PACKAGES LIMITED

BALANCE SHEET AS AT DECEMBER 31, 2002

	Note	2002	2001
		(Rupees in thousand)	
SHARE CAPITAL AND RESERVES			
Authorised capital			
60,000,000 (2001: 60,000,000) ordinary shares of Rs 10 each		600,000	600,000
Issued, subscribed and paid up capital			
47,537,080 (2001: 47,537,080) ordinary shares of Rs 10 each	3	475,371	475,371
Reserves	4	2,020,625	2,020,625
Unappropriated profit		655,974	602
		3,151,970	2,496,598
NON PARTICIPATORY REDEEMABLE CAPITAL			
Secured	5	50,000	150,000
Un-secured	6	850,000	850,000
		900,000	1,000,000
LONG TERM AND DEFERRED LIABILITIES			
Liabilities against assets subject to finance lease	7	35,200	70,400
Long term loans and other payables - secured	8	15,108	10,238
Deferred liabilities	9	481,048	534,265
		531,356	614,903
CURRENT LIABILITIES			
Current portion of			
- Non-participatory redeemable capital - secured	5	100,000	100,000
- Liabilities against assets subject to finance lease	7	35,200	35,200
- Long term loans and other payables - secured	8	-	541,321
Finances under mark up arrangements - secured	10	736,033	557,146
Creditors, accrued and other liabilities	11	495,918	595,902
Proposed dividend		-	213,917
		1,367,151	2,043,486
CONTINGENCIES AND COMMITMENTS	12		
		5,950,477	6,154,987

	Note	2002	2001
		(Rupees in thousand)	
FIXED CAPITAL EXPENDITURE			
Operating fixed assets	13	2,812,289	2,494,704
Investment property	14	15,710	-
Assets subject to finance lease	15	137,500	148,500
Capital work-in-progress	16	196,902	445,143
		3,162,401	3,088,347
OTHER LONG TERM ASSETS			
Long term investments	17	570,628	515,530
Long term loans, deposits and other receivables	18	3,679	4,160
Retirement and other benefits	19	26,732	16,619
		601,039	536,309
CURRENT ASSETS			
Stores and spares	20	299,638	263,244
Stock-in-trade	21	876,207	761,796
Trade debts	22	543,218	596,026
Loans, advances, deposits, prepayments and other receivables	23	379,165	351,084
Cash and bank balances	24	88,809	558,181
		2,187,037	2,530,331
		5,950,477	6,154,987

The annexed notes form an integral part of these accounts.

Chief Executive **Director**

PACKAGES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2002

		Note	2002	2001
			(Rupees in thousand)	
Local sales			5,298,653	5,128,875
Export sales			62,231	28,941
			5,360,884	5,157,816
Less:	Sales tax and excise duty		734,101	712,120
	Commission		5,110	5,231
			739,211	717,351
			4,621,673	4,440,465
Less:	Cost of goods sold	25	3,672,114	3,549,082
Gross profit			949,559	891,383
Selling, administration and general expenses		26	492,811	417,356
Operating profit			456,748	474,027
Other income		27	581,206	406,243
			1,037,954	880,270
Financial charges		28	176,800	267,049
Other charges		29	63,929	98,780
			240,729	365,829
Profit before taxation			797,225	514,441
Provision for taxation		30	141,853	89,562
Profit after taxation			655,372	424,879
Unappropriated profit brought forward			602	640
Available for appropriation			655,974	425,519
Appropriations:				
- Transferred to general reserve			-	211,000
- Proposed dividend - Rs ____ per share (2001: Rs 4.50 per share)			-	213,917
			-	424,917
Unappropriated profit carried forward			655,974	602
Earnings per share		39	13.79	8.94

The annexed notes form an integral part of these accounts.

Chief Executive **Director**

PACKAGES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2002

	Note	2002	2001
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	37	772,899	780,202
Financial charges paid		(213,126)	(291,973)
Taxes paid		(247,361)	(153,071)
Payments for accumulating compensated absences		(6,624)	(2,601)
Retirement and other benefits paid		(19,312)	(17,283)
Net cash from operating activities		286,476	315,274
Cash flows from investing activities			
Fixed capital expenditure		(502,451)	(611,711)
Net decrease in long-term loans, deposits and other receivables		481	345,234
Sale proceeds of fixed assets		7,206	7,267
Dividend received		498,865	307,027
Long-term investments		(54,065)	(102,285)
Net cash used in investing activities		(49,964)	(54,468)
Cash flows from financing activities			
Proceeds from redeemable capital, long term loans and other payables		4,870	865,516
Repayment of redeemable capital, long term loans and other payables		(641,321)	(720,927)
Payment of finance lease liabilities		(35,200)	(35,200)
Dividend paid		(213,120)	(95,757)
Net cash (used in)/from financing activities		(884,771)	13,632
Net (decrease)/increase in cash and cash equivalents		(648,259)	274,438
Cash and cash equivalents at the beginning of the year		1,035	(273,403)
Cash and cash equivalents at the end of the year	38	(647,224)	1,035

The annexed notes form an integral part of these accounts.

Chief Executive **Director**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2002

(Rupees in thousand)

	Share capital	Share premium	Reserve for issue of bonus shares	General reserve	Unappro-priated profit	Total
Balance as on December 31, 2000	452,734	203,589	22,637	1,606,036	640	2,285,636
2,263,670 ordinary shares of Rs 10 each issued as fully paid bonus shares	22,637	-	-	-	-	22,637
Nominal value of bonus shares issued	-	-	(22,637)	-	-	(22,637)
Net profit for the year	-	-	-	-	424,879	424,879
Transferred from profit and loss account	-	-	-	211,000	(211,000)	-
Dividend - final Rs 4.50 per share	-	-	-	-	(213,917)	(213,917)
Balance as on December 31, 2001	475,371	203,589	-	1,817,036	602	2,496,598
Net profit for the year	-	-	-	-	655,372	655,372
Proposed dividend - Rs _____ per share	-	-	-	-	-	-
Balance as on December 31, 2002	475,371	203,589	-	1,817,036	655,974	3,151,970

Chief Executive **Director**

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 principally engaged in manufacture and sale of paper, paperboard, packaging materials and tissue products.

2. Summary of significant accounting policies

2.1 Basis of preparation

These accounts have been prepared in accordance with the requirements of Companies Ordinance, 1984 and accounting standards issued by the International Accounting Standards Committee (IASC) and interpretations issued by the Standing Interpretations Committee of the IASC, as applicable in Pakistan except where provisions of the Companies Ordinance, 1984 require otherwise in which case such provisions have been applied.

2.2 Accounting convention

These accounts have been prepared under the historical cost convention, modified by capitalization of exchange differences referred to in note 2.19, except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.

2.3 Taxation

Current

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

Deferred

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

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

2.4 Fixed capital expenditure and depreciation/amortisation

Operating fixed assets except freehold land are stated at cost less accumulated depreciation/amortisation and any identified impairment loss. Land and capital work-in-progress are stated at cost less any identified impairment loss. Cost in relation to certain plant and machinery signifies historical cost and exchange differences referred to in note 2.19 and interest, mark-up etc. in note 2.20.

Depreciation/amortisation 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:

Tangible

- 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%

Intangible - acquired

- Computer software and SAP Enterprise Resource Planning System (ERP)	33.33%

Depreciation/amortisation on additions to fixed assets is charged from the month in which an asset is acquired or capitalized while no depreciation/amortisation is charged for the month in which the asset is disposed off. Impairment loss or its reversal, if any, is also charged to income. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

The net exchange difference relating to an asset, at the end of each year, is amortised in equal instalments over its remaining useful life.

Major repairs and improvements are capitalized. Minor repairs and renewals are charged to income. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

2.5 Investment property

Property not held for own use or for sale in the ordinary course of business is classified as investment property. During the year company adopted International Accounting Standard 40 “Investment Property” (IAS 40) and valued its investment property, comprising buildings, using the cost method i.e., at cost less any accumulated depreciation and any identified impairment loss.

Depreciation on buildings is charged to profit on the straight line method so as to write off the historical cost of a building over its estimated useful life at the rates ranging from 3.33% to 4% per annum. Depreciation on additions to investment property is charged from the month in which a property is acquired or capitalized while no depreciation is charged for the month in which the property is disposed off. Impairment loss or its reversal, if any, is also charged to income. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the building's revised carrying amount over its estimated useful life.

Major repairs and improvements are capitalized. Minor repairs and renewals are charged to income. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

Adoption of IAS 40 has no effect on the amounts reported for in the profit and loss account for the year.

2.6 Leases

(1) The company is the lessee:

Finance leases

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

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease as referred to in note 7. The liabilities are classified as current and long term depending upon the timing of the payment.

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

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

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

Operating leases

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

(2) The company is the lessor:

Operating leases

Assets leased out under operating leases are included in investment property as referred to in note 14. They are depreciated over their expected useful lives on a basis consistent with similar owned operating fixed assets. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

2.7 Long term investments

Investments in equity instruments of subsidiaries and associated companies

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

Other investments

At January 1, 2002 the company adopted International Accounting Standard 39 "Financial Instruments: Recognition and Measurement" (IAS 39) and recognised and measured its long term investments, other than those in equity instruments of subsidiaries and associated companies, in accordance with IAS 39. As a result of this adoption, the other investments made by the company were classified for the purpose of measurement into the following categories:

Held to maturity

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

Available for sale

Investments classified as available-for-sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology. Realized and unrealized gains and losses arising from changes in fair value are included in the net profit or loss for the period in which they arise.

At subsequent reporting dates, the company reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists the recoverable amount is estimated in order to determine the extent of the impairment loss if any. Impairment losses are recognised as expense. Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised recoverable amount but limited to the extent of initial cost of the investment. A reversal of the impairment loss is recognised in income.

Prior to the adoption of IAS 39 the company had recorded all its investments at lower of cost and market value determined on a portfolio basis and the provisions were made for permanent diminution in the value of any investment. On adoption of IAS 39 at January 1, 2002 the adjustments made to the carrying value of held to maturity investments amounted to Rs 0.243 million. Had there been no change in the accounting policy, profit for the year would have been higher by Rs 0.146 million.

2.8 Employee retirement benefits

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

(a) All the executive staff participates in an approved funded defined benefit pension plan. In addition, there is an approved funded defined benefit gratuity plan for all employees. Monthly contributions are made to these funds on the basis of actuarial recommendation at the rate of 13 percent per annum of basic salaries for pension and 8.33 percent per annum of basic salaries for gratuity. The latest actuarial valuation for the pension and gratuity schemes was carried out as at December 31, 2002. The actual returns on plan assets during the year were Rs 76.540 million and Rs 56.031 million for the pension and gratuity funds respectively. The actual returns on plan assets represent the difference between the fair value of plan assets at beginning of the year and end of the year after adjustments for contributions made by the company as reduced by benefits paid during the year.

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

- Discount rate 8 percent per annum.
- Expected rate of increase in salary level 6 percent per annum.
- Expected rate of return 8 percent per annum.

The company's policy with regard to actuarial gains/losses is to follow minimum recommended approach under IAS 19 (revised 1998).

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

(c) Accumulating compensated absences

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

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

2.9 Stores and spares

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

2.10 Stock-in-trade

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

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

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

2.11 Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

2.12 Trade debts

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

2.13 Cash and cash equivalents

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

2.14 Borrowings

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

2.15 Creditors, accrued and other liabilities

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

2.16 Provisions

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

2.17 Derivative financial instruments

These are initially recorded at cost and are remeasured to fair value at subsequent reporting dates.

2.18 Revenue recognition

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

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

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

2.19 Foreign currencies

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

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

All other exchange differences are included in profit currently.

2.20 Borrowing costs

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

3. Issued, subscribed and paid up capital

2002	2001		2002	2001
(Number of shares)			(Rupees in thousand)	
11,260,868	11,260,868	ordinary shares of Rs 10 each fully paid in cash	112,609	112,609
148,780	148,780	ordinary shares of Rs 10 each issued as fully paid for consideration other than cash	1,488	1,488
36,127,432	36,127,432	ordinary shares of Rs 10 each issued as fully paid bonus shares	361,274	361,274
47,537,080	47,537,080		475,371	475,371

9,228,349 (2001: 7,850,407) ordinary shares of the company are held by International General Insurance Company of Pakistan Limited, an associated concern as at December 31, 2002.

4. Reserves

Movement in and composition of reserves is as follows:

Capital			
- Share premium	- note 4.1	203,589	203,589
Reserve for issue of bonus shares			
- At the beginning of the year		-	22,637
- Nominal value of bonus shares issued		-	(22,637)
		-	-
Revenue			
- General reserve			
At the beginning of the year		1,817,036	1,606,036
Transfer from profit and loss account		-	211,000
		1,817,036	1,817,036
		2,020,625	2,020,625

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

5. Non participatory redeemable capital - secured

These are composed of:

Long term running finance under mark up arrangements	150,000	250,000
Less: Current portion shown under current liabilities	100,000	100,000
	50,000	150,000

Security

This finance is secured by an equitable mortgage of immovable properties, 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 10.

All charges in favour of the lenders of this finance rank pari passu with each other.

Terms of repayment

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 0.0555 per Rs 1,000 per diem over and above the six months Treasury bill rate. The finance is repayable in three equal half yearly instalments. Mark-up is payable half yearly.

6. Non participatory redeemable capital - unsecured

These represent Term Finance Certificates (TFCs).

The TFCs have been issued as fully paid scrips of Rs 5,000 and Rs 100,000 denominations or exact multiple thereof. These are listed on Lahore Stock Exchange and their market value is Rs 960.5 million as at December 31, 2002.

Terms of repayment

Call option

The company may redeem the TFCs by way of exercise of the Call option by giving written notice and/or public notice to the TFC holders and the trustee at least sixty days prior to the option date(s). The company will have the option to call the TFCs from the TFC holders for redemption on January 15, 2005 and at the end of every four years thereafter.

The call option may only be exercised by the company with respect to all of the outstanding TFCs.

Put option

TFC holders may exercise their put option for redemption of TFCs by giving written notice to the company at least sixty days prior to the option date(s). TFC holders will have the option to put the TFCs to the company for redemption on January 15, 2005 and at the end of every four years thereafter.

The put option may be exercised by any or all of the TFC holders for any number of TFCs held by them. However, any particular TFC cannot be redeemed partially by exercising the put option.

Rate of return

The return on TFCs is payable quarterly and is calculated at the State Bank of Pakistan's three-day repo rate plus 1.25 % per annum subject to a minimum of 13.50 % per annum and a maximum of 17.00 % per annum.

Trustee

In order to protect the interests of the TFC holders, an investment bank has been appointed as Trustee under a trust deed dated June 26, 2001. The Trustee is paid a fee at the rate 0.065% per annum of the outstanding balance of the TFCs.

In case the company defaults on any of its obligations, the trustee may enforce the company's obligations in accordance with the terms of the trust deed. The proceeds of any such enforcements shall be distributed to the TFC holders at the time on a pari passu basis in proportion to the amounts owed to them pursuant to the TFCs.

Redemption fund

In accordance with the terms of issue, to ensure timely repayment of the principal amount to small individual investors holding TFCs upto Rs 200,000 on January 15, 2005 and at the end of every four years thereafter, the company has established a redemption fund consisting of TFCs of First International Investment Bank Limited as referred to in note 17.1.

	2002	2001
	(Rupees in thousand)	

7. Liabilities against assets subject to finance lease

	2002	2001
Present value of minimum lease payments	70,400	105,600
Less: Current portion shown under current liabilities	35,200	35,200
	35,200	70,400

The minimum lease payments under the lease agreement are payable in 8 unequal quarterly instalments. The present value of minimum lease payments have been discounted at an implicit interest rate of 16.50% to arrive at their present value.

The company receives prompt payment bonus of the amount representing the difference between the implicit rate and last six months treasury bill cut-off yield plus 2% with a minimum mark-up of 11.7% per annum.

Repair and insurance costs are to be borne by the company.

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

Years	(Rupees in thousand)
2003	44,767
2004	38,890
	83,657
Less: Finance charge not due	13,257
	70,400

8. Long term loans and other payables - secured

		2002	2001
		(Rupees in thousand)	
Foreign currency loans	- note 8.1	-	354,530
Local currency loans	- note 8.1	-	163,386
Other payables	- note 8.2	15,108	33,643
		15,108	551,559
Less: Current portion shown under current liabilities			
Foreign currency loans		-	354,530
Local currency loans		-	163,386
Other payables		-	23,405
		-	541,321
		15,108	10,238

8.1 These have been repaid during the year.

8.2 Other payables - secured

These represent 50% of the import duties deferred under the Deferment of Import Duties Rules, 1991. The balance is repayable by the year 2005. Surcharge is payable half yearly at a rate of 14% per annum. The liability is secured by bank guarantees included in note 10.2.

9. Deferred liabilities

These are composed of:

Deferred taxation	- note 9.1	420,000	471,000
Accumulating compensated absences	- note 9.2	61,048	63,265
		481,048	534,265

9.1 Deferred taxation

The liability for deferred taxation comprises timing differences relating to:

Accelerated tax depreciation	457,597	509,373
Provision for accumulating compensated absences	(21,367)	(22,143)
Impairment loss in value of investments	(16,230)	(16,230)
	420,000	471,000

9.2 Accumulating compensated absences

Opening balance	63,265	51,383
Provision for the year	4,407	14,483
	67,672	65,866
Less: Payments made during the year	6,624	2,601
Closing balance	61,048	63,265

		2002	2001
		(Rupees in thousand)	

10. Finances under mark up arrangements - secured

Running finances	- note 10.1	141,033	347,146
Short term finances	- note 10.2	595,000	210,000
		736,033	557,146

10.1 Running finances - secured

Short term running finances available from a consortium of commercial banks under mark up arrangements amount to Rs 1,600 million (2001: Rs 1,635 million). The rates of mark-up range from Re 0.1781 to Re 0.3836 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 0.2137 to Re 0.4603 per Rs 1,000 per diem or part thereof on the balances unpaid. The aggregate running finances are secured by hypothecation of stores, spares, stock-in-trade and trade debts.

10.2 Short term finances - secured

Term finances available from a consortium of commercial banks under mark up arrangements amount to Rs 595 million (2001: Rs 560 million). The rates of mark up range from Re 0.1342 to Re 0.1918 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 871.6 million (2001: Rs 896.6 million) for opening letters of credit and Rs 379 million (2001: Rs 369 million) for guarantees, the amount utilised at December 31, 2002 was Rs 180.798 million (2001: Rs 199.709 million) and Rs 150.557 million (2001: Rs 157.537 million) respectively. Of the facility for guarantees, Rs 322.5 million (2001: Rs 357.5 million) is secured by a second hypothecation charge over stores, spares, stock-in-trade and trade debts.

11. Creditors, accrued and other liabilities

Trade creditors	- note 11.1	47,784	28,747
Accrued liabilities		271,662	396,522
Sales tax payable		13,069	4,443
Customers' balances		20,093	29,695
Deposits - interest free repayable on demand		3,242	2,641
Interest accrued on long term loans and other payables - secured		2,239	31,948
Mark up accrued on non participatory redeemable capital			
- Secured		5,548	12,969
- Un-secured		23,909	23,912
Mark up accrued on finances under mark up arrangements- secured		9,244	8,437
Workers' profit participation fund	- note 11.2	42,993	27,834
Workers' welfare fund		33,879	9,718
Unclaimed dividends		3,871	3,074
TFCs payable	- note 24.2	1,322	1,060
Others		17,063	14,902
		495,918	595,902

11.1 Trade creditors include amount due to associated companies Rs 22.477 million (2001: Rs 22.601 million).

11.2 Workers' profit participation fund

			2002	2001
			(Rupees in thousand)	
Opening balance			27,834	12,980
Provision for the year		- note 29	42,993	27,750
			70,827	40,730
Less:	Payments made during the year		27,834	12,896
Closing balance			42,993	27,834

12. Contingencies and commitments

12.1 Contingencies

(i) Guarantees to bank for repayment of loans by employees Rs 0.125 million (2001: Rs 0.168 million).

(ii) Claims against the company not acknowledged as debts Rs 7.835 million (2001: Rs 9.098 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 years. Pending the outcome of the appeal filed by STO no adjustment has been made for the refunds recognised in the accounts as the management is of the view that the appeal of the STO will not be upheld by the ITAT.

(iv) For the assessment years 1999-2000 and 2000-2001, Inspecting Additional Commissioner (IAC) has raised tax demand of Rs 110.525 million and Rs 132.025 million respectively under section 12(9A) of the Income Tax Ordinance, 1979 on account of excess revenue reserves. The Income Tax Appellate Tribunal has set aside the orders of the IAC and remanded the issue back. No provision has been made in these accounts for this demand since in the management's view, there are meritorious grounds that the ultimate decision would be in the company's favour.

12.2 Commitments in respect of

(i) Contracts for capital expenditure Rs 84.989 million (2001: Rs 114.260 million).

(ii) Letters of credit other than for capital expenditure Rs 260.950 million (2001: Rs 162.678 million).

13. Operating fixed assets

13.1 The following is a statement of the operating fixed assets:

(Rupees in thousand)

	Cost to December 31, 2001	Adjustments	Transfer to Investment Property	Additions/ (deletions)	Cost to December 31, 2002	Accumulated depreciation/ amortisation December 31, 2001	Adjustments	Transfer to Investment Property	Depreciation/ amortisation charge/ (deletions) for the year	Accumulated depreciation/ amortisation December 31, 2002	Book value as at December 31, 2002
Tangible											
Freehold land	60,947	(882)	-	43,190 -	103,255	-	-	-	- -	-	103,255
Buildings on freehold land	119,668	(10,368)	-	86,645 -	195,945	42,091	(5,219)	-	6,352 -	43,224	152,721
Buildings on leasehold land	70,457	10,368	(19,330)	66,893 -	128,388	23,414	5,219	(7,607)	3,554 -	24,580	103,808
Plant and machinery	4,948,736	-	-	503,720 (52)	5,452,404	2,856,781	-	-	321,673 (52)	3,178,402	2,274,002
Other equipment	155,640	-	-	20,728 (568)	175,800	100,139	-	-	22,739 (565)	122,313	53,487
Furniture and fixtures	4,601	-	-	764 -	5,365	2,230	-	-	603 -	2,833	2,532
Vehicles	122,239	-	-	24,935 (11,790)	135,384	67,336	-	-	19,739 (8,247)	78,828	56,556
	5,482,288	(882)	(19,330)	746,875 (12,410)	6,196,541	3,091,991	-	(7,607)	374,660 (8,864)	3,450,180 -	2,746,361
Intangible - acquired											
Computer software and ERP system	115,437	-	-	- -	115,437	11,030	-	-	38,479 -	49,509	65,928
2002	5,597,725	(882)	(19,330) -	746,875 (12,410)	6,311,978	3,103,021	-	(7,607) -	413,139 (8,864)	3,499,689 -	2,812,289
2001	5,184,950	-	-	423,949 (11,174)	5,597,725	2,732,413	-	-	379,989 (9,381)	3,103,021	2,494,704

Additions to plant and machinery include mark-up of Rs 36.176 million (2001: Rs 0.169 million).

Fixed assets include assets amounting to Rs 19.615 million (2001: Rs 11.166 million) of the company which are not in operation.

The cost of fully depreciated assets which are still in use as at Decemeber 31, 2002 is Rs 1,149.038 million (2001: Rs 1,054.110 million).

14. Investment property

(Rupees in thousand)

	Cost to December 31, 2001	Transfers from fixed assets	Additions	Cost to December 31, 2002	Accumulated depreciation December 31, 2001	Transfers from fixed assets	Depreciation charge for the year	Accumulated depreciation December 31, 2002	Book value as at December 31, 2002
Buildings on leasehold land	-	19,330	4,699	24,029	-	7,607	712	8,319	15,710
	-	19,330	4,699	24,029	-	7,607	712	8,319	15,710

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

Fair value of the investment property transferred from fixed assets, based on the valuation carried out by an independent valuer, as at October 31, 2002 is Rs 22.377 million.

15. Assets subject to finance lease

(Rupees in thousand)

	Cost to December 31, 2001	Additions	Cost to December 31, 2002	Accumulated amortisation December 31, 2001	Amortisation charge for the year	Accumulated amortisation December 31, 2002	Book value as at December 31, 2002
Plant and machinery	176,000	-	176,000	27,500	11,000	38,500	137,500
2002	176,000	-	176,000	27,500	11,000	38,500	137,500
2001	176,000	-	176,000	16,500	11,000	27,500	148,500

Amortisation charge for the year has been allocated to cost of goods sold.

16. Capital work-in-progress

	2002	2001
	(Rupees in thousand)	
Plant and machinery	190,162	357,466
Civil works and buildings	6,740	87,677
	196,902	445,143

Cost of plant and machinery includes mark-up of Rs 2.150 million (2001: Rs 11.837 million).

17. Long term investments

In subsidiaries

Unquoted

Coates Lorilleux Pakistan Limited			
2,814,375 (2001: 2,814,375) fully paid ordinary shares of Rs 10 each			
Equity held 54.98% (2001: 54.98%)			
Value of investment based on the net assets shown in the audited accounts			
as at December 31, 2002 Rs 71.858 million (2001: Rs 61.213 million)		15,010	15,010
Packages Lanka (Private) Limited			
57,991,284 (2001: 47,009,168) shares of SL Rupees 10 each			
Equity held 77.18% (2001: 69.69%)			
Value of investment based on the net assets shown in audited accounts as at			
December 31, 2002 Rs 108.174 million (December 31, 2001 Rs 101.679 million)		402,457	348,392
Less: Impairment loss		(46,371)	(46,371)
		356,086	302,021
		371,096	317,031

In associated companies

Quoted

Nestle Milkpak Limited			
3,649,248 (2001: 3,649,248) fully paid ordinary shares of Rs 10 each			
Equity held 8.06% (2001: 8.06%)			
Market value - Rs 797.361 million (2001: Rs 547.38 million)		24,555	24,555
International General Insurance Company of Pakistan Limited			
1,133,453 (2001: 1,030,412) fully paid ordinary shares of Rs 10 each			
Equity held 10.61 % (2001: 10.61%)			
Market value - Rs 105.808 million (2001: Rs 59.815 million)		22,519	22,519
Tri-Pack Films Limited			
10,000,000 (2001: 10,000,000) fully paid ordinary shares of Rs 10 each			
Equity held 33.33 % (2001: 33.33%)			
Market value - Rs 530 million (2001: Rs 320 million)		100,000	100,000
First International Investment Bank Limited			
2,299,996 (2001: Nil) fully paid ordinary shares of Rs 10 each			
Equity held 9.99 % (2001: Nil)			
Market value - Rs 27.02 million (2001: Rs Nil)		25,000	-
First International Investment Bank Limited			
6 (2001: Nil) term finance certificates			
of Rs 1 million each			
Market value - Rs 8.10 million (2001: Rs Nil)	- note 17.1	7,033	-
		179,107	147,074
Carried forward		550,203	464,105

		2002	2001
		(Rupees in thousand)	
Brought forward		550,203	464,105
Unquoted			
Tetra Pak Pakistan Limited			
22,000,000 (2001: 22,000,000) fully paid ordinary shares of Rs 10 each			
Equity held 44 % (2001: 44%)			
Value of investment based on the net assets shown in the audited accounts			
as at December 31, 2001 Rs 333.773 million (2001: Rs 333.773 million)		15,400	15,400
Coca-Cola Beverages Pakistan Limited			
500,000 (2001: 500,000) fully paid ordinary shares of Rs 10 each			
Equity held 0.14 % (2001: 0.14%)			
Value of investment based on the net assets shown in the audited accounts			
as at December 31, 2001 Rs 1.88 million (2001: Rs 1.88 million)		5,000	5,000
		20,400	20,400
Others			
Quoted			
First International Investment Bank Limited			
Nil (2001: 1,999,997) fully paid ordinary shares of Rs 10 each			
Equity held Nil (2001: 9.99 %)			
Market value - Rs Nil (2001: Rs 17.40 million)		-	25,000
First International Investment Bank Limited			
Nil (2001: 6) term finance certificates			
of Rs 1 million each			
Market value - Rs Nil (2001: Rs 6.21 million)		-	6,000
		-	31,000
Unquoted			
Pakistan Tourism Development Corporation Limited			
2,500 (2001: 2,500) fully paid ordinary shares of Rs 10 each			
Chief Executive: Maj. Gen. Anis Ahmad Bajwa	- note 17.2	25	25
Orient Match Company Limited			
1,900 (2001: 1,900) fully paid ordinary shares of Rs 100 each			
Chief Executive: Khawaja Muhammad Akbar	- note 17.2	-	-
		25	25
		570,628	515,530

17.1 Investment in TFCs has been made in accordance with the terms of issue of the term finance certificates of Rs 850 million as referred to in note 6. The rate of profit on these TFCs is 16% per annum payable at maturity. For the purpose of measurement these have been classified as held to maturity investments.

17.2 For the purpose of measurement these have been classified as available for sale investments.

		2002	2001
		(Rupees in thousand)	

18. Long term loans, deposits and other receivables

Loans to employees - considered good	- note 18.1	926	770
Security deposits		2,753	3,148
Other receivables		-	242
		3,679	4,160

18.1 These represent interest free loans to employees for purchase of cycles and motor cycles and are repayable in monthly instalments over a period of 50 to 140 months.

Loans to employees aggregating Rs 0.065 million (2001: Rs 0.0255 million) are secured by joint registration of motor cycles in the name of employees and the company. The remaining loans are unsecured.

Long term loans to employees outstanding for more than 3 years amount to Rs Nil (2001: Rs Nil).

19. Retirement and other benefits

Pension fund	- note 19.1	(17,226)	(15,027)
Gratuity fund	- note 19.2	43,958	31,646
		26,732	16,619

19.1 Pension fund

The amounts recognised in the balance sheet are as follows:

Fair value of plan assets	299,969	230,327
Present value of defined benefit obligation	(358,145)	(259,330)
Non vested (past service) cost to be recognised in later periods	21,151	24,172
Unrecognised actuarial losses/(gains)	19,799	(10,196)
(Liability) as at December 31	(17,226)	(15,027)
Net (liability) as at January 1	(15,027)	(4,928)
Charge to profit and loss account	(11,137)	(18,140)
Contribution by the company	8,938	8,041
(Liability) as at December 31	(17,226)	(15,027)

Fair value of plan assets include ordinary shares of the company, whose fair value as at December 31, 2002 is Rs 9.18 million.

19.2 Gratuity fund

The amounts recognised in the balance sheet are as follows:

Fair value of plan assets	238,249	183,080
Present value of defined benefit obligation	(141,317)	(130,060)
Unrecognised actuarial (gains)	(52,974)	(21,374)
Asset as at December 31	43,958	31,646
Net assets as at January 1	31,646	21,150
Credit to profit and loss account	1,938	1,254
Contribution by the company	10,374	9,242
Asset as at December 31	43,958	31,646

Fair value of plan assets include ordinary shares of the company, whose fair value as at December 31, 2002 is Rs 2.62 million.

20. Stores and spares

	2002	2001
	(Rupees in thousand)	
Stores [including in transit Rs 5.420 million (2001: Rs 3.092 million)]	128,251	104,317
Spares [including in transit Rs 8.379 million (2001: Rs 4.115 million)]	171,387	158,927
	299,638	263,244

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

21. Stock-in-trade

Raw materials [including in transit Rs 89.716 million (2001: 84.650 million)]	507,508	481,987
Work-in-process	57,258	50,580
Finished goods	311,441	229,229
	876,207	761,796

Finished goods of Rs 47.42 million (2001: Rs 39.32 million) are being carried at net realisable value.

22. Trade debts

Considered good			
- Associated undertakings	- note 22.1	72,456	89,415
- Others		470,762	506,611
		543,218	596,026

Trade debts include secured debts of Rs 3.059 million (2001: Rs 0.617 million).

22.1 Due from associated undertakings

Treet Corporation Limited	472	2,850
Nestle Milkpak Limited	30,970	32,665
Tetrapak Pakistan Limited	36,550	43,316
Zulfiqar Industries Limited	2,528	8,380
Tri-Pack Films Limited	1,578	1,604
Coca Cola Beverages Pakistan Limited	94	184
Packages Lanka (Private) Limited	-	407
Coates Lorilleux Pakistan Limited	264	9
	72,456	89,415

These are in the normal course of business and are interest free. The maximum aggregate amount outstanding due from associated undertakings at the end of any month during the year was Rs 105.066 million (2001: Rs 95.889 million).

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

		2002	2001
		(Rupees in thousand)	
Loans to employees - considered good		161	133
Advances - considered good			
- To employees	- note 23.1	8,418	10,374
- To suppliers		14,088	23,844
		22,506	34,218
Advances to suppliers- considered doubtful		74	650
Due from associated undertakings	- note 23.2	8,809	11,955
Trade deposits		3,066	5,923
Prepayments		8,463	3,356
Balances with statutory authorities			
- Excise duty		2,042	1,568
- Customs duty		705	3,188
		2,747	4,756
Profit receivable on bank deposits		32	15,377
Claims recoverable from Government			
- Sales tax		3,274	350
- Income tax recoverable	- note 23.3	36,013	36,013
- Income tax refundable		293,510	239,002
- Octroi - considered doubtful		-	1,198
		332,797	276,563
Other receivables		584	1
		379,239	352,932
Less: Provision against doubtful advances		74	1,848
		379,165	351,084

23.1 Included in advances to employees are amounts due from Chief Executive, Directors and Executives of Rs 0.081 million, Rs 0.310 million and Rs 4.826 million respectively. (2001: Chief Executive Rs 0.60 million, Directors Rs 0.41 million and Executives Rs 0.441 million).

The maximum aggregate amount of advances due from Chief Executive, Directors and Executives at the end of any month during the year were Rs 0.684 million, Rs 1.098 million and Rs 13.318 million respectively. (2001: Chief Executive Rs 0.60 million, Directors Rs 0.41 million and Executives Rs 6.99 million).

23.2 Due from associated undertakings

	2002	2001
Tetrapak Pakistan Limited	4,711	7,996
Tri-Pack Films Limited	8	413
Coates Lorilleux Pakistan Limited	1,419	1,414
International General Insurance Company of Pakistan Limited	2,518	2,036
Packages Lanka (Private) Limited	153	96
	8,809	11,955

These relate to normal business of the company and are interest free. The maximum aggregate amount of advances to associated companies at the end of any month during the year was Rs 20.940 million (2001: Rs 19.855 million).

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

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

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

24. Cash and bank balances

		2002	2001
		(Rupees in thousand)	
At banks			
On deposit accounts		-	354,213
- US $ Nil (2001: US $ 4.525 million)			
- DM Nil (2001: DM 3.0 million)			
On savings accounts [including US $ 224 (2001: US $ 7,562)]	- note 24.1	7,859	59,887
On current accounts	- note 24.2	72,491	136,216
		80,350	550,316
In hand		8,459	7,865
		88,809	558,181

24.1 The balances in savings accounts bear mark-up which ranges from 4% to 4.04% per annum.

24.2 Included in these are total restricted funds of Rs 1.322 million (2001: Rs 1.159 million) held as payable to TFC holders as referred to in note 11.

		2002	2001
		(Rupees in thousand)	

25. Cost of goods sold

		2002	2001
Opening work in process		50,580	72,272
Materials consumed		1,925,656	1,911,866
Salaries, wages and amenities	- note 25.1	350,429	329,400
Fuel and power		524,616	463,950
Production supplies		158,182	151,678
Excise duty and sales tax		76,752	79,482
Rent, rates and taxes		1,738	1,679
Insurance		36,296	35,455
Repairs and maintenance		267,275	176,814
Packing expenses		15,161	14,450
Depreciation/amortisation on fixed assets		344,439	347,702
Amortisation on leased assets		11,000	11,000
Technical fee and royalty		11,991	6,444
Lease charges		-	2,200
Other expenses		37,469	35,725
		3,811,584	3,640,117
Less: Closing work in process		57,258	50,580
Cost of goods produced		3,754,326	3,589,537
Opening stock of finished goods		229,229	188,774
		3,983,555	3,778,311
Less: Closing stock of finished goods		311,441	229,229
		3,672,114	3,549,082

Cost of goods produced includes Rs 451.903 million (2001: Rs 442.506 million) for stores and spares consumed, Rs 3.290 million (2001: Rs 4.501 million) and Rs 1.822 million (2001: Rs 0.131 million) for raw material and stores and spares written off respectively.

25.1 Salaries, wages and amenities

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

	2002	2001
Pension		
- Current service cost	4,954	6,107
- Interest cost for the year	15,958	23,133
- Expected return on plan assets	(14,498)	(18,152)
- Contribution made by the employees	1,588	(1,997)
- Recognition of past service cost	(483)	2,113
- Recognition of loss	(1,661)	1,486
	5,858	12,690
Gratuity		
- Current service cost	6,082	4,281
- Interest cost for the year	13,602	10,374
- Expected return on plan assets	(19,940)	(14,564)
- Recognition of gain	(1,507)	(968)
	(1,763)	(877)

In addition to above, salaries, wages and amenities include Rs 9.222 million in respect of provident fund contribution by the company.

26. Selling, administration and general expenses

		2002	2001
		(Rupees in thousand)	
Selling and distribution expenses			
- Salaries, wages and amenities	- note 26.1	36,440	37,295
- Travelling		7,980	7,088
- Rent, rates and taxes		2,907	2,502
- Freight and distribution		53,167	51,023
- Insurance		1,402	1,195
- Advertising		32,879	37,821
- Depreciation		6,163	5,060
- Other expenses		8,511	4,843
		149,449	146,827
Administration and general expenses			
- Salaries, wages and amenities	- note 26.2	122,609	104,525
- Travelling		30,859	26,739
- Rent, rates and taxes		5,953	5,886
- Insurance		6,018	5,416
- Printing, stationery and periodicals		12,074	12,286
- Postage, telephone and telex		21,296	24,853
- Motor vehicles running		8,669	8,352
- Computer charges		18,204	188
- Professional services	- note 31	11,337	13,916
- Repairs and maintenance		9,013	7,688
- Depreciation/amortisation on fixed assets		62,537	27,227
- Depreciation on investment property		712	-
- Provision for doubtful advances		-	650
- Other expenses		34,081	32,803
		343,362	270,529
		492,811	417,356

Selling, administration and general expenses include Rs 22.641 million (2001: Rs 22.249 million) for stores and spares consumed.

26.1 Salaries, wages and amenities

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

	2002	2001
Pension		
- Current service cost	3,465	690
- Interest cost for the year	11,158	2,615
- Expected return on plan assets	(10,138)	(2,052)
- Contribution made by the employees	1,111	(226)
- Recognition of past service cost	(338)	240
- Recognition of loss	(1,162)	168
	4,096	1,435
Gratuity		
- Current service cost	-	484
- Interest cost for the year	-	1,173
- Expected return on plan assets	-	(1,647)
- Recognition of gain	-	(109)
	-	(99)

In addition to above, salaries, wages and amenities include Rs 1.719 million and Rs 2.31 million in respect of provident fund contribution by the company and accumulating compensated absences respectively.

26.2 Salaries, wages and amenities

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

	2002	2001
	(Rupees in thousand)	
Pension		
- Current service cost	1,001	1,932
- Interest cost for the year	3,223	7,319
- Expected return on plan assets	(2,928)	(5,743)
- Contribution made by the employees	321	(632)
- Recognition of past service cost	(98)	669
- Recognition of loss	(336)	470
	1,183	4,015
Gratuity		
- Current service cost	604	1,355
- Interest cost for the year	1,350	3,281
- Expected return on plan assets	(1,979)	(4,608)
- Recognition of gain	(150)	(306)
	(175)	(278)

In addition to above, salaries, wages and amenities include Rs 2.29 million and Rs 2.27 million in respect of provident fund contribution by the company and accumulating compensated absences respectively.

27. Other income

Service fee from associated companies		2,926	2,495
Rental income		305	357
Dividend income from			
- Associated companies	- note 27.1	498,865	304,027
- Others		-	3,000
Insurance commission from an associated company		2,667	2,948
Rental income from investment property - associated companies		17,401	16,329
Profit on disposal of fixed assets		3,660	5,474
Scrap sales		786	2,440
Provisions and unclaimed balances written back		37,066	15,378
Agricultural income		1,100	1,348
Exchange gain		-	7,761
Income on foreign currency deposits		8,745	37,312
Income on rupee deposits		1,829	1,209
Profit on outside jobs including Rs 0.772 million (2001: Rs 0.630 million) from associated companies		1,476	1,477
Others	- note 27.2	4,380	4,688
		581,206	406,243

	2002	2001
	(Rupees in thousand)	

27.1 Dividend income from associated companies

Tetrapak Pakistan Limited	396,000	242,000
International General Insurance Company of Pakistan Limited	5,152	4,122
Nestle Milkpak Limited	43,791	31,019
Coates Lorilleux Pakistan Limited	23,922	16,886
Tri-Pack Films Limited	30,000	10,000
	498,865	304,027

27.2 These include Rs 0.790 million (2001: Rs 0.243 million) in respect of unrealised profit on TFCs of First International Investment Bank Limited, an associated concern.

28. Financial charges

Interest and mark up including commitment charges on		
- Long-term foreign currency loans	13,408	53,450
- Redeemable capital and local loans	99,442	94,841
- Short term running finances	45,728	90,839
- Finance lease	10,239	16,174
- Deferred import duties	3,470	3,989
Loan handling charges	553	4,554
Exchange loss	1,160	-
Bank charges	2,800	3,202
	176,800	267,049

29. Other charges

Workers' welfare fund		19,643	12,650
Workers' profit participation fund		42,993	27,750
Provision for diminution in the value of investments		-	46,371
Donations	- note 32	1,293	12,009
		63,929	98,780

30. Provision for taxation

For the year		
- Current	190,000	105,000
- Deferred	(51,000)	(28,640)
	139,000	76,360
Prior years		
- Current	2,853	9,948
- Deferred	-	3,254
	2,853	13,202
	141,853	89,562

30.1 Tax charge reconciliation

Numerical reconciliation between the average effective tax rate and the applicable tax rate

	2002 % age	2001 % age
Applicable tax rate	35	35
Tax effect of amounts that are:		
- Deductible for tax purposes	(0.90)	-
- Not deductible for tax purposes	2.80	3.18
- Exempt for tax purposes	(0.39)	(2.54)
- Chargeable to tax at different rates	(18.78)	(17.90)
Effect of change in prior years' tax	0.36	2.57
Tax effect under presumptive tax regime and others	(0.30)	(2.90)
	(17.21)	(17.59)
Average effective tax rate charged to profit and loss account	17.79	17.41

	2002	2001
	(Rupees in thousand)	

31. Professional services

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

	2002	2001
Statutory audit	425	385
Half yearly review	200	-
Tax services	3,155	3,758
Share transfer, workers profit participation fund audit, management staff pension fund audit, special reports and certificates for lending agencies and sundry services	565	883
Out of pocket expenses	106	55
	4,451	5,081

32. Donations

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)	100	100
Liaquat National Hospital, Karachi		
(Syed Wajid Ali, Chief Executive is the Chairman of the Hospital)	400	742
Gulab Devi Chest Hospital, Lahore		
(Syed Wajid Ali, Chief Executive is the President of the Hospital)	440	10,077

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:

	Chief Executive		Directors and alternate directors		Executives	
						(Rupees in thousand)
	2002	**2001**	**2002**	**2001**	**2002**	**2001**
Number of persons	**1**	**1**	**5**	**5**	**160**	**149**
Managerial remuneration	2,206	1,746	9,466	6,597	58,840	51,174
Contribution to provident, gratuity, pension and welfare funds	-	-	2,329	1,769	11,212	9,616
Housing	549	336	4,264	3,084	21,716	18,954
Utilities	718	576	838	583	7,573	6,069
Leave passage	-	-	698	486	1,278	955
Medical expenses	328	495	245	272	3,590	1,817
Club expenses	13	8	27	26	6	7
Others	-	-	-	-	8,886	7,012
	3,814	3,161	17,867	12,817	113,101	95,604

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

33.2 Remuneration to other directors

Aggregate amount charged in the accounts for the year for fee to 3 directors (2001: 3 director) was Rs 5,500 (2001: Rs 4,000).

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34. Transactions with associated undertakings

	2002	2001
	(Rupees in thousand)	
Purchase of goods and services	447,262	399,095
Sale of goods and services	1,008,261	916,462
Lease income	17,401	16,329

Sale and purchase transactions with associated undertakings are carried out on commercial terms and conditions. Services and lease are charged between associated undertakings on the basis of mutually agreed terms.

	Capacity		Actual production	
	2002	2001	2002	2001
35. Capacity and production - tones				
Paper and paperboard produced	87,000	70,000	72,642	66,933
Paper and paperboard converted	70,000	70,000	59,808	60,160
Plastics all sorts converted	6,000	6,000	5,236	4,865

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

36. Rates of exchange

Liabilities in foreign currencies have been translated into Rupees at US $ 1.7094 (2001: US $ 1.6598), EURO 1.6300 (2001: 1.8730) SFR 2.3719 (2001: SFR 2.7701), SEK 14.9477 (2001: SEK 17.4520), DM 3.1879 (2001: DM 3.6630), GBP 1.0661 (2001: GBP 1.1431), ITL 3155.5690 (2001: ITL 3625.8158) and ¥ 202.8398 (2001 ¥ 217.7700) equal to Rs 100.

37. Cash generated from operations

	2002	2001
	(Rupees in thousand)	
Profit before taxation	797,225	514,441
Adjustments for:		
- Depreciation/amortisation on fixed assets	413,139	379,989
- Depreciation on investment property	712	-
- Amortisation on leased assets	11,000	11,000
- Provision for diminution in value of investments	-	46,371
- Provision for accumulating compensated absences	4,407	14,483
- Retirement and other benefits accrued	9,199	16,886
- Unrealized profit on held to maturity investments	(1,033)	-
- Net profit on disposal of fixed assets	(3,660)	(5,474)
- Financial charges	176,800	267,049
- Dividend income	(498,865)	(307,027)
Profit before working capital changes	908,924	937,718
Effect on cash flow due to working capital changes		
- Decrease/(increase) in trade debts	52,808	(132,219)
- (Increase)/decrease in stores and spares	(36,394)	14,537
- (Increase) in stock in trade	(114,411)	(132,077)
- Decrease in loans, advances, deposits, prepayments and other receivables	26,427	19,983
- (Decrease)/increase in creditors, accrued and other liabilities	(64,455)	72,260
	(136,025)	(157,516)
	772,899	780,202

38. Cash and cash equivalents

Cash and bank balances	88,809	558,181
Finances under mark-up arrangement	(736,033)	(557,146)
	(647,224)	1,035

39. Earnings per share

39.1 Basic earnings per share

Net profit for the year	**Rupees in thousand**	655,372	424,879
Weighted average number of ordinary shares	**Numbers**	47,537,080	47,537,080
Earnings per share	**Rupees**	13.79	8.94

39.2 Diluted earnings per share

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

40.1 Financial risk management objectives

The company's activities expose it to a variety of financial risks, including the effects of changes in foreign exchange rates, market interest rates such as State Bank of Pakistan's repo rate and treasury bills rate, credit and liquidity risk associated with various financial assets and liabilities respectively as referred to in note 40 and cash flow risk associated with accrued interests in respect of borrowings as referred to in note 5 and 6.

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

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

(a) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The company's credit risk is primarily attributable to its trade debts and its balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The company has no significant concentration of credit risk as exposure is spread over a large number of counter parties in the case of trade debts. Out of the total financial assets of Rs 646.260 million (2001: Rs 1,210.825million) financial assets which are subject to credit risk amount to Rs 571.907 million (2001: Rs 951.367 million). To manage exposure to credit risk, the company applies credit limits to its customers and also obtains collaterals, where considered necessary.

(b) Currency risk

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

The following forward exchange contracts have been entered into as at December 31, 2002 to hedge the foreign currency liabilities which are due within the next four months:

	(Rupees in thousand)
- Forward exchange contracts	
Purchase value	53,183
Fair value	54,531

(c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The company usually borrows funds at fixed and market based rates and as such the risk is minimized. Significant interest rate and cash flow risk exposures are primarily managed by contracting floor and cap of interest rates as referred to in note 6.

(d) Liquidity risk

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

40.2 Fair value of financial assets and liabilities

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

	2002	2001

41. Number of employees

Number of employees as at December 31	3,084	2,977

42. Date of authorization for issue

These financial statements were authorised for issue on ____________ by the Board of Directors of the company.

43. Corresponding figures

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

Chief Executive	**Director**