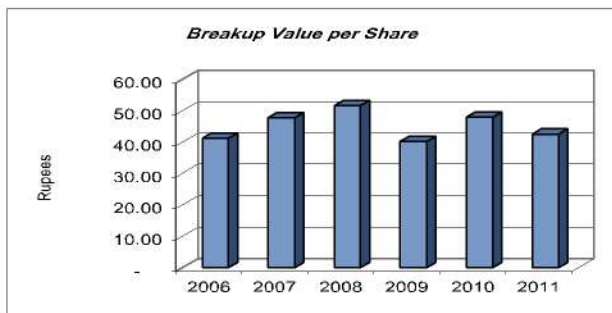
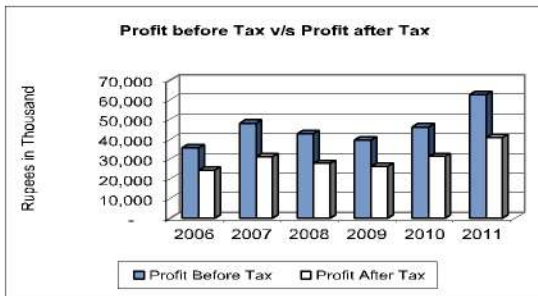
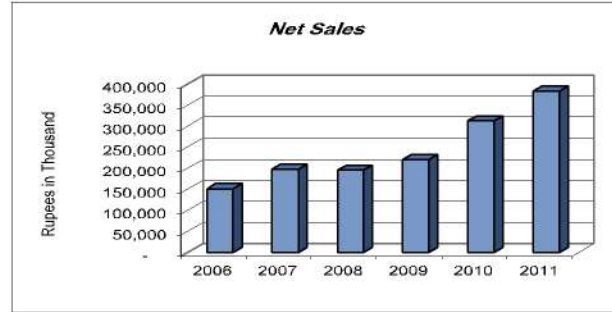
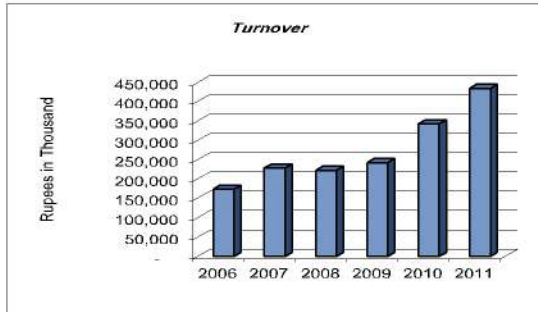
* Final Dividend of Year 2010 reflected in Year 2011 as subsequent event.





PAKISTAN PAPER PRODUCTS LIMITED

GRAPHIC ILLUSTRATION



* In 2011 Proposed Final Cash Dividend is 40%.



PAKISTAN PAPER PRODUCTS LIMITED
DIRECTORS' REPORT

The Board of Directors are pleased to present the 49th Annual Report along with the audited accounts of the company. The Report covers your company's activity for the year ended June 30, 2011 and describes its financial, social and environmental performances.

Operating Results

We are pleased to inform you that the company had another record year with Turnover and Net Sales rising Rs 434 million and Rs 383 million respectively which is an increase of 19.72% and 18.84% respectively over the previous year. As you will appreciate that given the tough economic and law and order conditions that the country is passing through, such growth is commendable.

All segments of the company contributed to this growth with Exercise Books leading the way with an increase of 20% in sales, followed by Pro Labels 16.90%, Sensitized Paper 14.36% and Photocopy Paper with 57.7%.

Pro Labels sections continues to show excellent growth in sales and margins as the nascent Pakistani market in this segment continues to show excellent growth with more and more companies shifting to self adhesive labels over the traditional sheet fed wet glue labels. As mentioned last year your company being the pioneer in Pakistan in this area has kept pace with this growth and in the last year we not only added production capacity with a new 8 color press imported brand new from the USA, but more importantly we moved our entire production facility into a brand new state of the art purpose built facility. This has now allowed us to cater to the demands of our every growing list of clients with greater efficiency and higher level of quality. The rising cost of paper and weaker Pak Rs is starting to affect our margins as we are unable to pass on this impact due to rising competition who are now willing to take orders from customers at throwaway prices just to get a share of the market. Rest assured that the management is well aware of the situation in the market and is doing its best to retain its place as the market leader with innovation, efficiency, and high quality of products and services.

Exercise Books enjoyed a robust year with sales rising by 20% which was a result of a mix of higher prices and slightly higher volumes. There was also an improvement in margins as we were able to increase our orders of private schools which now contribute to a much higher portion of our sales compared to our own branded copies which have lower margins. In spite of the rising sales it was a very difficult year as we were constantly under the threat of Sales Tax being imposed on our products again compared to the zero rating facility that we have enjoyed since 2007. This problem has been exacerbated by the fact that the government cannot make up its mind in this area and keeps going back and forth on this



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issue. This created serious problems for us as our price lists are published well in advance of the school season and until this uncertainty was removed we could not go ahead with our full scale production as the orders were also being held back by the customers. By the Grace of Allah we managed to overcome this setback and delivered our orders in time in spite of receiving them very late. The expansion we did last year in our production line was used to its maximum potential as we were able to achieve much higher production in shorter time period. Rising paper prices have also been a major source of concern in addition to the gas shortage being faced by the domestic paper industry as a result of which they completely shut down their production in the winter months when our demand is at the highest. As a result we have to plan well ahead and buy the paper in the first and second quarter of the year which puts a lot of strain on our funds position.

Sensitized paper also had a good year as after several years of declining sales we were able to see an increase of 14.36% in the current year. This was mainly on the account of some heavy buying by the government in preparation of the upcoming census and also for the next general elections. The demand from the private sector continued to remain sluggish as this product has almost fully been replaced by computer plotters. We also managed to see a good increase in the sale of Photocopy papers in the current year and we have now been able to establish our "Copy Pro" brand and getting good demand for it. The main area of concern in this product is the volatility of international prices of paper and unethical behavior of competitors who quote very low prices and then supply lower grammage products with fewer sheets. Our company does not indulge in such practices and therefore we have a very select client list to whom we cater.

Overall, this has been a very good year for the company but the road ahead is very rocky and uncertain to say the least. The law and order situation in the country has deteriorated to an alarming level, especially in the city of Karachi which is in a state of complete chaos and anarchy. This is bound to have a very negative impact on the demand and sale of our products in the upcoming months. All our company's products rely heavily on good consumer demand and the current situation of the country does not show an encouraging trend in this respect. Our production levels are also being severely affected due to the frequent strikes in the city and country. We assure you that the management of the company is dealing with all these problems in the best possible manner and will try to continuously improve the results of the company.

Financial Results

We are pleased to inform that along with the record turnover, your company has also achieved record profits. The Gross Profit recorded an increase of 21.59% this year and the



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margin also increased to 24.78% compared to 24.22% last year. The summarized details is as follows:

	<u>June, 2011</u>	<u>June, 2010</u>
Profit before taxation	62,554,205	52,020,997
Taxation	(21,678,118)	(15,991,405)
Profit after taxation	40,876,087	36,029,592

While the company continued to face very stiff competition in the market for all our products, along with higher operational and manufacturing expenses we managed to come out with better financial results which was due to the result of greater operational efficiency and better product mix. The times ahead are very uncertain due to the poor economic and law and order condition in the country. The inflationary trend of local and international raw material prices along with the weakening Pak Rs are all major sources of concern as it is very difficult to pass on these higher prices due to the competition. The management would like to assure the shareholders that we are fully cognizant of the situation and striving to improve the results of the company on year to year basis.

Dividend

The Board is pleased to propose a Cash Dividend of 40%, i.e. Rs 4/- per share. This is subject to final approval by the shareholders at the Annual General Meeting.

Financial Reporting

Let us mention here that this Company's financial reporting is based on the approved International Accounting Standards notified by the SECP and also comply with the requirements of the Companies Ordinance, 1984.

Manufacturing and Operations

All our resources relating to the manufacturing facilities performed well and achieved positive gains in efficiencies.

We are constantly modernizing and upgrading all our manufacturing facilities to stay well ahead of the competition. In the last year also we have invested heavily in new equipment and a brand new state of the art production facility for Pro Labels.

Corporate and Social Responsibility

Being a Public Limited company we realize that we have a responsibility to this country and its people at large. In this respect we will make donations to needy organizations.

Health

We are committed to demonstrate sound environmental performance by controlling the



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impact of our operations and products on the environment and we further aim to comply with the applicable environmental legislation, regulations and standards laid down for pollution control in the country. Your company is determined to play a role in promoting a better and ecological friendly future in Pakistan.

The Board

Pakistan Paper Products Limited has an independent and objective Board, consisting of two working and five non-working Directors. The roles of the Chairman and the Chief Executive are different and each has a clearly defined role profile.

Corporate and Financial Reporting Framework

- ◆ We are pleased to report that your company has taken necessary steps to comply with the provisions of the Code of Corporate Governance as incorporated in the listing regulations of the Karachi Stock Exchange.
- ◆ The financial statements prepared by the management of the Company, present fairly its state of affairs, the result of the operations, cash flows and changes in equity.
- ◆ Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- ◆ Proper books of accounts have been maintained by the Company.
- ◆ In preparation of financial statements, International Accounting Standards, as applicable in Pakistan, have been followed.
- ◆ There is no significant doubt upon the company's ability to continue as a going concern.
- ◆ The system of internal control is sound in design. The system is being continuously monitored by Internal Audit and through other such monitoring procedures. The process of monitoring internal controls will continue as an ongoing process with the objective to further strengthen the controls and bring improvements in the system.
- ◆ Detail about taxes is given in the notes to the accounts.
- ◆ During the year five (5) meetings of the Board of Directors were held. Attendance by each Director was as follows:

<u>Name of Directors</u>	<u>Meetings Attended</u>
Mr. Hashim B. Sayeed	5
Mr. Abid Sayeed	5
Mr. Abbas Sayeed	4
Dr. Asadullah Sayeed	4
Mrs. Muleika Sayeed	4
Mr. Mohammed Ali Sayeed	3
Mr. Aamir Amin/Bashir Ahmed	2



PAKISTAN PAPER PRODUCTS LIMITED

Statement of Business Ethics & Practices

The Board has adopted the statement of Business Ethics and Practices. All employees are informed of this statement.

Material Changes

There have been no material changes and the company has not entered into any commitment that will affect its financial position.

Code of Business Principles

As a leading Paper converting company, reputation for high ethical standards is central to business success. Code of Business Principles already developed and communicated and acknowledged by each Director and employee of the company.

Future Outlook and Challenges

Through constant BMR and addition to capacity in all areas of production, your company is well poised for the future and ready to take on additional market demand for its products as required. The packaging industry of Pakistan is continuing to grow and expand which is creating more opportunities for Pro Labels which is currently the fastest growing segment of the company. As the opportunity arises, the company is ready to further its investment in this area to deal with any sophisticated challenge or requirement that is given to us from our clients.

The country and the city is passing through one of its darkest moments in the history with total chaos and anarchy. The overall breakdown of law and order coupled with frequent strikes in the country is having an adverse affect on both demand and production. In addition the erosion of the value of the Pak Rs against the US dollar is increasing our cost of production as we are highly dependent on imported raw materials and these continue to become expensive for us. One can only hope and pray that the government starts to take some concrete and earnest measures to deal with the myriad of problems facing the country today.

Audit Committee

Comprises of three members from the Board, including two non-executive directors. The Board of Directors has set out terms of reference for the audit committee. The audit committee reviews the annual and quarterly financial statements, internal audit reports and holds its meeting prior to the Board meetings. The committee manages adequately the system of internal control through internal audit department and review effectiveness of operational and financial control.

Operating and Financial Data

Operating and financial data and key ratios of the company for last six years are annexed.



PAKISTAN PAPER PRODUCTS LIMITED

AUDITORS

The present Auditors M/s Haider Shamsi & Co. offer themselves for reappointment.

Pattern of Shareholding

A statement of the pattern of shareholding of certain class of shareholders as at June 30, 2011 whose disclosure is required under the reporting framework is included in the report. The Directors, CFO, Company Secretary and their spouse and minor children have made no transactions of company's shares during the year.

Acknowledgements

The Directors are grateful to the valued customers for their continued support. They also appreciate the support received from Company's bankers, shareholders and other stakeholders who continue to repose trust in your company.

All the employees of the company have put in a real teamwork and the results are evident. Directors congratulate all the employees for their continued performance.

On behalf of the Board of Directors

HASHIM B. SAYEED

Chairman

ABID SAYEED

Chief Executive

Dated: August 29, 2011
Karachi



PAKISTAN PAPER PRODUCTS LIMITED

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2011

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 (Previously Regulation No. 37) of listing regulation of The Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

- 1) The Company encourages representation of independent non-executive directors. At present the board includes five independent non-executive directors including one director nominated by the N.I.T.
- 2) The directors have confirmed that none of them is serving as a director in more than ten listed companies including this company.
- 3) All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or any NBFIs or, being a member of stock exchange, has been declared as a defaulter by the stock exchange.
- 4) No casual vacancy had occurred in the Board during the period under review.
- 5) The company has prepared a "Statement of Ethics and Business Practices" which has been signed by all the directors and employees of the company.
- 6) The Board has developed a Vision & Mission Statements, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the date on which they were approved or amended has been maintained.
- 7) All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) and other executive directors, have been taken by the Board.
- 8) The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- 9) The Board arranged an orientation course for its directors during the year to apprise them of their duties and responsibilities.
- 10) The Company Secretary was appointed prior to the implementation of Code of Corporate Governance and Head of Internal Audit has been appointed in 2005, However the Chief Financial Officer has been appointed w.e.f. 23-01-2007 his remuneration, terms & conditions of employment have been approved by the Board, as determined by the CEO
- 11) The directors' report for the period ended June 30, 2011 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.



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- 12) The Financial Statements of the company were duly endorsed by the CEO and the CFO before approval of the Board
- 13) The Directors, the CEO and the Executive do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
- 14) The Company has complied with all the corporate and financial reporting requirements of the Code.
- 15) The Board has formed an Audit Committee. It comprises three members, of whom two are non-executive directors including the Chairman of the Audit Committee.
- 16) The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of references of the committee have already been formed and advised to the committee for compliance.
- 17) The Board has set up an effective internal audit function and our head of internal audit is well conversant with the policies and procedures of the company and is involved in the internal audit function on a full time basis.
- 18) The statutory auditors of the company have confirmed that they have been given satisfactory rating under the quality control review program of the Institute of Chartered Accounts of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
- 19) The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 20) The related party transactions have been placed before the audit committee and approved by the Board of Directors with necessary justification for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.
- 21) We confirm that all other material principles contained in the Code have been complied with.

(ABID SAYEED)

Chief Executive



PAKISTAN PAPER PRODUCTS LIMITED

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Pakistan Paper Products Limited to comply with the Listing Regulation No. 35 (Previously Regulation No. 37) of the Karachi Stock Exchange (Guarantee) Limited where the Company is listed.


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

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

Further sub regulation (xiii) of listing regulations 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirements to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2011.

Date: August 29, 2011
Karachi


HAIDER SHAMSI & CO.,
Chartered Accountants
Saiyid Afroz Ahmed



PAKISTAN PAPER PRODUCTS LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **PAKISTAN PAPER PRODUCTS LIMITED** as at **JUNE 30, 2011** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:


- (a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:-
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at **June 30, 2011** and of the profit, its total comprehensive income, cash flows and changes in equity for the year then ended; and



PAKISTAN PAPER PRODUCTS LIMITED

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

Date: August 29, 2011
Place: Karachi


HAIDER SHAMSI & CO.,
Chartered Accountants
Saiyid Afroz Ahmed



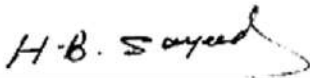
PAKISTAN PAPER PRODUCTS LIMITED

BALANCE SHEET

	<i>Notes</i>	2011 Rupees	2010 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Share Capital			
<i>Authorized</i>			
8,000,000 ordinary shares of Rs. 10 each		<u>80,000,000</u>	<u>80,000,000</u>
Issued, subscribed and paid-up	4	50,000,000	37,500,000
Revenue reserves	5	<u>162,652,646</u>	<u>142,664,624</u>
		212,652,646	180,164,624
Surplus on revaluation of fixed assets	6	148,110,951	149,097,886
Non-current liabilities			
Liabilities against assets subject to finance lease	7	-	-
Deferred liabilities			
Deferred tax	8	16,332,835	7,690,785
Retirement benefit obligation	9	2,659,249	2,372,844
		18,992,084	10,063,629
Long term loan - <i>secured</i>	10	10,300,000	-
Current liabilities			
Current maturities	11	10,219,402	7,650,872
Short term borrowings - <i>secured</i>	12	-	3,503,367
Creditors, accrued and other liabilities	13	40,580,961	30,093,087
		50,800,363	41,247,326
Contingencies and commitments	14	-	-
		<u>440,856,044</u>	<u>380,573,465</u>

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

Dated: August 29, 2011
Karachi


HASHIM BIN SAYEED
Chairman



PAKISTAN PAPER PRODUCTS LIMITED

AS AT JUNE 30, 2011

	<i>Notes</i>	2011 Rupees	2010 Rupees
ASSETS			
Fixed assets			
Property, plant and equipment	15	258,090,924	214,982,845
Capital work in progress	16	2,904,590	9,706,803
Long term deposits	17	220,872	217,272
Current assets			
Stores and spares	18	2,149,959	1,804,308
Stock in trade	19	82,117,510	79,329,441
Trade debts-unsecured but considered good	20	39,730,779	44,686,929
Advances and other receivables	21	22,949,168	20,041,219
Deposits and prepayments	22	2,644,772	3,898,466
Investment - held for trading	23	20,195,698	-
Cash and bank balances	24	9,851,772	5,906,182
		179,639,658	155,666,545
		<hr/> 440,856,044 <hr/>	<hr/> 380,573,465 <hr/>

ABID SAYEED
Chief Executive



PAKISTAN PAPER PRODUCTS LIMITED

PROFIT AND LOSS ACCOUNT


FOR THE YEAR ENDED JUNE 30, 2011

	<i>Notes</i>	2011 Rupees	2010 Rupees
Turnover		433,925,238	362,435,833
Sales tax, discounts and sales return		(51,241,857)	(40,410,043)
Sales	25	382,683,381	322,025,790
Cost of goods sold	26	287,852,512	244,034,659
Gross profit		94,830,869	77,991,131
Other operating income/(loss)	27	593,909	652,759
Operating expenses			
Administrative expenses	28	14,430,219	13,343,450
Selling and distribution	29	8,613,677	6,826,119
Workers' Profit Participation Fund		3,328,259	2,759,468
Workers' Welfare Fund		1,276,616	1,061,653
		27,648,771	23,990,690
Operating profit		67,776,007	54,653,200
Financial charges	30	5,221,802	2,632,203
Net profit before taxation		62,554,205	52,020,997
Taxation	31	21,678,118	15,991,405
Net profit after taxation		40,876,087	36,029,592
Earning per share:			
- Basic	38	8.18	7.21
- Diluted	38	8.18	7.21

Appropriations have been dealt in the statement of changes in equity.
The annexed notes form an integral part of these financial statements.

Date: August 29, 2011
Karachi


HASHIM BIN SAYEED
Chairman


ABID SAYEED
Chief Executive



PAKISTAN PAPER PRODUCTS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2011

	2011	2010
	Rupees	Rupees
Profit for the year	40,876,087	36,029,592
Other comprehensive income	-	-
Total comprehensive income for the year	<u>40,876,087</u>	<u>36,029,592</u>

Date: August 29, 2011
Karachi

HASHIM BIN SAYEED
Chairman

ABID SAYEED
Chief Executive



PAKISTAN PAPER PRODUCTS LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011

	<i>Notes</i>	2011 Rupees	2010 Rupees
Cash flow from operating activities			
Cash generated from operations	32	99,409,610	42,600,039
Income taxes paid		(23,356,560)	(18,477,581)
Gratuity paid		(249,264)	(35,482)
Financial charges paid		(4,078,948)	(1,500,669)
Net cash from operating activities		71,724,838	22,586,307
Cash flow from investing activities			
Acquisition of fixed assets		(44,323,550)	(9,995,022)
Capital work in progress		(2,904,590)	(9,706,803)
Long term deposits		(3,600)	(110,000)
Investment - held for trading		(20,000,000)	-
Disposal of fixed assets		75,520	425,000
Income from financial assets		277,814	391,215
Net cash used in investing activities		(66,878,406)	(18,995,610)
Cash flow from financing activities			
Finance lease		(6,354,740)	(6,328,980)
Long term loan acquired		23,200,000	-
Long term loan repaid		(5,160,000)	-
Dividend paid		(9,082,735)	(7,263,004)
Net cash from financing activities		2,602,525	(13,591,984)
Net increase/(decrease) in cash and cash equivalent		7,448,957	(10,001,287)
Cash and cash equivalents - start of the year		2,402,815	12,404,102
Cash and cash equivalents - end of the year	33	9,851,772	2,402,815

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

HASHIM BIN SAYEED
Chairman

ABID SAYEED
Chief Executive



PAKISTAN PAPER PRODUCTS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2011

	Share Capital	Revenue reserve		Total
		General reserve	Unappropriated profit	
(Rupees)				
Balance as at June 30, 2009	37,500,000	33,900,000	79,667,312	151,067,312
Net profit for the year ended June 30, 2010	-	-	36,029,592	36,029,592
	37,500,000	33,900,000	115,696,904	187,096,904
Appropriation:				
Final dividend for the year ended 30-06-09	-	-	(7,500,000)	(7,500,000)
Incremental depreciation transferred from surplus on revaluation of fixed assets (net of tax)	-	-	567,720	567,720
	-	-	(6,932,280)	(6,932,280)
Balance as at June 30, 2010	37,500,000	33,900,000	108,764,624	180,164,624
Net profit for the year ended June 30, 2011	-	-	40,876,087	40,876,087
	37,500,000	33,900,000	149,640,711	221,040,711
Appropriation:				
Transfer to revenue reserve for the year ended June 30, 2010 appropriated subsequent to the year end	-	60,000,000	(60,000,000)	-
Final dividend for the year ended 30-06-10	-	-	(9,375,000)	(9,375,000)
Issue of bonus shares	12,500,000	-	(12,500,000)	-
Incremental depreciation transferred from surplus on revaluation of fixed assets (net of tax)	-	-	986,935	986,935
	12,500,000	60,000,000	(80,888,065)	(8,388,065)
Balance as at June 30, 2011	50,000,000	93,900,000	68,752,646	212,652,646

H.B. Sayeed

HASHIM BIN SAYEED

Chairman

Abid Sayeed

ABID SAYEED

Chief Executive



PAKISTAN PAPER PRODUCTS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2011

1. The company and its operations

Pakistan Paper Products Limited was incorporated in Pakistan as a private limited company in July 1962. It was converted into public company and listed on the Karachi Stock Exchange in July 1964. The registered office of the company is situated at D-58, SITE, Estate Avenue, Karachi 75700. The main business activity of the Company is the production and sale of sensitized papers, pro-labels and exercise books.

2. Summary of significant accounting policies

The principal accounting policies applied 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.

2.1. Basis of preparation of the financial statements

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2. Basis of measurement

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of fixed assets and recognition and measurement of financial assets and financial liabilities, if any, in accordance with the criteria laid down in IAS - 39 (Financial Instruments: Recognition and measurement).

The preparation of financial statements in conformity with the applicable accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

2.3. Standards, amendments or interpretations which became effective during the year

During the year certain amendments to Standards and new interpretations became



PAKISTAN PAPER PRODUCTS LIMITED

effective however they did not have any material effect on the financial statements of the Company.

2.4. New/revised accounting standards, amendments to published accounting standards and interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards are effective from the dates specified below. Except for the amendment in

IAS 19 which results in immediate recognition of actuarial gains or losses and revised basis of calculation for net finance cost, these changes are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures:

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1: Presentation of Financial Statements) effective for annual periods beginning on or after July 01, 2012.
- Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12) effective for annual periods beginning on or after January 01, 2012.
- IAS 19 Employee Benefits (amended 2011) effective for annual periods on or after January 01, 2013.
- Prepayments of a Minimum Funding Requirement (Amendment to IFRIC 14) effective for annual periods beginning on or after January 01, 2011.
- IAS 24 Related Party Disclosures (revised 2009) effective for annual periods beginning on or after January 01, 2011.
- Disclosures – Transfers of Financial Assets (Amendments to IFRS 7) effective for annual periods beginning on or after July 01, 2011.

2.5. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. It also includes adjustments where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the financial statements because it excludes items of income or expense that are taxable or deductible in other years and it further excludes



PAKISTAN PAPER PRODUCTS LIMITED

items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

2.6. Staff retirement benefits

- a) The company operates an approved Provident Fund (defined contribution) scheme applicable to all employees. Monthly contributions are made by the company and the employees equally in accordance with the fund's rules. The company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payment is available. During the year Rs. 887,658 (2010: Rs. 793,275) has been recognized as an expense.
- b) The company also operates an unfunded defined benefit plan (gratuity scheme) covering all eligible employees which provides for benefits dependent on the length of service of the employee on terminal date, subject to a minimum qualifying period of service. The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out with sufficient regularity that the amounts recognized in the financial statements do not differ materially from the amount that would be determined at the balance sheet date. Actuarial gains and losses that exceed 10 per cent of the present value of the company's defined benefit obligation are amortized over the expected average remaining working lives of the participating employees. Past service cost is recognized immediately to the extent



PAKISTAN PAPER PRODUCTS LIMITED

that the benefits are already vested, and otherwise is amortized on a straight line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost.

2.7. Property, plant and equipment

Item of property, plant and equipment is recognized as asset when it is probable that future economic benefits associated with the asset will flow to the company and its cost to the company can be measured reliably.

An item of property, plant and equipment, which qualifies for recognition as an asset, is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the item. Subsequent to initial recognition items of property, plant and equipment are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using the fair value at the balance sheet date.

Any revaluation increase arising on the revaluation of such fixed assets is credited to Surplus on revaluation of fixed assets account, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of fixed assets is charged as an expense to the extent that it exceeds the balance, if any, held in the surplus on revaluation of fixed assets account relating to same or other assets.

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

Capital work in process is stated at cost, less any recognized impairment loss. Depreciation on these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost or revaluation of assets, other than leasehold land and capital work-in-process, over their estimated useful lives, using the reducing balance method, on the basis of rates specified in Note 15. The depreciation



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for assets acquired or disposed of during the year is charged from the date of acquisition or upto the date of disposal of such assets respectively.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in income.

2.8. Obligation under finance lease

Leases are classified at inception as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the company. At the commencement of the lease term finance leases are recognized as assets and liabilities in the balance sheet at amounts equal to the fair value of the leased assets or, if lower, the present value of minimum lease payments, each determined at the inception of the lease. Any initial direct costs of the lessee are added to the amount recognized as an asset. Minimum lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. The interest element of the finance cost is charged to the income statement over the lease period.

2.9. Sale and lease back transaction

When a sale and lease back transaction results in a finance lease, the transaction is treated as a mean whereby the lessor provides finance to the company, with the asset as security. In such case the excess of sales proceeds over the carrying amount of asset is deferred and amortized over the lease term.

2.10. Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably measured.

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 provision due to passage of time is recognized as interest expense.

2.11. Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the



PAKISTAN PAPER PRODUCTS LIMITED

primary economic environment in the Company operates. The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statements.

2.12. Financial instruments

Financial assets and financial liabilities are recognized on the company's balance sheet when the company becomes a party to the contractual provisions of the instrument. A financial asset is derecognized when the contractual rights to receive cash flows from the financial asset have expired or transferred and the company has transferred substantially all risks and rewards of ownership. A financial liability is removed from the balance sheet when the obligation specified in the contract is discharged or cancelled or expires. Any gain or loss on de-recognition of the financial assets and financial liabilities is taken to income currently.

2.13. Financial assets

The company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Regular purchases and sales of financial assets are recognized on trade-date – the date on which the company commits to purchase or sell the asset. Financial assets, except those carried at fair value through profit or loss, are initially recognized at fair value plus transactions costs. Financial assets carried at fair value through profit and loss are initially recognized at fair value and the transaction costs are expensed in the income statement. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortized cost using the effective interest method.

2.14. Financial liabilities

Financial liabilities are classified according to the substance of the contractual



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agreements entered into. All financial liabilities are initially recognized at fair value plus, in the case of financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the financial liability. After initial recognition financial liabilities at fair value through profit or loss are measured at fair value and all other financial liabilities are measured at amortized cost using the effective interest method.

2.15. Investments

Investments acquired principally for the purpose of generating a profit from short term fluctuation in price or dealer's margin are classified as held for trading. Such investments are initially recognized on a trade-date basis and are initially measured at cost being the fair value of the consideration given excluding income taxes imposed on such transactions. Transactions costs associated with the acquisition of held for trading investments is expensed in the income statement.

After initial recognition, investments held for trade are re-measured at each balance sheet date at fair value excluding the transaction cost that may be incurred on sale or other disposal. Gains and losses arising from changes in fair value of held-for-trading investment are included in net profit or loss for the period.

For investments in quoted marketable securities, fair value is determined with reference to Stock Exchange quoted market prices at the close of business on balance sheet date.

2.16. Stores and spares

These are valued at lower of cost and estimated net realizable value. Cost comprises cost of purchase and other costs incurred in bringing the stores and spares to their present location and condition. Cost signifies the weighted average cost. Average is calculated as each additional shipment is received.

2.17. Stock in trade

Stock in trade is valued at the lower of cost and estimated net realizable value. Cost comprises direct materials and, where applicable, direct labour and those overheads that have been incurred in bringing the inventories to the present location and condition. It excludes borrowing costs. Cost is calculated using the weighted average method. Average is calculated as each additional shipment is received. Net realizable value signifies the estimated selling price in the ordinary course of business less cost of completion and cost necessary to be incurred in order to make the sale.



2.18. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is recognized as follows:

Sale of goods

Revenue from sale of goods is recognized upon passing of title to the customers, which generally coincides with physical delivery.

Interest income

Interest income is recognized on a time-proportionate basis using the effective interest method.

2.19. Impairment of non-financial assets

At each balance sheet date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the greater of net selling price and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Whenever an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.20. Dividend distribution

Dividend distribution to the Company's shareholders is recognized in the company's financial statements in the period in which the dividends are paid or approved by the company's shareholders.



3. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1. Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Trade debtors

The company reviews its receivable against provision required there against on an ongoing basis. The provision is made taking into consideration expected recoveries, if any.

Income taxes

In making the estimates for income taxes currently payable by the company the management considers the current income tax law and the decisions of appellate authorities on certain issues in the past.

Employee benefits

The present value of the employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for benefit include discount rate. Any change in these assumptions will impact the carrying amount of employee benefit obligation.

Impairment of assets

In accordance with the accounting policy, the management carries out an annual assessment to ascertain whether any of the company's assets are impaired. This assessment may change due to technological developments.

Depreciable amount and useful lives of fixed assets

In accordance with the accounting policy, the management carries out an annual assessment of depreciable amount and useful lives of fixed assets. The company seeks advice from the technical department in this regard.

3.2. Critical judgments in applying the company's accounting policies

Management believes that business transactions are simple in nature and there is no area where application of accounting policies could involve higher degree of judgment or complexity.



PAKISTAN PAPER PRODUCTS LIMITED

	2011	2010
	Rupees	Rupees
04. Issued, subscribed and paid-up		
578,000 Ordinary shares of Rs. 10/- each fully paid in cash	5,780,000	5,780,000
172,000 Ordinary shares of Rs. 10/- each issued for consideration (property) other than cash	1,720,000	1,720,000
4,250,000 (2010: 3,000,000) Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	42,500,000	30,000,000
5,000,000	50,000,000	37,500,000

During the year 1,250,000 (2010: Nil) ordinary shares of Rs. 10/- each were issued by the company as fully paid bonus shares. The company has one class of ordinary shares which carry no right to fixed income.

As at year end 566,892 (2010: 425,014) ordinary shares of the company were held by the associated undertaking M/s Management & Enterprises (Private) Limited.

	2011	2010
	Rupees	Rupees
05. Revenue reserves		
<i>General reserve:</i>		
Opening balance	33,900,000	33,900,000
Transfer to revenue reserves	60,000,000	-
Utilized for issuance of bonus shares	-	-
	93,900,000	33,900,000
Un-appropriated profit	68,752,646	108,764,624
	162,652,646	142,664,624
06. Surplus on revaluation of fixed assets		
Surplus on revaluation of leasehold land	142,617,362	142,617,362
Surplus on revaluation of items other than leasehold land	5,493,589	6,480,524
	148,110,951	149,097,886

Building on leasehold land and plant and machinery were revalued by J. B. Stevenson, ACII in June 1964 resulting an increase over book value of Rs. 99,690 and 216,900 respectively. The whole amount of surplus of Rs. 316,590 was transferred to accumulated profit on account of incremental depreciation charged on these assets in accordance with section 235 of the Companies Ordinance 1984.

On June 30, 2005 the items of property, plant and equipments were revalued by M/s Iqbal A. Nanji & Co., Valuation Consultants (independent valuer). The revaluation resulted in an increase over book value of Rs. 159,583,684 which has been taken to surplus on revaluation account. Revaluation of some other assets resulted in decrease of book value of Rs. 1,191,435. In accordance with section 235(2) the surplus on revaluation has been applied to set off the deficit arising from revaluation of other assets. The incremental depreciation charged on these assets has been transferred to accumulated profit in accordance with section 235 of the Companies Ordinance 1984. The balance in the surplus on revaluation of fixed assets account is not available for distribution amongst the shareholders neither as dividend nor as bonus under section 235 of the Companies Ordinance, 1984. Movement in the account of surplus on revaluation of fixed assets is as follows:



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	Surplus on revaluation of	
	Leasehold land	Items other than leasehold land
	Rupees	
Surplus on June 30, 2009	142,617,362	7,048,244
Incremental depreciation (net of deferred tax) transferred to accumulated profit	-	(567,720)
Surplus on June 30, 2010	142,617,362	6,480,524
Incremental depreciation (net of deferred tax) transferred to accumulated profit	-	(986,935)
Surplus on June 30, 2011	142,617,362	5,493,589
	2011	2010
	Rupees	Rupees
07. Liabilities against assets subject to finance lease		
Opening balance	7,650,872	12,807,902
Payments	5,171,470	5,157,030
	2,479,402	7,650,872
Transferred to current maturity	10 2,479,402	7,650,872
	-	-
<p>Lease rentals are payable in quarterly installments under the lease agreements. Overdue rental payments are subject to an additional charge of 3% per month. Taxes, repairs, replacement and insurance cost are to be borne by the company (lessee). Financing rates of approximately 10% per annum have been used as discounting factor. Purchase option can be exercised by the lessee, paying 10% of the assets amount. These are secured by demand promissory notes and security deposits.</p>		
	2011	2010
	Rupees	Rupees
08. Deferred taxation		
These comprise of temporary differences due to:		
Accelerated depreciation	14,153,023	5,031,768
Revaluation of fixed assets	3,110,549	3,489,512
Employees retirement benefits	(930,737)	(830,495)
	16,332,835	7,690,785
09. Provision for gratuity		
Opening balance	2,372,844	2,016,388
Expense recognized	535,669	391,938
	2,908,513	2,408,326
Payments during the year	249,264	35,482
	2,659,249	2,372,844

The company operates an unfunded defined benefit plan for its qualifying employees. Under the plan, the employees are entitled to gratuity equal to 50% of final salary for each year of completed service subject to a minimum qualifying service.



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The most recent actuarial valuations were carried out by M/s Nauman Associates, Consulting Actuaries on July 05, 2011 of the present value of the defined benefit obligation at June 30, 2011. The present value of the defined benefit obligation and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	2011	2010
Discount rate per annum	14%	12%
Expected rate of eligible salary increase in future years per annum	13%	11%
Average expected remaining working life time in years of employees	12	12

Changes in the present value of the defined benefit obligation are as follows:

	2011 Rupees	2010 Rupees
Present value of defined benefit obligations - start of the year	2,273,565	1,686,813
Interest cost for the year	272,828	202,418
Current service cost for the year	252,168	201,896
Benefits paid during the year	(249,264)	(35,482)
Actuarial loss on present value of defined benefit plan	90,157	217,920
Present value of defined benefit obligations - end of the year	<u>2,639,454</u>	<u>2,273,565</u>

Changes in the actuarial gains/(losses) are as follows:

Unrecognized actuarial gains as on June 30	99,279	329,575
Actuarial losses arising during the year	(90,157)	(217,920)
Actuarial (gains)/losses charged to P & L during the year	<u>10,673</u>	<u>(12,376)</u>
	<u>19,795</u>	<u>99,279</u>

The amounts recognized in the balance sheet in respect of the company's defined retirement benefit plan is as follows:

	2011 Rupees	2010 Rupees
Present value of defined benefit obligation as on June 30	2,639,454	2,273,565
Plus Actuarial gains/Less Actuarial losses to be recognized in later period	<u>19,795</u>	<u>99,279</u>
	<u>2,659,249</u>	<u>2,372,844</u>

The amounts recognized in the profit and loss account in respect of the company's defined retirement benefit plan is as follows:

	2011 Rupees	2010 Rupees
Current service cost	252,168	201,896
Interest cost	272,828	202,418
Actuarial (gains)/losses	<u>10,673</u>	<u>(12,376)</u>
	<u>535,669</u>	<u>391,938</u>



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The charge of Rs. 374,968 (2010: Rs. 274,357) is included in cost of sales in the income statement, Rs. 160,701 (2010: Rs. 117,581) is included in administrative expenses and Rs. Nil (2010: Rs. Nil) is included in distribution and selling expenses.

Comparison for five years:

Year	PVDBO	(Gain) / Loss on PVDBO	Transitional Liability	Total
2011	2,639,454	90,157	-	2,729,611
2010	2,273,565	217,920	-	2,491,485
2009	1,378,269	55,718	-	1,433,987
2008	1,167,944	137,142	55,040	1,360,126
2007	1,562,636	(616,371)	110,080	1,056,345
			2011	2010
			Rupees	Rupees

10. Long term loans - secured

Bank Al Habib Limited - Term finance

Opening balance at start of the year	-	-
Acquired during the year	23,200,000	-
	<u>23,200,000</u>	<u>-</u>
Repayment during the year	(5,160,000)	-
	<u>18,040,000</u>	<u>-</u>
Less: Current portion shown under current maturity	(7,740,000)	-
	<u>10,300,000</u>	<u>-</u>

The company had obtained term finance facility to the extent of Rs. 23.20 million from Bank Al Habib Limited for acquiring machinery. The facility is secured by way of hypothecation charge over acquired imported machinery for Rs. 25.80 million. The facility was further secured by personal guarantee of two of the directors. The facility carries mark-up rate of KIBOR plus 2.5%.

		2011	2010
		Rupees	Rupees
11. Current maturities			
Current portion - finance lease	11.1	2,479,402	7,650,872
Current portion - long term loan		<u>7,740,000</u>	<u>-</u>
		<u>10,219,402</u>	<u>7,650,872</u>

11.1 Subsequent to balance sheet date, the company exercised the purchase option against the security deposit (see Note 22)



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	2011 Rupees	2010 Rupees
12. Short term borrowings - secured		
Bank Al-Habib Limited - running finance	-	3,503,367

The company enjoys short term finance facilities from Bank Al Habib Limited comprising running finance up to Rs. 40.00 (2010: 40.00) million, Letter of Credit (Sight-Foreign) for Rs. 10.0 million (2010: 10.0 million), Letter of Credit (Usance-Foreign) for Rs. 10.0 million (2010: 10.0 million), Acceptance - Sublimit of LC sight foreign for Rs. 10.0 million at Nil margin and Letter of Guarantee for Rs. 5 (2010: 5) million at 10% cash margin. The finance is secured against registered hypothecation charge over moveables of the company each for Rs. 30.0 million, registered hypothecation charge over movables and receivables of the company for Rs. 30.0 million, import documents consign to Bank Al Habib Limited, accepted draft, counter guarantee and equitable mortgage over industrial property bearing No. D-58, SITE, Karachi for Rs. 50.0 million. The running finance facility carries markup of 3 months KIBOR plus 2% while other facility carries markup as per bank's schedule of charges. As at June 30, 2011 the running finance facility was available to the company but unavailed. The balance under this account as at June 30, 2011 was debit Rs. 476,540 which was shown under cash and bank balances.

	2011 Rupees	2010 Rupees
13. Creditors, accrued and other liabilities		
Trade creditors	22,887,072	18,072,465
Debtors credit balances	5,284,785	2,718,703
Accrued expenses	5,311,158	3,362,909
Due to associated concern	45,750	-
Workers' Profit Participation Fund 13.1	3,334,259	2,777,468
Workers Welfare Fund	1,276,616	1,012,486
Unclaimed dividend	2,441,321	2,149,056
	40,580,961	30,093,087
13.1 Workers' Profit Participation Fund		
Balance at the beginning of the year	2,777,468	2,494,270
Amount paid to the Fund Trustees	2,124,280	1,940,660
Amount deposited with government	647,188	535,610
	2,771,468	2,476,270
Allocation for the year	6,000	18,000
	3,328,259	2,759,468
	3,334,259	2,777,468

14. Contingencies and commitments

Contingencies

In respect of performance guarantees in favor of customers issued by Habib Bank Limited, SITE Branch on behalf of the company aggregating to Rs. 4.08 million (2010: Rs. 1.80 million).

Commitments

In respect of letter of credit for import of raw material Rs. 29.70 million (2010: Rs. 3.29 million) and in respect of acceptance to the extent of Rs. 15.50 million (2010: Nil).



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15. Property, plant and equipment

PARTICULARS	COST/REVALUATION						DEPRECIATION						
	As at 1-7-2010	Additions	*Transfers' (disposal)	As at 30-6-2011	Comparing		Rate %	As at 1-7-2010	For the year	*Transfers' (disposal)	As at 30-6-2011	W. D. V. as at 30-06-2011	W. D. V. as at 30-06-11 if no revaluation carried out
					At cost	At valuation 2011							
Owned assets													
Leasehold land	144,000,000	-	-	144,000,000	-	144,000,000	-	-	-	-	144,000,000	191,203	
Building on leasehold land													
- Factory	7,174,764	20,147,785	-	27,322,549	20,353,945	6,968,604	10	2,784,156	1,195,292	-	3,979,448	23,343,101	20,449,253
- Office	1,019,273	-	-	1,019,273	-	1,019,273	5	230,579	39,435	-	270,014	749,259	1,273,306
Plant and machinery	60,271,674	30,571,859	-	90,843,533	58,534,146	32,309,387	10	18,540,099	6,362,576	-	24,902,675	65,940,858	61,610,245
Furniture and fixture	302,161	219,650	-	521,811	344,361	177,450	10	110,301	25,630	-	135,931	385,880	420,647
Factory and other equipments	1,267,780	1,630,134	(99,382)	2,798,532	2,385,934	412,598	10	407,194	144,059	(36,771)	514,482	2,284,050	2,485,994
Electric equipments and fittings	725,076	157,900	(55,500)	827,476	751,676	75,800	15	331,431	71,905	(38,830)	364,506	462,970	475,889
Computers	533,290	104,750	(91,084)	546,956	544,177	2,779	30	309,690	82,860	(77,669)	314,881	232,075	169,463
Vehicles	9,939,459	1,198,275	(45,000)	11,092,734	9,942,984	1,149,750	20	4,324,154	1,216,247	(33,123)	5,508,278	5,584,456	4,271,557
Sub-total	225,233,477	54,030,353	(290,966)	278,972,864	92,857,223	186,115,641		27,037,604	9,138,004	(185,393)	35,990,215	242,982,649	91,347,557
Leased assets													
Plant and machinery	25,000,000	-	-	25,000,000	25,000,000	-	10	8,213,028	1,678,697	-	9,891,725	15,108,275	15,108,275
Sub-total	25,000,000	-	-	25,000,000	25,000,000	-		8,213,028	1,678,697	-	9,891,725	15,108,275	15,108,275
Total 2011	250,233,477	54,030,353	(290,966)	303,972,864	117,857,223	186,115,641		35,250,632	10,816,701	(185,393)	45,881,940	258,090,924	106,455,832

----- Rupees -----



PAKISTAN PAPER PRODUCTS LIMITED

PARTICULARS	COST/REVALUATION						DEPRECIATION						
	As at 1-7-2009	Additions	*Transfers/ (disposal)	As at 30-6-2010	Comprising		Rate %	As at 1-7-2009	For the year	*Transfers/ (disposal)	As at 30-6-2010	W. D. V. as at 30-06-2010	W. D. V. as at 30-06-10 if no revaluation carried out
					At cost	At valuation 2010							
Owned assets													
Leasehold land	144,000,000	-	-	144,000,000	-	-	-	-	-	-	-	144,000,000	191,203
Building on leasehold land													
- Factory	7,174,764	-	-	7,174,764	206,160	6,968,604	10	2,296,311	487,845	-	2,784,156	4,390,608	1,175,221
- Office	1,019,273	-	-	1,019,273	-	1,019,273	5	189,059	41,510	-	230,579	788,694	1,340,322
Plant and machinery	52,866,750	7,408,924	-	60,271,674	27,962,287	32,309,387	10	14,244,402	4,295,697	-	18,540,099	41,731,575	36,919,782
Furniture and fixture	302,161	-	-	302,161	124,711	177,450	10	88,983	21,318	-	110,301	191,860	230,490
Factory and other equipments	1,247,780	20,000	-	1,267,780	755,800	511,980	10	311,878	95,316	-	407,194	860,586	1,077,476
Electric equipments and fittings	725,076	-	-	725,076	593,776	131,300	15	261,964	69,467	-	331,431	393,645	417,593
Computers	455,957	77,333	-	533,290	439,427	93,863	30	241,257	68,433	-	309,690	223,600	139,901
Vehicles	8,246,944	2,492,765	(800,250)	9,939,459	8,789,709	1,149,750	20	3,778,959	1,039,071	(493,876)	4,324,154	5,615,305	3,977,400
Laboratory apparatus	-	-	-	-	-	-	15	-	-	-	-	-	-
Sub-total	216,038,705	9,995,022	(800,250)	225,233,477	38,871,870	186,361,607		21,412,823	6,118,657	(493,876)	27,037,604	198,195,873	45,469,588
Leased assets													
Plant and machinery	25,000,000	-	-	25,000,000	25,000,000	-	10	6,347,809	1,865,219	-	8,213,028	16,786,972	16,786,972
Sub-total	25,000,000	-	-	25,000,000	25,000,000	-		6,347,809	1,865,219	-	8,213,028	16,786,972	16,786,972
Total 2010	241,038,705	9,995,022	(800,250)	250,233,477	63,871,870	186,361,607		27,760,632	7,983,876	(493,876)	35,250,632	214,982,845	62,256,560

151 Depreciation charge for the year has been allocated as follows:

Manufacturing
 Administration
 Selling and distribution

	2011	2010
----- Rupees -----		
10,110,373	7,782,440	
375,147	96,895	
331,181	104,541	
<u>10,816,701</u>	<u>7,983,876</u>	



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Revaluation of fixed assets

During June 1964, company's properties comprising building on leasehold land and plant and machinery were revalued by M/s J. B. Stevenson, ACII (an independent valuer). These revaluations had resulted in surplus of Rs. 99,690 and 216,900 which was included in the book value of building on leasehold land and plant and machinery respectively and credited to a surplus on revaluation account. Consequent upon change in section 235 of the Companies Ordinance, 1984 the whole amount of surplus on revaluation of Rs. 316,590 was transferred by the company during the year 2003 to the accumulated profit on account of incremental depreciation.

As on June 30, 2005, company's property, plant and equipments have been revalued on market value basis assuming the continued use of the same. The revaluation has been carried out by M/s. Iqbal A. Nanji & Co., Valuation Consultants (an independent valuer). These revaluation has resulted in a surplus of Rs. 159,702,623 and deficit of Rs. 1,191,435. The whole amount of surplus has been included in the book value of related items of property, plant and equipments and credited (net of deferred tax) to a surplus on revaluation of fixed assets account. Part of surplus has been applied to set off the revaluation deficit of other assets in accordance with section 235(2) of the Companies Ordinance, 1984.

15.3 The following fixed assets were disposed of during the year:

	Cost	Accumulated	Book	Sale	Particulars of Buyer
	Rupees	Depreciation	Value	Proceeds	
	Rupees	Rupees	Rupees	Rupees	
Vehicle	45,000	32,123	12,877	29,000	Mr. Shahid Pervaiz
By negotiation					
Factory equipment	99,382	36,771	62,611	31,592	Mr. Akbar
By negotiation					
Computers	91,084	77,669	13,415	6,520	Mr. Shoukat
By negotiation					
Electric equipments	55,500	38,830	16,670	8,408	Mr. Akbar
By negotiation					
Total 2011	290,966	185,393	105,573	75,520	
Total 2010	800,250	493,876	306,374	425,000	

		2011	2010
		Rupees	Rupees
16. Capital work in progress			
Civil works		2,904,590	9,706,803
Represents work in progress relating to construction of Chief Executive Officer's office building by the company.			
17. Long term deposits			
Long term deposits against leases	17.1	-	-
Deposit with CDC		12,500	12,500
Shell Pakistan Limited		110,000	110,000
Utility deposits		98,372	94,772
		220,872	217,272
17.1 Long term deposits against leases			
Opening balance		2,479,402	2,479,402
Current portion	22	(2,479,402)	(2,479,402)
		-	-



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		2011 Rupees	2010 Rupees
18. Stores and spares			
Stores		2,149,959	1,804,308
		<u>2,149,959</u>	<u>1,804,308</u>
19 Stock in trade			
Raw materials		51,592,728	49,664,837
Stock in transit		-	2,622,674
Work in process		13,036,783	10,053,248
Finished product		17,487,999	16,988,682
		<u>82,117,510</u>	<u>79,329,441</u>
20. Trade debts-unsecured but considered good			
Due from customers		39,722,371	44,680,417
Due from associated concerns - Sayeed International		6,700	6,512
Due from staff		1,708	-
		<u>39,730,779</u>	<u>44,686,929</u>
21. Advances and other receivables -considered good			
Advances to suppliers		1,779,651	1,174,593
Advance against letter of credit		1,515,711	-
Advance against expenses		-	17,741
Advance to staff		27,482	136,342
Advance income tax (net of tax liability)		12,578,222	2,257,730
Sales tax refundable		6,531,538	15,738,014
Excise duty refundable		516,564	716,799
		<u>22,949,168</u>	<u>20,041,219</u>
22. Deposits and prepayments			
Current portion of lease deposit	17.1	2,479,402	2,479,402
Other deposit		94,836	923,470
Prepayments		70,534	495,594
		<u>2,644,772</u>	<u>3,898,466</u>
23. Investment - held for trading			
<i>ABL - Cash Fund</i>		<u>20,195,698</u>	<u>-</u>

Represents amount invested by the company in ABL Cash Fund which is an open-end, money market fund managed by the ABL Asset Management Company Limited. The company has acquired 1,960,265.4191 units at a cost of Rs. 20 million. The Fund has awarded 55,514.7167 units as Bonus to the company making the total holdings as at June 30, 2011 to 2,015,780.1358 units. These are stated at a value of the units as at June 30, 2011 announced by the Fund Management on the basis of their NAV.



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	2011 Rupees	2010 Rupees
24. Cash and bank balances		
Cash at banks (in current accounts)	2,358,220	1,281,194
Cash at banks (in deposit accounts)	7,368,552	4,497,988
Factory imprest	75,000	75,000
Cash in hand	50,000	52,000
	<u>9,851,772</u>	<u>5,906,182</u>
25. Sales		
Exercise books	163,870,240	136,498,328
Ammonia paper	16,959,028	14,828,602
Prolables	189,300,982	161,936,475
Plain paper	10,580,125	6,708,856
Printing charges	2,998	4,230
Sensitized Machine Parts	976,773	638,280
Waste paper	993,235	1,411,019
	<u>382,683,381</u>	<u>322,025,790</u>
The sales are net of sales tax Rs. 51,241,857 (2010: Rs. 40,410,043).		
26. Cost of sales		
Raw material consumed		
Opening stock	49,664,837	43,729,427
Purchases	239,008,809	209,124,967
Closing stock	(51,592,728)	(49,664,837)
	<u>237,080,918</u>	<u>203,189,557</u>
Salaries, wages and other benefits	26,794,439	23,556,749
Fuel and power	3,349,571	2,704,553
Spares and stores consumed	8,250,661	7,202,111
Insurance	532,872	499,435
Repairs and maintenance	2,346,739	1,811,502
Rent, rates and taxes	158,534	145,901
Telephone and trunk calls	187,886	254,740
Other manufacturing expenses	2,523,371	2,330,066
Depreciation	10,110,373	7,782,440
Cost of production	<u>291,335,364</u>	<u>249,477,054</u>
Work in process - opening	10,053,248	8,948,876
Work in process - closing	(13,036,783)	(10,053,248)
	<u>(2,983,535)</u>	<u>(1,104,372)</u>
Cost of goods manufactured	<u>288,351,829</u>	<u>248,372,682</u>
Finished goods - opening	16,988,682	12,650,659
Finished goods - closing	(17,487,999)	(16,988,682)
	<u>(499,317)</u>	<u>(4,338,023)</u>
	<u>287,852,512</u>	<u>244,034,659</u>



PAKISTAN PAPER PRODUCTS LIMITED

		2011 Rupees	2010 Rupees
26.1 Stores and spares consumed			
Opening balance		1,804,308	1,012,809
Purchases		8,596,312	7,993,610
Closing balance		(2,149,959)	(1,804,308)
		<u>8,250,661</u>	<u>7,202,111</u>
27. Other income/(loss)			
Interest on deposit account		277,814	391,215
Gain / (Loss) on disposal of assets	27.1	(30,053)	118,626
Appreciation in value of investment		195,698	-
Other income		150,450	142,918
		<u>593,909</u>	<u>652,759</u>
27.1 Gain/(Loss) on disposal of assets			
Sale proceed		75,520	425,000
Revalued amount of assets		290,966	800,250
Less: Accumulated depreciation		185,393	493,876
Net book value		105,573	306,374
Gain/(loss) on disposal		<u>(30,053)</u>	<u>118,626</u>
28. Administrative expenses			
Directors' fees		34,000	32,000
Directors' remuneration		4,103,611	4,006,836
Staff salaries and benefits		5,595,222	4,922,999
Rent, rates and taxes		426,242	409,242
Insurance		445,853	156,107
Traveling and conveyance		455,003	940,202
Postage and telegrams		72,310	54,497
Telephone		192,480	231,337
Electric charges		249,796	269,814
Stationery and periodicals		142,782	144,170
Repairs and renewals		797,417	666,636
Legal and professional fees		342,120	366,220
Auditors' remuneration	28.1	275,000	250,000
General		521,440	392,287
Charity and donation	28.2	401,796	404,208
Depreciation		375,147	96,895
		<u>14,430,219</u>	<u>13,343,450</u>



PAKISTAN PAPER PRODUCTS LIMITED

	2011 Rupees	2010 Rupees
28.1 Auditors' remuneration		
Audit fee	265,000	240,000
Provident fund audit fee	5,000	5,000
Workers' Profit Participation Fund audit fee	5,000	5,000
	<u>275,000</u>	<u>250,000</u>
28.2 Charity and donation		
The Citizen Foundation	100,000	100,000
Anjuman Behbood-E-Samat-E-Atfal (ABSA School and College for Deaf)	250,000	300,000
SITE Association Flood Relief Fund	51,796	-
Others	-	4,208
	<u>401,796</u>	<u>404,208</u>

Mrs. Muleika Sayeed, one of the director of the company is interested in Anjman Behbood-E-Samat-E-Atfal, 26-C, DHA Phase-II Ext, Karachi being its Honorary Treasurer. Except this none of the directors or his spouse is interested in the funds of donees.

	2011 Rupees	2010 Rupees
29. Selling and distribution expenses		
Staff salaries and benefits	3,493,685	3,272,208
Advertisement and publicity	69,500	28,000
Cartage and forwarding	1,461,121	1,045,984
Vehicle expenses	1,573,775	1,394,565
Tender fees	5,868	4,308
Sales promotion	1,010,025	621,319
Insurance	168,992	136,838
Depreciation	331,181	104,541
Others	499,530	218,356
	<u>8,613,677</u>	<u>6,826,119</u>
30. Financial expenses		
Mark-up on short term running finance	1,330,033	1,342,665
Mark-up on long term loan	2,519,079	-
Bank and other charges	189,420	117,588
Interest on finance lease	1,183,270	1,171,950
	<u>5,221,802</u>	<u>2,632,203</u>
31. Taxation		
Current year	12,985,427	16,727,570
Prior year	50,641	(50,806)
Deferred	8,642,050	(685,359)
	<u>21,678,118</u>	<u>15,991,405</u>



PAKISTAN PAPER PRODUCTS LIMITED

	2011 Rupees	2010 Rupees
31.1 Aggregate current and deferred tax relating to items charged or credited to equity		
Deferred tax relating to revaluation of fixed assets	-	-
<p>In addition, deferred tax of Rs. 378,963 (2010: 305,696) was transferred from retained earnings to revaluation surplus. This relates to the difference between the depreciation on the revalued fixed assets and equivalent depreciation based on the cost of the assets revalued.</p>		
31.2 Tax charge reconciliation	2011	2010
	%	%
Applicable tax rate as per Income Tax Laws	35.000%	35.000%
Effect of surcharge @ 15%	0.882%	0.000%
Tax effect of expenses that are not deductible for tax purpose	2.247%	0.788%
Tax effect of items that are deductible for tax purpose	-3.556%	-4.950%
Effect of change in prior years' tax	0.081%	-0.098%
	34.654%	30.740%
32. Cash generated from operation	2011	2010
	Rupees	Rupees
Profit before taxation	62,554,205	52,020,997
Adjustment for non cash items and other adjustments:		
Depreciation	10,816,701	7,983,876
Gratuity provision	535,669	391,938
Appreciation of investment - held for trading	(195,698)	-
Provision for bad debts	-	-
Income from financial assets	(277,814)	(391,215)
Financial expenses	5,221,802	2,632,203
(Gain)/loss on disposal of assets	30,053	(118,626)
	16,130,713	10,498,176
(Increase)/decrease in current assets		
Stores and spares	(345,651)	(791,499)
Stock in trade	(2,788,069)	(14,000,479)
Trade debts	4,956,150	(1,071,982)
Advances and other receivables	7,412,543	(4,639,175)
Deposits and prepayments	1,253,694	(811,528)
	10,488,667	(21,314,663)
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities	10,236,025	1,395,529
	99,409,610	42,600,039
33. Cash and cash equivalent		
Cash and bank balance	9,851,772	5,906,182
Short term borrowings - secured	-	(3,503,367)
	9,851,772	2,402,815



PAKISTAN PAPER PRODUCTS LIMITED

34. Remuneration of Chief Executive and Director

	2011			2010		
	Chairman Rs.	Chief Executive Rs.	Directors Rs.	Chairman Rs.	Chief Executive Rs.	Directors Rs.
Fees	-	-	34,000	-	-	26,000
Number of persons	1	1	5	1	1	5
Managerial remuneration and allowances	620,688	1,500,000	-	620,688	1,500,000	-
Provident fund	-	125,000	-	-	125,000	-
Medical expenses	9,094	26,200	-	21,236	61,555	-
House rent	279,312	675,000	-	279,312	675,000	-
Reimbursable expenses	134,185	467,093	-	157,622	401,396	-
	<u>1,043,279</u>	<u>2,793,293</u>	<u>-</u>	<u>1,078,858</u>	<u>2,762,951</u>	<u>-</u>
Number of persons	1	1	-	1	1	-

Chairman and Chief Executive of the company are provided with company maintained car.

The company has borne the telephone and utility charges of the Chairman's and Chief Executive's residence.

Remuneration of Chief Executive does not include amounts paid or provided for, if any, by associated undertakings.

35. Transactions with associated undertakings

The related parties and associated undertakings comprise local associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings, other than remuneration and benefits to key management personnel under the term of their employment are as follows:

	2011 Rupees	2010 Rupees
Sales	56,151	81,645
Purchases	143,350	77,440
Rent paid	143,000	132,000

The company continues to have a policy whereby all transactions with related parties and associated undertakings are entered into at arm's length determined in accordance with comparable uncontrolled price method.

36. Financial instruments

The company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.



PAKISTAN PAPER PRODUCTS LIMITED

36.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted and arise principally from long term deposits, trade receivables and security deposits. Out of the total financial assets of Rs. 79.426 million (2010: Rs. 70.668 million), financial assets which are subject to credit risk amount to Rs. 72.448 million (2010: Rs. 54.086 million).

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking in to account the customer's financial position, past experience and other factors. Where considered necessary, advance payments are obtained from certain parties. The management has set a maximum credit period of 30 to 60 days to reduce the credit risk.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

	2011 Rupees	2010 Rupees
Long term deposits	220,872	217,272
Trade debts	39,730,779	44,686,929
Advances, deposits, prepayments and other receivables		
- Security deposits	2,479,402	2,479,402
- Others	94,836	923,470
Investment - held for trade	20,195,698	-
Bank balances	9,726,772	5,779,182
	<u>72,448,359</u>	<u>54,086,255</u>

The ageing of trade receivables at the reporting date is:

Past due	0-30	days	24,228,059	24,830,587
Past due	31 - 60	days	12,503,939	14,890,492
Past due	61 - 90	days	2,162,783	3,843,207
Past due	91 - 120	days	96,131	240,687
Past due 120 days			739,867	881,956
			<u>39,730,779</u>	<u>44,686,929</u>

Based on past experience the management believes that no impairment allowance is necessary in respect of trade receivables past due as some receivables have been recovered subsequent to the year end and for other receivables there are reasonable grounds to believe that the amounts will be recovered in short course of time.

36.2 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. In addition, the Company has obtained running finance facility from a commercial bank to meet any deficit, if required to meet the short term liquidity commitments. The following are the contractual maturities of financial liabilities, including estimated interest payments:



PAKISTAN PAPER PRODUCTS LIMITED

30 June 2011

	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
----- (Rupees) -----						
Financial liabilities						
Long term loan - secured	18,040,000	18,040,000	3,870,000	3,870,000	7,740,000	2,560,000
Trade and other payables	28,198,230	28,198,230	28,198,230	-	-	-
2011	46,238,230	46,238,230	32,068,230	3,870,000	7,740,000	2,560,000

30 June 2010

	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
----- (Rupees) -----						
Financial liabilities						
Liabilities against assets subject to finance lease	7,650,872	8,069,460	4,034,730	4,034,730	-	-
Trade and other payables	21,435,374	21,435,374	21,435,374	-	-	-
Short term borrowings	3,503,367	4,006,382	-	4,006,382	-	-
2010	32,589,613	33,511,216	25,470,104	8,041,112	-	-

36.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holding of financial instruments.

36.3.1 Currency risk

The company is exposed to currency risk on import of raw materials and stores and spares. The company's exposure to foreign currency risk relates to outstanding letter of credits amounting to Rs. 29.70 million (2010: Rs. 1.48 million).

36.3.2 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rate will affect value of financial instruments. The company is not exposed to interest rate risk.

36.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The company is not exposed to any price risk except for the investments - held for trading at the reporting date that are sensitive to price fluctuations.

36.4 Fair value of financial instruments

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction.



PAKISTAN PAPER PRODUCTS LIMITED

37. Capital management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Board of Directors monitors the return on capital employed, which the company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The company's objectives when managing capital are:

- (i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- (ii) to provide adequate return

The company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

Neither there were any changes in the company's approach to capital management during the year nor the company is

	2011 Rupees	2010 Rupees
38. Earning per share		
Net profit after taxation	<u>40,876,087</u>	<u>36,029,592</u>
Number of ordinary shares issued and subscribed at start of the year	3,750,000	3,750,000
Bonus shares issued during the year	<u>1,250,000</u>	-
	5,000,000	3,750,000
Bonus shares issued adjusted retrospectively	-	1,250,000
Weighted average number of ordinary shares	<u>5,000,000</u>	<u>5,000,000</u>
Basic earning per share	<u>8.18</u>	<u>7.21</u>
Diluted earning per share	<u>8.18</u>	<u>7.21</u>

39. Non-adjusting events after the balance sheet date

In the meeting held on August 29, 2011 the Board of Directors of the company recommended a final cash dividend of Rs. 4.00 (2010: Rs. 2.50) per share and bonus shares in the ratio of Nil (2010: 1:3) for the year ended June 30, 2011, amounting to Rs. 20 million and Rs. Nil (2010: Rs. 9.375 M and Rs. 12.50 M) respectively. In addition, the directors have also announced appropriation of Rs. Nil (2010: 60 M) to revenue reserves. These appropriations are subject to approval by the shareholders at the Annual General Meeting. The financial statements for the year ended June 30, 2011 do not include the effect of these appropriations which will be accounted for subsequent to the year end.

40. Capacity and production

	Units	Capacity		Production		Remarks
		2011	2010	2011	2010	
a) Exercise books	Groose	58,632	58,632	45,690	45,122	
b) Sensitized paper	Rolls	216,000	216,000	58,275	55,976	Due to lack of demand.
c) Prolabels	Sq. Meter	1,500,000	1,150,000	2,423,480	2,091,423	Due to extra shift



PAKISTAN PAPER PRODUCTS LIMITED

40.1 The capacity is determined on single shift basis.

41. Date of authorization for issue

These financial statements were authorized for issue on August 29, 2011 by the Board of Directors of the Company.

42. Figures

Figures have been rounded off to the nearest rupee.

HASHIM BIN SAYEED

Chairman

ABID SAYEED

Chief Executive



PAKISTAN PAPER PRODUCTS LIMITED

PATTERN OF HOLDING OF SHARES HELD BY THE SHAREHOLDERS AS ON 30TH JUNE 2011

NO.OF SHARE HOLDERS	SHARE FROM	HOLDING TO	TOTAL SHARE HELD
253	1	100	8,626
221	101	500	59,809
121	501	1000	92,057
151	1001	5000	314,013
21	5001	10000	130,465
6	10001	15000	78,146
4	15001	20000	66,198
2	20001	25000	49,000
2	25001	30000	52,018
1	30001	35000	30,661
1	35001	40000	36,805
1	40001	45000	42,401
4	45001	50000	191,332
1	50001	55000	52,412
1	60001	65000	63,000
1	85001	90000	86,000
1	90001	95000	92,890
1	95001	100000	100,000
1	105001	110000	106,020
1	155001	160000	158,124
1	160001	165000	162,141
1	165001	170000	167,820
1	280001	285000	280,021
1	385001	390000	386,750
1	450001	455000	452,181
1	470001	475000	472,121
1	565001	570000	566,464
1	700001	705000	702,525
803			5,000,000

CLASSIFICATION OF SHARES BY CATEGORIES AS AT 30TH JUNE,2011

CATEGORIES OF SHARE HOLDERS	NUMBER OF SHARE HOLDERS	SHARES HELD	PERCENTAGE OF CAPITAL
INDIVIDUALS	780	3,356,339	67.15%
INVESTMENT COMPANIES	3	593,553	11.87%
INSURANCE COMPANIES	2	267,820	5.35%
FINANCIAL INSTITUTIONS	6	214,583	4.29%
JOINT STOCK COMPANIES	8	73,933	1.47%
MODARBAS	1	1,000	0.02%
MUTUAL FUNDS	1	386,750	7.73%
OTHERS			
CORPORATE LAW AUTHORITY	1	1	NIL
ABANDONED PROPERTY	1	106,021	2.12%
	803	5,000,000	100%



PAKISTAN PAPER PRODUCTS LIMITED

DETAILS OF PATTERN OF SHAREHOLDING AS ON 30-06-2011 (AS PER REQUIREMENT OF CODE OF CORPORATE GOVERNANCE)

Shareholders Category	No. of Shares held	Percentage
<u>Associated Companies</u>		
M/s. Management & Enterprises (Pvt.) Limited	566,892	11.34
<u>NIT & ICP</u>		
National Bank of Pakistan, Trustee Wing (NIT)	592,761	
Investment Corporation of Pakistan	8,572	
	601,333	12.03
<u>Directors, CEO and their spouses and minor children</u>		
Mr. Hashim B. Sayeed	42,401	
Mr. Abid Sayeed	702,525	
Mr. Muhammad Ali Sayeed	7,100	
Mr. Abbas Sayeed	452,181	
Mrs. Muleika Sayeed	162,141	
Dr. Asadullah Sayeed	280,021	
Mrs. Nadia Sayeed W/o Abid Sayeed	25,357	
Mrs. Nusser Abbas Sayeed	92,890	
Mrs. Faiza Haswary W/o Asadullah Sayeed	86,000	
	1,850,616	37.01
<u>Executives</u>		
	NIL	
<u>Individuals</u>		
	1,505,723	30.11
<u>Public Sector Companies and Corporations</u>		
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba and Mutual Funds etc		
	475,436	9.51
Total	5,000,000	100.00
<u>SHAREHOLDERS HOLDING 10% OR MORE</u>		
Mr. Abid Sayeed	702,525	14.05
National Bank of Pakistan, Trustee Wing	592,761	11.86
M/s. Management & Enterprises (Pvt.) Limited	566,892	11.34



PAKISTAN PAPER PRODUCTS LIMITED

FORM OF PROXY

I/We _____
Of _____
Being a member(s) of PAKISTAN PAPER PRODUCTS LIMITED holder of _____
Ordinary Shares as per Share Register Folio/CDC. Account No. _____
hereby appoint _____ Folio/CDC Account No. _____
of _____
or failing whom _____ Folio/CDC Account No. _____
of _____
who is also a member of the Company as my/our proxy to attend and vote for me/us and on
my/our behalf at the 49th ANNUAL GENERAL MEETING of the Company to be held on
Tuesday 11th October 2011 at 11.30 AM and at any adjournment thereof.

Signed this _____ day of _____ 2011

Rs. 5/-
Revenue
Stamp

Witnesses: 1. Signature _____ (Signature should agree with
Name: _____ the specimen signature
Address: _____ registered with the Company)

2. Signature _____ Signature _____
Name: _____
Address: _____

IMPORTANT

1. This form of proxy, duly completed and signed, must be deposited at the Company's Registered Office not later than 48 hours before the meeting.
2. This form should be signed by the Member or by his/her attorney duly authorized in writing. If the member is a Corporation, its common seal should be affixed to the instrument.
3. A Member is entitled to attend and vote at the meeting may appoint any other Member as his/her proxy to attend and vote on his/her behalf except that a corporation may appoint a person who is not a Member.

For CDC Account Holder/Corporate Entities:

In addition to the above following requirements have to be met:

- i) The proxy form shall be witnessed by two persons whose names, addresses and CNIC Numbers shall be mentioned on the form.
- ii) Attested copies of CNIC or Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iii) The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
- iv) In case of corporate entity, the Board of Director's resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.