

Packages Limited

Annual Report 1999

Contents

Introduction
Company information
Highlights
Notice of meeting
Directors' report to the shareholders
Auditors' report to the members
Balance sheet
Profit and loss account
Cash flow statement
Notes to the accounts
Pattern of shareholding
Statement and report under sub-section (1) (e), (f) and (g) of section 237
Ricepak Limited
Packages Hattar (Private) Limited
Coates Lorilleux Pakistan Limited
Consolidated financial statements
Ten-year summary

Introduction

Packages Limited was established in 1957 as a joint venture between the Ali group of Pakistan and Akerlund & Rausing of Sweden.

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.

As a first step, Packages commissioned its own paper mill in 1968 having production capacity of 24,000 tonnes of paper & paper board based on waste paper and agricultural by-products i.e. wheat straw and river grass. As the demand continued to grow, it led the Company to expand and by the middle of 1996 its annual capacity was increased to 65,000 tonnes of paper & paper board and corresponding converting ability.

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

In 1993, a joint venture agreement was signed with Mitsubishi Corporation of Japan for the manufacture of polypropylene films at the Industrial Estate in Hattar, NWFP. This project, Tri-Pack Films Limited, commenced production in June, 1995 with equity participation by Packages Limited, Mitsubishi Corporation, Altawfeek Company for Investment Funds, Saudi Arabia and General Public. Packages Limited owns 33% of Tri-Pack Films Limited's equity.

In July, 1994, Coates Lorilleux Pakistan Limited, in which Packages Limited has 55% ownership, commenced production and sale of printing links.

Packages has completed the balancing, modernization, replacement and expansion program which began in 1994. This has enabled the Company to minimize capacity constraints and improve quality to meet local and foreign competition as well as improve its environmental protection facilities.

In 1996, a joint venture agreement was signed with Printcare (Ceylon) Limited for the production of flexible packing materials in Sri Lanka. This project Packages Lanka (Private) Limited commenced production in the middle of 1998 in which Packages has equity participation of 30%.

Company information

Board of directors

Amjad Waheed
Asadullah Khawaja
Kirsten Rausing
Najeeb Samie
Rafi Iqbal Ahmad
Saulat Said
Seppo Hietanen
Syed Hyder Ali
Syed Wajid Ali
(Chairman & Chief Executive)
Tariq Hamid

Advisor

Syed Babar Ali

Company secretary

Adi J. Cawasji

Auditors

A.F. Ferguson & Co.
Chartered Accountants

Legal advisors

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

Bankers

ABN Amro Bank
American Express Bank Limited
ANZ Grindlays Bank Limited
Bank of America, N.T. & S.A.
Citibank N.A.
Credit Agricole Indosuez
The Global French Bank
Deutsche Bank A.G.
Emirates Bank International P.J.S.C.
Faysal Bank Limited
Habib Bank Limited
Mashreq Bank
Muslim Commercial Bank Limited
Societe General
The French & International Bank
Standard Chartered Bank
The Hongkong & Shanghai
Banking Corporation Limited
United Bank Limited

Head office & works

Shahrah-e-Roomi
P.O. Amer Sidhu
Lahore-54760
Pakistan
PABX: 5811541-46, 5811191-94
Cable: PACKAGES LAHORE
Telex: 44866 PKGS PK
Fax: (042) 5811195, 5820147

**Registered office &
Regional sales office**

1st Floor, Hilal-e-Ahmer House
Khayaban-e-Iqbal
Main Clifton Road
Karachi-75600
Pakistan
PABX: 5863941-42, 5874047-49

Cable: PACKAGES KARACHI

Fax: (021) 5860251

Regional sales office

1st Floor, Yasin Plaza

74 West Blue Area

Islamabad-44000

Pakistan

Paktel: (0303) 7370694

PABX: 276765, 276768

Fax: (051) 829411

Zonal sales offices

1st Floor, 61 Khan Plaza

Qasim Road

Multan Cantt

Pakistan

Tel & Fax: (061) 587370

1st Floor, Room No. 7

Glamour Centre

Mission Road, Sukkur-65200

Tel & Fax: (071) 26581

Highlights

	<i>Year to June 30,</i>	
	<i>1999</i>	<i>1998</i>
Sales - million rupees	3,925.70	3,512.27
Profit before tax - million rupees	512.39	162.75
Profit after tax - million rupees	384.15	220.08
Cash dividend - percentage of paid up capital	37.34	10.00
Stock dividend - percentage of paid up capital	--	15.00
Earnings per share - rupees	9.33	6.15
Shareholders' equity - million rupees	1,927.10	1,696.61
Total assets - million rupees	6,327.31	6,252.70
Paper and board produced - tonnes	61,026	56,370
Paper and board converted - tonnes	54,080	51,943
Number of shareholders	2,647	2,624
Number of shares	41,157,646	35,789,258
Number of employees	2,770	2,674

Notice of meeting

Notice is hereby given that the Forty Fourth Annual General meeting of Packages Limited will be held at Beach Luxury Hotel, Moulvi Tamizuddin Khan Road, Karachi on Tuesday, December 7, 1999 at 10.30 a.m. to transact the following business:-

1. To receive, consider and adopt the Audited Accounts for the year ended June 30, 1999, the Report of the Auditors thereon and the Report of the Directors.
2. To approve dividend. The Directors have recommended a final dividend at the rate of 37.335% (Rs. 3.7335 per share of Rs. 10) on the existing issued share capital of the Company.
3. To appoint Auditors and to fix their remuneration.
4. To transact any other business with the permission of the Chairman.

By Order of the Board

Adi J. Cawasji
Company Secretary

October 22, 1999

Notes:

1. The Share Transfer Books of the Company will be closed from November 2, 1999 to November 15, 1999 (both days inclusive) for the purposes of entitlement of dividend and to attend the Annual General Meeting on December 7, 1999.

2. Any member of the Company entitled to attend and vote at the Meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies must be received at the Registered Office of the Company (First floor, Hilal-e-Ahmer House, Khayaban-e-Iqbal, Main Clifton Road, Karachi-75600) not less than 48 hours before the time of holding the Meeting.

3. Any individual Beneficial Owner of the Central Depository Company, entitled to vote at this Meeting must bring his/her National Identity Card with him/her to prove his/her identity, and in case of proxy must enclose an attested copy of his/her National Identity Card. Representatives of corporate members should bring the usual documents required for such purpose.

4. Members are requested to promptly notify the Company of any change in their addresses.

Directors' report to the shareholders

The Directors are pleased to present their annual report together with the Company's audited accounts for the year ended June 30, 1999.

Operating Results

The year under review has been better than last year. The sales increased by 12% and were just under Rs. 4 billion. Your Company has posted a post tax profit of Rs. 384 million as against Rs. 220 million during the last year. The improvement in profit is due to increased capacity utilization resulting from the completion of the earlier expansion program, decrease in financial charges because of loan repayments and much improved dividend from investments in companies sponsored by our Group.

The Company's paper and board production was 61,026 tonnes against 56,370 tonnes and conversion was 54,080 tonnes against 51,943 tonnes last year.

New Expansion

Balancing, Modernization, Replacement and Expansion (BMR & E) is a continuous feature of your Company We continue to invest in upgrading our equipment to increase output and productivity, to improve quality to meet changing market demands and to ensure that we remain competitive in an increasingly demanding world.

Your Company has invested Rs. 650 million in the BMR & E program. The program is being financed through medium term loans from local financial institutions. The program is expected to be completed by December, 1999. The major components of the program are:

1. The expansion of Flexible Packaging Line by installation of our third new rotogravure printing machine; and
2. The expansion of the Carton Line by a new Lemanic rotogravure inline printing and cutting creasing machine.

ISO 9001 Certification

Your Company reached another landmark with the ISO 9001 certification of its Corrugator Division. We have so far received ISO certification for our Packaging and Tissue Divisions. The work for certification of Paper Board Division is in progress and is expected to be completed within the year. This will, Insha Allah, then make all our production areas ISO 9001 certified.

Millennium Compliance

The Millennium Compliance has been achieved to the extent of 99% and the Directors

are confident that the Company's internal operations will not be disrupted due to this issue. A contingency plan has been made to take care of any unforeseen event at the time of Millennium changeover.

Appropriation

The Directors recommend a payment of cash dividend of 37.335 percent (Rs. 3.7335 per share) on the paid up capital of the Company.

Accordingly, the following appropriations have been made:-

The Company made an after tax profit of	384,154
Adding thereto the unappropriated profit at June 30, 1998	407

Makes available for appropriation a sum of	384,561
From that sum the Directors recommend payment of a cash dividend of Rs. 3.7335 per share and transfer to general rescue	153,662
	230,000

	383,662

and propose to carry toward to 1999-2000 the balance of	899
	=====

Auditors

The Auditors, Messrs A. F. Ferguson & Co., Chartered Accountants retire at the conclusion of the meeting. Being eligible, they have offered themselves for re-appointment.

Directors

Since the holding of the last Annual General Meeting on December 16, 1998, following changes have taken place in the Board of Directors:-

- Nominee of Stora Kopparbergs Bergslags AB, Sweden, Mr. Lars Ake Helgesson resigned and Mr. Bjorn Hagglund was appointed in his place.
- Nominee of Stora Kopparbergs Bergslags AB, Sweden, Mr. Bjorn Hagglund retired and Mr. Seppo Hietanen was elected in his place.
- Nominee of National Investment Trust Limited, Mr. Razi-ur-Rahman Khan retired and Dr. Amjad Waheed was elected in his place.
- Nominee of State Life Insurance Corporation of Pakistan, Sayed Muzafar Ali Shah resigned and Dr. Najeeb Samie was appointed in his place.
- Mr. Saulat Said has been elected by the vacancy caused by the demise of Syed Asad Ali whose contribution to the Company was valuable.

The Board of Directors wishes to record its appreciation for the valuable services rendered by the retiring Directors and extends its warm welcome to the incoming Directors.

Customers

We believe in forming long term, mutually beneficial relationship with our customers, which is based on solid business principles. Dedicated staff in daily contact with customers is the means by which we can serve the needs of the customers in an effective manner.

Human Resources

Your Company continues to actively support training and development activities. We believe that our people are the lifeblood of the organization. During the year, the staff contributed actively to the quality and productivity improvement programs. By investing in our people, we invest in our future.

Future

We hope that current slow down in the demand for consumer goods is temporary and view the future with cautious optimism.

Shareholding Pattern

A statement reflecting the pattern of shareholding is attached to the Annual Report.

For and on behalf of the Board

(Syed Wajid Ali)
Chairman and Chief Executive

Lahore, September 21, 1999

Auditors' report to the members

We have audited the annexed balance sheet of Packages Limited as at June 30, 1999 and the related profit and loss account and the cash flow statement, 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 and, after due verification thereof, 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;

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 and the cash flow statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1999 and of the profit and the cash flow for the year then ended; and

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

Lahore, September 22, 1999

A.F. FERGUSON & CO.
Chartered Accountants

Balance sheet as at June 30, 1999

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousand)</i>	
Share Capital and Reserves			
Authorised capital			
50,000,000 (1998: 40,000,000)			
ordinary shares of Rs. 10 each		500,000	400,000
		=====	=====
Issued, subscribed and paid up capital	3	411,577	357,893
Reserves	4	1,514,625	1,338,309
Unappropriated profit		899	407
		-----	-----
		1,927,101	1,696,609
Redeemable Capital - Secured	5	205,944	89,270
Liabilities against Assets			
subject to Finance Lease	6	--	20,412
Long-Term Loans and Deferred			

Liabilities			
Long-term loans and other payables - secured			
- for operations	7	929,272	1,274,836
- for hedging	8	471,264	673,829
		-----	-----
		1,400,536	1,948,665
Deferred liabilities	9	440,564	326,613
		-----	-----
		1,841,100	2,275,278
Current Liabilities			
Current portion of Redeemable capital	5	89,270	113,145
Liabilities against assets subject to finance lease	6	20,412	22,345
Long-term loans and other payables for operations	7	480,780	487,241
Loans for hedging	10	202,566	308,888
Finance under mark up arrangements - secured	11	698,777	706,342
Creditors, accrued and other liabilities	12	707,698	497,381
Proposed dividend		153,662	35,789
		-----	-----
		2,353,165	2,171,131
Contingencies and Commitments	13	--	--
		-----	-----
		6,327,310	6,252,700
		=====	=====
Fixed Capital Expenditure			
Operating fixed assets - tangible	14	2,335,378	2,541,543
Assets subject to finance lease	15	65,171	71,378
Capital work-in-progress	16	351,722	7,183
		-----	-----
		2,752,271	2,620,104
Long -Term Investments	17	291,952	266,014
Long-Term Loans, Deposits and Other Receivables	18	919,162	1,203,141
Current Assets			
Stores and spares	19	253,660	237,416
Stock-in-trade	20	508,411	323,648
Trade debts	21	450,887	429,488
Loans, advances, deposits, prepayments and other receivables	22	281,066	199,234
Cash and bank balances	23	869,901	973,655
		-----	-----
		2,363,925	2,163,441
		-----	-----
		6,327,310	6,262,700
		=====	=====

The annexed notes form an integral part of these accounts.

Syed Wajid Ali
Chief Executive

Asadullah Khawaja
Director

**Profit and loss account
for the year ended June 30, 1999**

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousand)</i>	
Sales		3,925,696	3,512,272
Cost of goods sold	25	2,984,224	2,885,003
		-----	-----
Trading profit		941,472	627,269
Selling, administration and general expenses	26	299,777	256,524
		-----	-----
Operating profit		641,695	370,745

Other income	27	345,697	328,859
		-----	-----
		987,392	699,604
		-----	-----
Financial charges	28	445,853	528,503
Other charges	29	29,150	8,348
		-----	-----
		475,003	536,851
		-----	-----
Profit before taxation		12,389	162,753
Provision for taxation	30	128,235	(57,326)
Profit after taxation		384,154	220,079
Unappropriated profit brought forward		407	801
		-----	-----
Available for appropriation		384,561	220,880
		-----	-----
Appropriations			
Transfer to general reserve		230,000	131,000
Transfer to capital reserve for issue of bonus shares		--	53,684
Proposed dividend Rs. 3.7335 (1998: Re. 1.00) per share		153,662	35,789
		-----	-----
		383,662	220,473
		=====	=====
Unappropriated profit		899	407
		=====	=====

The annexed notes form an integral part of these accounts.

Syed Wajid Ali
Chief Executive

Asadullah Khawaja
Director

**Cash flow statement
for the year ended June 30, 1999**

		<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousand)</i>	
Cash flow from operating activities:			
Cash generated from operations	37	1,069,199	951,332
Financial charges paid		(464,042)	(522,980)
Taxes paid		(44,284)	(4,908)
		-----	-----
Net cash inflow from operating activities		560,873	423,444
Cash flow from investing activities:			
Fixed capital expenditure		(464,979)	(140,294)
Net decrease/(increase) in long-term loans, deposits and other receivables		283,979	(92,723)
Sale proceeds of fixed assets		5,474	16,755
Dividend received		170,529	94,048
Net (increase) in long-term investments		(25,938)	--
		-----	-----
Net cash (outflow) from investing activities		(30,935)	(122,214)
Cash flow from financing activities:			
Proceeds from redeemable capital, long-term loans and other payables		341,161	472,734
Repayment of redeemable capital, long-term loans and other payables		(909,274)	(671,471)
Payment of finance lease liabilities		(22,345)	(18,876)
Dividend paid		(35,669)	(424)
		-----	-----
Net cash (outflow) from financing activities		(626,127)	(218,037)

Net (decrease)/increase in cash and cash equivalents

		(96,189)	83,193
Cash and cash equivalents at the beginning of the year		267,313	184,120
Cash and cash equivalents at the end of the year	38	171,124	267,313

The annexed notes form an integral part of these accounts.

Syed Wajid Ali
Chief Executive

Asadullah Khawaja
Director

Notes to the accounts for the year ended June 30, 1999

1. Legal status and nature of business

The Company is incorporated in Pakistan and is listed on Karachi, Lahore and Islamabad Stock Exchanges.

It is engaged in manufacture and selling of paper, paperboard, packaging materials and tissue products.

2. Summary of significant accounting policies

2.1 Accounting convention

The accounts have been prepared under the historical cost convention, modified by capitalisation of exchange differences referred to in note 2.8.

2.2 Taxation

Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credit and tax rebates realisable, if any.

Deferred

The Company accounts for deferred taxation, using the liability method, on all major timing differences.

2.3 Fixed capital expenditure and depreciation

Operating fixed assets except land are stated at cost less accumulated depreciation Land and capital work-in-progress are stated at cost. Cost in relation to certain plant and machinery signifies historical cost and exchange differences referred to in note 2.8 and interest etc. in note 2.10.

The management carried out a comprehensive review of the useful lives of major items of plant and machinery in 1985. Depreciation in respect of such assets is charged in annual installments so as to write off their year end book value over their remaining re-estimated useful lives.

Depreciation on all other operating fixed assets is charged to profit on the straight line method so as to write off the historical cost 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 equipment	10 % to 33.33 %
Furniture and fixtures	10 % to 20 %
Vehicles	20 %

The full annual rate of depreciation is applied on the cost of additions, excluding

exchange differences, while no depreciation is charged on assets deleted during the year.

The net exchange difference relating to an asset, at the end of each year, is amortized in equal installments over its remaining useful life. Major renewals and improvements are capitalised.

2.4 Assets subject to finance lease

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 obligations of the lease are accounted for as liabilities.

Assets acquired under a finance lease are amortized over the useful life of the asset on a straight line method at the rates given in note 2.3. Amortization of leased assets is charged to profit.

2.5 Long-term investments

These are stated at lower of cost and market value determined on a portfolio basis. Provision is made for permanent diminution in the value of any investment.

2.6 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 values plus other charges paid thereon.

2.7 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 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 values 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.

2.8 Foreign currencies

All assets and liabilities in foreign currencies are translated at exchange rates prevailing at the balance sheet date except for foreign currency lone-term loans covered trader State Bank of Pakistan risk cover scheme (Scheme) which are translated at the rates covered under "Scheme" referred to in note 7.1.

Exchange differences on loans utilised for the acquisition of plant and machinery are capitalised upto the date of commissioning of the assets.

All other exchange differences are included in profit currently.

2.9 Staff retirement benefits

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

(a) All the executive staff participate in an approved funded pension scheme. In addition, there is an approved funded gratuity scheme for all employees. Monthly contributions are made to these funds on the basis of actuarial recommendation at the rate of 13 percent per annum of basic salaries for pension and 8.33 percent per annum of basic salaries for gratuity. The actuarial valuation of the schemes is carried out once in every three years and the latest valuation was carried out as at December 31 1997. The fair value of the plans' assets and the liabilities for past services at the latest valuation date were for Rs. 90.560 million and Rs. 103.473 million respectively for pension plan and Rs. 78.614 million and Rs. 78.505 million respectively for the gratuity plan. The future contribution rates of these plans include allowances for deficit and surplus. Attained age normal method, using the following significant assumptions, is used for valuation of these schemes:

- Expected rate of increase in salary level 8 percent per annum.

- Expected rate of interest 10 percent per annum.

(b) There is an approved contributory provident fund for all employees.

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

2.10 Mark up, interest, profit and other charges

Mark up, interest, profit and other charges on redeemable capital and long-term liabilities are capitalised upto the date of commissioning of the respective plant and machinery, acquired out of the proceeds of such redeemable capital and long-term liabilities. All other mark up, interest, profit and other charges are charged to income.

2.11 Revenue recognition

Revenue is recognised on dispatch of goods or on the performance of services except for management fees which are recognised on receipt.

3. Issued, subscribed and paid up capital

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
11,260,868 ordinary shares of Rs. 10 each fully paid in cash	112,609	112,609
148,780 ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash	1,488	1,488
29,747,998 (1998: 24,379,610) ordinary shares of Rs. 10 each issued as fully paid bonus shares	297,480	243,796
	-----	-----
	411,577	357,893
	=====	=====

4. Reserves

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
Capital		
Share premium	203,589	203,589
Reserve for issue of bonus shares		
At the beginning of the year	53,684	39,766
Transfer from profit and loss account	--	53,684
Nominal value of bonus shares issued	(53,684)	(39,766)
	-----	-----
	--	53,684
Revenue		
General reserve		
At the beginning of the year	1,081,036	950,036
Transfer from profit and loss account	230,000	131,000
	-----	-----
	1,311,036	1,081,036
	-----	-----
	1,514,625	1,338,309
	=====	=====

5. Redeemable capital- secured

These are composed of:

Long-term running finances under math up arrangements

Finance 1	--	12,000
Finance 2	11,875	35,625
Finance 3	205,944	--
Term Finance Certificates	77,395	154,790
	-----	-----

	295,214	202,415
Less: Current portion shown under current liabilities	89,270	113,145
	-----	-----
	205,944	89,270
	=====	=====

Finance 1 to 3**Security**

These finances are secured by an equitable mortgage of immovable properties and by hypothecation of all plant and machinery and a floating charge on all current assets subject to hypothecation of stores, spares, stock-in-trade and trade debts in favour of the Company's bankers referred to in vote 11.1.

All charges in favour of the lenders of these finances rank pari passu with each other and with those in favour of the lenders of the foreign currency loans referred to in note 7.1.

Terms of repayment**Finance 1**

This finance has been repaid during the year.

Finance 2

It is a long-term finance arranged from a commercial bank for Rs. 95 million under mark up arrangements. Mark up is computed at the rate of Re. 0.12 per Rs. 1,000 per diem over and above the average of the last months Short Term Federal Bonds' (STFBs) cut off yield, subject to a minimum of Re. 0.41 per Rs. 1,000 per diem. The outstanding balance is repayable in July, 1999. Mark up is payable half yearly.

Finance 3

It is a long-term finance arranged from a consortium of banks for a maximum of Rs. 400 million under mark up arrangements. Markup is computed at the rate of Re. 0.03 per Rs. 1,000 per diem over and above the Treasury Bill rate, subject to a minimum of Re. 0.41 per Rs. 1,000 per diem and maximum of Re. 0.51 per Rs. 1,000 per diem. The finance is repayable in eight equal half yearly installments commencing January, 2001. Mark up is payable half yearly

Term Finance Certificates**Security**

The certificates are secured by hypothecation of moveable assets of the Company ranking subsequent to the existing and future charges of the Company's other secured lenders.

Terms of repayment

This represents Term Finance Certificates issued to the public during 1995. Return on Term Finance Certificates is payable half yearly at a rate of 18.5% per annum. The balance principal amount of the certificates is primarily redeemable in February, 2000.

6. Liabilities against assets subject to finance lease

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
Present value of minimum lease rental payments	20,412	42,757
Less: Current portion shown under current liabilities	20,412	22,345
	-----	-----
	--	20,412
	=====	=====

The value of the minimum lease rental payments have been discounted at an implicit interest rate of 19.95% to arrive at their present value. The balance rentals due under the lease agreement aggregate to Rs. 11.63 million (1998: Rs.

39.56 million) and are payable in equal monthly installments plus a lump sum payment of Rs. 9.93 million (1998: 9.93 million) for residual value in November, 1999. Taxes, repairs and insurance costs are to be borne by the lessee. In case of termination of the agreement the lessee is to pay the entire rent for the unexpired year of the lease agreement. The liability is partly secured by a deposit of Rs. 9.93 million (1998: Rs. 9.93 million) included in other receivables under note 22.

7. Long-term loans and other payables for operations - secured

		<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousand)</i>	
Foreign currency loans	- note 7.1	1,403,528	1,704,954
Other payables	- note 7.2	6,524	57,123
		-----	-----
		1,410,052	1,762,077
Less: Current portion shown under current liabilities			
Foreign currency loans		478,490	434,545
Other payables		2,200	52,696
		-----	-----
		480,780	487,241
		-----	-----
		929,272	1,274,836
		=====	=====

7.1 Foreign currency loans - secured

These are composed of

<i>Loan</i>	<i>Lender</i>	<i>Currency</i>	<i>Currency balance</i>		<i>Rupee equivalent</i>		<i>Rate of interest per annum</i>	<i>No. of equal half yearly installments</i>	<i>Interest payable</i>
			<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>			
<i>(In thousand)</i>									
1.	Swedfund International AB	US\$	286	571	7,164	14,328	1.25 % above 6 months LIBOR	2-ending January 2000	Half year
2.	DEG-Deutsche Investitions - Und Entwicklungsgesellschaft mbH	DM	1,500	3,000	22,942	45,883	9.87%	2-ending 36,617	do
3.	International Finance Corporation Loan A	US\$	15,900	20,450	825,210	949,289	10.36%	7-ending Jul-02	do
	Loan B	US\$	5,000	7,500	259,500	348,150	2.75% above 6 months LIBOR	4-ending January 2001	do
4.	DEG-Deutsche Investitions - Und Entwicklungsgesellschaft mbH	DM	10,500	13,500	288,712	347,304	10.60%	7-ending October 2002	do
					-----	-----			
					1,403,528	1,704,954			
					=====	=====			

Security

Loans 1 to 4 are secured by an equitable mortgage of immovable properties.

hypothecation of all plant anti machinery and a floating charge on all current assets subject to the hypothecation of stores, spares, stock-in-trade and trade debts in favour of the Company's bankers referred to in note 11.

All charges in favour of the lenders of these loans rank pari passu with those in favour of the lenders of the long-term running finances.

Terms of repayment

Loans 1 and 2 are repayable in the specified currencies converted at the following rates of exchange under the State Bank of Pakistan exchange risk cover scheme:

Loan 1	US\$ 1 = Rs. 25,0747
Loan 2	DM 1 = Rs. 15.2943

Hedging of loans 3 and 4

The balance principal amounts of the liability on loan 3 US\$ 20.90 million and loan 4 DM 10.5 million have been hedged by the Company against currency fluctuations by purchase of equivalent foreign currencies.

The foreign currencies purchased have been placed as deposits referred to in notes 18 and 23 with a financial institution against which the Company has taken loans referred to in notes 8 and 10.

7.2 Other payables - secured

Import duties

<i>1999</i>	<i>1998</i>
<i>(Rupees in thousand)</i>	
6,524	57,123
=====	=====

These represent 50% of the import duties and sales tax deferred under the Deferment of Import Duties Rules, 1991. The balance is repayable by year 2002. Surcharge is payable half yearly at a rate of 14% per annum. The liability is secured by bank guarantees included in note 11.

8. Long-term loans and other payables for hedging - secured

As referred to in note 7.1 these finances have been obtained from a financial institution and are repayable in the years 2000 to 2002. Mark up on these finances is payable annually at rates ranging from Re. 0.3716 to Re. 0.4041 per Rs. 1,000 per diem or part thereof on the outstanding balances.

Security

These loans are secured against long-term deposits referred to in notes 18.2 and 23.1.

9. Deferred liabilities

These are composed of

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
Deferred taxation	397,000	286,500
Vacation pay	43,564	40,113
	-----	-----
	440,564	326,613
	=====	=====

9.1 The liability for deferred taxation

Comprises timing differences relating to:

Accelerated tax depreciation	411,376	298,534
Accrued vacation pay	(14,376)	(12,034)
	-----	-----
	397,000	286,500
	=====	=====

10. Current portion of lone-term loans for hedging

As referred to in note 7.1, these finances have been obtained from a financial institution and are repayable by April 2000. Rates of mark up range from Re. 0.3767 to Re. 0.4041 per Rs. 1,000 per diem or part thereof on the outstanding balances.

11. Finances under mark up arrangements - secured

		<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousand)</i>	
Running finances	- note 11.1	138,777	379,024
Term finances	- note 11.2	560,000	327,318
		-----	-----
		698,777	706,342
		=====	=====

11.1 Running finances - secured

Short-term running finances available from a consortium of commercial banks under mark up arrangements amount to Rs. 1,179 million (1998: Rs. 962 million). The rates of mark up range from Re. 0.3422 to Re. 0.4246 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. 0.3836 to Re. 0.6849 per Rs. 1,000 per diem or part thereof on the balances unpaid. The aggregate short-term finances are secured by hypothecation of stores, spares, stock-in-trade and trade debts.

11.2 Term finances - secured

Term finances available from a consortium of commercial banks under mark up arrangements amount to Rs. 560 million (1998: Rs. 327.318 million). The rates of mark up range from Re. 0.2466 to Re. 0.3836 per Rs. 1,000 per diem or part thereof. The aggregate term finances are secured by hypothecation of stores, stock-in-trade and trade debts.

Of the aggregate facility of Rs. 1,322.369 million (1998: Rs. 485 million) for opening letters of credit and Rs. 398.012 million (1998: Rs. 407 million) for guarantees, the amount utilised at June 30, 1999 was Rs. 568.455 million (1998: Rs. 69.728 million) and Rs. 103.188 million (1998: Rs. 172.925 million) respectively. Of the facility for guarantees, Rs. 357.500 million (1998: Rs. 355 million) is secured by a second hypothecation charge over stores, spares, stock-in-trade and trade debts.

12. Creditors, accrued and other liabilities

These are composed of:

		<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousand)</i>	
Trade creditors	- note 12.1	36,189	36,054
Accrued liabilities		211,279	218,989
Bills payable		243.27	31,931
Sales tax payable		31025	12,923
Customers' balances		15.68	27,254
Deposits - interest free repayable on demand		2.12	2,201
Interest accrued on secured borrowings		66,924	83,195
Mark up on secured redeemable capital		20923	3,626
Mark up on secured short-term running finances		39394	47,932
Workers' profit participation fund	- note 12.2	26.97	7,865
Unclaimed dividends		1.61	1,491
TFCs payable		1,294	11,420
Exchange risk coverage fee		197	748
Others		10,832	11,752
		-----	-----
		707,698	497,381
		=====	=====

12.1 Trade creditors include amount due to associated companies Rs. 18.511 million (1998: Rs. 19.591 million).

12.2 Workers' profit participation fund

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
Opening balance as at July 1	7,865	5,092
Provision for the year	26,970	7,865
Interest for the year	256	345
	-----	-----
	35,091	13,302
Less: Payments made during the year	8,121	5,437
	-----	-----
Closing balance	26,970	7,865
	=====	=====

13. Contingencies and commitments

13.1 Contingencies

(i) Guarantees to banks for repayment of loans by employees Rs. 0.135 million (1998: Rs. 0.251 million).

(ii) Claims against the Company not acknowledged as debts Rs. 9.314 million (1998: Rs. 9.722 million).

(iii) 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 accounts 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 year. Pending the outcome of the appeal filed by STO no adjustment has been made for the refunds recognised in the accounts as the Company is of the view that the appeal of the STO will not be upheld by the ITAT.

13.2 Commitments, in respect of

(i) Contracts for capital expenditure Rs. 11.55 million (1998: Rs. 4.63 million). Forward contract entered with banks for Rs. 148.503 million (1998: Rs. 416.987 million).

(ii) Letters of credit other than capital expenditure Rs. 85.656 million (1998: Rs. 49.922 million).

14. Operating fixed assets - tangible

14.1 The following is a statement of the operating fixed assets

	<i>Cost to June 30, 1998</i>	<i>Additions/ (deletions)</i>	<i>Cost to June 30, 1999</i>	<i>Accumulated depreciation June 30, 1998</i>	<i>Depreciation charge/ (deletions) for the year</i>	<i>Accumulated depreciation June 30, 1999</i>	<i>Book value as at June 30, 1999</i>
<i>(Rupees in thousand)</i>							
Freehold land	48,793	12,000	60,793	--	--	--	60,793
Buildings on freehold land	95,334	1,152	96,486	29,784	33,087	33,087	63,399
Buildings on leasehold land	50,208	3,523	53,731	16,837	18,513	18,513	35,218
Plant and machinery	4,044,645	71,391 (6,008)	4,110,028	1,713,533	2,001,009	2,001,009	2,109,019
Other equipment	64,306	6,654	70,960	46,918	54,985	54,985	15,975
Furniture and fixtures	65,031	5,426 (1,415)	69,042	43,690	47,922	47,922	21,120
Vehicles	67,603	20,294 (7,598)	80,299	43,615	50,445	50,445	29,854
	-----	-----	-----	-----	-----	-----	-----
1999	4,435,920	120,440	4,541,339	1,894,377	2,205,961	2,205,961	2,335,378

		(15,021)					
1998	4,301,326	154,502 (19,908)	4,435,920	1,587,571	1,894,377	1,894,377	2,541,543

Additions to plant and machinery include net interest, commitment, exchange differences and other charges Rs. 2,447 million (1998: Rs. 7,045 million). Fixed assets include assets amounting to Rs. 20.003 million of Ricepak division of the Company which has ceased its operations.

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

	1999 (Rupees in thousand)	1998
Cost of goods sold	- note 25	307,239
Selling and distribution expenses	- note 26	2,552
Administration and general expenses	- note 26	11,662
	321,453	325,001

14.2 Disposal of operating fixed assets

Details of certain fixed assets sold during the year, all through negotiation, are as follows:

Particulars of the assets	Sold to	Cost	Accumulated depreciation	Book Value	Sale Proceeds
<i>(Rupees in thousand)</i>					
Executives					
Motor Cars	Mr. Tariq Harold	25	375	250	320
	Meraj Din	149	134	15	65
	M. Iqbal Ansari	237	213	24	150
	Ahmed Nisar	275	193	82	172
	Imran Aziz	375	225	150	250
	M. Abid Qureshi	222	200	22	141
	Ilam ud Din Ch.	202	182	20	75
	Rana Javaid Bashir	155	139	16	70
	Muhammad Shafi	215	194	21	107
	Dr. Amir Said	285	171	114	174
	Kh. M. Umar	265	238	27	125
Employees					
	Mr. Khalil Ahmed Sheikh	330	297	33	248
	Humayun Kabir	165	148	17	78
	Khalid Abdul Quddus	248	174	74	132
	Mehmood Azam Butt	387	77	310	366
	Aqeel A. Qazi	178	160	18	88
	Ms. Ayesha Qureshi	253	51	202	203
Associated undertaking					
Furniture and fixtures	Tri-Pack Films Limited	92	60	32	32
Outsiders					
Items below book value of Rs. 5,000	Mr. Jamil Ahmed	570	513	57	404
		9,793	9,673	120	2,274
		15,021	13,417	1,604	5,474

15. Assets subject to finance lease

Cost to June 30,	Additions/ (deletions)	Cost to June 30,	Accumulated amortization	Book value as at June	Amortization charge for
------------------	---------------------------	------------------	--------------------------	-----------------------	-------------------------

	1998		1999	30, 1999	the year	
			<i>(Rupees in thousand)</i>			
Plant and machinery	99,309	--	99,309	34,138	65,171	6,207
	-----	-----	-----	-----	-----	-----
1999	99,309	--	99,309	34,138	65,171	6,207
	=====	=====	=====	=====	=====	=====
1998	99,309	--	99,309	27,931	71,378	6,207
	=====	=====	=====	=====	=====	=====

Amortization charge during the year has been allocated to cost of goods sold.

16. Capital work-in-progress

	1999	1998
	<i>(Rupees in thousand)</i>	
This consists of		
Plant and machinery	349,881	5,975
Civil works and building	1,841	1,208
	-----	-----
	351,722	7,183
	=====	=====

Cost of plant and machinery includes net interest, commitments and other charges Rs. 11.409 million (1998: Rs. Nil).

17. Long-term investments

In subsidiaries

Unquoted

Coates Lorilleux Pakistan Limited

1,801,200 (1998: 1,501,000)

fully paid ordinary shares of Rs. 10 each

Equity held - 54.98%

Value of investment based on the net assets

shown in the audited accounts as at

June 30, 1999 Rs. 34.483 million

(1998: Rs. 27.545 million)

1999	15,010	15,010
1998		

Packages Hatter (Private) Limited

400 fully paid ordinary shares of Rs. 10 each

Equity held - 100%

Value of investment based on the net assets

shown in the audited accounts as at

June 30, 1999 Rs. 0.476 million

(1998: Rs. 0.487 million)

1999	4	4
1998		

Ricepak Limited

800 fully paid ordinary shares of Rs. 10 each

Equity held - 100%

Value of investment based on the net assets

shown in the audited accounts as at

August 31, 1998 Rs. Nil.

1999	--	--
1998		

carried forward

1999	15,014	15,014
1998		

	1999	1998
	<i>(Rupees in thousand)</i>	

brought forward

1999	15,014	15,014
1998		

In associated companies

Quoted

Nestle Milkpak Limited

3,649,248 (1998: 2,432,832) fully paid ordinary shares of Rs.10 each Market value - Rs. 510.890 million (1998: Rs. 243.283 million)	24,555	24,555
International General Insurance Company of Pakistan, Limited 896,011 (1998: 731,438) fully paid ordinary shares of Rs. 10 each Equity held - 10.61% (1998: 10.61%) Market value - Rs. 55.55 million (1998: Rs. 32.183 million)	22,519	22,519
Tri-Pack Films Limited 10,000,000 fully paid ordinary shares of Rs. 10 each Equity held - 33.33 % (1998: 33.33%) Market value - Rs. 191.50 million (1998: Rs. 93 million)	100,000 ----- 147,074	100,000 ----- 147,074
Unquoted Tetra Pak Pakistan Limited 6,691,666 (1998: 5,353,333) fully paid ordinary shares of Rs. 10 each Equity held 44% (1998: 44%) Value of investment based on the net assets shown in the audited accounts as at December 31, 1998 Rs. 105.72 million (1998: Rs. 89.55 million)	15,400	15,400
Others		
Quoted First International Investment Bank Limited 1,799,998 (1998: 1,799,998) fully paid ordinary shares of Rs. 10 each Equity held - 9.99% (1998: 9.99 %) Market value - Rs. 9 million (1998: Rs. 16.20 million)	25,000 -----	25,000 -----
carried forward	202,488	202,488
	1999	1998
	(Rupees in thousand)	
brought forward	202,488	202,488
Unquoted Packages Lanka (Private) Limited 11,219,512 (1998: 8,000,000) shares of SL Rupees 10 each Equity held - 34.06% (1998: 30%) Value of investment based on the net assets shown in audited accounts as at March 31, 1999 Rs. 61.410 million (1998: Rs. 59.502 million)	84,439	58,501
Pakistan Tourism Development Corporation Limited 2,500 fully paid ordinary shares of Rs. 10 each Chief Executive - Mr. Hamid Ahmed Qureshi	25	25
Orient Match Company Limited 1,900 fully paid ordinary shares of		

Rs. 100 each Chief Executive - Khawaja Mohammad Akbar	--	--
Coca-Cola Beverages Pakistan Limited 500,000 fully paid ordinary shares of Rs. 10 each Chief Executive - Mr. Mark Roddy	5,000	5,000
	-----	-----
	89,464	63,526
	-----	-----
	291,952	266,014
	=====	=====

18. Long-term loans, deposits and other receivables

Loans to employees - considered good - note 18.1	470	482
Security deposits	3,522	12,282
Long-term deposits for hedging - note 18.2	915,170	1,190,377
	-----	-----
	919,162	1,203,141
	=====	=====

18.1 Loans to employees aggregating Rs. 0.023 million (1998: Rs. 0.060 million) are secured by joint registration of scooters or motor cycles in the name of the employees and the Company.

The remaining loans are unsecured.

There were no loans to employees outstanding for a year exceeding three years.

18.2 Long-term deposits for hedging consist of

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
US\$ 13.850 million (1998: US\$ 20.90 million)	711,405	961,400
DM 7.5 million (1998: DM 9 million)	203,765	228,977
	-----	-----
	915,170	1,190,377
	=====	=====

These deposits are under lien for the loans referred to in note 8. These deposits places with a financial institution are to mature in the years 2000 to 2002.

19. Stores and spares

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
Stores (including in transit Rs. 1.264 million; 1998: Rs. 1.029 million)	32,363	34,351
Spares (including in transit Rs. 11.339 million; 1998: Rs. 4.133 million)	221,297	203,065
	-----	-----
	253,660	237,416
	=====	=====

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

20. Stock-in-trade

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
Raw materials (including in transit Rs. 62.690 million; 1998: Rs. 45.354 million)	317,479	200,567
Work-in-process	63,909	48,553
Finished goods	127,023	74,528
	-----	-----
	508,411	323,648
	=====	=====

21. Trade debts

Considered good:

- Associated undertakings	- note 21.1	673,361	51,104
- Others		383,551	378,384
		-----	-----
		450,887	429,488

Considered doubtful:

- Associated undertakings		195	142
- Others		1,475	2,644
		-----	-----
		1,670	2,786

Less: Provision for doubtful debts

		1,670	2,786
		-----	-----
		450,887	429,488
		=====	=====

21.1 Due from associated undertakings

Treet Corporation Limited		1,465	3,255
Nestle Milkpak Limited		33,534	8,984
Tetra Pak Pakistan Limited		23,287	27,212
Zulfeqar Industries Limited		4,282	4,466
Hoechst Pakistan Limited		236	--
Dane Foods Limited		2,918	4,072
Coates Lorilleux Pakistan Limited		--	135
Tri-Pack Films Limited		1,614	2,980
		-----	-----
		67,336	51,104
		=====	=====

Trade debts include secured debts of Rs. 70.661 million (1998: Rs. 58.370 million). The maximum aggregate amount outstanding due from associated undertakings at the end of any month during the year was Rs. 103.012 million (1998: Rs. 81,887 million).

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

		1999	1998
		<i>(Rupees in thousand)</i>	
Loans to employees - considered good		239	141
Advances - considered good			
To employees		6,554	7,819
To suppliers		7,348	4,312
To associated companies	- note 22.1	8,303	5,599
		-----	-----
		22,205	17,730
Advances- considered doubtful		3,131	1,053
Trade deposits		11,230	3,795
Prepayments		2,326	1,934
Balance with statutory authorities for excise and customs duty		5,029	2,214
Profit receivable on foreign currency deposits		13,344	15,270
Claims recoverable from Government			
Sales tax		730	6,353
Customs duty		--	649
Income tax recoverable	- note 22.2	36,013	36,013
Income tax refundable		133,924	107,375
Workers' welfare fund		1,457	1,457
Octroi			
- considered good		1,865	3,204
- considered doubtful		1,200	--
		-----	-----

	175,189	155,051
Letters of credit margin deposits	50,529	--
Other receivables	2,175	3,099
	-----	-----
	285,397	200,287
	4,331	1,053
	-----	-----
Less: Provision against doubtful advances	281,066	199,234
	=====	=====

22.1 Due from associated undertakings

Tetra Pak Pakistan Limited	3,475	3,570
Dane Foods Limited	632	246
Tri-Pack Films Limited	2,689	118
Coates Lorilleux Pakistan Limited	1,507	831
Vandana (Private) Limited	--	161
Nestle Milkpak Limited	--	53
Packages Hattar (Private) Limited	--	620
	-----	-----
	8,303	5,599
	=====	=====

The maximum aggregate amount of advances to associated companies at the end of any month during the year was Rs. 14.003 million (1998: Rs. 9.335 million).

Included in advances to employees are amounts due from executives Rs. 0.723 million (1998: Rs. 0.736 million). The maximum aggregate amount due from executives at the end of any month during the year was Rs. 1.537 million (1998: Rs. 1.293 million).

22.2 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 credits 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 (Appeals)), 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 (Appeals). The assessing officer after the receipt of the appellate order passed by CIT (Appeals), 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.

23. Cash and bank balances**At banks**

On deposit accounts		
US\$ 8.236 million		
(1998: US\$ 15.445 million)		
DM 4.565 million		
(1998: DM 6.94 million)	547,114	887,037
On saving accounts - US\$ 0.01 million		

- note 23.1

1999
(Rupees in thousand)

1998

(1998: US\$ 0.000146 million)

On current accounts

279,472

7

35,280

83,758

861,866

970,802

8,035

2,853

869,901

973,655

=====

23.1 Included in balances at banks on deposit accounts are US\$ 7.050 million (1998: US\$ 7.050 million) and DM 3 million (1998: DM 4.5 million) which are under lien for loans referred to in note 10. The foreign currencies shall be available for encashment at the State Bank of Pakistan (SBP) rates applicable at the time of withdrawal.

24. Sales**1999****1998****(Rupees in thousand)**

Local sales

3,920,250

3,499,266

Export sales

5,446

13,006

3,925,696

3,512,272

=====

Local sales are exclusive of Rs. 0.655 million (1998: Rs. 0.399 million) towards commission.

Export sales are exclusive of Rs. 0.095 million (1998: Rs. 0.047 million) towards commission.

Sales are inclusive of sales tax and excise duty Rs. 525.923 million (1998: Rs. 422.644 million).

25. Cost of goods sold**1999****1998****(Rupees in thousand)**

Opening work-in-process

48,553

54,617

Materials consumed

1,206,286

1,074,792

Salaries, wages and amenities

278,689

244,512

Fuel and power

286,040

308,224

Production supplies

114,424

126,674

Excise duty and sales tax

588,674

482,024

Rent, rates and taxes

2,151

7,290

Insurance

39,482

33,476

Repairs and maintenance

176,578

182,186

Packing expenses

8,604

7,935

Depreciation

305,958

307,239

Amortization

6,207

6,207

Technical fee and royalty

4,106

8,601

Lease charges

707

1,670

Other expenses

34,169

33,192

3,100,628

2,878,639

Less: Closing work-in-process

63,909

48,553

Cost of goods produced

3,036,719

2,830,086

Opening stock of finished goods

74,528

129,445

3,111,247

2,959,531

Less: Closing stock of finished goods

127,023

74,528

2,984,224

2,885,003

=====

Cost of goods produced includes Rs. 350.992 million (1998: Rs. 360.466 million)

for stores and spares consumed and Rs. 0.668 million (1998: Rs. 14.556 million) for stores and spares written off.

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
26. Selling, administration and general expenses		
Selling and distribution expenses		
Salaries, wages and amenities	26,913	18,737
Travelling	5,968	3,700
Rent, rates and taxes	1,454	1,053
Freight and distribution	37,973	31,417
Insurance	890	722
Advertising	32,137	31,530
Depreciation	4,051	2,552
Other expenses	3,684	3,587
	-----	-----
	113,070	93,298
Administration and general expenses		
Salaries, wages and amenities	83,467	69,694
Travelling	16,432	13,677
Rent, rates and taxes	4,951	4,108
Insurance	1,840	2,044
Printing, stationery and periodicals	6,744	5,530
Postage, telephone and telex	14,241	15,147
Motor vehicles running	6,606	6,532
Computer charges	1,683	2,907
Professional services	6,470	3,931
Repairs and maintenance	5,896	4,038
Depreciation	14,992	11,662
Other expenses	23,385	23,956
	-----	-----
	186,707	163,226
	-----	-----
	299,777	256,524
	=====	=====

Selling, administration and general expenses include Rs. 12.598 million (1998: Rs. 11.227 million) for stores and spares consumed.

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
27. Other income		
Management and technical fee from associated companies	2,097	2,528
Management and technical fee from others	394	994
Rental income	210	277
Dividend income from		
- Associated companies - note 27.1	169,179	91,798
- Others	1,350	2,250
Insurance commission from an associated company	2,375	2,160
Lease income from associated companies	14,971	12,620
Profit on sale and deletion of fixed assets	3,870	11,494
Scrap sales	2,848	3,298
Provision and unclaimed balances written back	11,988	2,833
Agricultural income	672	1,184
Rebate claims	--	344
Income on foreign currency deposits	113,626	185,076
Income on rupee deposits	7,357	--
Profit on outside jobs including Rs. 0.608 million (1998: Rs. 1.307 million) from associated companies	818	1,589

Artwork charges	9,716	8,783
Others	4,226	1,631
	-----	-----
	345,697	328,859
	=====	=====

27.1 The dividend income comprises Rs. 147.218 million (1998: Rs. 72.270 million), Rs. 1.645 million (1998: Rs. 1.463 million), Rs. 15.813 million (1998: Rs. 15.813 million) and Rs. 4.503 million (1998: Rs. 2.252 million) received from Tetra Pak Pakistan Limited, International General Insurance Company of Pakistan Limited, Nestle Milkpak Limited and Coates Lorilleux Pakistan Limited respectively.

28. Financial charges

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
Interest and mark up including commitment charges on		
Long-term foreign currency loans	183,055	178,708
Redeemable capital and local loans	136,741	158,750
Short-term running finances	67,155	129,779
Finance lease	5,576	9,044
Deferred import duties	3,971	12,740
Workers' profit participation fund	256	345
Premium on forward contract	--	30,630
Loan handling charges	3,025	608
Exchange risk coverage fee	2,599	4,446
Exchange loss	40,670	--
Bank charges	2,805	3,453
	-----	-----
	445,853	528,503
	=====	=====

29. Other charges

Workers' profit participation fund		26,970	7,805
Donations	- note 32	2,180	483
		-----	-----
		29,150	8,348
		=====	=====

30. Provision for taxation

For the year			
- Current		18,100	16,000
- Deferred		86,900	1,250
		-----	-----
		105,000	17,250
Prior years			
- Current		(365)	(9,747)
- Deferred		23,600	(64,829)
		-----	-----
		23,235	(74,576)
		-----	-----
		128,235	(57,326)
		=====	=====

In view of available tax losses the provision for current taxation represents the minimum tax due under section 80D of the Income Tax Ordinance, 1979. For purposes of current taxation the tax losses available for carry forward as at June 30, 1999 are estimated approximately at Rs. 189.49 million (1998: Rs. 491.08 million), including assessed tax losses of Rs. 525.92 million (1998: Rs. 517.40 million).

31. Professional services

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

1999

1998

(Rupees in thousand)

Statutory audit	224	204
Accounting services	101	71
Tax services	1,562	811
Share transfer, workers' profit participation fund audit, management staff pension fund audit, special reports and certificates for lending agencies and sundry advisory services	291	206
Out of pocket expenses	77	77
	-----	-----
	2,255	1,369
	=====	=====

32. Donations

Names of donees in which a director or his spouse has an interest

1999
(Rupees in thousand)

1998

Pakistan Olympic Association, Lahore (Syed Wajid Ali, Chief Executive is the President of the Association)	70	30
Liaquat National Hospital, Karachi (Syed Wajid Ali, Chief Executive is the President of Board of Governors)	10	20
Institute of Engineers of Pakistan, Lahore (Mr. Tariq Hamid, Director is a member of the Institute)	25	6
All Institute of Education, Lahore (Mr. Tariq Hamid, Director is a member of The Management Committee)	535	--
Pakistan Red Crescent Society (Syed Wajid Ali, Chief Executive is the Vice President of the Society)	30	--

33. Remuneration of Chief Executive, Directors and Executives

33.1 The aggregate amount charged in the accounts 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:

Directors and alternate

Number of persons	Chief Executive		Directors		Executives	
	1999	1998	1999	1998	1999	1998
	(Rupees in thousand)					
Managerial remuneration	1,054	928	3,682	3,844	31,355	25,264
Contribution to provident, gratuity, pension and welfare funds	--	--	953	782	6,764	5,088
Housing	415	592	1,765	1,916	13,210	10,533
Utilities	697	635	358	341	3,302	2,450
Leave passage	11	123	359	344	1,187	1,152
Medical expenses	107	85	150	1,727	1,453	879
Club expenses	42	8	26	40	30	37
Others	--	--	173	150	2,696	1,132
	-----	-----	-----	-----	-----	-----
	2,326	2,371	7,466	9,144	59,997	46,535
	=====	=====	=====	=====	=====	=====

The Company also provides some of them with free transport and residential telephones.

33.2 Remuneration to other directors

Aggregate amount charged in the accounts for the year for fee to 2 directors (1998:2 directors) was Rs. 2,000 (1998: Rs. 2,000).

34. Transactions with associated companies

The Company purchased from and sold to associated companies goods, materials and services aggregating Rs. 277.174 million (1998: Rs. 245.228 million) and Rs. 732.857 million (1998: Rs. 550.535 million) respectively.

35. Capacity and production -tonnes

	<i>Capacity</i>		<i>Actual production</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
Paper and board produced	62,000	60,000	61,026	56,370
Paper and board converted	60,000	55,000	54,080	51,943

Capacity for paper and board produced during the year was 62,000 tonnes but actual capacity as at June 30, 1999 stands at 65,000.

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

36. Rates of exchange

Liabilities in foreign currencies other than the long-term loans, booked under the State Bank of Pakistan exchange risk cover scheme and long-term loans hedged by forward exchange contract have been translated into Rupees at US\$ 1.9268 (1998: US\$ 2.1542), SFR 2.9798 (1998: SFR 3.270), SEK 16.2509 (1998: SEK 17.1183), DM 3.6368 (1998: DM 3.8871), GBP 1.2208 (1998: GBP 1.2889), ITL 3600.4897 (1998: ITL 3828.3374) and yen 232.0589 (1998: yen 302.7111) equal to Rs. 100.

Rate of exchange prescribed by the State Bank of Pakistan for deposits on June 30, 1999 is US\$ 1 = Rs. 51.3650 (1998: US\$ 1 = Rs. 46) and DM 1 = Rs. 27.1686 (1998: DM 1 = Rs. 25.4419).

37. Cash flow from operating activities

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
Profit before taxation	512,389	162,753
Add/(less) adjustment for non cash charges and other items		
Depreciation	325,001	321,453
Amortization	6,207	6,207
Vacation pay	3,451	4,143
Profit on sale of fixed assets	(3,870)	(11,494)
Dividend income	(170,529)	(94,048)
	-----	-----
Financial charges	672,649	389,014
	445,853	528,503
	-----	-----
Profit before working capital changes	1,118,502	917,517
Effect on cash flow due to working capital changes		
(Increase)/decrease in stores and spares	(16,244)	4,436
(Increase)/decrease in stock-in-trade	(184,763)	60,318
(Increase) in trade debts	(21,399)	(131,721)
(Increase)/decrease in Loans, advances, deposits, prepayments and other receivables	(55,283)	41,057
Increase in creditors, accrued and other liabilities	228,386	59,725
	-----	-----

(49,303)	33,815
-----	-----
1,069,199	951,332
=====	=====

38. Cash and cash equivalents

Cash and bank balances	869,901	973,655
Finances under mark-up arrangements	(698,777)	(706,342)
	-----	-----
	171,124	267,313
	=====	=====

39. Earnings per share

Net profit for the year	384,154	220,079
-------------------------	---------	---------

Average ordinary shares in issue during
June 30, 1999 41,157,646
(1998: 41,157,656).

Earnings per share	Rupees	Rupees
	9.33	5.35

40. Financial assets and liabilities

	<i>Interest/mark up bearing</i>			<i>Non interest bearing</i>			
<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub total</i>	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub total</i>	<i>1999 Total</i>	
<i>(Rupees in thousand)</i>							
Financial assets							
Long-term investments	--	--	--	--	114,464	114,464	114,464
Loans to employees	--	--	--	--	470	470	470
Long-term security deposits	--	--	--	--	3,522	3,522	3,522
Long-term deposits for hedging	--	915,170	915,170	--	--	--	915,170
Trade debts	--	--	--	450,887	--	450,887	450,887
Advances, deposits prepayments							
- Loans to employees	--	--	--	239	--	239	239
- Trade debts	--	--	--	11,230	--	11,230	11,230
- Profit receivable on FCY deposits	--	--	--	13,344	--	13,344	13,344
Finished goods-packaging division	--	--	--	10,010	--	10,010	10,010
Cash and banks balances	826,586	--	826,586	43,315	--	43,315	869,901
	-----	-----	-----	-----	-----	-----	-----
	826,586	915,170	1,741,756	529,025	118,456	647,481	2,389,237
	=====	=====	=====	=====	=====	=====	=====
Financial liabilities							
Redeemable capital	89,270	205,944	295,214	--	--	--	295,214
Liabilities against assets subject to finance lease	20,412	--	20,412	--	--	--	20,412
Long-term loans	683,346	1,400,536	2,083,882	--	--	--	2,083,882
Finances under mark up arrangements	698,777	--	698,777	--	--	--	698,777
Creditors, accrued and other liabilities	--	--	--	626,182	--	626,182	626,182
Commitments	--	--	--	11,550	--	11,550	11,550
Forward contracts	--	--	--	148,503	--	148,503	148,503
Guarantees	--	--	--	135	--	135	135
Letter of credit	--	--	--	85,656	--	85,656	85,656
	-----	-----	-----	-----	-----	-----	-----
	1,491,805	1,606,480	3,098,285	872,026	--	872,026	3,970,311
	=====	=====	=====	=====	=====	=====	=====

40.1 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. Out of the total

financial assets of Rs. 2,389.237 million, the financial assets which are subject to credit risk amounted to Rs. 401.266 million. The Company believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk, the Company applies credit limits to its customers and also obtains collaterals.

40.2 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transaction with foreign undertakings, especially group companies. Payables exposed to foreign currency risks are covered partially through forward foreign exchange contract and partially through hedging as mentioned in note 7.1

40.3 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 long-term investments, which are stated at cost.

41. Number of employees

	<i>1999</i>	<i>1998</i>
Number of employees as at year end	2,770	2,674
	=====	=====

42. Statement of changes in equity

	<i>Share capital</i>	<i>Share premium</i>	<i>Reserve for issue of bonus shares</i>	<i>General reserves</i>	<i>Unappropriated profit</i>	<i>1999 Total</i>
<i>(Rupees in thousand)</i>						
Balance as on June 30, 1998	357,893	203,589	53,684	1,081,036	407	1,696,609
5,368,388 ordinary shares of Rs. 10 each issued as fully paid bonus shares	53,684	--	--	--	--	53,684
Nominal value of bonus shares issued	--	--	(53,684)	--	--	(53,684)
Net profit for the year	--	--	--	--	384,154	384,154
Transferred from profit and loss account	--	--	--	230,000	(230,000)	--
Dividend - final	--	--	--	--	(153,662)	(153,662)
	-----	-----	-----	-----	-----	-----
Balance as on June 30, 1999	411,577	203,589	--	1,311,036	899	1927101
	=====	=====	=====	=====	=====	=====

43. Comparative figures

Previous year's figures have been restated, wherever necessary, for the purposes of comparison.

44. Statement pursuant to section 237 of the Companies Ordinance, 1984 and the last audited accounts of the subsidiary companies are annexed.

Syed Wajid Ali
Chief Executive

Asadullah Khawaja
Director

Pattern of shareholding as at June 30, 1999

Form-34

<i>No. of Shareholders</i>	<i>Shareholding</i>	<i>Total Shares held</i>
1,359	Holding from 1 To 100 Shares	24,906

512	Holding	from	101	To	500	Shares	126,284
230	Holding	from	501	To	1000	Shares	163,409
348	Holding	from	1001	To	5000	Shares	784,917
71	Holding	from	5001	To	10000	Shares	494,603
20	Holding	from	10001	To	15000	Shares	241,612
13	Holding	from	15001	To	20000	Shares	226,901
15	Holding	from	20001	To	25000	Shares	337,851
5	Holding	from	25001	To	30000	Shares	129,329
6	Holding	from	30001	To	35000	Shares	191,801
6	Holding	from	35001	To	40000	Shares	233,123
2	Holding	from	40001	To	45000	Shares	85,017
3	Holding	from	45001	To	50000	Shares	139,091
4	Holding	from	50001	To	55000	Shares	202,282
1	Holding	from	55001	To	60000	Shares	55,250
2	Holding	from	60001	To	65000	Shares	124,532
3	Holding	from	65001	To	70000	Shares	197,537
2	Holding	from	70001	To	75000	Shares	147,949
3	Holding	from	75001	To	80000	Shares	230,325
2	Holding	from	80001	To	85000	Shares	164,046
1	Holding	from	85001	To	90000	Shares	87,524
1	Holding	from	95001	To	100000	Shares	99,644
2	Holding	from	100001	To	105000	Shares	202,117
3	Holding	from	105001	To	110000	Shares	325,836
3	Holding	from	110001	To	115000	Shares	340,383
2	Holding	from	115001	To	120000	Shares	231,219
1	Holding	from	135001	To	140000	Shares	137,441
1	Holding	from	165001	To	170000	Shares	168,769
1	Holding	from	170001	To	175000	Shares	172,332
1	Holding	from	175001	To	180000	Shares	179,003
1	Holding	from	200001	To	205000	Shares	203,265
1	Holding	from	210001	To	215000	Shares	212,239
1	Holding	from	230001	To	235000	Shares	231,247
1	Holding	from	250001	To	255000	Shares	250,466
1	Holding	from	325001	To	330000	Shares	325,221
1	Holding	from	330001	To	335000	Shares	331,151
2	Holding	from	400001	To	405000	Shares	802,909
1	Holding	from	420001	To	425000	Shares	421,200
2	Holding	from	425001	To	430000	Shares	854,609
1	Holding	from	480001	To	485000	Shares	483,204
1	Holding	from	555001	To	560000	Shares	557,621
1	Holding	from	580001	To	585000	Shares	584,673
1	Holding	from	820001	To	825000	Shares	820,282
1	Holding	from	1385001	To	1390000	Shares	1,387,125
1	Holding	from	1425001	To	1430000	Shares	1,429,915
1	Holding	from	1510001	To	1515000	Shares	1,510,635
1	Holding	from	1695001	To	1700000	Shares	1,696,494
1	Holding	from	2380001	To	2385000	Shares	2,384,042
1	Holding	from	3375001	To	3380000	Shares	3,377,957
1	Holding	from	3970001	To	3975000	Shares	3,972,180
1	Holding	from	5955001	To	5960000	Shares	5,956,379
1	Holding	from	7115001	To	7120000	Shares	7,119,799
-----							-----
2,647							41,157,646
=====							=====

Categories of Shareholders

	<i>Number</i>	<i>Shares held</i>	<i>Percentage</i>
1. Individuals	2,578	16,637,266	40.42
2. Investment Companies	5	5,826,586	14.16
3. Insurance Companies	10	8,039,932	19.54
4. Joint Stock Companies	33	6,953,548	16.02
5. Financial Institutions	10	3,396,967	8.25
6. Modaraba Companies	3	9,494	0.02
7. Others	8	653,853	1.59

TOTAL	2,647	41,157,646	100.00
=====			

LIST OF OTHERS

1. Gurmani Foundation	584,673	1.42
2. The Administrator Abandoned Properties, Govt. of Pakistan	7,452	0.02
3. Gulab Devi Chest Hospital	8,956	0.02
4. Securities and Exchange Commission of Pakistan	1	--
5. Government of Punjab, Finance Deptt.	8,214	0.02
6. Habib Bank Ltd A/c Muhammad Amin Wakf Estate	31,189	0.08
7. Saeeda Amin Wakf	6,900	0.02
8. Delhi Mercantile Muslim Co-operative Housing Society Ltd.	6,468	0.01
	-----	-----
	653,853	1.59
	=====	=====

Statement and report under sub-section

(1) (e), (f) and (g) of section 237 of the Companies Ordinance, 1984

	<i>SUBSIDIARIES</i>		
<i>Ricepak Limited</i>	<i>Packages Hattar (Private) Limited</i>	<i>Coates Lorilleux Pakistan Limited</i>	
<i>I</i>	<i>II</i>	<i>III</i>	

Statement under sub-section (1) (e)

(a) Extent of the interest of Packages Limited (the Holding Company) in the equity of its subsidiaries at the end of the last financial year of the subsidiaries

100%	100%	55%
------	------	-----

(Rupees in thousand)

(b) The net aggregate amount of profits less losses of the subsidiary companies so far as these concern members of the Holding Company and have not been dealt with in the accounts of the Holding Company for the year ended June 30, 1999 are:

i) for the last financial year of the subsidiaries	--	(11)	11,439
ii) for the previous years but subsequent to the acquisition of the controlling interest by the Holding Company	(8)	483	4,270
	-----	-----	-----
	(8)	472	15,709

(c) The net aggregate amount of profits less losses of the subsidiary companies so far as these have been dealt with or provisions made for losses in the accounts of the Holding Company for the year ended June 30, 1999 are:

i) for the last financial year of the subsidiaries	--	--	--
ii) for the previous years but subsequent to the acquisition of the controlling interest by the Holding Company	--	--	--
	-----	-----	-----
	--	--	--

(d) In the case of subsidiary I, an application has been made to the Securities and Exchange Commission of Pakistan for allowing the Holding Company to attach the accounts of subsidiary I for

August 31, 1998.

Statement under sub-section (1) (f)

(a) There has been no change in the Holding Company's interest in subsidiary I between the end of the subsidiary's financial year and the end of the Holding Company's financial year

(b) No material changes have occurred between the end of the financial year of subsidiary I and the end of the Holding Company's financial year in respect of the subsidiary's fixed assets, the Holding Company's investment and the moneys lent by it and the moneys borrowed by it for purposes other than that of meeting current liabilities.

Statement under sub-section (1) (g)

N.A.

N.A.

N.A.

Syed Wajid Ali
Chief Executive

Asadullah Khawaja
Director

Ricepak Limited

Auditors' report to the members

We have audited the annexed balance sheet of Ricepak Limited as at August 31, 1998, 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 purpose of our audit and, after due verification thereof, 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 together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet together with the notes forming part thereof, 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 August 31, 1998; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Lahore, October 22, 1998

A. F. FERGUSON & CO.
Chartered Accountants

Balance Sheet as at August 31, 1998

<i>Note</i>	<i>1998 Rupees</i>	<i>1997 Rupees</i>
Share Capital and Reserves		
Authorised capital		
5,000,000 ordinary shares of Rs. 10 each	50,000,000	50,000,000
	=====	=====
Issued, subscribed and paid up capital		
800 ordinary shares of- Rs. 10 each	8,000	8,000
Accumulated loss	(8,000)	(8,000)
	-----	-----
	--	--
	-----	-----
	--	--
	=====	=====
 <i>Note</i>	 <i>1998 Rupees</i>	 <i>1997 Rupees</i>
	--	--
	=====	=====

These accounts should be read in conjunction with the annexed notes.

Saulat Said
Chief Executive

Khalid Yacob
Director

**Notes to the accounts
for the year ended August 31, 1998**

1. Nature of business

Ricepak Limited is a wholly owned subsidiary of Packages Limited. The principal activity of the Company is processing, packaging and sale of rice. The Company was incorporated on July 9, 1992 as a private limited Company. It was converted into a public Company on January 30, 1993. The Company ceased manufacturing operations on August 30, 1993, at which date it sold certain of its assets and transferred certain liabilities to its Parent Company. Consequently, a profit and loss account has not been drawn up.

2. Summary of significant accounting policies

2.1 Accounting convention

The accounts have been prepared under the historical cost convention.

3. Issued, subscribed and paid up capital

The entire share capital is held by Packages Limited, the Parent Company.

Saulat Said
Chief Executive

Khalid Yacob
Director

Packages Hattar (Private) Limited

Auditors' report to the members

We have audited the annexed balance sheet of Packages Hattar (Private) Limited as at June 30, 1999 and the related profit and loss account and the cash flow statement, 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 purpose of our audit and, after due verification thereof, 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;

(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 and cash flow statement, together with the notes forming part thereof, 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 Company's affairs as at June 30, 1999 and the loss and cash flow for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Lahore, September 27, 1999

A. F FERGUSON & CO.
Chartered Accountants

Balance sheet as at June 30, 1999

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
Share Capital and Reserves			
Authorised capital			
500,000 ordinary shares of Rs. 10 each		5,000,000	5,000,000
		=====	=====
Issued, subscribed and paid up capital			
400 (1998: 400) ordinary shares of Rs. 10 each fully paid in cash		4,000	4,000
Unappropriated profit		471,530	482,639
		-----	-----
		475,530	586,639
Current Liabilities			
Creditors, accrued and other liabilities	3	2,144,005	905,066
Contingencies and Commitments		--	--
		-----	-----
		2,619,535	1,391,705
		=====	=====
Fixed Capital Expenditure			
Operating fixed assets - tangible	4	194,211	194,211
Current Assets			
Spares		55,800	55,800
Advances, deposits, prepayments and other receivables	5	2,369,524	1,141,694
		-----	-----
		2,425,324	1,197,494
		-----	-----
		2,619,535	1,391,705

The annexed notes form an integral part of these accounts.

Khalid Yacob
Chief Executive

Rafi Iqbal Ahmad
Director

**Profit and loss account
for the year ended June 30, 1999**

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
Sales		--	--
Cost of goods sold		--	--
		-----	-----
Trading profit		--	--
Selling, administration and general expenses	6	11,109	228,738
Operating loss		(11,109)	(228,738)
		-----	-----
Financial charges		(11,109)	(228,738)
		--	554
		-----	-----
Loss before taxation		(11,109)	(229,292)
Provision for taxation		--	--
		-----	-----
Loss after taxation		(11,109)	(229,292)
Unappropriated profit brought forward		482,639	711,931
		-----	-----
Unappropriated profit carried forward		471,530	482,639
		=====	=====

The annexed notes form an integral part of these accounts.

Khalid Yacob
Chief Executive

Rafi Iqbal Ahmad
Director

**Cash flow statement
for the year ended June 30, 1999**

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
Cash flow from operating activities:			
Cash generated from operations	7	--	1,007,446
Financial charges paid		--	(554)
Taxes paid		--	(1,016,811)
		-----	-----
Net cash (outflow) from operating activities		--	(9,919)
Cash flow from investing activities		--	--
Net (decrease) in cash and cash equivalents		--	(9,919)
Cash and cash equivalents at the beginning of the year		--	9,919
Cash and cash equivalents at the end of the year		-----	-----
		--	--
		=====	=====

The annexed notes form an integral part of these accounts.

Khalid Yacob
Chief Executive

Rafi Iqbal Ahmad
Director

Notes to the accounts for the year ended June 30, 1999

1. Nature of business

Packages Hattar (Private) Limited is a wholly owned subsidiary of Packages Limited. The Company was incorporated in Pakistan in January, 1993. Its principal activity is cutting, creasing and printing of corrugated board and cartons. The Company ceased manufacturing operations in November, 1996.

2. Summary of significant accounting policies

2.1 Accounting conventions

These accounts have been prepared under the historical cost convention.

2.2 Taxation

The charge for current taxation for the period is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any.

The Company accounts for deferred taxation, using the liability method, on all major timing differences.

2.3 Fixed capital expenditure and depreciation

Operating fixed assets are stated at cost less accumulated depreciation. Depreciation on all operating fixed assets is charged to profit on the straight line method so as to write off the historical cost of an asset over its estimated useful life at the following annual rates:

Plant and machinery	20%
Furniture and fixtures	10%
Electrical equipment and installations	20%
office equipment	20%
Vehicles	20%

The full annual rate of depreciation is applied on the cost of additions, while no depreciation is charged on assets deleted during the period. Major renewals and improvements are capitalised.

2.4 Revenue recognition

Revenue is recognised on the despatch of goods.

3. Creditors, accrued and other liabilities

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
Creditors	46,970	46,970
Accrued liabilities	20,000	20,000
Due to Holding Company	2,077,035	838,096
	-----	-----
	2,144,005	905,066
	=====	=====

4. Operating fixed assets - tangible

The following is a statement of operating fixed assets

	<i>Cost to June 30, 1998</i>	<i>Additions/ (deletions)</i>	<i>Cost to June 30, 1999</i>	<i>Depreciation charge for the year</i>	<i>Accumulated depreciation</i>	<i>Book value as at June 30, 1999</i>
	<i>(In Rupees)</i>					
Plant and machinery	549,500	--	549,500	--	402,936	146,564
Electrical equipment and installations	66,635	--	66,635	--	48,170	18,465
Office equipment	85,980	--	85,980	--	59,790	26,190
Furniture and fixtures	4,600	--	4,600	--	1,608	2,992

1999	706,715	--	706,715	--	512,504	194,211
1998	706,715	--	706,715	--	512,504	194,211

5. Advances, deposits, prepayments and other receivables

	<i>1999</i>		<i>1998</i>
	<i>Rupees</i>		<i>Rupees</i>
Receivable from tax authorities	2,369,524		1,141,694

6. Selling, administration and general expenses

Audit fee	--	20,000
Legal and professional charges	11,109	97,650
Insurance	--	8,388
Postage and telephone	--	273
Inventories written off	--	52,942
Other expenses	--	49,485
	11,109	228,738

7. Cash flow from operating activities

Loss before taxation	(11,109)	(229,292)
Add/(less) adjustment for non cash charges and other items		
Financial charges	--	554
Loss before working capital changes	(11,109)	(228,738)
Effect on cash flow due to working capital changes		
Decrease in spares	--	52,942
Decrease in trade debts	--	734,125
(Increase)/decrease in advances, deposits, prepayments and other receivables	(1,227,830)	1,614
Increase in creditors, accrued and other liabilities	1,238,939	447,503
	11,109	1,236,184
	--	1,007,446

8. Comparative figures

Previous year's figures have been restated, wherever necessary, for the purposes of comparison.

Khalid Yacob
Chief Executive

Rafi Iqbal Ahmad
Director

Coates Lorilleux Pakistan Limited

Auditors' report to the members

We have audited the annexed balance sheet of Coates Lorilleux Pakistan Limited as at June 30, 1999 and the related profit and loss account and the cash flow statement, together with the notes forming part thereof, for the year 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 purpose of our audit and, after due verification thereof,

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;

(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 and the cash flow statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1999 and of the profit and the cash flow for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Lahore, September 16, 1999

A.F. FERGUSON & CO.
Chartered Accountants

Balance sheet as at June 30, 1999

	<i>Note</i>	<i>1999</i> <i>(Rupees in thousand)</i>	<i>1998</i>
Share Capital and Reserves			
Authorised capital 4,000,000 (1998: 4,000,000) ordinary shares of Rs. 10 each		40,000	40,000
		=====	=====
Issued, subscribed and paid up capital	3	32,760	27,300
Reserves	4	8,190	6,825
Unappropriated profit		10,281	7,767
		-----	-----
		51,231	41,892
Redeemable Capital	5	3,000	13,200
Deferred Taxation	6	5,700	5,800
Current Liabilities			
Current portion of redeemable capital	5	8,200	8,200
Short-term running finances	7	85,377	67,232
Creditors, accrued and other liabilities	8	16,635	17,726
Proposed dividend		11,466	8,190
		-----	-----
		121,678	101,348
Contingencies and Commitments	9	--	--
		-----	-----
		181,609	162,240
		=====	=====

1999 *1998*
(Rupees in thousand)

Fixed Capital Expenditure

Operating fixed assets-tangible	10	34,307	34,914
Long-Term Deposits and Deferred Costs	11	37	80
Current Assets			
Stores and spares		846	673
Stock-in-trade	12	104,020	74,579
Trade debts	13	28,385	35,971
Advances, deposits, prepayments and other receivables	14	13,757	15,733
Cash and bank balances	15	257	290
		-----	-----
		147,265	127,246
		-----	-----
		181,609	162,240
		=====	=====

The annexed notes form an integral part of these accounts.

Tariq Hamid
Chief Executive

Munawar H. Babry
Director

**Profit and loss account
for the year ended June 30, 1999**

		<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousand)</i>	
Sales	16	278,801	241,064
Cost of goods sold	17	205,290	175,309
		-----	-----
Trading profit		73,511	65,755
Selling, administration and general expenses	18	15,942	15,492
		-----	-----
Operating profit		57,569	50,263
Other income	19	2,043	954
		-----	-----
		59,612	51,217
Financial charges	20	17,342	15,910
Other charges	21	2,977	2,480
		-----	-----
		20,319	18,390
		-----	-----
Profit before taxation		39,293	32,827
Provision for taxation	22	18,488	14,574
		-----	-----
Profit after taxation		20,805	18,253
Unappropriated profit brought forward		7,767	4,529
		-----	-----
Available for appropriation		28,572	22,782
Appropriations			
Transfer to capital reserve for issue of bonus shares		6,825	6,825
Proposed dividend Rs. 3.50 (1998: Rs. 3.00) per share		11,466	8,190
		-----	-----
		18,291	15,015
		-----	-----
Unappropriated profit		10,281	7,767
		=====	=====

The annexed notes form an integral part of these accounts.

Tariq Hamid
Chief Executive

Munawar H. Babry
Director

Cash flow statement
for the year ended June 30, 1999

	<i>Not</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousand)</i>	
Cash flow from operating activities:			
Cash generated from operations	24	37,080	33,850
Financial charges paid:		(16,531)	(16,932)
Taxes paid		(15,189)	(3,713)
		-----	-----
Net cash inflow from operating activities		5,360	13,205
Cash flow from investing activities:			
Fixed capital expenditure		(6,481)	(2,058)
Long-term deposits (net)		36	163
Insurance claim received		--	253
Sale proceeds of fixed assets		1,297	--
		-----	-----
Net cash (outflow) from investing activities		(5,148)	(1,642)
Cash flow from financing activities:			
Repayment of long-term loans		(10,200)	(10,200)
Dividend paid		(8,190)	(4,095)
		-----	-----
Net cash (outflow) from financing activities		(18,390)	(14,295)
		-----	-----
Net (decrease) in cash and cash equivalents		(18,178)	(2,732)
Cash and cash equivalents at the beginning of the year		(66,942)	(64,210)
Cash and Cash equivalents at the end of the year	25	----- =====	----- =====

The annexed notes form an integral part of these accounts.

Tariq Hamid
Chief Executive

Munawar H. Babry
Director

Notes to the account
for the year ended June 30, 1999

1. The Company and its operations

The Company is a subsidiary of Packages Limited. It is principally engaged in the manufacturing, processing and selling of finished aria semi finished inks and lacquers. It was incorporated on January 5, 1994 and commenced commercial production from July 1, 1994.

2. Summary of significant accounting policies

2.1 Accounting convention

The accounts have been prepared under the historical cost convention.

2.2 Taxation

Current

The charge for current taxation for the year is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates

realisable, if any.

Deferred

The Company accounts for deferred taxation using the liability method, on all major timing differences.

2.3 Fixed capital expenditure and depreciation

Operating fixed assets are stated at cost less accumulated depreciation. Depreciation is charged to profit on the straight line method so as to write off the historical cost of an asset over its estimated useful life at the following annual rates:

Plant and machinery	10%
Other equipment	10% to 20%
Furniture and fixtures	10% to 20%
Vehicles	20%

The full annual rate of depreciation is applied on the cost of additions, while no depreciation is charged on assets deleted during the year. Major renewals and improvements are capitalised.

Previously an item of plant and machinery was being depreciated over its estimated useful life of 20 years at the rate of 5% per annum. However, during the current year, the estimated useful life of that item has been revised to 14 years and consequently kite depreciation rate has been changed from 5% to 10%.

Had the previous method been used the depreciation charge for the current year would have been Rs. 1.215 million instead of Rs. 1.978 million.

2.4 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 values plus other charges paid thereon.

2.5 Stock-in-trade

Stock of raw materials, except for those in transit, work-in-process and finished goods are valued at the lower of 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 values plus other charges paid thereon.

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

2.6 Mark up, interest and other charges

Mark up, interest and other charges on redeemable capital are capitalised upto the date of commissioning of the respective plant and machinery acquired out of the proceeds of such redeemable capital. All other mark up, interest and other charges are charged to income.

2.7 Revenue recognition

Revenue is recognised on despatch of goods.

3. Issued, subscribed and paid up capital

2,730,000 (1998: 2,730,000)
ordinary shares of Rs. 10 each fully paid in cash

546,000 (1998: Nil)
ordinary shares of Rs. 10 each issued
as fully paid bonus shares

<i>1999</i>	<i>1998</i>
<i>(Rupees in thousand)</i>	
27,300	27,300
5,460	--
----- 32,760	----- 27,300
=====	=====

The Holding Company, Packages Limited holds 1,801,200 ordinary shares of the Company.

4. Reserves

Movement in and composition of reserves is as follows:

Capital

Reserve for issue of bonus shares

At the beginning of the year

Transfer from profit and loss account

Nominal value of bonus shares

issued

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
	6,825	--
	6,825	6,825
	(5,460)	--
	-----	-----
	8,190	6,825
	=====	=====

5. Redeemable capital

These are composed of:

Long-term running finances

Finance 1

Finance 2

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
	8,200	10,400
	3,000	5,000
	-----	-----
	11,200	21,400
Less: Current portion shown under		
current liabilities	8,200	8,200
	-----	-----
	3,000	13,200
	=====	=====

Finances 1 and 2

Security

These finances are secured by hypothecation of all present and future fixed assets of the Company. All charges in favour of the lenders of these finances rank pari passu with each other.

Terms of repayment

Finance 1

Under the arrangements goods owned by the Company amounting to Rs. 41 million were sold to the bank and deemed to be immediately repurchased by the Company at a price paid by the bank plus a mark up computed at the rate of Re. 0.4520 per Rs. 1,000 per diem or part thereof on the price outstanding. The outstanding balance is repayable in six equal half yearly installments. Mark up is payable quarterly. In case of default to repay the installments on the due dates, liquidated damages upto 20% of the outstanding balance are payable.

Finance 2

Under the arrangements goods owned by the Company amounting to Rs. 10 million were sold to the bank and deemed to be immediately repurchased by the Company at a price paid by the bank plus a mark up computed at the rate of Re. 0.0825 per Rs. 1,000 per diem over and above average of the last six months Treasury Bills (cut off) yield subject to a minimum of Re. 0.4383 per Rs. 1,000 per diem on the price outstanding. The outstanding balance is repayable in five equal half yearly installments.

6. Deferred taxation

Accelerated tax depreciation

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
	5,700	5,800
	=====	=====

7. Short-term running finances - secured

Short-term running finance facilities amounting to Rs. 180 million are available from commercial banks under mark up arrangements. Under these arrangements goods owned by the Company are sold to the banks and are deemed to be immediately repurchased by the Company at a price paid by the bank plus a mark up computed at rates ranging from Re. 0.3973 to Re. 0.4247 per Rs. 1,000 per diem or part thereof on the price outstanding. The financing is secured by hypothecation of stocks and trade debts.

Of the aggregate facility of Rs. 140 million for opening letters of credit and guarantees the amount utilised at June 30, 1999 was Rs. 22.108 million (1998: Rs. 17.37 million).

8. Creditors, accrued and other liabilities

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
Creditors	2,689	2,199
Bills payable	1,688	3,869
Accrued liabilities	3,697	3,448
Mark up on secured redeemable capital	668	1,233
Mark up on secured short-term running finances	3,403	2,587
Advances from customers	61	151
Workers' profit participation fund	2,115	1,765
Workers' welfare fund	846	715
Sales tax payable	1,199	1,467
Others	269	292
	-----	-----
	16,635	17,726
	=====	=====

9. Contingencies and commitments**9.1 Contingencies**

Guarantees to Collector of Customs amounting to Rs. 3.435 million (1998: Rs. Nil).

9.2 Commitments in respect of

Letters of credit other than for capital expenditure Rs. 18.673 million (1998: Rs. 17.449 million).

10. Operating fixed assets-tangible

	<i>Cost to June 30, 1998</i>	<i>Additions/ (deletions) during the year</i>	<i>Cost to June 30, 1999</i>	<i>Accumulated depreciation June 30, 1998</i>	<i>Depreciation charge/ (deletions) for the year</i>	<i>Accumulated depreciation June 30, 1999</i>	<i>Book value as at June 30, 1999</i>
<i>(Rupees in thousand)</i>							
Plant and machinery	33,953	726	34,679	8,327	3,015	11,342	23,337
Other equipment	9,579	3,631	13,110	4,266	1,584	5,769	7,341
Furniture and fixtures	4,539	76	4,615	2,547	906	3,453	1,162
Vehicles	4,504	2,048 (1,321)	5,231	2,521	1,046 (803)	2,764	2,467
	-----	-----	-----	-----	-----	-----	-----
1999	52,575	6,581 (1,421)	57,635	17,661	6,551 (884)	23,328	34,307
	=====	=====	=====	=====	=====	=====	=====
1998	50,770	2,058 (253)	52,575	12,769	4,943 (51)	17,661	34,914
	=====	=====	=====	=====	=====	=====	=====

1999**1998**

(Rupees in thousand)

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

Cost of goods sold	- note 17	5,267	3,767
Selling, administration and general expenses	- note 18	1,284	1,176
		-----	-----
		551	4,943
		=====	=====

11. Long-term deposits and deferred costs

Long term deposits			
Security deposits		37	73
Deferred costs			
Preliminary expenses		--	7
		-----	-----
		37	80
		=====	=====

12. Stock-in-trade

Raw materials including in transit			
Rs. 11.585 million (1998: Rs. 5.929 million)		78,112	53,682
Work-in-process		10,370	9,940
Finished goods		15,538	10,957
		-----	-----
		104,020	74,579
		=====	=====

13. Trade debts

Trade debts			
- considered good		28,385	35,971
- considered doubtful		629	720
		-----	-----
		29,014	36,691
Less: Provision for doubtful debts		(629)	(720)
		-----	-----
		28,385	35,971
		=====	=====

All debts are unsecured. Trade debts include amounts due from associated companies Rs. 15.74 million (1998: Rs. 19.6 million).

14. Advances, deposits, prepayments and other receivables

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
Advances to employees - considered good	297	141
Balance with statutory authorities for excise duty	4	4
Income tax recoverable	8,400	11,799
Prepayments	352	--
Advances to suppliers	211	38
Margin held against letters of credit	--	1,322
Other receivables	4,493	2,432
	-----	-----
	13,757	15,733
	=====	=====

Advances to employees include an aggregate amount of Rs. 91,522 (1998: Rs. 14,999) due from directors.

15. Cash and bank balances

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
At bank - on current accounts	171	133

In hand	86	157
	-----	-----
	257	290
	=====	=====

16. Sales

Sales are exclusive of sales tax and excise duty amounting to Rs. 39.51 million (1998: Rs. 30.19 million).

17. Cost of goods sold

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
Raw material consumed	177,163	151,077
Packing material consumed	7,818	7,603
Salaries, wages and amenities	7,387	6,318
Travelling and conveyance	635	350
Fuel and power	2,332	1,836
Rent, rates and taxes	2,170	2,047
Insurance	383	305
Repairs and maintenance	1,047	504
Technical fee and royalty	5,660	4,864
Depreciation	5,267	3,767
Lease charges	--	151
Other expenses	440	262
	-----	-----
	210,302	179,084
Opening work-in-process	9,940	8,743
Less: Closing work-in-process	(10,370)	(9,940)
	-----	-----
	(430)	(1,197)
Cost of goods manufactured	-----	-----
	209,872	177,887
Opening stock of finished goods	10,957	8,379
Less: Closing stock of finished goods	(15,539)	(10,957)
	-----	-----
	(4,582)	(2,578)
	-----	-----
	205,290	175,309
	=====	=====

17.1 Salaries, wages and amenities principally represent employees' costs charged by the Parent Company for staff on deputation.

18. Selling, administration and general expenses

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
Salaries and amenities including remuneration paid to directors		
Rs. 2.003 million (1998:		
Rs. 1.297 million)	9,079	7,111
Travelling and conveyance	997	1,001
Rent, rates and taxes	375	353
Insurance	206	215
Printing and stationery	523	562
Postage, telephone and telex	975	926
Advertising	250	300
Depreciation	1,284	1,176
Amortization of deferred costs	7	21
Lease charges	107	534
Audit fee	70	60
Professional services	302	562
Repairs and maintenance	248	200
Freight outward	1,136	1,011

Bad debts	--	734
Others	383	726
	-----	-----
	15,942	15,492
	=====	=====

18.1 Salaries and amenities principally represent employees' costs charged by the Parent Company for staff on deputation.

19. Other income

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
Scrap sales	1,133	745
Profit on disposal of fixed assets	760	--
Gain on insurance claim settled	--	51
Insurance commission from an associated company	150	158
	-----	-----
	2,043	954
	=====	=====

20. Financial charges

Mark up on redeemable capital- secured	2,803	4,714
Mark up on short-term running finances - secured	13,979	10,869
Exchange loss	133	101
Bank charges	427	226
	-----	-----
	17,342	18,910
	=====	=====

21. Other charges

Provision for workers' profit participation fund	2,115	1,765
Provision for workers' welfare fund	862	715
	-----	-----
	2,977	2,480
	=====	=====

22. Provision for taxation

For the year		
- Current	18,200	15,000
- Deferred	(600)	(500)
	-----	-----
	17,600	14,500
	=====	=====
Prior year		
- Current	388	(1,067)
- Deferred	500	1,141
	-----	-----
	888	74
	-----	-----
	18,488	14,574
	=====	=====

23. Transactions with associated companies

The Company purchased from and sold to associated companies goods, materials and services aggregating Rs. Nil (1998: Rs. 5.083 million) and Rs. 177.554 million (1998: Rs. 157.853 million) respectively.

24. Cash flow from operating activities

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
Profit before taxation	39,293	32,827

Add/(less) adjustment for non cash charges and other items:

Depreciation and amortization	6,558	4,964
Financial charges	16,782	15,583
Profit on disposal of fixed assets	(760)	--
Profit on insurance claim settled	--	(51)
	-----	-----
Profit before working capital changes	61,873	53,323

Effect on cash flow due to working capital changes

(Increase) in stores and spares	(173)	(397)
(increase) in stock-in-trade	(29,441)	(677)
Decrease/(increase) in trade debts	7,586	(20,534)
(Increase) in advances, deposits, prepayments and other receivables	(1,423)	(2,211)
(Decrease)/increase in creditors, accrued and other liabilities	(1,342)	4,346
	-----	-----
	(24,793)	(19,473)
	-----	-----
	37,080	33,850
	=====	=====

25. Cash and cash equivalents

Cash and bank balances	257	290
Short-term running finances	(85,377)	(67,232)
	-----	-----
	(85,120)	(66,942)
	=====	=====

26. Comparative figures

Previous year's figures have been restated, wherever necessary, for the purposes of comparison.

Tariq Hamid
Chief Executive

Munawar H. Babry
Director

Consolidated Financial Statements 1999

Auditors' report to the board of directors

We have examined the annexed consolidated financial statements comprising consolidated balance sheet of Packages Limited and its subsidiary companies as at June 30, 1999 and the related consolidated profit and loss account and consolidated cash flow statement together with the notes forming part thereof, for the year ended June 30, 1999. We have also expressed separate opinions on the financial statements of Packages Limited and its subsidiary companies. 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 examination.

Our examination was made in accordance with generally accepted auditing guidelines and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

Included in the Group's share of income from associated companies of Rs. 278 million shown in the consolidated profit and loss account and Note 17 to the consolidated financial statements is an amount of Rs. 165 million based on unaudited accounts of some associated companies whose financial years are not coterminous with that of the Parent Company.

Except for the effect, if any, of the matter referred to in the preceding paragraph, in our opinion the consolidated financial statements examined by us present fairly the financial position of Packages Limited and its subsidiary companies as at June 30, 1999 and the results of their operations for the year then ended.

Lahore, September 22, 1999

A. E FERGUSON & CO.
Chartered Accountants

Consolidated balance sheet
as at June 30, 1999

		<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousand)</i>	
Share Capital and Reserves			
Authorised capital			
50,000,000 (1998: 40,000,000)			
ordinary shares of Rs. 10 each		500,000	400,000
		=====	=====
Issued, subscribed and paid up capital	3	411,577	357,893
Reserves	4	1,522,129	1,342,061
Unappropriated profit		298,470	271,525
		-----	-----
		2,232,176	1,971,479
Minority Interest		22,305	18,509
Redeemable Capital - Secured	5	208,944	102,470
Liabilities against Assets			
subject to Finance Lease	6	--	20,412
Long-Term Loans and Deferred Liabilities			
Long-term loans and other payables- secured			
- for operations	7	929,272	1,274,836
- for hedging	8	471,264	673,829
		-----	-----
		1,400,536	1,948,665
Deferred liabilities	9	446,264	332,413
		-----	-----
		1,846,800	2,281,078
Current Liabilities			
Current portion of			
Redeemable capital	5	97,470	121,345
Liabilities against assets subject to finance lease	6	20,412	22,345
Long-term loans and other payables for operations	7	480,780	487,241
Loans for hedging	10	202,566	308,888
Finances under mark up arrangements- secured	11	784,154	773,574
Creditors, accrued and other liabilities	12	710,592	497,021
Proposed dividend			
Packages Limited		153,662	35,789
Minority interest		5,162	3,687
		-----	-----
		2,454,798	2,249,890
Contingencies and Commitments	13	--	--
		-----	-----
		6,765,023	6,643,838
		=====	=====
Fixed Capital Expenditure			
Operating fixed assets - tangible	14	2,369,879	2,576,651
Assets subject to finance lease	15	65,171	71,378
Capital work-in-progress	16	351,722	7,183
		-----	-----
		2,786,772	2,655,212
Long-Term Investments	17	563,008	513,291
Long-Term Loans, Deposits, Deferred			
Costs and Other Receivables	18	919,199	1,203,221
Current Assets			
Stores and spares	19	254,562	238,145
Stock-in-trade	20	610,744	397,447

Trade debts	21	464,894	447,299
Loans, advances, deposits, prepayments and other receivables	22	295,686	215,278
Cash and bank balances	23	870,158	973,945
		-----	-----
		2,496,044	2,272,114
		-----	-----
		6,765,023	6,643,838
		=====	=====

The annexed notes form an integral part of these accounts.

Syed Wajid Ali
Chief Executive

Asadullah Khawaja
Director

**Consolidated profit and loss account
for the year ended June 30, 1999**

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousand)</i>	
Sales	24	4,084,682	3,638,988
Cost of goods sold	25	3,067,142	2,943,492
		-----	-----
Trading profit		1,017,540	695,496
Selling, administration and general expenses	26	315,730	272,245
		-----	-----
Operating profit		701,810	423,251
Other income	27	175,097	237,015
		-----	-----
		876,907	660,266
		-----	-----
Financial charges	28	463,195	544,413
Other charges	29	32,127	10,828
		-----	-----
		495,322	555,241
		-----	-----
		381,585	105,025
Income from associated companies		278,416	222,160
		-----	-----
Profit before taxation		660,001	327,185
Provision for taxation			
- Group	30	146,723	(42,752)
- Associated companies		89,961	35,280
		-----	-----
		236,684	(7,472)
		-----	-----
Profit after taxation		423,317	334,657
Minority interest		8,958	7,867
		-----	-----
		414,359	326,790
Unappropriated profit brought toward		271,525	168,960
		-----	-----
Available for appropriation		685,884	495,750
Appropriations			
Transfer to general reserve		230,000	131,000
Transfer to capital reserve for issue of bonus shares		3,752	57,436
Proposed dividend Rs. 3.7335 (1998: Re. 1.00) per share		153,662	35,789
		-----	-----
		387,414	224,225
		-----	-----
Unappropriated profit		298,470	271,525
		=====	=====

The annexed notes form an integral part of these accounts.

Syed Wajid Ali
Chief Executive

Asadullah Khawaja
Director

**Consolidated cash flow statement
for the year ended June 30, 1999**

	<i>Note</i>	<i>1999</i> <i>(Rupees in thousand)</i>
Cash flow from operating activities:		
Cash generated from operations	36	1,386,483
Financial charges paid		(481,133)
Taxes paid		(60,701)

Net cash inflow from operating activities		844,649
Cash flow from investing activities:		
Fixed capital expenditure		(471,459)
Net decrease in long-term loans, deposits and other receivables		284,015
Sale proceeds of fixed assets		6,770
Dividend received		1,350
Net (increase) in long-term investments		(139,678)

Net cash (outflow) from investing activities		(319,002)
Cash flow from financing activities:		
Proceeds from redeemable capital, long-term loans and other payables		339,161
Repayment of redeemable capital, long-term loans and other payables		(917,474)
Payment of finance lease liabilities		(22,345)
Dividend paid to minority shareholders		(39,356)

Net cash (outflow) from financing activities		(640,014)

Net (decrease) in cash and cash equivalents		(114,367)
Cash and cash equivalents at the beginning of the year		200,371

Cash and cash equivalents at the end of the year	37	86,004
		=====

The annexed notes form an integral part of these accounts.

Syed Wajid Ali
Chief Executive

Asadullah Khawaja
Director

**Notes to the consolidated accounts
for the year ended June 30, 1999**

1. Nature of business

Packages Group comprises the following businesses:

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

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

2. Summary of significant accounting policies

2.1 Accounting convention

The accounts have been prepared under the historical cost convention, modified by capitalisation of exchange differences referred to in note 2.8.

2.1.1 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. Companies are consolidated as from the date of acquisition using the purchase method. Details of the subsidiaries are given in note 41. Investments in associated companies, as defined in the Companies Ordinance, 1984, are accounted for by the equity method.

2.2 Taxation

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates realisable, if any, of the Parent Company, its subsidiaries and associated companies. The Group accounts for deferred taxation, using the liability method, on all major timing differences. Provision is not made for taxation which would become payable if retained profits of subsidiaries and associated companies 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 accounts.

2.3 Fixed capital expenditure and depreciation

Operating fixed assets except land are stated at cost less accumulated depreciation. Land and capital work-in-progress are stated at cost. Cost in relation to certain plant and machinery signifies historical cost and exchange differences referred to in note 2.8 and interest etc. in note 2.10.

The management carried out a comprehensive review of the useful lives of certain Group's major items of plant and machinery in 1985. Depreciation in respect of such assets is charged in annual installments so as to write off their year end book value over their remaining re-estimated useful lives.

Depreciation on all other operating fixed assets is charged to profit on the straight line method so as to write off the historical cost 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 equipment	10 % to 33.33 %
Furniture and fixtures	10 % to 20 %
Vehicles	20 %

The full annual rate of depreciation is applied on the cost of additions, excluding exchange differences, while no depreciation is charged on assets deleted during the year.

The net exchange difference relating to an asset, at the end of each year, is amortized in equal installments over its remaining useful life. Major renewals and improvements are capitalised.

2.4 Assets subject to finance lease

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 obligations of the lease are accounted for as liabilities.

Assets acquired under a finance lease are amortized over the useful life of the asset on a straight line method at the rates given in note 2.3. Amortization of leased assets is charged to profit.

2.5 Long-term investments

Interests in associated companies are stated at the Group's share of their underlying net assets using the equity method. Other investments are stated at lower of cost and market value determined on a portfolio basis. Provision is made for permanent diminution in the value of any investment.

2.6 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 values plus other charges paid thereon.

2.7 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 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 values 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.

2.8 Foreign currencies

All assets and liabilities in foreign currencies are translated at exchange rates prevailing at the balance sheet date except for foreign currency long-term loans covered under State Bank of Pakistan risk cover scheme (Scheme) which are translated at the rates covered under "Scheme" referred to in note 7.1.

Exchange differences on loans utilised for the acquisition of plant and machinery "are capitalised upto the date of commissioning of the assets.

All other exchange differences are included in profit currently.

2.9 Staff retirement benefits

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

(a) All the executive staff participate in an approved funded pension scheme. In addition, there is approved funded gratuity scheme for all employees. Monthly contributions are made to these funds on the basis of actuarial recommendation at the rate of 13 percent per annum of basic salaries for pension and 8.33 percent per annum of basic salaries for gratuity. The actuarial valuation of the schemes is carried out once in every three years and the latest valuation was carried out as at December 31, 1997. The fair value of the plans' assets and the liabilities for past services at the latest valuation date were for Rs. 90.560 million and Rs. 103.473 million respectively for pension plan and Rs. 78.614 million and Rs. 78.505 million respectively for the gratuity plan. The future contribution rates of these plans include allowances for deficit and surplus. Attained age normal method, using the following significant assumptions, is used for valuation of these schemes:

- Expected rate of increase in salary level 8 percent per annum.
- Expected rate of interest 10 percent per annum.

(b) There is an approved contributory provident fund for all employees.

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

2.10 Mark up, interest, profit and other charges

Mark up, interest, profit and other charges on redeemable capital and long-term liabilities are capitalised upto the date of commissioning of the respective plant and machinery, acquired out of the proceeds of such redeemable capital and long-term liabilities. All other mark up, interest, profit and other charges are charged to income.

2.11 Revenue recognition

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

3. Issued, subscribed and paid up capital

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
11,260,868 ordinary shares of Rs. 10 each fully paid in cash	112,609	112,609
148,780 ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash	1,488	1,488
29,747,998 (1998: 24,379,610) ordinary shares of Rs 10 each issued as fully paid bonus shares	297,480	243,796
	-----	-----
	411,577	357,893
	=====	=====

4. Reserves

Movement in and composition of reserves is as follows:

Capital		
Share premium	203,589	203,589
Reserve for issue of bonus shares		
At the beginning of the year	57,436	39,766
Transfer from profit and loss account	3,752	57,436
Nominal value of bonus shares issued	(53,684)	(39,766)
	-----	-----
	7,504	57,436
Revenue		
General		
At the beginning of the year	1,081,036	950,036
Transfer from profit and loss account	230,000	131,000
	-----	-----
	1,311,036	1,081,036
	-----	-----
	1,522,129	1,342,061
	=====	=====

5. Redeemable capital- secured

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
These are composed of:		
Long-term running finances under mark up arrangements		
Finance 1	--	12,000
Finance 2	11,875	35,625
Finance 3	205,944	--
Finance 4	8,200	16,400
Finance 5	3,000	5,000
Term Finance Certificates	77,395	154,790
	-----	-----
	306,414	223,815
Less: Current portion shown under current liabilities	97,470	121,345
	-----	-----
	208,944	102,470
	=====	=====

Finances 1 to 5**Security**

These finances are secured by an equitable mortgage of immovable properties and by hypothecation of all plant and machinery and a floating charge on all current assets subject to hypothecation of stores, spares, stock-in-trade and trade debts in favour of the Company's bankers referred to in note 11.1.

All charges in favour of the lenders of these finances rank pari passu with each other and with those in favour of the lenders of the foreign currency loans referred to in note 7.1.

Terms of repayment

Finance 1

This finance has been repaid during the year.

Finance 2

It is a long-term finance arranged from a commercial bank for Rs. 95 million under mark up arrangements. Mark up is computed at the rate of Re. 0.12 per Rs. 1,000 per diem over and above the average of the last six months Short Term Federal Bonds' (STFBs) cut off yield, subject to a minimum of Re. 0.41 per Rs. 1,000 per diem. The outstanding balance is repayable in July, 1999. Mark up is payable half yearly.

Finance 3

It is a long-term finance arranged from a consortium of banks for a maximum of Rs. 400 million under mark up arrangements. Mark up is computed at the rate of Re. 0.03 per Rs. 1,000 per diem over and above the Treasury Bill rate, subject to a minimum of Re. 0.41 per Rs. 1,000 per diem and maximum of Re. 0.51 per Rs. 1,000 per diem. The finance is repayable in eight equal half yearly installments commencing January, 2001. Mark up is payable half yearly.

Finance 4

Under the arrangements goods owned by the Company amounting to Rs. 41 million were sold to the bank and deemed to be immediately repurchased by the Company at a price paid by the bank plus a mark up computed at the rate of Re. 0.45 per Rs. 1,000 per diem or part thereof on the price outstanding. The outstanding balance is repayable in six equal half yearly installments. Mark up is payable quarterly. In case of default to repay the installments on the due dates, liquidated damages upto 20% of the outstanding balance are payable.

Finance 5

Under the arrangements goods owned by the Company amounting to Rs. 10 million were sold to the bank and deemed to be immediately repurchased by the Company at a price paid by the bank plus a mark up computed at the rate of Re. 0.08 per Rs. 1,000 per diem over and above average of the last six months Treasury Bills (cut off) yield subject to a minimum of Re. 0.44 per Rs. 1,000 per diem on the price outstanding. The outstanding balance is repayable in five equal half yearly installments.

Term Finance Certificates

Security

The certificates are secured by hypothecation of moveable assets of the Company ranking subsequent to the existing and future charges of the Company's other secured lenders.

Terms of repayment

This represents Term Finance Certificates issued to the public during 1995.

Return on Term Finance Certificates is payable half yearly at a rate of 18.5% per annum.

The balance principal amount of the certificates is primarily redeemable in February, 2000.

6. Liabilities against assets subject to finance lease

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
Present value of minimum lease rental payments	20,412	42,757
Less: Current portion shown under current liabilities	20,412	22,345
	-----	-----
	--	20,412
	=====	=====

The value of the minimum lease rental payments have been discounted at an implicit interest rate of 19.95% to arrive at their present value. The balance rentals due under the lease agreement aggregate to Rs. 11.63 million (1998: Rs. 39.56 million) and are payable in equal monthly installments plus a lump sum payment of Rs. 9.93 million (1998: Rs. 9.93 million) for residual value in November, 1999. Taxes, repairs and insurance costs are to be borne by the lessee. In case of termination of the agreement the lessee is to pay the entire rent for the unexpired year of the lease agreement. The liability is partly secured by a deposit of Rs. 9.93 million (1998: Rs. 9.93 million) including in other receivables under note 22.

7. Long-term loans and other payables for operations - secured

		<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousand)</i>	
Foreign currency loans	- note 7.1	1,403,528	1,704,954
Other payables	- note 7.2	6,524	57,123
		-----	-----
		1,410,052	1,762,077
Less: Current portion shown under current liabilities			
Foreign currency loans		478,490	434,545
Other payables		2,290	52,696
		-----	-----
		480,780	487,241
		-----	-----
		929,272	1,274,836
		=====	=====

7.1 Foreign currency loans - secured

These are composed of

<i>Loan</i>	<i>Lender</i>	<i>Currency</i>	<i>Currency balance</i>		<i>Rupee equivalent</i>		<i>Rate of interest per annum</i>	<i>No. of equal half yearly installments</i>	<i>Interest payable</i>
			<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>			
<i>(In thousand)</i>									
1.	Swedfund International AB	US\$	286	571	7,164	14,328	1.25% above 6 months LIBOR	2-ending January 2000	Half yearly
2.	DEG-Deutsche Investitions - Und Entwicklungsgesellschaft mbH	DM	1,500	3,000	22,942	45,883	9.87%	2-ending April 2000	do
3.	International Finance Corporation Loan A	US\$	15,900	20,450	825,210	949,289	10.36%	7-ending 37438	do
	Loan B	US\$	5,000	7,500	259,500	348,150	2.75% above months LIBOR	4-ending January 2001	do
4.	DEG-Deutsche Investitions - Und Entwicklungsgesellschaft mbH	DM	10,500	13,500	288,712	347,304	10.60%	7-ending October 2002	do
					-----	-----			
					1,403,528	1,704,954			
					=====	=====			

Security

Loans 1 to 4 are secured by an equitable mortgage of immovable properties, hypothecation of all plant and machinery and a floating charge on all current assets subject to the hypothecation of stores, spares, stock-in-trade and trade debts in favour of the Company's bankers referred to in note 11.

All charges in favour of the lenders of these loans rank pari passu with those in favour of the lenders of the long-term running finances.

Terms of repayment

Loans 1 and 2 are repayable in the specified currencies converted at the following rates of exchange under the State Bank of Pakistan exchange risk cover scheme:

Loan 1	US \$ 1 = Rs. 25.0747
Loan 2	DM 1 = Rs. 15.2943

Hedging of loans 3 and 4

The balance principal amounts of the liability on loan 3 US \$ 20.90 million and loan 4 DM 10.5 million have been hedged by the Company against currency fluctuations by purchase of equivalent foreign currencies.

The foreign currencies purchased have been placed as deposits referred to in notes 18 and 23 with a financial institution against which the Company has taken loans referred to in notes 8 and 10.

7.2 Other payables - secured

Import duties

<i>1999</i>	<i>1998</i>
<i>(Rupees in thousand)</i>	
6,524	57,123
=====	=====

These represent 50% of the import duties and sales tax deferred under the Deferment of Import Duties Rules, 1991. The balance is repayable by year 2002. Surcharge is payable half yearly at a rate of 14% per annum. The liability is secured by bank guarantees included in note 11.

8. Long-term loans and other payables for hedging - secured

As referred to in note 7.1 these finances have been obtained from a financial institution and are repayable in the years 2000 to 2002. Mark up on these finances is payable annually at rates ranging from Re. 0.3716 to Re. 0.4041 per Rs. 1,000 per diem or part thereof on the outstanding balances.

Security

These loans are secured against long-term deposits referred to in notes 18.2 and 23.1.

9. Deferred liabilities

These are composed of:

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
Deferred taxation	402,700	292,300
Vacation pay	43,564	40,113
	-----	-----
	446,264	332,413
	=====	=====

9.1 The liability for deferred taxation comprises

timing differences relating to:

Accelerated tax depreciation	417,076	304,334
Accrued vacation pay	(14,376)	(12,034)
	-----	-----
	402,700	292,300
	=====	=====

10. Current portion of long-term loans for hedging

As referred to in note 7.1 these finances have been obtained from financial institutions

and are repayable by April, 2000. Rates of mark up range from Re. 0.3767 to 0.4041 per Rs. 1,000 per diem or part thereof on the outstanding balances.

		<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousand)</i>	
Running Finances	- note 11.1	224,154	446,256
Term Finances	- note 11.2	560,000	327,318
		-----	-----
		784,154	773,574
		=====	=====

11.1 Running finances - secured

Short-term running finances available from consortiums of commercial banks under mark up arrangements amount to Rs. 1,359 million (1998: Rs. 1,092 million). The rates of mark up range from Re. 0.3422 to Re. 0.4247 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. 0.3836 to Re. 0.6849 per Rs.1,000 per diem or part thereof on the balances unpaid. The aggregate short-term finances are secured by hypothecation of Stores, spares, stock-in-trade and trade debts.

11.2 Term finances - secured

Term finances available from a consortium of commercial banks under mark up arrangements amount to Rs. 560 million (1998: Rs. 327.318 million). The rates of mark up range from Re. 0.2466 to Re. 0.3836 per Rs. 1,000 per diem or part thereof. The aggregate term finances are secured by hypothecation of stores, stock-in-trade and trade debts.

Of the aggregate facility of Rs. 1,462.369 million (1998: Rs. 605 million) for opening letters of credit and Rs. 398.012 million (1998: Rs. 407 million) for guarantees, the amount utilised at June 30, 1999 was Rs. 590.562 million (1998: Rs. 87.098 million) and Rs. 103.188 million (1998: Rs. 172.925 million) respectively. Of the facility for guarantees, Rs. 357.500 million (1998: Rs. 355 million) is secured by a second hypothecation charge over stores, spares, stock-in-trade and trade debts.

12. Creditors, accrued and other liabilities

These are composed of

		<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousand)</i>	
Trade creditors		23,040	19,309
Accrued liabilities		214,996	222,457
Bills payable		244,953	35,800
Sales tax payable		32,224	14,390
Advances from customers		15,741	27,405
Deposits- interest free repayable on demand		2,115	2,201
Interest accrued on secured borrowings		66,924	83,195
Mark up on secured redeemable capital		21,591	4,859
Mark up on secured short-term running finances		42,797	50,519
Workers' profit participation fund - note 12.1		29,085	9,630
Workers' welfare fund		846	715
Unclaimed dividends		1,611	1,491
TFCs payable		1,294	11,420
Exchange risk coverage fee		197	748
Others		13,178	12,882
		-----	-----
		710,592	497,021
		=====	=====

12.1 Workers' profit participation fund

		<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousand)</i>	
Opening balance as at July 1		9,630	5,092
Provision for the year		29,085	9,630
Interest for the year		256	345

	38,971	15,067
Less: Payments made during the year	9,886	5,437
Closing balance	29,085	9,630

13. Contingencies and commitments

13.1 Contingencies

(i) Guarantees to banks for repayment of loans by employees Rs. 0.135 million (1998: Rs. 0.251 million).

(ii) Guarantees to Collector of Customs amounting to Rs. 3.435 million (1998: Rs. Nil).

(iii) Claims against the Group not acknowledged as debts Rs. 9.314 million (1998: Rs. 9.722 million)

(iv) 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 accounts 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 accounts as the Company is of the view that the appeal of the STO will not be upheld by the ITAT

13.2 Commitments in respect of

(i) Contracts for capital expenditure Rs.11.55 million (1998: Rs. 4.63 million) Forward contracts entered with banks for Rs. 148.503 million (1998: Rs. 416.987 million)

(ii) Letters of credit other than capital expenditure Rs. 104.329 million (1998: Rs. 67.371 million)

14. Operating fixed assets - tangible

14.1 The following is a statement of the operating fixed assets

	<i>Cost to June 30, 1998</i>	<i>Additions/ (deletions)</i>	<i>Cost to June 30, 1999</i>	<i>Accumulated depreciation June 30, 1998</i>	<i>Depreciation charge/ (deletions) for the year</i>	<i>Accumulated depreciation June 30, 1999</i>	<i>Book value as at June 30, 1999</i>
<i>(Rupees in thousand)</i>							
Freehold land	48,793	12,000	60,793	--	--	--	60,793
Buildings on freehold land	95,334	1,152	96,486	29,784	3,303	33,087	63,399
Buildings on leasehold land	50,208	3,523	53,731	16,837	1,676	18,513	35,218
Plant and machinery	4,079,148	72,117 (6,008)	4,145,257	1,722,263	296,499 (6,008)	2,012,754	2,132,503
Other equipment	74,037	10,285 (100)	84,222	51,292	9,651 (81)	60,862	23,360
Furniture and fixtures	69,575	5,502 (1,415)	73,662	46,239	6,408 (1,270)	51,377	22,285
Vehicles	72,107	22,341 (8,918)	85,530	46,136	14,015 (6,942)	53,209	32,321
1999	4,489,202	126,920 (16,441)	4,599,681	1,912,551	331,552 (14,301)	2,229,802	2,369,879

1998	4,352,803	156,560 (20,161)	4,489,202	1,600,853	326,396 (14,698)	1,912,551	2,576,651
	=====	=====	=====	=====	=====	=====	=====

Additions to plant and machinery include net interest, commitment, exchange differences and other charges Rs. 2,447 million (1998: Rs. 7,045 million). Fixed assets include assets amounting to Rs. 20,003 million of Ricepak division which has ceased its operations.

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

		<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousand)</i>	
Cost of goods sold	- note 25	311,225	311,006
Selling and distribution expenses	- note 26	4,051	2,552
Administration and general expenses	- note 26	16,276	12,838
		-----	-----
		331,552	326,396
		=====	=====

14.2 Disposal of operating fixed assets

Details of certain fixed assets sold during the year, all through negotiation, are as follows:

<i>Particulars of the assets</i>	<i>Sold to</i>	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Book value</i>	<i>Sale proceeds</i>
<i>(Rupees in thousand)</i>					
Executives					
Motor Cars	Mr. Tariq Hamid	625	375	250	320
	Meraj Din	149	134	15	65
	M. Iqbal Ansari	237	213	24	150
	Ahmed Nisar	275	193	82	172
	Imran Aziz	375	225	150	250
	M. Abid Qureshi	222	200	22	141
	Ilam ud Din Ch.	202	182	20	75
	Rana Javaid Bashir	155	139	16	70
	Muhammad Shafi	215	194	21	107
	M.Obaidullah Butt	57	11	46	195
	Tanveer Ahmad	283	167	116	470
	Kh. M. Umar	265	238	27	125
	Dr. Amir Said	285	171	114	174
Outsiders					
	Mr. Arsalan Farooq	717	574	143	360
Employees					
	Mr. Khalil Ahmed Sheikh	330	297	33	248
	Khalid Abdul Quddus	248	174	74	132
	Mehmood Azam Butt	387	77	310	366
	Waseem Akhtar Awan	263	53	210	250
	Humayun Kabir	165	148	17	78
	Aqeel A. Qazi	178	160	18	88
	Ms. Ayesha Qureshi	253	51	202	203
Associated undertaking					
Furniture and fixture	Tri-Pack Films Limited	92	60	32	32
Outsiders					
	Mr. Jamil Ahmed	570	513	57	404
Outsiders					
Other equipments	ASM Computers - Karachi	33	26	7	6

	Computer Marketing Co. Lhr.	67	54	13	15
Items below book value of Rs. 5,000		9,793	9,672	121	2,274
		16,441	14,301	2,140	6,770

15. Assets subject to finance lease

	<i>Cost to June 30, 1998</i>	<i>Additions/ (deletions)</i>	<i>Cost to June 30, 1999</i>	<i>Accumulated amortization</i>	<i>Book value as at June 30, 1999</i>	<i>Amortization charge for the year</i>
	<i>(Rupees in thousand)</i>					
Plant and machinery	99,309	--	99,309	34,138	65,171	6,207
1999	99,309	--	99,309	34,138	65,171	6,207
1998	99,309	--	99,309	27,931	71,378	6,207

Amortization charge during the year has been allocated to cost of goods sold.

16. Capital work-in-progress

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
This consists of:		
Plant and machinery	5,975	349,881
Civil works and building	1,208	1,841
	351,722	7,183

Cost of plant and machinery includes net interest, commitment and other charges Rs. 11.409 million (1998: Rs. Nil).

17. Long-term investments

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
Associated companies		
Cost	162,474	162,474
Post acquisition profits brought forward	262,291	164,957
	424,765	327,431
Profit for the year		
Before taxation	2,78,416	222,160
Provision for taxation	(89,961)	(35,280)
	188,455	186,880
	613,220	514,311
Less: Dividends received during the year	164,676	89,546
Balance as on June 30	448,544	424,765

Others Quoted

First International Investment Bank Limited

1,799,998 (1998: 1,799,998) fully paid ordinary shares of Rs. 10 each
Equity held - 9.99% (1998: 9.99%)

Market value - Rs. 9 million (1998: Rs. 16.20 million)

25,000	25,000
--------	--------

Carried forward 473,544 449,765

1999 **1998**
(Rupees in thousand)

brought forward 473,544 449,765

Unquoted

Packages Lanka (Private) Limited
11,219,512 (1998: 8,000,000) shares of
SL Rupees 10 each
Equity held - 34.06% (1998: 30%)
Value of investment based on the net assets shown
in audited accounts as at March 31, 1999
Rs. 61.410 million (1998: Rs. 59.502 million)
Pakistan Tourism Development Corporation
Limited
2,500 fully paid ordinary shares of R. 10 each
Chief Executive - Mr Hamid Ahmed Qureshi
Orient Match Company Limited
1,900 fully paid ordinary shares of Rs. 100 each
Chief Executive - Khawaja Mohammad Akbar
Coca-Cola Beverages Pakistan Limited
500,000 fully paid ordinary shares of Rs. 10 each
Chief Executive - Mr. Mark Roddy

84,439 58,501

25 25

-- --

5,000 5,000

89,464 63,526

563,008 513,291
=====

17.1 In associated companies

Quoted

Nestle Milkpak Limited
3,649,248 (1998: 2,432,832) fully paid
ordinary shares of Rs. 10 each
Market value - Rs. 510.890 million
(1998: Rs. 243.283 million)
International General Insurance Company
of Pakistan Limited
896,011 (1998: 731,438) fully paid
ordinary shares of Rs. 10 each
Equity held-10.61% (1998: 10.61%)
Market value - Rs. 55.550 million
(1998: Rs. 32.183 millions)
Tri-Pack Films Limited
10,000,000 fully paid ordinary shares
of Rs. 10 each
Equity held-33.33% (1998: 33.33%)
Market value - Rs. 191.500 million
(1998: Rs. 93 million)

83,150 71,708

39,838 35,120

133,835 102,252

carried forward 256,823 209,080

1999 **1998**
(Rupees in thousand)

brought forward 256,823 209,080

Unquoted

Tetra Pals Pakistan Limited
6,691,666 (1998: 5,353,333) fully paid
ordinary shares of Rs. 10 each
Equity held - 44% (1998: 44%)
Value of investment based on the net assets
shown in the audited accounts as at
December 31, 1998 Rs. 105.72 million

(1998: Rs. 89.55 million)

191,721	215,685
-----	-----
448,544	424,765
=====	=====

18. Long-term loans, deposits, deferred costs and other receivables

Loans to employees - considered good- note 18.1

Security deposits

Preliminary

Long-term deposits for hedging - note 18.2

470	482
3,559	12,355
--	7
915,170	1,190,377
-----	-----
919,199	1,203,221
=====	=====

18.1 Loans to employees aggregating Rs. 0.023 million (1998: Rs. 0.060 million) are secured by joint registration of scooters or motor cycles in the name of the employees and the Group.

The remaining loans are unsecured.

There were no loans to employees outstanding for a year exceeding three years.

18.2 Long-term deposits for hedging consist of

US\$ 13.850 million (1998: US\$ 20.90 million)

DM 7.5 million (1998: DM 9 million)

<i>1999</i>	<i>1998</i>
<i>(Rupees in thousand)</i>	
711,405	961,400
203,765	228,977
-----	-----
915,170	1,190,377
=====	=====

These deposits are under lien for the loans referred to in note 8. These deposits placed with a financial institution are to mature in the years 2000 to 2002.

19. Stores and spares

Stores (including in transit Rs. 1.264 million;

1998: Rs. 1.029 million)

Spares (including in transit Rs. 11.339 million;

1998: Rs. 4.133 million)

<i>1999</i>	<i>1998</i>
<i>(Rupees in thousand)</i>	
33,209	35,024
221,353	203,121
-----	-----
254,562	238,145
=====	=====

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

20. Stock-in-trade

Raw materials (including in transit Rs. 74.275

million; 1998: Rs. 51.283 million)

Work-in-process

Finished goods

<i>1999</i>	<i>1998</i>
<i>(Rupees in thousand)</i>	
393,904	253,469
74,279	58,493
142,561	85,485
-----	-----
610,744	397,447
=====	=====

21. Trade debts

Considered good

- Associated undertakings

- Others

- note 21.1

67,336	50,969
397,558	396,330

	464,894	447,299
Considered doubtful		
- Associated undertakings	195	142
- Others	2,104	3,364
	2,299	3,506
Less: Provision for doubtful debts	2,299	3,500
	464,894	447,299
	=====	=====

21.1 Due from associated undertakings

Treet Corporation Limited	1,465	3,255
Nestle Milkpak Limited	33,534	8,984
Tetra Pal.- Pakistan Limited	23,287	27,212
Zulfeqar Industries Limited	4,282	4,466
Hoechst Pakistan Limited	236	--
Dane Foods Limited	2,918	4,072
Tri-Pack Films Limited	1,614	2,980
	67,336	50,969
	=====	=====

Trade debts include secured debts of Rs. 70.661 million (1998: Rs. 58.37 million).
The maximum aggregate amount outstanding due from associated undertakings at the end of any month during the year was Rs. 103.012 million (1998: Rs. 81.887 million).

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

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
Loans to employees - considered good	239	141
Advances - considered good		
To employees	6,851	7,960
To suppliers	7,559	4,347
To associated companies	6,796	4,148
	21,206	16,455
Advances - considered doubtful	3,131	1,053
Trade deposits	11,230	3,795
Prepayments	2,678	1,934
Balances with statutory authorities for excise and customs duty	5,033	2,218
Profit receivable on foreign currency deposits	13,344	15,270
Claims recoverable from Government		
Sales tax	730	6,353
Customs duty	--	649
Income tax recoverable	36,013	36,013
Income tax refundable	144,694	120,316
Workers' welfare fund	1,457	1,457
Octroi		
- considered good	1,865	3,204
- considered doubtful	1,200	--
	185,959	167,992
Letter of credit margin deposits	50,529	1,322
Other receivables	6,668	6,151
	300,017	216,331

Less: Provision against doubtful advances

4,331	1,053
-----	-----
295,686	215,278
=====	=====

22.1 Due from associated undertakings

Tetra Pak Pakistan Limited
Dane Foods Limited
Tri-Pack Films Limited
Vandana (Private) Limited
Nestle Milkpak Limited

<i>1999</i>	<i>1998</i>
<i>(Rupees in thousand)</i>	
3,475	3,570
632	246
2,689	118
--	161
--	53
-----	-----
6,796	4,148
=====	=====

The maximum aggregate amount of advances to associated companies at the end of any month during the year Rs. 10.202 million (1998: Rs. 7.753 million).
was

Included in advances to employees are amounts due from executives Rs 0.815 million (1995: Rs. 0.751 million). The maximum aggregate amount due from executives at the end of any month during the year was Rs. 1.537 million (1998: Rs. 1.2931 million).

22.2 In 1987, the Income Tax Officer (ITC) reopened the Parent Company's assessments for the accounting years ended December 31, 1983 and 1984 disallowing primarily tax credits given to the Company under section 107 of the Income Tax Ordinance, 1979. The tax credit amount 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 (Appeals)), 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 (Appeals). The Assessing Officer after the receipt of the appellate order passed by CIT (Appeals), 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.

23. Cash and bank balances**At banks**

On deposit accounts
US \$ 8.236 million
(1998: US \$15.445 million)
DM 4.565 million (1998: DM 6.94 million)

- note 23.1

<i>1999</i>	<i>1998</i>
<i>(Rupees in thousand)</i>	
547,114	887,037
279,472	7

On current accounts	35,451	83,891
	-----	-----
	862,037	970,935
In hand	8,121	3,010
	-----	-----
	870,158	973,945
	=====	=====

23.1 Included in balances at banks on deposit accounts are US\$ 7.050 million (1998: US\$ 7.050 million) and DM 3 million (1998: DM 4.5 million) which are under lien for loans referred to in note 10. The foreign currencies shall be available for encashment at the State Bank of Pakistan rates applicable at the time of withdrawal.

24. Sales

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
Local sales	4,079,236	3,625,982
Export sales	5,446	13,006
	-----	-----
	4,084,682	3,638,988
	=====	=====

Local sales are exclusive of Rs. 0.655 million (1998: Rs. 0.399 million) towards commission.

Export sales are exclusive of Rs. 0.095 million (1998: Rs. 0.047 million) towards commission.

Sales are inclusive of sales tax and excise duty Rs. 565.433 million (1998: Rs. 452.834 million).

25. Cost of goods sold

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
Opening work-in-process	58,493	63,360
Materials consumed	1,225,031	1,082,111
Salaries, wages and amenities	284,886	249,852
Fuel and power	288,372	310,060
Production supplies	114,424	126,674
Excise duty and sales tax	628,184	512,214
Rent, rates and taxes	2,047	7,063
Insurance	39,865	33,781
Repairs and maintenance	177,625	182,690
Packing expenses	16,422	15,538
Depreciation	311,225	311,006
Amortization	6,207	6,207
Technical fee and royalty	9,766	13,465
Lease charges	707	1,821
Other expenses	35,244	33,804
	-----	-----
Less: Closing work-in-process	3,198,498	2,949,646
	74,279	58,493
	-----	-----
Cost of goods produced	3,124,219	2,891,153
Opening stock of finished goods	85,485	137,824
	-----	-----
	3,209,704	3,028,977
Less: Closing stock of finished goods	142,562	85,485
	-----	-----
	3,067,142	2,943,492
	=====	=====

Cost of goods produced includes Rs. 350.992 million (1998: Rs. 360.466 million) for stores and spares consumed and Rs. 0.665 million (1998: Rs. 14.556 million)

for stores and spares written off.

26. Selling, administration and general expenses

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
Selling and distribution expenses		
Salaries, wages and amenities	26,913	18,737
Travelling	5,968	3,700
Rent, rates and taxes	1,454	1,053
Freight and distribution	39,109	32,428
Insurance	890	722
Advertising	32,387	31,830
Depreciation	4,051	2,552
Other expenses	3,684	4,321
	-----	-----
	114,456	95,343
Administration and general expenses		
Salaries, wages and amenities	92,546	76,805
Travelling	17,429	14,678
Rent, rates and taxes	5,326	4,461
Insurance	2,046	2,267
Printing, stationery and periodicals	7,267	6,092
Postage, telephone and telex	15,216	16,073
Motor vehicles running	6,606	6,532
Computer charges	1,683	2,907
Professional services	6,853	4,671
Repairs and maintenance	6,144	4,238
Depreciation	16,276	12,838
Amortization of deferred costs	7	21
Lease charges	107	534
Other expenses	23,768	24,785
	-----	-----
	201,274	176,902
	-----	-----
	315,730	272,245
	=====	=====

Selling, administration and general expenses include Rs. 12.598 million (1998: Rs. 11.227 million) for stores and spares consumed.

27. Other income

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
Management and technical fee from associated companies	907	1,550
Management and technical fee from others	394	994
Rental income	210	277
Dividend income	1,350	4,502
Insurance commission from an associated company	2,525	2,318
Lease income from associated companies	12,697	10,346
Profit on sale and deletion of fixed assets	4,630	11,494
Scrap sales	3,981	4,043
Provision and unclaimed balances written back	11,988	2,833
Agricultural income	672	1,184
Rebate claims	--	344
Income on foreign currency deposits	113,626	185,076
income on rupee deposits	7,357	--
Profit on outside jobs including Rs. 0.608 million (1998: Rs. 1.307 million) from associated companies	818	1,589
Artwork charges	9,716	8,783
Others	4,226	1,682
	-----	-----
	175,097	237,015

28. Financial charges

Interest and mark up including commitment charges on
 Long-term foreign currency loans
 Redeemable capital and local loans
 Short-term running finances
 Finance lease
 Deferred import duties
 Workers' profit participation fund
 Premium on forward contract
 Loan handling charges
 Exchange risk coverage fee
 Exchange loss
 Bank charges

	1999	1998
	183,055	178,708
	139,544	163,464
	81,134	140,648
	5,576	9,044
	3,971	12,740
	256	345
	--	30,630
	3,025	608
	2,599	4,446
	40,803	101
	3,232	3,679
	463,195	544,413

29. Other charges

Workers' profit participation fund
 Workers' welfare fund
 Donations

- note 32

	1999	1998
	<i>(Rupees in thousand)</i>	
	29,085	9,630
	862	715
	2,180	483
	32,127	10,828

30. Provision for taxation

For the year
 - Current
 - Deferred

	36,300	31,000
	86,300	750
	122,600	31,750

Prior years

- Current
 - Deferred

	23	(10,814)
	24,100	(63,688)
	24,123	(74,502)
	146,723	(42,752)

31. Professional services

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

Statutory audit
 Accounting services
 Tax services
 Share transfer, workers' profit participation fund audit, management staff pension fund audit, special reports and certificates for lending agencies and sundry advisory services
 Out of pocket expenses

	1999	1998
	<i>(Rupees in thousand)</i>	
	294	284
	101	71
	1,562	811
	291	206
	77	77
	2,325	1,449

32. Donations

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
Names of donees in which a director or his spouse has an interest		
Pakistan Olympic Association, Lahore (Syed Wajid Ali, Chief Executive is the President of the Association)	70	30
Liaquat National Hospital, Karachi (Syed Wajid Ali, Chief Executive is the President of Board of Governors)	10	20
Institute of Engineers of Pakistan, Lahore (Mr. Tariq Hamid, Director is a member of the Institute)	25	6
Ali Institute of Education, Lahore (Mr. Tariq Hamid, Director is a member of the Management Committee)	535	--
Pakistan Red Crescent Society (Syed Wajid Ali, Chief Executive is the Vice President of the Society)	30	--

33. Remuneration of Chief Executive, Directors and Executives

33.1 The aggregate amount charged in the accounts for the year for remuneration, including certain benefits, to the Chief Executive, full time working directors including alternate directors and executives of the Parent Company and Group is as follows:

	<i>Chief Executive</i>		<i>Directors and alternate directors</i>		<i>Executives</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
Number of persons	1	1	6	6	105	87
	<i>(Rupees in thousand)</i>					
Managerial remuneration	1,054	928	4,618	4,420	32,538	26,382
Contribution to provident, gratuity, pension and welfare funds	--	--	1,133	942	7,058	5,360
Housing	415	592	2,149	2,145	13,696	10,997
Utilities	697	635	443	392	3,425	2,567
Leave passage	11	123	437	389	1,246	1,197
Medical expenses	107	85	176	1,764	1,470	952
Club expenses	42	8	29	44	30	37
Others	--	--	218	325	2,787	1,167
	-----	-----	-----	-----	-----	-----
	2,326	2,371	9,203	10,421	62,250	48,659
	=====	=====	=====	=====	=====	=====

The Company also provides some of them with free transport and residential telephones.

33.2 Remuneration to other directors

Aggregate amount charged in the accounts for the year for fee to 2 directors (1998: 2 directors) was Rs. 2,000 (1998: Rs. 2,000).

34. Capacity and production - tonnes

	<i>Capacity</i>		<i>Actual production</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>

Paper and board produced	62,000	60,000	61,026	56,370
Paper and board converted	60,000	55,000	54,080	51,943
Inks produced	1,400	1,400	1,046	941

Capacity for paper and board produced during the year was 62,000 tonnes but actual capacity as at June 30, 1999 stands at 65,000 tonnes.

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

35. Rates of exchange

Liabilities in foreign currencies other than the long-term loans, booked under the State Bank of Pakistan exchange risk cover scheme and long-term loans hedged by forward exchange contract have been translated into Rupees at US\$ 1.9268 (1998: US \$ 2.1542), SFR 2.9798 (1998: SFR 3.270), SEK 16.2509 (1998: SEK 17.1183), DM 3.6368 (1998: DM 3.8871), GBP 1.2208 (1998: GBP 1.2889), ITL 3600.4897 (1998: ITL 3828.3374) and ¥ 232.0589 (1998: ¥ 302.7111) equal to Rs.100.

Rate of exchange prescribed by the State Bank of Pakistan for deposits on June 30, 1999 is US\$ 1 = Rs. 51.3650 (1998: US\$ 1 = Rs. 46) and DM 1 = Rs. 27.1686 (1998: DM 1 = Rs. 25.4419).

36. Cash flow from operating activities

	<i>1999</i>
	<i>(Rupees in thousand)</i>
Profit before taxation	660,001
Add/(less) adjustment for non cash charges and other items	
Depreciation	331,552
Amortization	6,214
Vacation pay	3,451
Profit on sale of fixed assets	(4,630)
Dividend income	(1,350)

Financial charges	995,238
	463,195

Profit before working capital changes	1,458,433
Effect on cash flow due to working capital changes	
(Increase) in stores and spares	(16,417)
(Increase) in stock-in-trade	(213,297)
(Increase) in trade debts	(17,595)
(Increase) in loans, advances, deposits, prepayments and other receivables	(56,030)
Increase in creditors, accrued and other liabilities	231,389

	(71,950)

	1,386,483
	=====

37. Cash and cash equivalents

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
Cash and bank balances	870,158	973,945
Finances under mark up arrangements	(784,154)	(773,574)
	-----	-----
	86,004	200,371
	=====	=====

38. Financial assets and liabilities

	<i>Interest/mark up bearing</i>			<i>Non interest bearing</i>			<i>1999 Total</i>
	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub total</i>	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub total</i>	
<i>(Rupees in thousand)</i>							
Financial assets							
Long-term investments	--	--	--	--	114,464	114,464	114,464
Loans to employees	--	--	--	--	470	470	470
Long-term security deposits	--	--	--	--	3,559	3,559	3,559
Long-term deposits for hedging	--	915,170	915,170	--	--	--	915,170
Trade debts	--	--	--	450,887	--	450,887	450,887
Advances, deposits prepayments							
- Loans to employees	--	--	--	239	--	239	239
- Trade debts	--	--	--	11,230	--	11,230	11,230
- Profit receivable on FCY deposits	--	--	--	13,344	--	13,344	13,344
Finished goods - packaging division	--	--	--	10,010	--	10,010	10,010
Cash and bank balances	826,586	--	826,586	43,572	--	43,572	870,158
	=====	-----	=====	-----	-----	=====	=====
	826,586	915,170	1,741,756	529,282	118,493	647,775	2,389,531
	=====	=====	=====	=====	=====	=====	=====
Financial liabilities							
Redeemable capital	97,470	208,944	306,414	--	--	--	306,414
Liabilities against assets subject to finance lease	20,412	--	20,412	--	--	--	20,412
Long-term loans	683,346	1,400,536	2,083,882	--	--	--	2,083,882
Finances under mark up arrangements	784,154	--	784,154	--	--	--	784,154
Creditors, accrued and other liabilities	--	--	--	639,442	--	639,442	639,442
Commitments	--	--	--	11,550	--	11,550	11,550
Forward contracts	--	--	--	148,503	--	148,503	148,503
Guarantees	--	--	--	135	--	135	135
Letters of credit	--	--	--	85,656	--	85,656	85,656
	-----	-----	-----	-----	-----	-----	-----
	1,585,382	1,609,480	3,194,862	885,286	--	885,286	4,080,148
	=====	=====	=====	=====	=====	=====	=====

38.1 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. Out of the total financial assets of Rs. 2,389.531 million, the financial assets which are subject to credit risk amounted to Rs. 401.266 million. The Company believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk, the Company applies credit limits to its customers and also obtains collaterals.

38.2 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings, especially Group Companies. Payables exposed to foreign currency risks are covered partially through forward foreign exchange contract and partially through hedging as mentioned in note 7.1.

38.3 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 long-term investments, which are stated at cost.

39. Number of employees

	<i>1999</i>	<i>1998</i>
	2,845	2,750
	=====	=====

40. Statement of changes in equity

	<i>Share</i>	<i>Share</i>	<i>Reserve for</i>	<i>General</i>	<i>Unappropriated</i>	<i>1999</i>
--	--------------	--------------	--------------------	----------------	-----------------------	-------------

	<i>capital</i>	<i>premium</i>	<i>issue of bonus shares</i>	<i>reserves</i>	<i>profit</i>	<i>Total</i>
<i>(Rupees in thousand)</i>						
Balance as on June 30, 1998	357,893	203,589	57,436	1,081,036	271,525	1,971,479
5,368,388 ordinary shares of Rs. 10 each issued as fully paid bonus shares	53,684	--	--	--	--	53,684
Nominal value of bonus shares issued	--	--	(53,684)	--	--	(53,684)
Net profit for the year	--	--	--	--	414,359	414,359
Transferred from profit and loss account	--	--	--	230,000	(230,000)	--
Transferred to reserve for issue of bonus shares	--	--	3,752	--	(3,752)	--
Dividend - final	--	--	--	--	(153,662)	(153,662)
Balance as on June 30, 1999	411,577	203,589	7,504	1,311,036	298,470	2,232,176

41. Detail of subsidiaries

<i>Name of the subsidiaries</i>	<i>Coates Lorilleux Pakistan Limited</i>	<i>Packages Hattar (Private) Limited</i>	<i>Ricepak Limited</i>
Accounting year end	June 30, 1999	June 30, 1999	August 31, 1998
Percentage of holding	54.98%	100%	100%
Country of incorporation	Pakistan	Pakistan	Pakistan

42. Comparative figures

Previous year's figures have been restated, wherever necessary, for the purposes of comparison except for the consolidated cash flow statement for which no comparatives have been given as it was impracticable to recreate the information.

Syed Wajid Ali
Chief Executive

Asadullah Khawaja
Director

Ten-year summary

	<i>(Rupees in thousand)</i>									
	<i>Year to June 30, 1999</i>	<i>Year to June 30, 1998</i>	<i>Year to June 30, 1997</i>	<i>Year to June 30, 1996</i>	<i>Six months to June 30, 1995</i>	<i>Year to Dec 31, 1994</i>	<i>Year to Dec 31, 1993</i>	<i>Year to Dec 31, 1992</i>	<i>Year to Dec 31, 1991</i>	<i>Year to Dec 31, 1990</i>
Assets employed										
Fixed assets at cost	4,640,648	4,535,229	4,400,635	3,516,219	2,740,770	2,333,407	1,991,323	1,766,571	1,523,268	1,143,494
Accumulated depreci	2,240,099	1,922,308	1,609,295	1,298,855	1,052,692	967,477	816,049	698,136	593,219	503,238
Net fixed assets	2,400,549	2,612,921	2,791,340	2,217,364	1,688,078	1,365,930	1,175,274	1,068,435	930,049	640,256
Capital work-in-progr	351,722	7,183	21,391	637,533	368,745	55,893	40,934	31,544	67,086	6,863
Net current and other	1,221,874	1,461,465	1,617,564	1,673,556	1,382,448	565,936	275,851	311,710	373,619	187,917
Total assets employed	3,974,145	4,081,569	4,430,295	4,528,453	3,439,271	1,987,759	1,492,059	1,411,689	1,370,754	835,036
Financed by										
Paid up capital	411,577	357,893	318,127	284,042	284,042	284,042	259,461	247,105	224,641	187,201
Reserves	1,515,524	1,338,716	1,194,192	1,137,892	984,389	869,576	649,561	452,767	373,415	251,415
Shareholders' equity	1,927,101	1,696,609	1,512,319	1,421,934	1,268,431	1,153,618	909,022	699,872	598,056	438,616
Long-term & deferred	2,047,044	2,384,960	2,917,976	3,106,519	2,170,840	834,141	583,037	711,817	772,698	396,420
Total funds invested	3,974,145	4,081,569	4,430,295	4,528,453	3,439,271	1,987,759	1,492,059	1,411,689	1,370,754	835,036

Sales to third parties	3,925,696	3,512,272	3,154,006	3,022,437	1,339,595	2,330,688	2,046,489	1,737,832	1,512,063	1,316,027
Materials consumed	1,206,286	1,074,792	1,077,569	1,083,102	442,081	699,220	631,015	535,745	507,488	459,108
Employees' remunerat	389,069	332,943	296,783	280,760	129,354	234,050	219,050	189,182	167,985	155,965
Operating profit	641,695	370,745	267,251	344,218	198,633	379,046	357,812	341,309	274,435	242,635
Profit before tax	512,389	162,753	110,684	195,257	209,335	332,084	304,144	267,723	231,665	197,661
% of net sales	13.05	4.63	3.51	6.46	15.63	14.25	14.86	15.41	15.32	15.02
% of average assets e	12.72	3.82	2.47	4.90	7.71	19.09	20.95	19.24	21.01	24.24
Profit after tax	384,154	220,079	90,385	153,503	150,318	238,783	224,744	175,948	128,228	108,936
Cash dividend	153,662	35,789	--	--	35,505	71,010	64,865	74,132	56,160	46,800
Cash dividend %	37.34	10.00	--	--	12.50	25.00	25.00	30.00	25.00	25.00
Stock dividend	--	53,684	39,766	34,085	--	--	19,459	--	22,464	--
Stock dividend %	--	15.00	12.50	12.00	--	--	7.50	--	10.00	--
Earnings per share - r	9.33	6.15	2.84	5.40	5.29	8.41	8.66	7.12	5.71	5.82
Taxes, duties and levi	809,483	624,974	852,397	894,451	449,434	666,630	592,792	453,800	443,534	