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Introduction

Packages Limited was established in 1957 as a joint venture between the Ali Group of Pakistan and Akerlund & Rausing of Sweden, to convert paper and paperboard into packaging for consumer industry.

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

Packages commissioned its own paper mill in 1968 having production capacity of 24,000 tonnes of paper and paperboard based on waste paper and agricultural by-products i.e. wheat straw and river grass. With growing demand the capacity was increased periodically and in December 2003 was about 100,000 tonnes per year.

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

In 1993 a joint venture agreement was signed with Mitsubishi Corporation of Japan for the manufacture of Polypropylene films at the Industrial Estate in Hattar, N.W.F.P. This project, Tri-Pack Films Limited, commenced productions in June 1995, with equity participation by Packages Limited, Mitsubishi Corporation, Altawfeek Company for the 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 inks.

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

In 1999-2000 Packages Limited has successfully completed the expansion of the flexible packaging line by installation of new rotogravure printing machine and the expansion of the carton line by a new lemanic rotogravure inline printing and cutting creasing machine. In addition a new 8 colour flexo graphic printing machine was also installed in flexible packaging line in 2001.

Packages Limited is also producing corrugated boxes from its plant in Karachi from 2002.

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

Packages Limited is presently planning to increase its paper and paperboard production from 100,000 tonnes per year to 300,000 tonnes. It is also planned to relocate its paper manufacturing facilities from the existing location which has limited capacity for expansion, to a new site 70-km from the present site. The packaging operation shall continue at its Lahore site.

Company Information

Board of Directors

Asadullah Khawaja
Khalid Yacob
Kirsten Rausing
Mujeeb Rashid
Pentikainen Markku Juha
Rafi Iqbal Ahmed
Samee-ul-Hasan
Syed Hyder Ali
Syed Wajid Ali
(Chairman & Chief Executive)
Tariq Iqbal Khan

Advisor

Syed Babar Ali

Company Secretary

Adi J. Cawasji

Executive Committee

Syed Wajid Ali -Chairman
Rafi Iqbal Ahmed -Member
Mujeeb Rashid -Member
Khalid Yacob -Member
Syed Hyder Ali -Member

Audit Committee

Tariq Iqbal Khan -Chairman
(Non-Executive Director)
Asadullah Khawaja -Member
(Non-Executive Director)
Mujeeb Rashid -Member
(Director & General Manager)

Adi J. Cawasji -Secretary

Business Strategy Committee

Mujeeb Rashid -Chairman
Rafi Iqbal Ahmed -Member
Syed Aslam Mehdi -Member
Khalid Yacob -Member
Syed Hyder Ali -Member

System and Technology

Committee

Mujeeb Rashid -Chairman
Khalid Yacob -Member
Suleman Javed -Member

Rating Agency: PACRA

Company Rating: AA

Auditors

A.F. Ferguson & Co.
Chartered Accountants

Legal Advisors

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

Bankers

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

Head Office & Works

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

Karachi Factory

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

Registered Office & Regional Sales Office

4th Floor, The Forum
Suite No. 416 - 422, G-20, Block 9,
Khayaban-e-Jami, Clifton
Karachi - 75600, Pakistan
PABX : (021) 5874047-49
 : (021) 5378650-52
 : (021) 5831618, 5833011
Fax : (021) 5860251

Regional Sales Office

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

Zonal Sales Offices

Room No. 117-118
1st Floor, Metro Plaza, Qasim Road
Multan Cantt. - 60000, Pakistan
Tel. & Fax: (061) 587370

Uzair Enterprises
Teer Chowk Bhuta Road
Sukkur - 65200, Pakistan
Tel. & Fax: (071) 616138

2nd Floor, Sitara Tower, Bilal Chowk,
Civil Lines, Faisalabad - 38000,
Pakistan
Tel. & Fax: (041) 629417

Shares Registrar

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

Web Presence

www.packages.com.pk

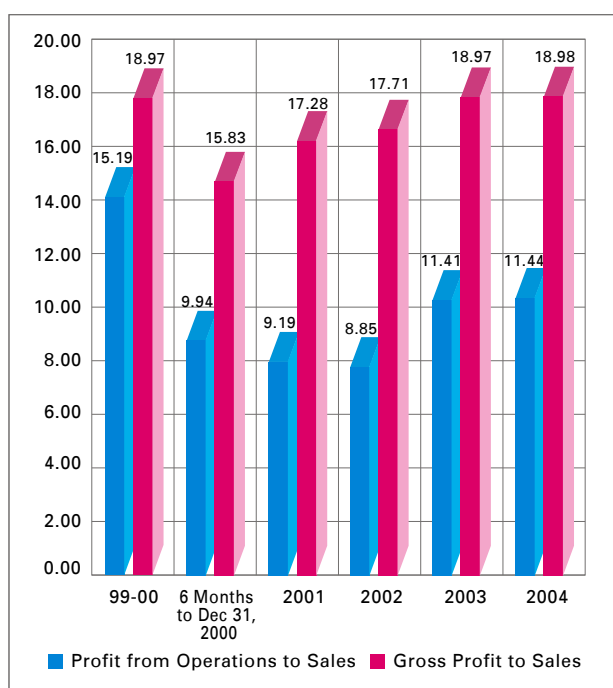
Highlights

		Year to December 31, 2004	Year to December 31, 2003
Invoiced sales	- million rupees	6,892.99	6,293.22
Profit before tax	- million rupees	1,192.32	1,036.91
Profit after tax	- million rupees	963.20	813.51
Cash dividend	- % age of paid up capital	85.00	85.00
Shareholders' equity	- million rupees	4,191.86	3,632.72
Total assets	- million rupees	6,474.48	6,154.28
Net assets employed	- million rupees	4,725.60	5,055.98
Earnings per share	- rupees	20.26	17.11
Price - Earning Ratio		9.81	9.81
Return on Capital Employed (%)		22.42	21.96
Return on Shareholders' Equity (%)		24.62	25.22
Return on Invested Capital (%)		17.97	15.13

Paper and board produced	- tonnes	91,421	86,641
Paper and board converted	- tonnes	71,882	66,870
Plastics all sorts converted	- tonnes	6,732	5,850
Number of shareholders		2,936	2,955
Number of shares		47,537,080	47,537,080
Number of employees		3,109	3,191

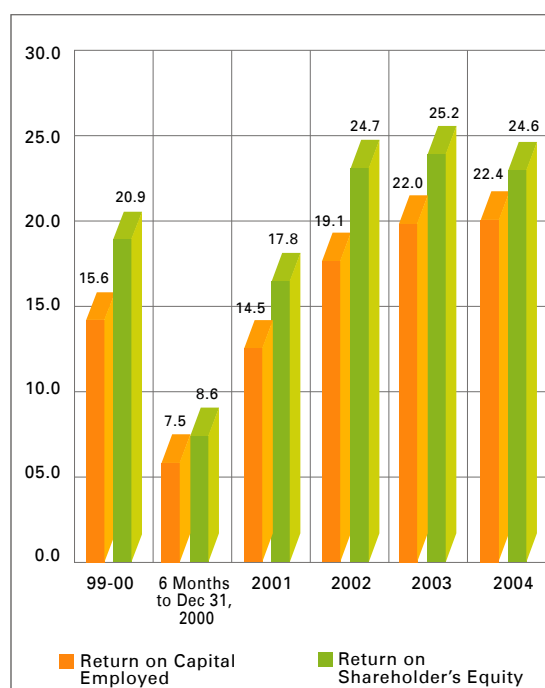
Profitability Indicators Percent

Profit Margin on Sales

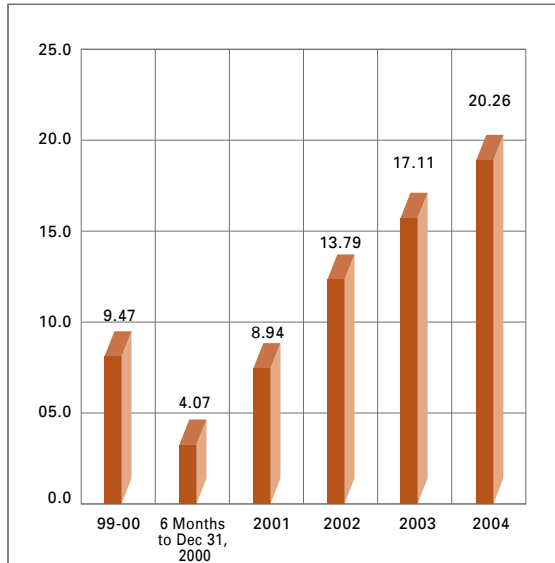


Profitability Indicators Percent

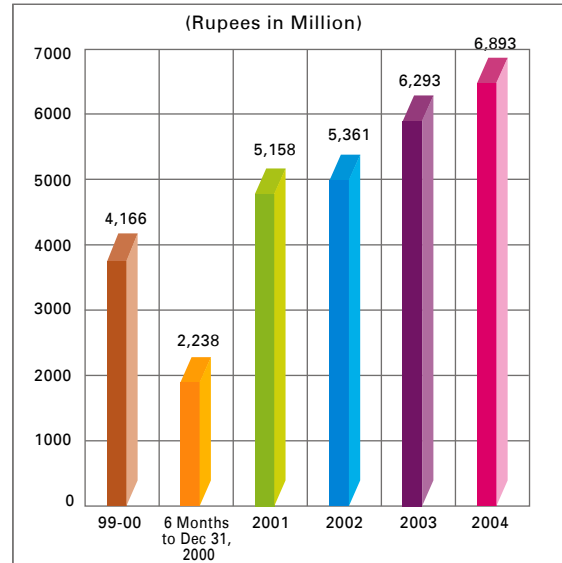
Return on Investment



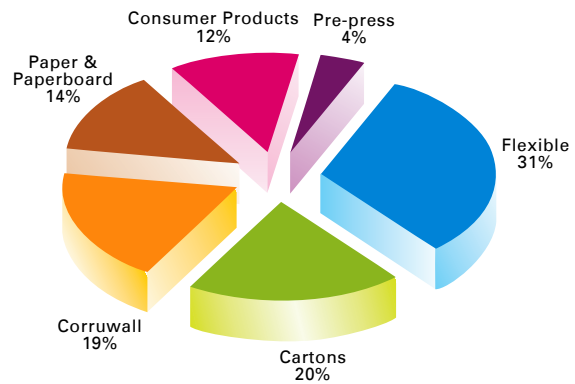
Earnings Per Share - Rupees



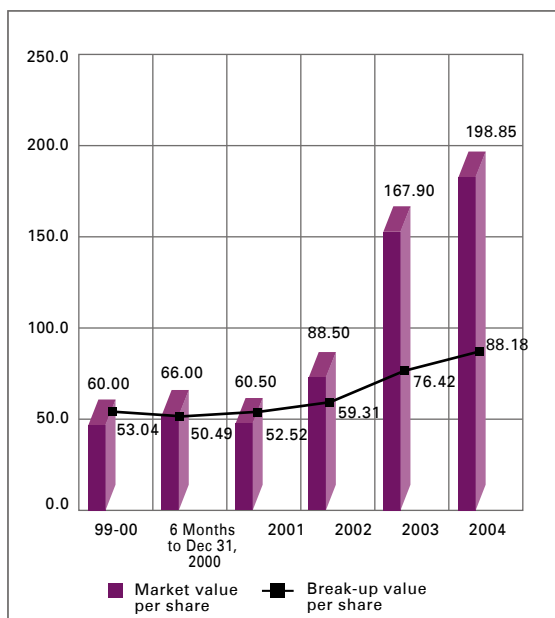
Sales



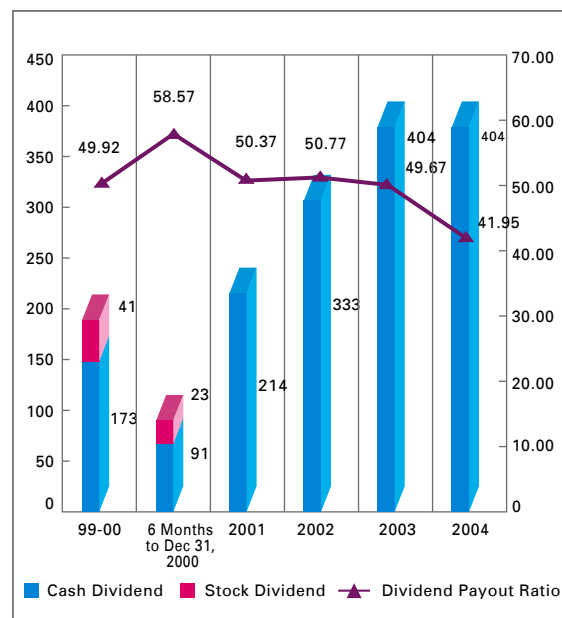
Break-up of Sales
for the year ended December 31, 2004



Market Value per Share Vs Break up value per share - Rupees



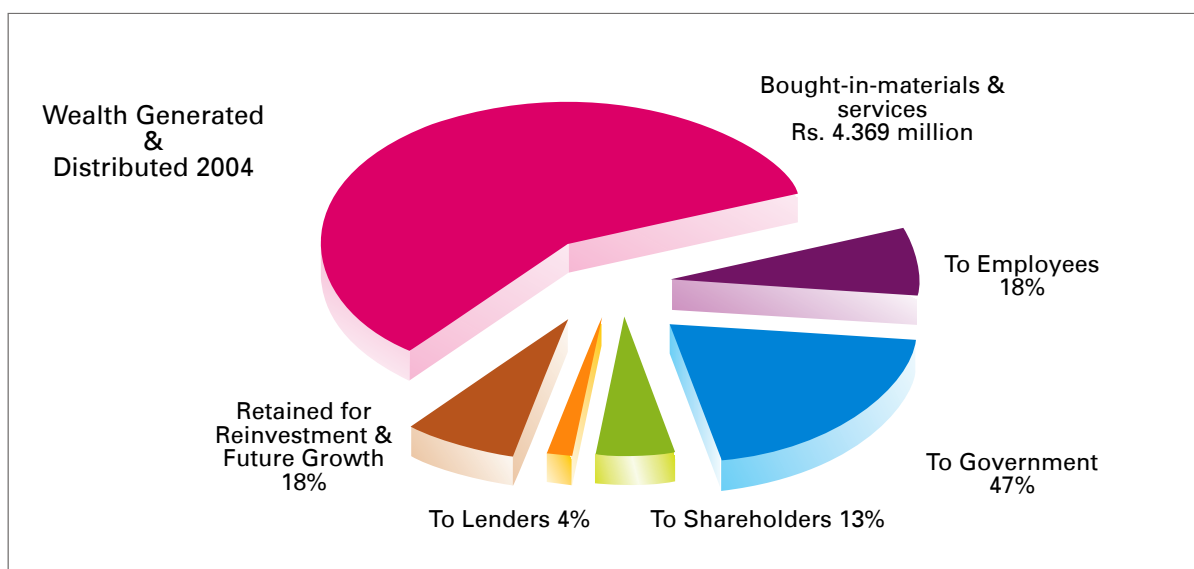
Dividends & Dividend Payout Ratio
(Rupees in Millions)



Value Added and its Distribution

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

	2004		2003	
	(Rupees in thousand)			
Wealth Generated				
Sales	6,892,985		6,293,219	
Investment Income	542,619		469,907	
Other Income	84,398		104,541	
Bought-in-materials & services	(4,369,223)		(3,925,959)	
	<u>3,150,779</u>	100%	<u>2,941,708</u>	100%
Wealth Distributed				
To Employees				
Remuneration, benefits and facilities	576,159	18%	550,566	19%
To Government				
Income Tax, Sales Tax, Custom & Excise Duties, WPPF, WWF, EOBI, Social Security, Professional & Local Taxes	1,472,410	47%	1,426,321	48%
To Providers of Capital				
Cash dividend	404,065	13%	404,065	14%
Mark up & finance cost	139,008	4%	151,308	5%
Retained for Reinvestment & Future Growth				
For expansion program & operations	559,137	18%	409,447	14%
	<u>3,150,779</u>	100%	<u>2,941,708</u>	100%



Ten-Year Summary
(Rupees in thousand)

	Year to December, 31 2004	Year to December, 31 2003	Year to December, 31 2002	Year to December, 31 2001
ASSETS EMPLOYED:				
Fixed Assets at Cost	7,248,264	6,881,590	6,512,007	5,773,725
Accumulated Depreciation / Amortisation	4,277,204	3,927,588	3,546,508	3,130,521
Net Fixed Assets	2,971,060	2,954,002	2,965,499	2,643,204
Capital Work - in - Progress	329,867	344,747	196,902	445,143
Net Current and Other Assets	1,424,674	1,757,227	1,088,165	1,023,154
Net Assets Employed	4,725,601	5,055,976	4,250,566	4,111,501
FINANCED BY:				
Paid up Capital	475,371	475,371	475,371	475,371
Reserves	3,716,489	3,157,352	2,343,839	2,021,227
Shareholders' Equity	4,191,860	3,632,723	2,819,210	2,496,598
Long-Term & Deferred Liabilities	533,741	1,423,253	1,431,356	1,614,903
Total Funds Invested	4,725,601	5,055,976	4,250,566	4,111,501
Invoiced Sales	6,892,985	6,293,219	5,360,884	5,157,816
Materials Consumed	2,710,306	2,263,462	1,925,656	1,911,866
Gross Profit	1,308,602	1,193,713	949,559	891,383
Employees Remuneration	576,159	550,566	506,552	471,220
Profit from Operations	788,710	718,306	474,370	474,221
Profit before Tax	1,192,321	1,036,905	797,225	514,441
Profit after Tax	963,202	813,513	655,372	424,879
Cash Dividend	404,065	404,065	332,760	213,917
Cash Dividend %	85.00	85.00	70.00	45.00
Stock Dividend	-	-	-	-
Stock Dividend %	-	-	-	-
Earnings per Share - rupees	20.26	17.11	13.79	8.94
Taxes, duties and levies	1,472,410	1,426,321	1,286,246	1,213,008
Market Value per Share (KSE) Rs.	198.85	167.90	88.50	60.50
KEY RATIOS:				
Debt : Equity Ratio	00:100	21:79	25:75	30:70
Current Ratio	1.38	1.98	1.29	1.24
Inventory Turnover Ratio	4.83	4.93	4.48	5.10
Gross Profit Ratio (%)	18.98	18.97	17.71	17.28
Profit before Tax Ratio (%)	17.30	16.48	14.87	9.97
Return on Capital Employed (%)	22.42	21.96	19.13	14.51
Interest Cover Ratio	9.98	8.06	5.58	2.95
Total Assets Turnover Ratio	1.06	1.02	0.90	0.84
Price - Earning Ratio	9.81	9.81	6.42	6.77

	Six months to December, 31 2000	Year to June, 30 2000	Year to June, 30 1999	Year to June, 30 1998	Year to June, 30 1997	Year to June, 30 1996
Fixed Assets at Cost	5,360,950	5,323,073	4,640,648	4,535,229	4,400,635	3,516,219
Accumulated Depreciation / Amortisation	2,748,913	2,568,522	2,240,099	1,922,308	1,609,295	1,298,855
Net Fixed Assets	2,612,037	2,754,551	2,400,549	2,612,921	2,791,340	2,217,364
Capital Work - in - Progress	257,381	79,696	351,722	7,183	21,391	637,533
Net Current and Other Assets	855,630	1,063,658	1,221,874	1,461,465	1,617,564	1,673,556
Net Assets Employed	3,725,048	3,897,905	3,974,145	4,081,569	4,430,295	4,528,453
Paid up Capital	452,734	411,577	411,577	357,893	318,127	284,042
Reserves	1,832,902	1,771,365	1,515,524	1,338,716	1,194,192	1,137,892
Shareholders' Equity	2,285,636	2,182,942	1,927,101	1,696,609	1,512,319	1,421,934
Long-Term & Deferred Liabilities	1,439,412	1,714,963	2,047,044	2,384,960	2,917,976	3,106,519
Total Funds Invested	3,725,048	3,897,905	3,974,145	4,081,569	4,430,295	4,528,453
Invoiced Sales	2,238,033	4,165,603	3,925,696	3,512,272	3,154,006	3,022,437
Materials Consumed	858,044	1,353,832	1,206,286	1,074,792	1,077,569	1,083,102
Gross Profit	354,276	790,385	941,472	627,269	511,133	587,033
Employees Remuneration	218,009	384,556	389,069	332,943	296,783	280,760
Profit from Operations	222,374	632,887	787,713	597,208	556,933	417,250
Profit before Tax	241,927	551,224	512,389	162,753	110,684	195,257
Profit after Tax	193,241	428,703	384,154	220,079	90,385	153,503
Cash Dividend	90,547	172,862	153,662	35,789	-	-
Cash Dividend %	20.00	42.00	37.34	10.00	-	-
Stock Dividend	22,637	41,158	-	53,684	39,766	34,085
Stock Dividend %	5.00	10.00	-	15.00	12.50	12.00
Earnings per Share - rupees	4.07	9.47	9.33	6.15	2.84	5.40
Taxes, duties and levies	499,232	948,344	809,483	624,974	852,397	894,451
Market Value per Share (KSE) Rs.	66.00	60.00	41.00	36.00	62.00	90.00
Debt : Equity Ratio	28:72	35:65	45:55	55:45	63:37	66:34
Current Ratio	1.01	1.05	1.00	1.00	1.14	1.30
Inventory Turnover Ratio	2.68	6.40	7.17	8.15	7.23	6.70
Gross Profit Ratio (%)	15.83	18.97	23.98	17.86	16.21	19.42
Profit before Tax Ratio (%)	10.81	13.23	13.05	4.63	3.51	6.46
Return on Capital Employed (%)	7.48	15.57	16.77	12.81	11.07	8.77
Interest Cover Ratio	2.97	2.85	2.16	1.31	1.21	1.74
Total Assets Turnover Ratio	0.38	0.70	0.62	0.56	0.51	0.53
Price - Earning Ratio	16.22	6.34	4.39	5.85	21.83	16.67

Mission Statement

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

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

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

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

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

Strategic Vision and Objectives

To position ourselves to be a regional supplier of quality packaging and tissue products.

To improve on contemporary measures such as cost, quality, service, speed of delivery and mobilisation.

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

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

Environment, Health and Safety Policy

The Management of Packages Limited realizes that we live in a world where resources are finite and the eco-system has a limited capacity to absorb the load mankind is placing on it. That is why it is our belief that we must do everything practically possible to lessen the load we place on the environment and make every effort so that sustainable development becomes a reality.

Packages Limited has formulated its environment, health and safety (EH&S) policy to address these issues in a more effective way. It is very clear to us that these objectives cannot be realized by the efforts of the Management alone. While the general directions are to be provided by the Management, the help of all the employees will be required to transform these ambitions into reality.

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

Environment, Health and Safety Policy Statement

Packages Limited shall:

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

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

Quality Policy

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

Notice of Meeting

Notice is hereby given that the fiftieth Annual General Meeting of Packages Limited will be held at the Beach Luxury Hotel, Moulvi Tamizuddin Khan Road, Karachi on Monday, February 28, 2005 at 11:30 A.M. to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the previous Annual General Meeting held on February 26, 2004.
2. To receive, consider and adopt the audited accounts for the year ended December 31, 2004, the Report of the Auditors thereon and the Report of the Directors.
3. To declare a final dividend of Rs. 8.50 per ordinary share of Rs. 10/- each for the year ended December 31, 2004 as recommended by the Board of Directors.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

5. To increase the authorised capital of the company from Rs. 600 million to Rs. 1,000 million.
6. To consider the recommendation of the Board of Directors to place quarterly accounts of the company on its website instead of circulating the same by post to the shareholders as allowed by the Securities and Exchange Commission of Pakistan vide its Circular No. 19 of 2004 dated April 14, 2004.

By Order of the Board

Karachi
January 25, 2005

Adi J. Cawasji
Company Secretary

Notes:

1. The Share Transfer Books of the company will remain closed from February 21, 2005 to February 28, 2005 (both days inclusive). Transfers received in order by our Shares Registrar, Ferguson Associates (Pvt.) Limited, State Life Building No.1-A, off I. I. Chundrigar Road, Karachi - 74000 up to the day preceding the Muharram holidays (expected 18 & 19 February 2005) will be considered in time for entitlement of dividend and to the rights shares. The rights shares shall not be entitled to dividend for the year ended December 31, 2004.
2. A member who has deposited his/her shares into Central Depository Company of Pakistan Limited must bring his/her participant's ID number and account/sub-account number along with original computerized national identity card (CNIC) or original passport at the time of attending the Meeting.
3. A member entitled to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend, speak and vote instead of him/her.
4. Forms of proxy to be valid must be properly filled-in/executed and received by the company not later than forty-eight hours before the time of the meeting.
5. Members are requested to notify the company promptly of any change in their addresses.
6. Members who have not yet submitted photocopy of their computerized national identity cards to the company are requested to send the same at the earliest.
7. Form of proxy is attached in the Annual Report.

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984 REGARDING SPECIAL BUSINESS:

Item No. 5 of the Notice

It is proposed to increase the Authorised Capital of the company from Rs. 600 million to Rs.1,000 million by the creation of 40,000,000 new ordinary shares of Rs.10 each to facilitate further issue of capital from time to time according to the requirements of the company. In this connection, it is intended to propose that the following Resolutions be passed as Special Resolutions, with or without modification:

- a) RESOLVED that the Authorised Share Capital of the company be increased from Rs. 600,000,000 to Rs. 1,000,000,000 by the creation of 40,000,000 new ordinary shares of Rs. 10 each.
- b) RESOLVED that the Memorandum of Association of the company be altered by substituting for the figures "60,000,000" and "600,000,000" appearing in Clause V, the figures "100,000,000" and "1,000,000,000" respectively.
- c) RESOLVED that the Articles of Association of the company be altered by substituting for the figures "60,000,000" and "600,000,000" appearing in Article 4, the figures "100,000,000" and "1,000,000,000" respectively.

The Directors of the company have no interest in the above resolutions that would need a further disclosure.

Item No. 6 of the Notice

The Securities and Exchange Commission of Pakistan (SECP) vide Circular No. 19 of 2004 has allowed the listed companies to place the quarterly accounts on their websites instead of sending the same to reach shareholders by post. This would ensure prompt disclosure of information to the shareholders, besides saving of costs associated with printing and dispatch of the accounts by post.

The company is maintaining a website www.packages.com.pk . The website contains the latest results of the company together with the company's profile, corporate philosophy and major products. Prior permission of the SECP would be sought for transmitting the quarterly accounts through company's website after the approval of shareholders. The company, however, will supply printed copies of the accounts to the shareholders on demand at their registered addresses free of charge.

The Directors of the company have no interest in the above special business that would need a further disclosure.

For the said purpose, the Directors propose that the following resolution be passed as Ordinary Resolution:-

RESOLVED that the company be and is hereby authorised to place its quarterly accounts on its website instead of sending the same to members by post, as allowed by the Securities and Exchange Commission of Pakistan.

Directors' Report to the Shareholders



The Board of Directors of Packages Limited is pleased to present the annual report along with the Audited Accounts for the year ended December 31, 2004.

General Overview

With the blessings of the Almighty we are happy to report to you that your company has closed another successful year. The year 2004 has seen significant improvement in the economic environment of the country where real gross domestic product increased by 6.4%, Government policies are increasingly business friendly, relations with India are improving and funds were available at low rates. These positive changes have resulted in brisk economic activity also reflected by increase in imports especially of capital goods and good business growth shown by the manufacturing and consumer industry. Your company has also benefited from expansion in business activity in the country. Company's sales increased during the year by 9.5%, actual production of paper & paperboard by 5.5% and conversion of packaging materials by 8.1% from the previous year.

Financial Overview

Following are the comparative financial results for the year 2004 with 2003.

	2004	2003
Financial - Rupees in million		
Invoiced sales	6,893	6,293
Gross profit	1,309	1,194
Profit from operations	789	718
Investment income	543	470
Profit before tax	1,192	1,037
Profit after tax	963	814
Earnings per share-rupees	20.26	17.11
Manufacturing - quantity in tonnes		
Paper & paperboard - production	91,421	86,641
Paper & paperboard - conversion	71,882	66,870
Plastics all sorts - conversion	6,732	5,850

The company in 2004 has increased its profit before tax from Rs. 1.04 billion to Rs. 1.19 billion. The major increase in turnover has been witnessed in the flexible business which largely depends on imported materials like plastics whose prices have increased during the year. The cost of sales show increase in raw material costs by 3.63% of the sales primarily due to rising prices of petroleum based products and to an extent due to exchange rate fluctuation in imported materials. However, this increase was neutralized by managing tight control on other variable costs as well as fixed costs including selling and administration expenses.

Another fact which has contributed to improvement in profit margin is availability of funds at low rates; although these now show an upward trend. Your company managed to borrow at competitive rates which contributed to the company's profit margin by about 0.50%.

One very important source of income for the company has been its income generated from its investments. Dividend income increased by 17% over the previous year.

From cash flow stand point, the company generated Rs. 950 million cash from operations and earned dividend income of Rs. 536 million. During the year it spent Rs. 470 million on fixed capital expenditure and paid Rs. 403 million to its share holders in the form of dividend. Rs. 311 million has gone to finance working capital increases.

During the last quarter, the company has informed its Term Finance Certificate holders about its intent to exercise the call option available on 15 January 2005. This action would mean that company's expensive long-term financing will be fully paid and company will not have any long-term financing on its balance sheet.

Sales Overview

The sales turnover for the year touched Rs. 6.89 billion, which is Rs. 600 million more than the previous year. Most of the growth in sales was due to volume growth. This improvement has been achieved by working very closely with the company's customers in fulfilling their requirements through better delivery timings, quick response to customers' queries and offering cost effective packaging solutions.

Production Overview

On the production side, actual production of paper & paperboard as well as conversion increased during the year.

Paper & paperboard production increased by 5.5% from last year. The board mill achieved record monthly production of 8,565 tonnes in November 2004. The focus during 2004 was to improve productivity of paper & paperboard production. Through better planning, production management and reduced down times productivity has improved to 234 tonnes per day from 223 tonnes per day during previous year.

On the conversion side, the Flexible Business Unit increased its overall conversion by nearly 1,000 tonnes of material including all kinds of plastics. This increased productivity was achieved through better utilization of existing equipment, improvement in system and training of employees. For future growth in business a new ten colour gravure press has been ordered. Team effort from the production team has yielded satisfactory increase in productivity.

For the Offset printing business two MAN Roland machines have been added to aging equipment. The machines are fully automated with computerized controls to improve consistency and quality of prints. With addition of new machines it became necessary to invest in new technology of quality offset plate making. The

new system will eliminate the intermediate process of making negative films and offset plates will be made digitally thus ensuring consistency and quality, reducing cost and wastages.

A new pocket pack machine was added to the tissue conversion, to fulfill the growing market demand.

During the year, the Corruwall Product operation in Lahore and Karachi were consolidated into a Business Unit. Both the plants improved their production yield. New processes were developed to manufacture corrugated boxes to cater for fruit and vegetable export.

Business Process Re-engineering

In a world of evolving technology and customer expectation it is important to develop processes of continuous improvement across all functions in the company. To meet this objective a new Industrial Performance Department has been formed. In addition to performing Quality Environmental Systems (QES) activities, it will be responsible to provide assistance to all Business Units for establishment, achievement and reporting of challenging productivity benchmarks. The prime task assigned to the Industrial Performance Department is to focus on and align company's goals with Business Unit goals which are :-

- Providing products / services as per agreed quality standards with the customers.
- Improving customer satisfaction index.
- Timely deliveries.
- Lowering the production costs through reducing process waste, set up wastes.
- Providing safer working environment and continuous improvement through innovation.

It is hoped that full results of the creation of Industrial Performance Department will start trickling in from this year.

The company is trying to rejuvenate its Rubber Department for roll cover manufacturing, refurbishing & modernization by entering into a technical transfer & services agreement with an Italian company. The newly organized rubber operations shall provide international quality rubber roll coverings to printing & packaging, paper & paperboard, BOPP films and textile industry.

Contribution to Economy and Society

As a good corporate citizen the company is providing quality products to its customers who are mostly multinational and large national companies thus helping in import substitution, creation of jobs in the local community and as a source of revenue generation for the treasury in the form of taxes. During the year the company has paid Rs. 1.472 billion in the form of various kinds of taxes including income tax, sales tax, custom duty, workers' participation and welfare fund and provincial taxes.

Your company has always helped in social causes which can help in alleviating the suffering of humanity by donating to hospitals or sponsoring causes which help in improving the environment. Very recently, Rs. 1 million were donated to The High Commission of Sri Lanka for helping the Tsunami victims.

Human Capital and Employees Relations

The human capital of the company is the driving force to integrate the other resources like equipment and technology systems to produce the performance, the company desires. The Directors of the company wish to record their appreciation for the dedicated hard and focused work put in by the company employees in achieving the performance during the year.

The needs of companies change all the time and it is changing at a faster pace now because of increasingly demanding business environment. Effective human resource management requires constant analysis of the pool of human asset in the company for any skill gaps and training requirements, so the human capital can be better utilized and rewarded for their efforts. One way of developing human skills is getting exposure to the latest technology in our business. During the year a team of professionals representing management, production and marketing were sent to the various international packaging expositions. It provides opportunity to observe the latest technologies in printing and processing.

The third batch of managers who had started the Diploma in Business Management at Lahore University of Management Sciences (LUMS) in 2003 are about to complete their Diploma and are currently working on their practical projects.

Packages Kasur Factory Project

Your company has established itself as a market leader of packaging solutions in the country, but to continue with its status of a market leader and to take advantage of new business opportunities post WTO, the company is planning to increase its production capacity from 100,000 tonnes per annum to 300,000 tonnes per annum. The present site is not big enough to fully support the intended expansion of board mill. Therefore, the company has decided to relocate its existing paper & paperboard manufacturing facility near Kasur, 70 km from the current site. All new capacity enhancements will also be done at the new site. The relocation of plant will help in improving quality of pulp and paper / paper board, improve production efficiencies to reduce operating costs and logistical impact by relocating the production facility out of Lahore. The new site was chosen keeping in view availability of wheat straw (the main raw material for paper & board manufacturing). According to the plan the total project will be

completed in three phases with commercial production of increased manufacturing capability commencing at the end of each phase. The packaging operations shall continue at the same site in Lahore.

The estimated cost of the entire capacity enhancement / relocation project will be around Rs. 15 billion. The project will be financed through:

1. Issue of rights shares at the rate of 47 rights shares of par value of Rs. 10/- for every 100 existing ordinary shares held at a premium of Rs. 125/- per share equal to Rs. 3 billion.
2. Syndicated term financing of approximately Rs. 10.5 billion.
3. Internal generation for the balance amount of Rs. 2 billion approximately.

The syndication for long-term financing has been committed in principle and near to financial close.

M/s Jaakko Poyry NLK Inc. an international consulting company known the world over for providing engineering services for the pulp and paper projects has been appointed as the technical consultants for the project. One of our main foreign shareholders Stora Enso, Europe's largest paper and paperboard manufacturing company are also contributing considerable technical assistance.

Future Outlook

The business environment is becoming very competitive and the margins shall come under pressure. However, company's efforts are directed towards not only in consolidating the current business but to increase it and remain as a premier supplier of all types of packaging solutions. To achieve these, efforts will be to enhance business relations with our current customers. The emphasis will be in improving

internal efficiencies to make our products more cost effective and to create more value for our customers. With the arrival of WTO regime the company feels that it will open doors to a great opportunity.

Appropriation

The Directors have recommended a payment of cash dividend of 85 percent (Rs. 8.50 per share) on the paid up capital of the company.

Accordingly the following appropriations have been made:-

	(Rupees in thousand)
The company made an after tax profit of	963,202
adding thereto the unappropriated profit at December 31, 2003	662
	963,864
makes available for appropriation a sum of	963,864
from the sum the Directors recommend transfer to general reserve	559,000
and propose to carry forward to 2005 the balance of	404,864

Auditors

The present auditors M/s A.F. Ferguson & Co., Chartered Accountants retire and offer themselves for reappointment. As suggested by the Audit Committee, the Board of Directors has recommended their reappointment as auditors of the company for the year ending December 31, 2005, at a fee to be mutually agreed.

Compliance with the Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by the Karachi, Lahore and Islamabad Stock Exchanges in their Listing Regulations, relevant for the year ended December 31, 2004 have been adopted by the company and have been duly complied with. A statement to this effect is annexed with the report.

Board of Directors

Statement of Ethics and Business Practices

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

Audit Committee

An Audit Committee of the Board has been in existence since the enforcement of the Code of Corporate Governance, which comprises of two non-executive directors (including its Chairman) and one executive director. During the year four meetings of the Committee were held. The Committee has its terms of reference which were determined by the Board of Directors in accordance with the guidelines provided in the Listing Regulations.

Material Changes

There have been no material changes since December 31, 2004 and the company has not entered into any commitment, which would affect its financial position at the date.

Corporate and Financial Reporting Framework

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

as applicable in Pakistan, have been followed in the preparation of financial statements.

- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no doubts upon the company's ability to continue as a going concern.
- There has been no departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- There has been no departure from the best practices of transfer pricing.
- The key operating and financial data for the last ten years is annexed.
- The value of investments of provident, gratuity and pension funds based on their audited accounts as on December 31, 2004 were the following:

Provident Fund	Rs. 458.547 million
Gratuity Fund	Rs. 204.778 million
Pension Fund	Rs. 279.482 million

The value of investment includes accrued interest.

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

Purchase of Shares:	No. of Shares
Chief Executive Officer/ Directors	Nil
Chief Financial Officer	Nil
Company Secretary	Nil
Spouses	Nil
Sale of Shares	Nil

Corporate Excellence Award

The Directors are pleased to state that your company was chosen among the top 25 companies on the Karachi Stock Exchange for the second year in succession.

Board of Directors

Since the holding of the last Annual General Meeting held on February 26, 2004, Mr. Saulat Said retired and Mr. Mujeeb Rashid was appointed in his place.

The Board of Directors wishes to record its

appreciation for the valuable services rendered by Mr. Saulat Said and extends its warm welcome to Mr. Mujeeb Rashid.

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

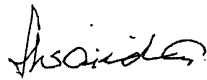
S. No.	Name of Director	No. of Meetings attended
1.	Syed Wajid Ali (Chairman & Chief Executive)	-
2.	Mr. Asadullah Khawaja (Nominee of Investment Corporation of Pakistan)	5
3.	Mr. Tariq Iqbal Khan (Nominee of National Investment Trust Limited)	6
4.	Mr. Samee-ul-Hasan (Nominee of State Life Insurance Corporation of Pakistan)	4
5.	Mr. Rafi Iqbal Ahmed	5
6.	Mr. Saulat Said (resigned on April 21, 2004)	3
7.	Mr. Mujeeb Rashid (appointed on April 21, 2004)	3
8.	Mr. Khalid Yacob	6
9.	Syed Hyder Ali	3
10.	Ms. Kirsten Rausing	-
11.	Mr. Pentikainen Markku Juha	-
12.	Mr. Mujeeb Rashid (Alternate to Kirsten Rausing)	6

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

PATTERN OF SHAREHOLDING

A statement of the pattern of shareholding of certain classes of shareholders as at December 31, 2004, whose disclosure is required under the reporting framework, is included in the annexed shareholders' information.

The Directors, CEO, CFO, Company Secretary and their spouses or minor children did not carry out any transaction in shares of the company during the year.



(Syed Wajid Ali)
Chairman & Chief Executive
Lahore, January 25, 2005

Shareholders' Information

Registered Office

4th Floor, The Forum
Suite # 416-422, G-20, Block 9
Khayaban-e-Jami, Clifton
Karachi-75600
Tel: 92-21-5874047-49, 5378650-52
92-21-5831618, 5833011
Fax: 92-21-5860251

Shares Registrar

Ferguson Associates (Pvt.) Ltd.,
Ground Floor, State Life Building No.1-A,
Off I.I. Chundrigar Road,
Karachi-74000

Listing on Stock Exchanges

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

Listing Fees

The annual listing fees for the financial year 2004-05 has been paid to all the three stock exchanges within the prescribed time limit.

Stock Code

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

Shares Registrar

Packages' shares department is operated by Ferguson Associates (Pvt) Ltd and services over 2,900 shareholders. It is managed by a well-experienced team of professionals and is equipped with the necessary infrastructure in terms of computer facilities and comprehensive set of systems and procedures for conducting the Registration function. The essential and outstanding ingredient of the Registration services is the involvement of Chartered Accountants in the quality control aspect of registration activities.

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

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

Contact persons:

Mr. Rafique Khatri

Tel: 92-21-5874047-49, 5378650-52
92-21-5831618, 5833011

Fax: 92-21-5860251

Mr. Ovais Khan

Tel: 92-21-2426682-6, 2426711-5
Fax: 92-21-2415007, 2427938

Service Standards

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

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

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

Statutory Compliance

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

Dematerialization of Shares

The equity shares of the Company are under the dematerialization category. As of date 44.37% of the equity shares of the company have been dematerialized by the shareholders.

Dividend Announcement

The board of directors of the company has proposed a dividend of 85% (Rs.8.50 per share of Rs.10) for the financial year ended December 31, 2004, subject to approval by the shareholders of the company at the Annual General Meeting (2003 : 85% cash dividend Rs. 8.50 per share of Rs.10).

The board of directors have also recommended to issue 47 rights shares for every 100 ordinary shares held at a premium of Rs. 125 per share, subject to the compliance with the requirements of Rule 5 of the Companies (Issue of Capital) Rules, 1996 and any instructions / requirements which may be issued by the Securities and Exchange Commission of Pakistan and / or the Stock Exchanges to the company.

Book Closure Dates

The Register of Members and Share Transfer Books of the company for the entitlement of dividend and to the rights shares will remain

closed from February 21, 2005 to February 28, 2005 both days inclusive. The rights shares shall not be entitled to dividend for the year ended December 31, 2004.

Dividend Remittance

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

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

Withholding of Tax & Zakat on Dividend

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

- a. on shareholder which is a public company or an insurance company 5%; and
- b. in any other case 10% .

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

Dividend Warrants

Cash Dividends are paid through dividend warrants addressed to the shareholders whose names appear in the Register of Shareholders at

the date of book closure. Shareholders are requested to deposit those warrants into their bank accounts, at their earliest, thus helping the company to clear the unclaimed dividend account.

Investors' Grievances

To date none of the investors or shareholders have filed any letter of complaints against any service provided by the company to its shareholders.

Legal Proceedings

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

General Meetings & Voting Rights

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

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

All shares issued by the company carry equal voting rights. Generally, matters at the general meetings are decided by a show of hands in the first instance. Voting by show of hands operates on the principle of "One Member-One

Vote". If majority of shareholders raise their hands in favor of a particular resolution, it is taken as passed, unless a poll is demanded.

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

Proxies

Pursuant to Section 161 of The Companies Ordinance, 1984 and according to the Memorandum and Articles of Association of the Company, every shareholder of the company who is entitled to attend and vote at a general meeting of the company can appoint another person as his/her proxy to attend and vote instead of him/her. Every notice calling a general meeting of the company contains a statement that a shareholder entitled to attend and vote is entitled to appoint a proxy, who ought to be a member of the company.

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

Web Presence

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

Shareholding Pattern

The shareholding pattern of the equity share capital of the company as at December 31, 2004 is as follows:

From	Shareholding To	Number of shareholders	Total shares held
1	100	1,499	27,569
101	500	518	141,887
501	1000	235	176,982
1001	5000	391	926,337
5001	10000	102	768,211
10001	15000	39	476,458
15001	20000	6	101,856
20001	25000	21	473,669
25001	30000	13	359,559
30001	35000	4	130,745
35001	40000	12	445,312
40001	45000	2	85,983
45001	50000	9	428,788
50001	55000	4	211,671
55001	60000	3	167,871
60001	65000	1	63,525
65001	70000	4	263,983
70001	75000	2	143,832
75001	80000	3	229,756
85001	90000	3	262,214
90001	95000	1	94,881
100001	105000	3	309,289
110001	115000	2	226,012
115001	120000	2	234,580
120001	125000	2	248,722
125001	130000	5	631,802
130001	135000	2	263,438
140001	145000	1	144,728
145001	150000	1	149,250
150001	155000	2	304,473
155001	160000	2	318,350
160001	165000	1	163,271
165001	170000	1	165,107
170001	175000	1	172,350
185001	190000	1	186,458
190001	195000	1	190,186
195001	200000	1	198,613
210001	215000	2	425,642
215001	220000	1	217,312
240001	245000	1	242,457
250001	255000	1	254,617
265001	270000	1	268,355
275001	280000	1	275,100
285001	290000	2	577,187
295001	300000	1	298,500
300001	305000	1	302,439
330001	335000	1	334,797
355001	360000	1	356,855

Shareholding		Number of shareholders	Total shares held
From	To		
370001	375000	1	371,905
380001	385000	1	382,479
395001	400000	1	400,000
400001	405000	1	401,943
460001	465000	1	462,933
505001	510000	1	508,247
525001	530000	1	525,280
540001	545000	1	544,249
555001	560000	1	558,100
675001	680000	1	675,297
735001	740000	1	739,133
790001	795000	1	794,091
810001	815000	1	813,090
1060001	1065000	1	1,060,764
1070001	1075000	1	1,072,249
1225001	1230000	1	1,229,013
1385001	1390000	1	1,387,125
1480001	1485000	1	1,483,362
1740001	1745000	1	1,744,782
1785001	1790000	1	1,786,026
2750001	2755000	1	2,753,568
5170001	5175000	1	5,174,116
9225001	9230000	1	9,228,349
		2,936	47,537,080

S. No.	Shareholders' category	No. of shareholders	No. of Shares	%
1	Associated Companies, Undertakings and Related Parties	7	11,328,332	23.83
2	NIT and ICP	4	5,185,286	10.91
3	Directors, CEO and their Spouses	8	1,758,584	3.69
4	Executives	9	2,756,858	5.80
5	Public Sector Companies and Corporations	14	3,195,033	6.72
6	Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba and Mutual Funds	45	7,808,249	16.43
7	Others	74	7,596,498	15.98
8	Individuals	2,775	7,908,240	16.64
		2,936	47,537,080	100.00

Information as required under the Code of Corporate Governance

Shareholders' category	Number of shareholders	Number of shares held
Associated Companies, Undertakings and Related Parties		
INTERNATIONAL GENERAL INSURANCE CO. OF PAKISTAN LIMITED	2	9,391,620
TRUSTEES PACKAGES LTD EMPLOYEES PROVIDENT FUND	1	1,483,362
TREET CORPORATION LIMITED	1	298,500
TRUSTEES PACKAGES LTD. MANAGEMENT STAFF PENSION FUND	1	104,500
TRUSTEES PACKAGES LTD. EMPLOYEES GRATUITY FUND	1	7,850
LOADS LIMITED	1	42,500
NIT and ICP		
INVESTMENT CORPORATION OF PAKISTAN	2	8,594
NATIONAL BANK OF PAKISTAN,TRUSTEE DEPTT. (NIT)	1	5,174,116
NATIONAL INVESTMENT TRUST LIMITED	1	2,576
Directors		
KHALID YACOB	1	577
MUJEEB RASHID	1	50,000
RAFI IQBAL AHMED	2	37,615
SYED HYDER ALI	2	1,231,855
SYED WAJID ALI	2	438,537
Directors' spouses and minor children	NIL	NIL
CEO's spouse and minor children	NIL	NIL
Executives	9	2,756,858
Public Sector Companies and Corporations	14	3,195,033
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba and Mutual Funds	45	7,808,249
Shareholders holding 10% or more voting interest		
INTERNATIONAL GENERAL INSURANCE CO. OF PAKISTAN LIMITED	2	9,391,620
NATIONAL BANK OF PAKISTAN,TRUSTEE DEPTT. (NIT)	1	5,174,116

Share Price/Volume

The monthly high and low prices and the volume of shares traded on the Karachi Stock Exchange (KSE) during the financial year 2004 are as under:

Month	Share price on the KSE (Rs.)		Volume of shares traded
	Highest	Lowest	
January	176.00	162.00	63,500
February	192.50	174.00	217,400
March	186.00	170.10	360,600
April	201.50	174.00	550,800
May	223.00	200.00	297,900
June	211.00	195.00	79,400
July	210.00	195.00	48,800
August	200.15	192.00	29,500
September	205.00	194.00	70,100
October	198.25	190.10	225,300
November	197.00	190.00	28,500
December	198.85	184.00	73,300

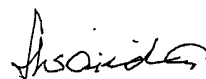
Statement of Compliance with the Code of Corporate Governance for the year ended December 31, 2004

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi, Lahore and Islamabad stock exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The company encourages representation of independent non-executive directors on its Board. At present the Board includes at least five independent non-executive directors. We shall also encourage minority representation on the Board when next election is due.
2. The directors of the company have confirmed that none of them is serving as a director in more than ten listed companies, including this company, except for Mr. Tariq Iqbal Khan who has been specifically exempted by Securities and Exchange Commission of Pakistan for holding directorship in more than ten listed companies.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring in the Board on April 21, 2004 was filled up by the directors on the same day.
5. The company has issued a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board, including appointment, determination of remuneration and terms and conditions of employment of an executive director appointed during the year.
8. The meetings of the Board were presided over by Mr. Asadullah Khawaja, Director in the absence of the Chairman to whom leave of absence was granted by the Board on medical grounds, and the Board met at least once in every quarter during the year. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board ensures arrangements of orientation courses for its directors to apprise them of their duties and responsibilities.
10. The Board approved the appointment of the Head of Internal Audit, including his remuneration and terms and conditions of employment. There was no new appointment of CFO or Company Secretary during the year.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises of three members, of whom two are non-executive directors including the chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the company and are involved in the Internal Audit function on a full time basis.
18. The statutory auditors of this company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.



(Syed Wajid Ali)
Chairman & Chief Executive
January 25, 2005

Review Report to the Members on Statement of Compliance With Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Packages Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange, Chapter XIII of the Lahore Stock Exchange and Chapter XI of the Islamabad Stock Exchange, where the company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the company personnel and review of various documents prepared by the company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the

accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

A. F. FERGUSON & CO.
Chartered Accountants
Lahore, January 25, 2005

Auditors' Report to the Members

We have audited the annexed balance sheet of Packages Limited as at December 31, 2004 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in

conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes referred to in note 2.19 and 11. 1 to the accounts with which we concur;

- (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at December 31, 2004 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

A. F. FERGUSON & CO.
Chartered Accountants
Lahore, January 25, 2005

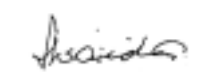
Note: In case of any discrepancy on a company's website, the auditors shall only be responsible in respect of the information contained in the hard copies of the audited financial statements available at the company's registered office.

Balance Sheet
as at December 31, 2004

	Note	2004 (Rupees in thousand)	2003
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 60,000,000 (2003: 60,000,000) ordinary shares of Rs. 10 each		600,000	600,000
Issued, subscribed and paid up capital 47,537,080 (2003: 47,537,080) ordinary shares of Rs. 10 each	3	475,371	475,371
Reserves	4	3,311,625	2,752,625
Unappropriated profit		404,864	404,727
		4,191,860	3,632,723
LONG-TERM AND DEFERRED LIABILITIES			
Long-term finances and other payables	5	-	854,870
Liabilities against assets subject to finance lease	6	6,351	1,702
Deferred liabilities	7	527,390	566,681
		533,741	1,423,253
CURRENT LIABILITIES			
Current portion of long-term liabilities	8	859,330	96,224
Finances under mark up arrangements - secured	9	234,197	499,115
Creditors, accrued and other liabilities	10	595,213	498,108
Dividends	11	5,960	4,861
Provision for taxation		54,185	-
		1,748,885	1,098,308
CONTINGENCIES AND COMMITMENTS			
	12	-	-
		6,474,486	6,154,284

	Note	2004 (Rupees in thousand)	2003
ASSETS			
FIXED CAPITAL EXPENDITURE			
Property, plant and equipment	13	2,937,656	2,782,007
Intangible assets	14	6,385	28,071
Investment property	15	14,865	14,842
Assets subject to finance lease	16	12,155	129,082
Capital work-in-progress	17	329,867	344,747
		3,300,928	3,298,749
OTHER LONG-TERM ASSETS			
Investments	18	691,176	643,461
Long-term loans and deposits	19	5,840	3,981
Retirement and other benefits	20	51,725	37,336
		748,741	684,778
CURRENT ASSETS			
Stores and spares	21	380,556	318,880
Stock-in-trade	22	1,094,329	844,120
Trade debts	23	640,537	577,548
Investments	18	9,067	-
Loans, advances, deposits, prepayments and other receivables	24	155,442	332,043
Cash and bank balances	25	144,886	98,166
		2,424,817	2,170,757
		6,474,486	6,154,284

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


Syed Wajid Ali
Chief Executive

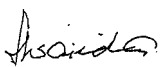

Tariq Iqbal Khan
Director

Profit and Loss Account
for the year ended December 31, 2004

	Note	2004 (Rupees in thousand)	2003
Local sales		6,804,861	6,243,603
Export sales		88,124	49,616
		6,892,985	6,293,219
Less: Sales tax and excise duty		898,166	848,992
Commission		7,842	8,038
		906,008	857,030
Cost of goods sold	26	5,986,977 (4,678,375)	5,436,189 (4,242,476)
Gross profit		1,308,602	1,193,713
Administration expenses	27	(347,030)	(344,155)
Distribution and marketing expenses	28	(172,561)	(165,629)
Other operating expenses	29	(84,699)	(70,164)
Other operating income	30	84,398	104,541
Profit from operations		788,710	718,306
Finance cost	31	(139,008)	(151,308)
Investment income	32	542,619	469,907
Profit before taxation		1,192,321	1,036,905
Taxation	33	(229,119)	(223,392)
Profit after taxation		963,202	813,513
Earnings per share - basic and diluted	Rupees 42	20.26	17.11

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

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

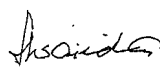

Syed Wajid Ali
Chief Executive

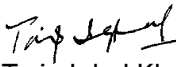

Tariq Iqbal Khan
Director

Cash Flow Statement for the year ended December 31, 2004

	Note	2004 (Rupees in thousand)	2003
Cash flow from operating activities:			
Cash generated from operations	40	950,098	1,137,599
Finance cost paid		(142,422)	(162,918)
Taxes paid		(9,543)	(61,273)
Payments for accumulating compensated absences		(3,951)	(5,135)
Retirement and other benefits paid		(25,249)	(23,415)
Net cash from operating activities		768,933	884,858
Cash flow from investing activities:			
Fixed capital expenditure		(470,598)	(599,824)
Net increase in long-term loans and deposits		(1,859)	(302)
Sale proceeds of property, plant and equipment		19,406	28,951
Dividend received		535,836	457,554
Investments		(49,999)	(60,480)
Net cash from/used in investing activities		32,786	(174,101)
Cash flow from financing activities:			
Repayment of long-term finances and other payables		(60,238)	(100,000)
Payment of finance lease liabilities		(26,877)	(32,712)
Dividend paid		(402,966)	(331,770)
Net cash used in financing activities		(490,081)	(464,482)
Net increase in cash and cash equivalents		311,638	246,275
Cash and cash equivalents at the beginning of the year		(400,949)	(647,224)
Cash and cash equivalents at the end of the year	41	(89,311)	(400,949)

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

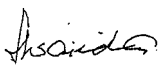

Syed Wajid Ali
Chief Executive


Tariq Iqbal Khan
Director

Statement of Changes in Equity for the year ended December 31, 2004

	Share capital	Share premium	General reserve	Unappro- priated profit	Total
	(R u p e e s		i n t h	o u s a	n d)
Balance as on December 31, 2002 as previously reported	475,371	203,589	2,140,036	214	2,819,210
Effect of change in accounting policy (note 11.1) Final dividend for the year ended December 31, 2002 declared subsequent to year end	-	-	-	332,760	332,760
Balance as on December 31, 2002 as restated	475,371	203,589	2,140,036	332,974	3,151,970
Final dividend for the year ended December 31, 2002 Rs. 7.00 per share	-	-	-	(332,760)	(332,760)
Net profit for the year	-	-	-	813,513	813,513
Transferred from profit and loss account	-	-	409,000	(409,000)	-
Balance as on December 31, 2003 as restated	475,371	203,589	2,549,036	404,727	3,632,723
Final dividend for the year ended December 31, 2003 Rs. 8.50 per share	-	-	-	(404,065)	(404,065)
Net profit for the year	-	-	-	963,202	963,202
Transferred from profit and loss account	-	-	559,000	(559,000)	-
Balance as on December 31, 2004	475,371	203,589	3,108,036	404,864	4,191,860

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


Syed Wajid Ali
Chief Executive


Tariq Iqbal Khan
Director

Notes to the Financial Statements

for the year ended December 31, 2004

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 the manufacture and sale of paper, paperboard, packaging materials and tissue products.

2. Significant accounting policies

2.1 Basis of preparation

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

2.1.2 During the year, the SECP substituted the Fourth Schedule to the Companies Ordinance, 1984 which is effective from financial year ending on or after July 5, 2004. This has resulted in the change in accounting policy pertaining to the recognition of dividends proposed subsequent to year end (note 11.1) and capitalization of exchange differences (note 2.19).

2.2 Accounting convention

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

2.3 Taxation

Current

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

Deferred

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

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

2.4 Fixed capital expenditure and depreciation/amortisation

2.4.1 Property, plant and equipment

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Cost in relation to certain plant and machinery signifies historical cost and interest, mark up etc. as referred to in note 2.20.

Depreciation on all operating property, plant and equipment 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%

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

Major repairs and improvements are capitalised. 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.

2.4.2 Intangible assets

Expenditure incurred to acquire computer software and SAP Enterprise Resource

Planning System (ERP) are capitalised as intangible assets and stated at cost less accumulated amortisation and any identified impairment loss. Intangible assets are amortised using the straight line method over a period of three years.

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

2.4.3 Capital work in progress

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

2.5 Investment property

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

Depreciation on buildings is charged to profit on the straight line method so as to write off the 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 capitalised 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.

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.

2.6 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 6. The liabilities are classified as current and long-term depending upon the timing of the payment.

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

Assets acquired under a finance lease are depreciated over the useful life of the asset on a straight-line method at the rates given in note 2.4.1. Depreciation of leased assets is charged to profit.

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

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as

operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight line basis over the lease term.

(2) The company is the lessor:

Operating leases

Assets leased out under operating leases are included in investment property as referred to in note 15. They are depreciated over their expected useful lives on a basis consistent with similar owned 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 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

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

Held to maturity

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

Available for sale

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

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

At 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.

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 20 percent per annum of basic salaries for pension and 4.50 percent per annum of basic salaries for gratuity. The latest actuarial valuation for the pension and gratuity schemes was carried out as at December 31, 2004. The actual returns on plan assets during the year were Rs. 17.845 million and Rs. 12.257 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 9.46 percent per annum.

Expected rate of increase in salary level 7.38 percent per annum.

Expected rate of return 9.46 percent per annum.

The company's policy with regard to actuarial gains/losses is to follow minimum recommended approach under IAS 19 (revised 2000).

- (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 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.

2.11 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 in hand, demand deposits, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and finances under mark up arrangements. In the balance sheet, finances under mark up arrangements are included in current liabilities.

2.14 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 costs are accounted for on an accrual basis and are included in creditors, accrued and other liabilities to the extent of the amount remaining unpaid.

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

2.17 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 are included in profit currently.

During the current year, the company in pursuance of substituted Fourth Schedule to the Companies Ordinance, 1984 has changed its accounting policy with respect to capitalisation of exchange differences. Previously exchange differences on loans utilized for the acquisition of fixed assets were capitalised and all other exchange differences were charged to income. The company now charges all exchange differences to profit and loss account.

The change in accounting policy as referred to above has no effect on the amounts reported for the current year.

2.20 Borrowing costs

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

3. Issued, subscribed and paid up capital

2004 (Number of shares)		2003		2004 (Rupees in thousand)		2003	
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	

Ordinary shares of the company held by associated undertakings as at December 31, 2004 are as follows:

	2004 (Number of Shares)	2003
International General Insurance Company of Pakistan Limited	9,391,620	9,335,349
Loads Limited	42,500	42,500
Treet Corporation Limited	298,500	298,500
	9,732,620	9,676,349

5.1 This has been repaid during the year.

5.2 Term finance certificates - unsecured

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. 850.000 million (2003: Rs. 926.500 million).

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.

The company has exercised its option for redemption on January 15, 2005 as a result these have been classified as current liabilities.

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 18.3.

5.3 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 9.2.

6. Liabilities against assets subject to finance lease

	2004 (Rupees in thousand)	2003
Present value of minimum lease payments	10,811	37,688
Less: Current portion shown under current liabilities	4,460	35,986
	<u>6,351</u>	<u>1,702</u>

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

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

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

Years	Minimum lease payment	Future finance charge	Present value of lease Liability	
	(R u p e e s i n t h o u s a n d)			2004
Not later than one year	4,989	529	4,460	35,986
Later than one year and not later than five years	6,557	206	6,351	1,702
	<u>11,546</u>	<u>735</u>	<u>10,811</u>	<u>37,688</u>

7. Deferred liabilities

		2004 (Rupees in thousand)	2003
These are composed of:			
Deferred taxation	- note 7.1	454,000	502,000
Accumulating compensated absences	- note 7.2	73,390	64,681
		<u>527,390</u>	<u>566,681</u>

7.1 Deferred taxation

The liability for deferred taxation comprises timing differences relating to:

Accelerated tax depreciation	495,916	540,868
Provision for accumulating compensated absences	(25,686)	(22,638)
Impairment loss in value of investments	(16,230)	(16,230)
	<u>454,000</u>	<u>502,000</u>

7.2 Accumulating compensated absences

	2004 (Rupees in thousand)	2003
Opening balance	64,681	61,048
Provision for the year	12,660	8,768
	<hr/>	<hr/>
	77,341	69,816
Less: Payments made during the year	3,951	5,135
	<hr/>	<hr/>
Closing balance	73,390	64,681

8. Current portion of long-term liabilities

Long-term running finance - secured	- note 5	-	50,000
Term finance certificates - unsecured	- note 5	850,000	-
Other payables - secured	- note 5	4,870	10,238
Liabilities against assets subject to finance lease	- note 6	4,460	35,986
		<hr/>	<hr/>
		859,330	96,224

9. Finances under mark up arrangements - secured

Running finances	- note 9.1	234,197	148,653
Short-term finances	- note 9.2	-	350,462
		<hr/>	<hr/>
		234,197	499,115

9.1 Running finances - secured

Short-term running finances available from a consortium of commercial banks under mark up arrangements amount to Rs. 3,035.000 million (2003: Rs. 2,449.538 million). The rates of mark up range from Re. 0.0822 to Re. 0.2192 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. 0.1079 to Re. 0.9345 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.

9.2 Short-term finances - secured

Term finances available from a consortium of commercial banks under

mark up arrangements amount to Rs. Nil (2003: Rs. 350.462 million). The rates of mark up range from Re. 0.0425 to Re. 0.0959 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. 1,163.155 million (2003: Rs. 1,153.840 million) for opening letters of credit and Rs. 389.000 million (2003: Rs. 349.000 million) for guarantees, the amount utilised at December 31, 2004 was Rs. 100.891 million (2003: Rs. 162.150 million) and Rs.144.342 million (2003: Rs. 166.443 million) respectively. Of the facility for guarantees, Rs. 322.500 million (2003: Rs. 322.500 million) is secured by a second hypothecation charge over stores, spares, stock-in-trade and trade debts.

10. Creditors, accrued and other liabilities

		2004 (Rupees in thousand)	2003
Trade creditors	- note 10.1	73,783	61,744
Accrued liabilities		312,659	284,473
Sales tax payable		30,499	-
Customers' balances		45,053	30,720
Deposits - interest free repayable on demand		4,322	3,787
Mark up accrued on:			
Other payables - secured		284	1,611
Long-term running finance - secured		-	940
TFCs un - secured		23,934	23,913
Finances under mark up arrangements-secured		1,674	2,866
Workers' profit participation fund	- note 10.2	63,732	54,768
Workers' welfare fund		15,976	14,107
TFCs payable	- note 25.2	1,415	1,391
Others		21,882	17,788
		595,213	498,108

10.1 Trade creditors include amount due to related parties Rs. 49.503 million (2003: Rs. 43.627 million).

10.2 Workers' profit participation fund

		2004 (Rupees in thousand)	2003
Opening balance		54,768	42,993
Provision for the year	- note 29	63,732	54,768
Interest charged during the year	- note 31	17	-
		118,517	97,761
Less: Payments made during the year		54,785	42,993
		63,732	54,768

11. Dividends

Unclaimed		5,960	4,861
Proposed final	(note 11.1 & 11.2)	-	-
		5,960	4,861

11.1 The company, effective from the current year, has not recognised the final dividend, proposed subsequent to year end, as a liability to comply with the substituted Fourth Schedule to the Companies Ordinance, 1984 as referred to in note 2.1.2. Such a change in policy has been accounted for retrospectively and comparative financial statements have been restated in accordance with the

recommended benchmark treatment of IAS-8, Net profit or loss for the period, fundamental errors and changes in accounting policy. Had there been no change, the unappropriated profit and the current liabilities for the year ended December 31, 2004 would have been lower and higher respectively by Rs. 404.065 million (2003: Rs. 404.065 million).

11.2 The Board of Directors have proposed a final dividend for the year ended December 31, 2004 of Rs. 8.50 per share, amounting to Rs. 404.065 million at their meeting held on January 25, 2005 for approval of the members at the Annual General Meeting to be held on February 28, 2005. These financial statements do not reflect this dividend payable, as explained in note 11.1.

12. Contingencies and commitments

12.1 Contingencies

- (i) Guarantees to bank for repayment of loans by employees Rs. Nil (2003: Rs. 0.046 million).
- (ii) Claims against the company not acknowledged as debts Rs.11.149 million (2003: Rs. 9.580 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 financial statements in 1985, the STO filed an appeal in 1986 with the Income Tax Appellate Tribunal (ITAT) against the Orders of the AAC for these years. The orders of the AAC were based on a decision already given by the ITAT on the company's appeal for application of a lower rate of sales tax on self consumed material for earlier years. Pending the outcome of the appeal filed by STO no adjustment has been made for the refunds recognised in the financial statements as the management is of the view that the appeal of the STO will not be upheld by the ITAT.

- (iv) For the assessment years 1999-2000 and 2000-2001, the 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 (ITAT) has set aside the Orders of the IAC and remanded the issue back. The department's reference application against the Orders of the ITAT has been rejected by the ITAT and the department has now filed an appeal directly to the High Court against the decision of the ITAT. No provision has been made in these financial statements 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. 234.918 million (2003: Rs. 20.700 million).
- (ii) Letters of credit other than for capital expenditure Rs. 226.592 million (2003: Rs. 225.709 million).
- (iii) The amount of future payments under operating leases and the period in which these payments will become due are as follows:

	2004	2003
	(Rupees in thousand)	
Not later than one year	5,701	7,231
Later than one year and not later than five years	10,878	14,134
Later than five years	2,404	4,724
	18,983	26,089

13. Property, plant and equipment

	Cost as at December 31, 2003	Transfer in	Additions/ (deletions)	Cost as at December 31, 2004	Accumulated depreciation as at December 31, 2003	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at December 31, 2004	Book value as at December 31, 2004
	(R	u p	e e s	i n	t h o	u s	a n d)	
Freehold land	102,954	-	2,087	105,041	-	-	-	105,041
Buildings on freehold land	199,557	-	28,863 (700)	227,720	45,766	8,933 (438)	54,261	173,459
Buildings on leasehold land	128,388	-	55,698	184,086	29,246	5,911	35,157	148,929
Plant and machinery	5,760,429	117,333	310,683 (17,800)	6,170,645	3,469,285	353,270 (13,153)	3,809,402	2,361,243
Other equipment	225,798	-	26,467 (15,827)	236,438	146,283	27,032 (15,618)	157,697	78,741
Furniture and fixtures	5,374	-	9,122 (957)	13,539	3,209	1,465 (806)	3,868	9,671
Vehicles	140,420	-	32,651 (24,853)	148,218	87,124	18,820 (18,298)	87,646	60,572
2004	6,562,920	117,333	465,571 (60,137)	7,085,687	3,780,913	415,431 (48,313)	4,148,031	2,937,656
2003	6,196,541	-	448,775 (82,396)	6,562,920	3,450,180	403,955 (73,222)	3,780,913	2,782,007

Additions to plant and machinery include mark up of Rs. Nil (2003: Rs. 6.052 million).

Property, plant and equipments include assets amounting to Rs. 12.131 million (2003: Rs. 12.476 million) of the company which are not in operation.

The cost of fully depreciated assets which are still in use as at December 31, 2004 is Rs. 1,291.655 million (2003: Rs. 1,251.478 million).

13.1 Disposal of property, plant and equipment

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

<u>Particulars of the assets</u>	<u>Sold to</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Book value</u>	<u>Sale proceeds</u>	<u>Mode of disposal</u>
		(R u p e e s i n t h o u s a n d)				
Vehicles	Executives					
	Mr. Asad Ullah Sarfraz	394	72	322	361	Company Policy
	Atif Naseer	375	206	169	216	Company Policy
	Faisal Akram	555	324	231	422	Negotiation
	Mohammad Junaid Asghar	345	98	247	263	Company Policy
	Khurram Mehr	999	167	832	961	Company Policy
	Masood Abdullah	450	255	195	280	Company Policy
	Muhammad Usman	464	209	255	307	Company Policy
	Maqsood Ahmed	683	353	330	496	Company Policy
	Nauman Ali Qureshi	435	160	275	366	Company Policy
	Saulat Said	781	403	378	247	Company Policy
	Syed Ali Raza Rizvi	354	165	189	256	Company Policy
	Ms. Seema Riaz	737	209	528	628	Company Policy
	Sadyia Babar	349	41	308	337	Company Policy
	Imrana Ali	325	114	211	226	Company Policy
	Outsiders					
	Mr. Abdul Rehman	555	305	250	440	Negotiation
	Rashid Iqbal	3,497	2,214	1,283	2,300	Negotiation
	International General Insurance Company of Pakistan Limited -Related Party	399	7	392	392	Insurance Claim
Building on freehold land	Syed Wajid Ali-Director	700	438	262	700	Negotiation
Plant & Machinery	Miscellaneous	10,610	5,962	4,648	-	Scrapped
Other Equipment	Mr. Saulat Said-Executive	97	21	76	-	Company Policy
Other assets with book value less than Rs. 50,000		37,033	36,590	443	10,208	-
		<u>60,137</u>	<u>48,313</u>	<u>11,824</u>	<u>19,406</u>	

14. Intangible assets

	Cost as at December 31, 2003	Additions	Cost as at December 31, 2004	Accumulated amortisation as at December 31, 2003	Amortisation charge for the year	Accumulated amortisation as at December 31, 2004	Book value as at December 31, 2004
	(R u p e e s i n t h o u s a n d)						
Computer software and ERP system	115,875	6,769	122,644	87,804	28,455	116,259	6,385
2004	115,875	6,769	122,644	87,804	28,455	116,259	6,385
2003	115,437	438	115,875	49,509	38,295	87,804	28,071

The Cost of fully amortised assets which are still in use as at December 31, 2004 is Rs. 115.437 million (2003: Rs. 5.319 million).

	Depreciation	Amortisation	Total	
			2004	2003
	(R u p e e s i n t h o u s a n d)			

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

Cost of goods sold	- note 26	384,348	1,893	386,241	374,040
Administration expenses	- note 27	25,440	26,562	52,002	61,796
Distribution and marketing expenses	- note 28	5,643	-	5,643	6,414
		415,431	28,455	443,886	442,250

15. Investment property

	Cost as at December 31, 2003	Additions	Cost as at December 31, 2004	Accumulated depreciation as at December 31, 2003	Depreciation charge for the year	Accumulated depreciation as at December 31, 2004	Book value as at December 31, 2004
	(R u p e e s i n t h o u s a n d)						
Buildings on leasehold land	24,029	909	24,938	9,187	886	10,073	14,865
2004	24,029	909	24,938	9,187	886	10,073	14,865
2003	24,029	-	24,029	8,319	868	9,187	14,842

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

Fair value of the investment property, based on the valuation carried out by an independent valuer, as at December 31, 2004 is Rs. 25.986 million (2003: Rs. 21.760 million).

16. Assets subject to finance lease

	Cost as at December 31, 2003	Additions/ (Deletions)	Cost to December 31, 2004	Accumulated depreciation as at December 31, 2003	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at December 31, 2004	Book value as at December 31, 2004
	(R u p e e s i n t h o u s a n d)						
Plant and machinery	176,000	- (176,000)	-	49,500	9,167 (58,667)	-	-
Vehicles	2,766	12,229	14,995	184	2,656	2,840	12,155
2004	178,766	12,229 (176,000)	14,995	49,684	11,823 (58,667)	2,840	12,155
2003	176,000	2,766	178,766	38,500	11,184	49,684	129,082

Deletion represents the asset transferred to property, plant and equipment on expiry of lease term.

2004 **2003**
(Rupees in thousand)

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

Cost of goods sold	- note 26	11,089	11,184
Administration expenses	- note 27	555	-
Distribution and marketing expenses	- note 28	179	-
		11,823	11,184

17. Capital work-in-progress

Plant and machinery		311,592	283,733
Civil works and buildings		18,275	61,014
		329,867	344,747

18. Investments

These represent the long-term investments in:

Related parties	- note 18.1	623,118	612,036
Others	- note 18.2	77,125	31,425
		700,243	643,461
Less: investments shown under current assets		9,067	-
		691,176	643,461

18.1 Related parties

Subsidiaries - unquoted

Coates Lorilleux Pakistan Limited

3,377,248 (2003: 3,377,248) fully paid ordinary shares of Rs. 10 each. Equity held 54.98% (2003: 54.98%)

	15,010	15,010
--	---------------	--------

Packages Lanka (Private) Limited

64,779,884 (2003: 64,779,884) shares of SL Rupees 10 each
Equity held 79.07% (2003: 79.07%)

Less: Impairment loss

	442,938	442,938
	(46,371)	(46,371)

	396,567	396,567
--	----------------	---------

	411,577	411,577
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	2004 (Rupees in thousand)	2003
Brought Forward	411,577	411,577
Associated companies		
Quoted		
Nestle Milkpak Limited 3,649,248 (2003: 3,649,248) fully paid ordinary shares of Rs. 10 each. Equity held 8.06% (2003: 8.06%)	24,555	24,555
International General Insurance Company of Pakistan Limited 1,303,470 (2003: 1,303,470) fully paid ordinary shares of Rs. 10 each. Equity held 10.61 % (2003: 10.61%)	22,519	22,519
Tri-Pack Films Limited 10,000,000 (2003: 10,000,000) fully paid ordinary shares of Rs. 10 each. Equity held 33.33 % (2003: 33.33%)	100,000	100,000
First International Investment Bank Limited 4,191,741 (2003: 2,644,995) fully paid ordinary shares of Rs. 10 each. Equity held 9.99 % (2003: 9.99 %)	35,000	25,000
First International Investment Bank Limited 6 (2003: 6) Term Finance Certificates of Rs. 1 million each - note 18.3	9,067	7,985
	191,141	180,059
Unquoted		
Tetra Pak Pakistan Limited 30,800,000 (2003: 26,400,000) fully paid ordinary shares of Rs. 10 each. Equity held 44 % (2003: 44%)	15,400	15,400
Coca-Cola Beverages Pakistan Limited 500,000 (2003: 500,000) fully paid ordinary shares of Rs. 10 each. Equity held 0.14 % (2003: 0.14%)	5,000	5,000
	20,400	20,400
	211,541	200,459
	623,118	612,036

18.2 Others

	2004 (Rupees in thousand)	2003
Quoted		
The Resource Group (TRG) Pakistan Limited		
6,000,000 (2003: 2,000,000) fully paid ordinary shares of Rs. 10 each. Equity held 2.78% (2003: 2.78%)	77,100	31,400
Unquoted		
Pakistan Tourism Development Corporation Limited		
2,500 (2003: 2,500) fully paid ordinary shares of Rs. 10 each	25	25
Orient Match Company Limited		
1,900 (2003: 1,900) fully paid ordinary shares of Rs. 100 each	-	-
	77,125	31,425

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

- 18.3** 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 5. The rate of profit on these TFCs is 16 % per annum payable at maturity. For the purposes of measurement these have been classified as held to maturity investments.

19. Long-term loans and deposits

	2004 (Rupees in thousand)	2003
Loans to employees - considered good - note 19.1	1,270	1,005
Security deposits	4,570	2,976
	5,840	3,981

- 19.1** These represent interest free loans to employees for purchase of cycles and motor cycles and are repayable in monthly instalments over a period of 43 to 146 months.

Loans to employees aggregating Rs. 0.152 million (2003: Rs. 0.159 million) are secured by joint registration of motor cycles in the name of employees and the company. The remaining loans are unsecured.

20. Retirement and other benefits

	2004 (Rupees in thousand)	2003
Pension fund - note 20.1	(13,377)	(17,219)
Gratuity fund - note 20.2	65,102	54,555
	51,725	37,336

20.1 Pension fund

2004 **2003**
(Rupees in thousand)

The amounts recognised in the balance sheet are as follows:

Fair value of plan assets	366,448	347,977
Present value of defined benefit obligation	(435,580)	(386,314)
Non vested (past service) cost to be recognised in later periods	15,109	18,130
Unrecognised actuarial losses	40,646	2,988
	<hr/>	<hr/>
(Liability) as at December 31	(13,377)	(17,219)
	<hr/>	<hr/>
Net (liability) as at January 1	(17,219)	(17,226)
Charge to profit and loss account	(15,016)	(17,653)
Contribution by the company	18,858	17,660
	<hr/>	<hr/>
(Liability) as at December 31	(13,377)	(17,219)

Fair value of plan assets include ordinary shares and Term Finance Certificates (TFCs) of the company, whose fair value as at December 31, 2004 is Rs.19.332 million (2003: Rs 17.546 million) and Rs.4.800 million (2003: Rs. 3.270 million) respectively.

20.2 Gratuity fund

2004 **2003**
(Rupees in thousand)

The amounts recognised in the balance sheet are as follows:

Fair value of plan assets	238,601	248,973
Present value of defined benefit obligation	(147,984)	(151,673)
Unrecognised actuarial (gains)	(25,515)	(42,745)
	<hr/>	<hr/>
Asset as at December 31	65,102	54,555
	<hr/>	<hr/>
Net assets as at January 1	54,555	43,958
Credit to profit and loss account	4,156	4,842
Contribution by the company	6,391	5,755
	<hr/>	<hr/>
Asset as at December 31	65,102	54,555

Fair value of plan assets include ordinary shares of the company, whose fair value as at December 31, 2004 is Rs.1.452 million (2003: Rs. 1.318 million).

21. Stores and spares

	2004	2003
	(Rupees in thousand)	
Stores [including in transit Rs. 6.122 million (2003: Rs. 4.050 million)]	144,900	116,852
Spares [including in transit Rs. 6.903 million (2003: Rs. 16.742 million)]	235,656	202,028
	380,556	318,880

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

22. Stock-in-trade

	2004	2003
	(Rupees in thousand)	
Raw materials [including in transit Rs. 101.345 million (2003: Rs. 102.400 million)]	632,259	504,312
Work-in-process	77,127	65,621
Finished goods	384,943	274,187
	1,094,329	844,120

Finished goods of Rs. 20.437 million (2003: Rs. 18.835 million) are being carried at net realisable value.

23. Trade debts

	2004	2003
	(Rupees in thousand)	
Considered good		
Related parties - note 23.1	127,307	106,138
Others	513,230	471,410
	640,537	577,548

Trade debts include secured debts of Rs. 1.700 million (2003: Rs. 1.020 million).

23.1 Due from related parties

	2004	2003
	(Rupees in thousand)	
Treet Corporation Limited	5,213	4,014
Nestle Milkpak Limited	48,836	44,497
Tetrapak Pakistan Limited	65,710	48,381
Zulfiqar Industries Limited	2,252	5,847
Tri-Pack Films Limited	4,438	2,814
Coca-Cola Beverages Pakistan Limited	276	278
Coates Lorilleux Pakistan Limited	582	307
	127,307	106,138

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

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

	2004	2003
	(Rupees in thousand)	
Loans to employees - considered good	276	204
Advances - considered good		
To employees	11,411	7,045
To suppliers	32,206	14,024
	43,617	21,069
Advances to suppliers- considered doubtful	-	74
Due from related parties	16,154	21,683
Due from Packages Limited Employees		
Provident Fund	9,601	878
Due from Packages Limited Employees		
Gratuity Fund	25,146	4,771
Trade deposits	6,571	9,345
Prepayments	11,615	8,242
Balances with statutory authorities		
Excise duty	117	241
Customs duty	1,163	939
	1,280	1,180
Profit receivable on bank deposits	37	12
Claims recoverable from Government		
Sales tax	4,785	14,734
Income tax recoverable	36,013	36,013
Income tax refundable	-	213,391
	40,798	264,138
Other receivables	347	521
	155,442	332,117
Less: Provision against doubtful advances	-	74
	155,442	332,043

24.1 Included in advances to employees are amounts due from Chief Executive, Directors and Executives of Rs. Nil, Rs. Nil and Rs. 8.218 million respectively. (2003: Chief Executive Rs. 0.030 million, Directors Rs. 0.301 million and Executives Rs. 3.171 million).

24.2 Due from related parties

	2004	2003
	(Rupees in thousand)	
Tetrapak Pakistan Limited	12,995	9,166
Tri-Pack Films Limited	7	78
Coates Lorilleux Pakistan Limited	2,411	1,790
International General Insurance Company of Pakistan Limited	387	415
First International Investment Bank Limited	16	10,000
Packages Lanka (Private) Limited	234	234
Loads Limited	104	-
	16,154	21,683

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

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

The company had filed an appeal against the revised orders of the ITO before the Commissioner of Income Tax (Appeals)

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

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

25. Cash and bank balances

	2004	2003
	(Rupees in thousand)	
At banks		
On savings accounts [including USD 26,074 (2003: USD 43,708)]	- note 25.1	
On current accounts	- note 25.2	
	6,364	6,328
	132,829	84,597
	139,193	90,925
In hand	5,693	7,241
	144,886	98,166

25.1 The balances in savings accounts bear mark up which ranges from 0.75 % to 2 % per annum.

25.2 Included in these are total restricted funds of Rs. 1.415 million (2003: Rs. 1.391 million) held as payable to TFC holders as referred to in note 10.

26. Cost of goods sold

	2004	2003
	(Rupees in thousand)	
Opening work-in-process	65,621	57,258
Materials consumed	2,710,306	2,263,462
Salaries, wages and amenities	412,247	386,121
Fuel and power	655,780	606,718
Production supplies	176,702	162,287
Excise duty and sales tax	3,942	42,726
Rent, rates and taxes	2,872	5,519
Insurance	37,074	39,007
Repairs and maintenance	281,731	225,381
Packing expenses	38,831	27,912
Depreciation on property, plant and equipment	384,348	371,161
Amortisation on intangible assets	1,893	2,879
Depreciation on leased assets	11,089	11,184
Technical fee and royalty	15,710	14,204
Other expenses	68,112	55,024
	4,866,258	4,270,843
Less: Closing work-in-process	77,127	65,621
Cost of goods produced	4,789,131	4,205,222
Opening stock of finished goods	274,187	311,441
	5,063,318	4,516,663
Less: Closing stock of finished goods	384,943	274,187
	4,678,375	4,242,476

Cost of goods produced includes Rs. 569.402 million (2003: Rs. 531.000 million) for stores and spares consumed, Rs. 1.205 million (2003: Rs. 7.842 million) and Rs. 0.111 million (2003: Rs. 0.669 million) for raw material and stores and spares written off respectively.

26.1 Salaries, wages and amenities

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

	2004	2003
	(Rupees in thousand)	
Pension		
Current service cost	7,716	7,086
Interest cost for the year	17,104	15,257
Expected return on plan assets	(15,871)	(13,188)
Contribution made by the employees	(2,283)	(2,161)
Recognition of past service cost	1,717	1,643
Recognition of loss	151	961
	8,534	9,598
Gratuity		
Current service cost	5,113	4,998
Interest cost for the year	7,871	7,412
Expected return on plan assets	(13,624)	(12,965)
Recognition of (gain)	(2,335)	(2,814)
	(2,975)	(3,369)

In addition to above, salaries, wages and amenities include Rs. 10.479 million (2003: Rs. 9.760 million) and Rs. 9.512 million (2003: Rs. 8.483 million) in respect of provident fund contribution by the company and accumulating compensated absences respectively.

27. Administration expenses

		2004	2003
		(Rupees in thousand)	
Salaries, wages and amenities	- note 27.1	127,933	128,383
Travelling		37,045	29,233
Rent, rates and taxes		10,153	8,031
Insurance		4,588	3,636
Printing, stationery and periodicals		10,854	12,328
Postage, telephone and telex		18,337	19,932
Motor vehicles running		7,355	8,315
Computer charges		14,321	9,026
Professional services	- note 34	10,803	11,026
Repairs and maintenance		13,590	14,258
Depreciation on property, plant and equipment		25,440	26,380
Amortisation on intangible assets		26,562	35,416
Depreciation on leased assets		555	-
Depreciation on investment property		886	868
Other expenses		38,608	37,323
		347,030	344,155

Administration expenses include Rs. 24.250 million (2003: Rs. 26.238 million) for stores and spares consumed.

27.1 Salaries, wages and amenities

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

		2004	2003
		(Rupees in thousand)	
Pension			
Current service cost		4,577	4,672
Interest cost for the year		10,146	10,060
Expected return on plan assets		(9,415)	(8,696)
Contribution made by the employees		(1,354)	(1,425)
Recognition of past service cost		1,018	1,083
Recognition of loss		90	634
		5,062	6,328
Gratuity			
Current service cost		1,584	1,717
Interest cost for the year		2,439	2,546
Expected return on plan assets		(4,221)	(4,453)
Recognition of (gain)		(724)	(967)
		(922)	(1,157)

In addition to above, salaries, wages and amenities include Rs. 3.335 million (2003: Rs. 3.245 million) and Rs. 2.210 million (2003: Rs. 0.894 million) in respect of provident fund contribution by the company and accumulating compensated absences respectively.

28. Distribution and marketing expenses

	2004 (Rupees in thousand)	2003
Salaries, wages and amenities - note 28.1	35,979	36,062
Travelling	8,302	8,918
Rent, rates and taxes	2,820	3,371
Freight and distribution	71,385	61,674
Insurance	1,510	1,525
Advertising	35,819	35,946
Depreciation on property, plant and equipment	5,643	6,414
Depreciation on leased assets	179	-
Other expenses	10,924	11,719
	172,561	165,629

Distribution and marketing expenses include Rs. 3.191 million (2003: Rs. Nil) for stores and spares consumed.

28.1 Salaries, wages and amenities

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

	2004 (Rupees in thousand)	2003
Pension		
Current service cost	1,284	1,275
Interest cost for the year	2,847	2,744
Expected return on plan assets	(2,642)	(2,372)
Contribution made by the employees	(380)	(389)
Recognition of past service cost	286	295
Recognition of loss	25	173
	1,420	1,726
Gratuity		
Current service cost	445	468
Interest cost for the year	685	695
Expected return on plan assets	(1,186)	(1,215)
Recognition of (gain)	(203)	(264)
	(259)	(316)

In addition to above, salaries, wages and amenities include Rs. 0.938 million (2003: Rs. 0.911 million) and Rs. 0.938 million (2003: Rs. (0.609) million) in respect of provident fund contribution by the company and accumulating compensated absences respectively.

29. Other operating expenses

	2004 (Rupees in thousand)	2003
Workers' profit participation fund	63,732	54,768
Workers' welfare fund	18,580	14,107
Donations - note 35	2,387	1,289
	84,699	70,164

30. Other operating income**2004** **2003**
(Rupees in thousand)**Income from financial assets**

Exchange gain	506	-
Income on bank deposits	135	469
	641	469

Income from non-financial assets

Management and technical fee	11,557	5,723
Insurance commission from related party	2,623	2,928
Rental income from investment property including Rs. 25.009 million (2003: RS. 20.602 million) from related parties	25,252	20,640
Profit on disposal of property, plant and equipment	7,582	19,777
Scrap sales	346	499
Provisions and unclaimed balances written back	18,660	41,957
Agricultural income	2,417	1,558
Profit on outside jobs including Rs. 1.740 million (2003: Rs. 1.139 million) from related parties	9,310	2,120
Others	6,010	8,870
	83,757	104,072
	84,398	104,541

31. Finance cost

Interest and mark up including commitment charges on Long-term finances	114,755	111,520
Finances under mark up arrangements	13,832	26,001
Finance lease	2,587	6,109
Deferred import duties	1,064	2,115
Workers' profit participation fund	17	-
Loan handling charges	552	252
Exchange loss	-	782
Bank charges	6,201	4,529
	139,008	151,308

32. Investment income

Dividend income from related parties	- note 32.1	535,836	457,554
Unrealised gain on investments			
Available for sale		5,700	11,400
Held to maturity		1,083	953
		542,619	469,907

32.1 Dividend income from related parties

	2004 (Rupees in thousand)	2003
Tetrapak Pakistan Limited	396,000	330,000
International General Insurance Company of Pakistan Limited	9,776	6,801
Nestle Milkpak Limited	51,090	58,388
Coates Lorilleux Pakistan Limited	48,970	32,365
Tri-Pack Films Limited	30,000	30,000
	535,836	457,554

33. Taxation

For the year		
Current	302,000	270,000
Deferred	(12,000)	(12,000)
	290,000	258,000
Prior years		
Current	(24,881)	(128,608)
Deferred	(36,000)	94,000
	(60,881)	(34,608)
	229,119	223,392

33.1 Tax charge reconciliation

	% age	% age
Numerical reconciliation between the average effective tax rate and the applicable tax rate		
Applicable tax rate	35.00	35.00
Tax effect of amounts that are:		
Not deductible for tax purposes	3.43	3.55
Exempt for tax purposes	(0.51)	(0.58)
Chargeable to tax at different rates	(13.48)	(13.24)
Effect of change in prior years' tax	(5.11)	(3.34)
Tax effect under presumptive tax regime and others	(0.11)	0.15
	(15.78)	(13.46)
Average effective tax rate charged to profit and loss account	19.22	21.54

34. Professional services

2004 **2003**
(Rupees in thousand)

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

Statutory audit	520	470
Half yearly review	200	200
Tax services	3,262	2,980
Share transfer, workers' profit participation fund audit, management staff pension fund audit, special reports and certificates for lending agencies and sundry advisory services	166	400
Out of pocket expenses	120	209
	<hr/> 4,268	<hr/> 4,259

35. Donations

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

Pakistan Red Crescent Society, Lahore

(Syed Wajid Ali, Chief Executive is the President of the Society)

54 -

Liaquat National Hospital, Karachi

(Syed Wajid Ali, Chief Executive is the Chairman of the Hospital)

500 400

Gulab Devi Chest Hospital, Lahore

(Syed Wajid Ali, Chief Executive is the President of the Hospital)

500 35

Institute of Islamic Culture, Lahore

(Syed Wajid Ali, Chief Executive is the President of the Institute)

- 100

The All Pakistan Musical Conference, Lahore

(Syed Wajid Ali, Chief Executive is the President of the Conference)

- 30

36. Remuneration of Chief Executive, Directors and Executives

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

	Chief Executive		Directors and alternate Executives			
	2004	2003	Directors		Executives	
	2004	2003	2004	2003	2004	2003
Number of persons	1	1	5	5	23	27
	(R u p e e s i n t h o u s a n d)					
Managerial remuneration	2,641	2,385	10,487	10,544	19,309	20,628
Contribution to provident, gratuity, pension and welfare funds	-	-	2,801	2,920	4,045	4,342
Housing	508	680	4,705	4,755	8,123	6,448
Utilities	633	627	929	934	1,913	1,495
Leave passage	9	18	870	778	1,064	1,135
Medical expenses	566	934	421	257	1,252	913
Club expenses	31	13	122	30	88	4
Others	-	-	178	-	1,107	1,228
	4,388	4,657	20,513	20,218	36,901	36,193

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

36.2 Remuneration to other directors

Aggregate amount charged in the financial statements for the year for fee to 3 directors (2003: 3 directors) was Rs.105,000 (2003: Rs. 115,500).

37. Transactions with related parties

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

Description	2004 (Rupees in thousand)	2003
Purchase of goods and services	512,451	466,214
Sale of goods and services	1,333,272	1,093,158
Sale of property, plant and equipment	3,700	-
Dividend income	535,836	457,554
Rental income	25,009	20,602

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

38. Capacity and production - tonnes

	Capacity		Actual production	
	2004	2003	2004	2003
Paper and paperboard produced	107,300	101,900	91,421	86,641
Paper and paperboard converted	89,000	70,000	71,882	66,870
Plastics all sorts converted	7,500	7,500	6,732	5,850

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

39. Rates of exchange

Liabilities in foreign currencies have been translated into Rupees at USD 1.6764 (2003: USD 1.7355), EURO 1.2317 (2003: EURO 1.3801), SFR 1.8961 (2003: SFR 2.1529), SEK 11.1111 (2003: SEK 12.5313), GBP 0.8708 (2003: GBP 0.9745) and YEN 172.0578 (2003: YEN 185.5632) equal to Rs. 100.

40. Cash generated from operations

	2004 (Rupees in thousand)	2003	
Profit before taxation	1,192,321	1,036,905	
Adjustments for:			
Depreciation on property, plant and equipment	415,431	403,955	
Amortisation on intangible assets	28,455	38,295	
Depreciation on investment property	886	868	
Depreciation on leased assets	11,823	11,184	
Provision for accumulating compensated absences	12,660	8,768	
Retirement and other benefits accrued	10,860	12,811	
Unrealised gain on investments			
Held to maturity	(1,083)	(953)	
Available for sale	(5,700)	(11,400)	
Net profit on disposal of property, plant and equipment	(7,582)	(19,777)	
Finance cost	139,008	151,308	
Dividend income	(535,836)	(457,554)	
Profit before working capital changes	1,261,243	1,174,410	
Effect on cash flow due to working capital changes			
(Increase) in trade debts	(62,989)	(34,330)	
(Increase) in stores and spares	(61,676)	(19,242)	
(Increase)/decrease in stock in trade	(250,209)	32,087	
(Increase) in loans, advances, deposits, prepayments and other receivables	(36,790)	(32,997)	
Increase in creditors, accrued and other liabilities	100,519	17,671	
	(311,145)	(36,811)	
	950,098	1,137,599	
41. Cash and cash equivalents			
Cash and bank balances	144,886	98,166	
Finances under mark up arrangement	(234,197)	(499,115)	
	(89,311)	(400,949)	
42. Earnings per share			
42.1 Basic earnings per share			
Net profit for the year	Rupees in thousand	963,202	813,513
Weighted average number of ordinary shares	Numbers	47,537,080	47,537,080
Earnings per share	Rupees	20.26	17.11

42.2 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.

43. Financial assets and liabilities

	Interest/mark up bearing			Non interest bearing			Total		Credit Risk	
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	2004	2003	2004	2003
	(R u p e e s i n t h o u s a n d)									
Financial assets										
On balance sheet										
Investments	9,067	-	9,067	-	77,125	77,125	86,192	39,410	86,192	39,410
Loans to employees	-	-	-	276	1,270	1,546	1,546	1,209	1,546	1,209
Long-term security deposits	-	-	-	-	4,570	4,570	4,570	2,976	4,570	2,976
Trade debts	-	-	-	640,537	-	640,537	640,537	577,548	640,537	577,548
Loans, advances, deposits, prepayments and other receivables:										
Trade deposits	-	-	-	6,571	-	6,571	6,571	9,345	6,571	9,345
Profit receivable on bank deposits	37	-	37	-	-	-	37	12	37	6
Others	-	-	-	35,030	-	35,030	35,030	22,793	35,030	22,793
Cash and bank balances	6,364	-	6,364	138,522	-	138,522	144,886	98,166	110,371	17,307
	15,468	-	15,468	820,936	82,965	903,901	919,369	751,459	884,854	670,594
Off balance sheet	-	-	-	-	-	-	-	-	-	-
Total	15,468	-	15,468	820,936	82,965	903,901	919,369	751,459	884,854	670,594
Financial liabilities										
On balance sheet										
Long-term running finance - secured	-	-	-	-	-	-	-	50,000	-	-
Term Finance										
Certificates - unsecured	850,000	-	850,000	-	-	-	850,000	850,000	-	-
Liabilities against assets subject to finance lease	4,460	6,351	10,811	-	-	-	10,811	37,688	-	-
Other payables - secured	4,870	-	4,870	-	-	-	4,870	15,108	-	-
Finances under mark up arrangements - secured	234,197	-	234,197	-	-	-	234,197	499,115	-	-
Creditors, accrued and other liabilities	-	-	-	416,535	-	416,535	416,535	383,292	-	-
	1,093,527	6,351	1,099,878	416,535	-	416,535	1,516,413	1,835,203	-	-
Off balance sheet										
Contracts for capital expenditure	-	-	-	234,918	-	234,918	234,918	20,700	-	-
Guarantees	-	-	-	-	-	-	-	46	-	-
Letters of credit other than for capital expenditure	-	-	-	226,592	-	226,592	226,592	225,709	-	-
Future payments under operating leases	-	-	-	5,701	13,282	18,983	18,983	26,089	-	-
	-	-	-	467,211	13,282	480,493	480,493	272,544	-	-
Total	1,093,527	6,351	1,099,878	883,746	13,282	897,028	1,996,906	2,107,747	-	-
On balance sheet gap	(1,078,059)	(6,351)	(1,084,410)	404,401	82,965	487,366	(597,044)	(1,083,744)	-	-
Off balance sheet gap	-	-	-	(467,211)	(13,282)	(480,493)	(480,493)	(272,544)	-	-

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

43.1 Financial risk management objectives

The company's activities expose it to a variety of financial risks, including the effects of changes in foreign exchange rates, market interest rates such as 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 43 and cash flow risk associated with accrued interests in respect of borrowings as referred to in note 5.

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

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

(a) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The company's credit risk is primarily attributable to its trade debts and its balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The company has no significant concentration of credit risk as exposure is spread over a large number of counter parties in the case of trade debts. Out of the total financial assets of Rs. 919.369 million (2003: Rs. 751.459 million) financial assets which are subject to credit risk amount to Rs. 884.854 million (2003: Rs. 670.594 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, 2004 to hedge the foreign currency liabilities which are due within the next four months:

Forward exchange contracts

	(Rupees in thousand)
Purchase value	183,395
Fair value	196,205

(c) Interest rate risk

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

(d) Liquidity risk

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

43.2 Fair value of financial assets and liabilities

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

44. Number of employees

The company employed 3,109 employees as at December 31, 2004 (2003: 3,191).

45. Date of authorization for issue

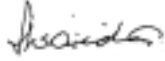
These financial statements were authorised for issue on January 25, 2005 by the Board of Directors of the company.

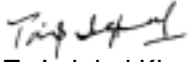
46. Corresponding figures

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. Significant re-arrangements made are as follows:

Investment income previously classified in other income has now been disclosed separately.

The above figures have been re-arranged as the re-classification made is considered more appropriate for purposes of presentation.


Syed Wajid Ali
Chief Executive


Tariq Iqbal Khan
Director

Directors' Report on the Consolidated Financial Statements



The Board of Directors of Packages Limited is pleased to present the audited consolidated Accounts of the group for the year ended December 31, 2004.

General Overview

During the year under review the group performed well, including the parent company's foreign subsidiary.

Financial Overview

Following are the comparative financial results for the year 2004 with 2003.

	2004	2003
Financial -Rupees in million		
Invoiced sales	7,579	6,861
Gross profit	1,509	1,362
Profit from operations	910	814
Investment income	7	12
Income from associated companies	680	691
Profit before tax	1,433	1,340
Combined earnings per share -Rs.	20.98	19.42

The group's sales have increased by 10.46% with proportionate increase in gross profit margin by keeping control on overheads. Income from associated companies has remained almost the same.

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

Groups subsidiaries

Coates Lorilleux Pakistan Limited

Coates Lorilleux Pakistan Limited has been in operation since 1994 and after ten years is a mature business selling printing inks and pigments. Coates sales have increased by 18% over last year, with an increase of 16.5% in production as well. However, its cost of sales

showed an increase in landed cost of raw materials especially for pigments and solvents. The increase in costs is a net effect of increasing prices of petro-chemical based products in the international market and due to increase in exchange rates mainly of Euro as most of the company's imports are from Europe. The production capacity was increased by 30%. During the year the company has installed its ink dispensing system for its customers, the new dispensing system will enhance the quality and consistency of manufactured inks which would help its customers in enhancing their printing quality and reducing printing wastages.

Packages Lanka (Private) Limited

The company made a marginal profit this year. However, keeping in view the increased costs of petro chemical based raw materials there is a pressure on margins and efforts are being made to rationalize the end product prices. The company is also actively taking steps to efficiently manage its working capital which increased due to increase in prices and stocking of materials as they were increasingly unavailable. However, sales have grown at a rate of almost 30% over last year. During the year the company managed to export almost three times more than 2003. Presently the company has a 20% share of the local market. The capacity utilization has reached almost 50%. It is hoped that the company will try to consolidate its market share and make every effort to become a regional supplier in the coming years.

Pattern of Shareholding

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

(Syed Wajid Ali)
Chairman & Chief Executive
Lahore, January 25, 2005

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Packages Limited and its subsidiary companies as at December 31, 2004 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Packages Limited and its subsidiary companies except for Packages Lanka (Private) Limited which was audited by other firm of auditors, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for such company, is based solely on the report of such other auditors. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and

accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

Group's share of income from associated companies of Rs. 680 million shown in the consolidated profit and loss account and note 19.1 to the consolidated financial statements is based on unaudited accounts of these associated companies.

Except for the effect, if any, of the matter referred to in the preceding paragraph, in our opinion the consolidated financial statements present fairly the financial position of Packages Limited and its subsidiary companies as at December 31, 2004 and the results of their operations for the year then ended.

A. F. Ferguson & Co.
Chartered Accountants
Lahore, January 25, 2005


Note: In case of any discrepancy on a company's website, the auditors shall only be responsible in respect of the information contained in the hard copies of the audited financial statements available at the company's registered office.


Consolidated Balance Sheet
as at December 31, 2004

	Note	2004 (Rupees in thousand)	2003
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 60,000,000 (2003: 60,000,000) ordinary shares of Rs. 10 each		600,000	600,000
Issued, subscribed and paid up capital 47,537,080 (2003: 47,537,080) ordinary shares of Rs. 10 each	3	475,371	475,371
Reserves	4	3,280,658	2,730,854
Unappropriated profit		1,149,616	1,115,178
		4,905,645	4,321,403
MINORITY INTEREST		93,399	102,647
LONG-TERM AND DEFERRED LIABILITIES			
Long-term finances and other payables	5	48,501	928,024
Liabilities against assets subject to finance lease	6	6,351	1,702
Deferred liabilities	7	564,835	602,164
		619,687	1,531,890
CURRENT LIABILITIES			
Current portion of long-term liabilities	8	878,105	116,639
Finances under mark up arrangements - secured	9	504,305	641,869
Creditors, accrued and other liabilities	10	640,583	537,955
Dividends	11	5,960	4,861
Provision for taxation		42,966	-
		2,071,919	1,301,324
CONTINGENCIES AND COMMITMENTS			
	12	-	-
		7,690,650	7,257,264

	Note	2004 (Rupees in thousand)	2003
ASSETS			
FIXED CAPITAL EXPENDITURE			
Property, plant and equipment	13	3,222,227	3,050,255
Intangible assets	14	6,385	28,071
Investment property	15	9,187	8,865
Assets subject to finance lease	16	12,155	129,082
Capital work-in-progress	17	330,122	353,868
		3,580,076	3,570,141
GOODWILL	18	47,708	58,310
OTHER LONG-TERM ASSETS			
Investments	19	1,193,234	1,091,216
Long-term loans and deposits	20	6,362	4,361
Retirement and other benefits	21	51,725	37,336
		1,251,321	1,132,913
CURRENT ASSETS			
Stores and spares	22	391,655	326,002
Stock-in-trade	23	1,364,703	1,040,013
Trade debts	24	735,233	652,640
Investments	19	9,067	-
Loans, advances, deposits, prepayments and other receivables	25	163,455	358,947
Cash and bank balances	26	147,432	118,298
		2,811,545	2,495,900
		7,690,650	7,257,264

The annexed notes 1 to 48 form an integral part of these financial statements.


Syed Wajid Ali
Chief Executive


Tariq Iqbal Khan
Director

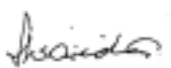
Consolidated Profit and Loss Account

For the year ended December 31, 2004

	Note	2004 (Rupees in thousand)	2003
Local sales		7,469,426	6,806,772
Export sales		109,629	54,260
		7,579,055	6,861,032
Less: Sales tax and excise duty		959,027	908,577
Commission		14,635	15,939
		973,662	924,516
Cost of goods sold	27	6,605,393 (5,096,336)	5,936,516 (4,574,894)
Gross profit		1,509,057	1,361,622
Administration expenses	28	(396,094)	(397,949)
Distribution and marketing expenses	29	(193,746)	(175,386)
Other operating expenses	30	(91,175)	(76,504)
Other operating income	31	81,853	102,052
Profit from operations		909,895	813,835
Finance cost	32	(163,487)	(177,180)
Investment income	33	6,783	12,353
Income from associated companies		679,907	690,549
Profit before taxation		1,433,098	1,339,557
Taxation			
Group	34	(263,371)	(251,106)
Associated companies		(138,738)	(134,830)
		(402,109)	(385,936)
Profit after taxation		1,030,989	953,621
Minority interest		33,486	30,617
Profit after taxation and minority interest		997,503	923,004
Combined earnings per share - basic and diluted Rupees	43	20.98	19.42

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

The annexed notes 1 to 48 form an integral part of these financial statements.



Syed Wajid Ali
Chief Executive


Tariq Iqbal Khan
Director

Consolidated Cash Flow Statement for the year ended December 31, 2004

	Note	2004 (Rupees in thousand)	2003
Cash flow from operating activities:			
Cash generated from operations	41	1,005,987	1,273,489
Finance cost paid		(165,401)	(190,017)
Taxes paid		(33,400)	(88,681)
Payments for accumulating compensated absences		(4,698)	(5,195)
Retirement and other benefits paid		(25,249)	(23,415)
Net cash from operating activities:		777,239	966,181
Cash flow from investing activities			
Fixed capital expenditure		(508,938)	(625,822)
Net increase in long-term loans and deposits		(2,001)	(307)
Sale proceeds of property, plant and equipment		20,205	29,355
Dividend received		486,866	425,189
Investments		(49,999)	(27,017)
Net cash used in investing activities		(53,867)	(198,602)
Cash flow from financing activities:			
Repayment of long-term finances and other payables		(86,531)	(122,788)
Payment of finance lease liabilities		(26,877)	(32,712)
Dividend paid		(402,966)	(331,770)
Dividend paid to minority shareholders		(40,300)	(21,073)
Net cash used in financing activities		(556,674)	(508,343)
Net increase in cash and cash equivalents		166,698	259,236
Cash and cash equivalents at the beginning of the year		(523,571)	(782,807)
Cash and cash equivalents at the end of the year	42	(356,873)	(523,571)

The annexed notes 1 to 48 form an integral part of these financial statements.

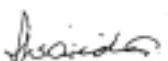

Syed Wajid Ali
Chief Executive


Tariq Iqbal Khan
Director

Consolidated Statement of Changes In Equity for the year ended December 31, 2004

	Share capital	Share premium	Exchange difference on translation of foreign subsidiary	General reserve	Unappro- priated profit	Total
	(R u p e e s	i n	t h o	u s a n d)		
Balance as on December 31, 2002	475,371	203,589	(19,710)	2,140,036	601,174	3,400,460
Effect of change in accounting policy (note 11.1)						
Final dividend for the year ended December 31, 2002 declared subsequent to year end	-	-	-	-	332,760	332,760
Balance as on December 31, 2002 as restated	475,371	203,589	(19,710)	2,140,036	933,934	3,733,220
Final dividend for the year ended December 31, 2002 Rs. 7.00 per share	-	-	-	-	(332,760)	(332,760)
Net profit for the year	-	-	-	-	923,004	923,004
Transferred from profit and loss account	-	-	-	409,000	(409,000)	-
Exchange adjustments	-	-	(2,061)	-	-	(2,061)
Balance as on December 31, 2003 as restated	475,371	203,589	(21,771)	2,549,036	1,115,178	4,321,403
Final dividend for the year ended December 31, 2003 Rs. 8.50 per share	-	-	-	-	(404,065)	(404,065)
Net profit for the year	-	-	-	-	997,503	997,503
Exchange adjustments	-	-	(9,196)	-	-	(9,196)
Transferred from profit and loss account	-	-	-	559,000	(559,000)	-
Balance as on December 31, 2004	475,371	203,589	(30,967)	3,108,036	1,149,616	4,905,645

The annexed notes 1 to 48 form an integral part of these financial statements.


Syed Wajid Ali
Chief Executive


Tariq Iqbal Khan
Director

Notes to the Consolidated Financial Statements

for the year ended December 31, 2004

1. Nature of business

Packages group comprises the following business:

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

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

2. Significant accounting policies

2.1 Basis of preparation

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

2.1.2 During the year, the SECP substituted the Fourth Schedule to the Companies Ordinance, 1984 which is effective from financial year ending on or after July 5, 2004. This has resulted in the change in accounting policy pertaining to the recognition of dividends proposed subsequent to year end (note 11.1) and capitalization of exchange differences (note 2.21).

2.2 Accounting convention

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

2.2.1 Principles of consolidation

The consolidated financial statements

include Packages Limited and all companies in which it directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors. Subsidiaries are consolidated as from the date of acquisition using the purchase method. Details of the subsidiaries are given in note 46. Investments in associated companies, as defined in the Companies Ordinance, 1984, are accounted for by the equity method.

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

2.3 Taxation

Current

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

Deferred

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

Deferred tax is calculated at the rates that are expected to apply to the period when

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

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

2.4 Fixed capital expenditure and depreciation/amortisation

2.4.1 Property, plant and equipment

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Cost in relation to certain plant and machinery signifies historical cost and interest, mark up etc. as referred to in note 2.21.

Depreciation on all property, plant and equipment 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 33.33%
Vehicles	20%

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

Major repairs and improvements are capitalised. 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.

2.4.2 Intangible assets

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

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

2.4.3 Capital work-in-progress

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

2.5 Investment property

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

Depreciation on buildings is charged to profit on the straight line method so as to write off the 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

capitalised 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.

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.

2.6 Leases

(1) The group is the lessee:

Finance leases

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

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

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

Assets acquired under a finance lease are depreciated over the useful life of the asset on a straight line method at the rates given in note 2.4.1. Depreciation of leased assets is charged to profit.

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

Operating leases

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

(2) The group is the lessor:

Operating leases

Assets leased out under operating leases are included in investment property as referred to in note 15. These are depreciated over their expected useful lives on a basis consistent with similar owned 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 Goodwill

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

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

2.8 Investments

Investments in equity instruments of associated companies

Investments in equity instruments of associated companies are stated at group's share of their underlying net assets using the equity method.

Other investments

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

Held to maturity

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

Available for sale

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

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

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

2.9 Employee retirement benefits

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

- (a) All the executive staff participates in an approved funded defined benefit pension plan. In addition, there is an approved funded defined benefit gratuity plan for all employees. Monthly contributions are made to these funds on the basis of actuarial recommendation at the rate of 20 percent per annum of basic salaries for pension and 4.50 percent per annum of basic salaries for gratuity. The latest actuarial valuation for the pension and gratuity schemes was carried out as at December 31, 2004. The actual returns on plan assets during the year were Rs. 17.845 million and Rs. 12.257 million for the pension and gratuity funds respectively. The actual returns on plan assets represent the difference between the fair value of plan assets at beginning of the year and end of the year after adjustments for contributions made by the group as reduced by benefits paid during the year.

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

Discount rate 9.46 percent per annum.

Expected rate of increase in salary level 7.38 percent per annum.

Expected rate of return 9.46 percent per annum.

The group's policy with regard to actuarial gains/losses is to follow minimum recommended approach under IAS 19 (revised 2000).

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

- (c) Accumulating compensated absences.

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

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

2.10 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.

2.11 Stock-in-trade

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

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

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

2.12 Financial instruments

Financial assets and financial liabilities are recognised when the group 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.

2.13 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.

2.14 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash

and which are subject to an insignificant risk of change in value and finances under mark up arrangements. In the balance sheet, finances under mark up arrangements are included in current liabilities.

2.15 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 costs are accounted for on an accrual basis and are included in creditors, accrued and other liabilities to the extent of the amount remaining unpaid.

2.16 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.

2.17 Provisions

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

2.18 Derivative financial instruments

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

2.19 Revenue recognition

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

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

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

2.20 Foreign currencies

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

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

All other exchange differences are included in profit currently.

During the current year, the group in pursuance of substituted Fourth Schedule to the Companies Ordinance, 1984 has changed its accounting policy with respect to capitalisation of exchange differences. Previously exchange differences on loans utilized for the acquisition of property, plant and equipment were capitalised and all other exchange differences were charged to income. The group now charges all exchange differences to profit and loss account.

The change in accounting policy as referred to above has no effect on the amounts reported for the current year.

2.21 Borrowing costs

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

3. Issued, subscribed and paid up capital

2004 (Number of shares)	2003		2004 (Rupees in thousand)	2003
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

Ordinary shares of the parent company held by associated undertakings as at December 31, 2004 are as follows:

	2004	2003
	(Rupees in thousand)	
International General Insurance Company of Pakistan Limited	9,391,620	9,335,349
Loads Limited	42,500	42,500
Treet Corporation Limited	298,500	298,500
	9,732,620	9,676,349
4. Reserves		
Movement in and composition of reserves is as follows:		
Capital		
Share premium	- note 4.1 203,589	203,589
Exchange difference on translation of foreign subsidiary		
At the beginning of the year	(21,771)	(19,710)
Exchange difference for the year	(9,196)	(2,061)
	(30,967)	(21,771)
Revenue		
General reserve		
At the beginning of the year	2,549,036	2,140,036
Transfer from profit and loss account	559,000	409,000
	3,108,036	2,549,036
	3,280,658	2,730,854
4.1	This reserve can be utilised by the group only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.	
5. Long-term finances and other payables		
These are composed of:		
Long-term running finance - secured	- note 5.1	-
Term finance certificates - unsecured	- note 5.2	50,000
Foreign currency loans - secured	- note 5.3	850,000
Other payables -secured	- note 5.4	850,000
		93,569
		4,870
		15,108
		922,146
		1,008,677
Less: Current portion shown under current liabilities		
Long-term running finance - secured	-	50,000
Term finance certificates - unsecured	850,000	-
Foreign currency loans - secured	18,775	20,415
Other payables-secured	4,870	10,238
		873,645
		80,653
		48,501
		928,024

5.1 This has been repaid during the year.

5.2 Term finance certificates - unsecured

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. 850.000 million (2003: Rs. 926.500 million).

Terms of repayment

Call option

The group 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 group 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 group with respect to all of the outstanding TFCs.

The group has exercised its option for redemption on January 15, 2005 as a result these have been classified as current liabilities.

Put option

TFC holders may exercise their Put option for redemption of TFCs by giving written notice to the group at least sixty days prior to the option date(s). TFC holders will have the option to put the TFCs to the group 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 group defaults on any of its obligations, the trustee may enforce the group'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 group has established a redemption fund consisting of TFCs of First International Investment Bank Limited as referred to in note 19.5.

5.3 Foreign currency loans - secured

This is composed of:

Lender	Currency	Currency balance		Rupee equivalent		Rate of interest per annum	No. of equal instalments	Interest payable
		2004	2003	2004	2003			
(I n t h o u s a n d)								
National Development Bank of Sri Lanka	SLR	118,680	151,800	67,276	93,569	14.5% - 15%	43 - ending July 2008	Monthly
		118,680	151,800	67,276	93,569			

The above loan has been obtained by the foreign subsidiary of the group and is secured by an equitable mortgage of land and building and a charge on all fixed assets of the subsidiary in favour of the lenders.

5.4 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 9.2.

6. Liabilities against assets subject to finance lease

	2004	2003
	(Rupees in thousand)	
Present value of minimum lease payments	10,811	37,688
Less: Current portion shown under current liabilities	4,460	35,986
	6,351	1,702

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

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

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

Years	Minimum lease payment	Future finance charge	Present value of lease liability	
	(R u p e e s i n t h o u s a n d)			
			2004	2003
Not later than one year	4,989	529	4,460	35,986
Later than one year and not later than five years	6,557	206	6,351	1,702
	11,546	735	10,811	37,688

7. Deferred liabilities

		2004	2003
		(Rupees in thousand)	
These are composed of:			
Deferred taxation	- note 7.1	486,500	533,000
Accumulating compensated absences	- note 7.2	77,068	68,078
Staff gratuity		1,267	1,086
		564,835	602,164

7.1 Deferred taxation

The liability for deferred taxation comprises timing differences relating to:

Accelerated tax depreciation		499,226	545,284
Provision for accumulating compensated absences		(26,026)	(23,963)
Provision for doubtful debts		(50)	(130)
Provision for slow moving items		(281)	(1,374)
Provision for doubtful receivables		(139)	(587)
Impairment loss in value of investments		(16,230)	(16,230)
Investments in associated companies		30,000	30,000
		486,500	533,000

Deferred tax liability has not been provided for the taxes that would be payable on the undistributed profits of subsidiaries based on the group's policy as referred to in note 2.3. Such undistributed profits as at December 31, 2004 are Rs. 43.846 million (2003: Rs. 51.572 million).

7.2 Accumulating compensated absences

		2004	2003
		(Rupees in thousand)	
Opening balance		68,078	63,874
Provision for the year		13,688	9,399
		81,766	73,273
Less: Payments made during the year		4,698	5,195
Closing balance		77,068	68,078

8. Current portion of long-term liabilities

Long-term running finance - secured	- note 5	-	50,000
Term finance certificates - unsecured	- note 5	850,000	-
Foreign currency loans - secured	- note 5	18,775	20,415
Other payables - secured	- note 5	4,870	10,238
Liabilities against assets subject to finance lease	- note 6	4,460	35,986
		878,105	116,639

9. Finances under mark up arrangements - secured

		2004 (Rupees in thousand)	2003
Running finances	- note 9.1	351,922	169,745
Short-term finances	- note 9.2	152,383	472,124
		504,305	641,869

9.1 Running finances - secured

Short-term running finances available from a consortium of commercial banks under mark up arrangements amount to Rs. 3,285.000 million (2003: Rs. 2,699.198 million). The rates of mark up range from Re. 0.0670 to Re. 0.3835 per Rs. 1,000 per diem or part thereof on the balances outstanding. In the event, the group fails to pay the balances on the expiry of the quarter, year or earlier demand, mark up is to be computed at the rates ranging from Re. 0.1079 to Re. 0.9345 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.

9.2 Short-term finances - secured

Term finances available from a consortium of commercial banks under mark up arrangements amount to Rs. 77.383 million (2003: Rs. 478.192 million). The rates of mark up range from Re. 0.0385 to Re. 0.4931 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. 1,388.150 million (2003: Rs. 1,328.400 million) for opening letters of credit and Rs. 394 million (2003: Rs. 354 million) for guarantees, the amount utilised at December 31, 2004 was Rs. 151.509 million (2003: Rs. 198.492 million) and Rs. 144.342 million (2003: Rs. 166.443 million) respectively. Of the facility for guarantees, Rs. 322.500 million (2003: Rs. 322.500 million) is secured by a second hypothecation charge over stores, spares, stock-in-trade and trade debts.

10. Creditors, accrued and other liabilities

		2004 (Rupees in thousand)	2003
Trade creditors	- note 10.1	59,313	63,981
Accrued liabilities		349,405	313,158
Sales tax payable		30,915	445
Customers' balances		59,070	31,928
Deposits - interest free repayable on demand		4,322	3,787
Mark up accrued on:			
Other payables - secured		284	1,611
Long-term running finance - secured		-	940
TFCs- unsecured		23,934	23,913
Finances under mark up arrangements-secured		3,660	3,352
Workers' profit participation fund	- note 10.2	69,572	60,297
Workers' welfare fund		16,413	14,709
TFCs payable	- note 26.2	1,415	1,391
Others	- note 10.3	22,280	18,443
		640,583	537,955

10.1 Trade creditors include amount due to related parties Rs. 21.086 million (2003: Rs. 20.379 million).

10.2 Workers' profit participation fund

		2004 (Rupees in thousand)	2003
Opening balance		60,297	47,433
Provision for the year	- note 30	69,516	60,458
Interest charged during the year	- note 32	17	-
		<hr/> 129,830	<hr/> 107,891
Less: Payments made during the year		60,258	47,594
		<hr/> 69,572	<hr/> 60,297

10.3 Others include amount of Rs. 0.398 million (2003: Rs. 0.644 million) due to employees.

11. Dividends

Unclaimed		5,960	4,861
Proposed final (note 11.1 & 11.2)		-	-
		<hr/> 5,960	<hr/> 4,861

11.1 The group, effective from the current year, has not recognised the final dividend, proposed subsequent to year end, as a liability to comply with the substituted Fourth Schedule to the Companies Ordinance, 1984 as referred to in note 2.1.2. Such a change in policy has been accounted for retrospectively and comparative financial statements have been restated in accordance with the recommended benchmark treatment of IAS-8, Net profit or loss for the period, fundamental errors and changes in accounting policy. Had there been no change, the unappropriated profit and the current liabilities for the year ended December 31, 2004 would have been lower and higher respectively by Rs. 404.065 million (2003: Rs. 404.065 million).

11.2 The Board of Directors have proposed a final dividend for the year ended December 31, 2004 of Rs. 8.50 per share, amounting to Rs. 404.065 million at their meeting held on January 25, 2005 for approval of the members at the Annual General Meeting to be held on February 28, 2005. These financial statements do not reflect this dividend payable, as explained in note 11.1.

12. Contingencies and commitments

12.1 Contingencies

- (i) Guarantees to bank for repayment of loans by employees Rs. Nil (2003: Rs. 0.046 million).
- (ii) Guarantees to Director General of Customs amounting to Rs. Nil (2003: Rs. 3.680 million).
- (iii) Claims against the group not acknowledged as debts Rs.11.149 million (2003: Rs. 9.580 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 financial statements in 1985, the STO filed an appeal in 1986 with the Income Tax Appellate Tribunal (ITAT) against the Orders of the AAC for these years. The orders of the AAC

were based on a decision already given by the ITAT on the parent company's appeal for application of a lower rate of sales tax on self consumed material for earlier years. Pending the outcome of the appeal filed by STO no adjustment has been made for the refunds recognised in the financial statements as the management is of the view that the appeal of the STO will not be upheld by the ITAT.

- (v) For the assessment years 1999-2000 and 2000-2001, the 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 financial statements of excess revenue reserves. The Income Tax Appellate Tribunal (ITAT) has set aside the Orders of the IAC and remanded the issue back. The department's reference application against the

Orders of the ITAT has been rejected by the ITAT and the department has now filed an appeal directly to the High Court against the decision of the ITAT. No provision has been made in these financial statements for this demand since in the management's view, there are meritorious grounds that the ultimate decision would be in the group's favour.

12.2 Commitments in respect of

- (i) Contracts for capital expenditure Rs. 243.594 million (2003: Rs. 42.616 million).
- (ii) Letters of credit other than for capital expenditure Rs. 475.468 million (2003: Rs. 265.785 million).
- (iii) The amount of future payments under operating leases and the period in which these payments will become due are as follows:

	2004	2003
	(Rupees in thousand)	
Not later than one year	5,701	7,231
Later than one year and not later than five years	10,878	14,134
Later than five years	2,404	4,724
	18,983	26,089

13. Property, plant and equipment

	Cost as at December 31, 2003	Transfer in	Exchange adjustment on opening cost	Additions/ (deletions)	Cost as at December 31, 2004	Accumulated depreciation as at December 31, 2003	Exchange adjustment on opening accumulated depreciation	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at December 31, 2004	Book value as at December 31, 2004								
	(R	u	p	e	e	s	i	n	t	h	o	u	s	a	n	d)
Freehold land	127,329	-	(1,959)	2,087	127,457	-	-	-	-	-	-	-	-	-	-	-	-	127,457
Buildings on freehold land	239,169	-	(3,192) (700)	29,079	264,356	55,864	(891) (438)	11,134	65,669	198,687								
Buildings on lease old land	137,350	-	-	55,698	193,048	32,232	-	5,911	38,143	154,905								
Plant and machinery	6,050,238	117,333	(19,663) (17,800)	353,355	6,483,463	3,574,226	(7,117) (13,153)	373,714	3,927,670	2,555,793								
Other equipment	298,322	-	(1,158) (16,067)	44,340	325,437	203,991	(1,623) (15,858)	31,578	218,088	107,349								
Furniture and fixtures	20,447	-	(2,273) (1,176)	10,771	27,769	13,449	(1,622) (1,000)	3,092	13,919	13,850								
Vehicles	152,043	-	(104)	34,441	160,361	94,881	(102)	20,298	96,175	64,186								
2004	7,024,898	117,333	(26,019) (28,349) (61,762)	529,771	7,581,891	3,974,643	(18,902) (11,355) (49,351)	445,727	4,359,664	3,222,227								
2003	6,644,737	-	(7,044) (83,172)	470,377	7,024,898	3,614,994	(2,319) (73,884)	435,852	3,974,643	3,050,255								

Additions to plant and machinery include mark up of Rs. Nil (2003: Rs. 6.052 million).

Property, plant and equipment include assets amounting to Rs. 12.131 million (2003: Rs. 12.476 million) of the group which are not in operation.

The cost of fully depreciated assets which are still in use as at December 31, 2004 is Rs. 1,305.242 million (2003: Rs. 1,263.440 million).

13.1 Disposal of property, plant and equipment

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

<u>Particulars of the assets</u>	<u>Sold to</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Book value</u>	<u>Sale proceeds</u>	<u>Mode of disposal</u>
(R u p e e s i n t h o u s a n d)						
Vehicles	Executives					
	Mr. Asad Ullah Sarfraz	394	72	322	361	Group Policy
	Atif Naseer	375	206	169	216	Group Policy
	Faisal Akram	555	324	231	422	Negotiation
	Mohammad Junaid Asghar	345	98	247	263	Group Policy
	Khurram Mehr	999	167	832	961	Group Policy
	Masood Abdullah	450	255	195	280	Group Policy
	Muhammad Usman	464	209	255	307	Group Policy
	Maqsood Ahmed	683	353	330	496	Group Policy
	Nauman Ali Qureshi	435	160	275	366	Group Policy
	Saulat Said	781	403	378	247	Group Policy
	Syed Ali Raza Rizvi	354	165	189	256	Group Policy
	Faraz Shahid	348	70	278	282	Group Policy
	Zafar Iqbal	448	448	-	230	Group Policy
	Ms. Seema Riaz	737	209	528	628	Group Policy
	Sadyia Babar	349	41	308	337	Group Policy
	Imrana Ali	325	114	211	226	Group Policy
	Anie Onaiza	370	86	284	286	Group Policy
	Outsiders					
	Mr. Abdul Rehman	555	305	250	440	Negotiation
	Rashid Iqbal	3,497	2,214	1,283	2,300	Negotiation
	International General Insurance Company of Pakistan Limited -Related Party	399	7	392	392	Insurance Claim
Building on freehold land	Syed Wajid Ali - Director	700	438	262	700	Negotiation
Plant & Machinery	Miscellaneous	10,610	5,962	4,648	-	Scrapped
Other equipments	Mr. Saulat Said - Executive	97	21	76	-	Group Policy
Other assets with book value less than Rs. 50,000		37,492	37,024	468	10,209	-
		<u>61,762</u>	<u>49,351</u>	<u>12,411</u>	<u>20,205</u>	

14. Intangible assets

	Cost as at December 31, 2003	Additions/ (deletions)	Cost as at December 31, 2004	Accumulated amortisation December 31, 2003	Amortisation charge/ (deletions) for the year	Accumulated amortisation December 31, 2004	Book value as at December 31, 2004
	(R u p e e s i n t h o u s a n d)						
Computer software and ERP system	116,365	6,769	123,134	88,294	28,455	116,749	6,385
2004	116,365	6,769	123,134	88,294	28,455	116,749	6,385
2003	115,927	438	116,365	49,999	38,295	88,294	28,071

The cost of fully amortised assets which are still in use as at December 31, 2004 is Rs. 115.437 million (2003: Rs. 5.319 million).

	Deprec- iation	Amorti- sation	Total
	2004		
	2003		
	(R u p e e s i n t h o u s a n d)		

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

Cost of goods sold	- note 27	410,692	1,893	412,585	401,949
Administration expenses	- note 28	28,179	26,562	54,741	65,773
Distribution and marketing expenses	- note 29	6,856	-	6,856	6,425
		445,727	28,455	474,182	474,147

15. Investment property

	Cost as at December 31, 2003	Transfers from fixed assets	Additions	Cost as at December 31, 2004	Accumulated depreciation December 31, 2003	Transfers from fixed assets	Depreciation charge for the year	Accumulated depreciation December 31, 2004	Book value as at December 31, 2004
	(R u p e e s i n t h o u s a n d)								
Buildings on leasehold land	15,067	-	909	15,976	6,202	-	587	6,789	9,187
2004	15,067	-	909	15,976	6,202	-	587	6,789	9,187
2003	15,067	-	-	15,067	5,633	-	569	6,202	8,865

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

Fair value of the investment property transferred from fixed assets, based on the valuation carried out by an independent valuer, as at December 31, 2004 is Rs. 19.579 million (2003: Rs. 15.513 million).

16. Assets subject to finance lease

	Cost as at December 31, 2003	Additions/ (Deletions)	Cost to December 31, 2004	Accumulated depreciation December 31, 2003	Depreciation charge/ (deletions) for the year	Accumulated depreciation December 31, 2004	Book value as at December 31, 2004
	(R u p e e s i n t h o u s a n d)						
Plant and machinery	176,000	- (176,000)	-	49,500	9,167 (58,667)	-	-
Vehicles	2,766	12,229	14,995	184	2,656	2,840	12,155
2004	178,766	12,229 (176,000)	14,995	49,684	11,823 (58,667)	2,840	12,155
2003	176,000	2,766	178,766	38,500	11,184	49,684	129,082

Deletion represents the asset transferred to property, plant and equipment on expiry of lease term.

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

		2004	2003
		(Rupees in thousand)	
Cost of goods sold	- note 27	11,089	11,184
Administration expenses	- note 28	555	-
Distribution and marketing expenses	- note 29	179	-
		11,823	11,184
17. Capital work-in-progress			
Plant and machinery		311,592	292,854
Civil works and buildings		18,530	61,014
		330,122	353,868
18. Goodwill			
Opening balance		58,310	61,310
Acquisition during the year		-	7,017
		58,310	68,327
Less: Amortised during the year		10,602	10,017
		47,708	58,310
19. Investments			
These represent the long-term investments in:			
Equity instruments of associated companies	- note 19.1	1,116,109	1,051,806
Others	- note 19.2	86,192	39,410
		1,202,301	1,091,216
Less: investments shown under current assets		9,067	-
		1,193,234	1,091,216
19.1 In equity instruments of associated companies			
Cost		192,474	192,474
Transferred during the year		10,000	-
		202,474	192,474
Post acquisition profit brought forward		859,332	728,802
		1,061,806	921,276
Profit for the year			
Before taxation		679,907	690,549
Provision for taxation		(138,738)	(134,830)
		541,169	555,719
		1,602,975	1,476,995
Less: Dividends received during the year		486,866	425,189
		1,116,109	1,051,806
Balance as on December 31, 2004	- note 19.3	1,116,109	1,051,806

19.2 Others

2004 **2003**
(Rupees in thousand)

Quoted

The Resource Group (TRG) Pakistan Limited

6,000,000 (2003: 2,000,000) fully paid ordinary shares of Rs. 10 each

Equity held 2.78% (2003: 2.78%) - note 19.4 **77,100** 31,400

In associated companies

First International Investment Bank Limited

6 (2003: 6) term finance certificates of Rs. 1 million each

- note 19.5 **9,067** 7,985

86,167 39,385

Unquoted

Pakistan Tourism Development Corporation Limited

2,500 (2003: 2,500) fully paid ordinary shares of Rs. 10 each

- note 19.4 **25** 25

Orient Match Company Limited

1,900 (2003: 1,900) fully paid ordinary shares of Rs. 100 each

- note 19.4 - -

86,192 39,410

19.3 In equity instruments of associated companies

Quoted

Nestle Milkpak Limited

3,649,248 (2003: 3,649,248) fully paid ordinary shares of Rs. 10 each
Equity held 8.06% (2003: 8.06%)

127,658 98,192

International General Insurance Company of Pakistan Limited

1,303,470 (2003: 1,303,470) fully paid ordinary shares of Rs. 10 each
Equity held 10.61 % (2003: 10.61%)

99,117 81,199

Tri-Pack Films Limited

10,000,000 (2003: 10,000,000) fully paid ordinary shares of Rs. 10 each
Equity held 33.33 % (2003: 33.33%)

315,250 306,362

First International Investment Bank Limited

4,191,741 (2003: 2,644,995) fully paid ordinary shares of Rs. 10 each
Equity held 9.99 % (2003: 9.99 %)

47,723 33,987

Carried Forward **589,748** 519,740

	2004 (Rupees in thousand)	2003
Brought Forward	589,748	519,740
Unquoted		
Tetra Pak Pakistan Limited		
30,800,000 (2003: 26,400,000) fully paid ordinary shares of Rs. 10 each Equity held 44 % (2003: 44%)		
	521,771	527,966
Coca-Cola Beverages Pakistan Limited		
500,000 (2003: 500,000) fully paid ordinary shares of Rs. 10 each Equity held 0.14 % (2003: 0.14%)		
	4,590	4,100
	526,361	532,066
	1,116,109	1,051,806

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

19.5 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 5. 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.

20. Long-term loans and deposits

	2004 (Rupees in thousand)	2003
Loans to employees - considered good - note 20.1	1,412	1,005
Security deposits	4,950	3,356
Other receivables	-	-
	6,362	4,361

20.1 These represent interest free loans to employees for purchase of cycles and motor cycles and are repayable in monthly instalments over a period of 43 to 146 months.

Loans to employees aggregating Rs. 0.294 million (2003: Rs. 0.159 million) are secured by joint registration of motor cycles in the name of employees and the parent company. The remaining loans are unsecured.

21. Retirement and other benefits

	2004 (Rupees in thousand)	2003
Pension fund - note 21.1	(13,377)	(17,219)
Gratuity fund - note 21.2	65,102	54,555
	51,725	37,336

21.1 Pension fund

	2004	2003
	(Rupees in thousand)	
The amounts recognised in the balance sheet are as follows:		
Fair value of plan assets	366,448	347,977
Present value of defined benefit obligation	(435,580)	(386,314)
Non vested (past service) cost to be recognised in later periods	15,109	18,130
Unrecognised actuarial losses	40,646	2,988
(Liability) as at December 31	(13,377)	(17,219)
Net (liability) as at January 1	(17,219)	(17,226)
Charge to profit and loss account	(15,016)	(17,653)
Contribution by the Parent company	18,858	17,660
(Liability) as at December 31	(13,377)	(17,219)

Fair value of plan assets include ordinary shares and term finance certificates (TFC) of the parent company, whose fair value as at December 31, 2004 is Rs.19.332 million (2003: Rs. 17.546 million) and Rs. 4.800 million (2003: Rs. 3.270 million) respectively.

21.2 Gratuity fund

	2004	2003
	(Rupees in thousand)	
The amounts recognised in the balance sheet are as follows:		
Fair value of plan assets	238,601	248,973
Present value of defined benefit obligation	(147,984)	(151,673)
Unrecognised actuarial (gains)	(25,515)	(42,745)
Asset as at December 31	65,102	54,555
Net assets as at January 1	54,555	43,958
Credit to profit and loss account	4,156	4,842
Contribution by the Parent company	6,391	5,755
Asset as at December 31	65,102	54,555

Fair value of plan assets include ordinary shares of the Parent company, whose fair value as at December 31, 2004 is Rs.1.452 million (2003 Rs. 1.318 million).

22. Stores and spares

	2004	2003
	(Rupees in thousand)	
Stores [including in transit Rs. 6.122 million (2003: Rs. 4.050 million)]	148,174	121,068
Spares [including in transit Rs. 6.903 million (2003: Rs. 16.742 million)]	243,481	204,934
	391,655	326,002

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

23. Stock-in-trade

	2004	2003
	(Rupees in thousand)	
Raw materials [including in transit Rs. 130.235 million (2003: Rs. 130.983 million)]	836,027	652,611
Work-in-process	115,040	90,333
Finished goods	416,676	300,591
	1,367,743	1,043,535
Less: Provision for slow moving stocks	3,040	3,522
	1,364,703	1,040,013

Finished goods of Rs. 20.437 million (2003: Rs. 18.835 million) are being carried at net realisable value.

24. Trade debts

	2004	2003
	(Rupees in thousand)	
Considered good		
Related Parties	139,257	117,212
Others	597,604	537,116
	736,861	654,328
Considered doubtful		
Related Parties	-	-
Others	538	335
	538	335
Less: Provision for doubtful debts	2,166	2,023
	735,233	652,640

Trade debts include secured debts of Rs. 1.700 million (2003: Rs. 1.020 million).

24.1 Due from related parties

	2004 (Rupees in thousand)	2003
Treet Corporation Limited	5,213	4,014
Nestle Milkpak Limited	48,836	44,497
Tetrapak Pakistan Limited	71,994	53,655
Zulfiqar Industries Limited	3,633	5,847
Tri-Pack Films Limited	4,438	2,814
Ceylon Tea Services Limited	4,867	6,107
Coca-Cola Beverages Pakistan Limited	276	278
	139,257	117,212

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

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

	2004 (Rupees in thousand)	2003
Loans to employees - considered good	312	204
Advances - considered good		
To employees - note 25.1	12,189	7,650
To suppliers	37,787	18,191
	49,976	25,841
Advances to suppliers- considered doubtful	-	74
Due from related parties - note 25.2	13,509	19,659
Due from Packages Limited Employees Provident Fund	9,601	878
Due from Packages Limited Employees Gratuity Fund	25,146	4,771
Trade deposits	6,571	9,345
Security deposits	623	880
Prepayments	13,121	10,207
Balances with statutory authorities		
Excise duty	117	241
Customs duty	1,163	1,042
	1,280	1,283
Profit receivable on bank deposits	37	12
Claims recoverable from Government		
Sales tax	4,785	14,734
Income tax recoverable - note 25.3	36,013	36,013
Income tax refundable	-	233,505
Octroi - considered doubtful	1,506	1,506
	42,304	285,758
Defence levy recoverable	239	260
Other receivables	2,242	1,355
	164,961	360,527
Less: Provision against doubtful advances	1,506	1,580
	163,455	358,947

25.1 Included in advances to employees are amounts due from Chief Executive, Directors and Executives of Rs. Nil, Rs. Nil and Rs. 8.218 million respectively. (2003: Chief Executive Rs. 0.030 million, Directors Rs. 0.301 million and Executives Rs. 3.304 million).

25.2 Due from related parties

	2004 (Rupees in thousand)	2003
Tetrapak Pakistan Limited	12,995	9,166
Tri-Pack Films Limited	7	78
International General Insurance Company of Pakistan Limited	387	415
First International Investment Bank Limited Loads Limited	16 104	10,000 -
	13,509	19,659

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

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

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

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

26. Cash and bank balances

	2004 (Rupees in thousand)	2003
At banks		
On deposit accounts [including USD 1,478.95 (2003: USD 175,149.77)]	178	10,427
On savings accounts [including USD 26,074 (2003: USD 43,708)] - note 26.1	6,364	6,328
On current accounts [including USD 20,803.2 (2003: USD 6,339)] - note 26.2	134,884	94,144
	141,426	110,899
In hand	6,006	7,399
	147,432	118,298

26.1 The balances in savings accounts bear mark up which ranges from 0.75 % to 2 % per annum.

26.2 Included in these are total restricted funds of Rs. 1.415 million (2003: Rs. 1.391 million) held as payable to TFC holders as referred to in note 10.

27. Cost of goods sold

	2004 (Rupees in thousand)	2003
Opening work-in-process	90,333	81,419
Materials consumed	3,014,895	2,466,557
Salaries, wages and amenities - note 27.1	443,775	413,274
Fuel and power	675,004	628,125
Production supplies	177,673	166,800
Excise duty and sales tax	3,942	42,726
Rent, rates and taxes	4,256	6,780
Insurance	38,200	40,004
Repairs and maintenance	295,569	242,295
Packing expenses	53,016	40,430
Provision for slow moving stocks	-	2,325
Depreciation on property, plant and equipment- note 14.1	410,692	399,070
Amortisation on intangible assets - note 14.1	1,893	2,879
Depreciation on leased assets - note 16.1	11,089	11,184
Technical fee and royalty	30,511	26,565
Travelling and conveyance	2,831	1,307
Other expenses	73,925	57,008
	5,327,604	4,628,748
Less: Closing work-in-process	115,040	90,333
Cost of goods produced	5,212,564	4,538,415
Opening stock of finished goods	303,660	337,070
	5,516,224	4,875,485
Less: Closing stock of finished goods	419,888	300,591
	5,096,336	4,574,894

Cost of goods produced includes Rs. 569.402 million (2003: Rs. 537.745 million) for stores and spares consumed, Rs. 1.205 million (2003: Rs. 7.842 million) and Rs. 0.111 million (2003: Rs. 0.669 million) for raw material and stores and spares written off respectively.

27.1 Salaries, wages and amenities

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

	2004 (Rupees in thousand)	2003
Pension		
Current service cost	7,716	7,086
Interest cost for the year	17,104	15,257
Expected return on plan assets	(15,871)	(13,188)
Contribution made by the employees	(2,283)	(2,161)
Recognition of past service cost	1,717	1,643
Recognition of loss	151	961
	8,534	9,598
Gratuity		
Current service cost	5,113	4,998
Interest cost for the year	7,871	7,412
Expected return on plan assets	(13,624)	(12,965)
Recognition of (gain)	(2,335)	(2,814)
	(2,975)	(3,369)

In addition to above, salaries, wages and amenities include Rs. 10.873 million (2003: Rs. 10.102 million) and Rs. 10.027 million (2003: Rs. 8.609 million in respect of provident fund contribution by the parent company and accumulating compensated absences respectively.

28. Administration expenses

		2004	2003
		(Rupees in thousand)	
Salaries, wages and amenities	-note 28.1	148,019	151,358
Travelling		40,993	33,466
Rent, rates and taxes		11,094	9,100
Insurance		4,810	3,954
Printing, stationery and periodicals		13,027	13,518
Postage, telephone and telex		21,405	21,710
Motor vehicles running		7,723	8,586
Computer charges			
Professional services	-note 35	14,923	19,028
Repairs and maintenance		14,353	15,081
Depreciation on property, plant and equipment	-note 14.1	28,179	30,357
Amortisation of intangible assets	-note 14.1	26,562	35,416
Depreciation on investment property	-note 15	587	569
Depreciation of leased assets	-note 16.1	555	-
Amortisation of goodwill	-note 18	10,602	10,017
Provision for doubtful advances		203	-
Security services		952	-
Bad debts written off		-	105
Other expenses		40,766	43,634
		396,094	397,949

Administration expenses include Rs. 24.250 million (2003: Rs. 26.238 million) for stores and spares consumed.

28.1 Salaries, wages and amenities

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

		2004	2003
		(Rupees in thousand)	
Pension			
Current service cost		4,577	4,672
Interest cost for the year		10,146	10,060
Expected return on plan assets		(9,415)	(8,696)
Contribution made by the employees		(1,354)	(1,425)
Recognition of past service cost		1,018	1,083
Recognition of loss		90	634
		5,062	6,328
Gratuity			
Current service cost		1,584	1,717
Interest cost for the year		2,439	2,546
Expected return on plan assets		(4,221)	(4,453)
Recognition of (gain)		(724)	(967)
		(922)	(1,157)

In addition to above, salaries, wages and amenities include Rs. 3.656 million (2003: Rs. 3.604 million) and Rs. 2.567 million (2003: Rs. 1.399 million) in respect of provident fund contribution by the parent company and accumulating compensated absences respectively.

29. Distribution and marketing expenses

		2004	2003
		(Rupees in thousand)	
Salaries, wages and amenities	- note 29.1	42,467	36,780
Travelling		11,673	9,608
Rent, rates and taxes		2,983	3,371
Freight and distribution		74,985	65,369
Insurance		1,678	1,526
Printing, stationery and periodicals		264	192
Postage, telephone and telex		663	558
Advertising		38,162	39,279
Depreciation on property, plant and equipment- note 14.1		6,856	6,425
Depreciation on leased assets	- note 16.1	179	-
Bad Debts written off		80	-
Other expenses		13,756	12,278
		193,746	175,386

Distribution and marketing expenses include Rs. 3.191 million (2003: Rs. Nil) for stores and spares consumed.

29.1 Salaries, wages and amenities

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

		2004	2003
		(Rupees in thousand)	
Pension			
Current service cost		1,284	1,275
Interest cost for the year		2,847	2,744
Expected return on plan assets		(2,642)	(2,372)
Contribution made by the employees		(380)	(389)
Recognition of past service cost		286	295
Recognition of loss		25	173
		1,420	1,726
Gratuity			
Current service cost		445	468
Interest cost for the year		685	695
Expected return on plan assets		(1,186)	(1,215)
Recognition of (gain)		(203)	(264)
		(259)	(316)

In addition to above, salaries, wages and amenities include Rs. 1.057 million (2003: Rs. 0.911 million) and Rs. 1.034 million (2003: Rs. (0.609) million) in respect of provident fund contribution by the parent company and accumulating compensated absences respectively.

30. Other operating expenses

	2004 (Rupees in thousand)	2003
Workers' profit participation fund	69,516	60,458
Workers' welfare fund	19,213	14,718
Donations	2,446	1,328
	91,175	76,504

31. Other operating income**Income from financial assets**

Exchange gain	139	-
Income on rupee deposits	229	469
	368	469

Income from non-financial assets

Management and technical fee	11,557	5,723
Insurance commission from related party	3,031	3,403
Rental income from investment property including Rs. 21.239 million (2003: Rs. 17.199 million) from related party	21,481	17,199
Profit on disposal of property, plant and equipment	7,794	20,067
Scrap sales	1,161	890
Provisions and unclaimed balances written back	18,725	41,970
Agricultural income	2,417	1,558
Profit on outside jobs including Rs. 1.609 million (2003: Rs. 1.104 million) from related parties	9,310	2,120
Others	6,009	8,653
	81,485	101,583
	81,853	102,052

32. Finance cost

Interest and mark up including commitment charges on Long-term foreign currency loans	15,070	15,402
Long-term finances	114,755	111,520
Finances under mark up arrangements	22,334	36,306
Finance lease	2,587	6,109
Deferred import duties	1,064	2,115
Workers' profit participation fund	17	-
Loan handling charges	552	252
Exchange loss	-	653
Bank charges	7,108	4,823
	163,487	177,180

33. Investment income

Unrealised gain on investments Available for sale	5,700	11,400
Held to maturity	1,083	953
	6,783	12,353

34. Taxation

	2004	2003
	(Rupees in thousand)	
For the year		
Current	330,500	299,150
Deferred	(10,500)	(10,300)
	320,000	288,850
Prior years		
Current	(20,629)	(131,044)
Deferred	(36,000)	93,300
	(56,629)	(37,744)
	263,371	251,106

35. Professional services

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

Statutory audit	729	652
Half yearly review	200	200
Tax services	3,856	3,396
Share transfer, workers profit participation fund audit, management staff pension fund audit, special reports and certificates for lending agencies, foreign reporting and sundry advisory services	338	538
Out of pocket expenses	175	266
	5,298	5,052

36. Donations

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

Pakistan Red Crescent Society, Lahore

(Syed Wajid Ali, Chief Executive is the President of the Society)

54	-
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Liaquat National Hospital, Karachi

(Syed Wajid Ali, Chief Executive is the Chairman of the Hospital)

500	400
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Gulab Devi Chest Hospital, Lahore

(Syed Wajid Ali, Chief Executive is the President of the Hospital)

500	35
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Institute of Islamic Culture, Lahore

(Syed Wajid Ali, Chief Executive is the President of the Institute)

-	100
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The All Pakistan Musical Conference, Lahore

(Syed Wajid Ali, Chief Executive is the President of the Conference)

-	30
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37. Remuneration of Chief Executive, Directors and Executives

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

	Chief Executive		Directors and alternate			
			Directors		Executives	
	2004	2003	2004	2003	2004	2003
Number of persons	1	1	5	7	61	66
	(R u p e e s i n t h o u s a n d)					
Managerial remuneration	2,641	2,385	10,487	10,544	21,407	68,401
Contribution to provident, gratuity, pension and welfare funds	-	-	2,801	2,920	4,209	14,018
Housing	508	680	4,705	4,755	8,677	24,822
Utilities	633	627	929	934	1,991	8,963
Leave passage	9	18	870	778	1,129	1,606
Medical expenses	566	934	421	257	1,289	3,936
Club expenses	31	13	122	30	88	4
Others	-	-	178	-	1,277	12,113
	4,388	4,657	20,513	20,218	40,067	133,863

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

37.2 Remuneration to other directors

Aggregate amount charged in the financial statements for the year for fee to 3 directors (2003: 3 directors) was Rs. 105,000 (2003: Rs. 115,500).

38. Transactions with related parties

The related parties comprise associated undertakings and directors. The Group in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables, amounts due from directors are shown under receivables and remuneration of directors is disclosed in note 37. Other significant transactions with related parties are as follows:

Description	2004 (Rupees in thousand)	2003
Purchase of goods and services	214,304	249,080
Sale of goods and services	1,400,816	1,206,969
Dividend Income	486,866	425,189
Rental income	21,236	17,199
Royalty and technical fee	14,801	12,361
Sale of property, plant and equipment	3,700	-

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

39. Capacity and production

	Capacity		Actual production	
	2004	2003	2004	2003
Paper and paperboard produced - tonnes	107,300	101,900	91,421	86,641
Paper and paperboard converted - tonnes	89,000	70,000	71,882	66,870
Plastics all sorts converted - tonnes	7,500	7,500	6,732	5,850
Inks produced - tonnes	3,075	2,375	2,489	2,149
Flexible packaging material - meters '000	54,000	54,000	25,498	19,954

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

40. Rates of exchange

Liabilities in foreign currencies have been translated into Rupees at USD 1.6764 (2003: USD 1.7355), EURO 1.2317 (2003: EURO 1.3801) SFR 1.8961 (2003: SFR 2.1529), SEK 11.1111 (2003: SEK 12.5313), GBP 0.8708 (2003: GBP 0.9745), YEN 172.0578 (2003: YEN 185.5632) and SLR 176.407 (2003: SLR 162.2323) equal to Rs. 100.

41. Cash generated from operations

	2004 (Rupees in thousand)	2003
Profit before taxation	1,433,098	1,339,557
Adjustments for:		
Depreciation on property, plant and equipment	445,727	435,852
Amortisation on intangible assets	28,455	38,295
Depreciation on investment property	587	569
Depreciation on leased assets	11,823	11,184
Amortisation of goodwill	10,602	10,017
Provision for accumulating compensated absences and gratuity	13,869	9,527
Retirement and other benefits accrued	10,860	12,811
Exchange adjustments	(11,630)	(2,060)
Unrealised profit on investments		
Held to maturity	(1,083)	(953)
Available for sale	(5,700)	(11,400)
Net profit on disposal of fixed assets	(7,794)	(20,067)
Finance cost	163,487	177,180
Share of profit from associated companies	(679,907)	(690,549)
Profit before working capital changes	1,412,394	1,309,963
Effect on cash flow due to working capital changes		
Increase in trade debts	(82,593)	(56,414)
Increase in stores and spares	(65,653)	(19,502)
(Increase)/decrease in stock in trade	(324,690)	36,608
Increase in loans, advances, deposits, prepayments and other receivables	(38,013)	(34,034)
Increase in creditors, accrued and other liabilities	104,542	36,868
	(406,407)	(36,474)
	1,005,987	1,273,489

42. Cash and cash equivalents

	2004	2003
	(Rupees in thousand)	
Cash and bank balances	147,432	118,298
Finances under mark up arrangement	(504,305)	(641,869)
	(356,873)	(523,571)

43. Combined earnings per share**43.1 Combined basic earnings per share**

Net profit for the year	Rupees in thousand	997,503	923,004
Weighted average number of ordinary shares	Numbers	47,537,080	47,537,080
Combined basic earnings per share	Rupees	20.98	19.42

43.2 Combined diluted earnings per share

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

44. Financial assets and liabilities

	Interest/mark up bearing			Non interest bearing			Total		Credit Risk	
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	2004	2003	2004	2003
	(R	u p	e e	e s	i n	t h	o u	s a	n d)
Financial assets										
On balance sheet										
Investments	9,067	-	9,067	-	77,125	77,125	86,192	39,410	86,192	39,410
Loans to employees	-	-	-	312	1,412	1,724	1,724	1,661	1,724	452
Long-term security deposits	-	-	-	-	4,950	4,950	4,950	3,356	4,950	3,356
Trade debts	-	-	-	764,233	-	764,233	764,233	652,640	764,233	652,640
Loans, advances, deposits, prepayments and other receivables:	-	-	-	2,853	-	2,853	2,853	-	-	-
Trade deposits	-	-	-	6,571	-	6,571	6,571	9,345	6,571	9,345
Profit receivable on bank deposits	37	-	37	-	-	-	37	12	37	6
Others	-	-	-	35,030	-	35,030	35,030	23,295	35,066	23,295
Security deposits	-	-	-	604	-	604	604	880	604	880
Cash and bank balances	6,543	-	6,543	140,889	-	140,889	147,432	118,298	110,671	28,633
	15,647	-	15,647	950,492	83,487	1,033,979	1,049,626	848,897	1,010,048	758,017
Off balance sheet	-	-	-	-	-	-	-	-	-	-
Total	15,647	-	15,647	950,492	83,487	1,033,979	1,049,626	848,897	1,010,048	758,017
Financial liabilities										
On balance sheet										
Long-term finances - secured	18,775	48,501	67,276	-	-	-	67,276	50,000		
Term Finance Certificates - unsecured	850,000	-	850,000	-	-	-	850,000	850,000		
Liabilities against assets subject to finance lease	4,460	6,351	10,811	-	-	-	10,811	37,688		
Other payables - secured	4,870	-	4,870	-	-	-	4,870	108,677		
Finances under mark up arrangements - secured	504,305	-	504,305	-	-	-	504,305	641,869		
Creditors, accrued and other liabilities	-	-	-	491,390	-	491,390	491,390	423,139		
	1,382,410	54,852	1,437,262	491,390	-	491,390	1,928,652	2,111,373		
Off balance sheet										
Contracts for capital expenditure	-	-	-	239,194	-	239,194	239,194	42,616		
Guarantees	-	-	-	-	-	-	-	3,726		
Letters of credit other than for capital expenditure	-	-	-	275,468	-	275,468	275,468	265,785		
Future payments under operating leases	-	-	-	5,701	13,282	18,983	18,983	26,089		
	-	-	-	520,363	13,282	533,645	533,645	338,216		
Total	1,382,410	54,852	1,437,262	1,011,753	13,282	1,025,035	2,462,297	2,449,589		
On balance sheet gap	(1,366,763)	(54,852)	(1,421,615)	459,102	83,487	542,589	(879,026)	(1,262,476)		
Off balance sheet gap	-	-	-	(520,363)	(13,282)	(533,645)	(533,645)	(338,216)		

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

44.1 Financial risk management objectives

The group's activities expose it to a variety of financial risks, including the effects of changes in foreign exchange rates, market interest rates such as 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 44 and cash flow risk associated with accrued interests in respect of borrowings as referred to in note 5.

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

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

(a) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The group's credit risk is primarily attributable to its trade debts and its balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The group's 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. 1,049.626 million (2003: Rs. 826.336 million) financial assets which are subject to credit risk amount to Rs. 1,010.048 million (2003: Rs.735.456 million). To manage exposure to credit risk, the group applies credit limits to its customers and also obtains collaterals, where considered necessary.

(b) Currency risk

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

The following forward exchange contracts have been entered into as at December 31, 2004 to hedge the foreign currency liabilities which are due within the next four months:

Forward exchange contracts

(Rupees in thousand)

Purchase value	183,395
Fair value	196,205

(c) Interest rate risk

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

(d) Liquidity risk

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

44.2 Fair value of financial assets and liabilities

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

45. Number of employees

	2004	2003
Number of employees as at December 31	3,355	3,305

46. Detail of subsidiaries

Name of the subsidiaries	Accounting year end	Percentage of holding	Country of incorporation
Packages Lanka (Private) Limited	December 31, 2004	79.07%	Sri Lanka
Coates Lorilleux Pakistan Limited	December 31, 2004	54.98%	Pakistan

47. Date of authorization for issue

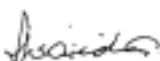
These financial statements were authorised for issue on January 25, 2005 by the Board of Directors.

48. Corresponding figures

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. Significant re-arrangements made are as follows:

- (i) Investment income previously classified in other income has now been disclosed separately.
- (ii) The definition of executives under the Companies Ordinance, 1984 was revised during the year with respect to minimum basic salary requirement from Rs. 100,000 to Rs. 500,000. Therefore, the figures of the previous year have been restated for the purposes of comparison.

The above figures have been re-arranged as the re-classification made is considered more appropriate for purposes of presentation.


Syed Wajid Ali
Chief Executive


Tariq Iqbal Khan
Director

Form of Proxy

50th Annual General Meeting



I/We _____

of _____ being a member of Packages Limited and

holder of _____ Ordinary Shares as per Share Register Folio No. _____
(Number of Shares)

and/or CDC Participant I.D. No. _____ and Sub Account No. _____

hereby appoint _____ of _____ or failing him _____

of _____ or failing him _____ of _____ as my
proxy to vote for me and on my behalf at the Annual General Meeting of the company to be held
on Monday, February 28, 2005 at 11:30 a.m. at Beach Luxury Hotel, Moulvi Tamizuddin Khan
Road, Karachi and at any adjournment thereof.

Signed this _____ day of _____ 2005

Witnesses:

1. Signature: _____
Name: _____
Address: _____

NIC or
Passport No: _____

Signatures

Please
affix Rupees five
revenue stamp

(Signatures should agree with the
specimen signatures registered with
the company)

2. Signature: _____
Name: _____
Address: _____

NIC or
Passport No: _____

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

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