



Annual Report 2013.

PAKISTAN PAPER PRODUCTS LTD.

Mr. Hashim Bin Sayeed
December 24, 1927 - August 07, 2013
Founder and Former Chairman.



He was the Pillar of Strength for our Company
and will always be our guiding light.
May Allah shower His choicest blessings on him.
Ameen!





VISION STATEMENT

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

Mission Statement

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



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CORPORATE PROFILE

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

Abbas Sayeed	-Chairman
Zahid Dada	-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

Faisal Saeed Khan

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
National Bank of Pakistan

REGISTERED OFFICE AND FACTORY

D-58, Estate Avenue, S.I.T.E, Karachi.
Website: www.pakpaper.com



PAKISTAN PAPER PRODUCTS LIMITED

NOTICE OF MEETING

Notice is hereby given that the 51st Annual General Meeting of the Shareholders of Pakistan Paper Products Ltd will be held at SITE Association of Industry Aiwan-e-Sanat H-16 Textile Avenue SITE Karachi on Wednesday 23rd October, 2013 at 12:30 pm to transact the following business :-

1. To confirm the Minutes of the last Annual General Meeting held on 22nd October, 2012.
2. To receive and adopt the audited accounts of the Company for the year ended on 30th June, 2013 together with the Directors' Report and Auditors' Report thereon.
3. To Approve the payment of Interim Dividend @ of Rs. 3.00 per share (30%) as recommended by the Board of Directors.
4. To appoint Auditor for the year 2013-2014 and to fix their remuneration.
5. To transact any other business with the permission of the Chair.

By Order of the Board

(FAISAL SAEED KHAN)
Company Secretary

Karachi
17th September 2013

NOTES:

1. The Share Transfer Book of the Company will remain closed from 14-10-13 to 23-10-13 (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



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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).



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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 Share Registrar M/s. F.D Registrar Services (SMC-Pvt) Ltd, 17th Floor, Saima Trade Tower-A, I.I Chundrigar Road Karachi 74000, Email fdregistrar@yahoo.com or, 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 is 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.
7. Number of share certificates and dividend warrants have been returned marked as “undelivered”. Any member effected by this is advised to write or call our Share Registrar M/s. F.D Registrar Services (SMC) –Pvt.), 17th Floor, Saima Trade Tower-A I.I Chundrigar Road, Karachi during working hours. Ph: 0092-21-35478192-93 Fax: 0092-21-3221233 Email: fdregistrar@yahoo.com



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	Rupees in Thousand					
	2013	2012	2011	2010	2009	2008
HISTORICAL TRENDS						
Trading results						
Turnover	543,319	483,498	433,925	362,435	342,308	241,725
Sales - Net	501,239	433,308	382,683	322,025	312,028	220,656
Gross Profit	96,736	100,009	94,830	77,991	70,797	58,551
Profit before tax	60,024	64,544	62,554	52,021	46,280	39,439
Taxation	21,228	23,160	21,678	15,991	14,918	13,314
Profit after tax	38,795	41,383	40,876	36,030	31,362	26,125
Dividend						
	*					
Cash Dividend	30%	-	40%	25%	20%	40%
Stock Dividend		20%		33.33%	-	50%
Cash Dividend Value	18,000	-	20,000	9,375	7,500	10,000
Stock Dividend Value	-	10,000	-	12,500	-	12,500
Dividend Payout	46.40%	24.16%	48.93%	60.71%	23.91%	86.12%
Financial Position						
Total Assets	522,456	535,907	440,856	380,573	352,434	351,469
Paid up Capital	60,000	50,000	50,000	37,500	37,500	25,000
Reserves	197,059	184,800	162,652	142,664	113,567	104,050
Working capital	153,940	132,845	128,839	114,419	102,818	87,029
Current Ratio	3.60	2.66	3.54	3.77	4.05	2.75
KEY INDICATORS						
Operating						
Gross Profit	19.30%	23.08%	24.78%	24.22%	22.69%	26.53%
Profit before tax	11.98%	14.90%	16.35%	16.15%	14.83%	17.87%
Profit after tax	7.74%	9.55%	10.68%	11.19%	10.05%	11.84%
Return on Equity	15.09%	17.62%	19.22%	20.00%	20.76%	20.24%
Return on Assets	7.43%	7.72%	9.27%	9.47%	8.90%	7.43%
Valuation						
Earning per share (pre tax)	10.00	12.91	12.51	10.40	12.34	15.78
Earning per share (post tax)	6.47	8.28	8.18	7.21	8.36	10.45
Breakup value per share	42.84	46.96	42.53	48.04	40.28	51.62
Asset utilisation						
Inventory turnover ratio	4.08	3.44	3.57	3.37	3.44	2.40
Total assets turnover ratio	0.96	0.81	0.87	0.85	0.89	0.63
Production						
Exercise Books (Goose)	57,887	53,230	45,690	45,122	54,419	48,439
Amonia Paper (Rolls 10 yds)	44,264	50,026	58,275	55,976	81,131	91,126
Pro-Labels (Sq. Meter)	2,930,907	2,636,652	2,423,480	2,091,423	1,665,778	1,197,405

*30% Interim Cash dividend paid for the year 2013.

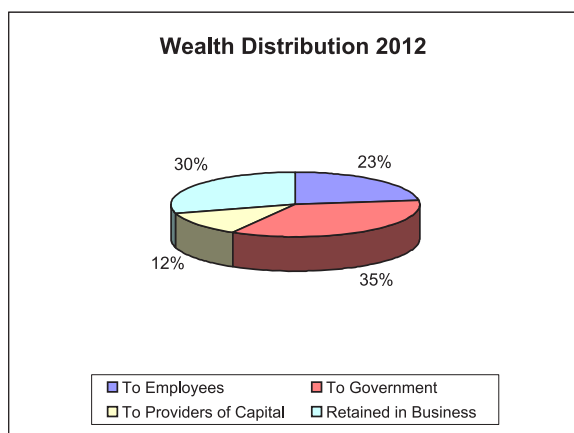
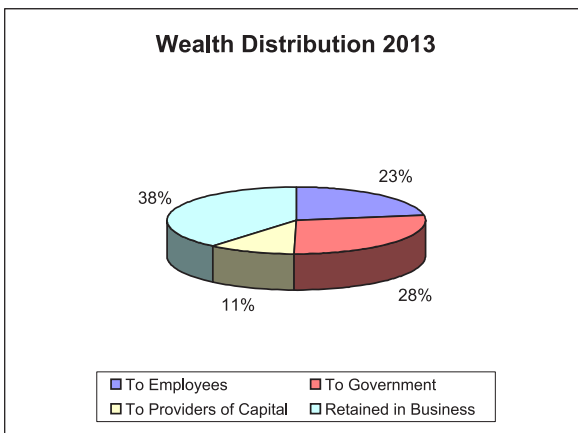


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Statement of Value Added and its Distribution

	2013		2012	
	Rupees in thousand	%	Rupees in thousand	%
Wealth Generated				
Total revenue inclusive of sales tax & other income	545,013		484,443	
Bought-in-material & services	311,004		273,142	
	234,009	100.00%	211,301	100.00%
Wealth Distributed				
To Employees				
Salaries, wages, benefits & related cost	52,788	22.56%	48,666	23.03%
To Government				
Income tax, sales tax & workers' fund	64,659	27.63%	74,641	35.32%
To Providers of Capital				
Dividend to share holders	18,000	7.69%	20,000	9.47%
Markup on borrowed funds	7,326	3.13%	5,507	2.61%
Retained in Business				
Depreciation & retained profit	91,237	38.99%	62,487	29.57%
	234,009	100.00%	211,301	100.00%

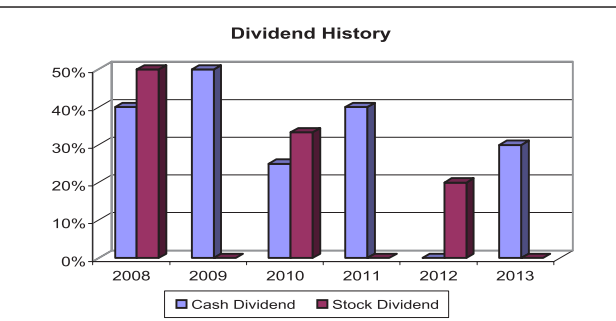
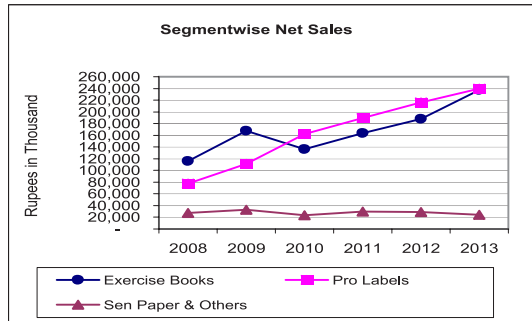
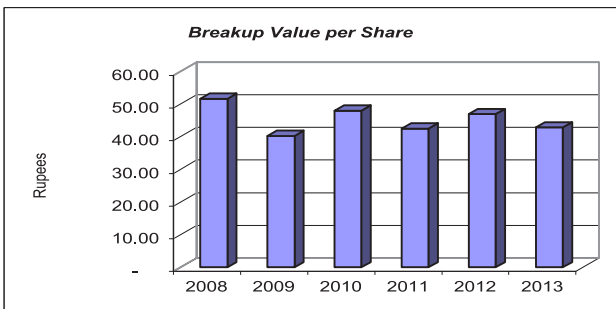
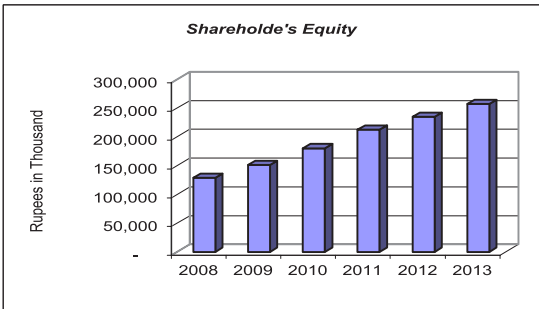
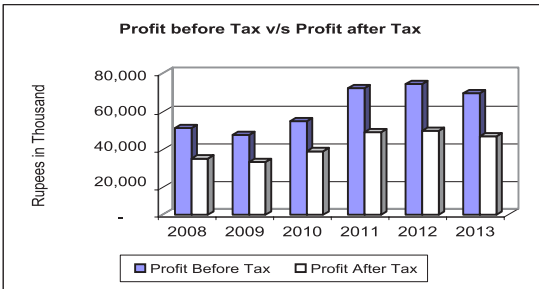
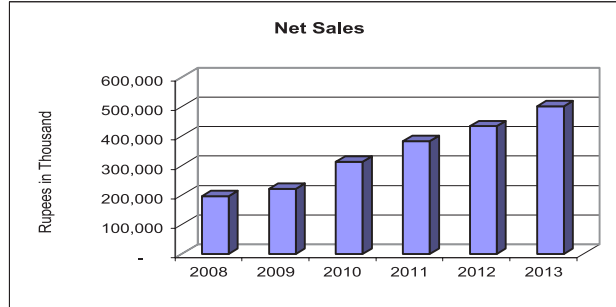
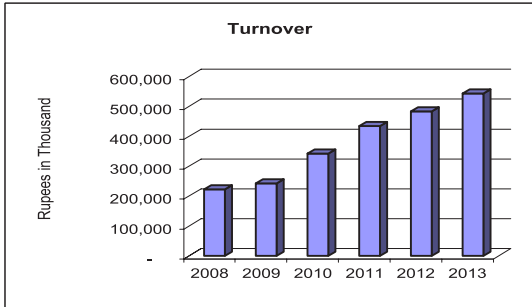
* Interim dividend Paid in Year 2013.





PAKISTAN PAPER PRODUCTS LIMITED

GRAPHIC ILLUSTRATION



* In 2013 Interim Cash Dividend is 30%.



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DIRECTORS' REPORT

The Board of Directors are pleased to present the 51st Annual Report along with the audited accounts of the company. The Report covers your company's activity for the year ended June 30, 2013 and describes its financial, social and environmental performances.

We would first like to place on record our deep condolences on the sad demise of Mr. Hashim B. Sayeed, the founder and Chairman of the company till last year. May Allah grant him the highest place in Jannat and shower him with His choicest blessings. Mr. Hashim B. Sayeed was truly an exemplary gentleman who led forth his life with integrity, discipline and hard work. His business acumen and vision will be truly missed as he was the pillar of strength of this company and the paper and packaging industry of Pakistan for more than 50 years. His loss is irreplaceable, but we can try and build on his legacy following the same principles and guidelines that he stood for and strived for during his lifetime.

Operating Results

We are pleased to inform you that the company had another record year with Turnover and Net Sales rising to Rs 543 million and Rs 501 million respectively which is an increase of 12.37% and 15.68% respectively over the previous year. This is the first time that the company's sales have exceeded the Rs 500 million which is a commendable task given the tough economic, and law and order situation in the country.

All segments of the company contributed to this growth with Exercise Books once again leading the way with an increase of 26.19% in sales, followed by Pro Labels at 11.07%, while Sensitized Paper and Photocopy Paper declined by 3.37% and 43.27% respectively.

Pro Labels section enjoyed another robust year of growth in terms of value and volume. We converted 2.93 million sqm of material compared to 2.6 million sqm last year. The Pakistani market is continuing to grow in volume as even right now the per capita consumption of self adhesive material is negligible compared to the developed countries and even the emerging countries. We have invested heavily in this section and stand poised to take advantage of such a surge in consumption which should now mainly be driven by the personal care and home comfort market. The multinational companies involved in such FMCG goods are constantly upgrading their packaging to new and higher levels and we hope to capitalize on this growth when such an upgradation comes in the self adhesive labels sector.

Exercise Books continued its good performance this year with sales rising by 26.19% which is highly commendable, but our margins in this sector were eroded due to very tough competition from the unorganized sector. This did not allow us to pass on the increase in costs, especially that of paper which continued to rise throughout the year. This along with devaluation of Pak Rs and higher power and labor costs, caused our margins to fall in this sector which affected the overall profitability of the company. The management is well aware of this issue and is trying very hard to tackle this by bringing in more efficiency in our production, cutting down wastage and trying to maximize sales to institutions where we have better margins. In this year's budget the government



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initially removed the Sales Tax zero rating that was given to this sector but fortunately after some lobbying from our associations this was restored but with stringent conditions. Sensitized paper had another 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. There was an international fall in prices of Photocopy Paper which caused prices to fall significantly in the local market and unfortunately we had bought our paper at higher prices leading to a significant fall in the sale of this product. Prices are once again rising and we are now starting to see an improvement in our sales.

This past year has been a very challenging one for the company due to the deteriorating economic and law and order situation of the country. The falling value of the Pak Rs against the USD and abnormal increases in power and labor charges are further compounding our problems. The management is trying its level best to overcome these issues by improving our internal efficiency, cutting down on wastages and streamlining our operations to improve the company's sales and profitability.

Financial Results

In spite of the record turnover the company could not maintain the profitability of last year causing Gross Profit to fall by 3.27% and Net Profit after taxation fell by 6.25%.

	<u>June, 2013</u>	<u>June, 2012</u>
Profit before taxation	60,023,541	64,543,962
Taxation	(21,228,258)	(23,160,558)
Profit after taxation	38,795,283	41,383,404

However, the company's overall financial health is strong and we hope that with all our efforts we can achieve better results next year. Your Board has also recommended that Rs 50 million be transferred from Un-appropriated profit to Revenue reserve which will further strengthen the reserves of the company.

Dividend

The Board has already declared an interim dividend of 30% in the third quarter of this financial year which has been paid to the shareholders that were on the books as per the announced book closure.

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.



PAKISTAN PAPER PRODUCTS LIMITED

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 ecologically 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:

<u>Name of Directors</u>	<u>Meetings Attended</u>
Mr. Mohammed Ali Sayeed	5
Mr. Abid Sayeed	5
Mr. Abbas Sayeed	5
Dr. Asadullah Sayeed	4
Mrs. Muleika Sayeed	4
Mr. Zahid Dada	3
Mr. Bashir Ahmed	5



PAKISTAN PAPER PRODUCTS LIMITED

Statement of Code of Conduct

The Board has adopted the statement of Code of Conduct. All employees are informed of this statement.

Material Changes

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

Code of Business Principles

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

Future Outlook and Challenges

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

The country and the city is passing through one of its darkest moments in the history with alarming 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 economy and the country today.

Audit Committee

Comprises of three members from the Board, all are non-executive director including the chairman of the audit committee. 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.

Human Resource Committee

The Committee consists of three members from the Board which all are non-executive directors including the Chairman. The Committee reviews and formulates the HR & management policies of the company. The Committee is also responsible for the



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remuneration of employees and ensures that it is aligned with the Company's business strategy and long-term interests

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, 2013 whose disclosure is required under the reporting framework is included in the report.

During the year Mrs. Nadia Sayeed sold =2500= shares to Mr. Zahid Dada.

Other than the above, the Directors, CFO, Company Secretary and their spouses 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 real teamwork and the results are evident. Directors congratulate all the employees for their continued performance.

On behalf of the Board of Directors

MOHAMMAD ALI SAYEED

Chairman

ABID SAYEED

Chief Executive

Dated: September 17, 2013
Karachi



PAKISTAN PAPER PRODUCTS LIMITED

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2013

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 Director	Mr. Abid Sayeed
Non-Executive Directors	Mrs. Muleika Sayeed Mr. Abbas Sayeed Mr. Muhammad Ali Sayeed Mr. Asadullah Sayeed Mr. Zahid Dada 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 NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A Casual vacancy occurring on the board on 13th September 2012 was filled by the directors within twelve days.
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.



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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 all 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.



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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



PAKISTAN PAPER PRODUCTS LIMITED

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Pakistan Paper Products Limited to comply with the Listing Regulation No. 35 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, 2013.

HAIDER SHAMSI & CO.,
Chartered Accountants
Mirza Hyder Hussain Baig

Date: September 17, 2013
Karachi



PAKISTAN PAPER PRODUCTS LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **PAKISTAN PAPER PRODUCTS LIMITED** as at **JUNE 30, 2013** 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, 2013** 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 not deducted and deposited by the company in the Central Zakat Fund established under Section 7 of that Ordinance.

HAIDER SHAMSI & CO.,
Chartered Accountants
Mirza Hyder Hussain Baig

Date: September 17, 2013
Place: Karachi



PAKISTAN PAPER PRODUCTS LIMITED

BALANCE SHEET

	<i>Notes</i>	2013 Rupees	2012 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
<i>Share Capital</i>			
<i>Authorized</i>			
8,000,000 ordinary shares of Rs. 10 each		80,000,000	80,000,000
Issued, subscribed and paid-up	4	60,000,000	50,000,000
Revenue reserves	5	197,057,009	184,799,880
		257,057,009	234,799,880
Surplus on revaluation of fixed assets	6	145,885,275	147,347,121
Deferred liabilities			
Deferred tax	7	27,869,202	28,912,257
Retirement benefit obligation	8	3,689,783	3,262,719
		31,558,985	32,174,976
Long term loan - <i>secured</i>	9	28,704,636	41,411,684
Current liabilities			
Current maturities	10	12,707,048	17,859,048
Short term borrowings - secured	11	2,434,752	411,292
Creditors, accrued and other liabilities	12	44,108,266	61,903,257
		59,250,066	80,173,597
Contingencies and commitments	13	-	-
		522,455,971	535,907,258

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

Date: September 17, 2013
Karachi


MOHAMMAD ALI SAYEED
Chairman



PAKISTAN PAPER PRODUCTS LIMITED

AS AT JUNE 30, 2013

	<i>Notes</i>	2013 Rupees	2012 Rupees
ASSETS			
Fixed assets			
Property, plant and equipment	14	308,739,943	318,578,319
Capital work in progress	15	-	3,836,554
Long term deposits	16	525,090	473,690
Current assets			
Stores and spares	17	2,029,334	3,041,446
Stock in trade	18	81,736,791	111,711,165
Trade debts-unsecured but considered good	19	70,345,979	60,659,864
Advances and other receivables	20	28,294,171	32,496,028
Deposits and prepayments	21	1,060,265	741,823
Cash and bank balances	22	29,724,398	4,368,369
		213,190,938	213,018,695

522,455,971

535,907,258

ABID SAYEED*Chief Executive*



PAKISTAN PAPER PRODUCTS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2013

	<i>Notes</i>	2013 Rupees	2012 Rupees
Turnover		543,318,996	483,497,604
Sales tax, discounts and sales return		(42,079,826)	(50,189,107)
Sales	23	501,239,170	433,308,497
Cost of goods sold	24	404,503,002	333,298,245
Gross profit		96,736,168	100,010,252
Other operating income	25	1,694,428	945,729
Operating expenses			
Administrative expenses	26	17,733,452	17,780,471
Selling and distribution	27	8,766,506	8,417,843
Workers' Profit Participation Fund		3,230,209	3,415,232
Workers' Welfare Fund		1,350,434	1,291,171
		31,080,601	30,904,717
Operating profit		67,349,995	70,051,264
Financial charges	28	7,326,454	5,507,302
Net profit before taxation		60,023,541	64,543,962
Taxation	29	21,228,258	23,160,558
Net profit after taxation		38,795,283	41,383,404
Earning per share:			
- Basic	36	6.47	6.9
- Diluted	36	6.47	6.9

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

MOHAMMAD ALI SAYEED
Chairman

ABID SAYEED
Chief Executive

Date: September 17, 2013
Karachi



PAKISTAN PAPER PRODUCTS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	Rupees	Rupees
Profit for the year	38,795,283	41,383,404
Other comprehensive income	-	-
Total comprehensive income for the year	<u>38,795,283</u>	<u>41,383,404</u>

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

MOHAMMAD ALI SAYEED
Chairman

ABID SAYEED
Chief Executive

Date: September 17, 2013
Karachi



PAKISTAN PAPER PRODUCTS LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2013

	<i>Notes</i>	2013 Rupees	2012 Rupees
Cash flow from operating activities			
Cash generated from operations	30	82,332,464	44,133,449
Income taxes paid		(20,815,941)	(12,099,839)
Gratuity paid		(419,288)	(64,909)
Financial charges paid		(8,038,938)	(5,547,718)
Net cash from operating activities		53,058,297	26,420,983
Cash flow from investing activities			
Acquisition of fixed assets		(6,561,315)	(72,732,734)
Capital work in progress		-	(3,836,554)
Long term deposits		(51,400)	(252,818)
Investment - held for trading		-	20,000,000
Disposal of fixed assets		2,898,880	1,773,169
Income from financial assets		673,377	655,323
Net cash used in investing activities		(3,040,458)	(54,393,614)
Cash flow from financing activities			
Long term loan acquired		-	50,655,240
Long term loan repaid		(17,859,048)	(9,424,508)
Dividend paid		(8,826,222)	(19,152,796)
Net cash from / (used in) financing activities		(26,685,270)	22,077,936
Net increase/(decrease) in cash and cash equivalent		23,332,569	(5,894,695)
Cash and cash equivalents - start of the year		3,957,077	9,851,772
Cash and cash equivalents - end of the year	31	27,289,646	3,957,077

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

MOHAM, MAD ALI SAYEED
Chairman

ABID SAYEED
Chief Executive

Date: September 17, 2013
Karachi



PAKISTAN PAPER PRODUCTS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2013

	Share Capital	Revenue reserve		Total
		General reserve	Unappropriated profit	
(Rupees)				
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
Total comprehensive income for the year ended June 30, 2013	-	-	38,795,283	38,795,283
	50,000,000	93,900,000	129,695,163	273,595,163
Appropriation:				
Interim dividend	-	-	(18,000,000)	(18,000,000)
Issue of bonus shares	10,000,000	-	(10,000,000)	-
Incremental depreciation transferred from surplus on revaluation of fixed assets (net of tax)	-	-	976,298	976,298
Surplus on revaluation of fixed assets realized on disposal of fixed assets (net of tax)	-	-	485,548	485,548
	10,000,000	-	(26,538,154)	(16,538,154)
Balance as at June 30, 2013	60,000,000	93,900,000	103,157,009	257,057,009

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

MOHAM, MAD ALI SAYEED
Chairman

ABID SAYEED
Chief Executive

Date: September 17, 2013
Karachi



PAKISTAN PAPER PRODUCTS LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2013

1. The company and its operations

Pakistan Paper Products Limited was incorporated and domiciled 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. Statement of compliance

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.



PAKISTAN PAPER PRODUCTS LIMITED

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 only 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:

- IAS 19 Employee Benefits (amended 2011) effective for annual periods on or after January 01, 2013. The amended IAS 19 includes amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit and loss, which currently is allowed under IAS 19; and that the expected return on plan assets in profit and loss is calculated based on the rate used to discount the defined benefit obligation. The Company's policy was to account for actuarial gains and losses using the corridor method and with the change unrecognized actuarial gains amounting to Rs. 973,952/- at 30 June, 2013 would need to be recognized in other comprehensive income.
- IAS 27 Separate Financial Statements (2011) – (effective for annual periods beginning on or after January 01, 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements and IFRS 12 - Disclosure of interest in other entities dealing with IAS 27 would be applicable and effective from 1 January 2013. The amendments have no impact on financial statements of the company.
- IAS 28 Investment in Associates and Joint ventures (2011) – (effective for annual periods beginning on or after January 01, 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment or a portion of an investment in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in joint venture. The amendments have no impact on financial statements of the company.
- Offsetting Financial Assets and Financial Liabilities (Amendment to IAS 32) effective for annual periods beginning on or after January 01, 2014. The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.



PAKISTAN PAPER PRODUCTS LIMITED

- Offsetting Financial Assets and Financial Liabilities (Amendment to IFRS 7) effective for annual periods beginning on or after January 01, 2013. The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar agreement.

- 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 is amended to clarify that only one comparative period - which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not to be in form of a complete set of financial statements. However, such information should be accompanied by relate notes and should be in accordance in with IFRS. Furthermore, it clarifies that ‘third statement of financial position’, when required, is only required if the effect of restatement is material to statement of financial position.
 - IAS 16 Property, Plant and Equipment is amended to clarify that accounting of spare parts, stand-by equipments and servicing equipments. The definition of ‘property, plant and equipment’ in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition of, then they are accounted for using IAS 2 inventories.
 - IAS 32 Financial Instruments: Presentation is amended to clarify that IAS 12 Income Taxes applies to accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.
 - IAS 34 Interim Financial Reporting is amended to align the disclosures requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total as in addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.



PAKISTAN PAPER PRODUCTS LIMITED

The amendments have no impact on financial statements of the Company.

- IFRIC 20 Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 1, 2013).
- IFRIC 21 Levies ‘an interpretation on the accounting for levies imposed by governments’ (effective for annual periods beginning on or after 1 January 2014).
- Amendment to IAS 36 “Impairment of Assets” Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014).
- IAS 39 Financial instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014).

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.



PAKISTAN PAPER PRODUCTS LIMITED

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. 1,206,924 (2012: Rs. 1,079,191) 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.



PAKISTAN PAPER PRODUCTS LIMITED

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.



PAKISTAN PAPER PRODUCTS LIMITED

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.



PAKISTAN PAPER PRODUCTS LIMITED

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.



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	2013	2012
	Rupees	Rupees
04. Issued, subscribed and paid-up		
578,000 Ordinary shares of Rs. 10/- each fully paid in cash	5,780,000	5,780,000
172,000 Ordinary shares of Rs. 10/- each issued for consideration (property) other than cash	1,720,000	1,720,000
5,250,000 (2012: 4,250,000) Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	52,500,000	42,500,000
<u>6,000,000</u>	<u>60,000,000</u>	<u>50,000,000</u>

During the year 1,000,000 (2012: Nil) ordinary shares of Rs. 10/- each were issued by the company as fully paid bonus shares. The company has one class of ordinary shares which carry no right to fixed income.

As at year end 680,270 (2012: 566,892) ordinary shares of the company were held by the associated undertaking M/s Management & Enterprises (Private) Limited.

	2013	2012
	Rupees	Rupees
05. Revenue reserves		
<i>General reserve:</i>		
Opening balance	93,900,000	93,900,000
Un-appropriated profit	103,157,009	90,899,880
	<u>197,057,009</u>	<u>184,799,880</u>
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	3,267,913	4,729,759
	<u>145,885,275</u>	<u>147,347,121</u>

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:



PAKISTAN PAPER PRODUCTS LIMITED

	Surplus on revaluation of	
	Leasehold land	Items other than leasehold land
	Rupees	
Surplus on June 30, 2011	142,617,362	5,493,589
Incremental depreciation (net of tax) transferred to accumulated profit	-	(763,830)
Surplus on June 30, 2012	142,617,362	4,729,759
Realized on disposal of fixed assets (net of tax)	-	(976,298)
Incremental depreciation (net of tax) transferred to accumulated profit	-	(485,548)
Surplus on June 30, 2013	142,617,362	3,267,913
	2013	2012
	Rupees	Rupees
07. Deferred taxation		
These comprise of temporary differences due to:		
Accelerated depreciation	27,129,942	27,325,509
Revaluation of fixed assets	2,030,684	2,728,700
Employees retirement benefits	(1,291,424)	(1,141,952)
	27,869,202	28,912,257
08. Provision for gratuity		
Opening balance	3,262,719	2,659,249
Expense recognized	846,352	668,379
	4,109,071	3,327,628
Payments during the year	419,288	64,909
Closing balance	3,689,783	3,262,719
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 09, 2013 of the present value of the defined benefit obligation at June 30, 2013. The present value of the defined benefit obligation and the related current service cost and past service cost, were		
The principal assumptions used for the purpose of the actuarial valuations were as follows:		
	2013	2012
Discount rate per annum	10.5%	13%
Expected rate of eligible salary increase in future years per annum	9.5%	12%
Average expected remaining working life time in years of employees	12	12



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

	2013 Rupees	2012 Rupees
Present value of defined benefit obligations - start of the year	3,601,152	2,639,454
Interest cost for the year	378,202	369,524
Current service cost for the year	468,150	298,855
Benefits paid during the year	(419,288)	(64,909)
Actuarial loss on present value of defined benefit plan	635,519	358,228
Present value of defined benefit obligations - end of the year	<u>4,663,735</u>	<u>3,601,152</u>

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

Unrecognized actuarial gains as on June 30	(338,433)	19,795
Actuarial losses arising during the year	<u>(635,519)</u>	<u>(358,228)</u>
	<u>(973,952)</u>	<u>(338,433)</u>

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

	2013 Rupees	2012 Rupees
Present value of defined benefit obligation as on June 30	4,663,735	3,601,152
Plus Actuarial gains/Less Actuarial losses to be recognized in later period	<u>(973,952)</u>	<u>(338,433)</u>
	<u>3,689,783</u>	<u>3,262,719</u>

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

	2013 Rupees	2012 Rupees
Current service cost	378,202	298,855
Interest cost	468,150	369,524
	<u>846,352</u>	<u>668,379</u>

The charge of Rs. 592,446 (2012: Rs. 467,865) is included in cost of sales in the income statement, Rs. 253,906 (2012: Rs. 200,514) is included in administrative expenses.

Comparison for five years:

Year	PVDBO	(Gain) / Loss on PVDBO	Transitional Liability	Total
2013	4,663,735	635,519	-	5,299,254
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



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	2013 Rupees	2012 Rupees
09. Long term loans - secured		
<i>Bank Al Habib Limited - Term finance</i>		
Opening balance at start of the year	59,270,732	18,040,000
Acquired during the year	-	50,655,240
	<u>59,270,732</u>	<u>68,695,240</u>
Repayment during the year	<u>(17,859,048)</u>	<u>(9,424,508)</u>
	<u>41,411,684</u>	<u>59,270,732</u>
Less: Current portion shown under current maturity	<u>(12,707,048)</u>	<u>(17,859,048)</u>
	<u><u>28,704,636</u></u>	<u><u>41,411,684</u></u>

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 registered with SECP for Rs. 169.40 million. The facilities are repayable respectively in thirty six and sixty equal monthly installments. The facilities carry mark-up 6 months KIBOR plus 2.5% and KIBOR plus 1.75% respectively.

	2013 Rupees	2012 Rupees
10. Current maturities		
Current portion - long term loan	<u>12,707,048</u>	<u>17,859,048</u>
	<u><u>12,707,048</u></u>	<u><u>17,859,048</u></u>
11. Short term borrowings - secured		
Bank Al-Habib Limited - running finance	<u>2,434,752</u>	<u>411,292</u>

The company enjoys short term finance facilities from Bank Al Habib Limited comprising running finance up to Rs. 60.0 (2012: 60.0) million, Letter of Credit (Sight-Foreign) for Rs. 10.0 (2012: 10.0) million, Letter of Credit (Usance-Foreign) for Rs. 10.0 (2012: 10.0) million, Acceptance - Sub limit of LC sight foriegn for Rs. 10.0 (2012: 10.0) million at Nil margin and Letter of Guarantee for Rs. 5.0 (2012: 5.0) million. 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. 70.0 million, import documents consigned in the name of Bank Al Habib Limited in case of sight LC, accepted drafts / trust receipts in case of usance LC, counter guarantee in case of LG's and equitable mortgage over industrial property bearing No. D-57A & D-58, SITE, Karachi registered with SECP for Rs. 169.40 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



PAKISTAN PAPER PRODUCTS LIMITED

	2013	2012
	Rupees	Rupees
12. Creditors, accrued and other liabilities		
Trade creditors	18,748,086	31,661,952
Debtors credit balances	670,155	15,634,246
Accrued expenses and other payables	5,054,487	4,649,541
Accrued mark up on loans	1,218,574	1,931,058
Due to associated concern	51,315	-
Workers' Profit Participation Fund	12.1 3,236,209	3,421,232
Workers Welfare Fund	2,667,137	1,316,703
Unclaimed dividend	12,462,303	3,288,525
	<u>44,108,266</u>	<u>61,903,257</u>
12.1 Workers' Profit Participation Fund		
Balance at the beginning of the year	3,421,232	3,334,259
Amount paid to the Fund Trustees	2,583,740	2,567,740
Amount deposited with government	831,492	760,519
	<u>3,415,232</u>	<u>3,328,259</u>
	6,000	6,000
Allocation for the year	<u>3,230,209</u>	<u>3,415,232</u>
	<u>3,236,209</u>	<u>3,421,232</u>

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. 4.3 million (2012: Rs. 3.52 million). Post dated cheque amounting to Rs. 306,011 (2012: 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. 2.08 million (2012: Rs. 36.28 million) and in respect of bank contract for import of machinery Rs. 4.58 million.



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14. Property, plant and equipment

--- Rupees ---

PARTICULARS	COST/REVALUATION						DEPRECIATION				W. D. V. as at 30-06-13 if no revaluation carried out		
	As at 1-7-2012	Additions	*Transfers/ (disposal)	As at 30-6-2013	Comprising		Rate %	As at 1-7-2012	For the year	*Transfers/ (disposal)		As at 30-6-2013	
					At cost	At valuation 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	4,938,328	-	32,260,877	25,292,273	6,968,604	10	6,313,758	2,440,861	-	8,754,619	23,506,258	21,162,241
- Office	3,795,629	-	-	3,795,629	-	3,795,629	5	412,066	169,178	-	581,244	3,214,385	3,687,338
Plant and machinery	184,820,887	4,645,991	(3,771,710)	185,695,168	127,012,211	58,682,957	10	43,576,063	14,155,706	(2,021,180)	55,710,589	129,984,579	127,209,801
Furniture and fixture	677,511	27,000	-	704,511	527,061	177,450	10	181,905	51,403	-	233,308	471,203	499,364
Factory and other equipments	2,911,921	520,700	-	3,432,621	3,095,194	337,427	10	704,528	263,015	-	967,543	2,465,078	2,635,334
Electric equipments and fittings	1,047,116	116,500	-	1,163,616	1,087,816	75,800	15	438,649	99,331	-	537,980	625,636	634,971
Computers	776,481	149,350	(71,561)	854,270	836,575	17,695	30	401,507	131,625	(55,682)	477,450	376,820	346,406
Vehicles	11,129,149	-	(457,470)	10,671,679	9,771,929	899,750	20	5,874,448	1,026,162	(324,915)	6,575,695	4,095,984	3,331,980
Total 2013	376,481,243	10,397,869	(4,300,741)	382,578,371	167,623,059	214,955,312		57,902,924	18,337,281	(2,401,777)	73,838,428	308,739,943	159,698,638



PAKISTAN PAPER PRODUCTS LIMITED

PARTICULARS	COST/REVALUATION					DEPRECIATION							
	As at 1-7-2011	Additions	*Transfers/ (disposal)	As at 30-6-2012	Comprising At cost	At valuation 2012	Rate %	As at 1-7-2011	For the year	*Transfers/ (disposal)	As at 30-6-2012	W. D. V as at 30-06-2012	W. D. V. as at 30-06-12 if no revaluation carried out
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	146,956,365
			(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	376,481,243	163,170,123	213,311,120		35,990,215	13,734,814	9,891,725	57,902,924	318,578,319	177,307,841
			(3,128,945)							(1,713,830)			
Leased assets													
Plant and machinery	25,000,000	-	(25,000,000)	-	-	-	10	9,891,725	-	(9,891,725)	-	-	-
Sub-total	25,000,000	-	(25,000,000)	-	-	-		9,891,725	-	(9,891,725)	-	-	-
Total 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

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

Manufacturing
 Administration
 Selling and distribution

2013	2012
----- Rupees -----	----- Rupees -----
17,475,279	12,890,552
476,155	457,706
385,847	386,556
<u>18,337,281</u>	<u>13,734,814</u>



PAKISTAN PAPER PRODUCTS LIMITED

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

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 By negotiation	409,970	288,258	121,712	265,000	Mr.Khawaja Manzoor
Vehicle By negotiation	47,500	36,657	10,843	16,000	Mr.Muhammad Imran
Computers By negotiation	10,760	4,417	6,343	3,000	Best Bargain Computers
Computers By negotiation	60,801	51,265	9,536	13,200	Mr.Abdullah
Plant & Machinery By negotiation	3,771,710	2,021,180	1,750,530	2,601,680	M/S. Web Tech Int'l
Total 2013	4,300,741	2,401,777	1,898,964	2,898,880	
Total 2012	3,128,945	1,713,830	1,415,115	1,773,169	

15. Capital work in progress

Civil works

	2013	2012
	Rupees	Rupees

	-	3,836,554
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Represents work in progress relating to construction of Chief Executive Officer's office building by the company.

16. Long term deposits

Deposit with CDC
Shell Pakistan Limited
Utility deposits

	2013	2012
	Rupees	Rupees

	12,500	12,500
	200,000	200,000
	312,590	261,190
	525,090	473,690



PAKISTAN PAPER PRODUCTS LIMITED

	2013 Rupees	2012 Rupees
17. Stores and spares		
Stores	2,029,334	3,041,446
	<u>2,029,334</u>	<u>3,041,446</u>
18. Stock in trade		
Raw materials	63,191,986	64,101,757
Work in process	14,297,090	27,379,025
Finished product	4,247,715	20,230,383
	<u>81,736,791</u>	<u>111,711,165</u>
19. Trade debts-unsecured but considered good		
Due from customers	70,333,577	60,644,358
Due from associated concerns - Sayeed International	11,642	13,600
Due from staff	760	1,906
	<u>70,345,979</u>	<u>60,659,864</u>
20. Advances and other receivables - considered good		
Advances to suppliers	346,210	1,520,601
Advance against letter of credit	9,447	2,937,745
Advance against expenses	7,000	770
Advance to staff	55,053	27,760
Advance income tax (net of tax liability)	12,016,103	12,642,083
Income tax refundable	676,504	1,454,842
Sales tax refundable	15,111,392	13,272,884
Excise duty refundable	72,462	639,343
	<u>28,294,171</u>	<u>32,496,028</u>
21. Deposits and prepayments		
Other deposit	997,867	656,996
Prepayments	62,398	84,827
	<u>1,060,265</u>	<u>741,823</u>
22. Cash and bank balances		
Cash at banks (in current accounts)	10,769,523	1,261,249
Cash at banks (in deposit accounts)	18,829,875	2,982,120
Factory imprest	75,000	75,000
Cash in hand	50,000	50,000
	<u>29,724,398</u>	<u>4,368,369</u>



PAKISTAN PAPER PRODUCTS LIMITED

	2013	2012
	Rupees	Rupees
23. Sales		
Exercise books	237,269,773	188,024,388
Ammonia paper	15,816,403	16,057,961
Prolables	240,006,514	216,090,154
Plain paper	6,635,394	11,696,258
Printing charges	7,488	2,425
Sensitized Machine Parts	479,660	501,299
Waste paper	1,023,938	936,012
	501,239,170	433,308,497
The sales are net of sales tax Rs. 42,079,826(2012: Rs. 50,189,107).		
24. Cost of sales		
Raw material consumed		
Opening stock	64,101,757	51,592,728
Purchases	300,592,144	298,098,273
Closing stock	(63,191,986)	(64,101,757)
	301,501,915	285,589,244
Salaries, wages and other benefits	34,672,492	30,455,630
Fuel and power	4,398,436	3,758,422
Spares and stores consumed	24.1 9,666,158	10,095,874
Insurance	1,075,277	774,242
Repairs and maintenance	1,906,397	1,575,899
Rent, rates and taxes	169,041	152,087
Telephone and trunk calls	101,539	159,622
Other manufacturing expenses	4,471,865	4,931,299
Depreciation	14.1 17,475,279	12,890,552
Cost of production	375,438,399	350,382,871
Work in process - opening	27,379,025	13,036,783
Work in process - closing	(14,297,090)	(27,379,025)
	13,081,935	(14,342,242)
Cost of goods manufactured	388,520,334	336,040,629
Finished goods - opening	20,230,383	17,487,999
Finished goods - closing	(4,247,715)	(20,230,383)
	15,982,668	(2,742,384)
	404,503,002	333,298,245
24.1 Stores and spares consumed		
Opening balance	3,041,446	2,149,959
Purchases	8,654,046	10,987,361
Closing balance	(2,029,334)	(3,041,446)
	9,666,158	10,095,874



PAKISTAN PAPER PRODUCTS LIMITED

		2013 Rupees	2012 Rupees
25. Other income			
Interest on deposit account		673,377	459,625
Gain on disposal of fixed assets	25.1	999,916	358,054
Other income		21,135	128,050
		<u>1,694,428</u>	<u>945,729</u>
25.1 Gain on disposal of fixed assets			
Sale proceeds		2,898,880	1,773,169
Revalued amount of fixed assets		4,300,741	3,128,945
Less: Accumulated depreciation		2,401,777	1,713,830
Net book value		1,898,964	1,415,115
Gain on disposal		<u>999,916</u>	<u>358,054</u>
26. Administrative expenses			
Directors' fees		130,000	105,000
Directors' remuneration		3,899,700	4,817,426
Staff salaries and benefits		7,118,330	6,305,598
Rent, rates and taxes		419,452	475,862
Insurance		621,701	523,301
Traveling and conveyance		741,035	1,684,466
Postage and telegrams		70,068	147,925
Telephone		277,199	154,765
Electric charges		196,531	221,078
Stationery and periodicals		208,175	163,992
Repairs and renewals		1,196,987	956,576
Legal and professional fees		839,087	525,057
Auditors' remuneration	26.1	275,000	275,000
General		740,032	466,719
Charity and donation	26.2	524,000	500,000
Depreciation	14.1	476,155	457,706
		<u>17,733,452</u>	<u>17,780,471</u>
26.1 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
		<u>275,000</u>	<u>275,000</u>
26.2 Charity and donation			
The Citizen Foundation		200,000	150,000
Anjuman Behbood-E-Samat-E-Atfal (ABSA School and College for Deaf)		324,000	350,000
		<u>524,000</u>	<u>500,000</u>

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



PAKISTAN PAPER PRODUCTS LIMITED

	2013 Rupees	2012 Rupees
27. Selling and distribution expenses		
Staff salaries and benefits	3,866,774	3,671,664
Advertisement and publicity	-	48,500
Cartage and forwarding	873,284	926,292
Vehicle expenses	1,788,086	1,935,747
Tender fees	7,300	4,928
Sales promotion	691,357	874,648
Insurance	168,211	185,804
Depreciation	14.1 385,847	386,556
Utilities	51,920	-
Rent rates and taxes	19,131	-
Repair and maintenance	2,770	-
Others	911,826	383,704
	<u>8,766,506</u>	<u>8,417,843</u>
28. Financial expenses		
Mark-up on short term running finance	830,112	1,718,209
Mark-up on long term loan	6,374,773	3,605,907
Bank and other charges	121,569	183,186
	<u>7,326,454</u>	<u>5,507,302</u>
29. Taxation		
Current year	22,091,968	10,564,424
Prior year	179,345	16,712
Deferred	(1,043,055)	12,579,422
	<u>21,228,258</u>	<u>23,160,558</u>
29.1 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. 746,997 (2012: 381,849) 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.

	2013 %	2012 %
29.2 Tax charge reconciliation		
Applicable tax rate as per Income Tax Laws	35.000%	35.000%
Tax effect of expenses that are not deductible for tax purpose	0.068%	0.858%
Effect of change in prior years' tax	0.299%	0.026%
	<u>35.367%</u>	<u>35.884%</u>



PAKISTAN PAPER PRODUCTS LIMITED

	2013 Rupees	2012 Rupees
30. Cash generated from operation		
Profit before taxation	60,023,541	64,543,962
Adjustment for non cash items and other adjustments:		
Depreciation	18,337,281	13,734,814
Gratuity provision	846,352	668,379
Income from financial assets	(673,377)	(459,625)
Financial expenses	7,326,454	5,507,302
Gain on disposal of fixed assets	(999,916)	(358,054)
	24,836,794	19,092,816
(Increase)/decrease in current assets		
Stores and spares	1,012,112	(891,487)
Stock in trade	29,974,374	(29,593,655)
Trade debts	(9,686,115)	(20,929,085)
Advances and other receivables	2,797,539	(8,028,157)
Deposits and prepayments	(318,442)	(576,453)
	23,779,468	(60,018,837)
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities	(26,307,339)	20,515,508
	<u>82,332,464</u>	<u>44,133,449</u>
31. Cash and cash equivalent		
Cash and bank balance	29,724,398	4,368,369
Short term borrowings - secured	(2,434,752)	(411,292)
	<u>27,289,646</u>	<u>3,957,077</u>



PAKISTAN PAPER PRODUCTS LIMITED

32. Remuneration of Chief Executive and Director

	2013			2012		
	Chairman Rs.	Chief Executive Rs.	Directors Rs.	Chairman Rs.	Chief Executive Rs.	Directors Rs.
Fees	-	-	130,000	-	-	105,000
Number of persons	1	1	5	1	1	5
Managerial remuneration and allowances	-	1,950,000	-	620,688	1,950,000	-
Provident fund	-	162,500	-	-	162,504	-
Medical expenses	-	9,259	-	54,150	34,500	-
House rent	-	877,500	-	279,312	877,500	-
Reimbursable expenses	-	640,741	-	66,396	559,991	-
	-	3,640,000	-	1,020,546	3,584,495	-
Number of persons	1	1	-	1	1	-

The 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.

33. 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:

	2013 Rupees	2012 Rupees
Sales	46,177	57,213
Purchases	599,900	129,670
Rent paid	128,040	145,200

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.

34. Financial instruments

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

- Credit risk
- Liquidity risk
- Market risk

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



PAKISTAN PAPER PRODUCTS LIMITED

34.1 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. 116.073 million (2012: Rs. 80.071 million), financial assets which are subject to credit risk amount to Rs. 100.764 million (2012: Rs. 66.034 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.

	2013 Rupees	2012 Rupees
Long term deposits	525,090	473,690
Trade debts	70,345,979	60,659,864
Advances, deposits, prepayments and other receivables		
- Others	997,867	656,996
Bank balances	29,599,398	4,243,369
	<u>101,468,334</u>	<u>66,033,919</u>

The ageing of trade receivables at the reporting date is:

Past due	0-30	days	49,144,503	32,412,230
Past due	31 - 60	days	17,003,832	21,719,580
Past due	61 - 90	days	3,929,752	5,315,981
Past due	91 - 120	days	138,456	566,334
Past due 120 days			129,436	645,739
			<u>70,345,979</u>	<u>60,659,864</u>

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

34.2 Liquidity risk

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



PAKISTAN PAPER PRODUCTS LIMITED

30 June 2013

	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	41,411,684	41,411,684	7,641,524	5,065,524	10,131,048	18,573,588
Trade and other payables	23,853,888	23,853,888	23,853,888	-	-	-
Short term borrowings	2,434,752	2,434,752	2,434,752	-	-	-
2013	67,700,324	67,700,324	33,930,164	5,065,524	10,131,048	18,573,588

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	36,311,493	36,311,493	36,311,493	-	-	-
Short term borrowings	411,292	411,292	411,292	-	-	-
2012	95,993,517	95,993,517	45,652,309	8,929,524	17,859,048	23,552,636

34.3 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.

34.3.1 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. 6.66 million (2012: Rs. 36.28 million).

34.3.2 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.

34.3.3 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.

34.4 Fair value of financial instruments

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



PAKISTAN PAPER PRODUCTS LIMITED

35. 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.

	2013 Rupees	2012 Rupees
36. Earning per share		
Net profit after taxation	<u>38,795,283</u>	<u>41,383,404</u>
Number of ordinary shares issued and subscribed at start of the year	<u>5,000,000</u>	5,000,000
Bonus shares issued during the year	<u>1,000,000</u>	-
	<u>6,000,000</u>	5,000,000
Bonus shares issued adjusted retrospectively	-	1,000,000
Weighted average number of ordinary shares	<u>6,000,000</u>	<u>6,000,000</u>
Basic earning per share	<u>6.47</u>	<u>6.90</u>
Diluted earning per share	<u>6.47</u>	<u>6.90</u>

37. Non-adjusting events after the balance sheet date

In the meeting held on September 17, 2013 the Board of Directors of the company recommended a final cash dividend of Rs. Nil (2012: Nil) per share and bonus shares in the ratio of Nil (2012: 5:1) for the year ended June 30, 2013, amounting to Rs. Nil million and Rs. Nil million (2012: Rs. Nil and 10 million) respectively. In addition, the directors have also announced appropriation of Rs. 50 million (2012: 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, 2013 do not include the effect of these appropriations which will be accounted for subsequent to the year end.

38. Capacity and production

	Units	Capacity		Production		Remarks
		2013	2012	2013	2012	
a) Exercise books	Groose	58,632	58,632	57,887	53,230	-
b) Sensitized paper	Rolls	216,000	216,000	44,264	50,026	Due to lack of demand.
c) Prolabels	Sq. Meter	2,000,000	2,000,000	2,930,907	2,636,652	due to extra shift

38.1 The capacity is determined on single shift basis.



PAKISTAN PAPER PRODUCTS LIMITED

39. Date of authorization for issue

These financial statements were authorized for issue on September 17, 2013 by the Board of Directors of the Company.

40. Figures

Figures have been rounded off to the nearest rupee.

MOHAMMAD ALI SAYEED
Chairman

ABID SAYEED
Chief Executive

Date: September 17, 2013
Karachi



PAKISTAN PAPER PRODUCTS LIMITED

PATTERN OF HOLDING OF SHARES HELD BY THE SHAREHOLDERS AS ON 30TH JUNE 2013

NO.OF SHARE HOLDERS	SHARE FROM	HOLDING TO	TOTAL SHARE HELD
266	1	100	7,910
224	101	500	65,352
124	501	1000	98,390
191	1001	5000	416,006
24	5001	10000	175,724
7	10001	15000	84,906
9	15001	20000	165,033
2	20001	25000	43,000
4	25001	30000	112,928
2	30001	35000	63,993
2	35001	40000	72,293
1	40001	45000	42,387
1	50001	55000	50,881
3	55001	60000	169,598
1	60001	65000	62,894
1	75001	80000	78,272
1	100001	105000	103,200
1	110001	115000	111,468
1	115001	120000	120,000
1	125001	130000	127,225
1	190001	195000	194,569
1	200001	205000	201,384
1	335001	340000	336,025
1	460001	465000	464,100
1	540001	545000	542,617
1	565001	570000	566,545
1	680001	685000	680,270
1	840001	845000	843,030
874			6,000,000

CLASSIFICATION OF SHARES BY CATEGORIES AS AT 30TH JUNE,2013

CATEGORIES OF SHARE HOLDERS	NUMBER OF SHARE HOLDERS	SHARES HELD	PERCENTAGE OF CAPITAL
INDIVIDUALS	851	4,178,447	69.64%
INVESTMENT COMPANIES	4	718,590	11.98%
INSURANCE COMPANIES	2	321,384	5.36%
FINANCIAL INSTITUTIONS	4	85,073	1.42%
JOINT STOCK COMPANIES	7	40,633	0.68%
MUTUAL FUNDS	3	484,774	8.08%
OTHERS	3	171,099	2.85%
	874	6,000,000	100%



PAKISTAN PAPER PRODUCTS LIMITED

DETAILS OF PATTERN OF SHAREHOLDING AS ON 30-06-2013 (AS PER REQUIREMENT OF CODE OF CORPORATE GOVERNANCE)

Shareholders Category	No. of Shares held	Percentage held
Associated Companies	680,270	11.34
M/s. Management & Enterprises (Pvt.) Limited	680,270	
NIT & ICP	474,386	7.91
National Bank of Pakistan, Trustee Department (NIT)	464,100	
Investment Corporation of Pakistan	5,112	
IDBL (ICP) Unit	5,174	
Directors, CEO and their spouses and minor children	2,169,857	36.16
Mr. Abid Sayeed	843,030	
Mr. Muhammad Ali Sayeed	8,520	
Mr. Abbas Sayeed	542,617	
Mrs. Muleika Sayeed	194,569	
Mr. Asadullah Sayeed	336,025	
Mrs. Nadia Sayeed W/o Abid Sayeed	27,428	
Mrs. Nusser Sayeed W/o Abbas Sayeed	111,468	
Mrs. Faiza Haswary W/o Asadullah Sayeed	103,200	
Mr. Zahid Dada	3,000	
Executives	NIL	
Individuals	2,008,590	33.48
Public Sector Companies and Corporations	201,384	3.36
Banks,DFIS,NBFIS,Insurance Companies,Modarabas Joint Stock Companies and Mutual Funds	465,513	7.76
Total	6,000,000	100.00

SHAREHOLDERS HOLDING 5% OR MORE

Mr. Abid Sayeed	843,030	14.05
National Bank of Pakistan, Trustee Department (NIT)	464,100	7.74
M/s. Management & Enterprises (Pvt.) Limited	680,270	11.34
Ms. Aliya Rehman	566,545	9.44
Mr. Abbas Sayeed	542,617	9.04
Mr. Asadullah Sayeed	336,025	5.60



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 Registrar Folio/CDC Account No. _____
hereby appoint Mr/Mrs/Miss. _____ Folio/CDC Account No. _____
of Karachi 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 51st ANNUAL GENERAL MEETING of the Company to be held on Wednesday 23rd
October 2013 at 12:30 pm and at any adjournment thereof.

Signed this _____ day of _____ 2013

Rs.5/=
Revenue
Stamp

Witnesses:

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

1: Signature _____
Name: _____
Address: _____

CNIC: _____

Signature _____

2: Signature _____
Name: _____
Address: _____

CNIC: _____

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.

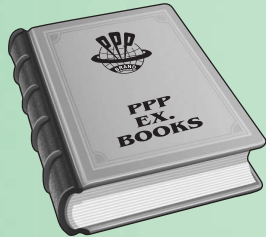
For CDC Account Holder / Corporate Entities:

In addition of the above following requirements have to be met;

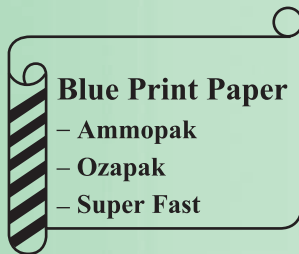
- I. The proxy form shall be witnessed by two persons whose names, address and CNIC Numbers shall be mentioned on the form.
- II. Attested copies of CNIC or Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- III. The proxy shall produce his/ her original CNIC or 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.



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