



Annual Report for the year ended December 31, 2011

Long-Term **AA**
Short-Term **A1+**

The Pakistan Credit Rating Agency Limited

Rating as on: June 2011

| Rating Type | Rating | Comments |
|-------------|------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Long-Term | AA (Double A) | Very high credit quality. AA ratings denote a very low expectation of credit risk. This indicates very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events. |
| Short-Term | A1+ (A One Plus) | Obligations supported by the highest capacity for timely repayment. |

Contents

| | | | |
|----|-----------------------------------|-----|----------------------------------------------------------------------------------------------|
| 02 | Company Profile | | |
| 04 | Company Information | | |
| 06 | Organogram | | |
| 08 | Business Divisions | | |
| 19 | Competitive Business Strength | | |
| | Governance | | |
| 20 | Board of Directors of the Company | | |
| 22 | Management Committees | | |
| 24 | Vision, Mission and Policies | | |
| 27 | Code of Conduct | | |
| | Stakeholders' Information | | |
| 28 | Ten Year Summary | | |
| 30 | Horizontal and Vertical Analysis | | |
| 34 | Value Added and its Distribution | | |
| 35 | Sources and Application of Funds | | |
| 36 | Events Calendar | | |
| 38 | Corporate Social Responsibility | | |
| | | | Shareholders' Information |
| | | 42 | Notice of Annual General Meeting |
| | | 44 | Directors' Report to the Shareholders |
| | | 52 | Shareholders' Information |
| | | | Financial Statements |
| | | 57 | Statement of Compliance with the Code of Corporate Governance |
| | | 59 | Review Report on Statement of Compliance with Best Practices of Code of Corporate Governance |
| | | 60 | Auditors' Report to the Members |
| | | 61 | Financial Statements |
| | | | Consolidated Financial Statements |
| | | 110 | Directors' Report on the Consolidated Financial Statements |
| | | 111 | Auditors' Report to the Members |
| | | 112 | Consolidated Financial Statements |
| | | | Proxy Form |
| | | 165 | Form of Proxy |

Company Profile

Historical Overview

1957

Joint venture between the Ali Group of Pakistan and Akerlund & Rausing of Sweden to establish Packages Limited

1968

Established pulp and paper mill with a capacity of 24,000 tons per year

1981

"Rose Petal" launched as the Company's tissue paper brand

1986

Established a Flexible Packaging Line

1994

Coates Lorilleux Pakistan Limited (currently DIC Pakistan Limited) commenced production and sale of printing inks as subsidiary of Packages

1995

Tri-Pack Films Limited started commercial operations through equity participation of Packages, Mitsubishi and Altawfeek Company

1998

Packages Lanka, a subsidiary of Packages, commenced commercial production of flexible packaging material in Sri-Lanka in collaboration with Printcare (Ceylon) Limited

Packages Limited was established in 1957 as a joint venture between the Ali Group of Pakistan and Akerlund & Rausing of Sweden, to convert paper and paperboard into packaging for consumer industry. Over the years, Packages has continued to enhance its facilities to meet the growing demand of packaging products.

In 1968, with IFC participation, Packages integrated upstream by establishing a pulp and paper mill with a capacity of 24,000 tons per year based on waste paper and agricultural by-products i.e. wheat straw and river grass. With growing demand, the capacity was increased periodically and in January 2003, total capacity was nearly 100,000 tons per year.

In 1981, Packages modified a paper machine to produce tissue paper in response to growing awareness and demand for hygienic and disposable tissues. The "Rose Petal" Brand name was launched with facial tissues and was later expanded to include toilet paper, kitchen roll, and table napkins.

In 1986, the Company established a flexible packaging unit to cater to the increasing demand from consumers for sophisticated packaging used primarily in the food industry.

In 1993, a joint venture agreement was signed with Mitsubishi Corporation of Japan for the manufacture of Polypropylene films at the Industrial Estate in Hattar, NWFP. This project, Tri-Pack Films Limited, commenced production in June 1995 with equity participation by Packages

Limited, Mitsubishi Corporation, Altawfeek Company for Investment Funds, Saudi Arabia and general public. Packages Limited owns 33% of the Share Capital of Tri-Pack Films Limited.

In July 1994, Coates Lorilleux Pakistan Limited (currently DIC Pakistan Limited) in which Packages Limited has 55% ownership, commenced production and sale of printing inks.

During the same year, the Company initiated the capacity expansion of its paper and board mill to 65,000 tons per year and conversion capacity to 56,000 tons per year. At the same time, the Company also upgraded the quality of Packages' products and substantially improved pollution control to meet the World Bank environmental guidelines. The said expansion was completed in 1998 at a cost of PKR 2.7 billion.

In 1996, Packages Limited entered into a joint venture agreement with Printcare (Ceylon) Limited for the production of flexible packaging materials in Sri Lanka. Packages Lanka (Private) Limited, in which Packages Limited has 79% ownership, commenced production in 1998.

In 2000, Packages Limited successfully completed the expansion of the flexible packaging line by installing a new rotogravure printing machine and enhancing the carton line by putting up a new Lemanic Rotogravure In-line Printing and Cutting Creasing Machine. In addition, a new 8 Color Flexo Graphic Printing Machine was also installed in the Flexible Packaging Line in 2001.

2000

- Capacity expansion at Flexible Line through installation of new Rotogravure Printing Machine
- Enhanced Folding Carton Line capacity through installation of new Lermanic Rotogravure In-line Printing and Cutting Creasing Machine

2002

Commencement of Production of Corrugated Boxes at Karachi Plant

2007

Capitalisation of Paper Machine (PM-6) and its back processes at a new manufacturing facility "Bulleh Shah Paper Mill" near Kasur

2008

Installation of Tissue Paper manufacturing machine (PM-9)

2009

Capitalisation of Paper Machine (PM-7) and its back processes including 41 MW Power Plant at "Bulleh Shah Paper Mill"

2011

- Installation of Pakistan's first high speed Solvent-less Automatic Lamination Machine in Flexible packaging.
- Re-built of Paper Machine (PM-6) with additional capability to produce Liquid Packaging Board and Bleached Board.
- Up-gradation of Corrugator Machine with enhanced production capacity.

Packages started producing corrugated boxes from its plant in Karachi from 2002.

In 2005, the Company embarked upon its Paper & Board expansion plan at a new site near Kasur. This capacity expansion plan was completed in two phases. In the first phase, Paper Machine (PM-6) along-with high yield straw pulping & OCC plants and its back processes such as 11 MW Power House, Gas Turbine and Primary Effluent Treatment Plant were capitalised and commercial operations were commenced during the year 2007. Second phase comprised of Paper Machine (PM-7), De-inking Pulp Plant, 41MW Power House, Steam Turbine and Secondary Effluent Treatment Plant was completed in the year 2009.

In 2008, the Company embarked upon capacity expansion in its Consumer Products Division through installation of a new tissue paper manufacturing machine PM-9 with production capacity of 33,000 tones. With this capacity expansion, the Company is now in a position to take benefit from export potential of tissue

products in the international market, particularly the Middle East.

During 2011, a Lamination Machine was installed in the Flexible Packaging Line. This is Pakistan's first high speed Solvent-less Automatic Lamination Machine. It has turret winders for automatic reel and a capacity of 450 meters per minute.

Paper Machine (PM-6) rebuild project was completed in the second quarter of 2011 leading to capacity expansion of 30,000 tons. The machine started commercial operations with enhanced capability of producing high value added Liquid Packaging and Bleached Board.

Moreover, Corrugator Machine at Kasur Plant was upgraded in 2011 to improve efficiency, reliability, and production capacity of the Machine and to reduce process waste. This up-grade activity has resulted in increased capacity of 14%.

Company Information

Board of Directors

Towfiq Habib Chinoy
(Chairman)

Syed Hyder Ali
(Chief Executive & Managing Director)
Khalid Yacob

Matti Ilmari Naakka

Muhammad Aurangzeb

Shahid Aziz Siddiqui

Shamim Ahmad Khan

Syed Aslam Mehdi

Syed Shahid Ali

Wazir Ali Khoja

Ali Aslam
(Alternate to Matti Ilmari Naakka)

Advisor

Syed Babar Ali

Company Secretary

Adi J. Cawasji

Rating Agency

PACRA

Company Rating

Long-Term : AA
Short-Term : A1+

Auditors

A.F. Ferguson & Co.
Chartered Accountants

Legal Advisors

Hassan & Hassan - Lahore
Orr, Dignam & Co. - Karachi

Shares Registrar

FAMCO Associates (Pvt.) Limited
1st Floor, State Life Building No. 1-A
I. I. Chundrigar Road,
Karachi-74000, Pakistan
PABX : (021) 32420755
: (021) 32427012
(021) 32425467
FAX. : (021) 32426752

Bankers & Lenders

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
BankIslami Pakistan Limited
Barclays Bank PLC, Pakistan
Citibank N.A.
Deutsche Bank A.G.
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
HSBC Bank Middle East Limited
International Finance Corporation (IFC)
JS Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Samba Bank Limited
Silk Bank Limited
Standard Chartered Bank (Pakistan) Limited
The Bank of Tokyo - Mitsubishi UFJ, Limited
United Bank Limited

Head Office & Works

Shahrah-e-Roomi,
P.O. Amer Sidhu,
Lahore - 54760, Pakistan
PABX : (042) 35811541-46
: (042) 35811191-94
Fax : (042) 35811195
: (042) 35820147

Factories

Kasur Factory

Bulleh Shah Paper Mill (BSPM)
10-km Kasur Kot Radha Kishan Road,
District Kasur, Pakistan
Tel. : (049) 2717335 - 43
Fax : (049) 2717220

Karachi Factory

Plot No. 6 & 6/1, Sector 28,
Korangi Industrial Area,
Karachi-74900, Pakistan
Tel. : (021) 35045320, 35045310
Fax : (021) 35045330

Offices

Registered Office & Regional Sales Office

4th Floor, The Forum
Suite No. 416 - 422, G-20, Block 9,
Khayaban-e-Jami, Clifton,
Karachi-75600, Pakistan
PABX : (021) 35874047-49
: (021) 35378650-52
: (021) 35831618, 35833011
Fax : (021) 35860251

Regional Sales Office

2nd Floor, G.D. Arcade
73-E, Fazal-ul-Haq Road, Blue Area,
Islamabad-44000, Pakistan
PABX : (051) 2276765
: (051) 2276768
: (051) 2278632
Fax : (051) 2829411

Zonal Sales Offices

C-2, Hassan Arcade Nusrat Road,
Multan Cantt. - 60000, Pakistan
Tel. & Fax: (061) 4504553

9th Floor State Life Building,
2-Liaquat Road,
Faisalabad - Pakistan
Tel. : (041) 2540842
Fax. : (041) 2540815

Uzair Enterprises

Teer Chowk Bhuta Road,
Sukkur - 65200, Pakistan
Tel. & Fax: (071) 5616138

M. Hamza Traders

15-D Gul Plaza, Opp: Charsadda
Bus Stand,
Peshawar-25000, Pakistan
Cell : 0301-8650486
Tel. : (091) 2043719

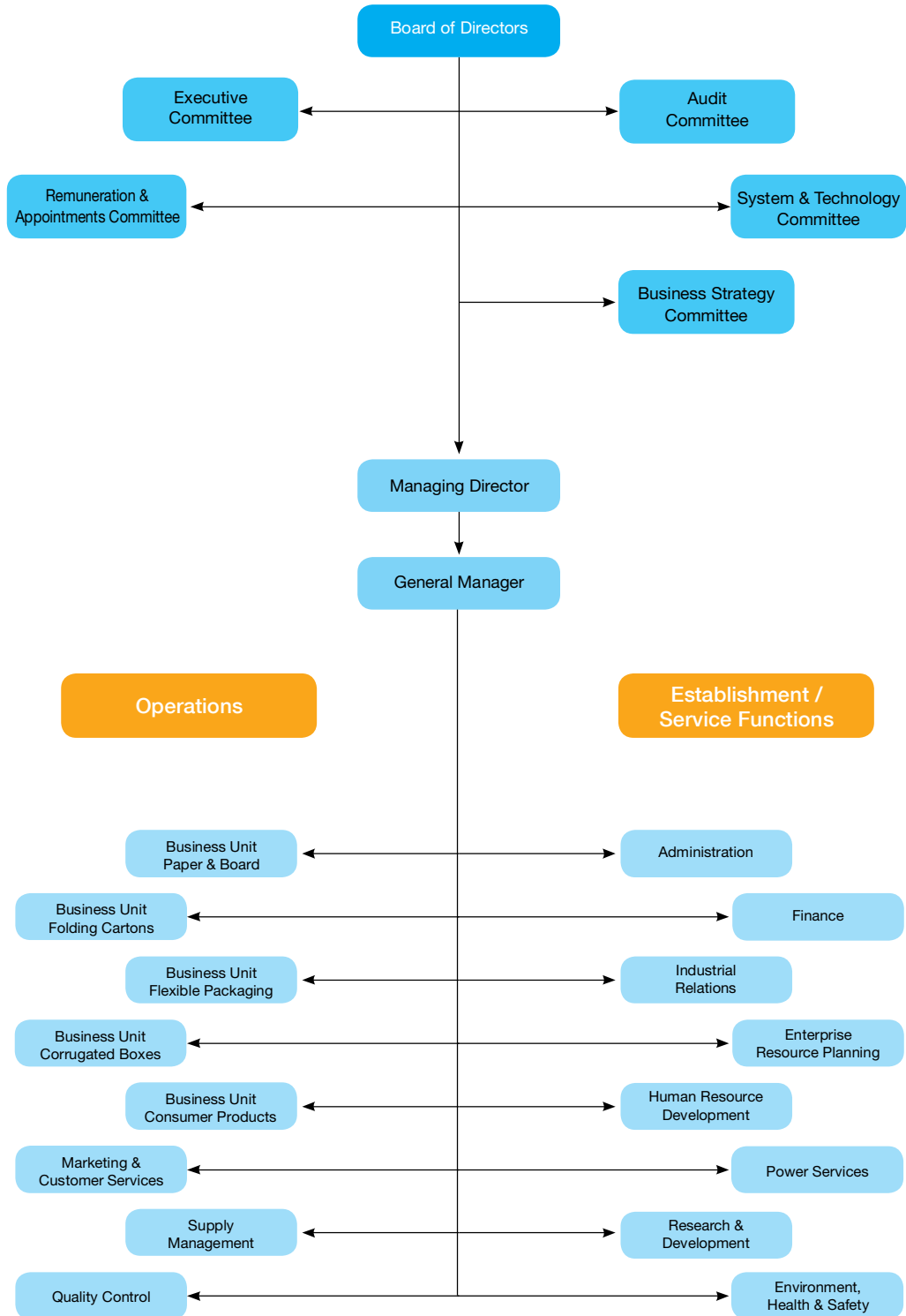
S. Y. Traders

Mir Ahmed Khan Road
Quetta - 87300
Tel. : 081-2834432
Fax : 081-2834431

Web Presence

www.packages.com.pk

Organogram



Business Divisions

Paper & Paperboard Division

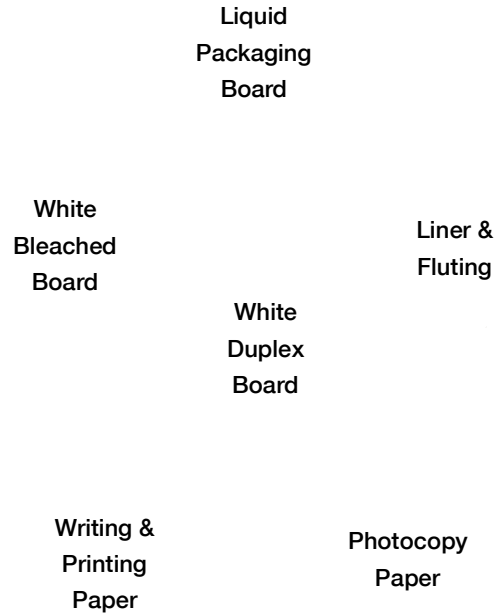
- In 1968, Packages established a pulp and paper mill with a capacity of 24,000 tons per year.
- Paper and board production capacity increased to 100,000 tons per year by 2003.
- Packages enhanced its production capacity by investing in a cutting edge new paper & board mill “Bulleh Shah Paper Mill” near Kasur in two phases. The first phase was completed in 2007 through installation of Paper Machine (PM-6) whereas the second Phase was completed in 2009 with the installation of Paper Machine (PM-7).
- Paper Machine (PM-6) was rebuilt in 2011 leading to capacity expansion of 30,000 tons.

Major Production Lines

Paper and Board Division comprises of the following major machines:

- White Board Machine (PM-1)
- Paper Machine (PM-6)
- Paper Machine (PM-7).
- Coating Machine
- Core making Machine

Key Products



Brands

Photocopy paper is available in market in two brands;

- Copymate
- Copymate Plus

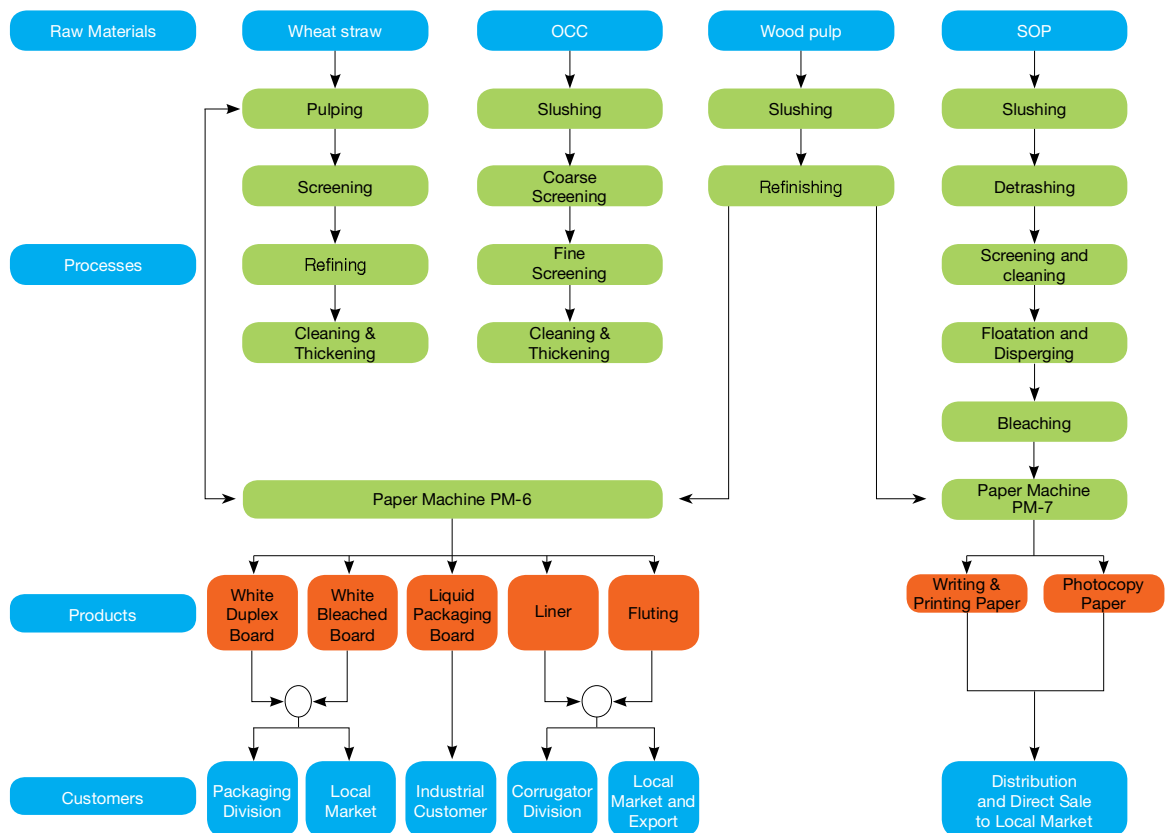
Copymate is a recycled paper produced out of waste paper while copymate plus is premium quality wood pulp paper.

Management Structure

Business Unit Manager

- Marketing Manager
- Mill Manager
 - Production Manager
 - Line Manager PM-1
 - Line Manager PM-6
 - Line Manager PM-7
 - Manager Coating
 - Mill Services Manager

Process Flow of Paper & Paperboard Division



Packaging Division

Packages provides multi dimensional / multi product packaging solutions to its customers that are involved in manufacturing consumer products.

The Packaging Division comprises of three business units based on packaging material categories namely;

- Folding Cartons
- Flexible Packaging
- Corrugated Boxes

Sectors

Currently, Business Unit Folding Cartons is providing packaging material to the customers operating in the following major sectors:

Folding Cartons

Folding Cartons Line was established in 1957 to produce all types of printed & unprinted box boards.

Operations

The Folding Carton Line uses both the rotogravure and offset printing techniques and caters to the demand for Duplex Board packaging material.

Rotogravure printing:

- The seven color high-speed Lemanic Rotogravure Printing Press creates first class quality packaging materials.
- This machine prints, cuts, creases and embosses with complete accuracy. The online quality control system performs 100% inspection of finished products to ensure highest quality products.
- These machines are mainly devoted to the tobacco industry.

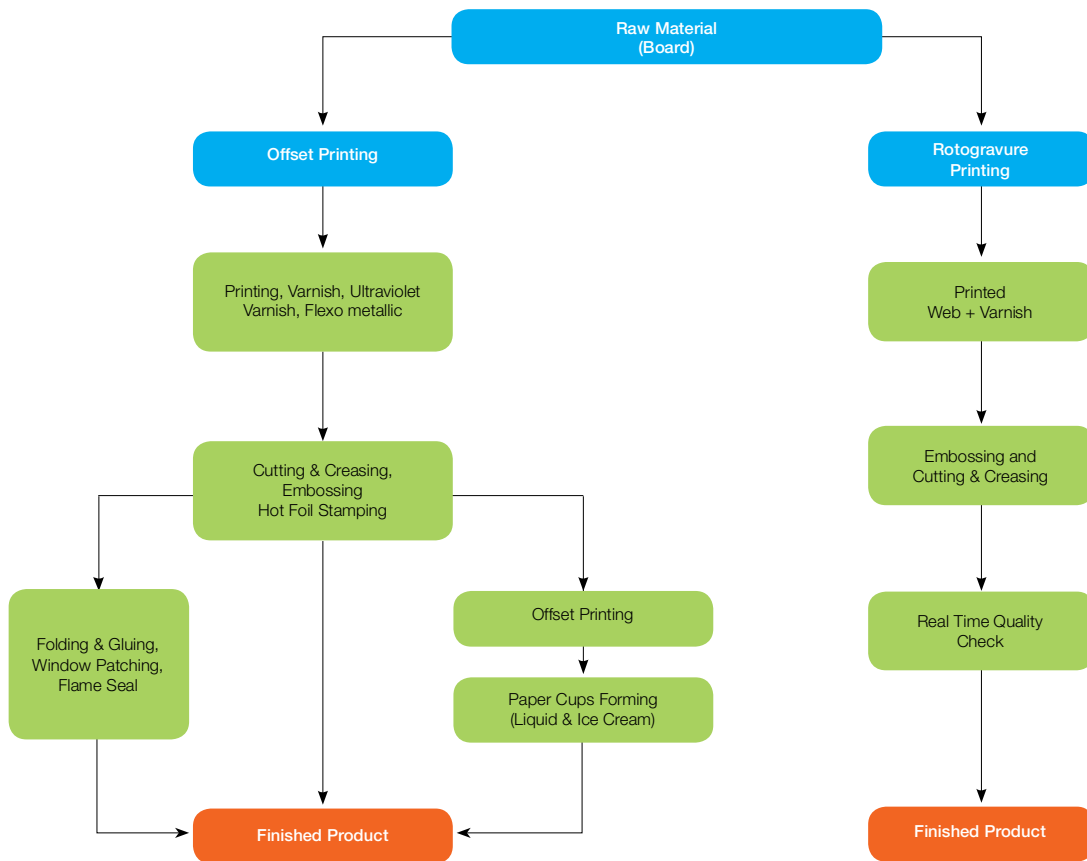
Offset printing:

- Offset printing line equipped with a fleet of multicolor offset printing machines; it can provide multiple packaging options for tobacco, food and detergent materials.
- Specialized operations e.g. hot foil stamping and cup making grant us a major competitive edge in the market.

Planning Manager

- Production Manager
 - Manager Offset Printing
 - Manager Cutting Creasing
 - Manager Folding Gluing
 - Manager Lemanic
 - Manager Technical & Support

Process Flow of Folding Cartons



To accommodate increasing demand for sophisticated packaging, the Company established Flexible Packaging Unit in 1986 at its Lahore Plant.

Operations

Flexible Packaging produces high quality packaging films and laminates providing Flexographic and Rotogravure Printing, Lamination, Extrusion, Slitting, Bag & Sleeve and Cone making.

Flexographic Printing line:

- On flexographic line, up to eight colors flexographic printing can be done on paper, Poly-coated Paper and films.
- Packages has the ability to print real life images on materials like Polyethylene, OPP, Special paper and Polyester.
- Video Mounter System has eliminated the mis-registration from the print.

Rotogravure Printing line:

- The Rotogravure printing line has up to ten colors and the latest in-house cylinder making and engraving facilities. These particularly suit food packaging where colorful package designs and preservation of food quality are important considerations.
- Automatic viscosity control system ensures consistent quality.

Lamination:

- Business Unit has both solvent base and solvent less laminators that can laminate BOPP, Polyester, Al-foil, Met OPP, Met PET and Paper.
- Business Unit also helps customers in developing cost effective laminates to match their needs.
- It also entails a soap wrapper manufacturing facility. Packages is premier supplier of soap wrappers to the soap industry in Pakistan.

Extrusion:

- Business Unit has its own multi-layer extrusion facility that can extrude Polyethylene of different grades and colors.
- Extrusion line extrudes a number of specialized films which includes Oil, Ghee, Detergent and Food films which are known for their strength and high barrier properties.
- This Business Unit also has the biggest blown film extruder with the highest per hour capacity in Pakistan.

Slitting:

- The flexible line has efficient high speed slitting machines whose output is ready to be used on customer packing machines. These machines slit jumbo reels into smaller reels according to customer requirements.

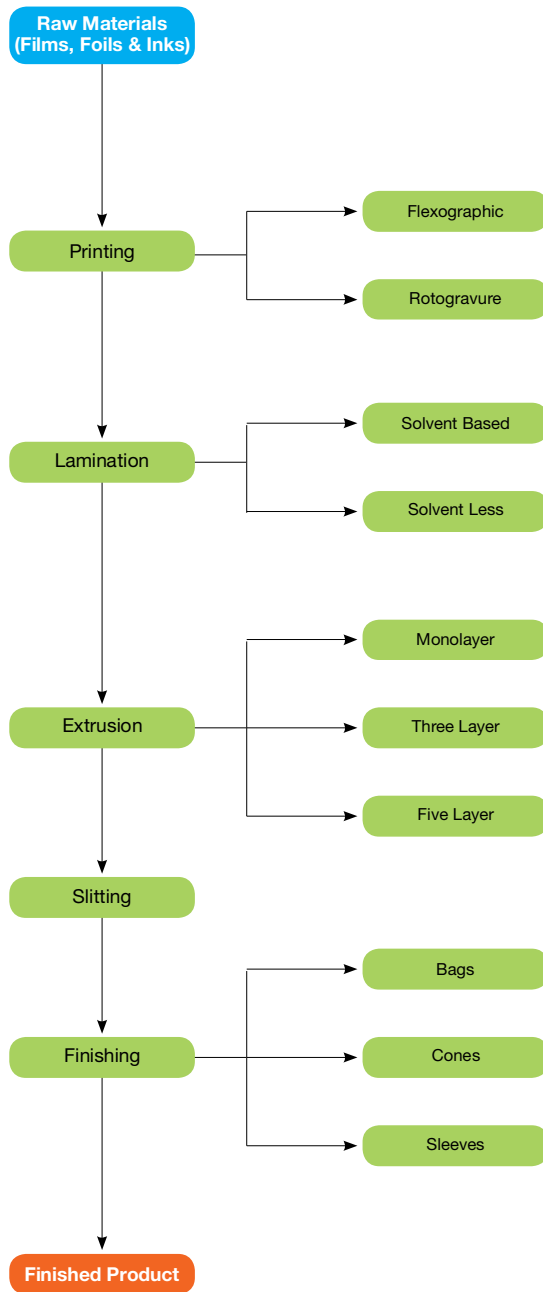
Finishing:

- Bag & Sleeve making: Bag making is an integral part of the flexible line that provides a wide variety of bag constructions such as Side Seal, Double Side Seal, Bottom Seal, Three Side Seal, Bottom Gusset Bags and Side Gusset Bags.
- Cone Making: There are five high speed machines which produce cones in all sizes.

Management Structure

- Business Unit Manager
 - Planning Manager
 - Technical Manager
 - Production Manager
 - Manager Conversion
 - Manager Printing
 - Manager Technical & Support

Process Flow of Flexible Packaging



Corrugated Boxes

Packages commenced Corrugated Boxes manufacturing in 1974. Currently, Corrugated Containers are being produced at two productions sites i.e. Kasur (BSPM) and Karachi.

Operations

This Business Unit produces corrugated boxes out of liner and fluting procured from Company's Paper and Paperboard Mill.

Corruwall Sheeting

- Corrugator machine corrugates the fluting paper and joins it with the liner using starch glue and heating to produce Corrugated Board that is later slit, creased and cut into Corruwall Sheets as per dimensions required by the customer.

Printing & Box making

- Corruwall sheets are fed to Flexo Folder Gluer Machines (FFGs) that print, slot, crease, glue and fold them in-line automatically to produce complete standard slotted Corrugated Boxes. In case of stitched boxes or die-cut trays, only printing, slotting and creasing processes are performed. Corrugated boxes produced on FFGs are tied into bundles by Automatic Strapping Machines.

Management Structure

- Business Unit Manager
 - Planning Manager
 - Plant Manager - Karachi
 - Production Manager - Kasur
 - Manager Conversion
 - Manager Sheeting
 - Technical Manager

Sectors

Currently, Business Unit - Corrugated Boxes is providing packaging materials to the customers operating in the following major sectors:

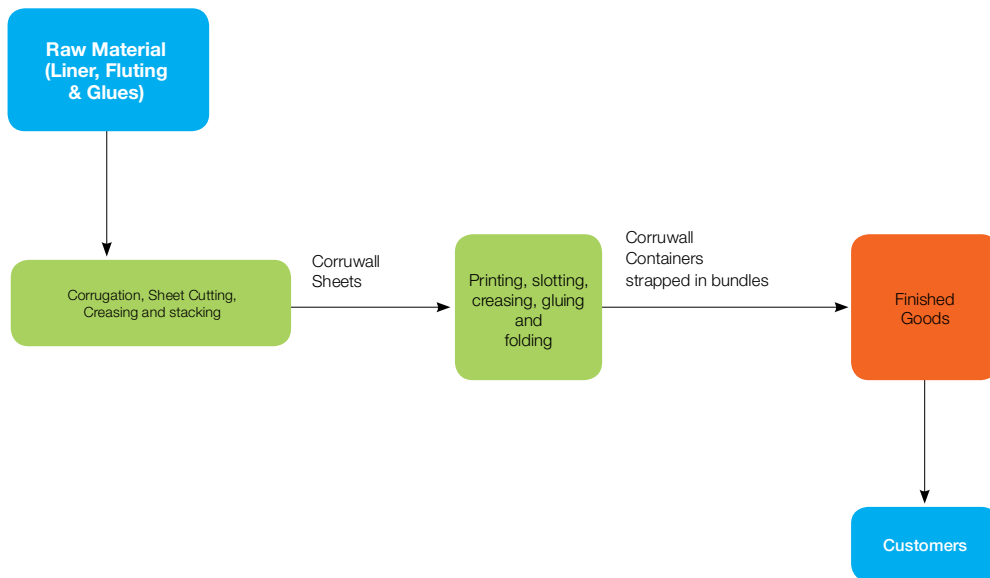
Lubricants

Textile

Soaps and
detergents

Electrical and
household
appliances

Process Flow of Corrugated Boxes



Packages started commercial production of tissue paper in 1981 at its Lahore Plant. The division consists of tissue manufacturing and conversion of tissue and paper products. Feminine hygiene products are also produced at this facility.

Operations

- Tissue manufacturing activity is carried out at two machines i.e. PM-4 and PM-9 with production capacities of 26 tons per day and 100 tons per day respectively.
- Conversion consists of making facial tissue boxes, tissue rolls, napkins, paper cups & plates and sanitary napkins etc.

Brands

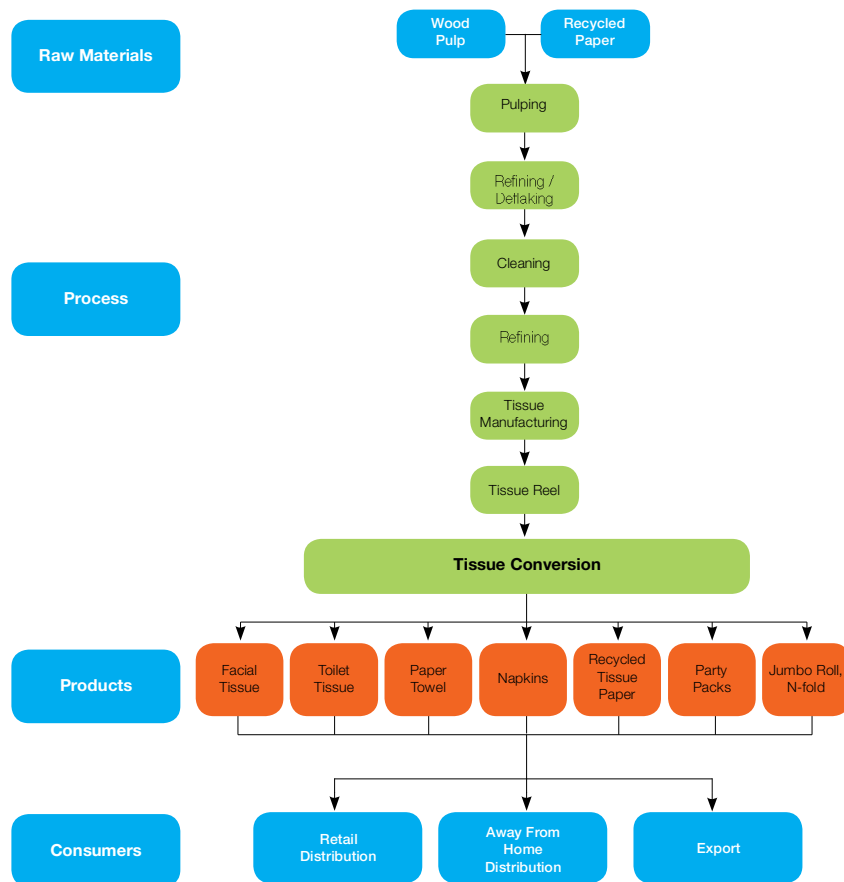
Key brands of our Consumer Products Division are:

- Rose Petal
- Tulip
- Tena
- Double Horse
- Feminex

Management Structure

- Business Unit Manager
 - National Sales Manager
 - Brand Manager
 - Manager Tissue Conversion
 - Manager Tissue

Process Flow of Consumer Products Division



Services

Packages believes that its entire operations has to be in-line with the needs of the customer; therefore, it is necessary to consistently and timely provide good quality products.

Customer Services Department (CSD)

CSD comprehensively monitors processes to ensure on-time delivery to the customer and follows new orders from Pre-Press up to final delivery. CSD also arranges development activities as well as technical support/visits to customers for troubleshooting and ensures proper feedback and management reporting on customers' complaints.

Pre-Press Department

Pre-Press is the nerve center of Packages Limited where concepts and ideas are developed and woven with marketing strategies of customers to attract the end users of the products produced by our customers.

The department has been revolutionized over the last 15 years and now has pre-press production designers and computer artists who make the soft copies of the designs. These halftone images and texts are simultaneously directed from computers to:

- Image setters;
- Plate making devices (CDI, Digital System for Flexo);
- Digital engraving machines

In the Art and Camera Department, Packages has high-tech computer systems where digital files are produced instead of photographic negatives. For achieving high quality in all of printing methods (Roto, Flexo and Offset), Pre-Press Department is equipped with the latest technology in cylinder making, photo polymer and plate making equipment which provides support to various production departments.

Pre-press converts the packaging design according to the technical requirements of any printing technique like Gravure, Flexography and offset without compromising the creative integrity of designs.

Combining know-how in the pre-press area, vector & raster data and the latest technology in hardware and software, our pre-press team is able to provide the highest possible services.

Research & Development

The Company's Research & Development Department is well equipped, both in terms of human resources and equipment, to provide technical support to production and to the external customers. These facilities are used to study the effect of different variables on the process and the product and are also available for comprehensive testing of paperboard and its products.

Competitive Business Strength

Fully Integrated Production Facility

Packages is unique in the sense that it provides complete packaging solutions to its customers. The Company is not only backward integrated having its own paper and paperboard mill to supply quality material for its converting departments but also is the only Company in the country providing complete packaging solutions such as offset printed cartons, cigarette H/Ls, shipping containers, flexible packaging materials etc. under one roof.

Packages also has technical know-how understandings with renowned international players such as Stora Enso, Sweden in addition to having an extensive Research and Development Department which works hand in hand with marketing and production departments as well as customers and helps provide the best quality packaging material at an affordable price. All these factors combined make Packages the preferred packaging supplier for multi-national and local companies.

Superior Technology and Quality

Packages has always followed its policy to invest into new technology and at the same time upgrade its existing equipment which can be ascertained from the fact that in the past ten years, the Company has invested around USD 450 million on acquiring new technology, enhancing capacity and equipment to safeguard environment. The aforesaid includes investment in a new paper and board mill, a new tissue machine, rotogravure printing machine with online cutting and creasing, computerised pre-press, laser cut dies, 5 layer extruder machines, new fiber line, chemical recovery plant etc. Packages has an in-house state of the art cylinder making and flexographic plates making facility for its high speed printing machines which enables the Company to ensure its quality control standards.

Strong Research & Development and Foreign Technical Collaborations

Packages R&D capability is one of the principal reasons of the Company's sustained market leadership and strong business relationships with top-notch multinational and local companies in Pakistan. The in-house R&D department conducts meeting with customers to assess their needs and develops new and customised packaging products. In addition Stora Enso, which is one of the foreign shareholders of the Company and is in fact the top tier firm in global packaging industry has continuous exchange of information with the Company regarding recent developments in the international packaging industry.

Board of Directors of the Company

Mr. Towfiq Habib Chinoy

Mr. Chinoy, Non Executive Director, has been associated with the Company as Chairman of the Board of Directors since 2008. He holds chairmanship of Pakistan Cables Limited, Jubilee General Insurance Company Limited and HBL Asset Management Limited. He also holds directorship of Linde Pakistan Limited (formerly BOC Pakistan Limited), IGI Investment Bank Limited, International Steels Limited, Jubilee Life Insurance Company Limited and Pakistan Center for Philanthropy

Syed Hyder Ali

Mr. Ali joined Packages Limited in July 1987 and presently holds the position of Managing Director of the Company. He has done his Masters in Sciences from Institute of Paper Chemistry and has also served as Mill Manager of Paper and Board operations of the Company. He holds directorship in several other companies including IGI Insurance Limited, Nestle Pakistan Limited, International Steels Limited, Packages Lanka (Private) Limited, Sanofi-Aventis Pakistan Limited, Tri-Pack Films Limited and Tetra Pak Pakistan Limited. He is also serving on the Board of certain philanthropic, educational, charitable and business support organizations including Pakistan Centre for Philanthropy, World Wide Fund for Nature, National Management Foundation, Syed Maratib Ali Religious & Charitable Trust, Pakistan Business Council and Babar Ali Foundation. He is also board member of Ali Institute of Education, International Chamber of Commerce and Lahore University of Management Sciences.

Syed Aslam Mehdi

Mr. Mehdi joined the Company in 1980 and currently holds the position of Director and General Manager of the Company. He has a Masters Degree in Business Administration from Institute of Business Administration, Karachi and has served Packages Group Companies in various capacities over the years. Currently, he also holds directorship of DIC Pakistan Limited and Packages Lanka (Private) Limited.

Mr. Khalid Yacob

Mr. Yacob joined Packages Limited in 1988 and currently holds the position of Director and Finance Manager of the Company. He is a fellow member of Institute of Chartered Accountants, England & Wales and Institute of Chartered Accountants, Pakistan and has been associated at senior management positions in A.F. Ferguson & Co, Chartered Accountants, Pakistan and Whinney Murray & Co, Chartered Accountants, Riyadh, Saudi Arabia. Mr. Yacob has vast experience in financial planning & budgeting, financial forecasting and analysis, asset investment, taxation, computer services, client development and staff management. He also holds directorship of IGI Investment Bank Limited, IGI Funds Limited, Packages Lanka (Private) Limited, Tri-Pack Films Limited and Tetra Pak Pakistan Limited.

Mr. Muhammad Aurangzeb

Mr. Aurangzeb is a Non-Executive Director of the Company and has over 25 years banking experience and has served The Royal Bank of Scotland in various positions including Country Manager Pakistan, CFO Financial Markets Business, Global Head Portfolio Management and Global Head Commercial Client Segment. Currently, he is serving as the CEO of J.P. Morgan's Corporate Bank for Asia.

Mr. Wazir Ali Khoja

Mr. Khoja, is a NIT Nominee Director on Board of Packages Limited. He has over 30 years professional experience in the field of Banking, Finance and Mutual Fund Industry. He is also member on the Board of other institutions i.e., Bank Al Habib Limited, Fauji Fertilizer Company Limited, Askari Bank Limited, Habib Metropolitan Bank Limited, Pakistan State Oil Company Limited, Pak Suzuki Motors Company Limited, Burshane Gas LPG (Pakistan) Limited, Sui Northern Gas Pipelines Limited, Sui Southern Gas Company Limited, Pakistan Telecom Mobile Limited (un-listed) and Sindh Bank Limited.

Syed Shahid Ali

Mr. Ali is currently associated with the company as Non-Executive Director. He also holds directorship of several other companies including Treet Corporation Limited, Treet Assets (Private) Limited, Treet Power Limited, Loads Limited, IGI Insurance Limited, Ali Automobiles Limited, First Treet Manufacturing Modaraba, Global Econo Trade (Pvt.) Limited, Multiples Auto parts Industries (Private) Limited, Specialized Auto parts Industries (Private) Limited and Specialized Motorcycles (Private) Limited. He is also actively involved in social and cultural activities and holds senior positions on the governing boards of several hospitals and philanthropic organizations including Gulab Devi Hospital and Liaquat National Hospital.

Mr. Shamim Ahmad Khan

Mr. Khan is currently associated with the Company as Non-executive Director. He has also served various government organizations in different capacities namely Securities and Exchange Commission of Pakistan and Ministry of Commerce. He has also been engaged with consultancy assignments for Asian Development Bank and other organizations. Currently, Mr. Khan also holds directorship of Abbott Laboratories Pakistan Limited and IGI Insurance Limited.

Mr. Matti Ilmari Naaka

Mr. Naaka is associated with the Company as Non Executive Director. He also holds senior management position in Stora Enso and possesses immense knowledge and experience in paper industry.

Mr. Shahid Aziz Siddiqui

Mr. Siddiqui is associated with the Company as Non-Executive Director since 2008. He holds a Masters Degree from the Karachi University and a Post Graduate degree in Development Economics from the University of Cambridge UK. He also holds directorship of State Life Insurance Corporation of Pakistan, Sui Southern Gas Company Limited, International Industries Limited, Pakistan Cables Limited, Fauji Fertilizer Company Limited, Orix Leasing Pakistan Limited and Alpha Insurance. He has also served as Managing Director-Rice Export Corporation of Pakistan, Chairman-National Highways Authority, Director General-Ports and Shipping and Director General-Hajj, Embassy of Pakistan, Jeddah.

Management Committees

Executive Committee

| | |
|-------------------------------------------------|----------|
| Syed Hyder Ali <i>(Executive Director)</i> | Chairman |
| Syed Aslam Mehdi <i>(Executive Director)</i> | Member |
| Khalid Yacob <i>(Executive Director)</i> | Member |

Executive Committee is involved in day to day operations of the Company and is authorized to conduct every business except the businesses to be carried out by Board of Directors as required by section 196 of the Companies Ordinance, 1984. Executive Committee meets periodically to review operating performance of the Company against pre-defined objectives, commercial business decisions and investment and funding requirements.

Audit Committee

| | |
|--------------------------------------------------------|-----------|
| Shamim Ahmad Khan <i>(Non-Executive Director)</i> | Chairman |
| Wazir Ali Khoja <i>(Non-Executive Director)</i> | Member |
| Muhammad Aurangzeb <i>(Non-Executive Director)</i> | Member |
| Syed Shahid Ali <i>(Non-Executive Director)</i> | Member |
| Matti Ilmari Naakka <i>(Non-Executive Director)</i> | Member |
| Syed Aslam Mehdi <i>(Executive Director)</i> | Member |
| Adi J. Cawasji | Secretary |

The terms of reference of the Audit Committee have been derived from the Code of Corporate Governance applicable to listed companies. Thereby Audit Committee shall, among other things, be responsible for recommending to the Board of Directors the appointment of external auditors by the Company's shareholders and shall consider any questions of resignation or removal of external auditors, audit fees and provision by external auditors of any service to the Company in addition to audit of its financial statements. In the absence of strong grounds to proceed otherwise, the Board of Directors shall act in accordance with the recommendations of the Audit Committee in all these matters.

The terms of reference of the Audit Committee also include the following:

- a. Determination of appropriate measures to safeguard the Company's assets;
- b. Review of preliminary announcements of results prior to publication;
- c. Review of quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board of Directors, focusing on:
 - Major judgmental areas;
 - Significant adjustments resulting from the audit;
 - The going-concern assumption;
 - Any changes in accounting policies and practices;
 - Compliance with applicable accounting standards; and
 - Compliance with listing regulations and other statutory and regulatory requirements.
- d. Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
- e. Review of management letter issued by external auditors and management's response thereto;
- f. Ensuring coordination between the internal and external auditors of the Company;
- g. Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;
- h. Consideration of major findings of internal investigations and management's response thereto;
- i. Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;
- j. Review of the Company's statement on internal control systems prior to endorsement by the Board of Directors;
- k. Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body;
- l. Determination of compliance with relevant statutory requirements;

- m. Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and
- n. Consideration of any other issue or matter as may be assigned by the Board of Directors.

Remuneration and Appointments Committee

| | |
|--------------------------------------------------------|-----------|
| Towfiq Habib Chinoy <i>(Non-Executive Director)</i> | Chairman |
| Syed Hyder Ali <i>(Executive Director)</i> | Member |
| Syed Aslam Mehdi <i>(Executive Director)</i> | Member |
| Asma Javed | Secretary |

This Committee is responsible for:

- (i) Performance review, succession and appointment to the office and remuneration of the Managing Director and his direct reports, including retirements and remunerations for their offices;
- (ii) The overall system of remuneration and benefits for senior management and functional heads;
- (iii) Succession and career development within the senior management;
- (iv) The size and composition of the Board including the "mix" of Executive and Non-Executive Directors;
- (v) Selection and nomination of Non-Executive Directors to the Board and the terms & conditions, wherever applicable and if any, on which Non-Executive Directors are appointed and hold office, for the ultimate approval of the shareholders.

Business Strategy Committee

| | |
|-------------------------------------------------|----------|
| Syed Hyder Ali <i>(Executive Director)</i> | Chairman |
| Syed Aslam Mehdi <i>(Executive Director)</i> | Member |
| Khalid Yacob <i>(Executive Director)</i> | Member |

This Committee is responsible for:

- a) Formulation of business strategy, review of risks and their mitigation plan;
- b) Staying abreast of developments and trends in the Industry to assist the Board in planning for future capital intensive investments and growth of the Company;
- c) Evaluation of proposed projects and funding thereof;
- d) Investment portfolio analysis and strategic business dimension.

System and Technology Committee

| | |
|-------------------------------------------------|----------|
| Syed Aslam Mehdi <i>(Executive Director)</i> | Chairman |
| Khalid Yacob <i>(Executive Director)</i> | Member |
| Suleman Javed | Member |

This Committee is responsible for:

- a) Devising the I.T strategy within the organization to keep all information systems of the Company updated in a fast changing environment. This committee is also responsible for evaluating ERP solutions and data archiving solutions in the light of Company's overall goals and objectives;
- b) Reviewing and recommending information technology proposals suggested by management;
- c) Promoting awareness of all stakeholders on needs for investment in technology and related research work;
- d) Reviewing and assessing Company's systems and procedures, recommending proposals on technological innovations including plant up-gradation, technology improvements etc. with relevant cost benefit analysis.

Vision

Position ourselves to be a regional player of quality packaging, paper & paperboard and consumer products.

Improve on contemporary measures including cost, quality, service, speed of delivery and mobilization.

Keep investing in technology, systems and human resource to effectively meet the challenges every new dawn brings.

Develop relationships with all our stakeholders based on sustainable cooperation, upholding ethical values, which the shareholders, management and employees represent and continuously strive for.

Mission Statement

To be a leader in the markets we serve by providing quality products and superior service to our customers, while learning from their feed back to set even higher standards for our products.

To be a company that continuously enhances its superior technological competence to provide innovative solutions to customer needs.

To be a company that attracts and retains outstanding people by creating a culture that fosters openness and innovation, promotes individual growth and rewards initiative and performance.

To be a company which combines its people, technology, management systems and market opportunities to achieve profitable growth while providing fair returns to its investors.

To be a company that endeavors to set the highest standards in corporate ethics in serving the society.

Integrated Management System (IMS) Policy

We intend to be a world class Company that not only delivers quality products & services but also takes care of its personnel health, safety & environment as a whole.

We are committed to achieving this by:

1. Complying with all applicable laws and regulatory requirements.
2. Setting objectives and targets for reviewing and improving management systems.
3. Developing an effective IMS system to prevent incidents/accidents, ill health, pollution, waste reduction, hazards elimination and environmental impacts mitigation.
4. Ensuring that all food related packaging material is produced, stored and delivered in safe and hygienic condition as per relevant requirements
5. Continually improving our EHS and food safety management system effectiveness.
6. Creating a safe and work friendly environment for all stakeholders.
7. Implementing individual accountability to comply with IMS requirements.

This policy is applicable to each individual whether employee, contractor/sub-contractor, suppliers, visitors and all other stake holders of Company.

Quality Policy

Packages Limited is strongly committed to produce quality products that conform to consumer's requirements at a competitive price.

We shall continually improve our Quality Management System and quality performance of all business processes.

We shall set quality objectives at all levels and allocate appropriate resources to achieve them.

We shall ensure all employees are well aware of company quality policy and are motivated to apply it in their areas of responsibility.

Statement of Ethical Practices

It is the basic principle of Packages Limited to obey the law of the land and comply with its legal system. Accordingly every director and employee of the Company shall obey the law. Any director and employee guilty of violation will be liable to disciplinary consequences because of the violation of his / her duties.

Employees must avoid conflicts of interest between their private financial activities and conduct of Company business.

All business transactions on behalf of Packages Limited must be reflected accordingly in the accounts of the Company. The image and reputation of Packages Limited is determined by the way each and every one of us acts and conducts himself / herself at all times.

We are an equal opportunity employer. Our employees are entitled to a safe and healthy workplace.

Every manager and supervisor shall be responsible to see that there is no violation of laws within his / her area of responsibility which proper supervision could have prevented. The manager and supervisor shall still be responsible if he / she delegates particular tasks.

Total Productive Maintenance (TPM) Policy

We believe that TPM provides the life cycle approach of improving the overall performance of the machine/equipment through:

- Improving productivity by highly motivated staff/ workers
- Satisfying the customer needs by delivering the right quantity at right time with desired quality

We are committed to follow the TPM principles to enhance our competitive position in the market and hence financial position by achieving:

- Zero accidents
- Zero breakdowns
- Zero defects

Code of Conduct

Packages Limited has built a reputation for conducting its business with integrity in accordance with high standards of ethical behavior and in compliance with the laws and regulations that govern our business. This reputation is among our most valuable assets and ultimately depends upon the individual actions of each of our employees all over the country.

Packages Limited code of conduct has been prepared to assist each of us in our efforts to not only maintain but enhance this reputation. It provides guidance for business conduct in a number of areas and references to more detailed corporate policies for further direction. The adherence of all employees to high standards of integrity and ethical behavior is mandatory and benefits all stakeholders including our customers, our communities, our shareholders and ourselves.

The Company carefully checks for compliance with the Code by providing suitable information, prevention and control tools and ensuring transparency in all transactions and behaviors by taking corrective measures if and as required.

Packages Limited Code of Conduct applies to all affiliates, employees and others who act for us countrywide, within all sectors, regions, areas and functions.

General Principles

- Compliance with the law, regulations, statutory provisions, ethical integrity and fairness is a constant commitment and duty of all Packages employees and characterizes the conduct of the organization.
- The Company's business and activities have to be carried out in a transparent, honest and fair way, in good faith and in full compliance. Any form of discrimination, corruption, forced or child labor is rejected. Particular attention is paid to the acknowledgment and safeguarding of the dignity, freedom and equality of human beings.
- All employees, without any distinction or exception whatsoever, respect the principles and contents of the Code in their actions and behaviors while performing their functions according to their responsibilities, because compliance with the Code is fundamental for the quality of their working and professional performance. Relationships among employees, at all levels, must be characterized by honesty, fairness, cooperation, loyalty and mutual respect.
- The belief that one is acting in favor or to the advantage of the Company can never, in any way, justify-not even in part-any behavior that conflict with the principles and content of the Code.
- The Packages Code of Conduct aims at guiding the "Packages team" with respect to standards of conduct expected in areas where improper activities could result in adverse consequences to the Company, harm its reputation or diminish its competitive advantage.
- Every employee is expected to adhere to, and firmly inculcate in his/her everyday conduct, this mandatory framework; any contravention or deviation will be regarded as misconduct and may attract disciplinary action in accordance with the Company service rules and relevant laws.

Ten Year Summary

| (Rupees in Million) | 2011 | 2010 | 2009 |
|--------------------------------------------------|---------------|---------------|---------------|
| Assets Employed: | | | |
| Fixed Assets at Cost | 28,346 | 26,996 | 26,821 |
| Accumulated Depreciation / Amortisation | 10,057 | 9,101 | 7,605 |
| Net Fixed Assets | 18,289 | 17,895 | 19,217 |
| Capital Work-in-Progress | 126 | 753 | 66 |
| Other Non-Current Assets | 16,488 | 12,442 | 8,347 |
| Current Assets | 8,841 | 8,534 | 7,979 |
| Current Liabilities | 3,442 | 2,421 | 1,743 |
| Net Current and Other Non-Current Assets | 21,887 | 18,555 | 14,583 |
| Net Assets Employed | 40,301 | 37,204 | 33,865 |
| Financed By: | | | |
| Paid up Capital | 844 | 844 | 844 |
| Reserves | 27,098 | 24,480 | 20,967 |
| Preference Shares / Convertible Stock Reserve | 1,606 | 1,606 | 1,606 |
| Shareholder's Equity | 29,548 | 26,930 | 23,417 |
| Deferred Liabilities | 2,178 | 2,317 | 2,478 |
| Long-Term Finances | 8,575 | 7,956 | 7,971 |
| Total Non-Current Liabilities | 10,753 | 10,274 | 10,448 |
| Total Funds Invested | 40,301 | 37,204 | 33,865 |
| Invoiced Sales | 23,102 | 21,837 | 16,533 |
| Materials Consumed | 10,746 | 10,211 | 8,685 |
| Cost of Sales | 18,993 | 17,733 | 13,736 |
| Gross Profit | 382 | 803 | 307 |
| Employees Remuneration | 1,772 | 1,502 | 1,229 |
| (Loss) / Profit from Operations | (498) | (104) | * (384) |
| (Loss) / Profit Before Interest & Tax | (1,476) | (317) | 5,770 |
| (Loss) / Profit After Tax | (1,568) | (332) | 4,064 |
| EBITDA (from operations) | 750 | 1,242 | 719 |
| Key Ratios: | | | |
| <i>Profitability</i> | | | |
| Gross Profit Ratio (%) | 1.65 | 3.68 | 1.86 |
| Profit Before Tax (%) | (6.39) | (1.45) | 34.90 |
| EBITDA Margin to Sales (%) | 3.25 | 5.68 | 14.91 |
| Return on Assets | (0.04) | (0.01) | 0.11 |
| Total Assets Turnover Ratio | 0.53 | 0.55 | 0.46 |
| Fixed Assets Turnover Ratio | 1.26 | 1.22 | 0.86 |
| <i>Liquidity</i> | | | |
| Current Ratio | 2.57 | 3.52 | 4.58 |
| Quick Ratio | 0.96 | 1.57 | 1.72 |
| Inventory Turnover (Days) | 79 | 80 | 103 |
| Debtor Turnover (Days) | 28 | 27 | 39 |
| Creditor Turnover (Days) | 27 | 26 | 25 |
| Operating Cycle | 80 | 81 | 117 |
| <i>Gearing</i> | | | |
| Debt : Equity Ratio | 22:78 | 23:77 | 25:75 |
| Return on Equity (%) | * (3.98) | (1.23) | (13.05) |
| <i>Investment</i> | | | |
| Basic EPS (Rs.) | (18.58) | (3.94) | 48.16 |
| Diluted EPS (Rs.) | (18.58) | (3.94) | 44.72 |
| Price - Earning Ratio | (4.45) | (32.65) | 2.99 |
| Interest Cover Ratio | 0.09 | 0.74 | 5.55 |
| Dividend Yield (%) | 1.81 | 2.53 | 2.26 |
| Dividend Cover Ratio | (12.39) | (1.21) | 14.82 |
| Cash Dividend % | 15.00 | 32.50 | 32.50 |
| Stock Dividend % | - | - | - |
| Break-up Value Per Ordinary Share (Rs.) | 331.15 | 300.12 | 258.49 |
| Market Value Per Ordinary Share - Year End (Rs.) | 82.72 | 128.61 | 144.00 |
| Cash Dividend Per share | 1.50 | 3.25 | 3.25 |

* Excluding impairment charged on available for sale investments

| | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|--|---------------|---------------|---------------|--------------|--------------|--------------|--------------|
| | 17,634 | 15,890 | 8,074 | 7,659 | 7,248 | 6,882 | 6,512 |
| | 6,323 | 5,502 | 4,984 | 4,633 | 4,277 | 3,928 | 3,547 |
| | 11,311 | 10,388 | 3,090 | 3,026 | 2,971 | 2,954 | 2,965 |
| | 8,155 | 7,801 | 10,143 | 3,266 | 330 | 345 | 197 |
| | 8,645 | 10,413 | 6,026 | 770 | 749 | 685 | 601 |
| | 6,923 | 4,837 | 3,414 | 4,559 | 2,425 | 2,171 | 2,187 |
| | 5,617 | 1,965 | 2,312 | 2,336 | 1,749 | 1,098 | 1,700 |
| | 9,952 | 13,285 | 7,128 | 2,993 | 1,425 | 1,757 | 1,088 |
| | 29,418 | 31,473 | 20,361 | 9,285 | 4,726 | 5,056 | 4,251 |
| | 844 | 734 | 699 | 699 | 475 | 475 | 475 |
| | 15,429 | 17,437 | 12,974 | 7,037 | 3,716 | 3,157 | 2,344 |
| | - | - | - | - | - | - | - |
| | 16,273 | 18,171 | 13,673 | 7,736 | 4,192 | 3,633 | 2,819 |
| | 841 | 956 | 688 | 547 | 527 | 567 | 481 |
| | 12,304 | 12,347 | 6,000 | 1,001 | 6 | 857 | 950 |
| | 13,145 | 13,302 | 6,688 | 1,548 | 534 | 1,423 | 1,431 |
| | 29,418 | 31,473 | 20,361 | 9,285 | 4,726 | 5,056 | 4,251 |
| | 14,301 | 10,540 | 9,028 | 8,163 | 6,893 | 6,293 | 5,361 |
| | 7,639 | 5,108 | 4,247 | 3,521 | 2,710 | 2,263 | 1,926 |
| | 11,281 | 7,829 | 6,552 | 5,746 | 4,678 | 4,242 | 3,672 |
| | 943 | 1,199 | 1,295 | 1,353 | 1,309 | 1,194 | 950 |
| | 1,033 | 835 | 758 | 651 | 576 | 551 | 507 |
| | 405 | 588 | 758 | 902 | 789 | 718 | 474 |
| | (308) | 4,633 | 6,348 | 1,330 | 1,187 | 1,037 | 797 |
| | (196) | 4,326 | 6,101 | 1,015 | 958 | 814 | 655 |
| | 955 | 1,167 | 1,098 | 1,217 | 1,246 | 1,138 | 885 |
| | 6.60 | 11.38 | 14.34 | 16.57 | 18.98 | 18.97 | 17.71 |
| | (2.15) | 43.96 | 70.31 | 16.29 | 17.21 | 16.48 | 14.87 |
| | 6.68 | 11.08 | 12.17 | 14.91 | 18.07 | 18.09 | 16.45 |
| | (0.01) | 0.13 | 0.27 | 0.09 | 0.15 | 0.13 | 0.11 |
| | 0.41 | 0.32 | 0.40 | 0.70 | 1.06 | 1.02 | 0.90 |
| | 1.26 | 1.01 | 2.92 | 2.70 | 2.32 | 2.13 | 1.81 |
| | 1.23 | 2.46 | 1.48 | 1.95 | 1.39 | 1.98 | 1.29 |
| | 0.43 | 0.97 | 0.55 | 1.30 | 0.54 | 0.88 | 0.59 |
| | 95 | 90 | 78 | 71 | 76 | 74 | 81 |
| | 39 | 45 | 33 | 35 | 34 | 33 | 37 |
| | 31 | 44 | 37 | 26 | 30 | 30 | 32 |
| | 103 | 91 | 74 | 80 | 80 | 77 | 86 |
| | 44:56 | 40:60 | 30:70 | 11:89 | 00:100 | 19:81 | 25:75 |
| | (1.20) | 4.39 | 14.80 | 13.12 | 22.84 | 22.39 | 23.25 |
| | (2.32) | 58.96 | 87.30 | 16.24 | 19.68 | 17.11 | 13.79 |
| | (2.32) | - | - | - | - | - | - |
| | (34.98) | 6.17 | 2.41 | 12.44 | 10.10 | 9.81 | 6.42 |
| | 0.81 | 13.84 | 92.93 | 9.18 | 9.93 | 8.03 | 5.61 |
| | - | - | 2.86 | 2.97 | 4.27 | 5.06 | 7.91 |
| | - | - | 14.55 | 2.42 | 2.37 | 2.01 | 1.97 |
| | - | - | 60.00 | 60.00 | 85.00 | 85.00 | 70.00 |
| | - | 15.00 | 5.00 | - | - | - | - |
| | 192.85 | 247.65 | 195.66 | 110.71 | 88.18 | 76.42 | 59.31 |
| | 81.19 | 363.80 | 210.00 | 202.00 | 198.85 | 167.90 | 88.50 |
| | - | - | 6.00 | 6.00 | 8.50 | 8.50 | 7.00 |

Horizontal & Vertical Analysis

Horizontal Analysis (Balance Sheet)

(Rupees in Million)

| ASSETS | 2011 | 11 vs 10 | 2010 | 10 vs 09 | 2009 | 09 vs 08 | 2008 | 08 vs 07 | 2007 | 07 vs 06 | 2006 |
|------------------------------------------------------------------------------|---------------|--------------|---------------|--------------|---------------|-------------|---------------|-------------|---------------|--------------|---------------|
| | Rs. | % | Rs. | % | Rs. | % | Rs. | % | Rs. | % | Rs. |
| NON-CURRENT ASSETS | | | | | | | | | | | |
| Property, plant and equipment | 18,346 | (1.45) | 18,615 | (3.18) | 19,227 | (1.11) | 19,442 | 7.04 | 18,163 | 37.46 | 13,213 |
| Intangible assets | 39 | 1,850.00 | 2 | 100.00 | - | - | - | - | - | (100.00) | 3 |
| Investment property | 30 | (6.25) | 32 | (41.82) | 55 | 120.00 | 25 | (3.85) | 26 | 85.71 | 14 |
| Assets subject to finance lease | - | - | - | - | - | - | - | - | - | (100.00) | 2 |
| Investments | 16,288 | 33.30 | 12,219 | 50.87 | 8,099 | (3.15) | 8,362 | (17.04) | 10,080 | 74.52 | 5,776 |
| Long-term loans and deposits | 111 | (13.95) | 129 | (7.86) | 140 | (10.26) | 156 | (36.07) | 244 | 35.56 | 180 |
| Retirement benefits | 89 | (6.32) | 95 | (12.04) | 108 | (15.63) | 128 | 45.45 | 88 | 25.71 | 70 |
| CURRENT ASSETS | | | | | | | | | | | |
| Stores and spares | 979 | (6.76) | 1,050 | 20.55 | 871 | 3.57 | 841 | 17.46 | 716 | 47.33 | 486 |
| Stock-in-trade | 4,526 | 23.36 | 3,669 | (10.56) | 4,102 | 12.32 | 3,652 | 65.55 | 2,206 | 33.94 | 1,647 |
| Trade debts | 1,764 | 7.43 | 1,643 | (6.22) | 1,752 | 15.04 | 1,523 | 18.15 | 1,289 | 57.00 | 821 |
| Loans, advances, deposits, prepayments and other receivables | 455 | 71.70 | 265 | 29.90 | 204 | (30.38) | 293 | (12.54) | 335 | 29.84 | 258 |
| Income tax receivable | 941 | 22.85 | 766 | 28.96 | 594 | 48.87 | 399 | 110.00 | 190 | 97.92 | 96 |
| Cash and bank balances | 176 | (84.56) | 1,140 | 150.00 | 456 | 129.15 | 199 | 97.03 | 101 | (5.61) | 107 |
| Non-current assets classified as held-for-sale - investment in related party | - | - | - | - | - | (100.00) | 15 | 100.00 | - | - | - |
| TOTAL | 43,744 | 10.40 | 39,625 | 11.28 | 35,608 | 1.64 | 35,035 | 4.77 | 33,438 | 47.48 | 22,673 |

Vertical Analysis (Balance Sheet)

(Rupees in Million)

| ASSETS | 2011 | | 2010 | | 2009 | | 2008 | | 2007 | | 2006 | |
|------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Rs. | % | Rs. | % | Rs. | % | Rs. | % | Rs. | % | Rs. | % |
| NON-CURRENT ASSETS | | | | | | | | | | | | |
| Property, plant and equipment | 18,346 | 41.93 | 18,615 | 46.97 | 19,227 | 54.00 | 19,442 | 55.50 | 18,163 | 54.32 | 13,213 | 58.29 |
| Intangible assets | 39 | 0.09 | 2 | 0.01 | - | - | - | - | - | - | 3 | 0.01 |
| Investment property | 30 | 0.07 | 32 | 0.08 | 55 | 0.15 | 25 | 0.07 | 26 | 0.08 | 14 | 0.06 |
| Assets subject to finance lease | - | - | - | - | - | - | - | - | - | - | 2 | 0.01 |
| Investments | 16,288 | 37.23 | 12,219 | 30.84 | 8,099 | 22.74 | 8,362 | 23.87 | 10,080 | 30.15 | 5,776 | 25.48 |
| Long-term loans and deposits | 111 | 0.25 | 129 | 0.33 | 140 | 0.39 | 156 | 0.45 | 244 | 0.73 | 180 | 0.79 |
| Retirement benefits | 89 | 0.20 | 95 | 0.24 | 108 | 0.30 | 128 | 0.37 | 88 | 0.26 | 70 | 0.31 |
| CURRENT ASSETS | | | | | | | | | | | | |
| Stores and spares | 979 | 2.24 | 1,050 | 2.65 | 871 | 2.45 | 841 | 2.40 | 716 | 2.14 | 486 | 2.14 |
| Stock-in-trade | 4,526 | 10.35 | 3,669 | 9.26 | 4,102 | 11.52 | 3,652 | 10.42 | 2,206 | 6.60 | 1,647 | 7.26 |
| Trade debts | 1,764 | 4.03 | 1,643 | 4.15 | 1,752 | 4.92 | 1,523 | 4.35 | 1,289 | 3.85 | 821 | 3.62 |
| Loans, advances, deposits, prepayments and other receivables | 455 | 1.04 | 265 | 0.67 | 204 | 0.57 | 293 | 0.84 | 335 | 1.00 | 258 | 1.14 |
| Income tax receivable | 941 | 2.15 | 766 | 1.93 | 594 | 1.67 | 399 | 1.14 | 190 | 0.57 | 96 | 0.42 |
| Cash and bank balances | 176 | 0.40 | 1,140 | 2.88 | 456 | 1.28 | 199 | 0.57 | 101 | 0.30 | 107 | 0.47 |
| Non-current assets classified as held-for-sale - investment in related party | - | - | - | - | - | - | 15 | 0.04 | - | - | - | - |
| TOTAL | 43,744 | 100.00 | 39,625 | 100.00 | 35,608 | 100.00 | 35,035 | 100.00 | 33,438 | 100.00 | 22,673 | 100.00 |

Horizontal Analysis (Balance Sheet)

(Rupees in Million)

| EQUITY & LIABILITIES | 2011 | 11 vs 10 | 2010 | 10 vs 09 | 2009 | 09 vs 08 | 2008 | 08 vs 07 | 2007 | 07 vs 06 | 2006 |
|----------------------------------------------------------------------------------------------------------------------|---------------|--------------|---------------|--------------|---------------|-------------|---------------|-------------|---------------|--------------|---------------|
| | Rs. | % | Rs. | % | Rs. | % | Rs. | % | Rs. | % | Rs. |
| SHARE CAPITAL & RESERVES | | | | | | | | | | | |
| Issued subscribed and paid up capital | 844 | - | 844 | - | 844 | - | 844 | 14.99 | 734 | 5.00 | 699 |
| Reserves | 28,179 | 16.35 | 24,219 | 41.64 | 17,099 | 9.44 | 15,625 | 19.18 | 13,110 | 90.77 | 6,872 |
| Preference shares / convertible stock reserve | 1,606 | - | 1,606 | - | 1,606 | 100.00 | - | - | - | - | - |
| Accumulated (loss) / profit | (1,081) | (514.18) | 261 | (93.25) | 3,868 | (2,073.47) | (196) | (104.53) | 4,327 | (29.09) | 6,102 |
| NON-CURRENT LIABILITIES | | | | | | | | | | | |
| Long-term finances | 8,575 | 7.77 | 7,957 | (0.16) | 7,970 | (35.22) | 12,304 | (0.34) | 12,346 | 105.77 | 6,000 |
| Deferred income tax liabilities | 2,004 | (7.56) | 2,168 | (7.86) | 2,353 | 218.83 | 738 | (14.39) | 862 | 100.00 | - |
| Retirement benefits | 13 | 7,684.43 | 0.17 | 100.00 | - | - | - | - | - | - | - |
| Deferred liabilities | 162 | 8.72 | 149 | 19.20 | 125 | 21.36 | 103 | 9.57 | 94 | (86.34) | 688 |
| CURRENT LIABILITIES | | | | | | | | | | | |
| Current portion of long-term finances | 381 | 2,621.43 | 14 | 100.00 | - | (100.00) | 550 | 100.00 | - | (100.00) | 1 |
| Finances under mark up arrangements-secured | 796 | 464.54 | 141 | 63.95 | 86 | (96.68) | 2,588 | 545.39 | 401 | (68.70) | 1,281 |
| Trade and other payables | 1,731 | (3.51) | 1,794 | 27.51 | 1,407 | 18.53 | 1,187 | (16.88) | 1,428 | 49.37 | 956 |
| Accrued finance cost | 534 | 13.14 | 472 | 88.80 | 250 | (9.09) | 275 | 102.21 | 136 | 83.78 | 74 |
| Liabilities directly associated with non-current assets classified as held-for-sale - advance against sale of shares | - | - | - | - | - | (100.00) | 1,017 | 100.00 | - | - | - |
| TOTAL | 43,744 | 10.40 | 39,625 | 11.28 | 35,608 | 1.64 | 35,035 | 4.77 | 33,438 | 47.48 | 22,673 |

Vertical Analysis (Balance Sheet)

(Rupees in Million)

| EQUITY & LIABILITIES | 2011 | | 2010 | | 2009 | | 2008 | | 2007 | | 2006 | |
|----------------------------------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Rs. | % | Rs. | % | Rs. | % | Rs. | % | Rs. | % | Rs. | % |
| SHARE CAPITAL & RESERVES | | | | | | | | | | | | |
| Issued subscribed and paid up capital | 844 | 1.93 | 844 | 2.13 | 844 | 2.37 | 844 | 2.41 | 734 | 2.20 | 699 | 3.08 |
| Reserves | 28,179 | 64.42 | 24,219 | 61.12 | 17,099 | 48.02 | 15,625 | 44.60 | 13,110 | 39.21 | 6,872 | 30.31 |
| Preference shares / convertible stock reserve | 1,606 | 3.67 | 1,606 | 4.05 | 1,606 | 4.51 | - | - | - | - | - | - |
| Accumulated (loss) / profit | (1,081) | (2.47) | 261 | 0.66 | 3,868 | 10.86 | (196) | (0.56) | 4,327 | 12.94 | 6,102 | 26.91 |
| NON-CURRENT LIABILITIES | | | | | | | | | | | | |
| Long-term finances | 8,575 | 19.60 | 7,957 | 20.08 | 7,970 | 22.38 | 12,304 | 35.12 | 12,346 | 36.92 | 6,000 | 26.46 |
| Deferred income tax liabilities | 2,004 | 4.58 | 2,168 | 5.47 | 2,353 | 6.61 | 738 | 2.11 | 862 | 2.58 | - | - |
| Retirement benefits | 13 | 0.03 | 0 | 0.00 | - | - | - | - | - | - | - | - |
| Deferred liabilities | 162 | 0.37 | 149 | 0.38 | 125 | 0.35 | 103 | 0.29 | 94 | 0.28 | 688 | 3.03 |
| CURRENT LIABILITIES | | | | | | | | | | | | |
| Current portion of long-term finances | 381 | 0.87 | 14 | 0.04 | - | - | 550 | 1.57 | - | - | 1 | 0.00 |
| Finances under mark up arrangements - secured | 796 | 1.82 | 141 | 0.36 | 86 | 0.24 | 2,588 | 7.39 | 401 | 1.20 | 1,281 | 5.65 |
| Trade and other payables | 1,731 | 3.96 | 1,794 | 4.53 | 1,407 | 3.95 | 1,187 | 3.39 | 1,428 | 4.27 | 956 | 4.22 |
| Accrued finance cost | 534 | 1.22 | 472 | 1.19 | 250 | 0.70 | 275 | 0.78 | 136 | 0.41 | 74 | 0.33 |
| Liabilities directly associated with non-current assets classified as held-for-sale - advance against sale of shares | - | - | - | - | - | - | 1,017 | 2.90 | - | - | - | - |
| TOTAL | 43,744 | 100.00 | 39,625 | 100.00 | 35,608 | 100.00 | 35,035 | 100.00 | 33,438 | 100.00 | 22,673 | 100.00 |

Horizontal Analysis (Profit and Loss Account)

(Rupees in Million)

| | 2011 Rs. | 11 vs 10 % | 2010 Rs. | 10 vs 09 % | 2009 Rs. | 09 vs 08 % | 2008 Rs. | 08 vs 07 % | 2007 Rs. | 07 vs 06 % | 2006 Rs. |
|----------------------------------------|----------------|----------------|---------------|-----------------|---------------|-------------------|---------------|-----------------|---------------|----------------|--------------|
| Local sales | 22,888 | 11.12 | 20,598 | 30.57 | 15,776 | 15.17 | 13,698 | 32.16 | 10,365 | 16.87 | 8,869 |
| Export sales | 214 | (82.73) | 1,239 | 63.67 | 757 | 25.54 | 603 | 244.57 | 175 | 10.06 | 159 |
| Gross sales | 23,102 | 5.79 | 21,837 | 32.08 | 16,533 | 15.61 | 14,301 | 35.68 | 10,540 | 16.75 | 9,028 |
| Sales tax and excise duty | (3,708) | 13.50 | (3,267) | 32.48 | (2,466) | 19.94 | (2,056) | 36.98 | (1,501) | 28.07 | (1,172) |
| Commission | (19) | (44.12) | (34) | 47.83 | (23) | 15.00 | (20) | 100.00 | (10) | 11.11 | (9) |
| Net sales | 19,375 | 4.53 | 18,536 | 31.99 | 14,044 | 14.88 | 12,225 | 35.40 | 9,029 | 15.06 | 7,847 |
| Cost of sales | (18,993) | 7.11 | (17,733) | 29.10 | (13,736) | 21.75 | (11,282) | 44.09 | (7,830) | 19.51 | (6,552) |
| Gross profit | 382 | (52.43) | 803 | 160.71 | 308 | (67.34) | 943 | (21.35) | 1,199 | (7.41) | 1,295 |
| Administrative expenses | (620) | 21.33 | (511) | 9.19 | (468) | (8.59) | (512) | 47.13 | (348) | (0.57) | (350) |
| Distribution and marketing costs | (563) | (2.76) | (579) | 30.41 | (444) | 22.65 | (362) | 50.83 | (240) | 6.19 | (226) |
| Projects expenditure | (56) | 1,300.00 | (4) | 100.00 | - | - | - | - | - | - | - |
| Other operating expenses | (1) | (93.33) | (15) | (87.39) | (119) | 100.00 | - | (100.00) | (145) | (31.92) | (213) |
| Other operating income | 359 | 77.72 | 202 | (47.53) | 385 | 14.58 | 336 | 175.41 | 122 | (51.59) | 252 |
| (Loss) / profit from operations | (498) | 379.81 | (104) | (69.23) | (338) | (183.46) | 405 | (31.12) | 588 | (22.43) | 758 |
| Finance costs | (1,627) | 34.38 | (1,210) | (5.32) | (1,278) | (23.10) | (1,662) | 351.63 | (368) | 365.82 | (79) |
| Investment income | 1,040 | 4.31 | 997 | (89.14) | 9,180 | 867.33 | 949 | (78.50) | 4,413 | (22.16) | 5,669 |
| Impairment charged on investments | (391) | 100.00 | - | (100.00) | * (1,794) | 100.00 | - | - | - | - | - |
| (Loss) / profit before tax | (1,476) | 365.62 | (317) | (105.49) | 5,770 | (1,973.38) | (308) | (106.65) | 4,633 | (27.02) | 6,348 |
| Taxation | (92) | 513.33 | (15) | (99.12) | (1,706) | (1,623.21) | 112 | (136.48) | (307) | 24.29 | (247) |
| (Loss) / profit for the year | (1,568) | 372.29 | (332) | (108.17) | 4,064 | (2,173.47) | (196) | (104.53) | 4,326 | (29.09) | 6,101 |
| EPS - basic | (18.58) | | 3.94 | | 48.16 | | 2.32 | | 51.27 | | 83.15 |
| EPS - diluted | (18.58) | | 3.94 | | 44.72 | | | | | | |

Vertical Analysis (Profit and Loss Account)

(Rupees in Million)

| | 2011 | | 2010 | | 2009 | | 2008 | | 2007 | | 2006 | |
|----------------------------------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|---------------|
| | Rs. | % | Rs. | % | Rs. | % | Rs. | % | Rs. | % | Rs. | % |
| Local sales | 22,888 | 99.07 | 20,598 | 94.33 | 15,776 | 95.42 | 13,698 | 95.78 | 10,365 | 98.34 | 8,869 | 98.24 |
| Export sales | 214 | 0.93 | 1,239 | 5.67 | 757 | 4.58 | 603 | 4.22 | 175 | 1.66 | 159 | 1.76 |
| Gross sales | 23,102 | 100.00 | 21,837 | 100.00 | 16,533 | 100.00 | 14,301 | 100.00 | 10,540 | 100.00 | 9,028 | 100.00 |
| Sales tax and excise duty | (3,708) | (16.05) | (3,267) | (14.96) | (2,466) | (14.92) | (2,056) | (14.38) | (1,501) | (14.24) | (1,172) | (12.98) |
| Commission | (19) | (0.08) | (34) | (0.16) | (23) | (0.14) | (20) | (0.14) | (10) | (0.09) | (9) | (0.10) |
| Net sales | 19,375 | 83.87 | 18,536 | 84.88 | 14,044 | 84.95 | 12,225 | 85.48 | 9,029 | 85.66 | 7,847 | 86.92 |
| Cost of sales | (18,993) | (82.21) | (17,733) | (81.21) | (13,736) | (83.08) | (11,282) | (78.89) | (7,830) | (74.29) | (6,552) | (72.57) |
| Gross profit | 382 | 1.65 | 803 | 3.68 | 308 | 1.86 | 943 | 6.59 | 1,199 | 11.38 | 1,295 | 14.34 |
| Administrative expenses | (620) | (2.68) | (511) | (2.34) | (468) | (2.83) | (512) | (3.58) | (348) | (3.30) | (350) | (3.88) |
| Distribution and marketing costs | (563) | (2.44) | (579) | (2.85) | (444) | (2.69) | (362) | (2.53) | (240) | (2.28) | (226) | (2.50) |
| Projects expenditure | (56) | (0.24) | (4) | (0.02) | - | - | - | - | - | - | - | - |
| Other operating expenses | (1) | (0.00) | (15) | (0.07) | (119) | (0.72) | - | - | (145) | (1.38) | (213) | (2.36) |
| Other operating income | 359 | 1.55 | 202 | 0.93 | 385 | 2.33 | 336 | 2.35 | 122 | 1.16 | 252 | 2.79 |
| (Loss) / profit from operations | (498) | (2.16) | (104) | (0.48) | (338) | (2.04) | 405 | 2.83 | 588 | 5.58 | 758 | 8.40 |
| Finance costs | (1,627) | (7.04) | (1,210) | (5.54) | (1,278) | (7.73) | (1,662) | (11.62) | (368) | (3.49) | (79) | (0.88) |
| Investment income | 1,040 | 4.50 | 997 | 4.57 | 9,180 | 55.53 | 949 | 6.64 | 4,413 | 41.87 | 5,669 | 62.79 |
| Impairment charged on investments | (391) | (1.69) | - | - | * (1,794) | (10.85) | - | - | - | - | - | - |
| (Loss) / profit before tax | (1,476) | (6.39) | (317) | (1.45) | 5,770 | 34.90 | (308) | (2.15) | 4,633 | 43.96 | 6,348 | 70.31 |
| Taxation | (92) | (0.40) | (15) | (0.07) | (1,706) | (10.32) | 112 | 0.78 | (307) | (2.91) | (247) | (2.74) |
| (Loss) / profit for the year | (1,568) | (6.79) | (332) | (1.52) | 4,064 | 24.58 | (196) | (1.37) | 4,326 | 41.04 | 6,101 | 67.58 |
| EPS - basic | (18.58) | | 3.94 | | 48.16 | | 2.32 | | 51.27 | | 83.15 | |
| EPS - diluted | (18.58) | | 3.94 | | 44.72 | | | | | | | |

* Impairment charged on investments has been re-classified for the purposes of comparison

Value Added and its Distribution

This statement shows value added by the operations of the Company and its distribution to the stakeholders.

| (Rupees in thousand) | 2011 | | 2010 | | 2009 | |
|--------------------------------------------------------------------------------------------------------------------------------|-------------|------|------------|------|------------|------|
| Wealth Generated | | | | | | |
| Sales | 23,101,819 | | 21,837,433 | | 16,533,288 | |
| Dividend Income | 1,037,255 | | 946,292 | | 313,087 | |
| Other Income - net of Impairment | (29,475) | | 253,336 | | 7,458,058 | |
| | 24,109,599 | 100% | 23,037,061 | 100% | 24,304,433 | 100% |
| Wealth Distributed | | | | | | |
| Bought-in-materials & Services | 20,840,696 | 86% | 19,014,938 | 83% | 16,547,104 | 68% |
| To Employees | | | | | | |
| Remuneration, benefits and facilities | 1,772,035 | 7% | 1,502,465 | 7% | 1,228,876 | 5% |
| To Government | | | | | | |
| Income Tax, Sales Tax, Custom & Excise Duties, Workers' Funds, EOBI & Social Security Contribution, Professional & Local Taxes | 1,438,222 | 6% | 1,641,760 | 7% | 1,186,096 | 5% |
| To Providers of Capital | | | | | | |
| Cash dividend to the ordinary shareholders | 126,569 | 1% | 274,233 | 1% | 274,233 | 1% |
| Finance costs | 1,626,598 | 7% | 1,210,323 | 5% | 1,278,433 | 5% |
| (Utilised) / Retained for Reinvestment & Future Growth | | | | | | |
| (Utilised from) / transferred to revenue reserves | (1,694,521) | -7% | (606,658) | -3% | 3,789,691 | 16% |
| | 24,109,599 | 100% | 23,037,061 | 100% | 24,304,433 | 100% |

Sources and Application of Funds

Over the last six years

(Rupees in thousand)

| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|-----------------------------------------------------------------------|--------------------|------------------|--------------------|--------------------|--------------------|--------------------|
| Cash flow from operating activities | | | | | | |
| Cash (used in) / generated from operations | (66,418) | 2,048,790 | 618,112 | (708,816) | 326,117 | 774,099 |
| Finance cost paid | (1,564,289) | (988,292) | (1,479,667) | (1,800,985) | (1,051,738) | (38,270) |
| Taxes paid | (431,528) | (490,263) | (285,615) | (220,937) | (139,191) | (194,335) |
| Payments for accumulating compensated absences | (10,524) | (16,805) | (6,971) | (12,268) | (6,783) | (7,299) |
| Retirement benefits paid | (62,831) | (50,488) | (44,236) | (35,564) | (30,339) | (27,384) |
| Net cash (used in) / generated from operating activities | (2,135,590) | 502,942 | (1,198,377) | (2,778,570) | (901,934) | 506,811 |
| Cash flow from investing activities | | | | | | |
| Fixed capital expenditure | (1,828,445) | (633,758) | (972,975) | (2,447,617) | (4,841,392) | (7,325,683) |
| Investment - net | 3,035 | 50,968 | (10,000) | - | (12,903) | (20,504) |
| Advance against disposal of investments | - | - | - | 1,017,150 | - | - |
| Net decrease / (increase) in long-term loans and deposits | 17,556 | 11,148 | 15,525 | 89,064 | (63,548) | (164,418) |
| Proceeds from disposal of property, plant and equipment | 190,023 | 25,034 | 23,543 | 21,252 | 48,401 | 12,493 |
| Proceeds from assets written off due to fire | 384,563 | - | - | - | - | - |
| Proceeds from disposal of investments | - | - | 7,865,000 | - | 71,428 | - |
| Dividends received | 1,037,255 | 946,292 | 313,087 | 948,879 | 646,650 | 822,990 |
| Net cash (used in) / generated from investing activities | (196,013) | 399,684 | 7,234,180 | (371,272) | (4,151,364) | (6,675,122) |
| Cash flow from financing activities | | | | | | |
| Payment of long-term finances | (14,286) | - | (7,354,400) | - | - | - |
| Proceeds from long-term finances | 1,000,000 | - | - | - | 6,346,500 | 5,000,000 |
| Proceeds from issuance of preference shares / convertible stock - net | - | - | 4,076,452 | - | - | - |
| Proceeds from Ijarah finance | - | - | - | 1,061,208 | - | - |
| Payment of finance lease liabilities | - | - | - | - | (851) | (5,159) |
| Dividend paid | (273,574) | (272,938) | - | - | (418,194) | (417,914) |
| Net cash generated from / (used in) financing activities | 712,140 | (272,938) | (3,277,948) | 1,061,208 | 5,927,455 | 4,576,927 |
| Net (decrease) / increase in cash and cash equivalents | (1,619,463) | 629,688 | 2,757,855 | (2,088,634) | 874,157 | (1,591,384) |
| Cash and cash equivalents at the beginning of the year | 998,912 | 369,224 | (2,388,631) | (299,997) | (1,174,154) | 417,230 |
| Cash and cash equivalents at the end of the year | (620,551) | 998,912 | 369,224 | (2,388,631) | (299,997) | (1,174,154) |

Events Calendar

| Major Events and Meetings | Date |
|-------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Audit Committee and Board of Directors meetings to consider accounts of the Company for the year ended December 31, 2010 | 18th February 2011 |
| Audit Committee and Board of Directors meetings to consider accounts of the Company for the quarter ended March 31, 2011 | 19th April 2011 |
| Annual General Meeting of Shareholders to consider accounts of the Company for the year ended December 31, 2010 and dividend announcement | 20th April, 2011 |
| Commencement of commercial production of Paper Machine PM-6 after rebuilt with enhanced production capacity and product range | 4th May, 2011 |
| Election of Directors of the Company in Extraordinary General Meeting | 20th May, 2011 |
| Board of Directors meeting for appointment of Chairman, Managing Director & other Board Committees. | 20th May, 2011 |
| Audit Committee and Board of Directors meetings to consider accounts of the Company for the quarter ended June 30, 2011 | 23rd August 2011 |
| Technical upgrade of the Company's Enterprise Resource Planning (ERP) system i.e. SAP to its new version i.e. ECC6 | 26th August, 2011 |
| Installation of High Speed Solvent-less Automatic Lamination Machine in Business Unit - Flexible Packaging | 15th October, 2011 |
| Audit Committee and Board of Directors meetings to consider accounts of the Company for the quarter ended September 30, 2011 | 18th October, 2011 |
| Fire incident at Central Stores and Tissue Conversion Plant | 10th November, 2011 |
| Up gradation of Corrugator Machine with improved efficiency, reliability, production capacity and reduced waste | 1st December, 2011 |

Corporate Social Responsibility (CSR)

To put it simply “CSR is about business giving back to society”. CSR practice at Packages is an evidence of commitment to its stakeholders. On a daily basis, we strive to safeguard the health and well being of our employees, neighbours and customers, as well as the communities in which we live, work and operate. The Company continuously takes initiatives for CSR activities as mentioned in paragraphs to follow.

Environment

Packages aims to increase the quality of life for people at all levels of society, conserve energy and preserve precious environmental resources. The idea is to go “Green” in Pakistan. Moreover, we strive to minimize energy consumption and wherever possible, use environment friendly sources of energy.

Packages is a member of the global network of green offices project of the World Wide Fund for nature and the first Company in Pakistan to be awarded Green Office Diploma in the manufacturing sector. Green Office aims at reducing office waste including paper consumption and electricity usage.

Our personnel went through an energy management course of ISO 50001 which aims for energy management and climate protection by stabilizing operation emissions, fixing leaks and insulating pipes to minimize our environmental impact and also reduce costs.

We have already phased out CFC's (Chlorofluorocarbon's) gases according to Montreal Protocol and have been reducing the consumption of HCFC's by replacing them with approved gases to control the greenhouse effect.

Packages has embarked upon the installation of solar lights within its premises. Such lights are replaced by the old 400 watts mercury lights with 40 watts induction lamps giving better lumen efficacy, optimum power and still conserving plenty of electricity.

Packages Limited has installed an Effluent Treatment Plant worth Rs. 476 million at its manufacturing facility – Bulleh Shah Paper Mill offering a clean environment to the surrounding locality.

We use the agricultural by-product ‘wheat straw’ as a raw material for paper and board manufacturing, contributing towards a greener earth.

Our photocopy paper available in the market with the brand name of Copymate is being made out of recycled paper, which is another initiative towards environment conservation.

We proudly claim our initiative to reduce plastic bag consumption at retail malls, by providing them with 50,000 biodegradable bags. A rigorous campaign was also held at these malls educating the masses about the significance of reusable bags and the adverse impacts of plastic bags on our environment.

Society:

Packages visualizes a clear connection between the growth of the Company and the strength of the communities where we operate. We strive to contribute to society's welfare through providing educational opportunities, employment, sponsoring various events promoting culture, arts etc and organizing events & awareness campaigns.

Employment Initiatives:

With respect to our employment opportunities, there are 2,842 employees who are directly serving the company and earning the livelihood of their families.

Packages Limited participated in career fairs held at IBA, FC College and LSE during the year as a potential employer, aiming for nation's higher GDP per capita.

Safety and Health:

Safety is a fundamental component in all our operations. Safety risk assessments, procedures and forms are conducted and created respectively, for all departments. These include:

- Risk assessment procedures
- Confined spaces
- Permit to work procedures
- Working at heights
- Personnel protective equipment emergency response procedures
- Incident investigation procedures etc.

We also maintain loss time incident and loss time accident reports based on OHSAS and IFC guidelines. Packages has its own ticketing system for behavioural based safety and safety audit plan for both its sites. It carries both external and internal trainings for occupational health and safety.

Packages won the "National Forum for Environment and Health (NFEH) Environment excellence Award 2011 on account for environmental initiatives and successful implementation of environmental management systems.

We also took home the award for food safety from the Global Food Safety Association (GFSA).

Awareness Campaigns:

Keeping in view that Pakistan has the highest incidence of Breast Cancer in Asia, we conducted a campaign on "Breast Cancer Awareness" under the supervision of a Consultant Surgical Oncologist.

Various awareness campaigns and dengue precautions were taken at Packages including awareness sessions and safety talks, pamphlet distribution, extraction of stagnant water and cleanliness and internal & external sprays.

Sponsorships and events:

Significant sponsorships during the year were as follows:

Conferences

- IBA leadership conference
- LUMS Journalism Conference "CARMA 2011"
- "Mat-tech 2011" engineering competition at GIKI
- SOFTEC 2011 in FAST Lahore.

Sports

- "All Pakistan Open Golf Championship 2011", Multan
- Special Olympics at the Government Special Education Centre, Islamabad
- Annual Sports Day 2011 of Beacon House Defence
- Team "Dolphins" at the 2011 Women's Domestic Cricket T20 Tournament

Culture

- 3rd International Children's Film Festivals in Lahore, Islamabad and Karachi
 - Film Making competition at the LUMS Olympiad
- Performances by leading artistes of Pakistan such as Rahat Fateh Ali, Amanat Ali, Call, Noori, Josh, Quratulain Baloch etc
- Lok Mela in Multan
 - Designer Bisma Ahmed and Pakistan's first Tissue Dress at the Islamabad Fashion Week 2011

Literature, Drama and Debating

- "Payam-e-mashriq" collection of Allama Iqbal's writings translated by Faiz Ahmed Faiz
- 2011 Children's Literature Festival, Lahore.
- LUMS Drama Festival 2011
- LGS Dramatics Competition "Colors and Humor"
- LGS Annual Play 2011 "Chicago"
- "Words I cannot Say" an Exhibition of Art by Special Children in collaboration with the Hamza Foundation
- UET Drama Festival 2011
- "Tribute to Mansha Ki Yad" arranged by UET
- 3rd Forman Christian College Debating Championship

Employee Welfare:

Medical Services:

The health and welfare of our employees has always been a matter of utmost importance and significance at Packages. We provide comprehensive medical coverage to our executive employees and their families in our medical center consisting of a valuable team of doctors and medical facilities i.e an operation theatre, pathology laboratory and a pharmacy. Company has also established a Maternity & Child Healthcare Centre near "Bulleh Shah Paper Mill"- Kasur to provide health care benefits to the women and children of surrounding areas.

Fair Price Shop:

The fair price shop offers our workers basic necessity food and related items at affordable prices. It operates on a "No Profit" basis while certain products are available to workers at subsidized prices.

Scholarships:

We offer merit scholarships to the children of our employees to compensate for increasing educational expenditure, in the form of monetary reimbursements that vary with the level of education.

Sports:

The Company also invests in employee fitness and has a high profile sports complex for indoor games such as Badminton, Squash and Table Tennis etc and a gymnasium with state of the art fitness equipment.

Trainings:

Packages Limited has both local and international training programs for its employees. Employee training needs are periodically reviewed and various in-house and customized training programs are arranged for production, marketing, human resource, supply management and finance personnel.

Packages Limited is also recognised as a training organization as it is one of the platinum rated training providers for 'Association of Chartered Certified Accountants (ACCA), U.K. We also provide necessary apprenticeship to industrial diploma holders in our production departments.

Employee Wellness Barometer

| Parameter | Specification | Managers | | Executives | | Unionized Staff | | Contract Employees | | Grand Total | |
|------------------------|-------------------|----------|------|------------|------|-----------------|------|--------------------|------|-------------|------|
| | | Nos | %age | Nos | %age | Nos | %age | Nos | %age | Nos | %age |
| Residence | Owned | 105 | 95% | 785 | 77% | 1145 | 82% | 427 | 89% | 2,462 | 82% |
| | Rented | 6 | 5% | 232 | 23% | 246 | 18% | 55 | 11% | 539 | 18% |
| Gas-Electricity | Gas | - | | 6 | 1% | 14 | 1% | 6 | 1% | 26 | 1% |
| | Electricity | - | | 154 | 15% | 473 | 34% | 142 | 30% | 769 | 25% |
| | Gas & Electricity | 111 | 100% | 857 | 84% | 904 | 65% | 334 | 69% | 2,206 | 74% |
| Telephone (Fixed line) | Yes | 111 | 100% | 735 | 72% | 608 | 44% | 337 | 70% | 1,791 | 60% |
| | No | - | | 282 | 28% | 783 | 56% | 145 | 30% | 1,210 | 40% |
| Conveyance | Motor Car | 110 | 99% | 240 | 24% | 24 | 2% | 47 | 10% | 421 | 14% |
| | Motor Cycle | 1 | 1% | 400 | 39% | 551 | 40% | 204 | 42% | 1,156 | 39% |
| | Other | - | | 377 | 37% | 816 | 58% | 231 | 48% | 1,424 | 47% |
| Computer | Yes | 111 | 100% | 501 | 49% | 243 | 17% | 235 | 49% | 1,090 | 36% |
| | No | - | | 516 | 51% | 1,148 | 83% | 247 | 51% | 1,911 | 64% |

* Based on 2011 statistics including seconded staff.

Notice of Annual General Meeting

Notice is hereby given that the 57th Annual General Meeting of Packages Limited will be held at the Beach Luxury Hotel, Moulvi Tamizuddin Khan Road, Karachi on Monday, April 30, 2012 at 10.30 a.m. to transact the following business :-

Ordinary business:

1. To confirm the minutes of the Extraordinary General Meeting of the Company held on May 20, 2011.
2. To receive, consider and adopt the Audited Financial Statements of the Company together with the Directors' and Auditors' Reports thereon for the year ended December 31, 2011.
3. To consider and approve the payment of cash dividend for the year ended December 31, 2011 as recommended by the Board of Directors -
 - a) to the preference share/convertible stock holder (International Finance Corporation) at the rate of Rs. 19 (10%) per preference share/convertible stock of Rs. 190 in terms of the Subscription Agreement between Packages Limited and International Finance Corporation; and
 - b) to the ordinary shareholders at the rate of Rs. 1.50 (15%) per ordinary share of Rs. 10.
4. To appoint Auditors for the year 2012 and to fix their remuneration.

Special business:

5. To consider and approve the proposed transfer of the paper & paperboard and corrugated businesses of the Company into a 100% owned subsidiary [Bulleh Shah Paper Mill (Private) Limited] against issue of shares.

(Attached to this Notice is a Statement of Material Facts covering the above mentioned Special Business, as required under Section 160 (1) (b) of the Companies Ordinance, 1984 read with SECP S.R.O 1227(I)/2005 dated 12 December 2005).

By Order of the Board

Karachi
April 04, 2012

Adi J. Cawasji
Company Secretary

Notes :

1. The Share Transfer Books of the Company will remain closed from April 21, 2012 to April 30, 2012 (both days inclusive). Transfers received in order by our Shares Registrar, FAMCO Associates (Pvt.) Limited, 1st Floor, State Life Building No. 1-A, I. I. Chundrigar Road, Karachi-74000 by the close of business on April 20, 2012 will be considered in time for the entitlement of dividend on the ordinary shares.
2. A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on the member's behalf.
3. Duly completed forms of proxy must be deposited with the Company Secretary at the Registered Office of the Company at 4th Floor, The Forum, Suite # 416-422, G-20, Block 9, Khayaban-e-Jami, Clifton, Karachi-75600 not later than 48 hours before the time appointed for the meeting.
4. Any individual beneficial owner of the Central Depository Company, entitled to vote at this meeting, must bring his/her computerized national identity card ("CNIC") with him/her to prove his/her identity, and in case of proxy must enclose an attested copy of his/her CNIC. The representatives of corporate bodies should bring attested copy of board of directors' resolution/power of attorney and/ or all such documents required under Circular No.1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan for the purpose.
5. Shareholders are requested to notify any change in their addresses immediately to the aforesaid Shares Registrar of the Company.
6. Members who have not yet submitted photocopy of their valid computerized national identity cards to the Company are requested to send the same at the earliest to the aforesaid Shares Registrar of the Company. In case of non-compliance, the Company may be constrained to withhold dispatch of dividend warrant to such Member in terms of Securities and Exchange Commission of Pakistan notification (SRO 779 (I) 2011 dated August 18, 2011).
7. Form of proxy is attached in the Annual Report.

Statement Of Material Facts Under Section 160(1)(b) of The Companies Ordinance, 1984 Regarding The Special Business

This statement is being furnished in terms of the requirement under Section 160(1)(b) of the Companies Ordinance, 1984, read with SECP S.R.O 1227(I)/2005 dated 12 December 2005 and sets out the material facts concerning the Special Business to be transacted at the Annual General Meeting of Packages Limited ("Company") to be held on Monday, April 30, 2012 at the Beach Luxury Hotel, Moulvi Tamizuddin Khan Road, Karachi.

Item No. 5 of the Agenda: Transfer of the Paper & Paperboard and Corrugated Businesses of the Company into a 100% Owned Subsidiary [(Bulleh Shah Paper Mill (Private) Limited)]

In the Board meeting of Packages Limited held on March 21, 2012, the Directors resolved to transfer the Company's paper & paperboard and corrugated businesses into a separate 100% owned subsidiary through the process of hive down subject to all necessary corporate and regulatory approvals. Once the said transfer is duly approved, the assets and liabilities of the Paper & Paper board and corrugated businesses would be transferred to and vested in Bulleh Shah Paper Mill (Private) Limited, a 100% owned subsidiary of Packages Limited against the issue of shares by Bulleh Shah Paper Mill (Private) Limited to the Company.

Particulars of assets to be transferred are as follows:

Non-Current Assets

| Description | Cost as at December 31, 2011 (Rupees in thousand) | Book value as at December 31, 2011 (Rupees in thousand) |
|--------------------------------------|------------------------------------------------------|------------------------------------------------------------|
| Property, plant and equipment | | |
| Operating assets | | |
| Freehold Land * | 105,251 | 105,251 |
| Buildings on Freehold Land | 2,818,001 | 2,413,425 |
| Plant and Machinery | 16,887,508 | 12,913,276 |
| Other equipment | 72,177 | 32,398 |
| Furniture and Fixtures | 5,923 | 3,539 |
| Vehicles | 87,970 | 36,881 |
| | 19,976,830 | 15,504,770 |
| Capital work-in-progress | 7,946 | 7,946 |
| | 19,984,776 | 15,512,716 |

* Freehold land represents 227.32 acres of land located at 10-km Kasur Kot Radha Kishan Road, District Kasur, Pakistan

Current Assets

| Description | Carrying Value as at December 31, 2011 (Rupees in thousand) |
|-------------------|----------------------------------------------------------------|
| Stores and spares | 601,540 |
| Stock-in-trade | 2,345,037 |
| Trade debts | 707,030 |
| | 3,653,607 |

Market values of assets to be transferred approximate their respective book / carrying values.

The paper & paperboard and corrugated businesses are industrial businesses which are integrally linked and have different capital and technology requirements as well as market focus as compared to packaging and tissue businesses.

The hive down of the paper & paperboard and corrugated businesses into a separate legal entity will be made by contractual transfer and in respect of the immovable property, by conveyance deed or deeds.

This hive down will enable Packages Limited to more clearly focus on the separate business unit (owned by wholly owned subsidiary) and enable its development and growth.

For the purposes of the above, it is proposed to consider and if thought fit, pass the following Ordinary Resolution, with or without modification:-

"RESOLVED that, subject to corporate and regulatory approvals, the Company do transfer the paper & paperboard and corrugated businesses of the Company into a 100% owned subsidiary, Bulleh Shah Paper Mill (Private) Limited in consideration for the issue of shares by Bulleh Shah Paper Mill (Private) Limited to the Company."

Directors' Report

to the Shareholders

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

The Board of Directors are pleased to submit their Annual Report along with the audited financial statements of the Company for the year ended December 31, 2011.

Performance Outlook

Economic Overview

With no reprieve in the on-going energy crisis, the year 2011 turned out to be another challenging year not only for your Company but for Pakistan as well. Large scale manufacturing sector remained victim of this energy crisis as growth of only 1% was recorded. Apart from energy crisis, inflation also negatively impacted the economy as the surge in prices exerted significant pressure on the cost of living. Reduction in SBP base rate during the year is a welcome sign for local investors.

To return to macroeconomic stability, the energy requirements for the manufacturing sector needs urgent attention apart from the public sector entity reforms, reduction of fiscal deficit and implementation of export led growth strategy.

Financial Performance

Rupees in million

| | 2011 | 2010 |
|-----------------------------------------|---------|---------|
| Invoiced Sales – Gross | 23,102 | 21,837 |
| Invoiced Sales – Net | 19,375 | 18,536 |
| EBITDA (from operations) | 750 | 1,242 |
| Depreciation and amortisation | (1,606) | (1,533) |
| Finance cost | (1,627) | (1,210) |
| Investment income | 1,040 | 997 |
| Other operating (expenses) / Income-net | 358 | 187 |
| Impairment charged on investments | (391) | - |
| Loss before tax | (1,476) | (317) |

Your Company achieved net sales of Rs. 19,375 million with Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA) of Rs. 750 million. Decline in EBITDA of Rs. 492 million during the year 2011 over 2010 values is mainly attributable to the following factors:

- * Planned shutdown of Paper Machine (PM-6) for capacity expansion during the first half of 2011;

- * Increased gas curtailment in conjunction with electricity load shedding and resultant usage of high cost furnace oil negatively impacted the cost of production;
- * Operational issues faced at boiler; and
- * Unprecedented rise in imported wood pulp and local waste paper prices during the first half of year 2011.

- ❖ Unfortunate fire incident at Central Stores and Tissue Conversion Plant of the Company on November 10, 2011 adversely impacted operations of the respective unit.

Operational Performance

There are always opportunities in adversity and your Company continued its focus on streamlining its operations, strategies and enhancing the quality of the products it offers to its valued customers. Accordingly, the Company entered into the recovery phase with stabilization of boiler and sustainability of international pulp and local waste paper prices during second half of 2011. In view of persistent energy crises, your Company continues to explore alternate energy options.

A review of its operations across different business divisions is explained in the paragraphs to follow:

Packaging Division

The Packaging Division comprises folding cartons, flexible packaging and corrugated boxes. It has achieved net sales of Rs. 13,222 million during the year 2011 achieving a sales growth of 34% over last year. Packaging Division has achieved EBITDA growth of Rs. 381 million during 2011 over 2010 values on account of better product mix and operational efficiencies.

Consumer Products Division

Consumer Products Division has achieved external sales of Rs. 1,965 million during the year 2011 achieving sales growth of 11% over 2010 values and corresponding EBITDA growth of Rs. 17 million.

During the current year, your Company experienced an unfortunate fire incident at its Lahore Plant on November 10, 2011 that damaged stocks, tissue conversion equipment, stores and associated buildings. As a result, operations of Consumer Products Division were adversely affected. To protect its market share and brand equity, your Company took immediate disaster recovery measures by outsourcing conversion operations to the third party local converters for the major product variants. To reduce business interruption, Company has ordered all the critical machines and has also air-lifted certain Facial and Toilet Roll machines that are currently under installation. The Company is expecting to resume commercial production of its consumer products during second quarter of 2012.

As explained in note 31.2 to the financial statements for the year ended December 31, 2011, the Company lodged insurance claim with the insurers and surveyor's verification work is currently in progress. The surveyor has confirmed insurance claim of Rs. 557.354 million to date against written off assets amounting to Rs. 536.454 million.

Paper & Board Division

During the year, external sales of Paper and Board Division have dropped by 39% over 2010 values. This decrease in revenue was due to number of factors like planned shutdown of Brown Paper Machine (PM-6) for capacity enhancement in first half of year 2011, energy shortages, boiler outages for almost two months during first half of 2011 and unfair competition faced by writing and printing paper from imported paper that is being sold at dumping prices in the local market. Moreover, gross profit margins decreased as Company experienced an unusual increase in international pulp prices and local waste paper prices during first half of 2011 and rise in electricity generation costs due to usage of furnace oil during gas outages.

We would like to inform you that PM-6 rebuild project has been completed on its scheduled time and the machine has started commercial operations with enhanced capability of producing high value added liquid packaging and bleached board. This rebuild project was partially financed by a long-term loan facility of Rs. 1,000 million.

In respect of unfair competition posed by import of writing and printing paper that is being sold at dumping prices in the local market, we are actively pursuing our applications for fixation of anti-dumping duty and Import Trade Price (ITP) with National Tariff Commission (NTC) and the custom authorities. The Company will continue to push for and support the Government for taking measures against practices that hurt the local industry.

To counter high energy costs, your Company is aggressively working on alternate energy project using bio-mass technology. To mitigate the impact of rising international waste paper prices, the Company is increasing waste paper collection points in Pakistan to increase the recycling rate of local waste paper.

Financial Management

Cash flow Management

The Company has an effective Cash Flow Management System in place whereby cash inflows and outflows are projected on regular basis and rigorously monitored. Working capital requirements are planned to be financed through efficient management of trade receivables, payables and inventory levels. Business unit Managers are assigned working capital targets which are being regularly monitored.

The investment portfolio of the Company is fairly diversified, as reflected by equity participation in Nestle Pakistan Limited, Tri-Pack Films Limited, Tetra pak Pakistan Limited, DIC Pakistan Limited and Packages Lanka (Private) Limited. During the year 2011, Packages Limited reviewed the carrying amount of its investment portfolio to assess whether there was any indication of possible impairment in their carrying values as per treatments laid down in IAS 36 and 39. In view of decline in the value of equity securities, the carrying amounts of Investment in Related Parties i.e. Packages Construction (Private) Limited, IGI Insurance Limited and IGI Investment Bank Limited were assessed to be higher than their recoverable amounts. Consequently, impairment loss of Rs. 5.910 million, Rs. 354.890 million and Rs. 30.389 million have been recognised by the Company in its Profit and Loss account on its shareholding in Packages Construction (Private) Limited, IGI Insurance Limited and IGI Investment Bank Limited respectively.

The Board is satisfied that there are no short or long term financial constraints including access to credit and a strong balance sheet with December 2011 long-term debt : equity ratio at 22:78.

Risk Mitigation

Credit Risk

All financial assets of the Company, except cash in hand, are subject to credit risk. The Company believes that it is not exposed to major concentration of credit risk. Exposure is managed through application of credit limits to its customers secured by and diversification of investment portfolio placed with 'A' ranked banks and financial institutions.

Liquidity Risk

Prudent liquidity risk management ensures availability of sufficient funds for meeting contractual commitments. The Company's fund management strategy aims at managing liquidity risk through internal cash generation and committed credit lines with financial institutions.

Rate Risk

Variable rate long term financing is hedged against interest rate risk by holding "prepayment option", which can be exercised upon any adverse movement in the underlying interest rates.

Foreign Exchange Risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. The Company is mainly exposed to short term USD/PKR and Euro/ PKR parity on its import of raw materials and plant and machinery.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

Investment Projects

During the year 2011, Company has incurred fixed capital expenditure of Rs. 1,828.445 million. Major projects include the following:

| Project Description | Rs in million |
|---------------------------------------------------------------------------------------------|---------------|
| Paper Machine (PM-6) rebuilt project | 1,680 |
| Solvent-less Lamination Machine for Flexible Packaging – extension and capacity enhancement | 96 |
| Corrugator Machine – extension and capacity enhancement | 52 |

The induction of the latest machinery and optimization techniques not only ensure capacity enhancement but are also necessary to adhere to growing consumer demand.

Contribution to National Exchequer

Your Company is a noteworthy contributor to the national economy. Your Company has contributed Rs. 1,438 million during the year 2011 to the national exchequer on account of sales tax, income tax, import duties and statutory levies.

Quality Management

Over the last fifty years, our commitment to continuous improvement has led us to adopt various different excellence models, the latest of which is Total Productive Maintenance.

The reason to choose this system of operations was to focus on every department in the factory and bring about improvements without incurring substantial cost. This can only be achieved by increasing our knowledge base and understanding of the latest tools adopted around the world. Packages is now proud to be the second Company in Pakistan to have arranged this training, at such a large scale.

Quality improvement projects were initiated in business units to reduce cost of quality. Business Unit Folding Cartons showed successful results in reducing their overall rejections and hence increasing customer satisfaction. Quality improvement teams continue to work in different areas that need immediate attention and focus.

Environmental Standards

Occupational health and safety continues to be among the Company's top priorities. Your Company has been continuously pursuing excellence in Safety, Health & Environment and places it at the heart of its business agenda.

During the year, the Company won the National Forum for Environment and Health (NFEH) Environment excellence Award 2011 on account of its environmental initiatives and successful implementation of environmental management systems for the second consecutive year.

We have also achieved the award for food safety this year held at Karachi by Global Food Safety Association ('GFSA'). Out of 180 contestants, your Company qualified for the award, in recognition of its initiatives and improvements in the field of environment and food safety.

'A penny saved is a penny earned' this is what we believe at Packages which is why energy management and climate protection is a prime focus of your Company's management. With the recent energy crisis, we installed first ever solar lights in our premises which not only reduce costs but also minimize environmental impact.

Corporate Awards

During the current year, the Annual Report of your Company for the year ended December 31, 2010 has been awarded third position in its category by the joint committee of Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants of Pakistan (ICMAP) in "Best Corporate Reports Award 2010". We are thankful for recognition of our efforts by these esteemed professional organizations.

Corporate Social Responsibility

During the year we maintained large scale Corporate Social Responsibility programmes. Our CSR policy is driven by the imperative need to positively touch the lives of its stakeholders, with special emphasis on the indigent communities of the society. On CSR front, we continued our focus on education, healthcare, skill development, environmental protection and society's welfare during the current year.

Future Outlook

We continue to believe that your Company is well equipped to take advantage of the industry growth as a premier packaging and paper and board supplier provided the macroeconomic indicators move in the positive direction. Our strength lies in our vertically integrated production facilities that can convert pulp into a final finished product and your Company can cater all the packaging needs of its customers.

It is expected that the trend of shifting from unpacked to packed products would gain accelerated momentum with changing life style, urbanization and a growing middle class.

Company's Staff and Customer

We are thankful to our customers and consumers for their continuing confidence in our products and services as this is providing us confidence in our growth initiatives.

We also want to express our gratitude and appreciation to all our employees who have worked tirelessly and delivered outstanding performance in the backdrop of the economic recession and a difficult business situation. We appreciate their hard work, loyalty and dedication.

Appropriation

As mentioned above that Company's Earnings before Interest, Tax, Depreciation & Amortisation (EBITDA) from operations remained under pressure during the year because of energy crisis and unfair competition in writing and printing paper market. Moreover, finance costs and depreciation charge have neutralised substantial increase in dividend income during the year. These factors coupled with impairment loss recognised on investments resulted into net loss after tax of Rs. 1,568 million for the year ended December 31, 2011. However, in view of the continuous support of shareholders during this difficult period, the Board of Directors of the Company has recommended cash dividend of 15 percent (i.e. Rs. 1.5 per share). Accordingly following appropriations have been made:

| (Rupees in thousand) | |
|----------------------------------------------------------------------|-------------|
| Loss after tax for the year 2011 | |
| after appropriation of preference dividend / return of Rs. 412.050 M | (1,567,952) |
| Un-appropriated profit brought forward | 487,208 |
| | (1,080,744) |
| Transfer from General Reserve | 1,250,000 |
| Available for appropriation | 169,256 |
| Cash Dividend | 126,569 |
| To be carried forward to 2012 | 42,687 |

Auditors

The present auditors M/s A.F Ferguson & Co., Chartered Accountants retire and offer themselves for reappointment. They have confirmed achieving satisfactory rating by the Institute of Chartered Accountants of Pakistan (ICAP) and compliance with the Guidelines on the Code of Ethics of the International Federation of Accountants (IFAC) as adopted by ICAP.

As suggested by the Audit Committee, the Board of Directors has recommended their re-appointment as Auditors of the Company for the year ending December 31, 2012, at a fee to be mutually agreed.

Compliance with the Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by the Karachi, Lahore and Islamabad Stock Exchanges in their Listing Regulations, relevant for the year ended December 31, 2011 have been adopted by the Company and have been duly complied with. A Statement to this effect is annexed to the Report.

Material Changes

There have been no material changes since December 31, 2011 other than those mentioned in the audited financial statements of the Company for the year ended December 31, 2011 which would affect its financial position at the date.

Election of Directors

During the current year, fresh election of the Directors of the Company were conducted on May 20, 2011 in pursuance of the requirements of Listing Regulations and the entire Board has been re-elected for the next term of three years effective May 26, 2011.

Mr. Towfiq Habib Chinoy has been re-appointed as the Chairman of the Board of Directors and Syed Hyder Ali has resumed the office of Chief Executive Officer of the Company for the next term of three years effective from May 26, 2011 in accordance with Company's policies and rules of service.

The Board wishes to place on record its appreciation of the services rendered by its members during their last term and expect them to continue providing valuable guidance and making positive contribution in the future.

Meetings of Board of Directors

During the year 2011, seven Board meetings were held and the number of meetings attended by each Director is given hereunder:-

| Name of Director | No. of meetings attended |
|------------------------------------------------------------------------------------------|--------------------------|
| Mr. Tawfiq Habib Chinoy (Chairman) | 6 |
| Syed Hyder Ali (Chief Executive) | 6 |
| Mr. Khalid Jacob | 7 |
| Mr. Matti Ilmari Naakka | 1 |
| Mr. Muhammad Aurangzeb | 2 |
| Mr. Shahid Aziz Siddiqui (Nominee of State Life Insurance Corporation of Pakistan) | 6 |
| Mr. Shamim Ahmad Khan | 7 |
| Syed Aslam Mehdi | 6 |
| Syed Shahid Ali | 3 |
| Mr. Wazir Ali Khoja (Nominee of National Investment Trust Limited) | 4 |
| Mr. Ali Aslam (Alternate to Mr. Matti Ilmari Naakka) | 1 |

Leave of absence was granted to the Directors who could not attend the Board meetings.

Audit Committee

An Audit Committee of the Board has been in existence since the enforcement of the Code of Corporate Governance, which now comprises of five Non-Executive Directors (including its Chairman) and one Executive Director. During the year, 4 meetings of the Audit Committee were held. The attendance of each Member is given hereunder:

| Name of member | No. of meetings attended |
|---------------------------------------------------------|--------------------------|
| Mr. Shamim Ahmad Khan | 4 |
| Mr. Wazir Ali Khoja | 2 |
| Syed Shahid Ali | 3 |
| Mr. Matti Ilmari Naakka | - |
| Mr. Mohammad Aurangzeb | 1 |
| Syed Aslam Mehdi | 4 |
| Mr. Ali Aslam (Alternate to Mr. Matti Ilmari Naakka) | 2 |

Leave of absence was granted to the Members who could not attend the Meetings of the Audit Committee.

The Audit Committee has its terms of reference which were determined by the Board of Directors in accordance with the guidelines provided in the Listing Regulations and Code of Corporate Governance.

Corporate and Financial Reporting Framework

- ❖ The financial statements together with the notes thereon have been drawn up by the management in conformity with the Companies Ordinance, 1984. These Statements present fairly the Company's state of affairs, the results of its operations, cash flow and changes in equity.
- ❖ Proper books of account have been maintained by the Company.
- ❖ Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- ❖ International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of the financial statements.

- * The system of internal control is sound in design and has been effectively implemented and monitored and is being continuously reviewed by the internal audit function.
- * There are no doubts upon the Company's ability to continue as a going concern.
- * There has been no material departure from the Best Practices of Corporate Governance, as detailed in the Listing Regulations.
- * The key operating and financial data for the last ten years is annexed.
- * The value of investments of provident, gratuity and pension funds based on their audited accounts as on December 31, 2011 were the following:

| | |
|----------------|---------------------|
| Provident Fund | Rs. 794.694 million |
| Gratuity Fund | Rs. 321.179 million |
| Pension Fund | Rs. 779.583 million |

The value of investment includes accrued interest.

Trading of Shares by Chief Executive, Directors, Chief Financial Officer, Company Secretary, their spouses and minor children :

| Purchase of Shares | No. of shares |
|------------------------------------|---------------|
| Chief Executive Officer | Nil |
| Director – Mr. Towfiq Habib Chinoy | 200,071 |
| Chief Financial Officer | Nil |
| Company Secretary | Nil |
| Spouses | Nil |
| Sale of Shares | No. of shares |
| Director - Syed Shahid Ali | 300,000 |

Pattern of Shareholding

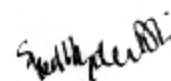
A statement of the pattern of shareholding of certain class of shareholders as at December 31, 2011, whose disclosure is required under the reporting framework, is included in the annexed shareholders' information.

The Directors, CEO, CFO, Company Secretary and their spouses or minor children did not carry out any trade in the shares of the Company during the year, except as noted above.



(Towfiq Habib Chinoy)
Chairman

Karachi, March 21, 2012



(Syed Hyder Ali)
Chief Executive &
Managing Director

Karachi, March 21, 2012

Shareholders' Information

Registered Office

4th Floor, The Forum
Suite # 416-422, G-20, Block 9
Khayaban-e-Jami, Clifton
Karachi-75600
Tel. # 92 21 35831618, 35831664, 35833011
92 21 35874047 - 49
Fax # 92 21 35860251

Shares Registrar

FAMCO Associates (Pvt.) Ltd
1st Floor, State Life Building No.1-A
I. I. Chundrigar Road
Karachi-74000
Tel. # 92 21 32425467, 32427012, 32426597
92 21 32475604, 32420755
Fax # 92 21 32426752

Listing on Stock Exchanges

Packages equity shares are listed on Karachi, Lahore and Islamabad Stock Exchanges.

Listing Fees

The annual listing fee for the financial year 2011-12 has been paid to all the three stock exchanges within the prescribed time limit.

Stock Code

The stock code for dealing in equity shares of Packages at KSE, LSE and ISE is PKGS.

Shares Registrar

Packages' shares department is operated by FAMCO Associates (Pvt.) Limited and serves about 4,139 shareholders. It is managed by a well-experienced team of professionals and is equipped with the necessary infrastructure in terms of computer facilities and comprehensive set of systems and procedures for conducting the Registration function.

The Shares Registrar has online connectivity with Central Depository Company of Pakistan Limited. It undertakes activities pertaining to dematerialization of shares, share transfers, transmissions, issue of duplicate/re-validated dividend warrants, issue of duplicate/ replaced share certificates, change of address and other related matters.

For assistance, shareholders may contact either the Registered Office or the Shares Registrar.

Contact persons:

Mr. Rafique Khatri
Tel. # 92 21 35831618, 35831664, 35833011
Fax # 92 21 35860251

Mr. Ovais Khan
Tel. # 92 21 32425467, 32427012, 32426597
92 21 32475604, 32420755
Fax # 92 21 32426752

Service Standards

Packages has always endeavored to provide investors with prompt services. Listed below are various investor services and the maximum time limits set for their execution:

| | For requests received through post | Over the counter |
|----------------------------------------|------------------------------------|-----------------------|
| Transfer of shares | 30 days after receipt | 30 days after receipt |
| Transmission of shares | 30 days after receipt | 30 days after receipt |
| Issue of duplicate share certificates | 30 days after receipt | 30 days after receipt |
| Issue of duplicate dividend warrants | 5 days after receipt | 5 days after receipt |
| Issue of revalidated dividend warrants | 5 days after receipt | 5 days after receipt |
| Change of address | 2 days after receipt | 15 minutes |

Well qualified personnel of the Shares Registrar have been entrusted with the responsibility of ensuring that services are rendered within the set time limits.

Statutory Compliance

During the year, the Company has complied with all applicable provisions, filed all returns / forms and furnished all the relevant particulars as required under The Companies Ordinance, 1984 and allied rules, the Securities and Exchange Commission of Pakistan (SECP) Regulations and the listing requirements.

Dematerialization of Shares

The equity shares of the Company are under the dematerialization category. As of date 71.98% of the equity shares of the Company have been dematerialized by the shareholders.

Dividend Announcement

The Board of Directors of the Company has recommended for the financial year ended December 31, 2011 payment of cash dividend as follows:

- to the preference share/convertible stock holder (International Finance Corporation) at the rate of Rs. 19.00 (10%) per preference share/convertible stock of Rs. 190.00 in terms of the Subscription Agreement between Packages Limited and International Finance Corporation (2010: 10% or Rs. 19.00 per preference share/convertible stock of Rs. 190.00).
- to the ordinary shareholders at the rate of 15% (Rs. 1.50 per ordinary share of Rs. 10.00) subject to approval by the ordinary shareholders of the Company at the Annual General Meeting (2010: cash dividend 32.5%).

Book Closure Dates

The Register of Members and Share Transfer Books of the Company will remain closed from April 21, 2012 to April 30, 2012 both days inclusive.

Dividend Remittance

Preference dividend / return will be paid to the preference share / convertible stock holder prior to payment of ordinary dividend to the ordinary shareholders.

Ordinary dividend declared and approved at the Annual General Meeting will be paid well before the statutory time limit of 30 days:

- (i) For shares held in physical form: to shareholders whose names appear in the Register of Members of the Company after entertaining all requests for transfer of shares lodged with the Company on or before the book closure date.
- (ii) For shares held in electronic form: to shareholders whose names appear in the statement of beneficial ownership furnished by CDC as at end of business on book closure date.

Withholding of Tax & Zakat on Ordinary Dividend

As per the provisions of The Income Tax Ordinance, 2001, income tax is deductible at source by the Company at the rate of 10% wherever applicable.

Zakat is also deductible at source from the ordinary dividend at the rate of 2.5% of the face value of the share, other than corporate holders or individuals who have provided an undertaking for non-deduction.

Dividend Warrants

Cash Dividends are paid through dividend warrants addressed to the ordinary shareholders whose names appear in the Register of Shareholders at the date of book closure. Ordinary shareholders are requested to deposit those warrants into their bank accounts, at their earliest, thus helping the Company to clear the unclaimed dividend account.

Investors' Grievances

To date none of the investors or shareholders has filed any letter of complaint against any service provided by the Company to its shareholders.

Legal Proceedings

No case has ever been filed by shareholders against the Company for non-receipt of shares / refund.

General Meetings & Voting Rights

Pursuant to section 158 of The Companies Ordinance, 1984, Packages Limited holds a General Meeting of shareholders at least once a year. Every shareholder has a right to attend the General Meeting. The notice of such meeting is sent to all the shareholders at least 21 days before the meeting and also advertised in at least one English and one Urdu newspaper having circulation in Karachi, Lahore and Islamabad.

Shareholders having holding of at least 10% of voting rights may also apply to the Board of Directors to call for meeting of shareholders, and if Board does not take action on such application within 21 days, the shareholders may themselves call the meeting.

All ordinary shares issued by the Company carry equal voting rights. Generally, matters at the general meetings are decided by a show of hands in the first instance. Voting by show of hands operates on the principle of "One Member-One Vote". If majority of shareholders raise their hands in favor of a particular resolution, it is taken as passed, unless a poll is demanded.

Since the fundamental voting principle in a Company is "One Share-One Vote", voting takes place by a poll, if demanded. On a poll being taken, the decision arrived by poll is final, overruling any decision taken on a show of hands.

Proxies

Pursuant to Section 161 of The Companies Ordinance, 1984 and according to the Memorandum and Articles of Association of the Company, every shareholder of the Company who is entitled to attend and vote at a general meeting of the Company can appoint another person as his / her proxy to attend and vote instead of him / her. Every notice calling a general meeting of the Company contains a statement that a shareholder entitled to attend and vote is entitled to appoint a proxy. A proxy need not be a member of the Company.

The instrument appointing a proxy (duly signed by the shareholder appointing that proxy) should be deposited at the office of the Company not less than forty-eight hours before the meeting.

Web Presence

Updated information regarding the Company can be accessed at Packages website, www.packages.com.pk. The website contains the latest financial results of the Company together with Company's profile, the corporate philosophy and major products.

Pattern of Shareholding

The shareholding pattern of the equity share capital of the Company as at December 31, 2011 is as follows:

| Shareholding | | Numbers of Shareholders | Total shares held | Shareholding | | Numbers of Shareholders | Total shares held |
|--------------|---------|-------------------------|-------------------|--------------|------------|-------------------------|-------------------|
| From | To | | | From | To | | |
| 1 | 100 | 2,015 | 40,363 | 205,001 | 210,000 | 1 | 206,609 |
| 101 | 500 | 783 | 218,253 | 210,001 | 215,000 | 1 | 211,480 |
| 501 | 1,000 | 369 | 291,509 | 220,001 | 225,000 | 3 | 663,754 |
| 1,001 | 5,000 | 562 | 1,313,810 | 225,001 | 230,000 | 1 | 230,000 |
| 5,001 | 10,000 | 138 | 988,664 | 275,001 | 280,000 | 2 | 555,824 |
| 10,001 | 15,000 | 60 | 744,054 | 300,001 | 305,000 | 1 | 304,718 |
| 15,001 | 20,000 | 24 | 418,080 | 305,001 | 310,000 | 1 | 307,820 |
| 20,001 | 25,000 | 24 | 545,020 | 405,001 | 410,000 | 1 | 408,745 |
| 25,001 | 30,000 | 20 | 560,790 | 415,001 | 420,000 | 2 | 836,452 |
| 30,001 | 35,000 | 9 | 296,886 | 435,001 | 440,000 | 1 | 438,400 |
| 35,001 | 40,000 | 14 | 530,209 | 440,001 | 445,000 | 2 | 881,352 |
| 40,001 | 45,000 | 10 | 427,695 | 490,001 | 495,000 | 1 | 491,378 |
| 45,001 | 50,000 | 9 | 421,485 | 505,001 | 510,000 | 1 | 509,000 |
| 50,001 | 55,000 | 3 | 158,332 | 530,001 | 535,000 | 1 | 533,853 |
| 55,001 | 60,000 | 5 | 284,511 | 640,001 | 645,000 | 1 | 641,608 |
| 60,001 | 65,000 | 8 | 502,857 | 770,001 | 775,000 | 1 | 773,000 |
| 65,001 | 70,000 | 3 | 201,332 | 820,001 | 825,000 | 1 | 821,714 |
| 70,001 | 75,000 | 3 | 216,047 | 835,001 | 840,000 | 1 | 840,000 |
| 75,001 | 80,000 | 4 | 311,135 | 840,001 | 845,000 | 1 | 840,087 |
| 80,001 | 85,000 | 2 | 163,757 | 845,001 | 850,000 | 1 | 848,704 |
| 85,001 | 90,000 | 1 | 88,956 | 990,001 | 995,000 | 1 | 990,641 |
| 90,001 | 95,000 | 3 | 274,845 | 1,145,001 | 1,150,000 | 1 | 1,148,683 |
| 95,001 | 100,000 | 1 | 95,016 | 1,190,001 | 1,195,000 | 1 | 1,193,010 |
| 100,001 | 105,000 | 2 | 204,200 | 1,195,001 | 1,200,000 | 1 | 1,198,668 |
| 105,001 | 110,000 | 1 | 109,391 | 1,430,001 | 1,435,000 | 1 | 1,433,153 |
| 110,001 | 115,000 | 4 | 454,457 | 1,455,001 | 1,460,000 | 1 | 1,455,479 |
| 125,001 | 130,000 | 3 | 383,570 | 1,790,001 | 1,795,000 | 1 | 1,791,159 |
| 135,001 | 140,000 | 1 | 139,803 | 2,185,001 | 2,190,000 | 1 | 2,187,175 |
| 140,001 | 145,000 | 1 | 144,638 | 2,385,001 | 2,390,000 | 1 | 2,388,163 |
| 145,001 | 150,000 | 1 | 149,916 | 2,825,001 | 2,830,000 | 1 | 2,826,607 |
| 150,001 | 155,000 | 3 | 453,735 | 3,035,001 | 3,040,000 | 1 | 3,038,541 |
| 155,001 | 160,000 | 3 | 475,131 | 3,095,001 | 3,100,000 | 1 | 3,097,030 |
| 165,001 | 170,000 | 1 | 168,999 | 3,255,001 | 3,260,000 | 1 | 3,256,676 |
| 170,001 | 175,000 | 1 | 174,774 | 3,915,001 | 3,920,000 | 1 | 3,917,505 |
| 175,001 | 180,000 | 1 | 175,324 | 4,575,001 | 4,580,000 | 1 | 4,578,528 |
| 180,001 | 185,000 | 2 | 366,000 | 4,885,001 | 4,890,000 | 1 | 4,887,650 |
| 195,001 | 200,000 | 3 | 596,144 | 20,555,001 | 20,560,000 | 1 | 20,556,650 |
| | | | | TOTAL | 4,139 | | 84,379,504 |

Information as required under the Code of Corporate Governance

| Shareholders' category | Number of shareholders | Number of shares held |
|----------------------------------------------------------------------------------------------------------------------------------|------------------------|-----------------------|
| Associated Companies, Undertakings and Related Parties | | |
| Gurmani Foundation | 1 | 1,198,668 |
| Packages Limited Employees Gratuity Fund | 2 | 104,494 |
| Packages Limited Management Staff Pension Fund | 2 | 660,036 |
| Packages Limited Employees Provident Fund | 2 | 2,067,893 |
| Babar Ali Foundation | 1 | 3,097,030 |
| IGI Insurance Limited | 1 | 20,556,650 |
| Jubilee Life Insurance Company Limited | 1 | 199,401 |
| NIT and ICP | | |
| National Bank of Pakistan-Trustee Department NI(U)T FUND | 1 | 4,578,528 |
| Directors | | |
| Syed Hyder Ali | 1 | 2,187,175 |
| Mr. Khalid Yacob | 1 | 1,023 |
| Mr. Muhammad Aurangzeb | 1 | 500 |
| Mr. Towfiq Habib Chinoy | 1 | 220,071 |
| Syed Shahid Ali | 1 | 840,000 |
| Syed Aslam Mehdi | 1 | 4,781 |
| Mr. Shamim Ahmad Khan | 1 | 603 |
| Directors' spouses and minor children | NIL | NIL |
| CEO's spouse and minor children | NIL | NIL |
| Executives | 10 | 5,031,205 |
| Public Sector Companies and Corporations | 4 | 4,750,873 |
| Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba and Mutual Funds | 45 | 10,784,390 |
| Shareholders holding 10% or more voting interest: | | |
| IGI Insurance Limited | 1 | 20,556,650 |

| | Shareholders' category | Number of shareholders | Number of shares held | Percentage |
|---|---------------------------------------------------------------------------------------------------------------------------|------------------------|-----------------------|------------|
| 1 | Associated Companies, Undertakings and Related Parties | 10 | 27,884,172 | 33.05 |
| 2 | NIT and ICP | 1 | 4,578,528 | 5.43 |
| 3 | Directors, CEO and their Spouses | 7 | 3,254,153 | 3.86 |
| 4 | Executives | 10 | 5,031,205 | 5.96 |
| 5 | Public Sector Companies and Corporations | 4 | 4,750,873 | 5.63 |
| 6 | Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba and Mutual Funds | 45 | 10,784,390 | 12.78 |
| 7 | Others | 122 | 12,815,636 | 15.19 |
| 8 | Individuals | 3,940 | 15,280,547 | 18.10 |
| | | 4,139 | 84,379,504 | 100.00 |

Statement of Compliance

with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulations of Karachi, Lahore and Islamabad stock exchanges for the purpose of establishing a framework of good governance.

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

1. The Company encourages representation of independent Non-Executive Directors and Directors representing minority interests on its Board of Directors. At present the Board includes seven independent Non-Executive Directors and none representing minority interests as no minority shareholder offered himself/herself for election.
2. The Directors of the Company have confirmed that none of them is serving as a Director in more than ten listed companies, including this Company, except Mr. Wazir Ali Khoja who, as chairman of NIT, has been specifically exempted by the Securities and Exchange Commission of Pakistan for holding directorship in more than ten listed companies.
3. All the Directors have given declaration that they are aware of their duties and powers under the relevant laws and the Company's Memorandum and Articles of Association and the Listing Regulations of the stock exchanges of Pakistan.
4. 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.
5. Mr. Towfiq Habib Chinoy, Chairman and Mr. Khalid Yacob, Executive Director, of the Company also hold the position of Directors in IGI Investment Bank Limited which is the holding company of IGI Finex Securities Limited, a company engaged in the business of stock brokerage. However, both of them undertake that neither of them nor their spouses are personally engaged in the business of stock brokerage.
6. No casual vacancy has occurred on the Board during the year.
7. The Company has issued a 'Statement of Ethics and Business Practices', which has been signed by all the Directors and employees of the Company.
8. 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.
9. All the powers of the Board have been duly exercised and decisions on material transactions including appointment, determination of remuneration and terms and conditions of employment of CEO have been taken by the Board.
10. 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 during the year. 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.

11. The Board has established a system of sound internal controls which is effectively implemented at all the levels within the Company.
12. The Board ensures arrangement of orientation courses for its Directors to apprise them of their duties and responsibilities and to keep them informed of the enforcement of new laws, rules and regulations and amendments thereof.
13. All material information as required under the relevant rules has been provided to the stock exchanges and to the Securities and Exchange Commission of Pakistan within the prescribed time limit.
14. There were no new appointments of Head of Internal Audit, CFO or Company Secretary during the year. However, all such appointments including their remuneration and terms and conditions of employment are approved by the Board.
15. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
16. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
17. 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.
18. The Company has complied with all the corporate and financial reporting requirements of the Code.
19. The Board has formed an Audit Committee. It comprises of six members, of whom five are Non-Executive Directors, including the Chairman of the committee, and one Executive Director.
20. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the code. The terms of reference of the committee have been formed and advised to the committee for compliance.
21. The Board has set-up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Company and are involved in the Internal Audit function on a full time basis.
22. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
23. 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.
24. The related party transactions were placed before the Audit Committee and approved by the Board of Directors.
25. We confirm that all other material principles contained in the code have been complied with.



Towfiq Habib Chinoy
Chairman

Karachi: March 21, 2012

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 Packages Limited ('The Company') to comply with the Listing Regulation No. 35 of the Karachi, Lahore and Islamabad Stock Exchanges, 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.

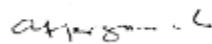
As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks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

Further, Sub-Regulation (xiii a) 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 requirement 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 December 31, 2011.



A. F. Ferguson & Co.
Chartered Accountants
Lahore, March 21, 2012
Engagement Partner: Shahzad Hussain

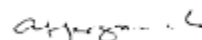
Auditors' Report to the Members

We have audited the annexed balance sheet of Packages Limited as at December 31, 2011 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the Company as required by The Companies Ordinance, 1984;
- (b) in our opinion
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with The Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes in accounting policies as stated in note 2.2.1 to the annexed financial statements with which we concur;
 - (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 December 31, 2011 and of the loss, total comprehensive income, changes in equity and its cash flows for the year then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.



A.F.FERGUSON & CO.
Chartered Accountants
Lahore, March 21, 2012

Engagement partner: Shahzad Hussain