Reflections of Childhood

Childhood, a care-free time when little things give joy and love is spontaneous, pleasures are innocent and desires are few. Packages Limited celebrates childhood toys to capture a world that means so much to us, a world of objects and dreams carefully crafted by artisans to fill our life with happiness and color.

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Introduction

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, the company continued to enhance its facilities to meet the growing demand of packaging products. Additional capital was raised from sponsors, International Finance Corporation and from the public in 1965.

Packages commissioned its own paper mill in 1968 having production capacity of 24,000 tonnes of paper and paperboard 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 December 2003 was about 100,000 tonnes per year.

Since 1982, Packages Limited has a joint venture with Tetra Pak International in Tetra Pak Pakistan Limited to manufacture paperboard for liquid food packaging and to market Tetra Pak packaging equipment.

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

In 1995, Tri-pack Films Limited, a joint venture between Packages Limited & Mitsubishi Corporation of Japan, was established in Hattar, NWFP. Packages Limited owns 33% of Tri-pack Films Limited.

In 1996, a joint venture agreement was signed with Printcare (Ceylon) Limited for the production of flexible packaging materials in Sri Lanka. This project Packages Lanka (Private) Limited commenced production in 1998. Packages Limited now owns 79% of this company.

In 2003, Packages Limited entered into an agreement with Vimpex of Austria to provide management and technical assistance to help in the operation, production optimization and capacity expansion of a paperboard mill in Syria. Currently a team from Packages Limited is providing such services.

Packages Limited is producing packaging material and tissue range of products mainly from its factory in Lahore with conversion capacities of 94,000 tonnes of paper and paperboard and 800 tonnes of films for packaging. It is also producing corrugated boxes from its plant in Karachi from 2002.

Packages Limited is presently expanding its paper and paperboard capacities from 100,000 tonnes per year to 300,000 tonnes at a new site 70-km from the present site near Kasur. The packaging operation shall continue at its Lahore Site.

Company Information

Board of Directors
Asadullah Khawaja
(Chairman)
Kamal Afsar
Khalid Yacob
Kirsten Rausing
Markku Juha Pentikainen
Mujeeb Rashid
Shamim Ahmad Khan
Syed Hyder Ali
(Managing Director & Chief Executive)
Syed Shahid Ali
Tariq Iqbal Khan

Advisor
Syed Babar Ali

Company Secretary
Adi J. Cawasji

Executive Committee
Syed Hyder Ali	-Chairman
Mujeeb Rashid	-Member
Khalid Yacob	-Member

Audit Committee
Shamim Ahmad Khan (Non-Executive Director)	-Chairman
Tariq Iqbal Khan (Non-Executive Director)	-Member
Syed Shahid Ali (Non-Executive Director)	-Member
Mujeeb Rashid (Director & General Manager)	-Member
Adi J. Cawasji	-Secretary

Business Strategy Committee
Syed Hyder Ali	-Chairman
Mujeeb Rashid	-Member
Syed Aslam Mehdi	-Member
Khalid Yacob	-Member

System and Technology Committee
Mujeeb Rashid	-Chairman
Khalid Yacob	-Member
Suleman Javed	-Member

Rating Agency: PACRA
Company Rating: AA

Auditors
A.F. Ferguson & Co.
Chartered Accountants

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

Bankers
ABN Amro Bank
Allied Bank Limited
Askari Commercial Bank Limited
Bank Al-Habib Limited
Citi Bank N.A
Crescent Commercial Bank Limited
Deutsche Bank A G
Faysal Bank Limited
Habib Bank Limited
Habib Bank A. G. Zurich
MCB Bank Limited
NDLC-IFIC Bank Limited
PICIC Commercial Bank Limited
Standard Chartered Bank
Union Bank Limited
United Bank Limited

Head Office & Works
Shahrah-e-Roomi
P.O. Amer Sidhu
Lahore - 54760, Pakistan
PABX : (042) 5811541-46
: (042) 5811191-94
Cable : PACKAGES LAHORE
Fax : (042) 5811195
: (042) 5820147

Karachi Factory
Plot No. 6 & 6/1, Sector 28
Korangi Industrial Area,
Karachi - 74900, Pakistan
Tel. : (021) 5045320, 5045310
Fax : (021) 5045330

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) 5874047-49
: (021) 5378650-52
: (021) 5831618, 5833011
Fax : (021) 5860251

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) 4784401-2

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

2nd Floor, Sitara Tower, Bilal Chowk,
Civil Lines, Faisalabad - 38000, Pakistan
Tel. & Fax : (041) 2629417

Shares Registrar
Ferguson Associates (Pvt.) Limited
State Life Building No. 1-A
Off I. I. Chundrigar Road
Karachi - 74000, Pakistan

Web Presence
www.packages.com.pk

Highlights

		Year to December 31, 2005	Year to December 31, 2004
Invoiced sales	- million rupees	**8,163.08**	6,892.99
Profit before tax	- million rupees	**1,329.93**	1,186.62
Profit after tax	- million rupees	**1,015.36**	957.50
Cash dividend	- % age of paid up capital	**60.00**	85.00
Shareholders' equity	- million rupees	**7,736.26**	4,191.86
Total assets	- million rupees	**11,620.41**	6,474.49
Net assets employed	- million rupees	**9,284.58**	4,725.60
Earnings per share	- rupees	**16.24**	19.68
Price - Earning Ratio		**12.44**	10.10
Return on Capital Employed	(%)	**21.63**	27.22
Return on Shareholders' Equity	(%)	**13.12**	22.84
Return on Invested Capital	(%)	**10.02**	17.98
Paper and board produced	- tonnes	**104,542**	91,421
Paper and board converted	- tonnes	**85,219**	71,882
Plastics all sorts converted	- tonnes	**7,360**	6,732
Number of shareholders		**3,603**	2,936
Number of shares		**69,879,507**	47,537,080
Number of employees		**3,115**	3,109

Value Added and its Distribution

The statement below shows value added by the operations of the company and its distribution to the stakeholders.

	2005		2004	
	(Rupees in thousand)			
Wealth Generated				
Sales	**8,163,084**		6,892,985	
Investment Income	**613,047**		536,919	
Other Income	**184,681**		84,398	
Bought-in-materials & services	**(5,343,705)**		(4,369,223)	
	3,617,107	**100%**	3,145,079	100%
Wealth Distributed				
To Employees				
Remuneration, benefits and facilities	**650,753**	18%	576,159	18%
To Government				
Income Tax, Sales Tax, Custom & Excise Duties, WPPF, WWF , EOBI, Social Security,Professional & Local Taxes	**1,765,461**	49%	1,472,410	48%
To Providers of Capital				
Cash dividend	**419,277**	12%	404,065	13%
Mark up & finance cost	**185,529**	5%	139,008	4%
Retained for Reinvestment & Future Growth				
For expansion programme & operations transferred to general reserve	**596,087**	16%	553,437	18%
	3,617,107	100%	3,145,079	100%

Ten-Year Summary

(Rupees in thousand)

	Year to December, 31 2005	Year to December, 31 2004	Year to December, 31 2003	Year to December, 31 2002	Year to December, 31 2001	Six months to December, 31 2000	Year to June, 30 2000	Year to June, 30 1999	Year to June, 30 1998	Year to June, 30 1997
ASSETS EMPLOYED:										
Fixed Assets at Cost	**7,659,185**	7,248,264	6,881,590	6,512,007	5,773,725	5,360,950	5,323,073	4,640,648	4,535,229	4,400,635
Accumulated Depreciation / Amortisation	**4,633,102**	4,277,203	3,927,588	3,546,508	3,130,521	2,748,913	2,568,522	2,240,099	1,922,308	1,609,295
Net Fixed Assets	**3,026,083**	2,971,061	2,954,002	2,965,499	2,643,204	2,612,037	2,754,551	2,400,549	2,612,921	2,791,340
Capital Work - in - Progress	**3,265,517**	329,867	344,747	196,902	445,143	257,381	79,696	351,722	7,183	21,391
Net Current and Other Assets	**2,992,974**	1,424,673	1,757,227	1,088,165	1,023,154	855,630	1,063,658	1,221,874	1,461,465	1,617,564
Net Assets Employed	**9,284,574**	4,725,601	5,055,976	4,250,566	4,111,501	3,725,048	3,897,905	3,974,145	4,081,569	4,430,295
FINANCED BY:					475,371	452,734	411,577	411,577	357,893	318,127
Paid up Capital	**698,795**	475,371	475,371	475,371	2,021,227	1,832,902	1,771,365	1,515,524	1,338,716	1,194,192
Reserves	**7,037,460**	3,716,489	3,157,352	2,343,839						
Shareholders' Equity	**7,736,255**	4,191,860	3,632,723	2,819,210	2,496,598	2,285,636	2,182,942	1,927,101	1,696,609	1,512,319
Long-Term & Deferred Liabilities	**1,548,319**	533,741	1,423,253	1,431,356	1,614,903	1,439,412	1,714,963	2,047,044	2,384,960	2,917,976
Total Funds Invested	**9,284,574**	4,725,601	5,055,976	4,250,566	4,111,501	3,725,048	3,897,905	3,974,145	4,081,569	4,430,295
Invoiced Sales	**8,163,084**	6,892,985	6,293,219	5,360,884	5,157,816	2,238,033	4,165,603	3,925,696	3,512,272	3,154,006
Materials Consumed	**3,520,644**	2,710,306	2,263,462	1,925,656	1,911,866	858,044	1,353,832	1,206,286	1,074,792	1,077,569
Gross Profit	**1,352,979**	1,308,602	1,193,713	949,559	891,383	354,276	790,385	941,472	627,269	511,133
Employees Remuneration	**650,753**	576,159	550,566	506,552	471,220	218,009	384,556	389,069	332,943	296,783
Profit from Operations	**902,407**	788,710	718,306	474,370	474,221	222,374	632,887	787,713	597,208	556,933
Profit before Tax	**1,329,925**	1,186,621	1,036,905	797,225	514,441	241,927	551,224	512,389	162,753	110,684
Profit after Tax	**1,015,364**	957,502	813,513	655,372	424,879	193,241	428,703	384,154	220,079	90,385
Cash Dividend	**419,277**	404,065	404,065	332,760	213,917	90,547	172,862	153,662	35,789	-
Cash Dividend %	**60.00**	85.00	85.00	70.00	45.00	20.00	42.00	37.34	10.00	-
Stock Dividend	**-**	-	-	-	-	22,637	41,158	-	53,684	39,766
Stock Dividend %	-	-	-	-	-	5.00	10.00	-	15.00	12.50
Earnings per Share - rupees	**16.24**	19.68	17.11	13.79	8.94	4.07	9.47	9.33	6.15	2.84
Taxes, duties and levies	**1,765,461**	1,472,410	1,426,321	1,286,246	1,213,008	499,232	948,344	809,483	624,974	852,397
Market Value per Share (KSE) Rs.	**202.00**	198.85	167.90	88.50	60.50	66.00	60.00	41.00	36.00	62.00
KEY RATIOS:										
Debt : Equity Ratio	**11:89**	00:100	21:79	25:75	30:70	28:72	35:65	45:55	55:45	63:37
Current Ratio	**1.95**	1.38	1.98	1.29	1.24	1.01	1.05	1.00	1.00	1.14
Inventory Turnover Ratio	**5.13**	4.83	4.93	4.48	5.10	2.68	6.40	7.17	8.15	7.23
Gross Profit Ratio (%)	**16.57**	18.98	18.97	17.71	17.28	15.83	18.97	23.98	17.86	16.21
Profit before Tax Ratio (%)	**16.29**	17.21	16.48	14.87	9.97	10.81	13.23	13.05	4.63	3.51
Return on Capital Employed (%)	**21.63**	27.22	21.96	19.13	14.51	7.48	15.57	16.77	12.81	11.07
Interest Cover Ratio	**8.17**	9.54	8.06	5.58	2.95	2.97	2.85	2.16	1.31	1.21
Total Assets Turnover Ratio	**0.70**	1.06	1.02	0.90	0.84	0.38	0.70	0.62	0.56	0.51
Price - Earning Ratio	**12.44**	10.10	9.81	6.42	6.77	16.22	6.34	4.39	5.85	21.83

Mission Statment

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.

Strategic Vision and Objectives

To position our selves to be a regional supplier of quality packaging and tissue products. To improve on contemporary measures such as cost, quality, service, speed of delivery and mobilisation. Keep investing in technology, systems and human resources to effectively meet the challenges every new dawn brings. Develop relationships with all our stakeholders based on sustainable co-operation, upholding ethical values, which the shareholders, management and employees represent and continuously strive for.

Environment, Health and Safety Policy

The Management of Packages Limited realizes that we live in a world where resources are finite and the eco-system has a limited capacity to absorb the load mankind is placing on it. That is why it is our belief that we must do everything practically possible to lessen the load we place on the environment and make every effort so that sustainable development becomes a reality. Packages Limited has formulated its environment, health and safety (EH&S) policy to address these issues in a more effective way. It is very clear to us that these objectives cannot be realized by the efforts of the Management alone. While the general directions are to be provided by the Management, the help of all the employees will be required to transform these ambitions into reality.

It is expected that all employees will do their best to implement the policy in its true spirit.

Environment, Health and Safety Policy

Packages Limited shall:

1. Minimise its environmental impact, as is economically and practically possible.
2. Save raw materials including energy, water and avoid waste.
3. Ensure that all its present and future activities are conducted safely, without endangering the health of its employees, its customers and the public.
4. Develop plans and procedures and provide resources to successfully implement this policy and for dealing effectively with any emergency.
5. Provide environmental, health and safety training to all employees and other relevant persons to enable them to carry out their duties safely without causing harm to themselves, to other individuals and to the environment.
6. Ensure that all its activities comply with national environmental, health and safety regulations.

This policy shall be reviewed as and when required for the betterment of the same.

Quality Policy

We at Packages Limited are committed to producing quality products which conform to our customers' requirements and strengthen our position as a quality–managed company. Our pledge is to provide the market with the best quality products at competitive prices through a customer-driven and service–oriented, dynamic management team. To meet this obligation, the company will continue updating of employee skills by training, acquisition of new technology and regular re-evaluation of its quality control and assurance systems. Appropriate resources of the company will be directed towards achieving the quality goals through employees' participation.

Notice of Annual General Meeting of Packages Limited

Notice is hereby given to all the members of Packages Limited (the Company) that the 51st Annual General Meeting of the Company will be held at the Beach Luxury Hotel, Moulvi Tamizuddin Khan Road, Karachi on Friday, March 17, 2006 at 10.00 A.M. to transact the following business:-

ORDINARY BUSINESS:

1. To confirm the minutes of the Extraordinary General Meeting of the Company held on July 14, 2005.

2. To receive, consider and adopt the Audited Accounts for the year ended December 31, 2005, the report of the Auditors thereon and the report of the Directors.

3. To consider and approve the payment of cash dividend @ sixty percent (60%), that is, Rs. 6.00 per ordinary share of Rs.10 each for the year ended December 31, 2005, as recommended by the Board of Directors of the company.

4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

Amendment to the Memorandum and Articles of Association of the Company

5. To consider and, if thought fit, to pass with or without modification, the following as a special resolution, as approved by the Board of Directors of the company:

It is hereby resolved that:

(1) Resolved that the approval of the company be and is hereby accorded to alter the Memorandum and Articles of Association of the company as per the attached black-lined drafts of the Memorandum and Articles of Association of the company.

(2) Further resolved that the Company Secretary be and is hereby authorized to do all acts, deeds and things, take any and all necessary steps to fulfill the legal, corporate and procedural formalities and file all necessary documents/returns as he deems necessary in behalf and the matters ancillary thereto.

By Order of the Board

Karachi
February 06, 2006

Adi J. Cawasji
Company Secretary

Notes:

1. The Share Transfer Books of the company will remain closed from March 08, 2006 to March 17, 2006 (both days inclusive). Transfers received in order by our Shares Registrar, Ferguson Associates (Private) Limited, State Life Building No.1-A, I. I. Chundrigar Road, Karachi-74000 by the close of business on March 07, 2006 will be considered in time for entitlement of dividend.

2. A member eligible to attend and vote at the meeting is entitled to appoint another member as his/her proxy in writing to attend the meeting and vote on his/her behalf, provided such proxy is also a member of the company.

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. Shareholders are requested to notify any change in their addresses, if any, immediately.

5. Members who have not yet submitted photocopy of their computerized national identity cards to the company are requested to send the same at the earliest.

6. CDC account holders will further have to follow the following guidelines as laid down in Circular No.1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan:

A For attending the Meeting:

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

(ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B For appointing proxies:

(i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.

(ii) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the Proxy Form.

(iii) The proxy shall produce his/her original NIC or original passport at the time of the meeting.

(iv) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the company.

7. Form of proxy is attached in the Annual Report.

8. A statement under Section 160(1) (b) of the Ordinance pertaining to the special business is being sent to the members along with notice of the meeting.

STATEMENT UNDER SECTION 160 (1) (b)
OF THE COMPANIES ORDINANCE, 1984:

The following statement sets out the material facts pertaining to the Special Business to be transacted at the Annual General Meeting of Packages Limited (the "Company") to be held on March 17, 2006:

Changes in Memorandum and Articles of Association

1. The Board of Directors of the Company at their meeting on February 06, 2006 considered that in order to facilitate the regulation of certain matters with respect to the management of the Company and due to recent amendments in the Companies Ordinance, 1984 (the "Ordinance") through the Companies Amendment Ordinance, 2002 and the introduction of new company laws, including but not limited to the Code of Corporate Governance, Electronic Transactions Ordinance, 2002, Companies (Buy-Back of Shares) Rules, 1999, Companies (Issue of Capital) Rules, 1996, Share Capital (Variation in Rights and Privileges) Rules, 2000, Central Depository Regulations and the Central Depositories Act, 1997 certain clauses in the Memorandum and Articles of Association of the Company need to be altered.

2. In view of the above, the Board resolved unanimously to approve and place before the shareholders for approval by Special Resolution, The proposed amendments to the Memorandum and Articles of Association of the Company so as to bring the Company's objects and its business in line with the new legal/regulatory requirements as well as to facilitate the regulation of certain matters with respect to the management of the Company.

3. The passing of the proposed Special Resolution by the shareholders to amend the Memorandum and Articles of Association would enable and authorize the Company, in a more specific manner, to carry out its business efficiently.

4. A black-lined copy of the Memorandum and Articles of Association of the Company highlighting the proposed amendments, additions and deletions are annexed hereto.

The Directors of the Company have no interest in the Special Business and/or Special Resolution, save to the extent of their shareholding in the Company.

A copy of the Memorandum and Articles of Association of the Company as on date and also indicating the proposed amendments is available for inspection at the registered office of the Company from 9.00 A.M. to 5.00 P.M. on any working day.

Directors' Report to the Shareholders

بسم الله الرحمن الرحيم

The Board of Directors of Packages Limited is pleased to present their annual report together with the Company's audited financial statements for the year ended December 31, 2005.

Company Performance Review

During the year under review the company registered a substantial growth in its normal operations, by crossing the Rs. 8 billion mark in sales and Rs. 1 billion in after tax profits.

Financial Overview

Following are the comparative financial results for the year 2005 with 2004.

Rupees in million	**2005**	2004
Invoiced Sales	**8,163**	6,893
Gross Profit	**1,353**	1,309
Profit from Operations	**902**	789
Investment Income	**613**	537
Profit before tax	**1,330**	1,187
Profit after tax	**1,015**	958
Earnings per Share - Rs.	**16.24**	19.68

The unprecedented increase in the prices of crude oil as well as wheat straw during this year has had a strong impact on our costs, for which a strategic decision was taken by the company to absorb the adverse impact through increased efficiency and productivity rather than to pass them on to customers. Productivity gains emanating from higher volumes as well as improvements in efficiency, performance and productivity of several processes were able to absorb a part of the cost increase.

During the year the company's right shares were issued and fully subscribed as partial financing for the Bulleh Shah Paper Mill Project. First draw down against the long-term loan was also made in December 2005. The finance cost for the year includes initial arrangement costs in arranging the syndication loan and other financing arrangements.

Sales Overview

Sales have grown by 18%. On the packaging side this increase is proportionately shared between all three Business Units representing flexible packaging, rigid cartons and corrugated boxes with significant contributions made by food and beverages, match, bulb and cosmetics industries.

Production Overview

Quantity in tonnes	**2005**	2004
Paper & paperboard - production	**104,542**	91,421
Paper & paperboard - conversion	**85,219**	71,882
Plastics all sorts - conversion	**7,360**	6,732

Highlights of the year under review have been the achievement of record production of 104,542 tonnes of paper, paperboard and tissue paper with enhanced product quality by redesigning some of the manufacturing systems, revision in raw material specifications, increasing the designed capacities of pulp mills and better efficiency and waste reduction.

Business Risks and Challenges

The management of company is aware of the challenges posed by increasing competition and is taking all possible measures to meet these challenges. With trade barriers going down and new players investing in the packaging industry, competition is not only from imported substitutes but also from local emerging players as well. To sustain growth with commensurate profits is a challenge requiring the achievement of clearly defined performance objectives at all levels in the company. To achieve such objectives we are continually reviewing our business strategy and are motivating staff by upgrading their skills to manage the targeted business objectives and performance.

Bulleh Shah Paper Mill Project

The year under review remained full of excitement and enthusiasm for the Bulleh Shah Paper Mill Project. By the end of 2005 significant progress has been made towards starting up Paper Machine No.6 in the latter part of 2006.

The entire site of approximately 200 acres is now accessible by roads. Final finishing of the roads will be done after completion of construction to avoid damage to the finished surface. Construction of utilities such as water, air, power and steam are progressing along on a timely basis to be available when required by operations.

Social Responsibilities

Your company has always tried to fulfill its responsibility towards society. The October 8, 2005 earthquake which caused wide spread devastation of life and property in the north of Pakistan, was no exception. To help the earthquake survivors, your company has entered in a contract with International Finance Corporation (IFC) that for every rupee spent by the company on the relief activities, IFC would also donate the same amount. Your company has decided to spend money by directly purchasing and providing goods such as medicines, doctors costs, tents, shelters/ reconstruction of housing, blankets, food etc., by providing Packages products and donations in the form of cash to organizations involved in relief activities.

The directors have also decided to donate in future at least 1 % of the company's profit after tax every year to various charitable causes.

Environmental Issues

Presently ISO 14001 Environmental Management Systems is in the process of being implemented in Packages Limited. In the first phase Paper and Board Mill and the support departments such as energy generation systems, maintenance systems, transport and material handling systems will be certified, by April of 2006.

Development of Human Resource

The growth of our business operations during the year has been indeed good and the Board would like to congratulate employees of the company. This has been the result of a great endeavor from all the staff and rightly gives them an immense feeling of pride to be a part of a team.

The third batch of 28 young managers has successfully completed their Diploma in Business Management from Lahore University of Management Sciences (LUMS) during the year.

Future Prospects and Outlook

The year 2006 will be greatly strengthened by new assets to further expand our business including the 10 colour Cerutti printing machine and Co-extruder in Flexible Packaging, two revamped Roland machines in the Carton Line, a new Corrugator supported by the new PM-6 at Bulleh Shah Paper Mill in Kasur. With additional capacities, increasing our market share would be the main focus in the coming years.

Appropriation

	(Rupees in thousand)
The Company made an after tax profit of	1,015,364
Adding thereto the unappropriated profit brought forward	799
Profit available for appropriation in 2005	1,016,163
The Directors now recommend following appropriations:	
Cash dividend of Rs.6.00 per share	419,277
Transfer to general reserve	596,000
Un-appropriated profit carried forward	886

Auditors

The present auditors M/s A.F Ferguson & Co., Chartered Accountants retire and offer themselves for reappointment. As suggested by the Audit Committee, the Board of Directors has recommended their reappointment as auditors of the company for the year ending December 31, 2006, 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, 2005 have been adopted by the Company and have been duly complied with. A statement to this effect is annexed to the report.

Statement of Ethics and Business Practices

The Board has adopted the statement of Ethics and Business Practices. All employees have been informed of this statement and are required to observe these rules of conduct in relation to customers, suppliers and regulations.

Material Changes

There have been no material changes since December 31, 2005 and the company has not entered into any commitment, which would affect its financial position at the date.

Board of Directors

Since the last Report for 2004, election of Directors took place in May 2005. As a consequence, the following changes occurred in the composition of the Board :-

Syed Wajid Ali retired as Chairman and Chief Executive of the Company. In his place, Mr. Asadullah Khawaja was elected as the new chairman of the Board. At the same time, Syed Hyder Ali was appointed as the new Chief Executive of the Company. Syed Shahid Ali was elected on the Board to fill up the directorship vacated by Syed Wajid Ali.

Nominee of State Life Insurance Corporation of Pakistan, Mr. Samee-ul-Hasan and Mr. Rafi Iqbal Ahmed did not opt to contest elections in May 2005. Mr. Kamal Afsar, nominee of State Life Insurance Corporation of Pakistan and Mr. Shamim Ahmad Khan were elected as Directors in their place.

The Directors wish to record their whole hearted appreciation of the valuable services and guidance provided by Syed Wajid Ali during his long tenure as Chairman and Chief Executive of the Company. The Board also wishes to place on record its appreciation of the services rendered by Mr. Samee-ul-Hasan and Mr. Rafi Iqbal Ahmed during the tenure of their office and welcomes Mr. Kamal Afsar, Mr. Shamim Ahmad Khan and Syed Shahid Ali, the new Directors elected during the year. The Company looks forward to the new Directors valuable guidance and contribution.

Directors' Report to the Shareholders

During the year six board meetings were held and the number of meetings attended by each Director is given hereunder :-

S. No.	Name of Director	No. of Meetings attended
1.	Syed Wajid Ali (Ex- Chairman & Chief Executive-retired on May 25, 2005)	-
2.	Mr. Asadullah Khawaja (Chairman)	6
3.	Syed Hyder Ali (Chief Executive)	4
4.	Mr. Tariq Iqbal Khan (Nominee of National Investment Trust Limited)	5
5.	Mr. Samee-ul-Hasan (Nominee of State Life Insurance Corporation of Pakistan-retired on May 25, 2005)	2
6.	Mr. Kamal Afsar (Nominee of State Life Insurance Corporation of Pakistan-elected on May 25, 2005)	1
7.	Mr. Shamim Ahmad Khan (elected on May 25, 2005)	3
8.	Syed Shahid Ali (elected on May 25, 2005)	3
9.	Mr. Rafi Iqbal Ahmed (retired on May 25, 2005)	1
10.	Mr. Mujeeb Rashid	6
11.	Mr. Khalid Yacob	6
12.	Ms. Kirsten Rausing	-
13.	Mr. Markku Juha Pentikainen	-
14.	Syed Aslam Mehdi (Alternate to Ms. Kirsten Rausing)	5
15.	Mr. Matti Naakka (alternate to Mr. Markku Juha Pentikainen-appointed on August 22, 2005)	1

Leave of absence was granted to 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 comprises of three non-executive directors (including its Chairman) and one executive director. During the year four meetings of the Committee were held. The Committee has its terms of reference which were determined by the Board of Directors in accordance with the guidelines provided in the Listing Regulations.

Corporate and Financial Reporting Frame work

- 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 judgement.
- The International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no doubts upon the company's ability to continue as a going concern.
- There has been no departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- There has been no departure from the best practices of transfer pricing.
- 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, 2005 were the following :

Provident Fund	Rs. 618.970	million
Gratuity Fund	Rs. 268.813	million
Pension Fund	Rs. 387.353	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/Directors	Nil
Chief Financial Officer	Nil
Company Secretary	Nil
Spouses	Nil
Sale of Shares :	
Mr. Mujeeb Rashid,	
Director & General Manager	15,000

PATTERN OF SHAREHOLDING

A statement of the pattern of shareholding of certain class of shareholders as at December 31, 2005, 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. However, rights shares issued by the company were subscribed for by the above referred officials to the extent of their entitlements.

(Syed Hyder Ali)
Managing Director & Chief Executive
Lahore, February 06, 2006

Shareholders' Information

Registered Office

4th Floor, The Forum
Suite # 416-422, G-20, Block 9
Khayaban-e-Jami, Clifton
Karachi-75600
Tel: 92-21-5831618, 5831664, 5833011
Fax: 92-21-5860251

Listing on Stock Exchanges

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

Listing Fees

The annual listing fees for the financial year 2005-06 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 Ferguson Associates (Pvt.) Ltd., and services over 3,600 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 essential and outstanding ingredient of the Registration services is the involvement of Chartered Accountants in the quality control aspect of registration activities.

Shares Registrar

Ferguson Associates (Pvt.) Ltd.,
Ground Floor, State Life Building No.1-A,
Off I.I. Chundriga Road
Karachi - 74000
Tel: 92 -21 2425467, 2423650, 2426597
Fax: 92-21 2428310

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: 92-21-5831618, 5831664, 5833011
Fax: 92-21-5860251

Mr. Ovais Khan
Tel: 92-21-2425467, 2423650, 2426597
Fax: 92-21-2428310

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 request 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 re-validated 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 45.85% of the equity shares of the company have been dematerialized by the shareholders.

Dividend Announcement

The board of directors of the company has proposed a dividend of 60% (Rs.6.00 per share of Rs.10) for the financial year ended December 31, 2005, subject to approval by the shareholders of the company at the Annual General Meeting (2004 : 85% cash dividend Rs. 8.50 per share of Rs.10).

Book Closure Dates

The Register of Members and Share Transfer Books of the company will remain closed from March 08, 2006 to March 17 , 2006 both days inclusive.

Dividend Remittance

Dividend declared and approved at the Annual General Meeting will be paid well before the statutory time limit of 45 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 Dividend

As per the provisions of the Income Tax Ordinance, 2001, Income Tax is deductible at source by the company:

a. on shareholder which is a public company or an insurance company 5%; and

b. in any other case 10% .

Zakat is also deductible at source from the 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 shareholders whose names appear in the Register of Shareholders at the date of book closure. 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 have filed any letter of complaints 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 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 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 share-holders 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, who ought to 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 Limited 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.

Shareholding Pattern

The shareholding pattern of the equity share capital of the company as at December 31, 2005 is as follows:

Shareholding From	Shareholding To	Number of shareholders	Total shares held
1	100	1,629	38,044
101	500	695	203,030
501	1000	347	276,105
1001	5000	520	1,261,245
5001	10000	141	1,061,529
10001	15000	61	756,348
15001	20000	25	419,512
20001	25000	26	563,952
25001	30000	15	402,832
30001	35000	9	296,992
35001	40000	15	561,747
40001	45000	9	389,514
45001	50000	5	237,946
50001	55000	6	321,908
55001	60000	3	172,076
60001	65000	3	186,788
65001	70000	5	345,584
70001	75000	3	219,958
75001	80000	2	154,197
80001	85000	1	82,320
85001	90000	2	174,408
90001	95000	3	278,015
95001	100000	4	392,239
100001	105000	3	308,841
105001	110000	3	318,532
115001	120000	3	356,483
125001	130000	2	250,892
130001	135000	3	395,738
140001	145000	1	144,750
145001	150000	3	444,850
150001	155000	1	153,167
160001	165000	1	164,216
170001	175000	2	344,832
180001	185000	1	183,198
185001	190000	2	375,808
200001	205000	1	201,900
210001	215000	2	425,642
215001	220000	1	217,578
225001	230000	1	229,180
230001	235000	1	234,620
235001	240000	1	238,876
245001	250000	1	246,200
250001	255000	4	1,010,345
285001	290000	1	289,287
295001	300000	1	295,922
300001	305000	1	302,439
315001	320000	1	319,448
335001	340000	1	336,707
355001	360000	1	359,042
360001	365000	1	364,637

Shareholding From	To	Number of shareholders	Total shares held
385001	390000	1	388,600
440001	445000	1	442,115
460001	465000	1	462,933
520001	525000	2	1,046,239
530001	535000	1	533,013
555001	560000	1	559,286
560001	565000	1	562,504
570001	575000	1	573,795
590001	595000	1	592,981
605001	610000	1	605,946
685001	690000	1	685,281
715001	720000	1	716,405
730001	735000	1	731,289
810001	815000	1	814,190
820001	825000	1	820,407
970001	975000	1	972,733
985001	990000	1	988,000
990001	995000	1	992,686
995001	1000000	1	999,464
1030001	1035000	1	1,034,100
1385001	1390000	1	1,386,025
1480001	1485000	1	1,483,362
1515001	1520000	1	1,518,899
1575001	1580000	1	1,576,206
2560001	2565000	1	2,564,829
2690001	2695000	1	2,693,078
4045001	4050000	1	4,047,744
7605001	7610000	1	7,605,950
15170001	15175000	1	15,172,028
		3,603	69,879,507

S.No.	Shareholders' category	No. of shareholders	No.of Shares	%
1	Associated Companies, Undertakings and Related Parties	14	22,291,011	31.90
2	NIT and ICP	4	7,621,158	10.91
3	Directors, CEO and their Spouses	9	2,802,092	4.01
4	Executives	11	4,435,346	6.35
5	Public Sector Companies and Corporations	14	4,056,446	5.80
6	Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba and Mutual Funds	61	11,978,896	17.14
7	Others	91	6,623,063	9.48
8	Individuals	3,399	10,071,495	14.41
		3,603	69,879,507	100.00

Information as required under the Code of Corporate Governance

Shareholders' category	Number of shareholders	Number of shares held
Associated Companies, Undertakings and Related Parties		
FIRST INTERNATIONAL INVESTMENT BANK LTD.	2	169,400
GURMANI FOUNDATION	1	992,686
INTERNATIONAL GENERAL INSURANCE CO. OF PAKISTAN LTD.	2	15,424,636
LOADS LIMITED	1	62,475
BABAR ALI FOUNDATION	1	2,564,829
TRUSTEES PACKAGES LIMITED EMPLOYEES PROVIDENT FUND	2	1,712,542
TRUSTEES PACKAGES LIMITED MANAGEMENT STAFF PENSION FUND	2	546,615
TREET CORPORATION LIMITED	1	731,289
TRUSTEES PACKAGES LTD. EMPLOYEES GRATUITY FUND	2	86,539
NIT and ICP		
INVESTMENT CORPORATION OF PAKISTAN	2	12,632
NATIONAL INVESTMENT TRUST LTD.	1	2,576
NATIONAL BANK OF PAKISTAN,TRUSTEE DEPTT. (NIT)	1	7,605,950
Directors		
MR. ASADULLAH KHAWAJA	1	500
MR. KHALID YACOB	1	848
MR. MUJEEB RASHID	1	58,500
MR. SHAMIM AHMAD KHAN	1	500
SYED HYDER ALI	2	1,810,826
SYED SHAHID ALI	3	930,918
Directors' spouses and minor children	NIL	NIL
CEO's spouse and minor children	NIL	NIL
Executives	11	4,435,346
Public Sector Companies and Corporations	14	4,056,446
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba and Mutual Funds	61	11,978,896
Shareholders holding 10% or more voting interest		
INTERNATIONAL GENERAL INSURANCE CO. OF PAKISTAN LTD.	2	15,424,636
NATIONAL BANK OF PAKISTAN,TRUSTEE DEPTT. (NIT)	1	7,605,950

Share Price/Volume

The monthly high and low prices and the volume of shares traded on the Karachi Stock Exchange (KSE) during the financial year 2005 are as under:

Month	Share price on the KSE (Rs.)		Volume of shares traded
	Highest	Lowest	
January	197.00	183.00	449,700
February	202.00	173.00	1,110,700
March	168.40	139.00	264,800
April	150.55	143.00	220,500
May	149.85	133.10	141,600
June	142.00	137.10	300,400
July	148.00	140.00	178,200
August	158.00	144.00	189,400
September	171.00	144.10	331,400
October	169.00	153.55	163,900
November	186.00	156.00	1,109,600
December	202.40	178.00	4,435,100

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 on its Board and at present the Board includes seven independent non-executive directors. The company encourages representation of minority on the Board, however, none of the minority shareholder offered himself 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 for Mr. Tariq Iqbal Khan who has been specifically exempted by Securities and Exchange Commission of Pakistan for holding directorship in more than ten listed compnies.

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

4. No casual vacancy on the Board of Directors occurred during the year.

5. The company has issued a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the company.

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

7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board including appointment, determination of remuneration and terms and conditions of Executive Directors and the Managing Director.

8. The meetings of the Board were presided over by Mr. Asadullah Khawaja, the Board met six times 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.

9. The Board has arranged orientation courses for its directors to apprise them of their duties and responsibilities.

10. The Board has approved the appointment, remuneration and terms and conditions of employment of Chief Financial Officer, Head of Internal Audit and the company Secretary.

11. 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.

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

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

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an Audit Committee. It comprises of four members, of whom three are non-executive directors including the chairman of the committee.

16. The meetings of the audit committee were held once every quarter prior to recommend the 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.

17. 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.

18. 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 Institute of Chartered Accountants of Pakistan.

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

20. We confirm that all other material principles contained in the Code have been complied with.

Asadullah Khawaja
Chairman
February 06, 2006

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 to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange, Chapter XIII of the Lahore Stock Exchange and Chapter XI of the Islamabad Stock Exchange, 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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, 2005.

A.F. FERGUSON & CO.
Chartered Accountants
Lahore, February 06, 2006.

Auditors' Report to the Members

We have audited the annexed balance sheet of Packages Limited as at December 31, 2005 and the related profit and loss account, 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 conduct 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 referred to in note 2.9 and 45 to the accounts 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, 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, 2005 and of the profit, its cash flows and changes in equity for the year then ended; and

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

A. F. FERGUSON & CO.
Chartered Accountants
Lahore, February 06, 2006

Balance Sheet
as at December 31, 2005

	Note	2005	2004
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
100,000,000 (2004: 60,000,000)			
ordinary shares of Rs. 10 each		**1,000,000**	600,000
Issued, subscribed and paid up capital			
69,879,507 (2004: 47,537,080)			
ordinary shares of Rs. 10 each	3	**698,795**	475,371
Reserves	4	**6,021,297**	2,752,625
Unappropriated profit		**1,016,163**	963,864
		7,736,255	4,191,860
NON-CURRENT LIABILITIES			
Long-term finances	5	**1,000,000**	-
Liabilities against assets subject to finance lease	6	**851**	6,351
Deferred liabilities	7	**547,468**	527,390
		1,548,319	533,741
CURRENT LIABILITIES			
Current portion of long-term liabilities	8	**5,159**	859,330
Finances under mark up arrangements - secured	9	**1,602,720**	234,197
Derivative foreign currency forward options	10	**90,959**	-
Creditors, accrued and other liabilities	11	**619,215**	601,173
Provision for taxation		**17,777**	54,185
		2,335,830	1,748,885
CONTINGENCIES AND COMMITMENTS	12	**-**	-
		11,620,404	6,474,486

	Note	2005	2004
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	**2,996,821**	2,937,656
Intangible assets	14	**5,300**	6,385
Investment property	15	**15,381**	14,865
Assets subject to finance lease	16	**8,581**	12,155
Capital work-in-progress	17	**3,265,517**	329,867
Investments	18	**693,576**	691,176
Long-term loans and deposits	19	**16,200**	5,840
Retirement benefits	20	**60,291**	51,725
		7,061,667	4,049,669
CURRENT ASSETS			
Stores and spares	21	**407,439**	380,556
Stock-in-trade	22	**1,144,043**	1,094,329
Trade debts	23	**784,638**	640,537
Investments	18	**-**	9,067
Loans, advances, deposits, prepayments and other receivables	24	**202,667**	155,442
Cash and bank balances	25	**2,019,950**	144,886
		4,558,737	2,424,817
		11,620,404	6,474,486

The annexed notes 1 to 46 form an integral part of these financial statements.

Asadullah Khawaja
Chairman

Syed Hyder Ali
Managing Director & Chief Executive

Mujeeb Rashid
Director

Profit and Loss Account

for the year ended December 31, 2005

		Note	2005	2004
			(Rupees in thousand)	
Local sales			**8,061,945**	6,804,861
Export sales			**101,139**	88,124
			8,163,084	6,892,985
Less: Sales tax and excise duty			**1,054,748**	898,166
Commission			**9,571**	7,842
			1,064,319	906,008
			7,098,765	5,986,977
Cost of goods sold		26	**(5,745,786)**	(4,678,375)
Gross profit			**1,352,979**	1,308,602
Administration expenses		27	**(346,565)**	(347,030)
Distribution and marketing expenses		28	**(195,313)**	(172,561)
Other operating expenses		29	**(93,375)**	(84,699)
Other operating income		30	**184,681**	84,398
Profit from operations			**902,407**	788,710
Finance cost		31	**(185,529)**	(139,008)
Investment income		32	**613,047**	536,919
Profit before tax			**1,329,925**	1,186,621
Taxation		33	**(314,561)**	(229,119)
Profit for the year			**1,015,364**	957,502
Earnings per share - basic and diluted	Rupees	42	**16.24**	19.68

Appropriations have been reflected in the statement of changes in equity.

The annexed notes 1 to 46 form an integral part of these financial statements.

Asadullah Khawaja
Chairman

Syed Hyder Ali
Managing Director & Chief Executive

Mujeeb Rashid
Director

Cash Flow Statement
for the year ended December 31, 2005

	Note	2005	2004
		(Rupees in thousand)	
Cash flow from operating activities:			
Cash generated from operations	40	**1,110,401**	950,098
Finance cost paid		**(163,273)**	(142,422)
Taxes paid		**(334,969)**	(9,543)
Payments for accumulating compensated absences		**(7,199)**	(3,951)
Retirement benefits paid		**(27,215)**	(25,249)
Net cash from operating activities		**577,745**	768,933
Cash flow from investing activities:			
Purchase of property, plant and equipment		**(3,408,463)**	(470,598)
Net increase in long-term loans and deposits		**(10,360)**	(1,859)
Proceeds from sale of property, plant and equipment		**17,376**	19,406
Dividends received		**576,262**	535,836
Investments		**9,360**	(49,999)
Net cash used in / from investing activities		**(2,815,825)**	32,786
Cash flow from financing activities:			
Proceeds from long-term finances		**1,600,000**	-
Proceeds from issue of ordinary shares		**3,006,788**	-
Repayment of long-term finances		**(1,454,870)**	(60,238)
Payment of finance lease liabilities		**(4,801)**	(26,877)
Dividend paid		**(402,496)**	(402,966)
Net cash from / used in financing activities		**2,744,621**	(490,081)
Net increase in cash and cash equivalents		**506,541**	311,638
Cash and cash equivalents at the beginning of the year		**(89,311)**	(400,949)
Cash and cash equivalents at the end of the year	41	**417,230**	(89,311)

The annexed notes 1 to 46 form an integral part of these financial statements.

Asadullah Khawaja	Syed Hyder Ali	Mujeeb Rashid
Chairman	Managing Director & Chief Executive	Director

Statement of Changes in Equity
for the year ended December 31, 2005

	Share capital	Share premium	Fair value reserve	Hedging reserve	General reserve	Unappropriated profit	Total
	(Rupees in thousand)						
Balance as on December 31, 2003 as previously reported	475,371	203,589	-	-	2,549,036	404,727	**3,632,723**
Effect of changes in accounting policies:							
Transferred from general reserve due to change in accounting policy (note 45)	-	-	-	-	(409,000)	409,000	-
Transferred from general reserve due to change in accounting policy (note 2.9)	-	-	-	-	(17,100)	17,100	-
Effect of change in accounting policy (note 2.9) unrealised changes in fair value of available for sale investments recognised directly in equity	-	-	11,400	-	-	(11,400)	-
Balance as on December 31, 2003 as restated	475,371	203,589	11,400	-	2,122,936	819,427	**3,632,723**
Final Dividend for the year ended December 31, 2003 Rs. 8.50 per share	-	-	-	-	-	(404,065)	**(404,065)**
Transferred from profit and loss account	-	-	-	-	409,000	(409,000)	-
Fair value gain during the year	-	-	5,700	-	-	-	**5,700**
Profit for the year	-	-	-	-	-	957,502	**957,502**
Balance as on December 31, 2004 as restated	475,371	203,589	17,100	-	2,531,936	963,864	**4,191,860**
Final Dividend for the year ended December 31, 2004 Rs. 8.50 per share	-	-	-	-	-	(404,065)	**(404,065)**
Transferred from profit and loss account	-	-	-	-	559,000	(559,000)	-
Issue of 22,342,427 ordinary shares of Rs.10 each fully paid in cash-net of issue cost	223,424	2,783,364	-	-	-	-	**3,006,788**
Fair value gain during the year	-	-	2,400	-	-	-	**2,400**
Loss arising on marking to market foreign currency forward options entered into as part of cash flow hedge for the purchase of plant and machinery (note 10)	-	-	-	(76,092)	-	-	**(76,092)**
Profit for the year	-	-	-	-	-	1,015,364	**1,015,364**
Balance as on December 31, 2005	**698,795**	**2,986,953**	**19,500**	**(76,092)**	**3,090,936**	**1,016,163**	**7,736,255**

The annexed notes 1 to 46 form an integral part of these financial statements.

Asadullah Khawaja
Chairman

Syed Hyder Ali
Managing Director & Chief Executive

Mujeeb Rashid
Director

1. Legal status and nature of business

Packages Limited ('the company') is a public limited company incorporated in Pakistan and is listed on Karachi, Lahore and Islamabad Stock Exchanges. It is principally engaged in the manufacture and sale of paper, paperboard, packaging materials and tissue products.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 and International Accounting Standards (IAS) as applicable in Pakistan. Approved Accounting Standards comprise of such IASs as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention, except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.

2.3 Taxation

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

2.4 Property, plant and equipment

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Cost in relation to certain plant and machinery signifies historical cost and interest, mark up etc. as referred to in note 2.23.

Depreciation on all property, plant and equipment is charged to profit on the straight-line method so as to write off the depreciable amount of an asset over its estimated useful life at the following annual rates:

Plant and machinery	6.25%	to 20%
Buildings	2.5%	to 10%
Other equipments	10%	to 33.33%
Furniture and fixtures	10%	to 20%
Vehicles	20%	

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant.

Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed off.

The company assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

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

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

2.5 Intangible assets

Expenditure incurred to acquire computer software and SAP Enterprise Resource Planning System (ERP) are capitalised as intangible assets and stated at cost less accumulated amortisation and any identified impairment loss. Intangible assets are amortised using the straight-line method over a period of three years.

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

The company assesses at each balance sheet date whether there is any indication that intangible assets may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the amortisation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

2.6 Capital work -in -progress

Capital work-in-progress is stated at cost less any identified impairment loss.

2.7 Investment property

Property not held for own use or for sale in the ordinary course of business is classified as investment property. The investment property of the company comprises at cost buildings and is valued using the cost method i.e. at cost less any accumulated depreciation and any identified impairment loss.

Depreciation on buildings is charged to profit on the straight-line method so as to write off the depreciable amount of building over its estimated useful life at the rates ranging from 3.33% to 4% per annum. Depreciation on additions to investment property is charged from the month in which a property is acquired or capitalised while no depreciation is charged for the month in which the property is disposed off.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant.

The company assesses at each balance sheet date whether there is any indication that investment property may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

2.8 Leases

(1) The company is the lessee:

Finance leases

Leases where the company has substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets.

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease as referred to in note 6. The liabilities are classified as current and long-term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.

Assets acquired under a finance lease are depreciated over the useful life of the asset on a straight-line method at the rates given in note 2.4. Depreciation of leased assets is charged to profit.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight-line basis over the lease term.

(2) The company is the lessor:

Operating leases

Assets leased out under operating leases are included in investment property as referred to in note 15. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

2.9 Investments

Investments in equity instruments of subsidiaries and associated companies

These are measured at cost. Cost in relation to investments made in foreign currency is determined by translating the consideration paid in foreign currency into rupees at exchange rates prevailing on the date of transactions.

Other investments

The other investments made by the company are classified for the purpose of measurement into the following categories:

Held to maturity

Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity and are initially measured at cost and at subsequent reporting dates measured at amortised cost using the effective yield method.

Available for sale

Investments classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology.

In pursuance of revised International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" which is applicable for accounting years beginning on or after January 01, 2005, the company has changed it's accounting policy relating to recognition of unrealised gains and losses arising from changes in the fair value of available for sale investments that were previously included in the net profit or loss for the period in which these arise. Now unrealised gains and losses arising from changes in fair value are directly recognised in equity in the period in which these arise. Cumulative gains and losses arising from changes in fair value are included in net profit or loss for the period in which an investment is derecognised. Such a change in accounting policy has been accounted for retrospectively and comparative financial statements have been restated in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Had there been no change the profit for the year ended December 31, 2005 would have been higher by Rs. 2.400 million. However, there is no effect on shareholders' equity for the current or prior years.

All purchases and sales of investments are recognised on the trade date which is the date that the company commits to purchase or sell the investment. Cost of purchase includes transaction cost.

At each reporting date, the company reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists the recoverable amount is estimated in order to determine the extent of the impairment loss if any. Impairment losses are recognised as expense. Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised recoverable amount but limited to the extent of initial cost of the investment. A reversal of the impairment loss is recognised in income. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

2.10 Employee retirement benefits

The main features of the schemes operated by the company for its employees are as follows:

(a) All the executive staff participates in an approved funded defined benefit pension plan. In addition, there is an approved funded defined benefit gratuity plan for all employees. Monthly contributions are made to these funds on the basis of actuarial recommendation at the rate of 20% percent per annum of basic salaries for pension and 4.50% per annum of basic salaries for gratuity. The latest actuarial valuation for the pension and gratuity schemes was carried out as at December 31, 2005. The actual returns on plan assets during the year were Rs. 70.357 million and Rs. 21.515 million for the pension and gratuity funds respectively. The actual returns on plan assets represent the difference between the fair value of plan assets at beginning of the year and end of the year after adjustments for contributions made by the company as reduced by benefits paid during the year.

The future contribution rates of these plans include allowances for deficit and surplus. Projected unit credit method, using the following significant assumptions, is used for valuation of these schemes:

Discount rate 10.78 percent per annum.
Expected rate of increase in salary level 8.66 percent per annum.

Expected rate of return 10.78 percent per annum.

The company's policy with regard to actuarial gains/losses is to follow minimum recommended approach under IAS 19 "Employee Benefits".

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

(c) Accumulating compensated absences

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

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

2.11 Stores and spares

Usable stores and spares are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

2.12 Stock-in-trade

Stock of raw materials, except for those in transit, work-in-process and finished goods are valued principally at the lower of weighted average cost and net realisable value. Cost of work-in-process and finished goods comprises cost of direct materials, labour and appropriate manufacturing overheads.

Materials in transit are stated at cost comprising invoice value plus other charges paid thereon.

Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale.

2.13 Financial assets and liabilities

Financial assets and liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

2.14 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognised amount and the company intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

2.15 Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

2.16 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and finances under mark up arrangements. In the balance sheet, finances under mark up arrangements are included in current liabilities.

2.17 Borrowings

Borrowings are initially recorded at the proceeds received. In subsequent periods, borrowings are stated at amortised cost using the effective yield method. Finance costs are accounted for on an accrual basis and are included in creditors, accrued and other liabilities to the extent of the amount remaining unpaid.

2.18 Creditors, accrued and other liabilities

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received.

2.19 Provisions

Provisions are recognised when the company has a present obligation as a result of past event which it is probable will result in an outflow of economic benefits and a reliable estimate can be made of the amount of the obligation.

2.20 Derivative financial instruments

These are initially recorded at fair value on the date a derivative contract is entered into and are remeasured to fair value at subsequent reporting dates. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The company designates certain derivatives as cash flow hedges.

The company documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flow of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account.

Amounts accumulated in equity are recognised in profit and loss account in the periods when the hedged item will effect profit or loss. However, when the forecast hedged transaction results in the recognition of a non-financial asset or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

2.21 Revenue recognition

Revenue is recognised on despatch of goods or on the performance of services except for management fee, which is recognised on receipt.

Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

Dividend income on equity investments is recognised as income when the right of receipt is established.

2.22 Foreign currencies

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at the spot rate. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

Exchange differences are included in income currently.

2.23 Borrowing costs

Mark up, interest and other charges on long term finances are capitalised upto the date of commissioning of the related property, plant and equipment, acquired out of the proceeds of such long-term finances. All other mark up, interest and other charges are charged to income.

2.24 Dividend

Dividend distribution to the shareholders is recognised as a liability in the period in which it is approved by the shareholders.

3. Issued, subscribed and paid up capital

2005	2004		**2005**	2004
(Number of shares)			**(Rupees in thousand)**	
33,603,295	11,260,868	Ordinary shares of Rs. 10 each fully paid in cash	**336,033**	112,609
148,780	148,780	Ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash	**1,488**	1,488
36,127,432	36,127,432	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	**361,274**	361,274
69,879,507	47,537,080		**698,795**	475,371

Ordinary shares of the company held by associated undertakings as at year end are as follows:

	2005	2004
	(Number of shares)	
International General Insurance Company of Pakistan Limited	**15,424,636**	9,391,620
First International Investment Bank Limited	**124,400**	-
Loads Limited	**62,475**	42,500
Treet Corporation Limited	**731,289**	298,500
	16,342,800	9,732,620

4. Reserves

		2005	2004
		(Rupees in thousand)	
Movement in and composition of reserves is as follows:			
Capital			
Share premium			
At the beginning of the year		**203,589**	203,589
Premium on issue of ordinary shares -net of issue cost		**2,783,364**	-
	- note 4.1	**2,986,953**	203,589
Fair value reserve			
At the beginning of the year		**17,100**	11,400
Fair value gain during the year		**2,400**	5,700
	- note 4.2	**19,500**	17,100
Hedging reserve	- note 4.3	**(76,092)**	-
		2,930,361	220,689
Revenue			
General reserve			
At the beginning of the year		**2,531,936**	2,122,936
Transfer from profit and loss account		**559,000**	409,000
		3,090,936	2,531,936
		6,021,297	2,752,625

4.1 This reserve can be utilised by the company only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

4.2 As referred to in note 2.9 this represents the unrealised gain on remeasurement of investments at fair value and is not available for distribution. This amount will be transferred to profit and loss account on the derecognition of investments.

4.3 As referred to in note 10 this represents the effective portion of the loss arising on foreign currency forward options.

5. Long - term finances

		2005	2004
		(Rupees in thousand)	
These are composed of:			
Long-term loan - secured	- note 5.1	**1,000,000**	-
Term finance certificates - unsecured	- note 5.2	**-**	850,000
Other payables - secured	- note 5.3	**-**	4,870
		1,000,000	854,870
Less: Current portion shown under current liabilities			
Term finance certificates - unsecured		**-**	850,000
Other payables - secured		**-**	4,870
		-	854,870
		1,000,000	-

5.1 Long-term loan - secured

This loan has been obtained from a consortium of commercial banks led by MCB Bank Limited. It is secured by a first ranking exclusive hypothecation/equitable mortgage charge over all present and future fixed assets of the company amounting to Rs. 14,000 million. It carries mark up at six month "Karachi Inter Bank Offered Rates (KIBOR) plus 1.35 percent per annum" and is payable semi annually. The effective mark up charged during the year was 10.53%. Of the aggregate facility of Rs. 10,500 million, the amount availed as at December 31, 2005 is Rs. 1,000 million (2004: Rs. Nil), repayable in 14 equal semi annual installments commencing June 06, 2009.

5.2 Term finance certificates - unsecured

These certificates have been redeemed during the year.

5.3 Other payables - secured

These have been repaid during the year.

6. Liabilities against assets subject to finance lease

	2005	2004
	(Rupees in thousand)	
Present value of minimum lease payments	**6,010**	10,811
Less: Current portion shown under current liabilities	**5,159**	4,460
	851	6,351

The present value of minimum lease payments have been discounted at an implicit interest rate of 7.25% to arrive at their present value. The lessee has the option to purchase the assets after expiry of the lease term.

Taxes, repairs, replacements and insurance costs are to be borne by the lessee.

The amount of future payments of the lease and the period in which these payments will become due are as follows:

	Minimum lease payment	Future finance charge	Present value of lease liability	
	(Rupees in thousand)			
Years			**2005**	2004
Not later than one year	5,350	191	**5,159**	4,460
Later than one year and not later than five years	859	8	**851**	6,351
	6,209	199	**6,010**	10,811

7. Deferred liabilities

These are composed of:

		2005	2004
		(Rupees in thousand)	
Deferred taxation	- note 7.1	**470,000**	454,000
Accumulating compensated absences	- note 7.2	**77,468**	73,390
		547,468	527,390

7.1 Deferred taxation

	2005	2004
	(Rupees in thousand)	
The liability for deferred taxation comprises timing differences relating to:		
Accelerated tax depreciation	**513,344**	495,916
Provision for accumulating compensated absences	**(27,114)**	(25,686)
Impairment loss in value of investments	**(16,230)**	(16,230)
	470,000	454,000

7.2 Accumulating compensated absences

	2005	2004
Opening balance	**73,390**	64,681
Provision for the year	**11,277**	12,660
	84,667	77,341
Less: Payments made during the year	**7,199**	3,951
Closing balance	**77,468**	73,390

8. Current portion of long-term liabilities

		2005	2004
Term finance certificates - unsecured	- note 5	**-**	850,000
Other payables - secured	- note 5	**-**	4,870
Liabilities against assets subject to finance lease	- note 6	**5,159**	4,460
		5,159	859,330

9. Finances under mark up arrangements - secured

		2005	2004
Running finances	- note 9.1	**1,202,720**	234,197
Term finance - secured	- note 9.2	**400,000**	-
		1,602,720	234,197

9.1 Running finances - secured

Short term running finances available from a consortium of commercial banks under mark up arrangements amount to Rs. 2,975.000 million (2004: Rs. 3,035.000 million). The rates of mark up range from Re. 0.1096 to Re 0.2992 per Rs. 1,000 per diem or part thereof on the balances outstanding. In the event, the company fails to pay the balances on the expiry of the quarter, year or earlier demand, mark up is to be computed at the rates ranging from Re. 0.1315 to Re. 0.3590 per Rs. 1000 per diem or part thereof on the balances unpaid. The aggregate running finances are secured by hypothecation of stores, spares, stock-in-trade and trade debts.

9.2 Term finance - secured

Term finance available from a commercial bank under mark up arrangement amount to Rs. 400 million (2004: Rs. Nil). It carries mark up at the rate of Re. 0.2411 per Rs. 1,000 per diem or part thereof. It is secured by hypothecation of stores, stock-in-trade and trade debts.

Of the aggregate facility of Rs. 11,140.062 million (2004: Rs. 1,163.155 million) for opening letters of credit and Rs. 312.584 million (2004: Rs. 389 million) for guarantees, the amount utilised at December 31, 2005 was Rs. 345.700 million (2004: Rs. 100.891 million) and Rs.138.562 million (2004: Rs. 144.342 million) respectively. Of the facility for guarantees, Rs. 322.500 million (2004: Rs. 322.500 million) is secured by second hypothecation charge over stores, spares, stock-in-trade and trade debts.

10. Derivative foreign currency forward options

The company has entered into foreign currency forward options to hedge the possible adverse movements in exchange rates (exchange rate risk) arising on foreign currency payments required to be made for the purchase of new plant. As the hedging relationship is effective and meets the criteria of cash flow hedge, this arrangement qualifies for special hedge accounting specified in IAS 39.

The foreign currency forward options that are outstanding as at December 31, 2005 have been marked to market and the effective portion of the loss arising thereon amounting to Rs. 76.092 million has been recognised in the statement of changes in equity as hedging reserve. The ineffective portion of Rs. 14.867 million has been recognised in profit and loss account during the year.

11. Creditors, accrued and other liabilities

		2005	2004
		(Rupees in thousand)	
Trade creditors	- note 11.1	**94,040**	83,763
Accrued liabilities	- note 11.2	**320,171**	302,679
Sales tax payable		**22,345**	30,499
Excise duty payable		**42**	-
Customers' balances		**22,514**	45,053
Deposits - interest free repayable on demand		**4,349**	4,322
Mark up accrued on:			
Long-term loan - secured		**7,575**	-
TFCs un-secured		**-**	23,934
Other payables - secured		**-**	284
Finances under mark up arrangements - secured		**25,701**	1,674
Workers' profit participation fund	- note 11.3	**70,824**	63,732
Workers' welfare fund		**15,843**	15,976
TFCs payable		**1,420**	1,415
Unclaimed dividends		**7,529**	5,960
Others		**26,862**	21,882
		619,215	601,173

11.1 Trade creditors include amount due to related parties Rs. 42.995 million (2004: Rs. 49.503 million).

11.2 Accrued liabilities include amount due to related parties Rs. 5.821 million (2004: Rs. 1.563 million).

11.3 Workers' profit participation fund

		2005	2004
		(Rupees in thousand)	
Opening balance		**63,732**	54,768
Provision for the year	- note 29	**70,824**	63,732
Interest charged during the year	- note 31	**-**	17
		134,556	118,517
Less: Payments made during the year		**63,732**	54,785
Closing balance		**70,824**	63,732

12 Contingencies and commitments

12.1 Contingencies

(i) Claims against the company not acknowledged as debts Rs. 10.362 million (2004: Rs. 11.149 million)

(ii) Against a sales tax refund aggregating Rs. 12.827 million determined by the Sales Tax Officer (STO) on the basis of the orders of the Appellate Assistant Commissioner (AAC) for the assessment years 1977-78 through 1980-81 and recognised in the financial statements in 1985, the STO filed an appeal in 1986 with the Income Tax Appellate Tribunal (ITAT) against the Orders of the AAC for these years. The orders of the AAC were based on a decision already given by the ITAT on the company's appeal for application of a lower rate of sales tax on self consumed material for earlier years. Pending the outcome of the appeal filed by STO no adjustment has been made for the refunds recognised in the financial statements as the management is of the view that the appeal of the STO will not be upheld by the ITAT.

12.2 Commitments in respect of

(i) Contracts for capital expenditure Rs. 3,105.869 million (2004: Rs. 234.918 million).

(ii) Letters of credit other than for capital expenditure Rs. 246.589 million (2004: Rs. 226.592 million).

(iii) The amount of future payments under operating leases and the period in which these payments will become due are as follows:

	2005	2004
	(Rupees in thousand)	
Not later than one year	**7,747**	5,701
Later than one year and not later than five years	**8,947**	10,878
Later than five years	**2,364**	2,404
	19,058	18,983

13. Property, plant and equipment

	Cost as at December 31, 2004	Transfer in	Additions/ (deletions)	Cost as at December 31, 2005	Accumulated depreciation as at December 31, 2004	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at December 31, 2005	Book value as at December 31, 2005
	(Rupees in thousand)							
Freehold land	105,041	-	12,530	**117,571**	-	-	**-**	**117,571**
		-						
Buildings on freehold land	227,720	-	23,881	**251,601**	54,261	9,787	**64,048**	**187,553**
Buildings on leasehold land	184,086	-	-	**184,086**	35,157	6,950	**42,107**	**141,979**
			-					
Plant and machinery	6,170,645	-	357,171	**6,484,924**	3,809,402	336,832	**4,108,869**	**2,376,055**
			(42,892)			(37,365)		
Other equipment	236,438	-	39,958	**275,036**	157,697	22,661	**179,102**	**95,934**
			(1,360)			(1,256)		
Furniture and fixtures	13,539	-	989	**14,178**	3,868	2,075	**5,691**	**8,487**
			(350)			(252)		
Vehicles	148,218	737	35,385 (16,949)	**167,391**	87,646	21,157 (10,654)	**98,149**	**69,242**
2005	**7,085,687**	**737**	**469,914** **(61,551)**	**7,494,787**	4,148,031	**399,462** **(49,527)**	**4,497,966**	**2,996,821**
2004	6,562,920	117,333 (60,137)	465,571	7,085,687	3,780,913 (48,313)	415,431	4,148,031	2,937,656

Property, plant and equipment include assets amounting to Rs. 12.101 million (2004: Rs. 12.131 million) of the company which are not in operation.

The cost of fully depreciated assets which are still in use as at December 31, 2005 is Rs. 2,016.940 million (2004: Rs. 1,291.655 million).

13.1 Disposal of property, plant and equipment

Detail of property, plant and equipment disposed off during the year is as follows:

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of Disposal
		(Rupees in thousand)				
Vehicles	**Employees**					
	Mr. Abdul Jabbar	737	-	737	737	Company Policy
	Adil Umar	383	128	255	317	Company Policy
	Afsar Ali Shah	500	350	150	278	Company Policy
	Bashir Ahmed Bhatti	510	119	391	429	Company Policy
	Bilal Ali	831	42	789	831	Company Policy
	Faisal Younis	360	138	222	233	Company Policy
	Fayyaz Ahmed Rana	485	331	154	295	Company Policy
	Hafeez Kaleem	470	290	180	323	Company Policy
	Mehmood Azam Butt	555	333	222	250	Company Policy
	Mir Zia Mahmood	514	317	197	287	Company Policy
	Moeez Karim	399	266	133	202	Company Policy
	Muhammad Ali Qureshi	480	88	392	420	Company Policy
	Muhammad Usman Amjad	585	293	292	428	Company Policy
	Muhammad Nabeel Arif	781	390	391	600	Company Policy
	Murtaza Ahmad Qureshi	504	227	277	355	Company Policy
	Noman Majeed Khan	525	438	87	310	Company Policy
	Saeed Ahmed	358	101	257	270	Company Policy
	Yasir Hafeez	784	274	510	620	Company Policy
	Syed Ali Abbas Shah	349	140	209	262	Company Policy
	Syed Muhammad Hassan Askari	347	150	197	222	Company Policy
	Outsiders					
	International General Insurance Company of Pakistan Limited -Related Party	315	68	247	300	Insurance Claim
Plant & Machinery	Miscellaneous	13,661	8,134	5,527	4,538	Negotiation
Other assets with book value less than Rs. 50,000		37,118	36,910	208	4,869	-
		61,551	**49,527**	**12,024**	**17,376**	

14 Intangible assets

	Cost as at December 31, 2004	Additions	**Cost as at December 31, 2005**	Accumulated amortisation as at December 31, 2004	Amortisation charge for the year	**Accumulated amortisation as at December 31, 2005**	**Book value as at December 31, 2005**
	(Rupees in thousand)						
Computer Software and ERP System	122,644	1,431	**124,075**	116,259	2,516	**118,775**	**5,300**
2005	122,644	1,431	**124,075**	116,259	2,516	**118,775**	**5,300**
2004	115,875	6,769	122,644	87,804	28,455	116,259	6,385

The cost of fully amortised assets which are still in use as at December 31, 2005 is Rs. 115.437 million (2004: Rs.115.437 million).

14.1 The depreciation/amortisation charge for the year has been allocated as follows:

		Depreciation	Amortisation	Total **2005**	Total 2004
		(Rupees in thousand)			
Cost of goods sold	- note 26	372,289	2,435	**374,724**	386,241
Administration expenses	- note 27	21,331	81	**21,412**	52,002
Distribution and marketing expenses	- note 28	5,842	-	**5,842**	5,643
		399,462	2,516	**401,978**	443,886

15. Investment property

	Cost as at December 31, 2004	Additions	**Cost as at December 31, 2005**	Accumulated depreciation as at December 31, 2004	Depreciation charge for the year	**Accumulated depreciation as at December 31, 2005**	**Book value as at December 31, 2005**
	(Rupees in thousand)						
Buildings on leasehold land	24,938	1,468	**26,406**	10,073	952	**11,025**	**15,381**
2005	24,938	1,468	**26,406**	10,073	952	**11,025**	**15,381**
2004	24,029	909	24,938	9,187	886	10,073	14,865

Depreciation charge for the year has been allocated to administration expenses.

Fair value of the investment property, based on the valuation carried out by an independent valuer, as at December 31, 2005 is Rs. 34.930 million (2004: Rs. 25.986 million).

16. Assets subject to finance lease

	Cost as at December 31, 2004	Additions/ (deletions)	**Cost to December 31, 2005**	Accumulated depreciation as at December 31,2004	Depreciation charge/ (deletions) for the year	**Accumulated depreciation as at December 31, 2005**	**Book value as at December 31, 2005**
	(Rupees in thousand)						
Vehicles	14,995	- (1,078)	**13,917**	2,840	2,837 (341)	**5,336**	**8,581**
2005	14,995	- (1,078)	**13,917**	2,840	2,837 (341)	**5,336**	**8,581**
2004	178,766	12,229 (176,000)	14,995	49,684	11,823 (58,667)	2,840	12,155

Deletion represents the asset transferred to property, plant and equipment on termination of lease during the year.

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

		2005	2004
		(Rupees in thousand)	
Cost of goods sold	- note 26	**849**	11,089
Administration expenses	- note 27	**1,830**	555
Distribution and marketing expenses	- note 28	**158**	179
		2,837	11,823

17. Capital work-in-progress

		2005	2004
		(Rupees in thousand)	
Civil works		**1,318**	8,642
Plant and machinery [including in transit Rs 0.576 million (2004: Rs. Nil)]		**35,917**	32,766
Others		**802**	750
Expansion project :			
Civil works		**412,257**	16,347
Plant and machinery [including in transit Rs. 803.932 million (2004: Rs. Nil)]		**1,761,944**	183,578
Advances	- note 17.1	**762,195**	-
Unallocated expenditure	- note 17.2	**291,084**	87,784
		3,227,480	287,709
		3,265,517	329,867

17.1 Advances

Civil works		**99,326**	-
Plant and machinery	- note 17.1.1	**659,705**	-
Others		**3,164**	-
		762,195	-

17.1.1 It includes an amount of Rs. 21.452 million (2004: Rs. 0.470 million) given to Siemens Pakistan Engineering Company, a related party, for development of electrical infrastructure.

17.2 Unallocated expenditure

	2005	2004
	(Rupees in thousand)	
Foreign consultancy services	**176,103**	86,451
Technical and other staff salaries	**44,664**	1,333
Others	**70,317**	-
	291,084	87,784

18. Investments

These represent the long - term investments in:

Related parties	- note 18.1	**614,051**	623,118
Others	- note 18.2	**79,525**	77,125
		693,576	700,243
Less: investments shown under current assets		**-**	9,067
		693,576	691,176

18.1 Related parties

	2005	2004
	(Rupees in thousand)	
Subsidiaries - unquoted		
DIC Pakistan Limited (Formerly Coates Lorilleux Pakistan Limited)		
3,377,248 (2004: 3,377,248) fully paid ordinary shares of Rs. 10 each		
Equity held 54.98% (2004: 54.98%)	**15,010**	15,010
Packages Lanka (Private) Limited		
64,779,884 (2004: 64,779,884) shares of SL Rupees 10 each		
Equity held 79.07% (2004: 79.07%)	**442,938**	442,938
Less: Impairment loss	**(46,371)**	(46,371)
	396,567	396,567
	411,577	411,577
Associated companies		
Quoted		
Nestle Pakistan Limited (Formerly Nestle Milkpak Limited)		
3,649,248 (2004: 3,649,248) fully paid ordinary shares of		
Rs. 10 each Equity held 8.06% (2004: 8.06%)	**24,555**	24,555
International General Insurance Company of Pakistan Limited		
1,629,337 (2004: 1,303,470) fully paid ordinary shares of		
Rs. 10 each Equity held 10.61% (2004: 10.61%)	**22,519**	22,519
Tri-Pack Films Limited		
10,000,000 (2004: 10,000,000) fully paid ordinary shares of		
Rs. 10 each Equity held 33.33% (2004: 33.33%)	**100,000**	100,000
First International Investment Bank Limited		
4,191,741 (2004: 4,191,741) fully paid ordinary shares of		
Rs. 10 each Equity held 9.99% (2004: 9.99 %)	**35,000**	35,000
First International Investment Bank Limited		
Nil (2004: 6) Term Finance Certificates of Rs. 1 million each	**-**	9,067
	182,074	191,141
Unquoted		
Tetra Pak Pakistan Limited		
30,800,000 (2004: 30,800,000) fully paid ordinary shares of		
Rs. 10 each Equity held 44% (2004: 44%)	**15,400**	15,400
Coca-Cola Beverages Pakistan Limited		
500,000 (2004: 500,000) fully paid ordinary shares of		
Rs. 10 each Equity held 0.14% (2004: 0.14%)	**5,000**	5,000
	20,400	20,400
	202,474	211,541
	614,051	623,118

18.2 Others

	2005	2004
	(Rupees in thousand)	
Quoted		
The Resource Group (TRG) Pakistan Limited		
6,000,000 (2004: 6,000,000) fully paid ordinary shares of Rs. 10 each Equity held 2.78% (2004: 2.78%)	**79,500**	77,100
Unquoted		
Pakistan Tourism Development Corporation Limited		
2,500 (2004: 2,500) fully paid ordinary shares of Rs. 10 each	**25**	25
Orient Match Company Limited		
1,900 (2004: 1,900) fully paid ordinary shares of Rs. 100 each	**-**	-
	79,525	77,125

The Resource Group (TRG) Pakistan Limited is an associated undertaking under the Companies Ordinance, 1984, however, for the purpose of measurement it has been classified as available for sale investment as Packages Limited does not have significant influence over its operations.

For the purposes of measurement, investments in others have been classified as available for sale investments.

19. Long-term loans and deposits

		2005	2004
		(Rupees in thousand)	
Loans to employees - considered good	- note 19.1	**1,852**	1,546
Security deposits		**14,701**	4,570
		16,553	6,116
Less: Receivable within one year			
Loans to employees - considered good		**353**	276
		16,200	5,840

19.1 These represent interest free loans to employees for purchase of cycles and motor cycles and are repayable in monthly instalments over a period of 45 to 143 months.

Loans to employees aggregating Rs. 0.411 million (2004: Rs. 0.152 million) are secured by joint registration of motor cycles in the name of employees and the company. The remaining loans are unsecured.

20. Retirement benefits

		2005	2004
		(Rupees in thousand)	
Pension fund	- note 20.1	**(14,083)**	(13,377)
Gratuity fund	- note 20.2	**74,374**	65,102
		60,291	51,725

20.1 Pension fund

The amounts recognised in the balance sheet are as follows:

	2005	2004
Fair value of plan assets	**437,180**	366,448
Present value of defined benefit obligation	**(474,774)**	(435,580)
Non vested (past service) cost to be recognised in later periods	**12,088**	15,109
Unrecognised actuarial losses	**11,423**	40,646
(Liability) as at December 31	**(14,083)**	(13,377)
Net (liability) as at January 1	**(13,377)**	(17,219)
Charge to profit and loss account	**(21,398)**	(15,016)
Contribution by the company	**20,692**	18,858
(Liability) as at December 31	**(14,083)**	(13,377)

Fair value of plan assets include ordinary shares and Term Finance Certificates (TFC) of the company, whose fair value as at December 31, 2005 is Rs. 110.416 million (2004: Rs. 19.332 million) and Rs. Nil (2004: Rs. 4.800 million) respectively.

20.2 Gratuity fund

The amounts recognised in the balance sheet are as follows:

	2005	2004
	(Rupees in thousand)	
Fair value of plan assets	**243,427**	238,601
Present value of defined benefit obligation	**(150,527)**	(147,984)
Unrecognised actuarial (gains)	**(18,526)**	(25,515)
Asset as at December 31	**74,374**	65,102
Net assets as at January 1	**65,102**	54,555
Credit to profit and loss account	**2,749**	4,156
Contribution by the company	**6,523**	6,391
Asset as at December 31	**74,374**	65,102

Fair value of plan assets include ordinary shares of the company, whose fair value as at December 31, 2005 is Rs. 17.481 million (2004 Rs. 1.452 million).

21. Stores and spares

	2005	2004
	(Rupees in thousand)	
Stores [including in transit Rs. 12.750 million (2004: Rs. 6.122 million)]	**173,856**	144,900
Spares [including in transit Rs. 9.102 million (2004: Rs. 6.903 million)]	**233,583**	235,656
	407,439	380,556

Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

22. Stock-in-trade

	2005	2004
	(Rupees in thousand)	
Raw materials [including in transit Rs. 161.515 million (2004: Rs. 101.345 million)]	**647,090**	632,259
Work-in-process	**80,980**	77,127
Finished goods	**415,973**	384,943
	1,144,043	1,094,329

Finished goods of Rs. 26.340 million (2004: Rs. 20.437 million) are being carried at net realisable value and an amount of Rs. 4.265 million (2004: Rs. 3.771 million) has been charged to cost of goods sold, being the cost of inventory written down during the year.

23. Trade debts

		2005	2004
		(Rupees in thousand)	
Considered good			
Related parties-unsecured	- note 23.1	**227,287**	127,307
Others	- note 23.2	**557,351**	513,230
		784,638	640,537

23.1 Related parties - Unsecured

	2005	2004
Subsidiaries		
DIC Pakistan Limited (Formerly Coates Lorilleux Pakistan Limited)	**582**	582
Associated Undertakings		
Treet Corporation Limited	**2,506**	5,213
Nestle Pakistan Limited (Formerly Nestle Milkpak Limited)	**85,382**	48,836
Tetrapak Pakistan Limited	**45,370**	65,710
Tri-Pack Films Limited	**5,445**	4,438
Coca Cola Beverages Pakistan Limited	**1,225**	276
Other Related Parties		
Zulfiqar Industries Limited	**-**	2,252
Unilever Pakistan Limited	**74,733**	-
Mitchell's Fruit Farms Limited	**12,028**	-
Others	**16**	-
	227,287	127,307

These are in the normal course of business and are interest free.

23.2 Others include secured debts of Rs. 17.749 million (2004: Rs. 3.994 million).

24. Loans, advances, deposits, prepayments and other receivables

		2005	2004
		(Rupees in thousand)	
Loans to employees - considered good		**353**	276
Advances - considered good			
To employees	- note 24.1	**7,454**	11,411
To suppliers		**38,353**	32,206
		45,807	43,617
Due from related parties - unsecured	- note 24.2	**53,096**	50,999
Trade deposits		**22,973**	6,571
Prepayments		**18,037**	11,615
Balances with statutory authorities			
Excise duty		**-**	117
Customs duty		**1,388**	1,163
		1,388	1,280
Profit receivable on bank deposits		**16,203**	37
Claims recoverable from Government			
Sales tax		**4,949**	4,785
Income tax recoverable	- note 24.3	**36,013**	36,013
		40,962	40,798
Other receivables		**3,848**	249
		202,667	155,442

24.1 Included in advances to employees are amounts due from Chief Executive, Directors and Executives of Rs. Nil, Rs. Nil and Rs. 0.346 million respectively (2004: Chief Executive Rs. Nil, Directors Rs. Nil and Executives Rs. 8.218 million).

24.2 Due from related parties - unsecured

	2005	2004
	(Rupees in thousand)	
Subsidiaries		
DIC Pakistan Limited (Formerly Coates Lorilleux Pakistan Limited)	**6,393**	2,411
Packages Lanka (Private) Limited	**32**	234
Associated Undertakings		
Tetrapak Pakistan Limited	**9,607**	12,995
Tri-Pack Films Limited	**29**	7
International General Insurance Company of Pakistan Limited	**316**	387
Nestle Pakistan Limited (Formerly Nestle Milkpak Limited)	**36,492**	-
First International Investment Bank Limited	**7**	16
Post Employment Benefit Plans		
Packages Limited Employee Provident Fund	-	9,601
Packages Limited Employee Gratuity Fund	-	25,146
Other Related Parties		
Loads Limited	**104**	104
Others	**116**	98
	53,096	50,999

These relate to normal business of the company and are interest free.

24.3 In 1987, the Income Tax Officer (ITO) reopened the company s assessments for the accounting years ended December 31, 1983 and 1984 disallowing primarily tax credit given to the company under section 107 of the Income Tax Ordinance, 1979. The tax credit amounting to Rs. 36.013 million on its capital expenditure for these years was refused on the grounds that such expenditure represented an extension of the company s undertaking which did not qualify for tax credit under this section in view of the company s location. The assessments for these years were revised by the ITO on these grounds and taxes reassessed were adjusted against certain sales tax refunds and the tax credits previously determined by the ITO and set off against the assessments framed for these years.

The company had filed an appeal against the revised orders of the ITO before the Commissioner of Income Tax (Appeals) [CIT(A)], Karachi. The Commissioner has in his order issued in 1988 held the assessments reframed by the ITO for the years 1983 and 1984 presently to be void and of no legal effect. The Income Tax Officer has filed an appeal against the Commissioner s order with the Income Tax Appellate Tribunal (ITAT). The ITAT has in its order issued in 1996 maintained the order of CIT (A). The assessing officer after the receipt of the appellate order passed by CIT (A), has issued notices under section 65 of the Income Tax Ordinance, 1979 and the company has filed a writ petition against the aforesaid notices with the High Court of Sindh, the outcome of which is still pending.

The amount recoverable Rs. 36.013 million represents the additional taxes paid as a result of the disallowance of the tax credits on reframing of the assessments.

25. Cash and bank balances

		2005	2004
		(Rupees in thousand)	
At banks			
On savings accounts [including US $ 42,001 (2004: US $ 26,074)]	- note 25.1	**1,918,186**	6,364
On current accounts	- note 25.2	**94,253**	132,829
		2,012,439	139,193
In hand		**7,511**	5,693
		2,019,950	144,886

25.1 The balances in saving accounts bear mark up which ranges from 3.00 % to 12.25 % per annum.

25.2 Included in these are total restricted funds of Rs. 1.359 million (2004: Rs. 1.368 million) held as payable to TFC holders as referred to in note 11.

26. Cost of goods sold

		2005	2004
		(Rupees in thousand)	
Opening work-in-process		**77,127**	65,621
Materials consumed		**3,520,644**	2,710,306
Salaries, wages and amenities	- note 26.1	**427,139**	412,247
Fuel and power		**818,973**	655,780
Production supplies		**203,369**	176,702
Excise duty and sales tax		**242**	3,942
Rent, rates and taxes		**2,796**	2,872
Insurance		**40,848**	37,074
Repairs and maintenance		**242,432**	281,731
Packing expenses		**44,205**	38,831
Depreciation on property, plant and equipment	- note 14.1	**372,289**	384,348
Amortisation on intangible assets	- note 14.1	**2,435**	1,893
Depreciation on assets subject to finance lease	- note 16.1	**849**	11,089
Technical fee and royalty		**20,932**	15,710
Other expenses		**83,516**	68,112
		5,857,796	4,866,258
Less: Closing work-in-process		**80,980**	77,127
Cost of goods produced		**5,776,816**	4,789,131
Opening stock of finished goods		**384,943**	274,187
		6,161,759	5,063,318
Less: Closing stock of finished goods		**415,973**	384,943
		5,745,786	4,678,375

Cost of goods produced includes Rs. 789.955 million (2004: Rs. 569.402 million) for stores and spares consumed, Rs. 7.964 million (2004: Rs. 1.205 million) and Rs. 0.735 million (2004: Rs. 0.111 million) for raw materials and stores and spares written off respectively.

26.1 Salaries, wages and amenities

	2005	2004
	(Rupees in thousand)	
Salaries, wages and amenities include following in respect of retirement benefits:		
Pension		
Current service cost	**7,704**	7,716
Interest cost for the year	**22,221**	17,104
Expected return on plan assets	**(19,233)**	(15,871)
Contribution made by the employees	**(2,348)**	(2,283)
Recognition of past service cost	**1,675**	1,717
Recognition of loss	**1,848**	151
	11,867	8,534
Gratuity		
Current service cost	**5,498**	5,113
Interest cost for the year	**8,969**	7,871
Expected return on plan assets	**(15,127)**	(13,624)
Recognition of gain	**(1,247)**	(2,335)
	(1,907)	(2,975)

In addition to above, salaries, wages and amenities include Rs. 10.818 million (2004: Rs. 10.479 million) and Rs. 7.662 million (2004: Rs. 9.512 million) in respect of provident fund contribution by the company and accumulating compensated absences respectively.

27. Administration expenses

		2005	2004
		(Rupees in thousand)	
Salaries, wages and amenities	- note 27.1	**147,855**	127,933
Travelling		**48,337**	37,045
Rent, rates and taxes	-note 27.2	**10,483**	10,153
Insurance		**4,074**	4,588
Printing, stationery and periodicals		**11,527**	10,854
Postage, telephone and telex		**18,153**	18,337
Motor vehicles running		**9,892**	7,355
Computer charges		**13,235**	14,321
Professional services	- note 34	**9,634**	10,803
Repairs and maintenance		**11,335**	13,590
Depreciation on property, plant and equipment	- note 14.1	**21,331**	25,440
Amortisation on intangible assets	- note 14.1	**81**	26,562
Depreciation on assets subject to finance lease	- note 16.1	**1,830**	555
Depreciation on investment property	- note 15	**952**	886
Other expenses		**37,846**	38,608
		346,565	347,030

Administration expenses include Rs. 25.203 million (2004: Rs. 24.250 million) for stores and spares consumed.

27.1 Salaries, wages and amenities

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

	2005	2004
	(Rupees in thousand)	
Pension		
Current service cost	**4,908**	4,577
Interest cost for the year	**14,157**	10,146
Expected return on plan assets	**(12,254)**	(9,415)
Contribution made by the employees	**(1,496)**	(1,354)
Recognition of past service cost	**1,067**	1,018
Recognition of loss	**1,177**	90
	7,559	5,062
Gratuity		
Current service cost	**1,923**	1,584
Interest cost for the year	**3,138**	2,439
Expected return on plan assets	**(5,293)**	(4,221)
Recognition of gain	**(436)**	(724)
	(668)	(922)

In addition to above, salaries, wages and amenities include Rs. 3.745 million (2004: Rs. 3.335 million) and Rs. 2.682 million (2004: Rs. 2.210 million) in respect of provident fund contribution by the company and accumulating compensated absences respectively.

27.2 Rent, rates and taxes include operating lease rentals amounting to Rs. 7.738 million (2004: Rs. 5.463 million).

28. Distribution and marketing expenses

		2005	2004
		(Rupees in thousand)	
Salaries, wages and amenities	- note 28.1	**38,652**	35,979
Travelling		**6,974**	8,302
Rent, rates and taxes	- note 28.2	**2,559**	2,820
Freight and distribution		**89,556**	71,385
Insurance		**1,363**	1,510
Advertising		**38,356**	35,819
Depreciation on property, plant and equipment	- note 14.1	**5,842**	5,643
Depreciation on assets subject to finance lease	- note 16.1	**158**	179
Other expenses		**11,853**	10,924
		195,313	172,561

Distribution and marketing expenses include Rs. 5.306 million (2004: Rs. 3.191 million) for stores and spares consumed.

28.1 Salaries, wages and amenities

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

	2005	2004
	(Rupees in thousand)	
Pension		
Current service cost	**1,280**	1,284
Interest cost for the year	**3,693**	2,847
Expected return on plan assets	**(3,196)**	(2,642)
Contribution made by the employees	**(390)**	(380)
Recognition of past service cost	**278**	286
Recognition of loss	**307**	25
	1,972	1,420
Gratuity		
Current service cost	**502**	445
Interest cost for the year	**819**	685
Expected return on plan assets	**(1,381)**	(1,186)
Recognition of gain	**(114)**	(203)
	(174)	(259)

In addition to above, salaries, wages and amenities include Rs. 0.979 million (2004: Rs. 0.938 million) and Rs. 0.933 million (2004: Rs. 0.938 million) in respect of provident fund contribution by the company and accumulating compensated absences respectively.

28.2 Rent, rates and taxes include operating lease rentals amounting to Rs. 2.294 million (2004: Rs. 2.799 million).

29. Other operating expenses

		2005	2004
		(Rupees in thousand)	
Workers' profit participation fund		**70,824**	63,732
Workers' welfare fund		**15,722**	18,580
Donations	- note 35	**6,829**	2,387
		93,375	84,699

30. Other operating income

		2005	2004
		(Rupees in thousand)	
Income from financial assets			
Exchange gain		-	506
Income on bank deposits including Rs. 1.344 million (2004: Nil) from related party		**83,385**	135
		83,385	641
Income from non-financial assets			
Management and technical fee		**5,975**	11,557
Insurance commission from related party		**2,997**	2,623
Rental income from investment property including Rs. 22.137 million (2004: Rs. 25.010 million) from related parties		**22,479**	25,252
Profit on disposal of property, plant and equipment		**5,352**	7,582
Scrap sales		**351**	346
Provisions and unclaimed balances written back		**55,423**	18,660
Agricultural income		**2,298**	2,417
Profit on outside jobs including Rs. 2.007 million (2004: Rs. 1.740 million) from related parties		**2,537**	9,310
Others		**3,884**	6,010
		101,296	83,757
		184,681	84,398

31. Finance cost

Interest and mark up including commitment charges on			
Long-term finances		**4,781**	114,755
Short-term borrowings		**26,455**	-
Finances under markup arrangements		**69,042**	13,832
Finance lease		**512**	2,587
Deferred import duties		**58**	1,064
Workers' profit participation fund		**-**	17
Loss on foreign currency forward options	-note 31.1	**35,213**	-
Loan handling charges		**26,497**	552
Exchange loss		**13,802**	-
Bank charges		**9,169**	6,201
		185,529	139,008

31.1 This represents ineffective portion of outstanding and closed foreign currency forward options entered into as referred to in notes 2.20 and 10.

32. Investment income

		2005	2004
		(Rupees in thousand)	
Dividend income from related parties	- note 32.1	**612,754**	535,836
Gain on Held to maturity investments		**293**	1,083
		613,047	536,919

32.1 Dividend income from related parties

	2005	2004
	(Rupees in thousand)	
Subsidiaries		
DIC Pakistan Limited (Formerly Coates Lorilleux Pakistan Limited)	**47,281**	48,970
Associated Undertakings		
Tetrapak Pakistan Limited	**484,000**	396,000
International General Insurance Company of Pakistan Limited	**5,866**	9,776
Nestle Pakistan Limited (Formerly Nestle Milkpak Limited)	**54,739**	51,090
Tri-Pack Films Limited	**15,000**	30,000
First International Investment Bank Limited	**5,868**	-
	612,754	535,836

33. Taxation

	2005	2004
For the year		
Current	**307,000**	302,000
Deferred	**18,000**	(12,000)
	325,000	290,000
Prior years		
Current	**(8,439)**	(24,881)
Deferred	**(2,000)**	(36,000)
	(10,439)	(60,881)
	314,561	229,119

33.1 Tax charge reconciliation

	% age	% age
Numerical reconciliation between the average effective tax rate and the applicable tax rate		
Applicable tax rate	**35.00**	35.00
Tax effect of amounts that are:		
Not deductible for tax purposes	**3.34**	3.44
Exempt for tax purposes	**(0.16)**	(0.34)
Chargeable to tax at different rates	**(13.82)**	(13.55)
Effect of change in prior years' tax	**(0.78)**	(5.13)
Tax effect under presumptive tax regime and others	**0.07**	(0.11)
	(11.35)	(15.69)
Average effective tax rate	**23.65**	19.31

34. Professional services

The charges for professional services include the following in respect of auditors' services for:

	2005	2004
Statutory audit	**600**	520
Half yearly review	**250**	200
Tax services	**3,693**	3,262
Workers' profit participation fund audit, management staff pension fund audit, special reports and certificates for lending agencies and sundry services	**170**	166
Out of pocket expenses	**150**	120
	4,863	4,268

35. Donations

None of the directors and their spouses had any interest in any of the donees during the year.

36. Remuneration of Chief Executive, Directors and Executives

36.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the Chief Executive, full time working Directors including alternate directors and Executives of the company is as follows:

	Chief Executive		Directors and alternate Directors		Executives	
	2005	2004	**2005**	2004	**2005**	2004
Number of Persons	**1**	1	**4**	5	**27**	23
	(Rupees in thousand)					
Short-term employee benefits						
Managerial remuneration	**2,784**	2,348	**8,302**	9,323	**40,899**	17,465
Housing	**1,558**	508	**3,366**	4,705	**9,589**	8,123
Utilities	**600**	633	**827**	929	**4,446**	1,913
Bonus	**282**	293	**1,058**	1,164	**2,255**	1,844
Leave passage	**336**	9	**661**	870	**1,287**	1,065
Medical expenses	**805**	566	**438**	421	**2,659**	1,251
Club expenses	**39**	31	**138**	122	**159**	88
Others	**-**	-	**1,111**	178	**8,128**	1,107
	6,404	4,388	**15,901**	17,712	**69,422**	32,856
Post employment benefits						
Contribution to provident, gratuity and pension funds	**594**	-	**2,376**	2,801	**4,315**	4,045
Other Long-term benefits						
Accumulating compensated absences	**1,721**	-	**2,827**	4,694	**9,702**	8,634
	8,719	4,388	**21,104**	25,207	**83,439**	45,535

The company also provides the Chief Executive and some of the Directors and Executives with free transport and residential telephones.

36.2 Remuneration to other directors

Aggregate amount charged in the financial statements for the year for fee to 5 directors (2004: 3 directors) is Rs. 125,000 (2004: Rs. 105,000).

37. Transactions with related parties

The related parties comprise subsidiaries and associated undertakings, other related group companies, directors of the company, key management personnel and post employment benefit plans. The company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables, amounts due from directors and key management personnel are shown under receivables and remuneration of directors and key management personnel is disclosed in note 36. Other significant transactions with related parties are as follows:

Relationship with the company	Nature of transactions	2005	2004
		(Rupees in thousand)	
(i) Subsidiaries	Purchases of goods and services	354,781	332,298
	Sale of goods and services	11,739	8,347
	Sale of property, plant and equipment	402	-
	Dividend income	47,281	48,970
	Rental Income	3,809	3,771
(ii) Associated Undertakings	Purchases of goods and services	205,831	180,153
	Sale of goods and services	1,471,536	1,301,940
	Sale of property, plant and equipment	300	-
	Purchase of property, plant and equipment	5,308	-
	Income on bank deposits	1,344	-
	Dividend income	565,473	486,865
	Rental Income	18,328	21,239
(iii) Other Related Parties	Purchases of goods and services	14,606	-
	Sale of goods and services	547,607	22,986
	Sale of property, plant and equipment	-	3,700
(iv) Post employment benefit plans	Expense charged in respect of retirement benefit plans	34,191	25,580

All transactions with related parties have been carried out on commercial terms and conditions.

38. Capacity and production - tonnes

	Capacity		Actual production	
	2005	2004	2005	2004
Paper and paperboard produced	111,300	107,300	104,542	91,421
Paper and paperboard converted	94,000	89,000	85,219	71,882
Plastics all sorts converted	8,000	7,500	7,360	6,732

The variance of actual production from capacity is on account of the product mix.

39. Rates of exchange

Liabilities in foreign currencies have been translated into Rupees at US $ 1.6686 (2004: US $ 1.6764), EURO 1.4094 (2004: EURO 1.2317), SFR 2.1939 (2004: SFR 1.8961), SEK 13.2450 (2004: SEK 11.1111), GBP 0.9686 (2004: GBP 0.8708), SGD 2.7739 (2004: SGD 2.7390) and YEN 196.3865 (2004: YEN 172.0578) equal to Rs. 100.

40. Cash generated from operations

	2005	2004
	(Rupees in thousand)	
Profit before taxation	**1,329,925**	1,186,621
Adjustments for:		
Depreciation on property, plant and equipment	**399,462**	415,431
Amortisation on intangible assets	**2,516**	28,455
Depreciation on investment property	**952**	886
Depreciation on assets subject to finance lease	**2,837**	11,823
Provision for accumulating compensated absences	**11,277**	12,660
Retirement benefits accrued	**18,649**	10,860
Gain on held to maturity investments	**(293)**	(1,083)
Net profit on disposal of property, plant and equipment	**(5,352)**	(7,582)
Finance cost	**185,529**	139,008
Dividend income	**(612,754)**	(535,836)
Profit before working capital changes	**1,332,748**	1,261,243
Effect on cash flow due to working capital changes		
Increase in trade debts	**(144,101)**	(62,989)
Increase in stores and spares	**(26,883)**	(61,676)
Increase in stock in trade	**(49,714)**	(250,209)
Increase in loans, advances, deposits, prepayments and other receivables	**(10,733)**	(36,790)
Increase in creditors, accrued and other liabilities	**9,084**	100,519
	(222,347)	(311,145)
	1,110,401	950,098

41. Cash and cash equivalents

Cash and bank balances	**2,019,950**	144,886
Finances under mark up arrangements	**(1,602,720)**	(234,197)
	417,230	(89,311)

42. Earnings per share

42.1 Basic earnings per share

Net profit for the year	**Rupees in thousand**	**1,015,364**	957,502
Weighted average number of ordinary shares	**Numbers**	**62,503,899**	48,654,736
Earnings per share	**Rupees**	**16.24**	19.68

Number of shares in issue during the year ended December 31, 2004 have been restated for the effect of right shares issued in the current year.

42.2 Diluted earnings per share

There is no dilution effect on the basic earnings per share as the company has no such commitments.

43. Financial assets and liabilities

	Interest/mark up bearing				Non interest bearing				Total		Credit risk	
	Maturity upto one year	Maturity after one year but within five years	Maturity after five years	Sub total	Maturity upto one year	Maturity after one year but within five years	Maturity after five years	Sub total	**2005**	2004	**2005**	2004
	(Rupees in thousand)											
Financial assets												
On balance sheet												
Investments	-	-	-	-		79,525	-	79,525	**79,525**	77,125	**79,525**	77,125
Loans to employees	-	-	-	-	353	1,499	-	1,852	**1,852**	1,546	**1,852**	1,546
Long-term security deposits	-	-	-	-	-	14,701	-	14,701	**14,701**	4,570	**14,701**	4,570
Trade debts	-	-	-	-	784,638	-	-	784,638	**784,638**	640,537	**784,638**	640,537
Loans, advances, deposits, prepayments and other receivables:	-	-	-	-	-	-	-	-	-	-	-	-
Trade deposits	-	-	-	-	22,973	-	-	22,973	**22,973**	6,571	**22,973**	6,571
Profit receivable on bank deposits	-	-	-	-	16,203	-	-	16,203	**16,203**	37	**16,203**	37
Others	-	-	-	-	54,524	-	-	54,524	**54,524**	51,248	**54,524**	51,248
Cash and bank balances	1,918,186	-	-	1,918,186	101,764	-	-	101,764	**2,019,950**	144,886	**2,012,439**	139,193
	1,918,186	-	-	1,918,186	980,455	95,725	-	1,076,180	**2,994,366**	926,520	**2,986,855**	920,827
Off balance sheet	-	-	-	-	-	-	-	-	-	-	-	-
Total	1,918,186	-	-	1,918,186	980,455	95,725	-	1,076,180	**2,994,366**	926,520	**2,986,855**	920,827
Financial liabilities												
On balance sheet												
Long-term loan - secured	-	285,714	714,286	1,000,000	-	-	-	-	**1,000,000**	-		
Term Finance Certificates - unsecured	-	-	-	-	-	-	-	-	**-**	850,000		
Other payables - secured	-	-	-	-	-	-	-	-	**-**	4,870		
Liabilities against assets subject to finance lease	5,159	851	-	6,010	-	-	-	-	**6,010**	10,811		
Finances under mark up arrangements - secured	1,602,720	-	-	1,602,720	-	-	-	-	**1,602,720**	234,197		
Derivative foreign currency forward options	-	-	-	-	90,959	-	-	90,959	**90,959**	-		
Creditors, accrued and other liabilities	-	-	-	-	463,847	-	-	463,847	**463,847**	425,221		
	1,607,879	286,565	714,286	2,608,730	554,806	-	-	554,806	**3,163,536**	1,525,099		
Off balance sheet												
Contracts for capital expenditure	-	-	-	-	3,105,869	-	-	3,105,869	**3,105,869**	234,918		
Letters of credit other than for capital expenditure	-	-	-	-	246,589	-	-	246,589	**246,589**	226,592		
Future payments under operating leases	-	-	-	-	7,747	8,947	2,364	19,058	**19,058**	18,983		
	-	-	-	-	3,360,205	8,947	2,364	3,371,516	**3,371,516**	480,493		
Total	1,607,879	286,565	714,286	2,608,730	3,915,011	8,947	2,364	3,926,322	**6,535,052**	2,005,592		
On balance sheet gap	310,307	(286,565)	(714,286)	(690,544)	425,649	95,725	-	521,374	**(169,170)**	(598,579)		
Off balance sheet gap	-	-	-	-	(3,360,205)	(8,947)	(2,364)	(3,371,516)	**(3,371,516)**	(480,493)		

The effective interest / mark up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

43.1 Financial risk management objectives

The company's activities expose it to a variety of financial risks, including the effects of changes in foreign exchange rates, market interest rates such as Karachi Inter-bank Offered Rate and Treasury bills rate, credit and liquidity risk associated with various financial assets and liabilities respectively as referred to in note 43 and cash flow risk associated with accrued interests in respect of borrowings as referred to in note 5.

The company finances its operations through equity, borrowings and management of working capital with a view to maintaining a reasonable mix between the various sources of finance to minimize risk.

Taken as a whole, risk arising from the company's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments.

(a) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The company's credit risk is primarily attributable to its trade debts and its balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The company has no significant concentration of credit risk as exposure is spread over a large number of counter parties in the case of trade debts. Out of the total financial assets of Rs. 2,994.366 million (2004: Rs. 926.520 million) financial assets which are subject to credit risk amount to Rs. 2,986.855 million (2004: Rs. 920.827 million). To manage exposure to credit risk, the company applies credit limits to its customers and also obtains collaterals, where considered necessary.

(b) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. Payables exposed to foreign currency risks are covered partially through forward foreign exchange contracts and foreign currency forward options.

(c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The company usually borrows funds at fixed and market based rates and as such the risk is minimized. Significant interest rate and cash flow risk exposures are primarily managed by contracting floor and cap of interest rates as referred to in note 5.

(d) Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

43.2 Fair value of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values except for investments which are stated at cost. Fair value is determined on the basis of objective evidence at each reporting date.

44. Date of authorization for issue

These financial statements were authorised for issue on February 06, 2006 by the Board of Directors of the company.

45. Events after the balance sheet date

The Board of Directors have proposed a final dividend for the year ended December 31, 2005 of Rs. 6.00 (2004: Rs. 8.50) per share, amounting to Rs. 419.277 million (2004: Rs. 404.065 million) at their meeting held on February 06, 2006 for approval of the members at the Annual General Meeting to be held on March 17, 2006. The Board has also recommended to transfer Rs. 596.00 million (2004: Rs 559.000 million) to general reserve from unappropriated profit.

Previously appropriations other than dividends made subsequent to the balance sheet date were recorded in the statement of changes in equity. The company, effective from the current year, has not recorded such appropriations in its statement of changes in equity as it is considered more appropriate for the purpose of presentation. Such a change in policy has been accounted for retrospectively and comparative financial statements have been restated in accordance with the benchmark treatment of IAS-8 'Accounting policies, Changes in Accounting Estimates and Errors'. However, the change has no effect on the current or prior years' shareholders' equity.

46. Corresponding figures

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. However, no significant re-arrangements have been made.

Asadullah Khawaja	Syed Hyder Ali	Mujeeb Rashid
Chairman	Managing Director & Chief Executive	Director

Directors' Report on the Consolidated Financial Statements

بسم الله الرحمن الرحيم

The Board of Directors of Packages Limited is pleased to present the audited consolidated accounts of the group for the year ended December 31, 2005.

Financial Overview

During the year under review the group sales increased by 18%. However, the increase in prices of petroleum-based products have affected every company within the group, but profit from operation, was compensated by keeping a tight control on overheads and increase in other operating income. The result has been an increase of 17% in profit before tax from the previous year.

Following are the comparative financial results for the year 2005 with 2004.

Rupees in million	**2005**	2004
Invoiced Sales	**8,970**	7,579
Gross Profit	**1,590**	1,509
Profit from Operation	**1,058**	911
Income from Associated Companies	**836**	680
Profit before tax	**1,672**	1,427
Combined Earnings per Share -Rs.	**17.79**	20.38

The auditors' opinion on consolidated financial statements is based on un-audited account of associated companies as the audits of these companies were in progress as of the date of signing of this report.

DIC Pakistan Limited

DIC Pakistan Limited (Formerly Coates Lorilleux Pakistan Limited) registered an increase of 18 % in its sales due to volume growth with significant improved results in rotogravure and offset inks. The gross margin has improved by 17% from the last year mainly due to production efficiencies, reduction in raw material cost by substituting costly raw materials, control over wastage and operating Income.

Over the course of next year, DIC Pakistan Limited (Formerly Coates Lorilleux Pakistan Limited) intends to further improve efficiency & quality in liquid & past inks, by installing another dispensing unit for liquid inks at Karachi to produce quality inks for customers. The new dispensing system should be installed during 2nd half of the year and packaging machine in Lahore for paste inks in first half of the year.

Packages Lanka (Pvt.) Limited

Packages Lanka sales grew by 20% over last year. The additional business was possible by repeat as well as new business. However, in spite of increased sales, there was a marginal loss of Rs. 540,355 for the year because of abnormal increase in the cost of all petroleum based raw materials which could not be fully passed on to the customers. Furthermore the price of energy in the form of diesel also increased substantially.

The financial costs increased during the year, as the need, for working capital was higher due to increased sales. The company also had to pay a pre-payment cost to the National Development Bank (NDB) for transferring their expensive long-term loan to MCB Bank at better terms. The benefit of reduced interest will start accruing from this year as this transaction became effective only from December 2005.

The management looks to the future positively with improved results in 2006.

The company was awarded ISO 9001:2000 certificate on May 30, 2005. The Sri Lanka Association of Printers also declared it Winner and First Runner-up in Flexo Printed Flexible Packaging category, for two of their entries. This is an award for which all leading Printing/Packaging companies contest nationally. The entries are evaluated for printing excellence by an international panel of experts.

Pattern of Shareholding

The pattern of shareholding is included in the parent company's shareholders information annexed to their Directors' report.

(Syed Hyder Ali)
Managing Director & Chief Executive
Lahore, February 06, 2006

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Packages Limited and its subsidiary companies as at December 31, 2005 and the related consolidated profit and loss account, cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Packages Limited and its subsidiary companies except for Packages Lanka (Private) Limited which was audited by other firm of auditors, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for such company, is based solely on the report of such other auditors. These financial statements are the responsibility of the Holding company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

Group's share of income from associated companies of Rs. 836 million shown in the consolidated profit and loss account and note 19.1 to the consolidated financial statements is based on unaudited financial statements of these associated companies.

Except for the effect, if any, of the matter referred to in the precedding paragraph, in our opinion the consolidated financial statements present fairly the financial position of Packages Limited and its subsidiary companies as at December 31, 2005 and the results of their operations for the year then ended.

A.F. Ferguson & Co.
Chartered Accountants
Lahore, February 06, 2006

Consolidated Balance Sheet
as at December 31, 2005

	Note	2005	2004
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
100,000,000 (2004: 60,000,000)			
ordinary shares of Rs. 10 each		**1,000,000**	600,000
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Issued, subscribed and paid up capital			
69,879,507 (2004: 47,537,080)			
ordinary shares of Rs. 10 each	3	**698,795**	475,371
Reserves	4	**5,993,650**	2,721,658
Unappropriated profit		**1,857,321**	1,708,616
		8,549,766	4,905,645
MINORITY INTEREST		**90,547**	93,399
		8,640,313	4,999,044
NON-CURRENT LIABILITIES			
Long-term finances	5	**1,033,339**	48,501
Liabilities against assets subject to finance lease	6	**2,187**	6,351
Deferred liabilities	7	**597,551**	564,835
		1,633,077	619,687
CURRENT LIABILITIES			
Current portion of long-term liabilities	8	**23,627**	878,105
Finances under mark up arrangements -secured	9	**1,895,761**	504,305
Derivative foreign currency forward options	10	**90,959**	-
Creditors, accrued and other liabilities	11	**674,666**	646,543
Provision for taxation		**20,812**	42,966
		2,705,825	2,071,919
CONTINGENCIES AND COMMITMENTS	12	**-**	-
		12,979,215	7,690,650

	Note	2005	2004
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	**3,270,087**	3,222,227
Intangible assets	14	**5,440**	6,385
Investment property	15	**8,588**	9,187
Assets subject to finance lease	16	**11,256**	12,155
Capital work-in-progress	17	**3,267,194**	330,122
Goodwill	18	**37,106**	47,708
Investments	19	**1,309,058**	1,193,234
Long-term loans and deposits	20	**16,813**	6,362
Retirement benefits	21	**60,291**	51,725
		7,985,833	4,879,105
CURRENT ASSETS			
Stores and spares	22	**423,866**	391,655
Stock-in-trade	23	**1,415,522**	1,364,703
Trade debts	24	**916,576**	735,233
Investments	19	**-**	9,067
Loans, advances, deposits, prepayments and other receivables	25	**203,797**	163,455
Cash and bank balances	26	**2,033,621**	147,432
		4,993,382	2,811,545
		12,979,215	7,690,650

The annexed notes 1 to 47 form an integral part of these financial statements.

Asadullah Khawaja
Chairman

Syed Hyder Ali
Managing Director & Chief Executive

Mujeeb Rashid
Director

Consolidated Profit and Loss Account
for the Year ended December 31, 2005

	Note	2005	2004
		(Rupees in thousand)	
Local sales		**8,855,304**	7,469,426
Export sales		**114,924**	109,629
		8,970,228	7,579,055
Less: Sales tax and excise duty		**1,119,257**	959,027
Commission		**13,009**	14,635
		1,132,266	973,662
		7,837,962	6,605,393
Cost of goods sold	27	**(6,247,568)**	(5,096,336)
Gross profit		**1,590,394**	1,509,057
Administration expenses	28	**(394,358)**	(396,094)
Distribution and marketing expenses	29	**(219,322)**	(193,746)
Other operating expenses	30	**(101,888)**	(91,175)
Other operating income	31	**183,648**	82,936
Profit from operations		**1,058,474**	910,978
Finance cost	32	**(222,455)**	(163,487)
Income from associated companies		**836,208**	679,907
Profit before tax		**1,672,227**	1,427,398
Taxation			
Group	33	**(363,161)**	(263,371)
Associated companies		**(162,311)**	(138,738)
		(525,472)	(402,109)
Profit for the year		**1,146,755**	1,025,289
Attributable to:			
Equity holders of the parent		**1,111,770**	991,803
Minority interest		**34,985**	33,486
		1,146,755	1,025,289
Combined earnings per share -basic and diluted Rs.	42	**17.79**	20.38

Appropriations have been reflected in the statement of changes in equity.

The annexed notes 1 to 47 form an integral part of these financial statements.

Asadullah Khawaja	Syed Hyder Ali	Mujeeb Rashid
Chairman	Managing Director & Chief Executive	Director

Consolidated Cash Flow Statement
for the year ended December 31, 2005

	Note	2005	2004
		(Rupees in thousand)	
Cash flow from operating activities:			
Cash generated from operations	40	**1,279,922**	1,005,987
Finance cost paid		**(198,647)**	(165,401)
Taxes paid		**(362,315)**	(33,400)
Payments for accumulating compensated absences		**(7,199)**	(4,698)
Retirement benefits paid		**(27,215)**	(25,249)
Net cash from operating activities		**684,546**	777,239
Cash flow from investing activities:			
Purchase of property, plant and equipment		**(3,427,668)**	(508,938)
Net increase in long-term loans and deposits		**(10,451)**	(2,001)
Proceeds from sale of property, plant and equipment		**18,192**	20,205
Dividends received		**528,981**	486,866
Investments		**9,360**	(49,999)
Net cash used in investing activities		**(2,881,586)**	(53,867)
Cash flow from financing activities:			
Proceeds from long-term finances		**1,600,000**	-
Proceeds from issue of ordinary shares		**3,006,788**	-
Repayment of long-term finances		**(1,471,412)**	(86,531)
Payment of finance lease liabilities		**(2,392)**	(26,877)
Dividend paid		**(402,496)**	(402,966)
Dividend paid to minority shareholders		**(38,715)**	(40,300)
Net cash from / used in financing activities		**2,691,773**	(556,674)
Net increase in cash and cash equivalents		**494,733**	166,698
Cash and cash equivalents at the beginning of the year		**(356,873)**	(523,571)
Cash and cash equivalents at the end of the year	41	**137,860**	(356,873)

The annexed notes 1 to 47 form an integral part of these financial statements.

Asadullah Khawaja Chairman	Syed Hyder Ali Managing Director & Chief Executive	Mujeeb Rashid Director

Consolidated Statement of Changes in Equity
for the year ended December 31, 2005

	Attributable to equity holders of the Parent								Minority Interest	Total Equity
	Share capital	Share premium	Exchange difference on translation of foreign subsidiary	Fair value reserve	Hedging reserve	General reserve	Unappro- priated profit	Total		
	(R u p e e s i n t h o u s a n d)									
Balance as on December 31, 2003 as previously reported	475,371	203,589	(21,771)	-	-	2,549,036	1,115,178	4,321,403	102,647	**4,424,050**
Effect of changes in accounting policies:										
Transferred from general reserve due to change in accounting policy (note 46)	-	-	-	-	-	(409,000)	409,000	-	-	**-**
Transferred from general reserve due to change in accounting policy (note 2.10)	-	-	-	-	-	(17,100)	17,100	-	-	**-**
Effect of change in accounting policy (note 2.10) unrealised changes in fair value of available for sale investments recognised directly in equity	-	-	-	11,400	-	-	(11,400)	-	-	**-**
Balance as on December 31, 2003 as restated	475,371	203,589	(21,771)	11,400	-	2,122,936	1,529,878	4,321,403	102,647	**4,424,050**
Final Dividend for the year ended December 31, 2003 Rs. 8.50 per share	-	-	-	-	-	-	(404,065)	(404,065)	(23,505)	**(427,570)**
Transferred from profit and loss account						409,000	(409,000)	-	-	**-**
Interim dividend for the year	-	-	-	-	-	-	-	-	(16,592)	**(16,592)**
Fair value gain during the year	-	-	-	5,700	-	-	-	5,700	-	**5,700**
Exchange adjustments	-	-	(9,196)	-	-	-	-	(9,196)	(2,637)	**(11,833)**
Profit for the year	-	-	-	-	-	-	991,803	991,803	33,486	**1,025,289**
Balance as on December 31, 2004 as restated	475,371	203,589	(30,967)	17,100	-	2,531,936	1,708,616	4,905,645	93,399	**4,999,044**
Final Dividend for the year ended December 31, 2004 Rs. 8.50 per share	-	-	-	-	-	-	(404,065)	(404,065)	(38,716)	**(442,781)**
Transferred from profit and loss account	-	-	-	-	-	559,000	(559,000)	-	-	-
Issue of 22,342,427 ordinary shares of Rs. 10 each fully paid in cash - net of issue costs	223,424	2,783,364	-	-	-	-	-	3,006,788	-	**3,006,788**
Fair value gain during the year	-	-	-	2,400	-	-	-	2,400	-	**2,400**
Loss arising on marking to market foreign currency forward options entered into as part of cash flow hedge for the purchase of plant and machinery (note 10)	-	-	-	-	(76,092)	-	-	(76,092)	-	**(76,092)**
Profit for the year	-	-	-	-	-	-	1,111,770	1,111,770	34,985	**1,146,755**
Exchange adjustments	-	-	3,320	-	-	-	-	3,320	879	**4,199**
Balance as on December 31, 2005	**698,795**	**2,986,953**	**(27,647)**	**19,500**	**(76,092)**	**3,090,936**	**1,857,321**	**8,549,766**	**90,547**	**8,640,313**

The annexed notes 1 to 47 form an integral part of these financial statements.

Asadullah Khawaja
Chairman

Syed Hyder Ali
Managing Director & Chief Executive

Mujeeb Rashid
Director

1. Nature of business

Packages Group comprises the following business:

Packaging: Representing manufacture and sale of paper, paperboard, packaging materials and tissue products.

Inks: Representing manufacture and sale of finished and semi finished inks.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 and International Accounting Standards (IAS) as applicable in Pakistan. Approved Accounting Standards comprise of such IASs as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention, except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.

2.2.1 Principles of consolidation

The consolidated financial statements include Packages Limited and all companies in which it directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors. Subsidiaries are consolidated as from the date of acquisition using the purchase method. Details of the subsidiaries are given in note 44. Investments in associated companies, where the group has significant influence, are accounted for by the equity method.

Minority interests are that part of the net results of operations and of net assets of subsidiaries attributable to interests which are not owned by the parent company.

2.3 Taxation

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to an equity in which case it is included in equity.

Provision is not made for taxation which would become payable if retained profits of subsidiaries were distributed to the parent company, as it is not the intention to distribute more than the dividends, the tax on which is included in the financial statements.

2.4 Property, plant and equipment

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Cost in relation to certain plant and machinery signifies historical cost and interest, mark up etc. as referred to in note 2.24.

Depreciation on all property, plant and equipment is charged to profit on the straight-line method so as to write off the depreciable amount of an asset over its estimated useful life at the following annual rates:

Plant and machinery	6.25%	to 20%
Buildings	2.5 %	to 10%
Other equipments	10%	to 33.33%
Furniture and fixtures	10 %	to 33.33%
Vehicles	20%	

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant.

Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed off.

The group assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

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

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

2.5 Intangible assets

Expenditure incurred to acquire computer software and SAP Enterprise Resource Planning System (ERP) are capitalised as intangible assets and stated at cost less accumulated amortisation and any identified impairment loss. Intangible assets are amortised using the straight-line method over a period of three years.

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

The group assesses at each balance sheet date whether there is any indication that intangible asset may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the amortisation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

2.6 Capital work in progress

Capital work in progress is stated at cost less any identified impairment loss.

2.7 Investment property

Property not held for own use or for sale in the ordinary course of business is classified as investment property. The investment property of the group comprises buildings and is valued using the cost method i.e. at cost less any accumulated depreciation and any identified impairment loss.

Depreciation on buildings is charged to profit on the straight-line method so as to write off the depreciable amount of building over its estimated useful life at the rates ranging from 3.33% to 4% per annum. Depreciation on additions to investment property is charged from the month in which a property is acquired or capitalised while no depreciation is charged for the month in which the property is disposed off.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant.

The group assesses at each balance sheet date whether there is any indication that investment property may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

2.8 Leases

(1) The group is the lessee:

Finance leases

Leases where the group has substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets.

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease as referred to in note 6. The liabilities are classified as current and long term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.

Assets acquired under a finance lease are depreciated over the useful life of the asset on a straight-line method at the rates given in note 2.4. Depreciation of leased assets is charged to profit.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight-line basis over the lease term.

(2) The group is the lessor:

Operating leases

Assets leased out under operating leases are included in investment property as referred to in note 15. These are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net off any incentives given to lessees) is recognised on a straight-line basis over the lease term.

2.9 Goodwill

Goodwill (being the difference between consideration paid for new interest in group companies and associated companies and the fair value of the group's share of their net assets at the date of acquisition) is capitalised and amortised over its estimated useful life at an annual rate of 10%.

Amortisation of goodwill is charged to profit on a straight-line basis.

2.10 Investments

Investments in equity instruments of associated companies

Associates are all entities over which the group has significant influence but no control. Investments in equity instruments of associates are accounted for using the equity method of accounting and are initially recognised at cost.

Other investments

The other investments made by the group are classified for the purpose of measurement into the following categories:

Held to maturity

Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity and are initially measured at cost and at subsequent reporting dates measured at amortised cost using the effective yield method.

Available for sale

Investments classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology.

In pursuance of revised International Accounting Standard (IAS) 39 "Financial Instruments: Recognition & Measurement" which is applicable for accounting years beginning on or after January 01, 2005, the group has changed it's accounting policy relating to recognition of unrealised gains and losses arising from changes in the fair value of available for sale investments that were previously included in the net profit or loss for the period in which these arise. Now unrealised gains and losses arising from changes in fair value are directly recognised in equity in the period in which these arise. Cumulative gains and losses arising from changes in fair value are included in net profit or loss for the period in which an investment is derecognised. Such a change in accounting policy has been accounted for retrospectively and comparative financial statements have been restated in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Had there been no change the profit for the year ended December 31, 2005 would have been higher by Rs. 2.400 million. However, there is no effect on shareholders' equity for the current or prior years.

All purchases and sales of investments are recognised on the trade date which is the date that the group commits to purchase or sell the investment. Cost of purchase includes transaction cost.

At each reporting date, the group reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognised as expense. Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised recoverable amount but limited to the extent of initial cost of the investment. A reversal of the impairment loss is recognised in income. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

2.11 Employee retirement benefits

The main features of the schemes operated by the group for its employees are as follows:

(a) All the executive staff participates in an approved funded defined benefit pension plan. In addition, there is an approved funded defined benefit gratuity plan for all employees. Monthly contributions are made to these funds on the basis of actuarial recommendation at the rate of 20 percent per annum of basic salaries for pension and 4.50 percent per annum of basic salaries for gratuity. The latest actuarial valuation for the pension and gratuity schemes was carried out as at December 31, 2005. The actual returns on plan assets during the year were Rs. 70.357 million and Rs. 21.515 million for the pension and gratuity funds respectively. The actual returns on plan assets represent the difference between the fair value of plan assets at beginning of the year and end of the year after adjustments for contributions made by the group as reduced by benefits paid during the year.

The future contribution rates of these plans include allowances for deficit and surplus. Projected unit credit method, using the following significant assumptions, is used for valuation of these schemes:

Discount rate 10.78 percent per annum.

Expected rate of increase in salary level 8.66 percent per annum.

Expected rate of return 10.78 percent per annum.

The group's policy with regard to actuarial gains/losses is to follow minimum recommended approach under IAS 19 "Employee Benefits".

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

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

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

2.12 Stores and spares

Usable stores and spares are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

2.13 Stock-in-trade

Stock of raw materials, except for those in transit, work-in-process and finished goods are valued principally at the lower of weighted average cost and net realizable value. Cost of work-in-process and finished goods comprises cost of direct materials, labour and appropriate manufacturing overheads.

Materials in transit are stated at cost comprising invoice value plus other charges paid thereon.

Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale.

2.14 Financial assets and liabilities

Financial assets and liabilities are recognised when the group becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

2.15 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognised amount and the group intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

2.16 Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

2.17 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and finances under mark up arrangements. In the balance sheet, finances under mark up arrangements are included in current liabilities.

2.18 Borrowings

Borrowings are initially recorded at the proceeds received. In subsequent periods, borrowings are stated at amortised cost using the effective yield method. Finance costs are accounted for on an accrual basis and are included in creditors, accrued and other liabilities to the extent of the amount remaining unpaid.

2.19 Creditors, accrued and other liabilities

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received.

2.20 Provisions

Provisions are recognised when the group has a present obligation as a result of past event which it is probable will result in an outflow of economic benefits and a reliable estimate can be made of the amount of the obligation.

2.21 Derivative financial instruments

These are initially recorded at fair value on the date a derivative contract is entered into and are remeasured to fair value at subsequent reporting dates. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as cash flow hedges.

The group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flow of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account.

Amounts accumulated in equity are recognised in profit and loss account in the periods when the hedged item will effect profit or loss. However, when the forecast hedged transaction results in the recognition of a non-financial asset or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

2.22 Revenue recognition

Revenue is recognised on despatch of goods or on the performance of services except for management fee, which is recognised on receipt. It includes sales to associated companies but does not include sales by associated companies or sales between group companies.

Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

Dividend income on equity investments is recognised as income when the right of receipt is established.

2.23 Foreign currencies

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at the spot rate. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

For the purposes of consolidation, income and expense items of the foreign subsidiary are translated at annual average exchange rate. All monetary and non-monetary assets and liabilities are translated at the exchange rate prevailing at the balance sheet date except for share capital which is translated at historical rate. Exchange differences arising on the translation of foreign subsidiary are classified as equity reserve until the disposal of interest in such subsidiary.

All other exchange differences are included in income currently.

2.24 Borrowing costs

Mark up, interest and other charges on long term finances are capitalised upto the date of commissioning of the related property, plant and equipment, acquired out of the proceeds of such long term finances. All other mark up, interest and other charges are charged to income.

2.25 Dividend

Dividend distribution to the shareholders is recognised as a liability in the period in which it is approved by the shareholders.

3. Issued, subscribed and paid up capital

2005	2004		2005	2004
(Number of shares)			(Rupees in thousand)	
33,603,295	11,260,868	Ordinary shares of Rs. 10 each fully paid in cash	**336,033**	112,609
148,780	148,780	Ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash	**1,488**	1,488
36,127,432	36,127,432	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	**361,274**	361,274
69,879,507	47,537,080		**698,795**	475,371

Ordinary shares of the parent company held by associated undertakings as at year end are as follows:

	2005	2004
	(Number of shares)	
International General Insurance Company of Pakistan Limited	**15,424,636**	9,391,620
First International Investment Bank Limited	**124,400**	-
Loads Limited	**62,475**	42,500
Treet Corporation Limited	**731,289**	298,500
	16,342,800	9,732,620

4. Reserves

		2005	2004
		(Rupees in thousand)	
Movement in and composition of reserves is as follows:			
Capital			
Share premium			
At the beginning of the year		**203,589**	203,589
Premium on issue of ordinary shares net of issue costs		**2,783,364**	-
	- note 4.1	**2,986,953**	203,589
Exchange difference on translation of foreign subsidiary			
At the beginning of the year		**(30,967)**	(21,771)
Exchange difference for the year		**3,320**	(9,196)
		(27,647)	(30,967)
Fair value reserve			
At the beginning of the year		**17,100**	11,400
Fair value gain during the year		**2,400**	5,700
	- note 4.2	**19,500**	17,100
Hedging reserve	- note 4.3	**(76,092)**	-
		2,902,714	189,722
Revenue			
General reserve			
At the beginning of the year		**2,531,936**	2,122,936
Transfer from profit and loss account		**559,000**	409,000
		3,090,936	2,531,936
		5,993,650	2,721,658

4.1 This reserve can be utilised by the group only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

4.2 As referred to in note 2.10 this represents the unrealised gain on remeasurement of investments at fair value and is not available for distribution. This will be transferred to profit and loss account on derecognition of investments.

4.3 As referred to in note 10 this represents the effective portion of the loss arising on foreign currency forward options.

5. Long-term - finances

		2005	2004
		(Rupees in thousand)	

These are composed of:

		2005	2004
Long-term loan - secured	- note 5.1	**1,000,000**	-
Term finance certificates - unsecured	- note 5.2	**-**	850,000
Foreign currency loans - secured	- note 5.3	**50,734**	67,276
Other payables - secured	- note 5.4	**-**	4,870
		1,050,734	922,146
Less: Current portion shown under current liabilities			
Term finance certificates - unsecured		**-**	850,000
Foreign currency loans - secured		**17,395**	18,775
Other payables - secured		**-**	4,870
		17,395	873,645
		1,033,339	48,501

5.1 Long-term loan - secured

This loan has been obtained by parent company from a consortium of commercial banks led by MCB Bank Limited. It is secured by a first ranking exclusive hypothecation / equitable mortgage charge over all present and future fixed assets of the parent company amounting to Rs. 14,000 million. It carries mark up at six month "Karachi Inter Bank Offered Rates (KIBOR) plus 1.35 per cent per annum" and is payable semi annually. The effective mark up charged during the year was 10.53%. Of the aggregate facility of Rs 10,500 million, the amount availed as at December 31, 2005 is Rs. 1,000 million (2004: Rs. Nil), repayable in 14 equal semi annual instalments commencing June 06, 2009.

5.2 Term finance certificates - unsecured

These certificates have been redeemed during the year.

5.3 Foreign currency loans - secured

These are composed of:

Lender		Foreign currency balance		Rupee equivalent	
		2005	2004	**2005**	2004
		(SLR in thousand)		(Rupees in thousand)	
National Development Bank of Sri Lanka	-note 5.3.1	**-**	118,680	**-**	67,276
MCB Bank Limited	-note 5.3.2	**86,725**	-	**50,734**	-
		86,725	118,680	**50,734**	67,276

The above loans have been obtained by foreign subsidiary of the group.

5.3.1 This has been repaid during the year.

5.3.2 This carries mark up which ranges from 11 percent per annum to 17.5 percent per annum and is repayable monthly. The loan is repayable in 36 equal instalments ending 2008. It is secured by an equitable mortgage of land and building and a charge on machinery of the subsidiary.

5.4 Other payables - secured

These have been repaid during the year.

6. Liabilities against assets subject to finance lease

	2005	2004
	(Rupees in thousand)	
Present value of minimum lease payments	**8,419**	10,811
Less: Current portion shown under current liabilities	**6,232**	4,460
	2,187	6,351

The present value of minimum lease payments have been discounted at implicit interest rate ranging from 7.25% to 13.30% to arrive at their present value. The lessee has the option to purchase the assets after expiry of the lease term.

Taxes, repairs, replacements and insurance costs are to be borne by the lessee.

The amount of future payments of the lease and the period in which these payments will become due are as follows:

Years	Minimum lease payment	Future finance charge	Present value of lease liability	
			2005	2004
	(Rupees in thousand)			
Not later than one year	6,584	352	**6,232**	4,460
Later than one year and not later than five years	2,395	208	**2,187**	6,351
	8,979	560	**8,419**	10,811

7. Deferred liabilities

		2005	2004
		(Rupees in thousand)	
Deferred taxation	- note 7.1	**514,500**	486,500
Accumulating compensated absences	- note 7.2	**81,391**	77,068
Staff Gratuity	- note 7.3	**1,660**	1,267
		597,551	564,835

7.1 Deferred taxation

	2005	2004
	(Rupees in thousand)	
The liability for deferred taxation comprises timing differences relating to:		
Accelerated tax depreciation	**525,395**	499,226
Provision for accumulating compensated absences	**(28,487)**	(26,026)
Provision for doubtful debts	**(35)**	(50)
Provision for slow moving items	**(616)**	(281)
Provision for doubtful receivables	**(527)**	(139)
Impairment loss in value of investments	**(16,230)**	(16,230)
Investments in associated companies	**35,000**	30,000
	514,500	486,500

7.2 Accumulating compensated absences

	2005	2004
Opening balance	**77,068**	68,078
Provision for the year	**11,522**	13,688
	88,590	81,766
Less: Payments made during the year	**7,199**	4,698
Closing balance	**81,391**	77,068

7.3 Staff gratuity fund

This represents staff gratuity of employees of Packages Lanka (Private) Limited and is unfunded.

8. Current portion of long-term liabilities

		2005	2004
		(Rupees in thousand)	
Term finance certificates - unsecured	- note 5	**-**	850,000
Foreign currency loans - secured	- note 5	**17,395**	18,775
Other payables - secured	- note 5	**-**	4,870
Liabilities against assets subject to finance lease	- note 6	**6,232**	4,460
		23,627	878,105

9. Finances under mark up arrangements - secured

		2005	2004
Running finances - secured	- note 9.1	**1,374,435**	351,922
Term finance - secured	- note 9.2	**521,326**	152,383
		1,895,761	504,305

9.1 Running finances - secured

Short term running finances available from a consortium of commercial banks under mark up arrangements amount to Rs. 3,317.100 million (2004: Rs. 3,210.000 million). The rates of mark up range from Re. 0.1096 to Re. 0.3699 per Rs. 1,000 per diem or part thereof on the balances outstanding. In the event, the group fails to pay the balances on the expiry of the quarter, year or earlier demand, mark up is to be computed at the rates ranging from Re. 0.1315 to Re. 0.8770 per 1000 per diem or part thereof on the balances unpaid. The aggregate running finances are secured by hypothecation of stores, spares, stock-in-trade and trade debts.

9.2 Term finance - secured

Term finance available from a consortium of commercial banks under mark up arrangement amount to Rs. 521.326 million (2004: Rs. 152.383 million). The rates of mark up range from Re 0.2411 to Re 0.3699 per Rs. 1,000 per diem or part thereof. It is secured by hypothecation of stores, stock-in-trade and trade debts.

Of the aggregate facility of Rs. 11,350.062 million (2004: Rs. 1,388.150 million) for opening letters of credit and Rs. 312.809 million (2004: Rs. 394.000 million) for guarantees, the amount utilised at December 31, 2005 was Rs. 374.800 million (2004: Rs. 151.509 million) and Rs. 138.562 million (2004: 144.342 million) respectively. Of the facility for guarantees, Rs. 322.500 million (2004:Rs. 322.500 million) is secured by second hypothecation charge over stores, spares, stock-in-trade and trade debts.

10. Derivative foreign currency forward options

The group has entered into foreign currency forward options to hedge the possible adverse movements in exchange rates (exchange rate risk) arising on foreign currency payments required to be made for the purchase of new plant. As the hedging relationship is effective and meets the criteria of cash flow hedge, this arrangement qualifies for special hedge accounting specified in IAS 39.

The foreign currency forward options that are outstanding as at December 31, 2005 have been marked to market and the effective portion of the loss arising thereon amounting to Rs. 76.092 million has been recognised in the statement of changes in equity as hedging reserve. The ineffective portion of Rs. 14.867 million has been recognised in profit and loss account during the year.

11. Creditors, accrued and other liabilities

		2005	2004
		(Rupees in thousand)	
Trade creditors	- note 11.1	**88,274**	59,313
Accrued liabilities	- note 11.2	**352,657**	349,405
Sales tax payable		**28,370**	30,915
Excise duty payable		**42**	-
Customers' balances		**36,310**	59,070
Deposits - interest free repayable on demand		**4,349**	4,322
Mark up accrued on:			
Long - term loan - secured		**7,575**	-
TFCs - unsecured		**-**	23,934
Other payables - secured		**-**	284
Finances under mark up arrangements- secured		**29,239**	3,660
Workers' profit participation fund	- note 11.3	**77,407**	69,572
Workers' welfare fund		**17,531**	16,413
TFCs payable		**1,420**	1,415
Unclaimed dividends		**7,529**	5,960
Others		**23,963**	22,280
		674,666	646,543

11.1 Trade creditors include amount due to related parties Rs. 29.208 million (2004: Rs.21.086 million).

11.2 Accrued liabilities include amount due to related parties Rs. 14.986 million (2004: Rs. 9.209 million).

11.3 Workers' profit participation fund

		2005	2004
		(Rupees in thousand)	
Opening balance		**69,572**	60,297
Provision for the year	- note 30	**77,407**	69,516
Interest charged during the year	- note 32	-	17
		146,979	129,830
Less: Payments made during the year		**69,572**	60,258
Closing balance		**77,407**	69,572

12. Contingencies and commitments

12.1 Contingencies

(i) Claims against the group not acknowledged as debts Rs. 10.362 million (2004: Rs. 11.149 million).

(ii) Against a sales tax refund aggregating Rs. 12.827 million determined by the Sales Tax Officer (STO) on the basis of the orders of the Appellate Assistant Commissioner (AAC) for the assessment years 1977-78 through 1980-81 and recognised in the financial statements in 1985, the STO filed an appeal in 1986 with the Income Tax Appellate Tribunal (ITAT) against the Orders of the AAC for these years. The orders of the AAC were based on a decision already given by the ITAT on the parent company's appeal for application of a lower rate of sales tax on self consumed material for earlier years. Pending the outcome of the appeal filed by STO no adjustment has been made for the refunds recognised in the financial statements as the management is of the view that the appeal of the STO will not be upheld by the ITAT.

12.2 Commitments in respect of

(i) Contracts for capital expenditure Rs. 3,105.869 million (2004: Rs. 243.594 million).

(ii) Letters of credit other than for capital expenditure Rs. 275.689 million (2004: Rs. 475.468 million).

(iii) The amount of future payments under operating leases and the period in which these payments will become due are as follows:

	2005	2004
	(Rupees in thousand)	
Not later than one year	**7,747**	5,701
Later than one year and not later than five years	**8,947**	10,878
Later than five years	**2,364**	2,404
	19,058	18,983

13. Property, plant and equipment

	Cost as at December 31, 2004	Transfer in	Exchange adjustment on opening cost	Additions/ (deletions)	Cost as at December 31, 2005	Accumulated depreciation as at December 31, 2004	Exchange adjustment on opening accumulated depreciation	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at December 31, 2005	Book value as at December 31, 2005
		(Rupees in thousands)								
Freehold land	127,457	-	717	12,530	**140,704**	-	-	-	**-**	**140,704**
Buildings on freehold land	264,356	-	1,181	24,487	**290,024**	65,669	385	11,668	**77,722**	**212,302**
Buildings on leasehold land	193,048	-	-	1,468	**194,516**	38,143	-	7,303	**45,446**	**149,070**
Plant and machinery	6,483,463	-	6,991	359,388	**6,806,522**	3,927,670	2,839	359,525	**4,252,241**	**2,554,281**
				(43,320)				(37,793)		
Other equipment	325,437	-	1,944	47,808	**373,829**	218,088	1,795	27,404	**246,031**	**127,798**
				(1,360)				(1,256)		
Furniture and fixtures	27,769	-	(428)	1,755	**28,746**	13,919	(386)	3,399	**16,680**	**12,066**
				(350)				(252)		
Vehicles	160,361	737	40	38,294	**180,188**	96,175	38	22,666	**106,322**	**73,866**
				(19,244)				(12,557)		
2005	7,581,891	**737**	10,445	485,730	**8,014,529**	4,359,664	4,671	431,965	**4,744,442**	**3,270,087**
				(64,274)	**-**			(51,858)	-	
2004	7,024,898	117,333	(28,349)	529,771	**7,581,891**	3,974,643	(11,355)	445,727	4,359,664	3,222,227
				(61,762)	**-**			(49,351)		

Property, plant and equipment include assets amounting to Rs. 12.101 million (2004: Rs. 12.131 million) of the group which are not in operation.

The cost of fully depreciated assets which are still in use as at December 31, 2005 is Rs. 2,049.433 million (2004: Rs. 1,305.242 million).

13.1 Disposal of property, plant and equipment

Detail of property, plant and equipment disposed off during the year is as follows:

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of Disposal
		(Rupees	in	thousand)		
Vehicles						
	Employees					
Mr.	Abdul Jabbar	737	-	737	737	Group Policy
	Adil Umar	383	128	255	317	Group Policy
	Afsar Ali Shah	500	350	150	278	Group Policy
	Azeem Iftikhar	300	280	20	112	Group Policy
	Bashir Ahmed Bhatti	510	119	391	429	Group Policy
	Bilal Ali	831	42	789	831	Group Policy
	Faisal Younis	360	138	222	233	Group Policy
	Fayyaz Ahmed Rana	485	331	154	295	Group Policy
	Fazal Mahmood	672	672	-	79	Group Policy
	Hafeez Kaleem	470	290	180	323	Group Policy
	Kamran Bashir	343	217	126	177	Group Policy
	Khalid Mahmood	324	324	-	108	Group Policy
	Mehmood Azam Butt	555	333	222	250	Group Policy
	Mir Zia Mahmood	514	317	197	287	Group Policy
	Moeez Karim	399	266	133	202	Group Policy
	Muhammad Ali Qureshi	480	88	392	420	Group Policy
	Muhammad Nabeel Arif	781	390	391	600	Group Policy
	Murtaza Ahmad Qureshi	504	227	277	355	Group Policy
	Muhammad Usman Amjad	585	293	292	428	Group Policy
	Noman Majeed Khan	525	438	87	310	Group Policy
	Saeed Ahmed	358	101	257	270	Group Policy
	Yasir Hafeez	784	274	510	620	Group Policy
	Zia-ur-Rehman	356	125	231	229	Group Policy
	Syed Ali Abbas Shah	349	140	209	262	Group Policy
	Syed Muhammad Hassan Askari	347	150	197	222	Group Policy
	Syed Ahsan Saeed Kirmani	300	285	15	111	Group Policy
	Outsiders					
	International General Insurance company of Pakistan - Related Party	315	68	247	300	Insurance Claim
Plant and Machinery	Miscellaneous	13,661	8,134	5,527	4,538	Negotiation
Other assets with book value less than Rs. 50,000		37,546	37,338	208	4,869	-
		64,274	51,858	12,416	18,192	

14. Intangible Assets

	Cost as at December 31, 2004	**Additions/ (deletions)**	**Cost as at December 31, 2005**	Accumulated amortisation December as at 31, 2004	**Amortisation charge/ (deletions) for the year**	**Accumulated amortisation December as at 31, 2005**	**Book value as at December 31, 2005**
	(Rupees in thousand)						
Computer software and ERP system	123,134	1,641	**124,775**	116,749	2,586	**119,335**	**5,440**
2005	123,134	1,641	**124,775**	116,749	2,586	**119,335**	**5,440**
2004	116,365	6,769	**123,134**	88,294	28,455	**116,749**	6,385

The cost of fully amortised assets which are still in use as at December 31, 2005 is Rs. 115.437 million (2004: Rs. 115.437 million).

14.1 The depreciation/amortisation charge for the year has been allocated as follows:

		Depreciation	**Amortisation**	**Total**	
		(Rupees in thousand)			
				2005	2004
Cost of goods sold	- note 27	402,094	2,435	**404,529**	412,585
Administration expenses	- note 28	23,372	151	**23,523**	54,741
Distribution and marketing expenses	- note 29	6,499	-	**6,499**	6,856
		431,965	2,586	**434,551**	474,182

15. Investment property

	Cost as at December 31, 2004	**Transfers from fixed assets**	**Additions**	**Cost as at December 31,2005**	Accumulated depreciation December as at 31, 2004	**Transfers from fixed assets**	**Depreciation charge for the year**	**Accumulated depreciation December as at 31, 2005**	**Book value as at December 31, 2005**
	(Rupees in thousand)								
Buildings on leasehold land	15,976	-	-	**15,976**	6,789	-	599	**7,388**	**8,588**
2005	15,976	-	-	**15,976**	6,789	-	599	**7,388**	**8,588**
2004	15,067	-	909	**15,976**	6,202	-	587	**6,789**	9,187

Depreciation charge for the year has been allocated to administration expenses.

Fair value of the investment property, based on the valuation carried out by an independent valuer, as at December 31, 2005 is Rs 22.468 million (2004: Rs 19.579 million).

16. Assets subject to finance lease

	Cost as at December 31, 2004	**Exchange adjustment**	**Additions/ (deletions)**	**Cost to December 31, 2005**	Accumulated depreciation December 31, 2004	**Exchange adjustment**	**Depreciation charge/(deletion) for the year**	**Accumulated depreciation December 31, 2005**	**Book value as at December 31, 2005**
	(Rupees in thousand)								
Plant and machinery	-	50	3,225	**3,275**	-	9	591	**600**	**2,675**
Vehicles	14,995	-	-	**13,917**	2,840	-	2,837	**5,336**	**8,581**
		(1,078)					(341)		
2005	14,995	(1,028)	3,225	**17,192**	2,840	9	3,428	**5,936**	**11,256**
							(341)		
2004	178,766	-	12,229	**14,995**	49,684	-	11,823	**2,840**	12,155
			(176,000)				(58,667)		

Deletion represents the asset transferred to property, plant and equipment on termination of lease during the year.

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

		2005	2004
		(Rupees in thousand)	
Cost of goods sold	- note 27	**849**	11,089
Administration expenses	-note 28	**2,421**	555
Distribution and marketing expenses	- note 29	**158**	179
		3,428	11,823

17. Capital work-in-progress

		2005	2004
		(Rupees in thousand)	
Civil works		**2,413**	8,755
Plant and machinery [including in transit Rs. 0.576 million (2004: Rs. Nil)]		**36,499**	32,908
Others		**802**	750
Expansion project :			
Civil works		**412,257**	16,347
Plant and machinery [including in transit Rs. 803.932 million (2004: Rs. Nil)]		**1,761,944**	183,578
Advances	- note 17.1	**762,195**	-
Unallocated expenditure	- note 17.2	**291,084**	87,784
		3,227,480	287,709
		3,267,194	330,122

17.1 Advances

Civil works		**99,326**	-
Plant and machinery	- note 17.1.1	**659,705**	-
Others		**3,164**	-
		762,195	-

17.1.1 It includes an amount of Rs. 21.452 million (2004: Rs. 0.470 million) given to Siemens Pakistan Engineering Company, a related party, for development of electrical infrastructure.

17.2 Unallocated expenditure

	2005	2004
	(Rupees in thousand)	
Foreign consultancy services	**176,103**	86,451
Technical and other staff salaries	**44,664**	1,333
Others	**70,317**	-
	291,084	87,784

18. Goodwill

Opening balance	**47,708**	58,310
Less: Amortised during the year	**10,602**	10,602
	37,106	47,708

19. Investments

These represent the long-term investments in:

Equity instruments of associated companies	- note 19.1	**1,229,533**	1,116,109
Others	- note 19.2	**79,525**	86,192
		1,309,058	1,202,301
Less: investments shown under current assets		**-**	9,067
		1,309,058	1,193,234

19.1 In equity instruments of associated companies

		2005	2004
		(Rupees in thousand)	
Cost		**202,474**	192,474
Transferred during the year		**-**	10,000
		202,474	202,474
Post acquisition profit brought forward		**913,635**	859,332
		1,116,109	1,061,806
Profit for the year			
Before taxation		**836,208**	679,907
Provision for taxation		**(157,311)**	(138,738)
		678,897	541,169
		1,795,006	1,602,975
Less: Dividends received during the year		**565,473**	486,866
Balance as on December 31, 2005	- note 19.3	**1,229,533**	1,116,109

19.2 Others

	2005	2004
Quoted		
The Resource Group (TRG) Pakistan Limited 6,000,000 (2004: 6,000,000) fully paid ordinary shares of Rs. 10 each Equity held 2.78% (2004: 2.78%)	**79,500**	77,100
Unquoted		
Pakistan Tourism Development Corporation Limited 2,500 (2004: 2,500) fully paid ordinary shares of Rs. 10 each	**25**	25
Orient Match Company Limited 1,900 (2004: 1,900) fully paid ordinary shares of Rs. 100 each	**-**	-
In associated companies First International Investment Bank Limited - quoted Nil (2004: 6) term finance certificates of Rs 1 million each	**-**	9,067
	79,525	86,192

The Resource Group (TRG) Pakistan Limited is an associated undertaking under the Companies Ordinance 1984, however, for the purpose of measurement, it has been classified as available for sale investment. Its results have not been consolidated as group does not have a significant influence over its operations.

19.3 In equity instruments of associated companies

	2005	2004
	(Rupees in thousand)	
Quoted		
Nestle Pakistan Limited (Formerly Nestle Milkpak Limited) 3,649,248 (2004: 3,649,248) fully paid ordinary shares of Rs. 10 each Equity held 8.06% (2004: 8.06%)	**162,154**	127,658
International General Insurance Company of Pakistan Limited 1,629,337 (2004: 1,303,470) fully paid ordinary shares of Rs. 10 each Equity held 10.61% (2004: 10.61%)	**117,705**	99,117
Tri-Pack Films Limited 10,000,000 (2004: 10,000,000) fully paid ordinary shares of Rs. 10 each Equity held 33.33% (2004: 33.33%)	**328,586**	315,250
First International Investment Bank Limited 4,191,741 (2004: 4,191,741) fully paid ordinary shares of Rs. 10 each Equity held 9.99% (2004: 9.99%)	**45,832**	47,723
	654,277	589,748
Unquoted		
Tetra Pak Pakistan Limited 30,800,000 (2004: 30,800,000) fully paid ordinary shares of Rs. 10 each Equity held 44% (2004:44%)	**570,346**	521,771
Coca-Cola Beverages Pakistan Limited 500,000 (2004: 500,000) fully paid ordinary shares of Rs. 10 each Equity held 0.14% (2004: 0.14%)	**4,910**	4,590
	575,256	526,361
	1,229,533	1,116,109

20. Long-term loans and deposits

		2005	2004
Loans to employees - considered good	- note 20.1	**2,159**	1,724
Security deposits		**15,081**	4,950
		17,240	6,674
Less: Receivable within one year			
Loans to employees - considered good		**427**	312
		16,813	6,362

20.1 These represent interest free loans to employees for purchase of cycles and motor cycles and are repayable in monthly instalments over a period of 45 to 143 months.

Loans to employees aggregating Rs. 0.644 million (2004: Rs. 0.294 million) are secured by joint registration of motor cycles in the name of employees and the group. The remaining loans are unsecured.

21. Retirement benefits

		2005	2004
		(Rupees in thousand)	
Pension fund	- note 21.1	**(14,083)**	(13,377)
Gratuity fund	- note 21.2	**74,374**	65,102
		60,291	51,725

21.1 Pension fund

	2005	2004
The amounts recognised in the balance sheet are as follows:		
Fair value of plan assets	**437,180**	366,448
Present value of defined benefit obligation	**(474,774)**	(435,580)
Non vested (past service) cost to be recognised in later periods	**12,088**	15,109
Unrecognised actuarial losses	**11,423**	40,646
(Liability) as at December 31	**(14,083)**	(13,377)
Net (liability) as at January 1	**(13,377)**	(17,219)
Charge to profit and loss account	**(21,398)**	(15,016)
Contribution by the parent company	**20,692**	18,858
(Liability) as at December 31	**(14,083)**	(13,377)

Fair value of plan assets include ordinary shares and Term Finance Certificates (TFCs) of the parent company, whose fair value as at December 31, 2005 is Rs. 110.416 million (2004: Rs. 19.332 million) and Rs. Nil (2004: Rs. 4.800 million) respectively.

21.2 Gratuity fund

	2005	2004
	(Rupees in thousand)	
The amounts recognised in the balance sheet are as follows:		
Fair value of plan assets	**243,427**	238,601
Present value of defined benefit obligation	**(150,527)**	(147,984)
Unrecognised actuarial gains	**(18,526)**	(25,515)
Asset as at December 31	**74,374**	65,102
Net assets as at January 1	**65,102**	54,555
Credit to profit and loss account	**2,749**	4,156
Contribution by the parent company	**6,523**	6,391
Asset as at December 31	**74,374**	65,102

Fair value of plan assets include ordinary shares of the parent company, whose fair value as at December 31, 2005 is Rs. 17.481 million (2004: Rs. 1.452 million).

22. Stores and spares

	2005	2004
	(Rupees in thousand)	
Stores [including in transit Rs. 12.750 million (2004: Rs. 6.122 million)]	**178,661**	148,174
Spares [including in transit Rs. 9.102 million (2004: Rs. 6.903 million)]	**245,205**	243,481
	423,866	391,655

Stores and spares include items which may result in fixed capital expenditure but are not distinguishable .

23. Stock-in-trade

	2005	2004
	(Rupees in thousand)	
Raw materials [including in transit Rs. 185.037 million (2004: Rs. 130.235 million)]	**843,828**	836,027
Work-in-process	**132,210**	115,040
Finished goods	**441,245**	416,676
	1,417,283	1,367,743
Less: Provision for slow moving items	**1,761**	3,040
	1,415,522	1,364,703

Finished goods of Rs. 26.340 million (2004: Rs. 20.437 million) are being carried at net realisable value and an amount of Rs. 4.265 million (2004: Rs.3.771 million) has been charged to cost of goods sold, being the cost of inventory written down during the year.

24. Trade debts

		2005	2004
		(Rupees in thousand)	
Considered good			
Related Parties	- note 24.1	**241,547**	139,257
Others	- note 24.2	**676,700**	597,604
		918,247	736,861
Considered doubtful			
Related Parties		**-**	-
Others		**100**	538
		100	538
Less: Provision for doubtful debts		**1,771**	2,166
		916,576	735,233

24.1 Related parties - unsecured

	2005	2004
	(Rupees in thousand)	
Associated Undertakings		
Treet Corporation	**2,506**	5,213
Nestle Pakistan Limited (Formerly Nestle Milkpak Limited)	**85,382**	48,836
Tetrapak Pakistan Limited	**50,109**	71,994
Tri-Pack Films Limited	**5,445**	4,438
Coca-Cola Beverages Pakistan Limited	**1,225**	276
Other Related Parties		
Zulfiqar Industries Limited	**-**	3,633
Unilever Pakistan Limited	**74,733**	-
Mitchell's Fruit Farms Limited	**12,028**	-
Ceylon Tea Services Limited	**10,103**	4,867
Others	**16**	-
	241,547	139,257

These are in the normal course of business and are interest free.

24.2 Others include secured debts of Rs. 17.749 million (2004: Rs. 3.994 million).

25. Loans, advances, deposits, prepayments and other receivables

		2005	2004
		(Rupees in thousand)	
Loans to employees - considered good		**427**	312
Advances - considered good			
To employees	- note 25.1	**8,079**	12,189
To suppliers		**39,852**	37,787
		47,931	49,976
Due from related parties - unsecured	- note 25.2	**47,241**	48,354
Trade deposits		**22,973**	6,571
Security Deposits		**704**	623
Prepayments		**19,636**	13,121
Balances with statutory authorities			
Excise duty		**-**	117
Customs duty		**1,388**	1,163
		1,388	1,280
Profit receivable on bank deposits		**16,203**	37
Claims recoverable from Government			
Sales tax		**4,949**	4,785
Income tax recoverable	- note 25.3	**36,013**	36,013
Octroi - considered doubtful		**1,506**	1,506
		42,468	42,304
Defence levy recoverable		**247**	239
Other receivables		**6,085**	2,144
		205,303	164,961
Less: Provision against doubtful advances		**1,506**	1,506
		203,797	163,455

25.1 Included in advances to employees are amounts due from Chief Executive, Directors and Executives of Rs. Nil, Rs. Nil and Rs. 0.346 million respectively. (2004: Chief Executive Rs. Nil, Directors Rs. Nil and Executives Rs.8.218 million).

25.2 Due from related parties - unsecured

	2005	2004
	(Rupees in thousand)	
Associated Undertakings		
Tetrapak Pakistan Limited	**9,607**	12,995
Tri-Pack Films Limited	**29**	7
International General Insurance Company of Pakistan Limited	**886**	387
First International Investment Bank Limited	**7**	16
Nestle Pakistan Limited (Formerly Nestle Milkpak Limited)	**36,492**	-
Loads Limited	**104**	104
Post employment benefit plans		
Packages Limited Employees Provident Fund	**-**	9,601
Packages Limited Employees Gratuity Fund	**-**	25,146
Other related parties	**116**	98
	47,241	48,354

These relate to normal business of the group and are interest free.

25.3 In 1987, the Income Tax Officer (ITO) reopened the parent company s assessments for the accounting years ended December 31, 1983 and 1984 disallowing primarily tax credit given to the parent company under section 107 of the Income Tax Ordinance, 1979. The tax credit amounting to Rs. 36.013 million on its capital expenditure for these years was refused on the grounds that such expenditure represented an extension of the parent company s undertaking which did not qualify for tax credit under this section in view of the parent company s location. The assessments for these years were revised by the ITO on these grounds and taxes reassessed were adjusted against certain sales tax refunds and the tax credits previously determined by the ITO and set off against the assessments framed for these years.

The parent company had filed an appeal against the revised orders of the ITO before the Commissioner of Income Tax (Appeals) [CIT(A)], Karachi. The Commissioner has in his order issued in 1988 held the assessments reframed by the ITO for the years 1983 and 1984 presently to be void and of no legal effect. The Income Tax Officer has filed an appeal against the Commissioner s order with the Income Tax Appellate Tribunal (ITAT). The ITAT has in its order issued in 1996 maintained the order of CIT (A). The assessing officer after the receipt of the appellate order passed by CIT (A), has issued notices under section 65 of the Income Tax Ordinance, 1979 and the parent company has filed a writ petition against the aforesaid notices with the High Court of Sindh, the outcome of which is still pending.

The amount recoverable Rs. 36.013 million represents the additional taxes paid as a result of the disallowance of the tax credits on reframing of the assessments.

26. Cash and bank balances

		2005	2004
		(Rupees in thousand)	
At banks			
On deposit accounts [including US $ 2,861 (2004: US $ 1,478.95)]		**171**	178
On saving accounts [including US $ 42,001 (2004: US $ 26,074)]	- note 26.1	**1,918,186**	6,364
On current accounts [including US $ 19,329.03(2004: US $ 20,803.20)]	- note 26.2	**107,580**	134,884
		2,025,937	141,426
In hand		**7,684**	6,006
		2,033,621	147,432

26.1 The balances in saving accounts bear mark up which ranges from 3.00 % to 12.25 % per annum.

26.2 Included in these are total restricted funds of Rs. 1.359 million (2004: Rs. 1.368 million) held as payable to TFC holders as referred to in note 11.

27. Cost of goods sold

		2005	2004
		(Rupees in thousand)	
Opening work-in-process		**115,040**	90,333
Materials consumed		**3,878,383**	3,014,895
Salaries, wages and amenities	- note 27.1	**462,545**	443,775
Fuel and power		**847,879**	675,004
Production supplies		**203,889**	177,673
Excise duty and sales tax		**242**	3,942
Rent, rates and taxes		**4,320**	4,256
Insurance		**41,855**	38,200
Repairs and maintenance		**257,536**	295,569
Packing expenses		**60,585**	53,016
Depreciation on property, plant and equipment	- note 14.1	**402,094**	410,692
Amortisation on intangible assets	- note 14.1	**2,435**	1,893
Depreciation on assets subject to finance lease	- note 16.1	**849**	11,089
Technical fee and royalty		**38,268**	30,511
Travelling and conveyance		**1,816**	2,831
Other expenses		**86,437**	73,925
		6,404,173	5,327,604
Less: Closing work-in-process		**132,210**	115,040
Cost of goods produced		**6,271,963**	5,212,564
Opening stock of finished goods		**419,888**	303,660
		6,691,851	5,516,224
Less: Closing stock of finished goods		**444,283**	419,888
		6,247,568	5,096,336

Cost of goods produced includes Rs. 792.067 million (2004: Rs. 569.402 million) for stores and spares consumed, Rs. 7.964 million (2004: Rs. 1.205 million) and Rs. 0.735 million (2004: Rs. 0.111 million) for raw materials and stores and spares written off respectively.

27.1 Salaries, wages and amenities

	2005	2004
	(Rupees in thousand)	
Salaries, wages and amenities include following in respect of retirement benefits:		
Pension		
Current service cost	**7,704**	7,716
Interest cost for the year	**22,221**	17,104
Expected return on plan assets	**(19,233)**	(15,871)
Contribution made by the employees	**(2,348)**	(2,283)
Recognition of past service cost	**1,675**	1,717
Recognition of loss	**1,848**	151
	11,867	8,534
Gratuity		
Current service cost	**5,498**	5,113
Interest cost for the year	**8,969**	7,871
Expected return on plan assets	**(15,127)**	(13,624)
Recognition of gain	**(1,247)**	(2,335)
	(1,907)	(2,975)

In addition to above, salaries, wages and amenities include Rs. 11.498 million (2004: Rs. 10.873 million) and Rs. 7.677 million (2004: Rs.10.027 million) in respect of provident fund contribution by the parent company and accumulating compensated absences respectively.

28. Administration expenses

		2005	2004
		(Rupees in thousand)	
Salaries, wages and amenities	- note 28.1	**167,408**	148,019
Travelling		**51,634**	40,993
Rent, rates and taxes	- note 28.2	**11,350**	11,094
Insurance		**4,691**	4,810
Printing, stationery and periodicals		**13,158**	13,027
Postage, telephone and telex		**20,437**	21,405
Motor vehicles running		**10,322**	7,723
Computer charges		**13,235**	14,321
Professional services	- note 34	**11,094**	11,943
Repairs and maintenance		**12,123**	14,353
Depreciation on property, plant and equipment	- note 14.1	**23,372**	28,179
Amortisation on intangible assets	- note 14.1	**151**	26,562
Depreciation on investment property	- note 15	**599**	587
Depreciation on assets subject to finance lease	- note 16.1	**2,421**	555
Amortisation of goodwill	- note 18	**10,602**	10,602
Provision for doubtful advances		**100**	203
Security services		**1,005**	952
Bad debts written off	- note 28.3	**337**	-
Other expenses		**40,319**	40,766
		394,358	396,094

Administration expenses include Rs. 25.203 million (2004: Rs. 24.250 million) for stores and spares consumed.

28.1 Salaries, wages and amenities

	2005	2004
	(Rupees in thousand)	
Salaries, wages and amenities include following in respect of retirement benefits:		
Pension		
Current service cost	**4,908**	4,577
Interest cost for the year	**14,157**	10,146
Expected return on plan assets	**(12,254)**	(9,415)
Contribution made by the employees	**(1,496)**	(1,354)
Recognition of past service cost	**1,067**	1,018
Recognition of loss	**1,177**	90
	7,559	5,062
Gratuity		
Current service cost	**1,923**	1,584
Interest cost for the year	**3,138**	2,439
Expected return on plan assets	**(5,293)**	(4,221)
Recognition of gain	**(436)**	(724)
	(668)	(922)

In addition to above, salaries, wages and amenities include Rs. 4.229 million (2004: Rs. 3.454 million) and Rs. 2.916 million (2004: Rs. 2.306 million) in respect of provident fund contribution by the parent company and accumulating compensated absences respectively.

28.2 Rent, rates and taxes include operating lease rentals amounting to Rs. 7.738 million (2004: Rs. 5.463 million).

28.3 Bad debts written off include Rs. 0.111 million (2004: Rs. Nil) against receivables and Rs. 0.226 million (2004: Rs. Nil) against advances.

29. Distribution and marketing expenses

		2005	2004
		(Rupees in thousand)	
Salaries, wages and amenities	- note 29.1	**45,455**	42,467
Travelling		**11,613**	11,673
Rent, rates and taxes	- note 29.2	**2,712**	2,983
Freight and distribution		**94,429**	74,985
Insurance		**1,554**	1,678
Printing, stationery and periodicals		**210**	264
Postage, telephone and telex		**655**	663
Advertising		**39,545**	38,162
Depreciation on property, plant and equipment	- note 14.1	**6,499**	6,856
Depreciation on assets subject to finance lease	- note 16.1	**158**	179
Bad debts written off		**128**	80
Other expenses		**16,364**	13,756
		219,322	193,746

Distribution and marketing expenses include Rs. 5.306 million (2004: Rs. 3.191 million) for stores and spares consumed.

29.1 Salaries, wages and amenities

	2005	2004
	(Rupees in thousand)	
Salaries, wages and amenities include following in respect of retirement benefits:		
Pension		
Current service cost	**1,280**	1,284
Interest cost for the year	**3,693**	2,847
Expected return on plan assets	**(3,196)**	(2,642)
Contribution made by the employees	**(390)**	(380)
Recognition of past service cost	**278**	286
Recognition of loss	**307**	25
	1,972	1,420
Gratuity		
Current service cost	**502**	445
Interest cost for the year	**819**	685
Expected return on plan assets	**(1,381)**	(1,186)
Recognition of gain	**(114)**	(203)
	(174)	(259)

In addition to above, salaries, wages and amenities include Rs. 1.204 million (2004: Rs. 1.057 million) and Rs. 0.933 million (2004: Rs. 1.034 million) in respect of provident fund contribution by the parent company and accumulating compensated absences respectively.

29.2 Rent, rates and taxes include operating lease rentals amounting to Rs. 2.294 million (2004: Rs. 2.799 million).

30. Other operating expenses

		2005	2004
		(Rupees in thousand)	
Workers' profit participation fund		**77,407**	69,516
Workers' welfare fund		**17,410**	19,213
Donations	- note 35	**7,071**	2,446
		101,888	91,175

31. Other operating income

	2005	2004
Income from financial assets		
Exchange gain	**-**	139
Income on bank deposits including Rs. 1.344 million (2004: Rs. Nil) from related party	**83,385**	229
	83,385	368
Income from non-financial assets		
Management and technical fee	**5,975**	11,557
Insurance commission from related party	**3,558**	3,031
Rental income from investment property including Rs. 22.137 million (2004: Rs. 21.239 million) from related parties	**18,670**	21,481
Profit on disposal of property, plant and equipment	**5,776**	7,794
Scrap sales	**1,849**	1,161
Provisions and unclaimed balances written back	**55,423**	18,725
Agricultural income	**2,298**	2,417
Profit on outside jobs including Rs. 2.007 million (2004: Rs. 1.609 million) from related parties	**2,537**	9,310
Others	**4,177**	7,092
	100,263	82,568
	183,648	82,936

32. Finance cost

Interest and mark up including commitment charges on

		2005	2004
Long-term foreign currency loans		**13,718**	15,070
Long-term finances		**4,781**	114,755
Short-term borrowings		**26,455**	-
Finances under mark up arrangements		**91,011**	22,334
Finance lease		**512**	2,587
Deferred import duties		**58**	1,064
Workers' profit participation fund		**-**	17
Loss on foreign currency forward options	- note 32.1	**35,213**	-
Loan handling charges		**26,497**	552
Exchange loss		**14,005**	-
Bank charges		**10,205**	7,108
		222,455	163,487

32.1 This represents the ineffective portion of outstanding and closed foreign currency forward options entered into as referred to in notes 2.21 and 10.

33. Taxation

	2005	2004
	(Rupees in thousand)	
For the year		
Current	**348,600**	330,500
Deferred	**18,031**	(10,500)
	366,631	320,000
Prior years		
Current	**(8,439)**	(20,629)
Deferred	**4,969**	(36,000)
	(3,470)	(56,629)
	363,161	263,371

34. Professional services

The charges for professional services include the following in respect of auditors' services for:

	2005	2004
Statutory audit	**823**	729
Half yearly review	**250**	200
Tax services	**4,643**	3,856
Workers' profit participation fund audit, management staff pension and gratuity fund audit, special reports and certificates for lending agencies and sundry services	**286**	338
Out of pocket expenses	**190**	175
	6,192	5,298

35. Donations

None of the directors and their spouses had any interest in any of the donees during the year.

36. Remuneration of Chief Executive, Directors and Executives

36.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the Chief Executive, full time working Directors including alternate directors and Executives of the group is as follows:

	Chief Executive		Directors and alternate Directors		Executives	
	2005	2004	**2005**	2004	**2005**	2004
Number of persons	**1**	1	**4**	5	**30**	26
	(Rupees in thousand)					
Short term employee benefits						
Managerial remuneration	**2,784**	2,348	**8,302**	9,323	**42,299**	21,407
Housing	**1,558**	508	**3,366**	4,705	**9,825**	8,677
Utilities	**600**	633	**827**	929	**4,467**	1,991
Bonus	**282**	293	**1,058**	1,164	**2,255**	-
Leave passage	**336**	9	**661**	870	**1,333**	1,129
Medical expenses	**805**	566	**438**	421	**2,676**	1,289
Club expenses	**39**	31	**138**	122	**159**	88
Others	**-**	-	**1,111**	178	**8,389**	1,277
	6,404	4,388	**15,901**	17,712	**71,403**	35,858
Post employment benefits						
Contribution to provident, gratuity and pension funds	**594**	-	**2,376**	2,801	**4,315**	4,209
Other long-term benefits						
Accumulating compensated absences	**1,721**	-	**2,827**	4,694	**9,702**	8,634
	8,719	4,388	**21,104**	25,207	**85,420**	48,701

The group also provides the Chief Executive and some of the Directors and Executives with free transport and residential telephones.

36.2 Remuneration to other directors

Aggregate amount charged in the financial statements for the year for fee to 5 directors (2004: 3 directors) is Rs. 125,000 (2004: Rs. 105,000).

37. Transactions with related parties

The related parties comprise associated undertakings, other related group companies, directors of the parent company, key management personnel and post employment benefit plans. The group in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables, amounts due from directors and key management personnel are shown under receivables and remuneration of directors and key management personnel is disclosed in note 36. Other significant transactions with related parties are as follows:

Relationship with the company	Nature of transactions	2005	2004
		(Rupees in thousand)	
i. Associated Undertakings	Purchase of goods and services	**215,613**	193,959
	Sale of goods and services	**1,471,536**	1,302,301
	Sale of property, plant and equipment	**300**	-
	Purchase of property, plant and equipment	**5,308**	-
	Income on bank deposits	**1,344**	-
	Dividend income	**565,473**	486,865
	Rental income	**18,328**	21,239
ii. Other related parties	Purchase of goods and services	**33,298**	23,023
	Sale of goods and services	**690,824**	150,088
	Sale of property, plant and equipment	-	3,700
	Royalty and technical fee	**17,336**	14,801
iii. Post employment benefit plans	Expense charged in respect of retirement benefit plans	**34,191**	25,580

All transactions with related parties have been carried out on commercial terms and conditions.

38. Capacity and production

	Capacity		Actual production	
	2005	2004	**2005**	2004
Paper and paperboard produced - tonnes	**111,300**	107,300	**104,542**	91,421
Paper and paperboard converted - tonnes	**94,000**	89,000	**85,219**	71,882
Plastics all sorts converted - tonnes	**8,000**	7,500	**7,360**	6,732
Inks produced - tonnes	**3,765**	3,075	**2,985**	2,489
Flexible packaging material - meters '000'	**54,000**	54,000	**28,557**	25,498

The variance of actual production from capacity is on account of the product mix.

39. Rates of exchange

Liabilities in foreign currencies have been translated into Rupees at US $ 1.6686 (2004: US $ 1.6764), EURO 1.4094 (2004: EURO 1.2317), SFR 2.1939 (2004: SFR 1.8961), SEK 13.2450 (2004: SEK 11.1111), GBP 0.9686 (2004: GBP 0.8708), SGD 2.7739 (2004: SGD 2.7390), YEN 196.3865 (2004: YEN 172.0578) and SLR 170.941 (2004: SLR 176.407) equal to Rs. 100.

40. Cash generated from operations

	2005	2004
	(Rupees in thousand)	
Profit before tax	**1,672,227**	1,427,398
Adjustments for:		
Depreciation on property, plant and equipment	**431,965**	445,727
Amortisation on intangible assets	**2,586**	28,455
Depreciation on investment property	**599**	587
Depreciation on assets subject to finance lease	**3,428**	11,823
Amortisation of goodwill	**10,602**	10,602
Provision for accumulating compensated absences and staff gratuity	**11,915**	13,869
Retirement benefits accrued	**18,649**	10,860
Exchange adjustments	**(1,616)**	(11,630)
Gain on held to maturity investments	**(293)**	(1,083)
Net profit on disposal of property, plant and equipment	**(5,776)**	(7,794)
Finance cost	**222,455**	163,487
Income from associated companies	**(836,208)**	(679,907)
Profit before working capital changes	**1,530,533**	1,412,394
Effect on cash flow due to working capital changes		
Increase in stores and spares	**(32,211)**	(65,653)
Increase in stock-in-trade	**(50,819)**	(324,690)
Increase in trade debts	**(181,343)**	(82,593)
Increase in loans, advances, deposits, prepayments and other receivables	**(3,851)**	(38,013)
Increase in creditors, accrued and other liabilities	**17,613**	104,542
	(250,611)	(406,407)
	1,279,922	1,005,987

41. Cash and cash equivalents

	2005	2004
Cash and bank balances	**2,033,621**	147,432
Finances under mark up arrangements - secured	**(1,895,761)**	(504,305)
	137,860	(356,873)

42. Combined earnings per share

42.1 Combined basic earnings per share

		2005	2004
Net profit for the year attributable to equity holders	**Rupees in thousand**	**1,111,770**	991,803
Weighted average number of ordinary shares	**Numbers**	**62,503,899**	48,654,736
Combined basic earnings per share	**Rupees**	**17.79**	20.38

Number of shares in issue during the year ended December 31, 2004 have been restated for the effect of right shares issued in the current year.

42.2 Combined diluted earnings per share

There is no dilution effect on the basic earnings per share as the group has no such commitments.

43. Financial assets and liabilities

	Interest/mark up bearing				Non interest bearing				Total		Credit risk	
	Maturity upto one year	Maturity after one year but within five years	Maturity after five years	Sub total	Maturity upto one year	Maturity after one year but within five years	Maturity after five years	Sub total	**2005**	**2004**	**2005**	2004
	(Rupees in thousand)											
Financial assets												
On balance sheet												
Investments	-	-	-	-	-	79,525	-	79,525	**79,525**	86,192	**79,525**	86,192
Loans to employees	-	-	-	-	427	1,732	-	2,159	**2,159**	1,724	**2,159**	1,724
Long-term security deposits	-	-	-	-	-	15,081	-	15,081	**15,081**	4,950	**15,081**	4,950
Trade debts	-	-	-	-	916,576	-	-	916,576	**916,576**	735,233	**916,576**	735,233
Loans, advances, deposits, prepayments and other receivables:												
Trade deposits	-	-	-	-	22,973	-	-	22,973	**22,973**	6,571	**22,973**	6,571
Security deposits	-	-	-	-	704	-	-	704	**704**	623	**704**	623
Profit receivable on bank deposits	-	-	-	-	16,203	-	-	16,203	**16,203**	37	**16,203**	37
Others	-	-	-	-	50,906	-	-	50,906	**50,906**	50,498	**50,906**	23,295
Cash and bank balances	1,918,357	-	-	1,918,357	115,264	-	-	115,264	**2,033,621**	147,432	**2,025,937**	147,432
	1,918,357	-	-	1,918,357	1,123,053	96,338	-	1,219,391	**3,137,748**	1,033,260	**3,130,064**	1,006,057
Off balance sheet	-	-	-	-	-	-	-	-	**-**	-	**-**	-
Total	1,918,357	-	-	1,918,357	1,123,053	96,338	-	1,219,391	**3,137,748**	1,033,260	**3,130,064**	1,006,057
Financial liabilities												
On balance sheet												
Long-term finances - secured	17,395	319,053	714,286	1,050,734	-	-	-	-	**1,050,734**	67,276		
Term Finance Certificates unsecured	-	-	-	-	-	-	-	-	**-**	850,000		
Other payables - secured	-	-	-	-	-	-	-	-	**-**	4,870		
Liabilities against assets subject to finance lease	6,232	2,187	-	8,419	-	-	-	-	**8,419**	10,811		
Finances under mark up arrangements - secured	1,895,761	-	-	1,895,761	-	-	-	-	**1,895,761**	504,305		
Derivative foreign currency forward options	-	-	-	-	90,959	-	-	90,959	**90,959**	-		
Creditors, accrued and other liabilities	-	-	-	-	515,006	-	-	515,006	**515,006**	491,390		
	1,919,388	321,240	714,286	2,954,914	605,965	-	-	605,965	**3,560,879**	1,928,652		
Off balance sheet												
Contracts for capital expenditure	-	-	-	-	3,105,869	-	-	3,105,869	**3,105,869**	239,194		
Letters of credit other than for capital expenditure	-	-	-	-	275,689	-	-	275,689	**275,689**	275,468		
Future payments under operating leases	-	-	-	-	7,747	8,947	2,364	19,058	**19,058**	18,983		
	-	-	-	-	3,389,305	8,947	2,364	3,400,616	**3,400,616**	533,645		
Total	1,919,388	321,240	714,286	2,954,914	3,995,270	8,947	2,364	4,006,581	**6,961,495**	2,462,297		
On balance sheet gap	(1,031)	(321,240)	(714,286)	(1,036,557)	517,088	96,338	-	613,426	**(423,131)**	(895,392)		
Off balance sheet gap	-	-	-	-	(3,389,305	(8,947)	(2,364)	(3,400,616)	**(3,400,616)**	(533,645)		

The effective interest/mark up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

43.1 Financial risk management objectives

The group's activities expose it to a variety of financial risks, including the effects of changes in foreign exchange rates, market interest rates such as Karachi Inter bank Offered Rates and Treasury bills rate, credit and liquidity risk associated with various financial assets and liabilities respectively as referred to in note 43 and cash flow risk associated with accrued interests in respect of borrowings as referred to in note 5.

The group finances its operations through equity, borrowings and management of working capital with a view to maintaining a reasonable mix between the various sources of finance to minimize risk.

Taken as a whole, risk arising from the group's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments.

(a) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The group's credit risk is primarily attributable to its trade debts and its balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The group has no significant concentration of credit risk as exposure is spread over a large number of counter parties in the case of trade debts. Out of the total financial assets of Rs. 3,137.748 million (2004: Rs. 1,033.260 million) financial assets which are subject to credit risk amount to Rs. 3,130.064 million (2004: Rs. 1,006.057 million). To manage exposure to credit risk, the group applies credit limits to its customers and also obtains collaterals, where considered necessary.

(b) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. Payables exposed to foreign currency risks are covered partially through forward foreign exchange contracts and foreign currency forward options.

(c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The group usually borrows funds at fixed and market based rates and as such the risk is minimized. Significant interest rate and cash flow risk exposures are primarily managed by contracting floor and cap of interest rates as referred to in note 5.

(d) Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The group follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

43.2 Fair value of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values except for investments which are stated at cost. Fair value is determined on the basis of objective evidence at each reporting date.

44. Detail of subsidiaries

Name of the subsidiaries	Accounting year end	Percentage of holding	Country of incorporation
Packages Lanka (Private) Limited	31-12-2005	79.07%	Sri Lanka
DIC Pakistan Limited (Formerly Coates Lorilleux Pakistan Limited)	31-12-2005	54.98%	Pakistan

45. Date of authorization for issue

These financial statements were authorised for issue on February 06, 2006 by the Board of Directors.

46. Events after the balance sheet date

The Board of Directors of parent company have proposed a final dividend for the year ended December 31, 2005 of Rs. 6.00 (2004: Rs 8.50) per share, amounting to Rs 419.277 million (2004: Rs. 404.065 million) at their meeting held on February 06, 2006 for approval of the members at the Annual General Meeting to be held on March 17, 2006. The Board has also recommended to transfer Rs. 596.00 million (2004: Rs. 559.000 million) to general reserve from unappropriated profit.

Previously appropriations other than dividends made subsequent to the balance sheet date were recorded in the statement of changes in equity. The group, effective from the current year, has not recorded such appropriations in its statement of changes in equity as it is considered more appropriate for the purpose of presentation. Such a change in policy has been accounted for retrospectively and comparative financial statements have been restated in accordance with the benchmark treatment of IAS-8 'Accounting policies, Changes in Accounting Estimates and Errors'. However, the change has no effect on the current or prior years' shareholders' equity.

47. Corresponding figures

`Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. However, no significant re-arrangements have been made.

Asadullah Khawaja	Syed Hyder Ali	Mujeeb Rashid
Chairman	Managing Director & Chief Executive	Director

PROXY FORM

51st Annual General Meeting

I/We____

of____ being a member of Packages Limited

and holder of ____________________ Ordinary Shares as per **Share Register Folio No.**_____________
(Number of Shares)

and/or **CDC Participant I.D. No.**__________________ **and Sub Account No.**_____________________

hereby appoint____________________ ______of _________________ or failing him______________

of ______________________or failing him _____________________ of _______________ as my

proxy to vote for me and on my behalf at the Annual General Meeting of the Company to be held on Friday, March 17, 2006 at 10:00 a.m. at Beach Luxury Hotel, Moulvi Tamizuddin Khan Road, Karachi and at any adjournment there of

Signed this _________ day of........................2006.

WITNESSES:

1. Signature _________________
   Name _________________
   Address _________________

   NIC or
   Passport No: _________________

2. Signature: _________________
   Name: _________________
   Address: _________________

   NIC or
   Passport No: _________________

Signature

Please affix Rupees five revenue stamp

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

Note: Proxies in order to be effective, must be received by the Company not less than 48 hours before the meeting. No person shall be appointed a proxy who is not a member of the Company qualified to vote except that a corporation being a member may appoint a proxy a person who is not a member

CDC Shareholders and their Proxies are each requested to attach an attested photocopy of their National Identity Card or Passport with this proxy form before submission to the Company

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AFFIX
CORRECT
POSTAGE

The Company Secretary
Packages Limited
4th Floor, The Forum
Suite # 416-422
G20, Block 9, Khayaban-e-Jami,
Cilfton, Karachi - 75600

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