50th Golden Jubilee

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.

Contents

CORPORATE PROFILE

BOARD OF DIRECTORS

Mohammad Ali Sayeed	-Chairman
Abid Sayeed	-Chief Executive
Abbas Sayeed	
Mrs. Muleika Sayeed	
Dr. Asadullah Sayeed	
Bashir Ahmed	-NIT Nominee

AUDIT COMMITTEE

Abbas Sayeed	-Chairman
Abid Sayeed	-Member
Dr. Asadullah Sayeed	-Member

HR AND REMUNERATION COMMITTEE

Bashir Ahmed	-Chairman
Abbas Sayeed	-Member
Dr. Asadullah Sayeed	-Member

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

NOTICE OF MEETING

Notice is hereby given that the 50th Annual General Meeting of the Shareholders of Pakistan Paper Products Ltd will be held at D/58, Estate Avenue, SITE –Karachi on Monday 22nd October, 2012 at 12.00 noon to transact the following business :-

1. To confirm the Minutes of the last Annual General Meeting held on 11th October, 2011.

2. To receive and adopt the audited accounts of the Company for the year ended on 30th June, 2012 together with the Directors' Report and Auditors' Report thereon.

3. To approve the payment of Bonus in the ratio 5:1 (One Bonus Share for every five shares) as recommended by the Board of Directors.

4. To appoint Auditors for the year 2012-2013 and to fix their remuneration.

5. To transact any other business with the permission of the Chair.

Special Business :

To consider and if thought fit, pass the following resolution for capitalization of profit.

"Resolved that a sum of Rs.10,000,000/- out of the Company's current year profit be capitalized for issuing fully paid up ordinary share to Rs.10/- each to those Shareholders whose names appear in the Register of members on 6th October, 2012 (7th October, 2012 being Sunday) in proportion of one share for every 5 shares held and the Bonus share when issued shall rank Pari Passu in all respect with the existing ordinary shares of the Company.

Further Resolved that aggregate of the fractions of a share arising on such allotment be sold and that net proceeds thereof be distributed prorate to the members according to their entitlement.

Also Resolved that the Chief Executive be and is hereby authorized and empowered to give effect to this resolution and to be done all acts deeds and things that may be necessary for the issue of allotment and distribution of company's shares and the payment of the sale proceed of the fractions".

Statement U/S 160 of the Company's Ordinance 1984.

The Directors have recommended capitalization of the profit for issue of Bonus Share of Rs.10.00 million in proportion 1 Share for every five shares.

By Order of the Board

(M.Z.B.CHUGHTAI)
Company Secretary

Karachi
13th September,2012

NOTES:
1. The Share Transfer Book of the Company will remain closed from 8-10-12 to 22-10-12 (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 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. The members/shareholders having physical shares and have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) to the company to send the same at the earliest to the Shares Officer, Pakistan Paper Products Ltd, D-58, Estate Avenue, SITE-Karachi. The Corporate Entities are requested to provide their National Tax Number (NTN). Please give Folio Number with the copy of CNIC/NTN details. Reference is also made to the Securities and Exchange Commission of Pakistan (SECP) Notification dated August 18, 2011, SRO 779 (I) 2011, which mandates that the dividend warrants should bear CNIC number of the registered member or the authorized person, except in case of minor (s) and corporate members. Please note that Dividend Warrants will not be sent to the registered members or their authorized persons, if their CNIC / NTN are not received prior to dispatch of the Dividend Warrants.

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.

OPERATING HIGHLIGHTS

Rupees in Thousand

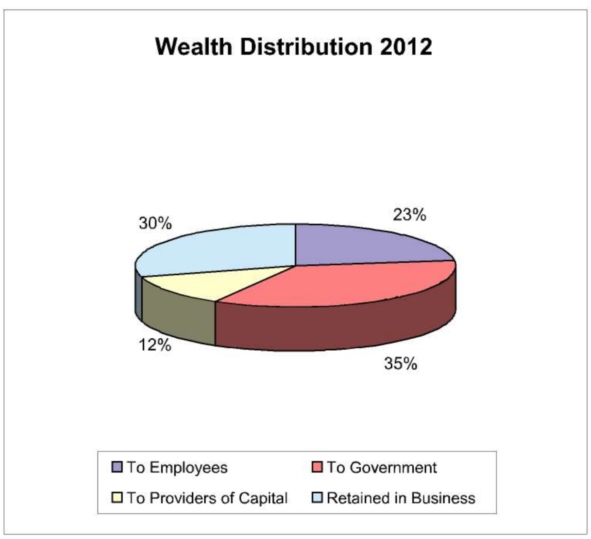
	2012	2011	2010	2009	2008	2007
HISTORICAL TRENDS						
Trading results						
Turnover	483,498	433,925	362,435	342,308	241,725	221,961
Sales - Net	433,308	382,683	322,025	312,028	220,656	195,424
Gross Profit	100,009	94,830	77,991	70,797	58,551	61,323
Profit before tax	64,544	62,554	52,021	46,280	39,439	42,791
Taxation	23,160	21,678	15,991	14,918	13,314	15,055
Profit after tax	41,383	40,876	36,030	31,362	26,125	27,736
Dividend	*					
Cash Dividend	-	40%	25%	20%	40%	70%
Stock Dividend	20%		33.33%	-	50%	-
Cash Dividend Value	-	20,000	9,375	7,500	10,000	17,500
Stock Dividend Value	10,000	-	12,500	-	12,500	-
Dividend Payout	24.16%	48.93%	60.71%	23.91%	86.12%	63.09%
Financial Position						
Total Assets	535,907	440,856	380,573	352,434	351,469	334,930
Paid up Capital	50,000	50,000	37,500	37,500	25,000	25,000
Reserves	184,800	162,652	142,664	113,567	104,050	94,347
Working capital	132,845	128,839	114,419	102,818	87,029	77,544
Current Ratio	2.66	3.54	3.77	4.05	2.75	3.09
KEY INDICATORS						
Operating						
Gross Profit	23.08%	24.78%	24.22%	22.69%	26.53%	31.38%
Profit before tax	14.90%	16.35%	16.15%	14.83%	17.87%	21.90%
Profit after tax	9.55%	10.68%	11.19%	10.05%	11.84%	14.19%
Return on Equity	17.62%	19.22%	20.00%	20.76%	20.24%	23.24%
Return on Assets	7.72%	9.27%	9.47%	8.90%	7.43%	8.28%
Valuation						
Earning per share (pre tax)	12.91	12.51	10.40	12.34	15.78	17.12
Earning per share (post tax)	8.28	8.18	7.21	8.36	10.45	11.09
Breakup value per share	46.96	42.53	48.04	40.28	51.62	47.74
Asset utilisation						
Inventory turnover ratio	3.44	3.57	3.37	3.44	2.40	2.50
Total assets turnover ratio	0.81	0.87	0.85	0.89	0.63	0.58
Production						
Exercise Books (Groose)	53,230	45,690	45,122	54,419	48,439	43,539
Amonia Paper (Rolls 10 yds)	50,026	58,275	55,976	81,131	91,126	109,202
Pro-Labels (Sq. Meter)	2,636,652	2,423,480	2,091,423	1,665,778	1,197,405	1,163,105

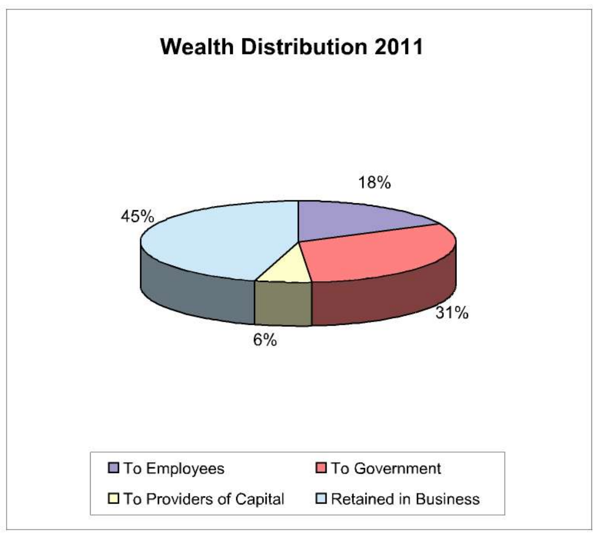
*20% Final Bonus Shares proposed for the year 2012.

Statement of Value Added and its Distribution

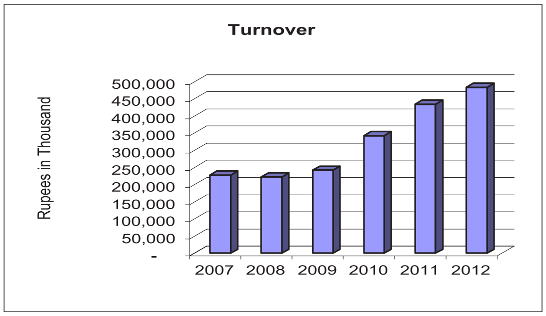
	2012 Rupees in thousand	%	2011 Rupees in thousand	%
Wealth Generated				
Total revenue inclusive of sales tax & other income	**484,443**		434,519	
Bought-in-material & services	**273,142**		192,145	
	211,301	**100.00%**	242,375	100.00%
Wealth Distributed				
To Employees				
Salaries, wages, benefits & related cost	**48,666**	**23.03%**	43,315	17.87%
To Government				
Income tax, sales tax & workers' fund	**74,641**	**35.32%**	74,197	30.61%
To Providers of Capital				
Dividend to share holders	**20,000**	**9.47%**	9,375	3.87%
Markup on borrowed funds	**5,507**	**2.61%**	5,222	2.15%
Retained in Business				
Depreciation & retained profit	**62,487**	**29.57%**	110,266	45.49%
	211,301	**100.00%**	242,375	100.00%

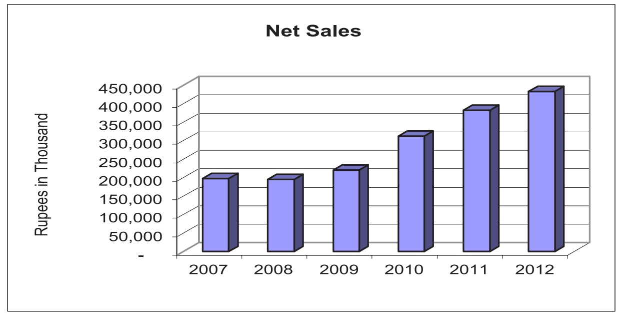
*** Final Dividend of Year 2011 reflected in Year 2012 as subsequent event.**

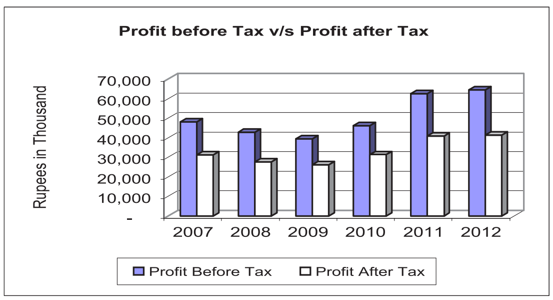


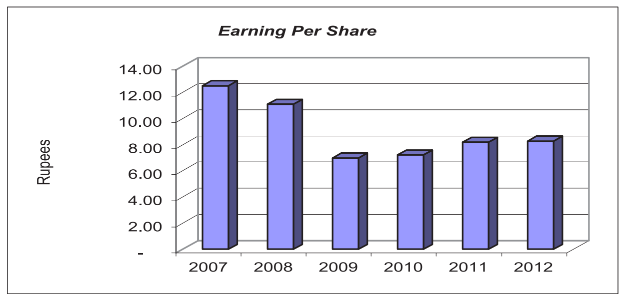


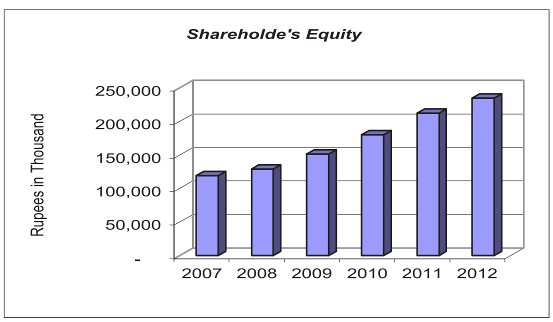
GRAPHIC ILLUSTRATION

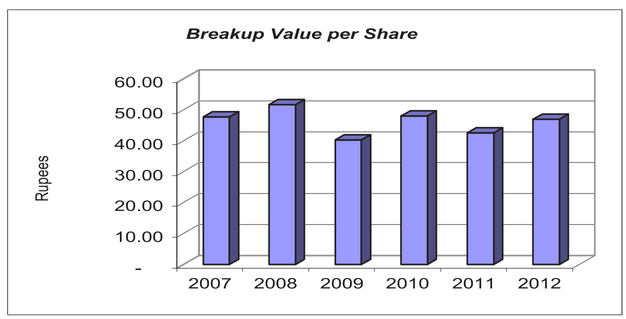


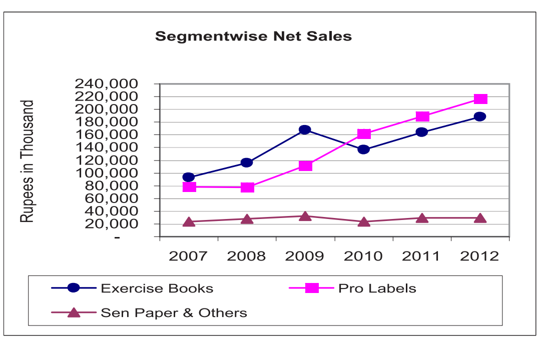


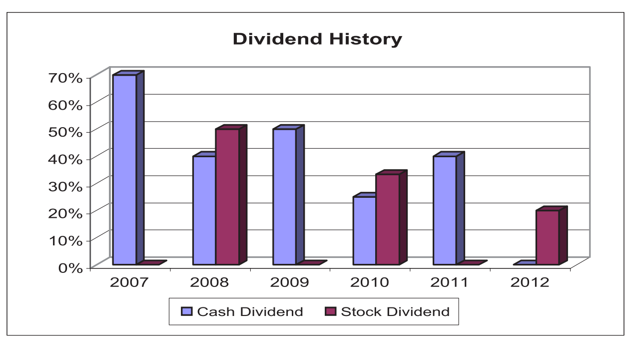












* In 2012 Proposed Final Bonus Shares 20%.

DIRECTORS' REPORT

The Board of Directors are pleased to present the 50th Annual Report along with the audited accounts of the company. The Report covers your company's activity for the year ended June 30, 2012 and describes its financial, social and environmental performances.

We wish to inform the shareholders that the current Chairman and the founder of the company Mr. Hashim B. Sayeed has retired from the Board of Directors after tirelessly serving the company for exactly 50 years since its inception under the Companies Act and 48 years since being listed at the Karachi Stock Exchange. During this time the company faced many trials and tribulations and he guided the company through these challenges with his hard work and business acumen to place the company where it stands today. While it is not possible to express our gratitude to his services to the company in words, we pledge to continue to maintain the high standards of hard work, integrity, discipline and innovation that he has set for the company. His ill health has forced him to make this decision and we pray to the Almighty for his good health and long life.

Mr. Mohammad Ali Sayeed, the other founding Director of the company and who has also been a member of the Board since the inception of the company has been appointed as the new non-executive Chairman of the company by the Board. We are honored that he has accepted this position and believe that the company will prosper and grow under his leadership as it has in the past.

As a result of the above, a casual vacancy has occurred and your Board has recommended the name of Mr. Zahid Dada who is a renowned businessman and he has been invited to join the Board of Directors.

Operating Results

We are pleased to inform you that the company had another record year with Turnover and Net Sales rising to Rs 483 million and Rs 433 million respectively which is an increase of 11.42% and 13.23% respectively over the previous year. The company has once again achieved double digit growth in sales, which given the tough economic and law and order situation of the country, is highly commendable.

All segments of the company contributed to this growth with Exercise Books leading the way with an increase of 14.74% in sales, followed by Pro Labels at 14.15%, Sensitized Paper had a decline of 5.31% while Photocopy Paper sales increased by 10.55%.

Pro Labels sections continues to show excellent growth in sales as the nascent Pakistani market in this segment continues to grow with more and more companies shifting to self adhesive labels over the traditional sheet fed wet glue labels. While sales continued to grow by double digits our margins were put under severe pressure this year due to the consistent devaluation of the Pak Rs which increased the prices of all our raw materials and due to very tough competition we were unable to pass on these costs to our customers. Keeping the growing competition in mind we decided to invest in a new state of the art 8 color full UV press having capability of screen printing, cold foil, etc. With this new press we hope to capture the rising demand for high end labels used in personal care and hygiene products which we were unable to do with our other machines. This is an investment for the future and we are very hopeful that we will reap good results from this in the coming years. This will also allow us to keep one step ahead of the competition and maintain our top position in this industry.

Exercise Books enjoyed another robust year with sales rising by 14.74% which is highly commendable as last year also the sales of this segment had increased by 20%. Given the extremely high competition from the organized and unorganized sector and cut throat pricing we are very pleased with these results. It is also a testimony to the hard work put in by our sales and marketing department to achieve these higher sales. 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. Some judicious purchasing of paper and board also allowed us to keep our production costs under check and contribute to the higher margins and this was further helped by stable prices of local paper. The continuous 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 its peak is a real source of concern for us. 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 had a negative year compared to last year due to the fact that the demand for this product continues to fall as this has been replaced to a great extent by computer plotters. Last year we had seen some heavy buying by the government due to the Census which never got carried. The sale of Photocopy papers showed a 10.55% rise in the current year but the margins on this product have dramatically reduced. There was also a cloud of uncertainty over this product for the whole year as the government and the importers have not been able to agree on an ITP for this and this issue is now in court with no real result in sight.

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 highly 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. 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 the shareholders that along with the record turnover, your company has also achieved record profits. The Gross Profit recorded an increase of 5.46% this year and the NP after tax increased by 1.24% .The summarized details is as follows:

	June, 2012	June, 2011
Profit before taxation	64,543,962	62,554,205
Taxation	(23,160,558)	(21,678,118)
Profit after taxation	41,383,404	40,876,087

Due to a fall in margins for the reasons explained above we could only record an increase in GP of 5.46% in spite of Net Sales rising by 13.23%. In addition the NP after tax also increased very nominally by 1.24% due to a rise in deferred taxation of the company. The overall financial position of the company remains very healthy with reserves at an all time high and all ratios indicating a very positive position.

Dividend

The Board is pleased to propose a Stock Dividend of 20%, i.e. 1 for every 5 shares held. 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 we have invested in another new state of the art 8 color printing press.

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 impact of our operations and products on the environment and we further endeavour 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 one working and rest 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:

Name of Directors	Meetings Attended
Mr. Hashim B. Sayeed	3
Mr. Abid Sayeed	5
Mr. Abbas Sayeed	5
Dr. Asadullah Sayeed	5
Mrs. Muleika Sayeed	5
Mr. Mohammed Ali Sayeed	5
Mr. Bashir Ahmed	4

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 meet 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 meet 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.

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, 2012 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

ABID SAYEED
Chief Executive

Dated: September 13, 2012
Karachi

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2012

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.35 of Listing regulations of Karachi Stock Exchange (Guarantee) Ltd 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 CCG in the following manner:

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

Category	Names
Executive Directors	Mr. Hashim B. Sayeed Mr. Abid Sayeed
Non-Executive Directors	Mrs. Muleika Sayeed Mr. Abbas Sayeed Mr. Muhammad Ali Sayeed Mr. Asadullah Sayeed Mr. Bashir Ahmed

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

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

4. No casual vacancy on the board arisen during the year ended June 30, 2012.

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

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

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

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

9. The Board arranged an orientation course for its directors during the year to apprise them of their duties and responsibilities.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

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

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

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

14. The company has complied with all the corporate and financial reporting requirements of the CCG.

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 CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed an HR and Remuneration Committee. It comprises three members of whom all are non-executive directors including the Chairman of the committee.

18. The board has set up an effective internal audit function/ or has outsourced the internal audit function to Head of Internal Audit who is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

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

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

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

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

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

(ABID SAYEED)

Chief Executive

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, 2012.

HAIDER SHAMSI & CO.,
Chartered Accountants
Saiyid Afroz Ahmed

Date: September 13, 2012
Karachi

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **PAKISTAN PAPER PRODUCTS LIMITED** as at **JUNE 30, 2012** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said 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, 2012** and of the profit, its total comprehensive income, cash flows and changes in equity for the year then ended; and

(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: September 13, 2012
Place: Karachi

HAIDER SHAMSI & CO.,
Chartered Accountants
Saiyid Afroz Ahmed

BALANCE SHEET

	Notes	2012 Rupees	2011 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Share Capital			
Authorized			
8,000,000 ordinary shares of Rs. 10 each		**80,000,000**	80,000,000
Issued, subscribed and paid-up	4	**50,000,000**	50,000,000
Revenue reserves	5	**184,799,880**	162,652,646
		234,799,880	212,652,646
Surplus on revaluation of fixed assets	6	**147,347,121**	148,110,951
Deferred liabilities			
Deferred tax	7	**28,912,257**	16,332,835
Retirement benefit obligation	8	**3,262,719**	2,659,249
		32,174,976	18,992,084
Long term loan - *secured*	9	**41,411,684**	10,300,000
Current liabilities			
Current maturities	10	**17,859,048**	10,219,402
Short term borrowings - secured	11	**411,292**	-
Creditors, accrued and other liabilities	12	**61,903,257**	40,580,961
		80,173,597	50,800,363
Contingencies and commitments	13	**-**	-
		535,907,258	440,856,044

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

Date: September 13, 2012
Karachi

ABBAS SAYEED
Director

AS AT JUNE 30, 2012

	Notes	2012 Rupees	2011 Rupees
ASSETS			
Fixed assets			
Property, plant and equipment	14	**318,578,319**	258,090,924
Capital work in progress	15	**3,836,554**	2,904,590
Long term deposits	16	**473,690**	220,872
Current assets			
Stores and spares	17	**3,041,446**	2,149,959
Stock in trade	18	**111,711,165**	82,117,510
Trade debts-unsecured but considered good	19	**60,659,864**	39,730,779
Advances and other receivables	20	**32,496,028**	22,949,168
Deposits and prepayments	21	**741,823**	2,644,772
Investment - held for trading	22	**-**	20,195,698
Cash and bank balances	23	**4,368,369**	9,851,772
		213,018,695	179,639,658
		535,907,258	440,856,044

ABID SAYEED
Chief Executive

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2012

	Notes	2012 Rupees	2011 Rupees
Turnover		**483,497,604**	433,925,238
Sales tax, discounts and sales return		**(50,189,107)**	(51,241,857)
Sales	24	**433,308,497**	382,683,381
Cost of goods sold	25	**333,298,245**	287,852,512
Gross profit		**100,010,252**	94,830,869
Other operating income/(loss)	26	**945,729**	593,909
Operating expenses			
Administrative expenses	27	**17,780,471**	14,430,219
Selling and distribution	28	**8,417,843**	8,613,677
Workers' Profit Participation Fund		**3,415,232**	3,328,259
Workers' Welfare Fund		**1,291,171**	1,276,616
		30,904,717	27,648,771
Operating profit		**70,051,264**	67,776,007
Financial charges	29	**5,507,302**	5,221,802
Net profit before taxation		**64,543,962**	62,554,205
Taxation	30	**23,160,558**	21,678,118
Net profit after taxation		**41,383,404**	40,876,087
Earning per share:			
- Basic	37	**8.28**	8.18
- Diluted	37	**8.28**	8.18

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

Date: September 13, 2012
Karachi

ABBAS SAYEED
Director

ABID SAYEED
Chief Executive

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2012

	2012 **Rupees**	2011 Rupees
Profit for the year	**41,383,404**	40,876,087
Other comprehensive income	-	-
Total comprehensive income for the year	**41,383,404**	40,876,087

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

ABBAS SAYEED
Director

ABID SAYEED
Chief Executive

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2012

	Notes	2012 Rupees	2011 Rupees
Cash flow from operating activities			
Cash generated from operations	31	**44,133,449**	99,409,610
Income taxes paid		**(12,099,839)**	(23,356,560)
Gratuity paid		**(64,909)**	(249,264)
Financial charges paid		**(5,547,718)**	(4,078,948)
Net cash from operating activities		**26,420,983**	71,724,838
Cash flow from investing activities			
Acquisition of fixed assets		**(72,732,734)**	(44,323,550)
Capital work in progress		**(3,836,554)**	(2,904,590)
Long term deposits		**(252,818)**	(3,600)
Investment - held for trading		**20,000,000**	(20,000,000)
Disposal of fixed assets		**1,773,169**	75,520
Income from financial assets		**655,323**	277,814
Net cash used in investing activities		**(54,393,614)**	(66,878,406)
Cash flow from financing activities			
Finance lease		**-**	(6,354,740)
Long term loan acquired		**50,655,240**	23,200,000
Long term loan repaid		**(9,424,508)**	(5,160,000)
Dividend paid		**(19,152,796)**	(9,082,735)
Net cash from financing activities		**22,077,936**	2,602,525
Net increase/(decrease) in cash and cash equivalent		**(5,894,695)**	7,448,957
Cash and cash equivalents - start of the year		**9,851,772**	2,402,815
Cash and cash equivalents - end of the year	32	**3,957,077**	9,851,772

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

ABBAS SAYEED
Director

ABID SAYEED
Chief Executive

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2012

	Share Capital	Revenue reserve		Total
		General reserve	Unappro-priated profit	
	(Rupees)			
Balance as at June 30, 2010	37,500,000	33,900,000	108,764,624	180,164,624
Total comprehensive income 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
Total comprehensive income for the year ended June 30, 2012	-	-	41,383,404	41,383,404
	50,000,000	93,900,000	110,136,050	254,036,050
Appropriation:				
Final dividend for the year ended 30-06-11	-	-	(20,000,000)	(20,000,000)
Incremental depreciation transferred from surplus on revaluation of fixed assets (net of tax)	-	-	709,148	709,148
Surplus on revaluation of fixed assets realized on disposal of fixed assets (net of tax)	-	-	54,682	54,682
	-	-	(19,236,170)	(19,236,170)
Balance as at June 30, 2012	**50,000,000**	**93,900,000**	**90,899,880**	**234,799,880**

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

ABBAS SAYEED
Director

ABID SAYEED
Chief Executive

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2012

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 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.

- Offsetting Financial Assets and Financial Liabilities (Amendment to IAS 32) effective for annual periods beginning on or after January 01, 2014.

- Offsetting Financial Assets and Financial Liabilities (Amendment to IFRS 7) effective for annual periods beginning on or after January 01, 2013.

- Annual improvements 2009-2011 (effective for annual periods beginning on or after January 01, 2013) The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations:

    - IAS 1 Presentation of Financial Statements
    - IAS 16 Property, Plant and Equipment
    - IAS 32 Financial Instruments: Presentation
    - IAS 34 Interim Financial Reporting
    - IFRIC 20 Stripping cost in the production phase of a surface mining

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 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. 1,079,191 (2011: Rs. 887,658) 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 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 14. The depreciation 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 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 are 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 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.

		2012	2011
04.	**Issued, subscribed and paid-up**	**Rupees**	Rupees
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	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	**42,500,000**	42,500,000
5,000,000		**50,000,000**	50,000,000

During the year Nil (2011: 1,250,000) 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 (2011: 566,892) ordinary shares of the company were held by the associated undertaking M/s Management & Enterprises (Private) Limited.

		2012	2011
05.	**Revenue reserves**	**Rupees**	Rupees
	General reserve:		
	Opening balance	**93,900,000**	33,900,000
	Transfer to revenue reserves	**-**	60,000,000
	Utilized for issuance of bonus shares	**-**	-
		93,900,000	93,900,000
	Un-appropriated profit	**90,899,880**	68,752,646
		184,799,880	162,652,646
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	**4,729,759**	5,493,589
		147,347,121	148,110,951

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:

	Surplus on revaluation of	
	Leasehold land	Items other than leasehold land
	Rupees	
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
Incremental depreciation (net of deferred tax) transferred to accumulated profit	-	(763,830)
Surplus on June 30, 2012	142,617,362	4,729,759

	2012	2011
	Rupees	Rupees
07. Deferred taxation		
These comprise of temporary differences due to:		
Accelerated depreciation	**27,325,509**	14,153,023
Revaluation of fixed assets	**2,728,700**	3,110,549
Employees retirement benefits	**(1,141,952)**	(930,737)
	28,912,257	16,332,835
08. Provision for gratuity		
Opening balance	**2,659,249**	2,372,844
Expense recognized	**668,379**	535,669
	3,327,628	2,908,513
Payments during the year	**64,909**	249,264
	3,262,719	2,659,249

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.

The most recent actuarial valuations were carried out by M/s Nauman Associates, Consulting Actuaries on July 14, 2012 of the present value of the defined benefit obligation at June 30, 2012. The present value of the defined benefit obligation and the related current service cost and past service cost, were measured

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

	2012	2011
Discount rate per annum	**13%**	14%
Expected rate of eligible salary increase in future years per annum	**12%**	13%
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:

	2012 Rupees	2011 Rupees
Present value of defined benefit obligations - start of the year	**2,639,454**	2,273,565
Interest cost for the year	**369,524**	272,828
Current service cost for the year	**298,855**	252,168
Benefits paid during the year	**(64,909)**	(249,264)
Actuarial loss on present value of defined benefit plan	**358,228**	90,157
Present value of defined benefit obligations - end of the year	**3,601,152**	2,639,454

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

	2012	2011
Unrecognized actuarial gains as on June 30	**19,795**	99,279
Actuarial losses arising during the year	**(358,228)**	(90,157)
Actuarial (gains)/losses charged to P & L during the year	**-**	10,673
	(338,433)	19,795

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

	2012 Rupees	2011 Rupees
Present value of defined benefit obligation as on June 30	**3,601,152**	2,639,454
Plus Actuarial gains/Less Actuarial losses to be recognized in later period	**(338,433)**	19,795
	3,262,719	2,659,249

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

	2012 Rupees	2011 Rupees
Current service cost	**298,855**	252,168
Interest cost	**369,524**	272,828
Actuarial (gains)/losses	**-**	10,673
	668,379	535,669

The charge of Rs. 467,865 (2011: Rs. 374,968) is included in cost of sales in the income statement, Rs. 200,514 (2011: Rs. 160,701) is included in administrative expenses.

Comparison for five years:

Year	PVDBO	(Gain) / Loss on PVDBO	Transitional Liability	Total
2012	3,601,152	358,228	-	3,959,380
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

		2012 Rupees	2011 Rupees
09.	**Long term loans -** *secured*		
	Bank Al Habib Limited - Term finance		
	Opening balance at start of the year	**18,040,000**	-
	Acquired during the year	**50,655,240**	23,200,000
		68,695,240	23,200,000
	Repayment during the year	**(9,424,508)**	(5,160,000)
		59,270,732	18,040,000
	Less: Current portion shown under current maturity	**(17,859,048)**	(7,740,000)
		41,411,684	10,300,000

The company has obtained two separate term finance facilities to the extent of of Rs. 23.20 million (TF-I) and Rs. 50.66 million (TF-II) from Bank Al Habib Limited for acquiring machinery. The facility TF-I is secured by way of hypothecation charge over acquired imported machinery for Rs. 25.80 million and by personal guarantee of two of the directors. The facility TF-II is secured by way of hypothecation charge over acquired imported machinery for Rs. 56.42 million and equitable mortgage over industrial property bearing plot No. D/57 & D/58 at SITE, Karachi. These are repayable respectively in thirty six and sixty equal monthly installments. The facilities carries mark-up rate of KIBOR plus 2.5% and KIBOR plus 1.75% respecively

		2012 Rupees	2011 Rupees
10.	**Current maturities**		
	Current portion - finance lease	**-**	2,479,402
	Current portion - long term loan	**17,859,048**	7,740,000
		17,859,048	10,219,402

		2012 Rupees	2011 Rupees
11.	**Short term borrowings - secured**		
	Bank Al-Habib Limited - running finance	**411,292**	-

The company enjoys short term finance facilities from Bank Al Habib Limited comprising running finance up to Rs. 60.00 (2011: 40.00) million, Letter of Credit (Sight-Foreign) for Rs. 10.0 million (2011: 10.0 million), Letter of Credit (Usance-Foreign) for Rs. 10.0 million (2011: 10.0 million), Acceptance - Sub limit of LC sight foriegn for Rs. 10.0 million at Nil margin and Letter of Guarantee for Rs. 5 (2011: 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. The balance under this account as at June 30, 2011 was debit Rs. 476,540 which was shown under cash and bank balances.

			2012	2011
			Rupees	Rupees
12.	**Creditors, accrued and other liabilities**			
	Trade creditors		**31,661,952**	22,887,072
	Debtors credit balances		**15,634,246**	5,284,785
	Accrued expenses		**6,580,599**	5,311,158
	Due to associated concern		**-**	45,750
	Workers' Profit Participation Fund	12.1	**3,421,232**	3,334,259
	Workers Welfare Fund		**1,316,703**	1,276,616
	Unclaimed dividend		**3,288,525**	2,441,321
			61,903,257	40,580,961
	12.1 *Workers' Profit Participation Fund*			
	Balance at the beginning of the year		**3,334,259**	2,777,468
	Amount paid to the Fund Trustees		**2,567,740**	2,124,280
	Amount deposited with government		**760,519**	647,188
			3,328,259	2,771,468
			6,000	6,000
	Allocation for the year		**3,415,232**	3,328,259
			3,421,232	3,334,259

13. Contingencies and commitments

Contingencies

In respect of performance guarantees in favor of customers issued by Bank AL-Habib Limited, SITE Branch on behalf of the company aggregating to Rs. 3.52 million (2011: Rs. 4.08 million). Post dated cheque amounting to Rs. 9.64 million issued in favour of Collector of Customs, Port Qasim, Karachi in accordance with SRO 727(I)/2011 dated 01-08-2011.

Commitments

In respect of letter of credit for import of raw material Rs. 36.28 million (2011: Rs. 29.70 million) and in respect of acceptance to the extent of Rs. NIL (2011: 15.50 million).

14. Property, plant and equipment

----- Rupees -----

PARTICULARS	COST/REVALUATION						Rate %	DEPRECIATION				W. D. V as at 30-06-2012	W. D. V. as at 30-06-12 if no revaluation carried out
	As at 1-7-2011	Additions	*Transfers/ (disposal)	As at 30-6-2012	Comprising At cost	Comprising At valuation 2012		As at 1-7-2011	For the year	*Transfers/ (disposal)	As at 30-6-2012		
Owned assets													
Leasehold land	144,000,000	-	-	144,000,000	-	144,000,000	-	-	-		-	144,000,000	191,203
Building on leasehold land													
- Factory	27,322,549	-	-	27,322,549	20,353,945	6,968,604	10	3,979,448	2,334,310	-	6,313,758	21,008,791	18,404,328
- Office	1,019,273	2,776,356	-	3,795,629	-	3,795,629	5	270,014	142,052	-	412,066	3,383,563	3,847,179
Plant and machinery	90,843,533	70,749,128	25,000,000	184,820,887	127,767,206	57,053,681	10	24,902,675	9,583,667	9,891,725	43,576,063	141,244,824	131,848,090
			(1,771,774)							(802,004)			
Furniture and fixture	521,811	155,700	-	677,511	500,061	177,450	10	135,931	45,974		181,905	495,606	518,712
Factory and other equipments	2,798,532	213,560	(100,171)	2,911,921	2,574,494	337,427	10	514,482	239,802	(49,756)	704,528	2,207,393	2,384,225
Electric equipments and fittings	827,476	219,640	-	1,047,116	971,316	75,800	15	364,506	74,143		438,649	608,467	591,199
Computers	546,956	239,550	(10,025)	776,481	773,702	2,779	30	314,881	93,578	(6,952)	401,507	374,974	284,158
Vehicles	11,092,734	1,283,390	(1,246,975)	11,129,149	10,229,399	899,750	20	5,508,278	1,221,288	(855,118)	5,874,448	5,254,701	4,130,472
Laboratory apparatus	-			-			15	-	-		-	-	-
Sub-total	278,972,864	75,637,324	25,000,000 (3,128,945)	376,481,243	163,170,123	213,311,120		35,990,215	13,734,814	9,891,725 (1,713,830)	57,902,924	318,578,319	162,199,566
Leased assets													
Plant and machinery	25,000,000	-	(25,000,000)	-	-	-	10	9,891,725		(9,891,725)	-	-	15,108,275
Sub-total	25,000,000	-	(25,000,000)	-	-	-		9,891,725	-	(9,891,725)	-	-	15,108,275
T o t a l 2012	**303,972,864**	**75,637,324**	**(3,128,945)**	**376,481,243**	**163,170,123**	**213,311,120**		**45,881,940**	**13,734,814**	**-**	**57,902,924**	**318,578,319**	**177,307,841**

PARTICULARS	COST/REVALUATION						Rate %	DEPRECIATION				W. D. V as at 30-06-2011	W. D. V. as at 30-06-11 if no revaluation carried out
	As at 1-7-2010	Additions	*Transfers/ (disposal)	As at 30-6-2011	Comprising			As at 1-7-2010	For the year	*Transfers/ (disposal)	As at 30-6-2011		
					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	(32,123)	5,508,278	5,584,456	4,271,557
Laboratory apparatus	-			-			15	-	-		-	-	-
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

		2012	2011
		----- Rupees -----	
14.1	Depreciation charge for the year has been allocated as follows:		
	Manufacturing	**12,890,552**	10,110,373
	Administration	**457,706**	375,147
	Selling and distribution	**386,556**	331,181
		13,734,814	10,816,701

14.2 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.

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

	Cost Rupees	Accumulated Depreciation Rupees	Book Value Rupees	Sale Proceeds Rupees	Particulars of Buyer
Vehicle	996,975	653,607	343,368	500,000	M/s Pak Compustat (Pvt) Ltd
By negotiation					
Vehicle	250,000	201,511	48,489	265,000	Mr.M.Farooq
By negotiation					
Factory equipment	100,171	49,756	50,415	25,000	M/s M.N.Traders
By negotiation					
Computers	10,025	6,952	3,073	1,600	M/s Super Comp
By negotiation					
Plant & Machinery	1,771,774	802,004	969,770	981,569	M/s.S.A.S.Engg
By negotiation					
Total 2012	**3,128,945**	**1,713,830**	**1,415,115**	**1,773,169**	
Total 2011	290,966	185,393	105,573	75,520	

	2012 Rupees	2011 Rupees
15. Capital work in progress		
Civil works		
Plant and machinery	**-**	-
Civil works	**3,836,554**	2,904,590

Represents work in progress relating to construction of Chief Executive Officer's office building by the company.

		2012 Rupees	2011 Rupees
16. Long term deposits			
Long term deposits against leases	16.1	**-**	-
Deposit with CDC		**12,500**	12,500
Shell Pakistan Limited		**200,000**	110,000
Utility deposits		**261,190**	98,372
		473,690	220,872

		Note	2012 Rupees	2011 Rupees
16.1	**Long term deposits against leases**			
	Opening balance		**2,479,402**	2,479,402
	Adjustment		**(2,479,402)**	-
	Payments during the year		**-**	-
			-	2,479,402
	Current portion	21	**-**	(2,479,402)
			-	-
17.	**Stores and spares**			
	Stores		**3,041,446**	2,149,959
			3,041,446	2,149,959
18.	**Stock in trade**			
	Raw materials		**64,101,757**	51,592,728
	Work in process		**27,379,025**	13,036,783
	Finished product		**20,230,383**	17,487,999
			111,711,165	82,117,510
19.	**Trade debts-unsecured but considered good**			
	Due from customers		**60,644,358**	39,722,371
	Due from associated concerns - Sayeed International		**13,600**	6,700
	Due from staff		**1,906**	1,708
			60,659,864	39,730,779
20.	**Advances and other receivables -** *considered good*			
	Advances to suppliers		**1,520,601**	1,779,651
	Advance against letter of credit		**2,937,745**	1,515,711
	Advance against expenses		**770**	-
	Advance to staff		**27,760**	27,482
	Advance income tax (net of tax liability)		**12,642,083**	12,578,222
	Income tax refundable		**1,454,842**	-
	Sales tax refundable		**13,272,884**	6,531,538
	Excise duty refundable		**639,343**	516,564
			32,496,028	22,949,168
21.	**Deposits and prepayments**			
	Current portion of lease deposit	16.1	**-**	2,479,402
	Other deposit		**656,996**	94,836
	Prepayments		**84,827**	70,534
			741,823	2,644,772
22.	**Investment - held for trading**			
	ABL - Cash Fund		**-**	20,195,698

Represented amount invested by the company in ABL Cash Fund which is an open-end, money market fund managed by the ABL Asset Management Compnay Limited. The investment was encashed during the year.

			2012 Rupees	2011 Rupees
23.	**Cash and bank balances**			
	Cash at banks (in current accounts)		**1,261,249**	2,358,220
	Cash at banks (in deposit accounts)		**2,982,120**	7,368,552
	Factory imprest		**75,000**	75,000
	Cash in hand		**50,000**	50,000
			4,368,369	9,851,772

24.	**Sales**			
	Exercise books		**188,024,388**	163,870,240
	Ammonia paper		**16,057,961**	16,959,028
	Prolables		**216,090,154**	189,300,982
	Plain paper		**11,696,258**	10,580,125
	Printing charges		**2,425**	2,998
	Sensitized Machine Parts		**501,299**	976,773
	Waste paper		**936,012**	993,235
			433,308,497	382,683,381

The sales are net of sales tax Rs. 50,189,107 (2011: Rs. 51,241,857).

25.	**Cost of sales**			
	Raw material consumed			
	Opening stock		**51,592,728**	49,664,837
	Purchases		**298,098,273**	239,008,809
	Closing stock		**(64,101,757)**	(51,592,728)
			285,589,244	237,080,918
	Salaries, wages and other benefits		**30,455,630**	26,794,439
	Fuel and power		**3,758,422**	3,349,571
	Spares and stores consumed	25.1	**10,095,874**	8,250,661
	Insurance		**774,242**	532,872
	Repairs and maintenance		**1,575,899**	2,346,739
	Rent, rates and taxes		**152,087**	158,534
	Telephone and trunk calls		**159,622**	187,886
	Other manufacturing expenses		**4,931,299**	2,523,371
	Depreciation	14.1	**12,890,552**	10,110,373
	Cost of production		**350,382,871**	291,335,364
	Work in process - opening		**13,036,783**	10,053,248
	Work in process - closing		**(27,379,025)**	(13,036,783)
			(14,342,242)	(2,983,535)
	Cost of goods manufactured		**336,040,629**	288,351,829
	Finished goods - opening		**17,487,999**	16,988,682
	Finished goods - closing		**(20,230,383)**	(17,487,999)
			(2,742,384)	(499,317)
			333,298,245	287,852,512

			2012 Rupees	2011 Rupees
25.1	**Stores and spares consumed**			
	Opening balance		**2,149,959**	1,804,308
	Purchases		**10,987,361**	8,596,312
	Closing balance		**(3,041,446)**	(2,149,959)
			10,095,874	8,250,661
26.	**Other income/(loss)**			
	Interest on deposit account		**459,625**	277,814
	Gain / (Loss) on disposal of assets	26.1	**358,054**	(30,053)
	Appreciation in value of investment		**-**	195,698
	Other income		**128,050**	150,450
			945,729	593,909
26.1	**Gain/(Loss) on disposal of assets**			
	Sale proceed		**1,773,169**	75,520
	Revalued amount of assets		**3,128,945**	290,966
	Less: Accumulated depreciation		**1,713,830**	185,393
	Net book value		**1,415,115**	105,573
	Gain/(loss) on disposal		**358,054**	(30,053)
27.	**Administrative expenses**			
	Directors' fees		**105,000**	34,000
	CM & CE Remuneration		**4,817,426**	4,103,611
	Staff salaries and benefits		**6,305,598**	5,595,222
	Rent, rates and taxes		**475,862**	426,242
	Insurance		**523,301**	445,853
	Traveling and conveyance		**1,684,466**	455,003
	Postage and telegrams		**147,925**	72,310
	Telephone		**154,765**	192,480
	Electric charges		**221,078**	249,796
	Stationery and periodicals		**163,992**	142,782
	Repairs and renewals		**956,576**	797,417
	Legal and professional fees		**525,057**	342,120
	Auditors' remuneration	27.1	**275,000**	275,000
	General		**466,719**	521,440
	Charity and donation	27.2	**500,000**	401,796
	Depreciation	14.1	**457,706**	375,147
			17,780,471	14,430,219

		2012 Rupees	2011 Rupees
27.1 Auditors' remuneration			
Audit fee		**265,000**	265,000
Provident fund audit fee		**5,000**	5,000
Workers' Profit Participation Fund audit fee		**5,000**	5,000
		275,000	275,000
27.2 Charity and donation			
The Citizen Foundation		**150,000**	100,000
Anjuman Behbood-E-Samat-E-Atfal (ABSA School and College for Deaf)		**350,000**	250,000
SITE Association Flood Relief Fund		**-**	51,796
		500,000	401,796

Mrs. Muleika Sayeed, one of the director of the company is interested in Anjuman 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.

		2012 Rupees	2011 Rupees
28. Selling and distribution expenses			
Staff salaries and benefits		**3,671,664**	3,493,685
Advertisement and publicity		**48,500**	69,500
Cartage and forwarding		**926,292**	1,461,121
Vehicle expenses		**1,935,747**	1,573,775
Tender fees		**4,928**	5,868
Sales promotion		**874,648**	1,010,025
Insurance		**185,804**	168,992
Depreciation	14.1	**386,556**	331,181
Others		**383,704**	499,530
		8,417,843	8,613,677
29. Financial expenses			
Mark-up on short term running finance		**1,718,209**	1,330,033
Mark-up on long term loan		**3,605,907**	2,519,079
Bank and other charges		**183,186**	189,420
Interest on finance lease		**-**	1,183,270
		5,507,302	5,221,802
30. Taxation			
Current year		**10,564,424**	12,985,427
Prior year		**16,712**	50,641
Deferred		**12,579,422**	8,642,050
		23,160,558	21,678,118

	2012 Rupees	2011 Rupees
30.1 Aggregate current and deferred tax relating to items charged or credited to equity		
Deferred tax relating to revaluation of fixed assets	**-**	-

In addition, deferred tax of Rs. 381,849 (2011: 378,963) 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.

	2012 %	2011 %
30.2 Tax charge reconciliation		
Applicable tax rate as per Income Tax Laws	**35.000%**	35.000%
Effect of surcharge @ 15%	**0.000%**	0.882%
Tax effect of expenses that are not deductible for tax purpose	**0.858%**	2.247%
Tax effect of items that are deductible for tax purpose	**0.000%**	-3.556%
Effect of change in prior years' tax	**0.026%**	0.081%
	35.883%	34.654%

	2012 Rupees	2011 Rupees
31. Cash generated from operation		
Profit before taxation	**64,543,962**	62,554,205
Adjustment for non cash items and other adjustments:		
Depreciation	**13,734,814**	10,816,701
Gratuity provision	**668,379**	535,669
Appreciation of investment - held for trading	**-**	(195,698)
Income from financial assets	**(459,625)**	(277,814)
Financial expenses	**5,507,302**	5,221,802
(Gain)/loss on disposal of assets	**(358,054)**	30,053
	19,092,816	16,130,713
(Increase)/decrease in current assets		
Stores and spares	**(891,487)**	(345,651)
Stock in trade	**(29,593,655)**	(2,788,069)
Trade debts	**(20,929,085)**	4,956,150
Advances and other receivables	**(8,028,157)**	7,412,543
Deposits and prepayments	**(576,453)**	1,253,694
	(60,018,837)	10,488,667
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities	**20,515,508**	10,236,025
	44,133,449	99,409,610
32. Cash and cash equivalent		
Cash and bank balance	**4,368,369**	9,851,772
Short term borrowings - secured	**(411,292)**	-
	3,957,077	9,851,772

33. Remuneration of Chief Executive and Director

	2012			2011		
	Chairman Rs.	**Chief Executive Rs.**	**Directors Rs.**	Chairman Rs.	Chief Executive Rs.	Directors Rs.
Fees	**-**	**-**	**105,000**	-	-	34,000
Number of persons	**1**	**1**	**5**	1	1	5
Managerial remuneration and allowances	**620,688**	**1,950,000**	**-**	620,688	1,500,000	-
Provident fund	**-**	**162,504**	**-**	-	125,000	-
Medical expenses	**54,150**	**34,500**	**-**	9,094	26,200	-
House rent	**279,312**	**877,500**	**-**	279,312	675,000	-
Reimbursable expenses	**66,396**	**559,991**	**-**	134,185	467,093	-
	1,020,546	**3,584,495**	**-**	1,043,279	2,793,293	-
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.

34. 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:

	2012 Rupees	2011 Rupees
Sales	**57,213**	56,151
Purchases	**129,670**	143,350
Rent paid	**145,200**	143,000

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.

35. 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.

35.1 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. 80.071 million (2011: Rs. 79.426 million), financial assets which are subject to credit risk amount to Rs. 66.034 million (2011: Rs. 72.448 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.

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is:

Long term deposits	**473,690**	220,872
Trade debts	**60,659,864**	39,730,779
Advances, deposits, prepayments and other receivables		
- Security deposits	**-**	2,479,402
- Others	**656,996**	94,836
Investment - held for trade	**-**	20,195,698
Bank balances	**4,243,369**	9,726,772
	66,033,919	72,448,359

The ageing of trade receivables at the reporting date is:

Past due	0-30	days	**32,412,230**	24,228,059
Past due	31 - 60	days	**21,719,580**	12,503,939
Past due	61 - 90	days	**5,315,981**	2,162,783
Past due	91 - 120	days	**566,334**	96,131
Past due 120 days			**645,739**	739,867
			60,659,864	39,730,779

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.

35.2 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:

	30 June 2012					
	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	59,270,732	59,270,732	8,929,524	8,929,524	17,859,048	23,552,636
Trade and other payables	38,242,551	38,242,551	38,242,551	-	-	-
Short term borrowings	411,292	411,292	411,292	-	-	-
2012	**97,924,575**	**97,924,575**	**47,583,367**	**8,929,524**	**17,859,048**	**23,552,636**

	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

35.3 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.

35.3.1 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. 36.28 million (2011: Rs. 29.70 million).

35.3.2 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.

35.3.3 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.

35.4 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.

36. 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

	2012 Rupees	2011 Rupees
37. Earning per share		
Net profit after taxation	**41,383,404**	40,876,087
Number of ordinary shares issued and subscribed at start of the year	**3,750,000**	3,750,000
Bonus shares issued during the year	**1,250,000**	1,250,000
	5,000,000	5,000,000
Bonus shares issued adjusted retrospectively	-	-
Weighted average number of ordinary shares	**5,000,000**	5,000,000
Basic earning per share	**8.28**	8.18
Diluted earning per share	**8.28**	8.18

38. Non-adjusting events after the balance sheet date

In the meeting held on September 13, 2012 the Board of Directors of the company recommended a final cash dividend of Rs. Nil (2011: Rs. 4.00) per share and bonus shares in the ratio of 5:1(one share for each five shares held) (2011: Nil) for the year ended June 30, 2012, amounting to Rs. Nil million and Rs. 10 million (2011: Rs. 20 M and Rs. Nil) respectively. In addition, the directors have also announced appropriation of Rs. Nil million (2011: Nil) 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, 2012 do not include the effect of these appropriations which will be accounted for subsequent to the year end.

39. Capacity and production

	Units	**Capacity**		**Production**		**Remarks**
		2012	2011	**2012**	2011	
a) Exercise books	Groose	**58,632**	58,632	**53,230**	45,690	
b) Sensitized paper	Rolls	**216,000**	216,000	**50,026**	58,275	Due to lack of demand.
c) Prolabels	Sq. Meter	**2,000,000**	1,150,000	**2,636,652**	2,423,480	Due to extra shift

39.1 The capacity is determined on single shift basis.

40. Date of authorization for issue

These financial statements were authorized for issue on September 13, 2012 by the Board of Directors of the Company.

41 Figures

Figures have been rounded off to the nearest rupee.

ABBAS SAYEED	**ABID SAYEED**
Director	Chief Executive

PATTERN OF HOLDING OF SHARES HELD BY THE SHAREHOLDERS
AS ON 30TH JUNE 2012

NO.OF SHARE HOLDERS	SHARE FROM	HOLDING TO	TOTAL SHARE HELD
264	1	100	8,626
215	101	500	59,809
117	501	1000	92,057
131	1001	5000	314,013
25	5001	10000	130,465
5	10001	15000	78,146
4	15001	20000	66,198
2	20001	25000	49,000
3	25001	30000	52,018
2	30001	35000	30,661
1	35001	40000	36,805
1	40001	45000	42,401
3	45001	50000	191,332
1	50001	55000	52,412
1	55001	60000	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
788			**5,000,000**

CLASSIFICATION OF SHARES BY CATEGORIES AS AT 30TH JUNE,2012

CATEGORIES OF SHARE HOLDERS	NUMBER OF SHARE HOLDERS	SHARES HELD	PERCENTAGE OF CAPITAL
INDIVIDUALS	763	3,305,579	66.11%
INVESTMENT COMPANIES	3	597,813	11.96%
INSURANCE COMPANIES	2	267,820	5.36%
FINANCIAL INSTITUTIONS	5	210,323	4.21%
JOINT STOCK COMPANIES	10	88,881	1.78%
MUTUAL FUNDS	3	423,562	8.47%
OTHERS			
CORPORATE LAW AUTHORITY	1	1	0.00%
ABANDONED PROPERTY	1	106,021	2.12%
	788	5,000,000	100%

DETAILS OF PATTERN OF SHAREHOLDING AS ON 30-06-2012
(AS PER REQUIRMENT OF CODE OF CORPORATE GOVERNANCE)

Shareholders Category	No. of Shares held		Percentage
Associated Companies			
M/s. Management & Enterprises (Pvt.) Limited		566,892	11.34
NIT & ICP			
National Bank of Pakistan, Trustee Wing (NIT)	582,812		
Investment Corporation of Pakistan	8,572		
		591,384	11.83
Directors, CEO and their spouces and minor children			
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		
Mr. Asadullah Sayeed	280,021		
Mrs. Nadia Sayeed W/o Abid Sayeed	25,357		
Mrs. Nusser Sayeed W/o Abbas Sayeed	92,890		
Mrs. Faiza Haswary W/o Asadullah Sayeed	86,000		
		1,850,616	37.01
Executives		NIL	
Individuals		1,454,963	29.10
Public Sector Companies and Corporations		NIL	
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba and Mutual Funds etc		536,145	10.72
Total		5,000,000	100.00

SHAREHOLDERS HOLDING 10% OR MORE

Mr. Abid Sayeed	702,525	14.05
National Bank of Pakistan, Trustee Wing	582,812	11.66
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. __________

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 *50*th ANNUAL GENERAL MEETING of the Company to be held on *Monday 22nd* October 2012 at 12.00 noon and at any adjournment thereof.

Signed this __________ day of __________ 2012

Rs. 5/-
Revenue
Stamp

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

Witnesses:

1. Signature __________
   Name: __________
   Address: __________

2. Signature __________
   Name: __________
   Address: __________

Signature __________

IMPORTANT

1. This form of proxy, duly completed and signed, must be deposited at the Company's Registered Office not later than 48 hours
2. This form should be affixed 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 Directors resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.