Contents

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, NWFP. This project, Tri-Pack Films Limited, commenced production in June 1995, with equity participation by Packages Limited, Mitsubishi Corporation, Altawfeek Company for Investment Funds, Saudi Arabia and general public. Packages Limited owns 33% of Tri-Pack Films Limited's equity.

In July 1994, Coates Lorilleux Pakistan Limited, in which Packages Limited has 55% ownership, commenced production and sale of printing 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. A team from Packages Limited is already there providing such services.

Company Information

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

Advisor
Syed Babar Ali

Company Secretary
Adi J. Cawasji

Executive Committee

Syed Wajid Ali	- Chairman
Rafi Iqbal Ahmed	- Member
Saulat Said	- Member
Khalid Yacob	- Member
Syed Hyder Ali	- Member

Audit Committee
Tariq Iqbal Khan – Chairman
(Non-Executive Director)
Asadullah Khawaja – Member
(Non-Executive Director)
Saulat Said – Member
(Director & General Manager)

Adi J. Cawasji – Secretary

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
Citibank N.A.
Credit Agricole Indosuez
The Global French Bank
Deutsche Bank A.G.
Faysal Bank Limited
Habib Bank Limited
Habib Bank A.G. Zurich
Mashreq Bank Pakistan Limited
Muslim Commercial Bank Limited
Standard Chartered Bank
Union Bank Limited
United Bank Limited

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

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

Registered Office & Regional Sales Office
Ist floor Hilal - e - Ahmer House
Khayaban - e - Iqbal, Main Clifton Road
Karachi - 75600
Pakistan
PABX: 5833011, 5874047-49
: 5831664, 5831618
Cable : PACKAGES KARACHI
Fax : (021) 5860251

Regional Sales Office
2nd Floor, G.D. Arcade
73-E, Fazal - ul - Haq Road, Blue Area
Islamabad - 44000
Pakistan
PABX: 2276765, 2276768, 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

1st Floor, Room No. 7
Glamour Centre
Mission Road, Sukkur - 65200
Pakistan
Tel. & Fax: (071) 26581

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

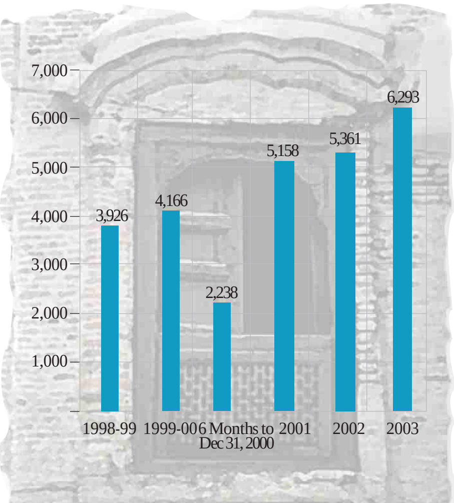
Shares Registrar
Ferguson Associates (Pvt.) Limited
State Life Building No. 1-A
Off: I. I. Chundrigar Road
Karachi - 74000

Web Presence
www.packages.com.pk

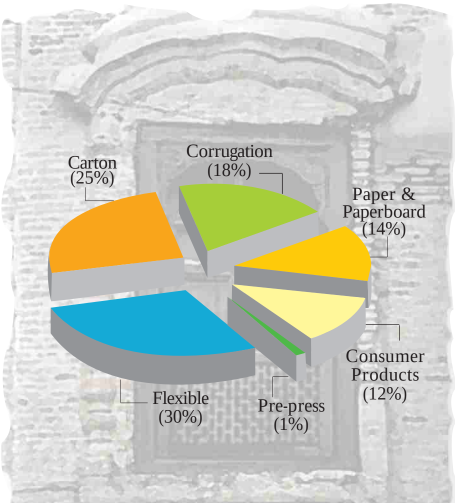
Highlights

	Year to December 31, 2003	Year to December 31, 2002
Invoiced sales-million rupees	6,293.22	5,360.88
Profit before tax-million rupees	1,036.91	797.23
Profit after tax-million rupees	813.51	655.37
Cash dividend-percentage of paid up capital	85.00	70.00
Shareholders' equity-million rupees	3,228.66	2,819.21
Total assets-million rupees	6,154.28	5,950.48
Net assets employed	4,651.91	4,250.57
Earnings per share-rupees	17.11	13.79
Price-Earning Ratio	9.81	6.42
Return on Capital Employed (%)	29.28	23.81
Return on Shareholder's Equity (%)	25.20	23.25
Return on Invested Capital (%)	16.44	13.60

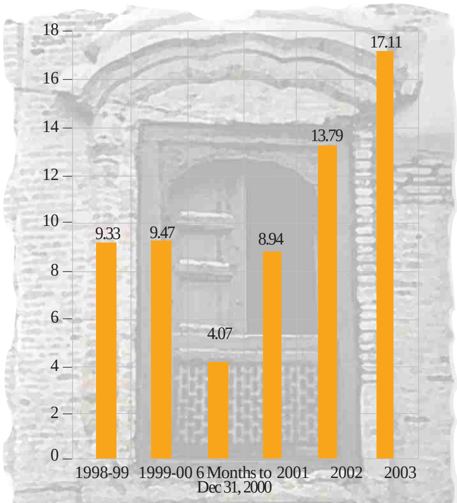
Paper and board produced-tonnes	86,641	72,642
Paper and board converted-tonnes	66,870	59,808
Plastic all sorts converted-tonnes	5,850	5,236
Number of shareholders	2,955	3,006
Number of shares	47,537,080	47,537,080
Number of employees	3,191	3,084
Value added and its distribution		
Employees as remuneration-million rupees	551	507
Government as taxes-million rupees	1,115	953
Shareholders as dividends-million rupees	404	333
Retained within the business-million rupees	409	323



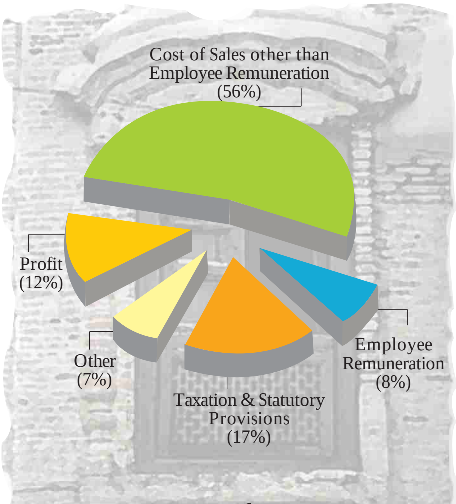
Sales (Rupees in Thousands)



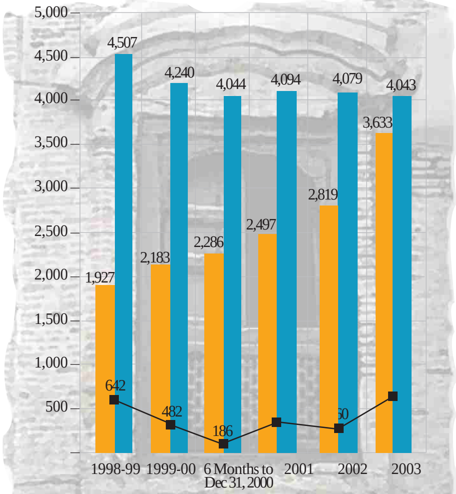
Break-up of Sales
For the year ended December 31, 2003



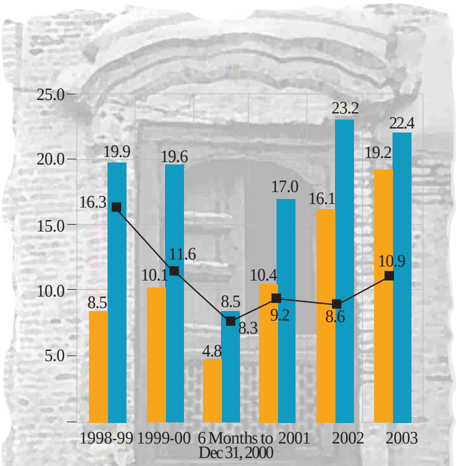
Earnings per Share-Rupees



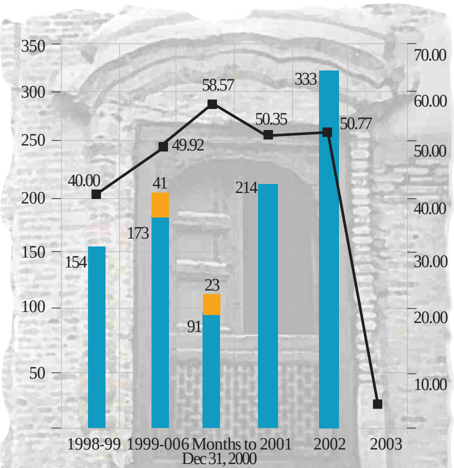
Revenue Utilization
For the year ended December 31, 2003



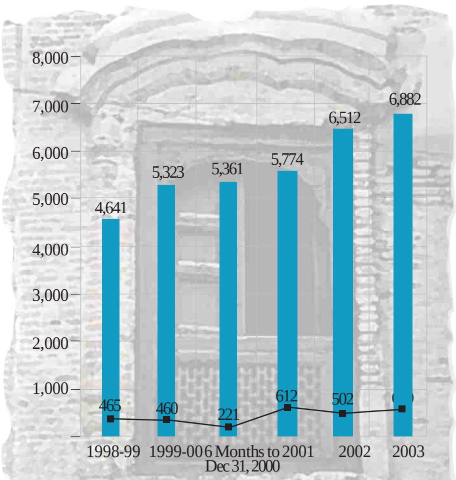
Financial Trends
(Rupees in million)
Shareholder's Equity Capital Empolyed
Operating Profit



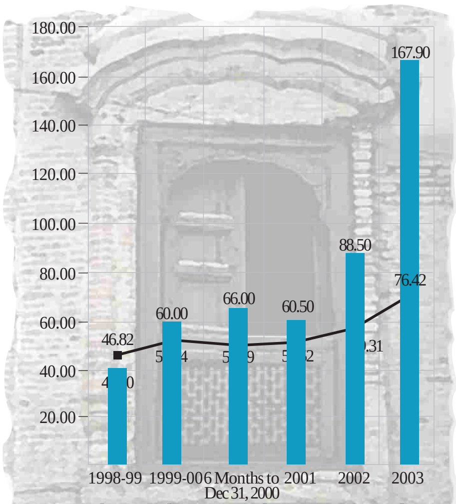
Profitability Indicators Percent-%
Return (PAT)on Capital Employed Operating Profit to Sales
Return on Shareholder's Equity



Dividends & Dividend Payout Ratio
(Rupees in million)
Cash Dividend Stock Dividend
Dividend Payout Ratio



Fixed Assets- Cost Vs Fixed Capital Expenditure (Rupees in million)
Fixed Assets- Cost Fixed Capital Expenditure



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

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 endeavours 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 realises 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 realised 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 Forty Ninth Annual General Meeting of Packages Limited will be held at the Beach Luxury Hotel, Moulvi Tamizuddin Khan Road, Karachi on Thursday, February 26, 2004 at 10:30 A.M. to transact the following ordinary business:-

1. To confirm the minutes of the Extraordinary General Meeting held on December 2, 2003.

2. To receive and adopt the audited accounts for the year ended December 31, 2003, the Report of the Auditors thereon and the Report of the Directors.

3. To declare a final dividend of Rs. 8.50 per ordinary shares of Rs. 10/- each for the year ended December 31, 2003 as recommended by the Board of Directors.

4. To appoint Auditors and to fix their remuneration.

By Order of the Board

Karachi
January 24, 2004

Adi J. Cawasji
Company Secretary

Notes :

1. The Share Transfer Books of the company will be closed from February 12, 2004 to February 26, 2004 (both days inclusive) for the purposes of entitlement of dividend and to attend the Annual General Meeting. Transfers received by our Registrar, Ferguson Associates (Pvt.) Limited, State Life Building No. 1-A, Off: I. I. Chundrigar Road, Karachi-74000 at the close of business on February 11, 2004 will be treated in time for the purpose of attending the meeting.

2. A member of the company entitled to attend and vote at the General Meeting may appoint another person as his/her proxy to attend and vote instead of him/her. Proxies must be received at the Registered Office of the company (First Floor, Hilal-e-Ahmer House, Khayaban-e-Iqbal, Main Clifton Road, Karachi-75600) not later than 48 hours before the time appointed for the Meeting.

3. Individual CDC account holders shall produce their original National Identity Cards at the time of attending the meeting and corporate entities shall produce the Boards' Resolution/Power of Attorney with specimen signature of the nominee.

4. Shareholders are requested to immediately notify:

   (a) any change in their addresses or bank mandate, as registered with the company,

   (b) National Tax Number, and

   (c) National Identity Card Number to our Registrar, Ferguson Associates (Pvt) Limited, State Life Building No. 1-A, Off: I. I. Chundrigar Road, Karachi-74000.

Directors' Report to the Shareholders

بسم الله الرحمن الرحيم

The Directors take pleasure in presenting the Annual Report of Packages Limited along with the Audited Accounts for the year ended December 31, 2003.

General Review

With the blessings of the Almighty your company has achieved the milestones of crossing turnover figure of Rupees six billion and profit before tax of Rupees one billion for the first time in the company's history.

The nature of the company's business to a large extent depends on the derived demand of its industrial customers, for whom the year 2003 has proved to be a good year reflective of general improvement in the country's economy.

The company is committed and has constantly endeavoured to bring improvement in its production technology to contribute to the economy by providing quality packaging to its customers, a safer environment for all and revenue to the country's treasury in the form of taxes. The year under review saw increase in our paper and paperboard capacity as a result of expansion carried out last year, investments in new machinery in the packaging division and streamlining of other processes. New premises for the Karachi office have been acquired in Clifton area, and the office shall shift to these new premises within the current year.

Looking inward, to prepare the company for the challenges of a free world market economy the need was felt to re-organize the business according to the demands of new business realities. As a first step your company has strategically set itself by setting up independent Business Units, to be run along the lines of independent companies, with a view to improve profitability and efficiency.

Operating Results

In the year under review your company had invoiced sales of Rs. 6,293 million, which is an increase of Rs. 932 million (17.4 %) on last year figures. This increase in revenue is reflected by an increase in earnings from operations of Rs. 227 million, i.e. an increase of almost 50 % on the corresponding figure of last year.

The increase in profits is a result of:

- Increase in sales. The sales have shown an increase of 17% in industrial consumers and 19% in retail consumers share. The company has also utilized its enhanced paper manufacturing capacities by introducing writing/ printing paper in the local market which has also contributed to this increase.
- Improvement in gross margin primarily due to production efficiencies. These efficiencies were achieved with the introduction of performance parameters to measure and track key performance indices such as waste, machine down time etc.
- Tighter control on expenses.
- Reduction in financial charges, due to better cash management and the general decrease in borrowing costs prevalent in the current economic conditions.
- Steady income from dividends.

Following are the comparative financial results for the year 2003 with 2002.

	2003	2002
Financial - Rupees in million		
Invoiced sales	6,293	5,361
Gross profit	1,194	950
Operating profit	684	457
Dividend income	458	499
Profit before tax	1,037	797
Profit after tax	814	655
Earnings per share - rupees	17.11	13.79
Manufacturing - quantity in tonnes		
Paper & Paperboard - production	86,641	72,642
Paper & Paperboard - conversion	66,870	59,808
Plastics all sorts - conversion	5,850	5,236

The company generated cash of Rs. 885 million from its operations and Rs. 458 million from dividends. These cash flows were spent on capital expenditure of Rs. 600 million, repayment of loans of Rs. 133 million and on payment of dividends of Rs. 332 million.

Further investments were made in Packages Lanka (Pvt.) Limited (PLL); our Sri Lankan subsidiary, which has increased our holding to over 79%. During the year an investment of Rs. 20 million was made in "The Resource Group" (TRG). The quoted value of which has already increased by Rs. 11.4 million.

Marketing Results

Your company primarily deals in five distinct types of markets for its products. In rigid packaging we sell offset cartons mainly for cigarette, tea, soap, detergent, biscuit, shoe and match industries. In flexible packing different plastic films, aluminum foil and paper, poly-coated paper are combined to produce laminates of several layers for providing properties according to requirement. This type of packaging is suited to food packaging. We also produce corrugated cartons used for distribution within the country and export of fresh fruits, garments, shoes and textiles.

To the retail consumers your company markets tissue products under the brand name of Rose Petal and Tulip. These products include facial tissue paper, toilet paper, kitchen rolls, table napkins, party paper packs and pocket packs. We also sell paper cups, paper plates and feminine hygiene products.

Most of the paper manufacturing capacity is used to cater to in-house consumption of our conversion units. The major paper and paperboard products sold to the market are writing, printing, photocopier and computer paper besides the direct sale of board to Tetra Pak (Pakistan) Limited. Looking collectively at all five major categories of products, your company sold 17.4% more than the last year. This increase basically reflects volume increase as prices remained more or less constant during the year.

If we look at the business units' performance independently the paper manufacturing business unit recorded an increase in sale of almost 45%. This was achieved by introducing writing, printing, computer and photocopier paper to the local market to serve as a substitute to imported paper.

Exports

Packages Limited has managed to retain its presence in the export market. During the year as in the past we supplied flexible packaging materials to the Middle Eastern customers. For the first time your company exported bleached wheat straw pulp to Europe and to the United States of America.

Customers

We recognize that our strength lies in the strength of our customers and are committed to providing them with quality and service. We wish to express our thanks to our valued customers whose support and feedback has been invaluable.

Production Overview

A new waste paper plant was added during the first quarter of the year which has increased the pulping capacity by 150 tonnes per day. A new co-extruder was also inducted into service and this has rendered an increase in production capacity of 150 tonnes per month. A six colour high speed offset press has been delivered, which shall start production during the first half of the new year. A new folding /gluing machine and a cutting and creasing machine were also added during the second quarter.

An effluent treatment plant is being added and this is aimed at reducing toxic levels in the effluents released into the environs and is a reflection of the commitment of Packages Limited to environment conservation and society at large. To meet the growing demands for tissue products an inter-folder, toilet roll making and napkin printing machines have also been added.

During 2003 emphasis was laid on improving the technology of the conversion units. It was the first complete year of operation for our Karachi Corrugator plant and efforts were made to start the in-house laboratory testing of corrugated sheets and boxes to facilitate internal and external customers. By the end of the year the Karachi Corrugator plant has reached 67% utilization. Efforts were made to reduce waste in all production units.

Research and Development

Our production facilities are ably supported by our research and development team who can simulate various production processes and test any desired attributes for packaging materials to guide and help in the production and to meet the particular requirements of all our customers.

ISO Certification

During the year the ISO 9001 certificates became obsolete and for the purpose of re-certification on ISO 9001 on the new version "2000" was carried out. The certification body has audited your company and has recommended certification for all of the

Water Conservation

The company is actively trying to implement schemes in water conservancy in its paper manufacturing and substantial progress has been made during the year in energy conservation and water management systems in the Paper & Paper Board Division.

Contribution to Society

Your company is proud of its contribution to society and endeavours through various activities to promote social awareness about the environment among the general public. It is our firm belief that the nation's biggest asset is its future.

Our Consumer Products are involved in sponsoring plays, dramas and sports' day events for school and college students throughout Pakistan, to promote these activities. We also sponsor the flower shows in Lahore at the Race Course Ground with the Horticultural Society of Pakistan to provide healthy entertainment for the public.

Tulip brand promotes a clean and healthy environment with the help of WWF – Pakistan and has started sponsoring a campaign of "Zero waste programme". The project involves around 150 private and some 50 government schools to create awareness about recycling and encourage recycling.

Human Resources

People are our greatest resource and your company recognises that each resource has individual talents, mindsets and perceptions. These attributes need attention and a constant drive for improvement. During the course of the year more than a third of all employees attended both external and in-house training sessions. Workshops and training sessions were also arranged in Urdu to cater for people at all levels within the organisation.

The biggest initiative was conducting workshops on the Attitude, Communication and Teamwork (ACT). The main aim of these workshops was to create a realisation of ownership, adequate work balance and responsibility to work, families and to society at large.

Great emphasis was laid on factory housekeeping and sanitation. In-house courses were conducted on the Occupational Health and Safety, Hygiene and Sanitation and the basic principles of housekeeping.

During the year the third batch of managers has started the Diploma in Business Management, at Lahore University of Management Sciences.

Expansion Programme

Capacities of all production areas are being evaluated to make necessary investments wherever needed to meet the market demand.

Employees Relations

Working with common and shared objectives, the Packages team of employees and management has made year 2003 a success story. This success is a result of continuous dedicated hard work of all employees throughout the company. The Directors recognize and record their appreciation for the wonderful work put in by the staff and hope together they would make the coming year even more successful.

ERP Developments & Business Process Re-engineering

Presence of a strong ERP system (SAP) has helped the company in managing its resources effectively and efficiently through availability of real time on-line information.

As a consequence of the restructuring of business into Business Units there was a need for certain processes to be re-engineered and re-mapped for the newly formed business units to facilitate and meet the operational and reporting requirement needs of SAP.

In another step towards paperless environment, Electronic Time Attendance was introduced during the year. Employees have been issued swipe cards instead of punch cards and the collection of data is done via the company's LAN system.

Corporate Excellence Awards

The Directors are pleased to state that your company was chosen among the top 25 companies on the Karachi Stock Exchange for the year 2002.

Your company's annual report for the year 2002 was judged second in its sector and was given the "Best Corporate Report Award" by a joint committee of ICAP & ICMAP.

Future

The government's financial managers are predicting that the growth in year 2004 will be higher than the targets and manufacturing and service sectors will do better. Your company looks towards the future positively on the basis of future forecasts coupled with stable macro economic indicators, lending rates remaining at the present level in the near future and improved trade opportunities with the SAARC countries and Afghanistan.

We have one year period before the coming of WTO regime in 2005, where trade barriers and tariff anomalies will not prove a hindrance for business concerns. Post WTO scenario will prove to be a battle for survival of the fittest companies, and your company feels that it is tuned well to face these challenges because of the following strengths:

1. Our major customers are multinational companies and we have experience in matching the international quality expected by large companies. We are committed to take the lead and become a leading regional player as a provider of packaging materials.

2. Our dependable delivery schedules with shorter lead times for domestic customers, at competitive prices.

3. Our ability to provide solutions to customers' requirements/demands with the help of RD&C and creative design departments.

4. Our ability to satisfy the diversified demand in packaging materials of our customers.

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	813,513
adding thereto the unappropriated profit at December 31, 2002	214
makes available for appropriation a sum of	813,727
from the sum the Directors recommend payment of a cash dividend of Rs. 8.50 per share	404,065
and transfer to general reserve	409,000
	813,065
and propose to carry forward to 2004 the balance of	662

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, 2004 at a fee to be mutually agreed. Consent of the Securities and Exchange Commission of Pakistan has been sought in order to comply with the Listing Regulations.

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 Rules, relevant for the year ended December 31, 2003 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

Since the holding of the last Annual General Meeting, held on February 27, 2003 Mr. Seppo Hietanen, nominee of Stora Enso AB, Sweden has resigned and Mr. Pentikainen Markku Juha was appointed in his place.

The Board of Directors wishes to record its appreciation for the valuable services rendered by Mr. Seppo Hietanen and extends its warm welcome to Mr. Pentikainen Markku Juha.

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

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

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

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, 2003 and the company has not entered into any commitment, which would affect its financial position at that date.

Corporate and Financial Reporting Frame work

- The financial statements together with the notes thereon have been drawn up by the management in conformity with the Companies Ordinance, 1984. These Statements present fairly the company's state of affairs, the results of its operations, cash flow and changes in equity.
- Proper books of accounts 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 controls 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, 2003 were the following:

Provident Fund	Rs. 405.431 million
Gratuity Fund	Rs. 173.052 million
Pension Fund	Rs. 228.081 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
Directors	
Chief Executive Officer	Nil
Syed Hyder Ali	61,056
Chief Financial Officer	Nil
Company Secretary	Nil
Spouses	Nil
Sale of Shares	Nil

Pattern of Shareholding

The pattern of shareholding is included in the annexed shareholders' information.

(Syed Wajid Ali)
Chairman & Chief Executive
Lahore, January 24, 2004

Shareholders' Information

Registered Office

First Floor, Hilal-e-Ahmer House
Khayaban-e-Iqbal
Main Clifton Road
Karachi - 75600
Tel.: 92-21-5831618, 5831664, 5833011
Fax: 92-21-5860251

Shares Registrar

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

Listing on Stock Exchanges

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

Listing Fee

The annual listing fee for the financial year 2003-04 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 Limited at KSE, LSE and ISE is PKGS.

Shares Registrar

Packages Limited shares department is operated by Ferguson Associates (Pvt.) Limited. 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.: 92-21-5831618, 5831664, 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 endeavoured 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.

Dematerialisation of Shares

The equity shares of the company are under the dematerialisation category. As of date 43.69% of the equity shares of the company have been dematerialised 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, 2003 subject to approval by the shareholders of the company at the Annual General Meeting (2002: 70% cash dividend Rs. 7.00 per share of Rs. 10).

Book Closure Dates

The Register of Members and Share Transfer Books of the Company will remain closed from February 12, 2004 to February 26, 2004 both days inclusive.

Dividend Remittance

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

(i) For shares held in physical form:
To shareholders whose names appear in the Register of Members of the company after entertaining all requests for transfer of shares lodged with the company on or before the book closure date.

(ii) For shares held in electronic form:
To shareholders whose names appear in the statement of beneficial ownership furnished by CDC as at end of business on book closure date.

Withholding of Tax & Zakat on Dividend

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

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

(b) in any other case 10%.

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

Dividend Warrants

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

Investors' Grievances

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

Legal Proceedings

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

General Meetings & Voting Rights

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

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

All shares issued by the company carry equal voting rights. Generally, matters at the general meetings are decided by a show of hands in the first instance. Voting by show of hands operates on the principle of "One Member-One Vote". If majority of shareholders raise their hands in favour 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 the 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, 2003 is as follows:

Shareholding		Number of shareholders	Total shares held
From	To		
1	100	1,483	26,949
101	500	536	143,542
501	1000	238	177,142
1001	5000	386	908,096
5001	10000	107	782,678
10001	15000	42	518,713
15001	20000	9	153,822
20001	25000	20	451,119
25001	30000	13	357,898
30001	35000	2	63,865
35001	40000	11	405,310
40001	45000	4	175,258
45001	50000	5	236,164
50001	55000	4	210,218
55001	60000	4	231,006
60001	65000	2	125,125
65001	70000	2	131,700
70001	75000	3	216,203
75001	80000	4	306,335
80001	85000	2	168,615
85001	90000	5	435,705
90001	95000	1	94,881
95001	100000	3	289,199
100001	105000	5	511,061
105001	110000	1	107,000
110001	115000	2	224,971
115001	120000	1	116,398
120001	125000	1	124,625
125001	130000	4	503,388
130001	135000	3	396,607
135001	140000	2	279,606
140001	145000	1	144,728
145001	150000	3	446,311
150001	155000	2	305,375
155001	160000	1	158,744
165001	170000	2	332,319
170001	175000	1	172,350
175001	180000	1	176,458
185001	190000	1	189,713
190001	195000	2	381,187
200001	205000	1	203,715
205001	210000	1	206,748
210001	215000	1	210,871
215001	220000	2	436,389
270001	275000	1	275,000
280001	285000	1	284,546
285001	290000	1	289,287
295001	300000	1	298,500
340001	345000	1	342,297
345001	350000	2	696,004
375001	380000	1	378,655
380001	385000	1	382,479
390001	395000	1	392,015
395001	400000	1	400,000
400001	405000	1	401,943
410001	415000	1	413,500
430001	435000	1	431,905
460001	465000	1	462,933
505001	510000	1	508,247
510001	515000	1	510,858
540001	545000	1	544,049
555001	560000	1	558,100
620001	625000	1	620,458
675001	680000	1	675,297
810001	815000	1	813,090
990001	995000	1	990,233
1070001	1075000	1	1,072,249
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
		2,955	47,537,080

Shareholding Pattern

The shareholding pattern of the equity share capital of the Company as at December 31, 2003 is as follows:

S.No.	Shareholders' category	No. of shareholders	No. of shares	% age
1	Associated Companies, Undertakings and Related Parties	7	11,272,061	23.71
2	NIT and ICP	25	9,651,638	20.30
3	Directors, CEO and their Spouses	8	1,719,634	3.61
4	Executives	9	2,589,837	5.45
5	Public Sector Companies and Corporations	15	3,216,572	6.77
6	Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba and Mutual Funds	37	3,762,958	7.92
7	Others	71	7,314,852	15.39
8	Individuals	2,783	8,009,528	16.85
		2,955	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	9,335,349
LOADS LIMITED	1	42,500
TREET CORPORATION LIMITED	1	298,500
TRUSTEES PACKAGES LTD. EMPLOYEES PROVIDENT FUND	1	1,483,362
TRUSTEES PACKAGES LTD. MANAGEMENT STAFF PENSION FUND	1	104,500
TRUSTEES PACKAGES LTD. EMPLOYEES GRATUITY FUND	1	7,850
NIT and ICP		
1ST ICP MUTUAL FUND LOT 'A'	1	2,500
2ND ICP MUTUAL FUND	1	73,364
3RD ICP MUTUAL FUND LOT 'A'	1	284,546
4TH ICP MUTUAL FUND LOT 'A'	1	30,500
6TH ICP MUTUAL FUND	1	26,350
7TH ICP MUTUAL FUND	1	218,824
9TH ICP MUTUAL FUND	1	203,715
11TH ICP MUTUAL FUND LOT 'A'	1	392,015
12TH ICP MUTUAL FUND LOT 'A'	1	347,904
13TH ICP MUTUAL FUND	1	348,100
14TH ICP MUTUAL FUND	1	13,656
15TH ICP MUTUAL FUND LOT 'A'	1	70,923
17TH ICP MUTUAL FUND	1	210,871
19TH ICP MUTUAL FUND LOT 'A'	1	86,625
20TH ICP MUTUAL FUND LOT 'A'	1	44,500
21ST ICP MUTUAL FUND LOT 'A'	1	83,679
22ND ICP MUTUAL FUND	1	217,565
23RD ICP MUTUAL FUND LOT 'A'	1	89,954
24TH ICP MUTUAL FUND	1	110,019
25TH ICP MUTUAL FUND LOT 'A'	1	620,458
INVESTMENT CORPORATION OF PAKISTAN (SEMF)	1	990,233
INVESTMENT CORPORATION OF PAKISTAN	2	8,645
NATIONAL BANK OF PAKISTAN, TRUSTEE DEPTT. (NIT)	1	5,174,116
NATIONAL INVESTMENT TRUST LTD.	1	2,576
Directors		
KHALID YACOB	1	577
RAFI IQBAL AHMED	2	37,615
SAULAT SAID	1	11,050
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	2,589,837
Public Sector Companies and Corporations	15	3,216,572
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba and Mutual Funds	37	3,762,958
Shareholders holding 10% or more voting interest		
INTERNATIONAL GENERAL INSURANCE CO. OF PAKISTAN LIMITED	2	9,335,349
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 2003 are as under:

Month	Share price on the KSE (Rs.)		Volume of shares traded
	Highest	Lowest	
January	93.95	85.85	1,551,000
February	90.00	81.75	255,500
March	91.00	81.70	266,000
April	109.00	91.00	761,500
May	123.00	110.00	697,000
June	135.00	118.00	458,500
July	168.55	135.00	1,131,000
August	190.00	160.00	1,197,000
September	172.00	150.10	220,000
October	169.25	145.00	174,000
November	164.00	140.00	20,500
December	171.00	162.00	258,300

Statement of Compliance with the Code of Corporate Governance

for the year ended December 31, 2003

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 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 December 1, 2003 was filled up by the directors on the same day.

5. The company has prepared 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. There were no new appointments of the CEO and other executive directors during the year.

8. The meetings of the Board were presided over by the Chairman except for two meetings for which leave of absence was granted by the Board, and the Board met at least once in every quarter. 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 arranged one orientation course for its directors to apprise them of their duties and responsibilities.

10. There was no new appointment of CFO, Company Secretary or Head of Internal Audit 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 and 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.

18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

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

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

(Syed Wajid Ali)
Chairman & Chief Executive
January 24, 2004

Statement of Compliance with the Best Practices on Transfer Pricing
for the year ended December 31, 2003

The company has fully complied with the best practices on Transfer Pricing as contained in the Listing Regulation No. 38 of the Karachi Stock Exchange.

(Syed Wajid Ali)
Chairman & Chief Executive
Lahore, January 24, 2004

Review Report to the Members on Statement of Compliance with Code of Corporate Governance and Transfer Pricing

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance and Transfer Pricing regulation prepared by the Board of Directors of Packages Limited to comply with the Listing Regulation No. 37 and 38 of the Karachi Stock Exchange, chapter XIII and XIV of Lahore Stock Exchange and chapter XI and XII of Islamabad Stock Exchange where the company is listed.

The responsibility for compliance with the Code of Corporate Governance and Transfer Pricing regulation 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, Transfer Pricing regulation 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 Code and Transfer Pricing regulation.

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 and Transfer Pricing regulation as applicable to the company for the year ended December 31, 2003.

A. F. FERGUSON & CO.
Chartered Accountants
Lahore, January 24, 2004

Auditors' Report to the Members

We have audited the annexed balance sheet of Packages Limited as at December 31, 2003 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;

(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, 2003 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 24, 2004

Balance Sheet
as at December 31, 2003

	Note	2003	2002
		(Rupees in thousand)	
Equity and Liabilities			
Share Capital and Reserves			
Authorised capital			
60,000,000 (2002: 60,000,000)			
ordinary shares of Rs. 10 each		600,000	600,000
Issued, subscribed and paid up capital			
47,537,080 (2002: 47,537,080)			
ordinary shares of Rs. 10 each	3	475,371	475,371
Reserves	4	2,752,625	2,343,625
Unappropriated profit		662	214
		3,228,658	2,819,210
Non Participatory Redeemable Capital			
Secured	5	-	50,000
Un-secured	6	850,000	850,000
		850,000	900,000
Long-Term and Deferred Liabilities			
Liabilities against assets subject to finance lease	7	1,702	35,200
Other payables - secured	8	4,870	15,108
Deferred liabilities	9	566,681	481,048
		573,253	531,356
Current Liabilities			
Current portion of			
Non-participatory redeemable capital - secured	5	50,000	100,000
Liabilities against assets subject to finance lease	7	35,986	35,200
Other payables - secured	8	10,238	-
Finances under mark up arrangements - secured	10	499,115	736,033
Creditors, accrued and other liabilities	11	502,969	495,918
Proposed dividend		404,065	332,760
		1,502,373	1,699,911
Contingencies and Commitments	12	-	-
		6,154,284	5,950,477

	Note	2003	2002
		(Rupees in thousand)	
Assets			
Fixed Capital Expenditure			
Operating fixed assets			
Tangible	13.1	2,782,007	2,746,361
Intangible	13.2	28,071	65,928
Investment property	14	14,842	15,710
Assets subject to finance lease	15	129,082	137,500
Capital work-in-progress	16	344,747	196,902
		3,298,749	3,162,401
Other Long-Term Assets			
Long-term investments	17	643,461	570,628
Long-term loans, deposits and other receivables	18	3,981	3,679
Retirement and other benefits	19	37,336	26,732
		684,778	601,039
Current Assets			
Stores and spares	20	318,880	299,638
Stock-in-trade	21	844,120	876,207
Trade debts	22	577,548	543,218
Loans, advances, deposits, prepayments and other receivables	23	332,043	379,165
Cash and bank balances	24	98,166	88,809
		2,170,757	2,187,037
		6,154,284	5,950,477

The annexed notes form an integral part of these accounts.

Syed Wajid Ali
Chief Executive

Tariq Iqbal Khan
Director

Profit and Loss Account

for the year ended December 31, 2003

		Note	2003	2002
			(Rupees in thousand)	
Sales				
Local sales			6,243,603	5,298,653
Export sales			49,616	62,231
			6,293,219	5,360,884
Less: Sales tax and excise duty			848,992	734,101
Commission			8,038	5,110
			857,030	739,211
			5,436,189	4,621,673
Less: Cost of goods sold		25	4,242,476	3,672,114
Gross profit			1,193,713	949,559
Selling, administration and general expenses		26	509,784	489,885
Operating profit			683,929	459,674
Other income		27	574,448	578,280
			1,258,377	1,037,954
Financial charges		28	151,308	176,800
Other charges		29	70,164	63,929
			221,472	240 ,729
Profit before taxation			1,036,905	797,225
Provision for taxation		30	223,392	141,853
Profit after taxation			813,513	655,372
Unappropriated profit brought forward			214	602
Available for appropriation			813,727	655,974
Appropriations:				
Transferred to general reserve			409,000	323,000
Proposed dividend Rs. 8.50 per share (2002: Rs. 7.00 per share)			404,065	332,760
			813,065	655,760
Unappropriated profit carried forward			662	214
Earnings per share	Rupees	39	17.11	13.79

The annexed notes form an integral part of these accounts.

Syed Wajid Ali
Chief Executive

Tariq Iqbal Khan
Director

Cash Flow Statement

for the year ended December 31, 2003

	Note	2003	2002
		(Rupees in thousand)	
Cash flow from operating activities:			
Cash generated from operations	37	1,137,599	772,899
Financial charges paid		(162,918)	(213,126)
Taxes paid		(61,273)	(247,361)
Payments for accumulating compensated absences		(5,135)	(6,624)
Retirement and other benefits paid		(23,415)	(19,312)
Net cash from operating activities		884,858	286,476
Cash flow from investing activities:			
Fixed capital expenditure		(599,824)	(502,451)
Net (increase)/decrease in long-term loans, deposits and other receivables		(302)	481
Sale proceeds of fixed assets		28,951	7,206
Dividend received		457,554	498,865
Long-term investments		(60,480)	(54,065)
Net cash used in investing activities		(174,101)	(49,964)
Cash flow from financing activities:			
Proceeds from redeemable capital, long-term loans and other payables		-	4,870
Repayment of redeemable capital, long-term loans and other payables		(100,000)	(641,321)
Payment of finance lease liabilities		(32,712)	(35,200)
Dividend paid		(331,770)	(213,120)
Net cash used in financing activities		(464,482)	(884,771)
Net increase/(decrease) in cash and cash equivalents		246,275	(648,259)
Cash and cash equivalents at the beginning of the year		(647,224)	1,035
Cash and cash equivalents at the end of the year	38	(400,949)	(647,224)

The annexed notes form an integral part of these accounts.

Syed Wajid Ali
Chief Executive

Tariq Iqbal Khan
Director

Statement of Changes in Equity
for the year ended December 31, 2003

	Share capital	Share premium	General reserve	Unappro-priated profit	Total
	(Rupees		in	thousand)	
Balance as on December 31, 2001	475,371	203,589	1,817,036	602	2,496,598
Net profit for the year	-	-	-	655,372	655,372
Transferred from profit and loss account	-	-	323,000	(323,000)	-
Dividend - final Rs. 7.00 per share	-	-	-	(332,760)	(332,760)
Balance as on December 31, 2002	475,371	203,589	2,140,036	214	2,819,210
Net profit for the year	-	-	-	813,513	813,513
Transferred from profit and loss account	-	-	409,000	(409,000)	-
Proposed dividend - Rs. 8.50 per share	-	-	-	(404,065)	(404,065)
Balance as on December 31, 2003	475,371	203,589	2,549,036	662	3,228,658

Syed Wajid Ali
Chief Executive

Tariq Iqbal Khan
Director

Notes To The Accounts
for the year ended December 31, 2003

1. Legal status and nature of business

The company is incorporated in Pakistan and is listed on Karachi, Lahore and Islamabad Stock Exchanges. It is principally engaged in manufacture and sale of paper, paperboard, packaging materials and tissue products.

2. Significant accounting policies

2.1 Basis of preparation

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

2.2 Accounting convention

These accounts have been prepared under the historical cost convention, modified by capitalization of exchange differences referred to in note 2.20, 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 Operating fixed assets

Tangible

Operating fixed assets 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 exchange differences referred to in note 2.20 and interest, mark up etc. in note 2.21.

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

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

Intangible

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.

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

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

Major repairs and improvements are 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 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.

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.

2.6 Leases

(1) The company is the lessee:

Finance leases

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

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

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

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

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

Operating leases

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

(2) The company is the lessor:

Operating leases

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

2.7 Long-term investments

Investments in equity instruments of subsidiaries and associated companies

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

Other investments

The other investments made by the company are classified for the purpose of measurment 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 re-measured 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 unrealized gains and losses arising from changes in fair value are included in the net profit or loss for the period in which they arise.

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 4.33 percent per annum of basic salaries for gratuity. The latest actuarial valuation for the pension and gratuity schemes was carried out as at December 31, 2003. The actual returns on plan assets during the year were Rs. 41.424 million and Rs. 21.615 million for the pension and gratuity funds respectively. The actual returns on plan assets represent the difference between the fair value of plan assets at beginning of the year and end of the year after adjustments for contributions made by the company as reduced by benefits paid during the year.

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

Discount rate 8 percent per annum.

Expected rate of increase in salary level 5.94 percent per annum.

Expected rate of return 8 percent per annum.

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

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

(c) Accumulating compensated absences

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

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

2.9 Stores and spares

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

2.10 Stock-in-trade

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

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

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

2.11 Financial instruments

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

2.12 Trade debts

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

2.13 Related party transactions

All transactions with related parties are at arm’s length prices determined in accordance with the pricing method as approved by the Board of Directors.

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

2.16 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 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.

2.18 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.

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.

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

All other exchange differences are included in profit currently.

2.21 Borrowing costs

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

3. Issued, subscribed and paid up capital

2003	2002		2003	2002
(Number of shares)			(Rupees in thousand)	
11,260,868	11,260,868	Ordinary shares of Rs. 10 each fully paid in cash	112,609	112,609
148,780	148,780	Ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash	1,488	1,488
36,127,432	36,127,432	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	361,274	361,274
47,537,080	47,537,080		475,371	475,371

9,335,349 (2002: 9,228,349) ordinary shares of the company are held by International General Insurance Company of Pakistan Limited, an associated concern as at December 31, 2003.

4. Reserves

		2003	2002
		(Rupees in thousand)	
Movement in and composition of reserves is as follows:			
Capital			
Share premium	- note 4.1	203,589	203,589
Revenue			
General reserve			
At the beginning of the year		2,140,036	1,817,036
Transfer from profit and loss account		409,000	323,000
		2,549,036	2,140,036
		2,752,625	2,343,625

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

5. Non participatory redeemable capital - secured

	2003	2002
	(Rupees in thousand)	
These are composed of:		
Long-term running finance under mark up arrangements	50,000	150,000
Less: Current portion shown under current liabilities	50,000	100,000
	-	50,000

Security

This finance is secured by an equitable mortgage of immovable properties, hypothecation of all plant and machinery and a floating charge on all current assets subject to hypothecation of stores, spares, stock-in-trade and trade debts in favour of the Company's bankers referred to in note 10.

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

Terms of repayment

It is a long-term finance arranged from a consortium of banks for a maximum of Rs. 400 million under mark up arrangements. Mark up is computed at the rate of Re. 0.0555 per Rs. 1,000 per diem over and above the six months Treasury Bill rate. The finance is repayable in three equal half yearly instalments. Mark up is payable half yearly.

6. Non-participatory redeemable capital - unsecured

These represent Term Finance Certificates (TFCs).

The TFCs have been issued as fully paid scrips of Rs. 5,000 and Rs. 100,000 denominations or exact multiples thereof. These are listed on Lahore Stock Exchange and their market value is Rs. 926.500 million as at December 31, 2003.

Terms of repayment

Call option

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

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

Put option

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

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

Rate of return

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

Trustee

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

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

Redemption fund

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

7. Liabilities against assets subject to finance lease

	2003	2002
	(Rupees in thousand)	
Present value of minimum lease payments	37,688	70,400
Less: Current portion shown under current liabilities	35,986	35,200
	1,702	35,200

The present value of minimum lease payments have been discounted at an implicit interest rate ranging from 7.25% to 11.7% 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 company.

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 2003	Present value of lease liability 2002
	(Rupees in thousand)			
2003	-	-	-	35,200
2004	39,811	3,825	35,986	35,200
2005	920	76	844	-
2006	874	16	858	-
	41,605	3,917	37,688	70,400

8. Other payables - secured

	2003	2002
	(Rupees in thousand)	
Other payables	15,108	15,108
Less: Current portion shown under current liabilities	10,238	-
	4,870	15,108

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

9. Deferred liabilities

These are composed of:

		2003	2002
		(Rupees in thousand)	
Deferred taxation	- note 9.1	502,000	420,000
Accumulating compensated absences	- note 9.2	64,681	61,048
		566,681	481,048

9.1 Deferred taxation

The liability for deferred taxation comprises timing differences relating to:

	2003	2002
Accelerated tax depreciation	540,868	457,597
Provision for accumulating compensated absences	(22,638)	(21,367)
Impairment loss in value of investments	(16,230)	(16,230)
	502,000	420,000

9.2 Accumulating compensated absences

		2003	2002
		(Rupees in thousand)	
Opening balance		61,048	63,265
Provision for the year		8,768	4,407
		69,816	67,672
Less: Payments made during the year		5,135	6,624
Closing balance		64,681	61,048

10. Finances under mark up arrangements-secured

		2003	2002
Running finances	- note 10.1	148,653	141,033
Short-term finances	- note 10.2	350,462	595,000
		499,115	736,033

10.1 Running finances - secured

Short-term running finances available from a consortium of commercial banks under mark up arrangements amount to Rs. 2,449.538 million (2002: Rs. 1,600.000 million). The rates of mark up range from Re. 0.0616 to Re. 0.2603 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. 0.0740 to Re. 0.3123 per Rs. 1,000 per diem or part thereof on the balances unpaid. The aggregate running finances are secured by hypothecation of stores, spares, stock-in-trade and trade debts.

10.2 Short-term finances - secured

Term finances available from a consortium of commercial banks under mark up arrangements amount to Rs. 350.462 million (2002: Rs. 595.000 million). The rates of mark up range from Re. 0.0603 to Re. 0.0658 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. 1,153.84 million (2002: Rs. 871.6 million) for opening letters of credit and Rs. 349 million (2002: Rs. 379 million) for guarantees, the amount utilised at December 31, 2003 was Rs. 162.150 million (2002: Rs. 180.798 million) and Rs. 166.443 million (2002: Rs. 150.557 million) respectively. Of the facility for guarantees, Rs. 322.50 million (2002: Rs. 322.50 million) is secured by a second hypothecation charge over stores, spares, stock-in-trade and trade debts.

11. Creditors, accrued and other liabilities

		2003	2002
		(Rupees in thousand)	
Trade creditors	- note 11.1	61,744	47,784
Accrued liabilities		284,473	271,662
Sales tax payable		-	13,069
Customers' balances		30,720	20,093
Deposits - interest free repayable on demand		3,787	3,242
Interest accrued on other payables - secured		1,611	2,239
Mark up accrued on non participatory redeemable capital			
- Secured		940	5,548
- Un-secured		23,913	23,909
Mark up accrued on finances under mark up arrangements - secured		2,866	9,244
Workers' profit participation fund	- note11.2	54,768	42,993
Workers' welfare fund		14,107	33,879
Unclaimed dividends		4,861	3,871
TFCs payable	- note 24.2	1,391	1,322
Others		17,788	17,063
		502,969	495,918

11.1 Trade creditors include amount due to associated companies Rs. 43.627 million (2002: Rs. 22.477 million).

11.2 Workers' profit participation fund

		2003	2002
		(Rupees in thousand)	
Opening balance		42,993	27,834
Provision for the year	- note 29	54,768	42,993
		97,761	70,827
Less: Payments made during the year		42,993	27,834
Closing balance		54,768	42,993

12. Contingencies and commitments

12.1 Contingencies

(i) Guarantees to bank for repayment of loans by employees Rs. 0.046 million (2002: Rs. 0.125 million).

(ii) Claims against the company not acknowledged as debts Rs. 9.580 million (2002: Rs. 7.835 million).

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

(iv) For the assessment years 1999-2000 and 2000-2001, Inspecting Additional Commissioner (IAC) has raised tax demand of Rs. 110.525 million and Rs. 132.025 million respectively under section 12(9A) of the Income Tax Ordinance, 1979 on account of excess revenue reserves. The Income Tax Appellate Tribunal (ITAT) has set aside the orders of the IAC and remanded the issue back. The departments reference application against the orders of 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 accounts for this demand since in the management's view, there are meritorious grounds that the ultimate decision would be in the Company's favour.

12.2 Commitments in respect of

(i) Contracts for capital expenditure Rs. 20.700 million (2002: Rs. 84.989 million).

(ii) Letters of credit other than for capital expenditure Rs. 225.709 million (2002: Rs. 260.950 million).

13. Operating fixed assets

13.1 Tangible

	Cost to December 31, 2002	Adjustments	Transfers to Investment Property	Additions/ (deletions)	Cost to December 31, 2003	Accumulated depreciation December 31, 2002	Transfers to Investment Property	Depreciation charge/ (deletions) for the year	Accumulated depreciation/ amortisation December 31, 2003	Book value as at December 31, 2003
	(Rupees in thousand)									
Freehold land	103,255	-	-	908 (1,209)	102,954	-	-	-	-	102,954
Buildings on freehold land	195,945	-	-	14,870 (11,258)	199,557	43,224	-	8,508 (5,966)	45,766	153,791
Buildings on leasehold land	128,388	-	-	-	128,388	24,580	-	4,666	29,246	99,142
Plant and machinery	5,452,404	-	-	359,596 (51,571)	5,760,429	3,178,402	-	342,050 (51,167)	3,469,285	2,291,144
Other Equipment	175,800	-	-	53,902 (3,904)	225,798	122,313	-	27,476 (3,506)	146,283	79,515
Furniture and fixtures	5,365	-	-	365 (356)	5,374	2,833	-	691 (315)	3,209	2,165
Vehicles	135,384	-	-	19,134 (14,098)	140,420	78,828	-	20,564 (12,268)	87,124	53,296
2003	6,196,541	-	-	448,775 (82,396)	6,562,920	3,450,180	-	403,955 (73,222)	3,780,913	2,782,007
2002	5,482,288	(882)	(19,330)	746,875 (12,410)	6,196,541	3,091,991	(7,607)	374,660 (8,864)	3,450,180	2,746,361

Additions to plant and machinery include mark up of Rs. 6.052 million (2002: Rs. 36.176 million). Fixed assets include assets amounting to Rs. 12.476 million (2002: Rs. 19.615 million) of the company which are not in operation. The cost of fully depreciated assets which are still in use as at Decemeber 31, 2003 is Rs. 1,251.478 million (2002: Rs. 1,149.038 million).

13.2 Intangible

	Cost to December 31, 2002	Additions	Cost to December 31, 2003	Accumulated amortisation December 31, 2002	Amortisation charge for the year	Accumulated amortisation December 31, 2003	Book value as at December 31, 2003
	(Rupees in thousand)						
Computer software and							
ERP system	115,437	438	115,875	49,509	38,295	87,804	28,071
2003	115,437	438	115,875	49,509	38,295	87,804	28,071
2002	115,437	-	115,437	11,030	38,479	49,509	65,928

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

		Depreci -ation	Amortis -ation	Total 2003	Total 2002
		(Rupees in thousand)			
Cost of goods sold	- note 25	371,161	2,879	374,040	344,439
Selling and distribution expenses	- note 26	6,414	-	6,414	6,163
Administration and general expenses	- note 26	26,380	35,416	61,796	62,537
		403,955	38,295	442,250	413,139

13.4 Disposal of operating fixed assets

Particulars of the assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
		(Rupees	in	thousand)		
Motor cars	Executives					
	Mr. Mansoor Hassan Bhatti	257	257	-	103	Company policy
	Iqbal Bhatti	485	210	275	355	-do-
	Sahil Zaheer	319	144	175	189	-do-
	Syed Kamal Ali	761	761	-	224	-do-
	Meraj Din	384	346	38	177	-do-
	Khawaja Rizwan Hassan	256	256	-	78	-do-
	Sohail Ahmad	300	215	85	138	-do-
	Osman Farooq	349	58	291	297	-do-
	Bashir Ahmed Bhatti	310	310	-	104	-do-
	Lt. Col. (Retd.) Sajid Ikram	595	594	1	357	-do-
	Abdul Qudoos	440	330	110	254	-do-
	Muhammad Ashraf	441	441	-	221	-do-
	Muhammad Murid Hussain	315	315	-	124	-do-
	Rana Javaid Bashir	323	307	16	129	-do-
	Hafiz Manzoor Hussain	253	253	-	76	-do-
	Sahibzada Rashid Hameed	270	270	-	90	-do-
	Aziz Mahmood	260	260	-	81	-do-
	Muhammad Ajmal	625	604	21	400	-do-
	Ali Ahmed	247	239	8	91	-do-
	Muhammad Asif Ameer	319	144	175	209	-do-
	Akram Naeem	280	280	-	97	-do-
	Mohammad Majeed Ghani	297	297	-	110	-do-
	Saeed Ahmad	400	400	-	190	-do-
	Pervaiz Raza Mirza	271	271	-	114	-do-
	Ijaz Ahmad Khan	485	485	-	279	-do-
	Habib Ahmed	363	109	254	303	-do-
	Rafi Iqbal Ahmed	848	848	-	80	-do-
	Tariq Akram Khan Niazi	251	251	-	114	-do-
	Sheikh Saif-ur-Rehman	354	354	-	175	-do-
	Mohammad Yasin	411	411	-	220	-do-
	Muhammad Ashraf Anjum	289	289	-	123	-do-
	Dr. S Mughis Asghar	846	846	-	160	-do-
	Ms. Fatima Saleem	439	256	183	292	-do-
	Outsiders					
	Mr. Fazal Ahmad	505	505	-	410	Auction
	Pervaiz	246	246	-	246	Negotiation
	International General Insurance Company of Pakistan Limited	304	106	198	280	Insurance claims
Land	Miscellaneous	1,209	-	1,209	4,435	Negotiation
Building	-do-	11,258	5,966	5,292	12,368	Negotiation
Plant and machinery	-do-	1,633	1,257	376	-	Scrap
	-do-	101	83	18	41	Negotiation
Other equipment	-do-	100	27	73	-	Scrap
	-do-	1,442	1,135	307	430	Negotiation
Furniture and fixture	-do-	155	125	30	-	Scrap
Items below book value of Rs. 5,000		52,400	52,361	39	4,787	
		82,396	73,222	9,174	28,951	

14. Investment property

	Cost to December 31, 2002	Transfers from fixed assets	Additions	Cost to December 31, 2003	Accumulated depreciation December 31, 2002	Transfers from fixed assets	Depreciation charge for the year	Accumulated depreciation December 31, 2003	Book value as at December 31, 2003
	(Rupees in thousand)								
Buildings on leasehold land	24,029	-	-	24,029	8,319	-	868	9,187	14,842
2003	24,029	-	-	24,029	8,319	-	868	9,187	14,842
2002	-	19,330	4,699	24,029	-	7,607	712	8,319	15,710

Depreciation charge for the year has been allocated to administration and general expenses.
Fair value of the investment property transferred from fixed assets, based on the valuation carried out by an independent valuer, as at December 31, 2003 is Rs. 21.760 million (2002: Rs. 22.377 million).

15. Assets subject to finance lease

	Cost to December 31, 2002	Additions	Cost to December 31, 2003	Accumulated amortisation December 31, 2002	Amortisation charge for the year	Accumulated amortisation December 31, 2003	Book value as at December 31, 2003
	(Rupees in thousand)						
Plant and machinery	176,000	-	176,000	38,500	11,000	49,500	126,500
Vehicles	-	2,766	2,766	-	184	184	2,582
2003	176,000	2,766	178,766	38,500	11,184	49,684	129,082
2002	176,000	-	176,000	27,500	11,000	38,500	137,500

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

16. Capital work-in-progress

	2003	2002
	(Rupees in thousand)	
Plant and machinery	283,733	190,162
Civil works and buildings	61,014	6,740
	344,747	196,902

Cost of plant and machinery includes mark up of Rs. Nil (2002: Rs. 2.150 million).

17. Long-term investments

	2003	2002
	(Rupees in thousand)	
In subsidiaries - Unquoted		
Coates Lorilleux Pakistan Limited 3,377,248 (2002: 2,814,375) fully paid ordinary shares of Rs. 10 each Equity held 54.98% (2002: 54.98%) Value of investment based on the net assets shown in the audited accounts as at December 31, 2003 Rs. 85.346 million (2002: Rs. 71.858 million)	15,010	15,010
Packages Lanka (Private) Limited 64,779,884 (2002: 57,991,284) shares of SL Rupees 10 each Equity held 79.07% (2002: 77.18%) Value of investment based on the net assets shown in audited accounts as at December 31, 2003 Rs. 117.066 million (2002: Rs. 108.174 million)	442,938	402,457
Less: Impairment loss	(46,371)	(46,371)
	396,567	356,086
Carried forward	411,577	371,096

	2003	2002
	(Rupees in thousand)	
Brought forward	411,577	371,096
In associated companies		
Quoted		
Nestle Milkpak Limited		
3,649,248 (2002: 3,649,248) fully paid ordinary shares of Rs. 10 each		
Equity held 8.06% (2002: 8.06%)		
Market value - Rs. 1,372.117 million (2002: Rs. 797.361 million)	24,555	24,555
International General Insurance Company of Pakistan Limited		
1,303,470 (2002: 1,133,453) fully paid ordinary shares of Rs. 10 each		
Equity held 10.61 % (2002: 10.61%)		
Market value - Rs. 294.584 million (2002: Rs. 105.808 million)	22,519	22,519
Tri-Pack Films Limited		
10,000,000 (2002: 10,000,000) fully paid ordinary shares of Rs. 10 each		
Equity held 33.33% (2002: 33.33%)		
Market value - Rs. 850 million (2002: Rs. 530 million)	100,000	100,000
First International Investment Bank Limited		
2,644,995 (2002: 2,299,996) fully paid ordinary shares of Rs. 10 each		
Equity held 9.99 % (2002: 9.99%)		
Market value - Rs. 34.385 million (2002: Rs. 27.020 million)	25,000	25,000
First International Investment Bank Limited		
6 (2002: 6) term finance certificates of Rs. 1 million each		
Market value - Rs. 7.50 million (2002: Rs. 8.10 million) -note 17.1	7,985	7,033
	180,059	179,107
Carried forward	591,636	550,203

		2003	2002
		(Rupees in thousand)	
Brought forward		591,636	550,203
Unquoted			
Tetra Pak Pakistan Limited			
26,400,000 (2002: 22,000,000) fully paid ordinary shares of Rs. 10 each Equity held 44% (2002: 44%) Value of investment based on the net assets shown in the audited accounts as at December 31, 2002 Rs. 344.835 million (2001: Rs. 333.773 million)		15,400	15,400
Coca-Cola Beverages Pakistan Limited			
500,000 (2002: 500,000) fully paid ordinary shares of Rs. 10 each Equity held 0.14 % (2002: 0.14%) Value of investment based on the net assets shown in the audited accounts as at December 31, 2002 Rs. 1.617 million (2001: Rs. 1.880 million)		5,000	5,000
		20,400	20,400
Others			
Quoted			
The Resource Group (TRG) Pakistan Limited			
2,000,000 (2002: Nil) fully paid ordinary shares of Rs. 10 each Equity held 2.78 % (2002: Nil) Market value - Rs. 31.400 million (2002: Nil)	-note 17.2	31,400	-
Unquoted			
Pakistan Tourism Development Corporation Limited			
2,500 (2002: 2,500) fully paid ordinary shares of Rs. 10 each Chief Executive : Maj. (Retd.) Malik Habib Khan	-note 17.2	25	25
Orient Match Company Limited			
1,900 (2002: 1,900) fully paid ordinary shares of Rs. 100 each Chief Executive : Khawaja Muhammad Akbar	-note 17.2	-	-
		25	25
		643,461	570,628

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

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

18. Long-term loans, deposits and other receivables

		2003	2002
		(Rupees in thousand)	
Loans to employees - considered good	- note 18.1	1,005	926
Security deposits		2,976	2,753
		3,981	3,679

18.1 These represent interest free loans to employees for purchase of cycles and motor cycles and are repayable in monthly instalments over a period of 50 to 138 months.

Loans to employees aggregating Rs. 0.159 million (2002: Rs. 0.065 million) are secured by joint registration of motor cycles in the name of employees and the company. The remaining loans are unsecured.

Long-term loans to employees outstanding for more than 3 years amount to Rs. 0.618 million (2002: Rs. 0.610 million).

19. Retirement and other benefits

		2003	2002
		(Rupees in thousand)	
Pension fund	- note 19.1	(17,219)	(17,226)
Gratuity fund	- note 19.2	54,555	43,958
		37,336	26,732

19.1 Pension fund

The amounts recognised in the balance sheet are as follows:

	2003	2002
Fair value of plan assets	347,977	299,969
Present value of defined benefit obligation	(386,314)	(358,145)
Non vested (past service) cost to be recognised in later periods	18,130	21,151
Unrecognised actuarial losses	2,988	19,799
(Liability) as at December 31	(17,219)	(17,226)
Net (liability) as at January 01	(17,226)	(15,027)
Charge to profit and loss account	(17,653)	(11,137)
Contribution by the company	17,660	8,938
(Liability) as at December 31	(17,219)	(17,226)

Fair value of plan assets include ordinary shares and Term Finance Cerificates (TFCs) of the company, whose fair value as at December 31, 2003 is Rs. 17.546 million (2002: Rs 9.180 million) and Rs 3.270 million (2002: Rs. Nil) respectively.

19.2 Gratuity fund

	2003	2002
	(Rupees in thousand)	
The amounts recognised in the balance sheet are as follows:		
Fair value of plan assets	248,973	238,249
Present value of defined benefit obligation	(151,673)	(141,317)
Unrecognised actuarial (gains)	(42,745)	(52,974)
Assets as at December 31	54,555	43,958
Net assets as at January 01	43,958	31,646
Credit to profit and loss account	4,842	1,938
Contribution by the company	5,755	10,374
Assets as at December 31	54,555	43,958

Fair value of plan assets include ordinary shares of the company, whose fair value as at December 31, 2003 is Rs. 1.318 million (2002: Rs. 2.620 million).

20. Stores and spares

	2003	2002
	(Rupees in thousand)	
Stores [including in transit Rs. 4.050 million (2002: Rs. 5.420 million)]	116,852	128,251
Spares [including in transit Rs. 16.742 million (2002: Rs. 8.379 million)]	202,028	171,387
	318,880	299,638

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

21. Stock-in-trade

	2003	2002
	(Rupees in thousand)	
Raw materials [including in transit Rs. 102.400 million (2002: Rs. 89.716 million)]	504,312	507,508
Work-in-process	65,621	57,258
Finished goods	274,187	311,441
	844,120	876,207

Finished goods of Rs. 18.835 million (2002: Rs. 47.420 million) are being carried at net realisable value.

22. Trade debts

		2003	2002
		(Rupees in thousand)	
Considered good			
Associated undertakings	- note 22.1	106,138	72,456
Others		471,410	470,762
		577,548	543,218

Trade debts include secured debts of Rs. 1.020 million (2002: Rs. 3.059 million).

22.1 Due from associated undertakings

	2003	2002
	(Rupees in thousand)	
Treet Corporation Limited	4,014	472
Nestle Milkpak Limited	44,497	30,970
Tetrapak Pakistan Limited	48,381	36,550
Zulfiqar Industries Limited	5,847	2,528
Tri-Pack Films Limited	2,814	1,578
Coca-Cola Beverages Pakistan Limited	278	94
Coates Lorilleux Pakistan Limited	307	264
	106,138	72,456

These are in the normal course of business and are interest free. The maximum aggregate amount outstanding due from associated undertakings at the end of any month during the year was Rs. 110.900 million (2002: Rs. 105.066 million).

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

		2003	2002
		(Rupees in thousand)	
Loans to employees - considered good		204	161
Advances - considered good			
To employees	- note 23.1	7,045	8,418
To suppliers		14,024	14,088
		21,069	22,506
Advances to suppliers - considered doubtful		74	74
Due from associated undertakings	- note 23.2	21,683	8,809
Trade deposits		9,345	3,066
Prepayments		8,242	8,463
Balances with statutory authorities			
Excise duty		241	2,042
Customs duty		939	705
		1,180	2,747
Profit receivable on bank deposits		12	32
Claims recoverable from Government			
Sales tax		14,734	3,274
Income tax recoverable	- note 23.3	36,013	36,013
Income tax refundable		213,391	293,510
		264,138	332,797
Other receivables		6,170	584
		332,117	379,239
Less: Provision against doubtful advances		74	74
		332,043	379,165

23.1 Included in advances to employees are amounts due from Chief Executive, Directors and Executives of Rs. 0.030 million, Rs. 0.301 million and Rs. 3.171 million respectively (2002: Chief Executive Rs. 0.081 million, Directors Rs. 0.310 million and Executives Rs. 4.826 million).

The maximum aggregate amount of advances due from Chief Executive, Directors and Executives at the end of any month during the year were Rs. 0.065 million, Rs. 2.034 million and Rs. 6.988 million respectively (2002: Chief Executive Rs. 0.684 million, Directors Rs. 1.098 million and Executives Rs. 13.318 million).

23.2 Due from associated undertakings

	2003	2002
	(Rupees in thousand)	
Tetrapak Pakistan Limited	9,166	4,711
Tri-Pack Films Limited	78	8
Coates Lorilleux Pakistan Limited	1,790	1,419
International General Insurance Company of Pakistan Limited	415	2,518
First International Invesment Bank Limited	10,000	-
Packages Lanka (Private) Limited	234	153
	21,683	8,809

These relate to normal business of the company and are interest free. The maximum aggregate amount of advances to associated companies at the end of any month during the year was Rs. 21.683 million (2002: Rs. 20.940 million).

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

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

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

24. Cash and bank balances

		2003	2002
		(Rupees in thousand)	
At banks			
On savings accounts [including USD 43,708 (2002: USD 224)]	- note 24.1	6,328	7,859
On current accounts	- note 24.2	84,597	72,491
		90,925	80,350
In hand		7,241	8,459
		98,166	88,809

24.1 The balances in savings accounts bear mark up which ranges from 0.90% to 2% per annum.

24.2 Included in these are total restricted funds of Rs. 1.391 million (2002: Rs. 1.322 million) held as payable to TFC holders as referred to in note 11.

25. Cost of goods sold

		2003	2002
		(Rupees in thousand)	
Opening work-in-process		57,258	50,580
Materials consumed		2,263,462	1,925,656
Salaries, wages and amenities	- note 25.1	386,121	350,429
Fuel and power		606,718	524,616
Production supplies		162,287	158,182
Excise duty and sales tax		42,726	76,752
Rent, rates and taxes		5,519	1,738
Insurance		39,007	36,296
Repairs and maintenance		225,381	267,275
Packing expenses		27,912	15,161
Depreciation/amortisation on fixed assets		374,040	344,439
Amortisation on leased assets		11,184	11,000
Technical fee and royalty		14,204	11,991
Other expenses		55,024	37,469
		4,270,843	3,811,584
Less: Closing work-in-process		65,621	57,258
Cost of goods produced		4,205,222	3,754,326
Opening stock of finished goods		311,441	229,229
		4,516,663	3,983,555
Less: Closing stock of finished goods		274,187	311,441
		4,242,476	3,672,114

Cost of goods produced includes Rs. 531 million (2002: Rs. 451.903 million) for stores and spares consumed, Rs. 7.842 million (2002: Rs. 3.290 million) and Rs. 0.669 million (2002: Rs. 1.822 million) for raw material and stores and spares written off respectively.

25.1 Salaries, wages and amenities

	2003	2002
	(Rupees in thousand)	
Salaries, wages and amenities include following in respect of retirement benefits:		
Pension		
Current service cost	7,086	4,954
Interest cost for the year	15,257	15,958
Expected return on plan assets	(13,188)	(14,498)
Contribution made by the employees	(2,161)	(1,661)
Recognition of past service cost	1,643	1,588
Recognition of loss/(gain)	961	(483)
	9,598	5,858
Gratuity		
Current service cost	4,998	6,082
Interest cost for the year	7,412	13,602
Expected return on plan assets	(12,965)	(19,940)
Recognition of (gain)	(2,814)	(1,507)
	(3,369)	(1,763)

In addition to above, salaries, wages and amenities include Rs. 9.760 million (2002: Rs. 9.222 million) and Rs. 8.483 million (2002: Rs. (0.173)million) in respect of provident fund contribution by the company and accumulating compensated absences respectively.

26. Selling, administration and general expenses

		2003	2002
		(Rupees in thousand)	
Selling and distribution expenses			
Salaries, wages and amenities	- note 26.1	36,062	36,440
Travelling		8,918	7,980
Rent, rates and taxes		3,371	2,907
Freight and distribution		61,674	53,167
Insurance		1,525	1,402
Advertising		35,946	32,879
Depreciation		6,414	6,163
Other expenses		11,719	8,511
		165,629	149,449
Administration and general expenses			
Salaries, wages and amenities	- note 26.2	128,383	119,683
Travelling		29,233	30,859
Rent, rates and taxes		8,031	5,953
Insurance		3,636	6,018
Printing, stationery and periodicals		12,328	12,074
Postage, telephone and telex		19,932	21,296
Motor vehicles running		8,315	8,669
Computer charges		9,026	18,204
Professional services	- note 31	11,026	11,337
Repairs and maintenance		14,258	9,013
Depreciation/amortisation on fixed assets		61,796	62,537
Depreciation on investment property		868	712
Other expenses		37,323	34,081
		344,155	340,436
		509,784	489,885

Selling, administration and general expenses include Rs. 26.238 million (2002: Rs. 22.641 million) for stores and spares consumed.

26.1 Salaries, wages and amenities

	2003	2002
	(Rupees in thousand)	
Salaries, wages and amenities include following in respect of retirement benefits:		
Pension		
Current service cost	1,275	3,465
Interest cost for the year	2,744	11,158
Expected return on plan assets	(2,372)	(10,138)
Contribution made by the employees	(389)	(1,162)
Recognition of past service cost	295	1,111
Recognition of loss/(gain)	173	(338)
	1,726	4,096

	2003	2002
	(Rupees in thousand)	
Gratuity		
Current service cost	468	-
Interest cost for the year	695	-
Expected return on plan assets	(1,215)	-
Recognition of (gain)	(264)	-
	(316)	-

In addition to above, salaries, wages and amenities include Rs. 0.911 million (2002: Rs. 1.719 million) and Rs. (0.609) million (2002: Rs. 2.31 million) in respect of provident fund contribution by the company and accumulating compensated absences respectively.

26.2 Salaries, wages and amenities

	2003	2002
	(Rupees in thousand)	
Salaries, wages and amenities include following in respect of retirement benefits:		
Pension		
Current service cost	4,672	1,001
Interest cost for the year	10,060	3,223
Expected return on plan assets	(8,696)	(2,928)
Contribution made by the employees	(1,425)	(336)
Recognition of past service cost	1,083	321
Recognition of loss/(gain)	634	(98)
	6,328	1,183
Gratuity		
Current service cost	1,717	604
Interest cost for the year	2,546	1,350
Expected return on plan assets	(4,453)	(1,979)
Recognition of (gain)	(967)	(150)
	(1,157)	(175)

In addition to above, salaries, wages and amenities include Rs. 3.245 million (2002: Rs. 2.290 million) and Rs. 0.894 million (2002: Rs. 2.270 million) in respect of provident fund contribution by the company and accumulating compensated absences respectively.

27. Other income

		2003	2002
		(Rupees in thousand)	
Management and technical fee		5,723	-
Rental income		-	305
Dividend income from associated companies	- note 27.1	457,554	498,865
Insurance commission from an associated company		2,928	2,667
Rental income from investment property			
Associated companies		20,602	17,401
Profit on disposal of fixed assets		19,777	3,660
Scrap sales		499	786
Provisions and unclaimed balances written back		41,957	37,066
Agricultural income		1,558	1,100
Income on foreign currency deposits		-	8,745
Income on rupee deposits		469	1,829
Profit on outside jobs including Rs. 1.139 million (2002: Rs. 0.772 million) from associated companies		2,120	1,476
Unrealised gain on investments available for sale		11,400	-
Others	-note 27.2	9,861	4,380
		574,448	578,280

27.1 Dividend income from associated companies

Tetrapak Pakistan Limited	330,000	396,000
International General Insurance Company of Pakistan Limited	6,801	5,152
Nestle Milkpak Limited	58,388	43,791
Coates Lorilleux Pakistan Limited	32,365	23,922
Tri-Pack Films Limited	30,000	30,000
	457,554	498,865

27.2 These include Rs. 0.953 million (2002: Rs. 0.790 million) in respect of unrealised profit on TFCs of First International Investment Bank Limited, an associated concern.

28. Financial charges

	2003	2002
	(Rupees in thousand)	
Interest and mark up including commitment charges on		
Long-term foreign currency loans	-	13,408
Redeemable capital and local loans	111,520	99,442
Short term running finances	26,001	45,728
Finance lease	6,109	10,239
Deferred import duties	2,115	3,470
Loan handling charges	252	553
Exchange loss	782	1,160
Bank charges	4,529	2,800
	151,308	176,800

29. Other charges

		2003	2002
		(Rupees in thousand)	
Workers' welfare fund		14,107	19,643
Workers' profit participation fund		54,768	42,993
Donations	- note 32	1,289	1,293
		70,164	63,929

30. Provision for taxation

	2003	2002
For the year		
Current	270,000	190,000
Deferred	(12,000)	(51,000)
	258,000	139,000
Prior years		
Current	(128,608)	2,853
Deferred	94,000	-
	(34,608)	2,853
	223,392	141,853

30.1 Tax charge reconciliation

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

	% age	% age
Applicable tax rate	35	35
Tax effect of amounts that are:		
Deductible for tax purposes	-	(0.90)
Not deductible for tax purposes	3.55	2.80
Exempt for tax purposes	(0.58)	(0.39)
Chargeable to tax at different rates	(13.24)	(18.78)
Effect of change in prior years' tax	(3.34)	0.36
Tax effect under presumptive tax regime and others	0.15	(0.30)
	(13.46)	(17.21)
Average effective tax rate charged to profit and loss account	21.54	17.79

31. Professional services

	2003	2002
	(Rupees in thousand)	
The charges for professional services include the following in respect of auditors' services for:		
Statutory audit	470	425
Half yearly review	200	200
Tax services	2,980	3,155
Share transfer, workers' profit participation fund audit, management staff pension fund audit, special reports and certificates for lending agencies and sundry services	400	565
Out of pocket expenses	209	106
	4,259	4,451

32. Donations

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

	2003	2002
Pakistan Olympic Association, Lahore (Syed Wajid Ali, Chief Executive is the President of the Association)	-	100
Liaquat National Hospital, Karachi (Syed Wajid Ali, Chief Executive is the Chairman of the Hospital)	400	400
Gulab Devi Chest Hospital, Lahore (Syed Wajid Ali, Chief Executive is the President of the Hospital)	35	440
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	-

33. Remuneration of Chief Executive, Directors and Executives

33.1 The aggregate amount charged in the accounts for the year for remuneration, including certain benefits, to the Chief Executive, full time working Directors including alternate director and

Executives of the company is as follows:

	Chief Executive		Directors & alternate Director		Executives	
	2003	2002	2003	2002	2003	2002
Number of persons	1	1	5	5	179	160
	(Rupees in thousand)					
Managerial remuneration	2,385	2,206	10,544	9,466	64,804	58,840
Contribution to provident, gratuity, pension and welfare funds	-	-	2,920	2,329	13,448	11,212
Housing	680	549	4,755	4,264	23,656	21,716
Utilities	627	718	934	838	8,645	7,573
Leave passage	18	-	778	698	1,357	1,278
Medical expenses	934	328	257	245	3,912	3,590
Club expenses	13	13	30	27	4	6
Others	-	-	-	-	11,599	8,886
	4,657	3,814	20,218	17,867	127,425	113,101

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

33.2 Remuneration to other directors

Aggregate amount charged in the accounts for the year for fee to 3 directors (2002: 3 directors) was Rs. 5,500 (2002: Rs. 5,500).

34. 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 33. Other significant transactions with related parties are as follows:

Description	Pricing method	2003	2002
		(Rupees in thousand)	
Purchase of goods and services	Comparable uncontrolled	466,214	447,262
Sale of goods and services	Cost plus	1,093,158	1,008,261
Rental income	Cost plus	20,602	17,401

All transactions with related parties have been carried out on commercial terms and conditions under the above pricing methods.

35. Capacity and production - tonnes

	Capacity		Actual production	
	2003	2002	2003	2002
Paper and paperboard produced	101,900	87,000	86,641	72,642
Paper and paperboard converted	70,000	70,000	66,870	59,808
Plastics all sorts converted	7,500	6,000	5,850	5,236

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

36. Rates of exchange

Liabilities in foreign currencies have been translated into Rupees at USD 1.7355 (2002: USD 1.7094), EURO 1.3801 (2002: EURO 1.6300), SFR 2.1529 (2002: SFR 2.3719), SEK 12.5313 (2002: SEK 14.9477), GBP 0.9745 (2002: GBP 1.0661) and YEN 185.5632 (2002: YEN 202.8398) equal to Rs. 100.

37. Cash generated from operations

	2003	2002
	(Rupees in thousand)	
Profit before taxation	1,036,905	797,225
Adjustments for:		
Depreciation/amortisation on fixed assets	442,250	413,139
Depreciation on investment property	868	712
Amortisation on leased assets	11,184	11,000
Provision for accumulating compensated absences	8,768	4,407
Retirement and other benefits accrued	12,811	9,199
Unrealised profit on investments		
Held to maturity	(953)	(1,033)
Available for sale	(11,400)	-
Net profit on disposal of fixed assets	(19,777)	(3,660)
Financial charges	151,308	176,800
Dividend income	(457,554)	(498,865)
Profit before working capital changes	1,174,410	908,924
Effect on cash flow due to working capital changes		
(Increase)/decrease in trade debts	(34,330)	52,808
(Increase) in stores and spares	(19,242)	(36,394)
Decrease/(increase) in stock-in-trade	32,087	(114,411)
(Increase)/decrease in loans, advances, deposits, prepayments and other receivables	(32,997)	26,427
Increase/(decrease) in creditors, accrued and other liabilities	17,671	(64,455)
	(36,811)	(136,025)
	1,137,599	772,899

38. Cash and cash equivalents

	2003	2002
Cash and bank balances	98,166	88,809
Finances under mark up arrangements	(499,115)	(736,033)
	(400,949)	(647,224)

39. Earnings per share

39.1 Basic earnings per share

		2003	2002
Net profit for the year	Rupees in thousand	813,513	655,372
Weighted average number of ordinary shares	Numbers	47,537,080	47,537,080
Earnings per share	Rupees	17.11	13.79

39.2 Diluted earnings per share

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

40. 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	2003	2002	2003	2002
	(Rupees in thousand)									
Financial assets										
On balance sheet										
Long-term investments	-	7,985	7,985	-	31,425	31,425	39,410	7,058	39,410	7,058
Loans to employees	-	-	-	204	1,005	1,209	1,209	1,087	-	-
Long-term security deposits	-	-	-	-	2,976	2,976	2,976	2,753	2,976	2,753
Trade debts	-	-	-	577,548	-	577,548	577,548	543,218	577,548	543,218
Advances, deposits and prepayments:										
Trade deposits	-	-	-	9,345	-	9,345	9,345	3,066	9,345	3,066
Profit receivable on bank deposits	12	-	12	-	-	-	12	32	6	28
Others	-	-	-	232	-	232	232	237	232	237
Cash and bank balances	6,328	-	6,328	91,838	-	91,838	98,166	88,809	17,307	15,547
	6,340	7,985	14,325	679,167	35,406	714,573	728,898	646,260	646,824	571,907
Off balance sheet	-	-	-	-	-	-	-	-	-	-
Total	6,340	7,985	14,325	679,167	35,406	714,573	728,898	646,260	646,824	571,907
Financial liabilities										
On balance sheet										
Non participatory redeemable capital - secured	50,000	-	50,000	-	-	-	50,000	150,000		
Non participatory redeemable capital - unsecured	-	850,000	850,000	-	-	-	850,000	850,000		
Liabilities against assets subject to finance lease	35,986	1,702	37,688	-	-	-	37,688	70,400		
Other payables-secured	4,870	10,238	15,108	-	-	-	15,108	15,108		
Finances under mark up arrangements	499,115	-	499,115	-	-	-	499,115	736,033		
Creditors, accrued and other liabilities	-	-	-	383,292	-	383,292	383,292	367,111		
	589,971	861,940	1,451,911	383,292	-	383,292	1,835,203	2,188,652		
Off balance sheet										
Contracts for capital expenditure	-	-	-	20,700	-	20,700	20,700	84,989		
Guarantees	-	-	-	46	-	46	46	125		
Letters of credit other than for capital expenditure	-	-	-	225,709	-	225,709	225,709	260,950		
	-	-	-	246,455	-	246,455	246,455	346,064		
Total	589,971	861,940	1,451,911	629,747	-	629,747	2,081,658	2,534,716		
On balance sheet gap	(583,631)	(853,955)	(1,437,586)	295,875	35,406	331,281	(1,106,305)	(1,542,392)		
Off balance sheet gap	-	-	-	(246,455)	-	(246,455)	(246,455)	(346,064)		

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

40.1 Financial risk management objectives

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

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

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

(a) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The company's credit risk is primarily attributable to its trade debts and its balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The company has no significant concentration of credit risk as exposure is spread over a large number of counter parties in the case of trade debts. Out of the total financial assets of Rs. 728.898 million (2002: Rs. 646.260 million) financial assets which are subject to credit risk amount to Rs. 646.824 million (2002: Rs. 571.907 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, 2003 to hedge the foreign currency liabilities which are due within the next four months:

Forward exchange contracts

	(Rupees in thousand)
Purchase value	56,588
Fair value	59,902

(c) Interest rate risk

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

(d) Liquidity risk

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

40.2 Fair value of financial assets and liabilities

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

41. Number of employees

	2003	2002
Number of employees as at December 31	3,191	3,084

42. Date of authorization for issue

These financial statements were authorised for issue on January 24, 2004 by the Board of Directors of the company.

43. Corresponding figures

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

Syed Wajid Ali
Chief Executive

Tariq Iqbal Khan
Director

Directors' Report on the Consolidated Accounts

The Directors of Packages Limited take pleasure in presenting to its shareholders, the audited Consolidated Accounts of the Group for the year ended December 31, 2003.

General Review

In the year under review the constituent companies have shown increase in sales as well as in the gross profit margins.

Operating Results of the Group

The Group's sales have shown an increase of 17%, on last year figures. The increase in sales can be attributed to new investments made during the previous year by the Parent Company. The Group has managed to increase the gross profit by Rs. 263 million which is an increase of 24% from last year due to focused efforts to control the costs and reduction in wastages.

The profit before tax has seen an increase of 46%. The increase in profit before tax has been supported by an increase of 19% in income from associated companies and by a reduction of 19% in financial charges due to repayment of loans.

The comparison of the audited results for the year ended December 31, 2003 as against December 31, 2002 is as follows:

	2003	2002
	(Rupees in million)	
Invoiced Sales	6,861	5,872
Gross Profit	1,362	1,099
Operating Profit	788	544
Income from Associated Companies	691	579
Profit before tax	1,340	918
Combined earnings per share	19.42	13.36

The auditor's opinion on the Consolidated Financial Statements is based on un-audited accounts of associated companies as the audits of these companies were in progress as of the date of signing of this report.

Components of the Group

Coates Lorilleux Pakistan Limited

Coates Lorilleux is engaged in the business of manufacturing and selling printing inks. It was set up in 1994 and it enjoys technical collaboration with Dainippon Ink and Chemicals Group of Japan, the new joint venture partner, which is also the largest manufacturer of inks in the world.

During the year under review, Coates showed a volume increase of 32%. New liquid ink and offset ink technologies were explored and developed to meet the ever-changing demand of the market and in the period under review its sales have increased by 22% as compared to last year figures. Profit before tax has also increased by 28%.

During the year Coates has also achieved certification of ISO 9001- version "2000".

Over the course of the coming year, Coates intends to make further capacity increases in its liquid ink manufacturing capacity. The new machinery should start operations during the first half of the year.

Packages Lanka (Private) Limited

Packages Lanka was set up in 1996 in Sri Lanka as a joint venture with the Print Care Group of Ceylon and started production in 1998.

The company's performance is continuously improving. The company is still operating at a loss but efforts are successfully being made to reduce the magnitude of these losses by improving sales and controlling expenditure. The year under review has seen the loss reduced by Rs.15.7 million.

During the year a new bag-making machine was added to capture the high-end export garment market. The customer base was also extended and with the ceasefire currently in effect in Sri Lanka the outlook for 2004 is promising.

Customers' Support and Staff Relations

We thank our valued customers for their feedback and support and recognize the role they play in the success of the Group. We would also like to extend our appreciation to all the employees for their commitment and hard work.

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 and Chief Executive
Lahore, January 24, 2004

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, 2003 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 responsibilty 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. 691 million shown in the consolidated profit and loss account and note 18 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, 2003 and the results of their operations for the year then ended.

A. F. FERGUSON & CO.
Chartered Accountants
Lahore, January 24, 2004

Consolidated Balance Sheet
as at December 31, 2003

	Note	2003	2002
		(Rupees in thousand)	
Equity and Liabilities			
Share Capital and Reserves			
Authorised capital			
60,000,000 (2002: 60,000,000) ordinary shares of Rs. 10 each		600,000	600,000
Issued, subscribed and paid up capital			
47,537,080 (2002: 47,537,080) ordinary shares of Rs. 10 each	3	475,371	475,371
Reserves	4	2,730,854	2,323,915
Unappropriated profit		711,113	601,174
		3,917,338	3,400,460
Minority Interest		79,142	80,428
Non Participatory Redeemable Capital			
Secured	5	-	50,000
Un-secured	6	850,000	850,000
		850,000	900,000
Long-Term and Deferred Liabilities			
Liabilities against assets subject to finance lease	7	1,702	35,200
Long-term loans and other payables - secured	8	78,024	110,625
Deferred liabilities	9	602,164	514,832
		681,890	660,657
Current Liabilities			
Current portion of			
Non-participatory redeemable capital - secured	5	50,000	100,000
Liabilities against assets subject to finance lease	7	35,986	35,200
Long-term loans and other payables - secured	8	30,653	20,840
Finances under mark up arrangements - secured	10	641,869	884,229
Creditors, accrued and other liabilities	11	542,816	517,795
Proposed dividend			
Packages Limited		404,065	332,760
Minority interest		23,505	12,675
		1,728,894	1,903,499
Contingencies and Commitments	12	-	-
		7,257,264	6,945,044

	Note	2003	2002
		(Rupees in thousand)	
Assets			
Fixed Capital Expenditure			
Operating fixed assets			
Tangible	13.1	3,050,255	3,029,743
Intangible	13.2	28,071	65,928
Investment property	14	8,865	9,434
Assets subject to finance lease	15	129,082	137,500
Capital work-in-progress	16	353,868	196,902
		3,570,141	3,439,507
Goodwill	17	58,310	61,310
Other Long-Term Assets			
Long-term investments	18	1,091,216	928,334
Long-term loans, deposits and other receivables	19	4,361	4,054
Retirement and other benefits	20	37,336	26,732
		1,132,913	959,120
Current Assets			
Stores and spares	21	326,002	306,500
Stock-in-trade	22	1,040,013	1,076,621
Trade debts	23	652,640	596,226
Loans, advances, deposits, prepayments and other receivables	24	358,947	404,338
Cash and bank balances	25	118,298	101,422
		2,495,900	2,485,107
		7,257,264	6,945,044

The annexed notes form an integral part of these accounts.

Syed Wajid Ali
Chief Executive

Tariq Iqbal Khan
Director

Consolidated Profit and Loss Account
for the year ended December 31, 2003

	Note	2003	2002
		(Rupees in thousand)	
Sales			
Local sales		6,806,772	5,806,394
Export sales		54,260	65,966
		6,861,032	5,872,360
Less: Sales tax and excise duty		908,577	814,438
Commission and discount		15,939	12,741
		924,516	827,179
		5,936,516	5,045,181
Less: Cost of goods sold	26	4,574,894	3,946,640
Gross profit		1,361,622	1,098,541
Selling, administration and general expenses	27	573,335	553,784
Operating profit		788,287	544,757
Other income	28	114,405	82,230
		902,692	626,987
Financial charges	29	177,180	218,581
Other charges	30	76,504	69,238
		253,684	287,819
		649,008	339,168
Income from associated companies		690,549	578,779
Profit before taxation		1,339,557	917,947
Provision for taxation			
Group	31	251,106	188,496
Associated companies		134,830	76,082
		385,936	264,578
Profit after taxation		953,621	653,369
Minority interest		30,617	18,151
Profit after taxation and minority interest		923,004	635,218
Unappropriated profit brought forward		601,174	625,464
Available for appropriation		1,524,178	1,260,682
Appropriations:			
Transferred to general reserve		409,000	323,000
Proposed dividend-Rs. 8.50 per share (2002: Rs. 7.00 per share)		404,065	332,760
		813,065	655,760
Unappropriated profit		711,113	604,922
Combined earnings per share	40	19.42	13.36

The annexed notes form an integral part of these accounts.

Syed Wajid Ali
Chief Executive

Tariq Iqbal Khan
Director

Consolidated Cash Flow Statement
for the year ended December 31, 2003

	Note	2003	2002
		(Rupees in thousand)	
Cash flow from operating activities:			
Cash generated from operations	38	1,273,489	891,738
Financial charges paid		(190,017)	(256,689)
Taxes paid		(88,681)	(278,833)
Payments for accumulating compensated absences		(5,195)	(6,624)
Retirement and other benefits paid		(23,415)	(19,312)
Net cash from operating activities		966,181	330,280
Cash flow from investing activities:			
Fixed capital expenditure		(625,822)	(511,773)
Net (increase)/decrease in long-term loans, deposits and other receivables		(307)	5,337
Sale proceeds of fixed assets		29,355	7,698
Dividend received		425,189	474,943
Long-term investments		(27,017)	(6,640)
Net cash used in investing activities		(198,602)	(30,435)
Cash flow from financing activities:			
Proceeds from redeemable capital, long-term loans and other payables		-	4,870
Repayment of redeemable capital, long-term loans and other payables		(122,788)	(665,273)
Payment of finance lease liabilities		(32,712)	(35,200)
Dividend paid		(331,770)	(213,120)
Dividend paid to minority shareholders		(21,073)	(19,587)
Net cash used in financing activities		(508,343)	(928,310)
Net increase /(decrease) in cash and cash equivalents		259,236	(628,465)
Cash and cash equivalents at the beginning of the year		(782,807)	(154,342)
Cash and cash equivalents at the end of the year	39	(523,571)	(782,807)

The annexed notes form an integral part of these accounts.

Syed Wajid Ali
Chief Executive

Tariq Iqbal Khan
Director

Consolidated Statement of Changes in Equity

for the year ended December 31, 2003

	Share capital	Share premium	Exchange difference on translation of foreign subsidiary	General reserve	Unappro-priated profit	Total
	(Rupees in thousand)					
Balance as on December 31, 2001	475,371	203,589	(18,588)	1,817,036	625,464	3,102,872
Net profit for the year	-	-	-	-	635,218	635,218
Transferred from profit and loss account	-	-	-	323,000	(323,000)	-
Proposed dividend - Rs. 7.00 per share	-	-	-	-	(332,760)	(332,760)
Adjustments for amortised values pre-operational expenses	-	-	-	-	(3,748)	(3,748)
Exchange adjustments	-	-	(1,122)	-	-	(1,122)
Balance as on December 31, 2002	475,371	203,589	(19,710)	2,140,036	601,174	3,400,460
Net profit for the year	-	-	-	-	923,004	923,004
Transferred from profit and loss account	-	-	-	409,000	(409,000)	-
Proposed dividend - Rs. 8.50 per share	-	-	-	-	(404,065)	(404,065)
Exchange adjustments	-	-	(2,061)	-	-	(2,061)
Balance as on December 31, 2003	475,371	203,589	(21,771)	2,549,036	711,113	3,917,338

Syed Wajid Ali
Chief Executive

Tariq Iqbal Khan
Director

Notes to the Consolidated Accounts
for the year ended December 31, 2003

1. Nature of business

Packages Group comprises the following business:

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

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

2. Significant accounting policies

2.1 Basis of preparation

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

2.2 Accounting convention

These accounts have been prepared under the historical cost convention, modified by capitalization of exchange differences referred to in note 2.21, 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 43. 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 holding 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 accounts.

2.4 Fixed capital expenditure and depreciation/amortisation

2.4.1 Operating fixed assets

Tangible

Operating fixed assets 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 exchange differences referred to in note 2.21 and interest, mark up etc. in note 2.22.

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

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

Intangible

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.

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

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

Major repairs and improvements are 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 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.

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.

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

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

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

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

Operating leases

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

(2) The Group is the lessor:

Operating leases

Assets leased out under operating leases are included in investment property as referred to in note 14. 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 Long-term 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 the 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 4.33 percent per annum of basic salaries for gratuity. The latest actuarial valuation for the pension and gratuity schemes was carried out as at December 31, 2003. The actual returns on plan assets during the year were Rs. 41.424 million and Rs. 21.615 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 8 percent per annum.

Expected rate of increase in salary level 5.94 percent per annum.

Expected rate of return 8 percent per annum.

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

(b) There is an approved contributory provident fund for all employees. Equal monthly contributions are made by the 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 realisable value. Cost of work-in-process and finished goods comprises cost of direct materials, labour and appropriate manufacturing overheads.

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

Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessary 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 Related party transactions

All transactions with related parties are at arm's lenght prices determined in accordance with the pricing method as approved by the Board of Directors.

2.15 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.

2.16 Borrowings

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

2.17 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.

2.18 Provisions

Provisions are recognised when the Group has a present obligation as a result of a 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.

2.19 Derivative financial instruments

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

2.20 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.

2.21 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.

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

All other exchange differences are included in profit currently.

2.22 Borrowing costs

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

3. Issued, subscribed and paid up capital

2003	2002		2003	2002
(Number of shares)			(Rupees in thousand)	
11,260,868	11,260,868	Ordinary shares of Rs. 10 each fully paid in cash	112,609	112,609
148,780	148,780	Ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash	1,488	1,488
36,127,432	36,127,432	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	361,274	361,274
47,537,080	47,537,080		475,371	475,371

9,335,349 (2002: 9,228,349) ordinary shares of the Parent Company are held by International General Insurance Company of Pakistan Limited, an associated concern as at December 31, 2003.

4. Reserves

		2003	2002
		(Rupees in thousand)	
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		(19,710)	(18,588)
Exchange difference for the year		(2,061)	(1,122)
		(21,771)	(19,710)
Revenue			
General reserve			
At the beginning of the year		2,140,036	1,817,036
Transferred from profit and loss account		409,000	323,000
		2,549,036	2,140,036
		2,730,854	2,323,915

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. Non participatory redeemable capital - secured

These are composed of:

	2003	2002
Long-term running finance under mark up arrangements	50,000	150,000
Less: Current portion shown under current liabilities	50,000	100,000
	-	50,000

Security

This finance is secured by an equitable mortgage of immovable properties, hypothecation of all plant and machinery and a floating charge on all current assets subject to hypothecation of stores, spares, stock-in-trade and trade debts in favour of the Group's bankers referred to in note 10.

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

Terms of repayment

It is a long-term finance arranged from a consortium of banks for a maximum of Rs. 400 million under mark up arrangements. Mark up is computed at the rate of Re. 0.0555 per Rs. 1,000 per diem over and above the six months Treasury Bill rate. The finance is repayable in three equal half yearly instalments. Mark up is payable half yearly.

6. Non participatory redeemable capital - unsecured

These represent Term Finance Certificates (TFCs).

The TFCs have been issued as fully paid scrips of Rs. 5,000 and Rs. 100,000 denominations or exact multiples thereof. These are listed on the Lahore Stock Exchange and their market value is Rs. 926.500 million as at December 31, 2003.

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.

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 18.2.

7. Liabilities against assets subject to finance lease

	2003	2002
	(Rupees in thousand)	
Present value of minimum lease payments	37,688	70,400
Less: Current portion shown under current liabilities	35,986	35,200
	1,702	35,200

The present value of minimum lease payments have been discounted at an implicit interest rate ranging from 7.25% to 11.70% 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 2003	Present value of lease liability 2002
	(Rupees in thousand)			
2003	-	-	-	35,200
2004	39,811	3,825	35,986	35,200
2005	920	76	844	-
2006	874	16	858	-
	41,605	3,917	37,688	70,400

8. Long-term loans and other payables - secured

		2003	2002
		(Rupees in thousand)	
Foreign currency loans	-note 8.1	93,569	116,357
Other payables	-note 8.2	15,108	15,108
		108,677	131,465
Less: Current portion shown under current liabilities			
Foreign currency loans		20,415	20,840
Other payables		10,238	-
		30,653	20,840
		78,024	110,625

8.1 Foreign currency loan - secured

This is composed of:

Lender	Currency	Currency balance 2003	Currency balance 2002	Rupee equivalent 2003	Rupee equivalent 2002	Rate of interest per annum	No. of equal instalments	Interest payable
		(In thousand)						
National Development Bank of Sri Lanka	SLR	151,800	184,495	93,569	116,357	15%	54-ending July 2008	Monthly
		151,800	184,495	93,569	116,357			

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.

8.2 Other payables - secured

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

9. Deferred liabilities

		2003	2002
		(Rupees in thousand)	
These are composed of:			
Deferred taxation	- note 9.1	533,000	450,000
Accumulating compensated absences	- note 9.2	68,078	63,874
Staff gratuity		1,086	958
		602,164	514,832

9.1 Deferred taxation

The liability for deferred taxation comprises timing differences relating to:

Accelerated tax depreciation	545,284	462,755
Provision for accumulating compensated absences	(23,963)	(22,525)
Provision for doubtful debts	(130)	-
Provision for slow moving items	(1,374)	-
Provision for doubtful receivables	(587)	-
Impairment loss in value of investments	(16,230)	(16,230)
Investments in associated companies	30,000	26,000
	533,000	450,000

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, 2003 are Rs. 51.572 million (2002: Rs. 43.713 million).

9.2 Accumulating compensated absences

	2003	2002
	(Rupees in thousand)	
Opening balance	63,874	63,265
Provision for the year	9,399	7,233
	73,273	70,498
Less: Payments made during the year	5,195	6,624
Closing balance	68,078	63,874

10. Finances under mark up arrangements - secured

Running finances	- note 10.1	169,745	166,769
Short-term finances	- note 10.2	472,124	717,460
		641,869	884,229

10.1 Running finances - secured

Short-term running finances available from a consortium of commercial banks under mark up arrangements amount to Rs. 2,699.198 million (2002: Rs. 1,850.170 million). The rates of mark up range from Re. 0.0616 to Re. 0.4931 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. 0.0740 to Re. 0.8770 per Rs. 1,000 per diem or part thereof on the balances unpaid. The aggregate running finances are secured by hypothecation of stores, spares, stock-in-trade and trade debts.

10.2 Short-term finances - secured

Term finances available from a consortium of commercial banks under mark up arrangements amount to Rs. 478.192 million (2002: Rs. 723.310 million). The rates of mark up range from Re. 0.0384 to Re. 0.3835 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. 1,328.400 million (2002: Rs. 1,046.600 million) for opening letters of credit and Rs. 354 million (2002: Rs. 384 million) for guarantees, the amount utilised at December 31, 2003 was Rs. 198.492 million (2002: Rs. 197.062 million) and Rs. 166.443 million (2002: Rs. 150.557 million) respectively. Of the facility for guarantees, Rs. 322.50 million (2002: Rs. 322.50 million) is secured by a second hypothecation charge over stores, spares, stock-in-trade and trade debts.

11. Creditors, accrued and other liabilities

		2003	2002
		(Rupees in thousand)	
Trade creditors	- note 11.1	63,981	47,212
Accrued liabilities		313,158	283,949
Sales tax payable		445	15,016
Customers' balances		31,928	21,066
Deposits - interest free repayable on demand		3,787	3,242
Interest accrued on other payables - secured		1,611	2,239
Mark up accrued on non participatory			
redeemable capital - Secured		940	5,548
- Un-secured		23,913	23,909
Mark up accrued on finances under mark up			
arrangements - secured		3,352	10,957
Workers' profit participation fund	- note11.2	60,297	47,433
Workers' welfare fund		14,709	34,293
Unclaimed dividends		4,861	3,871
TFCs payable	- note 25.2	1,391	1,322
Others	- note 11.3	18,443	17,738
		542,816	517,795

11.1 Trade creditors include amount due to associated companies Rs. 20.379 million (2002: Rs. 7.703 million).

11.2 Workers' profit participation fund

		2003	2002
		(Rupees in thousand)	
Opening balance		47,433	31,720
Provision for the year	- note 30	60,458	47,633
Interest for the year	- note 29	-	29
		107,891	79,382
Less: Payments made during the year		47,594	31,949
Closing balance		60,297	47,433

11.3 Others include an amount of Rs. 0.644 million (2002: Rs. 0.554 million) due to employees.

12. Contingencies and commitments

12.1 Contingencies

(i) Guarantees to bank for repayment of loans by employees Rs. 0.046 million (2002: Rs. 0.125 million).

(ii) Guarantees to Director General of Customs amounting to Rs. 3.68 million (2002: Rs. 2.74 million).

(iii) Claims against the Group not acknowledged as debts Rs. 9.580 million (2002: Rs. 7.835 million).

(iv) Against a sales tax refund aggregating Rs. 12.827 million determined by the Sales Tax Officer (STO) on the basis of the orders of the Appellate Assistant Commissioner (AAC) for the assessment years 1977-78 through 1980-81 and recognised in the accounts in 1985, the STO filed an appeal in 1986 with the Income Tax Appellate Tribunal (ITAT) against the Orders of the AAC for these years. The orders of the AAC were based on a decision already given by the ITAT on the 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 accounts 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, 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 departments reference application against the orders of ITAT has been rejected by the ITAT and the department has now filed an appeal directly to the High Court against decision of the ITAT. No provision has been made in these accounts for this demand since in the management's view, there are meritorious grounds that the ultimate decision would be in the Group's favour.

12.2 Commitments in respect of

(i) Contracts for capital expenditure Rs. 42.616 million (2002: Rs. 86.324 million).

(ii) Letters of credit other than for capital expenditure Rs. 265.785 million (2002: Rs. 277.214 million).

13. Operating fixed assets

13.1 Tangible

	Cost to December 31, 2002	Adjustments	Exchange adjustment on opening cost	Transfers to Investment Property	Additions/ (deletions)	Cost to December 31, 2003	Accumulated depreciation December 31, 2002	Exchange adjustment on opening accumulated depreciation	Transfers to Investment Property	Depreciation charge/ (deletions) for the year	Accumulated depreciation December 31, 2003	Book value as at December 31, 2003
	(Rupees in thousand)											
Freehold land	128,137	-	(507)	-	908 (1,209)	127,329	-	-	-	-	-	127,329
Buildings on freehold land	234,214	-	(780)	-	16,993 (11,258)	239,169	51,573	(170)	-	10,427 (5,966)	55,864	183,305
Buildings on leasehold land	137,350	-	-	-	-	137,350	27,267	-	-	4,965	32,232	105,118
Plant and machinery	5,736,796	-	(4,741)	-	369,754 (51,571)	6,050,238	3,265,231	(1,254)	-	361,416 (51,167)	3,574,226	2,476,012
Other Equipment	242,615	-	(885)	-	60,496 (3,904)	298,322	174,100	(806)	-	34,203 (3,506)	203,991	94,331
Furniture and fixtures	19,375	-	(105)	-	1,533 (356)	20,447	11,278	(67)	-	2,553 (315)	13,449	6,998
Vehicles	146,250	-	(26)	-	20,693 (14,874)	152,043	85,545	(22)	-	22,288 (12,930)	94,881	57,162
2003	6,644,737	-	(7,044)	-	470,377 (83,172)	7,024,898	3,614,994	(2,319)	-	435,852 (73,884)	3,974,643	3,050,255
2002	5,914,878	(882)	(7,829)	(10,368)	762,019 (13,081)	6,644,737	3,222,124	(2,007)	(5,220)	409,600 (9,503)	3,614,994	3,029,743

Additions to plant and machinery include mark up of Rs. 6.052 million (2002: Rs. 36.176 million).

Fixed assets include assets amounting to Rs. 12.476 million (2002: Rs. 19.615 million) of the Group which are not in operation.

The cost of fully depreciated assets which are still in use as at Decemeber 31, 2003 is Rs. 1,263.440 million (2002: Rs. 1,149.038 million).

13.2 Intangible

	Cost to December 31, 2002	Additions	Cost to December 31, 2003	Accumulated amortisation December 31, 2002	Amortisation charge for the year	Accumulated amortisation December 31, 2003	Book value as at December 31, 2003
	(Rupees in thousand)						
Computer software and ERP system	115,927	438	116,365	49,999	38,295	88,294	28,071
2003	115,927	438	116,365	49,999	38,295	88,294	28,071
2002	115,927	-	115,927	11,520	38,479	49,999	65,928

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

		Depreci -ation	Amortis -ation	Total 2003	Total 2002
		(Rupees in		thousand)	
Cost of goods sold	- note 26	399,070	2,879	401,949	375,799
Selling and distribution expenses	- note 27	6,425	-	6,425	6,179
Administration and general expenses	- note 27	30,357	35,416	65,773	66,101
		435,852	38,295	474,147	448,079

13.4 Disposal of operating fixed assets

Particulars of the assets		Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
			(Rupees in		thousand)		
Motor cars		Executives					
	Mr.	Mansoor Hassan Bhatti	257	257	-	103	Company policy
		Iqbal Bhatti	485	210	275	355	-do-
		Sahil Zaheer	319	144	175	189	-do-
		Syed Kamal Ali	761	761	-	224	-do-
		Meraj Din	384	346	38	177	-do-
		Khawaja Rizwan Hassan	256	256	-	78	-do-
		Sohail Ahmad	300	215	85	138	-do-
		Osman Farooq	349	58	291	297	-do-
		Bashir Ahmed Bhatti	310	310	-	104	-do-
		Lt. Col. (Retd.) Sajid Ikram	595	594	1	357	-do-
		Abdul Qudoos	440	330	110	254	-do-
		Muhammad Ashraf	441	441	-	221	-do-
		Muhammad Murid Hussain	315	315	-	124	-do-
		Rana Javaid Bashir	323	307	16	129	-do-
		Hafiz Manzoor Hussain	253	253	-	76	-do-
		Sahibzada Rashid Hameed	270	270	-	90	-do-
		Aziz Mahmood	260	260	-	81	-do-
		Muhammad Ajmal	625	604	21	400	-do-
		Ali Ahmed	247	239	8	91	-do-
		Muhammad Asif Ameer	319	144	175	209	-do-
		Akram Naeem	280	280	-	97	-do-
		Mohammad Majeed Ghani	297	297	-	110	-do-
		Saeed Ahmad	400	400	-	190	-do-
		Pervaiz Raza Mirza	271	271	-	114	-do-
		Ijaz Ahmad Khan	485	485	-	279	-do-
		Habib Ahmed	363	109	254	303	-do-
		Rafi Iqbal Ahmed	848	848	-	80	-do-
		Tariq Akram Khan Niazi	251	251	-	114	-do-
		Sheikh Saif-ur-Rehman	354	354	-	175	-do-
		Mohammad Yasin	411	411	-	220	-do-
		Muhammad Ashraf Anjum	289	289	-	123	-do-
		Tanveer Ahmed	397	397	-	171	-do-
		Khalid Mahmood Sameja	379	265	114	233	-do-
	Dr.	S Mughis Asghar	846	846	-	160	-do-
	Ms.	Fatima Saleem	439	256	183	292	-do-
		Outsiders					
	Mr.	Fazal Ahmad	505	505	-	410	Auction
		Pervaiz	246	246	-	246	Negotiation
		International General Insurance Company of Pakistan Limited	304	106	198	280	Insurance claims
Land		Miscellaneous	1,209	-	1,209	4,435	Negotiation
Building		-do-	11,258	5,966	5,292	12,368	Negotiation
Plant and machinery		-do-	1,633	1,257	376	-	Scrap
		-do-	101	83	18	41	Negotiation
Other equipment		-do-	100	27	73	-	Scrap
		-do-	1,442	1,135	307	430	Negotiation
Furniture and fixture		-do-	155	125	30	-	Scrap
Items below book value of Rs. 5,000			52,400	52,361	39	4,787	
			83,172	73,884	9,288	29,355	

14. Investment property

	Cost to December 31, 2002	Transfers from fixed assets	Additions	Cost to December 31, 2003	Accumulated depreciation December 31, 2002	Transfers from fixed assets	Depreciation charge for the year	Accumulated depreciation December 31, 2003	Book value as at December 31, 2003
	(R u p e e s			i n		t h o u s		a n	d)
Buildings on leasehold land	15,067	-	-	15,067	5,633	-	569	6,202	8,865
2003	15,067	-	-	15,067	5,633	-	569	6,202	8,865
2002	-	10,368	4,699	15,067	-	5,220	413	5,633	9,434

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

Fair value of the investment property transferred from fixed assets, based on the valuation carried out by an independent valuer, as at December 31, 2003 is Rs. 15.513 million (2002: Rs. 15.970 million).

15. Assets subject to finance lease

	Cost to December 31, 2002	Additions	Cost to December 31, 2003	Accumulated amortisation December 31, 2002	Amortisation charge for the year	Accumulated amortisation December 31, 2003	Book value as at December 31, 2003
	(R u	p e e	s i	n t	h o u	s a n	d)
Plant and machinery	176,000	-	176,000	38,500	11,000	49,500	126,500
Vehicles	-	2,766	2,766	-	184	184	2,582
2003	176,000	2,766	178,766	38,500	11,184	49,684	129,082
2002	176,000	-	176,000	27,500	11,000	38,500	137,500

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

16. Capital work-in-progress

	2003	2002
	(Rupees in thousand)	
Plant and machinery	292,854	190,162
Civil works and buildings	61,014	6,740
	353,868	196,902

Cost of plant and machinery includes mark up of Rs. Nil (2002: Rs. 2.150 million).

			2003	2002
			(Rupees in thousand)	
17.	Goodwill			
	Opening balance		61,310	60,626
	Acquisition during the year		7,017	9,105
			68,327	69,731
	Less: Amortised during the year		10,017	8,421
			58,310	61,310
18.	Long-term investments			
	In equity instruments of associated companies			
	Cost		192,474	167,474
	Transferred during the year		-	25,000
			192,474	192,474
	Post acquisition profit brought forward		728,802	701,048
			921,276	893,522
	Profit for the year			
	Before taxation		690,549	578,779
	Provision for taxation		(134,830)	(76,082)
			555,719	502,697
			1,476,995	1,396,219
	Less: Dividends received during the year		425,189	474,943
	Balance as on December 31, 2003	- note 18.1	1,051,806	921,276
	Others			
	Quoted			
	The Resource Group (TRG) Pakistan Limited 2,000,000 (2002: Nil) fully paid ordinary shares of Rs.10 each Equity held 2.78%(2002: Nil) Market value - Rs. 31.400 million (2002: Rs. Nil)	- note 18.3	31,400	-
	In associated companies			
	First International Investment Bank Limited 6 (2002: 6) term finance certificates of Rs. 1 million each Market value - Rs. 7.50 milliom (2002: Rs. 8.10 million)	- note 18.2	7,985	7,033
			39,385	7,033
	Carried forward		1,091,191	928,309

		2003	2002
		(Rupees in thousand)	
	Brought forward	1,091,191	928,309
Unquoted			
Pakistan Tourism Development Corporation Limited 2,500 (2002: 2,500) fully paid ordinary shares of Rs. 10 each Chief Executive: Maj.(Rtd) Malik Habib Khan	- note 18.3	25	25
Orient Match Company Limited 1,900 (2002: 1,900) fully paid ordinary shares of Rs. 100 each Chief Executive: Khawaja Muhammad Akbar	- note 18.3	-	-
		25	25
		1,091,216	928,334

18.1 In equity instruments of associated companies

		2003	2002
Quoted			
Nestle Milkpak Limited 3,649,248 (2002: 3,649,248) fully paid ordinary shares of Rs. 10 each Equity held 8.06% (2002: 8.06%) Market value - Rs. 1,372.117 million (2002: Rs. 797.361 million)		98,192	101,514
International General Insurance Company of Pakistan Limited 1,303,470 (2002: 1,133,453) fully paid ordinary shares of Rs. 10 each Equity held 10.61 % (2002: 10.61%) Market value - Rs. 294.584 million (2002: Rs. 105.808 million)		81,199	59,250
Tri-Pack Films Limited 10,000,000 (2002: 10,000,000) fully paid ordinary shares of Rs. 10 each Equity held 33.33% (2002: 33.33%) Market value - Rs. 850 million (2002: Rs. 530 million)		306,362	270,446
First International Investment Bank Limited 2,644,995 (2002: 2,299,996) fully paid ordinary shares of Rs. 10 each Equity held 9.99 % (2002: 9.99%) Market value - Rs. 34.385 million (2002: Rs. 27.02 million)		33,987	31,831
	Carried forward	519,740	463,041

	2003	2002
	(Rupees in thousand)	
Brought forward	519,740	463,041
Unquoted		
Tetra Pak Pakistan Limited 26,400,000 (2002: 22,000,000) fully paid ordinary shares of Rs. 10 each Equity held 44% (2002: 44%) Value of investment based on the net assets shown in the audited accounts as at December 31, 2002 Rs. 344.835 million (2001: Rs. 333.773 million)	527,966	454,173
Coca-Cola Beverages Pakistan Limited 500,000 (2002: 500,000) fully paid ordinary shares of Rs. 10 each Equity held 0.14 % (2002: 0.14%) Value of investment based on the net assets shown in the audited accounts as at December 31, 2002 Rs. 1.617 million (2001: Rs. 1.880 million)	4,100	4,062
	532,066	458,235
	1,051,806	921,276

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

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

19. Long-term loans, deposits and other receivables

		2003	2002
		(Rupees in thousand)	
Loans to employees - considered good	- note 19.1	1,005	926
Security deposits		3,356	3,128
Preliminary and pre-operational expenses	- note 19.2	-	-
		4,361	4,054

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 50 to 138 months.

Loans to employees aggregating Rs. 0.159 million (2002: Rs. 0.065 million) are secured by joint registration of motor cycles in the name of employees and the Parent Company. The remaining loans are unsecured.

Long-term loans to employees outstanding for more than 3 years amount to Rs. 0.618 million (2002: Rs. 0.610 million).

19.2 Preliminary and pre-operational expenses

	2003	2002
	(Rupees in thousand)	
Opening balance	-	4,856
Less: Amortised during the year	-	4,856
	-	-

20. Retirement and other benefits

		2003	2002
Pension fund	- note 20.1	(17,219)	(17,226)
Gratuity fund	- note 20.2	54,555	43,958
		37,336	26,732

20.1 Pension fund

The amounts recognised in the balance sheet are as follows:

	2003	2002
Fair value of plan assets	347,977	299,969
Present value of defined benefit obligation	(386,314)	(358,145)
Non vested (past service) cost to be recognised in later periods	18,130	21,151
Unrecognised actuarial losses	2,988	19,799
(Liability) as at December 31	(17,219)	(17,226)
Net (liability) as at January 1	(17,226)	(15,027)
Charge to profit and loss account	(17,653)	(11,137)
Contribution by the Parent Company	17,660	8,938
(Liability) as at December 31	(17,219)	(17,226)

Fair value of plan assets include ordinary shares and term finance certificates (TFCs) of the Parent Company, whose fair value as at December 31, 2003 is Rs. 17.546 million (2002: Rs. 9.180 million) and Rs. 3.270 million (2002: Nil) respectively.

20.2 Gratuity fund

	2003	2002
	(Rupees in thousand)	
The amounts recognised in the balance sheet are as follows:		
Fair value of plan assets	248,973	238,249
Present value of defined benefit obligation	(151,673)	(141,317)
Unrecognised actuarial (gains)	(42,745)	(52,974)
Assets as at December 31	54,555	43,958
Net assets as at January 1	43,958	31,646
Credit to profit and loss account	4,842	1,938
Contribution by the Parent Company	5,755	10,374
Assets as at December 31	54,555	43,958

Fair value of plan assets include ordinary shares of the Parent Company, whose fair value as at December 31, 2003 is Rs. 1.318 million (2002: Rs. 2.620 million).

21. Stores and spares

	2003	2002
	(Rupees in thousand)	
Stores [including in transit Rs. 4.050 million (2002: Rs. 6.008 million)]	121,068	131,274
Spares [including in transit Rs. 16.742 million (2002: Rs. 10.633 million)]	204,934	175,226
	326,002	306,500

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

22. Stock-in-trade

	2003	2002
	(Rupees in thousand)	
Raw materials [including in transit Rs. 130.983 million (2002: Rs. 102.728 million)]	652,611	659,697
Work-in-process	90,333	81,419
Finished goods	300,591	337,070
	1,043,535	1,078,186
Less: Provision for slow moving stocks	3,522	1,565
	1,040,013	1,076,621

Finished goods of Rs. 18.835 million (2002: Rs. 47.420 million) are being carried at net realisable value.

23. Trade debts

		2003	2002
		(Rupees in thousand)	
Considered good			
Associated undertakings	- note 23.1	117,212	77,663
Others		537,116	518,563
		654,328	596,226
Considered doubtful			
Associated undertakings		-	-
Others		335	2,573
		335	2,573
Less: Provision for doubtful debts		2,023	2,573
		652,640	596,226

Trade debts include secured debts of Rs. 1.020 million (2002: Rs. 3.778 million).

23.1 Due from associated undertakings

	2003	2002
	(Rupees in thousand)	
Treet Corporation Limited	4,014	472
Nestle Milkpak Limited	44,497	30,970
Tetra Pak Pakistan Limited	53,655	40,184
Zulfiqar Industries Limited	5,847	2,528
Tri-Pack Films Limited	2,814	1,578
Ceylon Tea Services Limited	6,107	1,837
Coca-Cola Beverages Pakistan Limited	278	94
	117,212	77,663

These are in the normal course of business and are interest free. The maximum aggregate amount outstanding due from associated undertakings at the end of any month during the year was Rs. 151.611 million (2002: Rs. 126.110 million).

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

		2003	2002
		(Rupees in thousand)	
Loans to employees - considered good		204	161
Advances - considered good			
To employees	- note 24.1	7,650	8,815
To suppliers		18,191	17,401
		25,841	26,216
Advances to suppliers- considered doubtful		74	74
Due from associated undertakings	- note 24.2	19,659	7,237
Trade deposits		9,345	3,066
Security deposits		880	830
Prepayments		10,207	9,889
Balances with statutory authorities			
Excise duty		241	2,042
Customs duty		1,042	1,294
		1,283	3,336
Profit receivable on bank deposits		12	32
Claims recoverable from Government			
Sales tax		14,734	3,274
Income tax recoverable	- note 24.3	36,013	36,013
Income tax refundable		233,505	312,930
Octroi-considered doubtful		1,506	1,506
		285,758	353,723
Defence levy recoverable		260	266
Other receivables		7,004	1,088
		360,527	405,918
Less: Provision against doubtful advances		1,580	1,580
		358,947	404,338

24.1 Included in advances to employees are amounts due from Chief Executive, Directors and Executives of Rs. 0.030 million, Rs. 0.301 million and Rs. 3.304 million respectively (2002: Chief Executive Rs. 0.081 million, Directors Rs. 0.310 million and Executives Rs. 4.946 million).

The maximum aggregate amount of advances due from Chief Executive, Directors and Executives at the end of any month during the year were Rs. 0.065 million, Rs. 2.237 million and Rs. 7.404 million respectively (2002: Chief Executive Rs. 0.684 million, Directors Rs. 1.098 million and Executives Rs. 13.485 million).

24.2 Due from associated undertakings

	2003	2002
	(Rupees in thousand)	
Tetra Pak Pakistan Limited	9,166	4,711
Tri-Pack Films Limited	78	8
International General Insurance Company of Pakistan Limited	415	2,518
First International Investment Bank Limited	10,000	-
	19,659	7,237

These relate to normal business of the Group and are interest free. The maximum aggregate amount of advances to associated companies at the end of any month during the year was Rs. 19.659 million (2002: Rs. 16.851 million).

24.3 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 ITO 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.

25. Cash and bank balances

		2003	2002
		(Rupees in thousand)	
At banks			
On deposit accounts USD 175,149.77 (2002: USD Nil)		10,427	-
On savings accounts [including USD 43,708 (2002: USD 164,962)]	- note 25.1	6,328	17,882
On current accounts [including USD 6,339 (2002: USD 14,472)]	- note 25.2	94,144	74,908
		110,899	92,790
In hand		7,399	8,632
		118,298	101,422

25.1 The balances in savings accounts bear mark up which ranges from 0.90 % to 2.00 % per annum.

25.2 Included in these are total restricted funds of Rs. 1.391 million (2002: Rs. 1.322 million) held as payable to TFC holders as referred to in note 11.

26. Cost of goods sold

		2003	2002
		(Rupees in thousand)	
Opening work-in-process		81,419	69,628
Materials consumed		2,466,557	2,096,223
Salaries, wages and amenities	- note 26.1	413,274	376,017
Fuel and power		628,125	545,790
Production supplies		166,800	166,079
Excise duty and sales tax		42,726	76,752
Rent, rates and taxes		6,780	2,923
Insurance		40,004	37,195
Repairs and maintenance		242,295	277,876
Packing expenses		40,430	25,976
Provision for slow moving stocks		2,325	1,565
Depreciation/amortisation on fixed assets		401,949	375,799
Amortisation on leased assets		11,184	11,000
Technical fee and royalty		26,565	12,522
Travelling and conveyance		1,307	-
Other expenses		57,008	41,336
		4,628,748	4,116,681
Less: Closing work-in-process		90,333	81,419
Cost of goods produced		4,538,415	4,035,262
Opening stock of finished goods		337,070	248,448
		4,875,485	4,283,710
Less: Closing stock of finished goods		300,591	337,070
		4,574,894	3,946,640

Cost of goods produced includes Rs. 537.745 million (2002: Rs. 458.876 million) for stores and spares consumed, Rs. 7.842 million (2002: Rs. 3.290 million) and Rs.0.669 million (2002: Rs. 1.822 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:

	2003	2002
	(Rupees in thousand)	
Pension		
Current service cost	7,086	4,954
Interest cost for the year	15,257	15,958
Expected return on plan assets	(13,188)	(14,498)
Contribution made by the employees	(2,161)	(1,661)
Recognition of past service cost	1,643	1,588
Recognition of loss/(gain)	961	(483)
	9,598	5,858
Gratuity		
Current service cost	4,998	6,082
Interest cost for the year	7,412	13,602
Expected return on plan assets	(12,965)	(19,940)
Recognition of (gain)	(2,814)	(1,507)
	(3,369)	(1,763)

In addition to above, salaries, wages and amenities include Rs. 10.102 million (2002: Rs. 9.222 million) and Rs. 8.609 million (2002: Rs. (0.173) million) in respect of provident fund contribution by the Parent Company and accumulating compensated absences respectively.

27. Selling, administration and general expenses

		2003	2002
		(Rupees in thousand)	
Selling and distribution expenses			
Salaries, wages and amenities	- note 27.1	36,780	37,415
Travelling		9,608	8,900
Rent, rates and taxes		3,371	2,907
Freight and distribution		65,369	55,807
Insurance		1,526	1,404
Advertising		39,279	37,075
Depreciation		6,425	6,179
Other expenses		12,278	8,689
		174,636	158,376
Administration and general expenses			
Salaries, wages and amenities	- note 27.2	151,358	144,651
Travelling		33,466	35,322
Rent, rates and taxes		9,100	6,837
Insurance		3,954	6,293
Printing, stationery and periodicals		13,710	13,837
Postage, telephone and telex		22,268	24,347
	Carried forward	233,856	231,287

		2003	2002
		(Rupees in thousand)	
Brought forward		233,856	231,287
Motor vehicles running		8,586	9,006
Computer charges		9,026	18,204
Professional services	- note 32	12,052	13,798
Repairs and maintenance		15,081	9,599
Depreciation/amortisation on fixed assets		65,773	66,101
Amortisation of goodwill		10,017	8,421
Depreciation on investment property		569	413
Provision for doubtful advances		-	697
Bad debts written off		105	724
Other expenses		43,634	37,158
		398,699	395,408
		573,335	553,784

Selling, administration and general expenses include Rs. 26.238 million (2002: Rs. 22.641 million) for stores and spares consumed.

27.1 Salaries, wages and amenities

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

	2003	2002
	(Rupees in thousand)	
Pension		
Current service cost	1,275	3,465
Interest cost for the year	2,744	11,158
Expected return on plan assets	(2,372)	(10,138)
Contribution made by the employees	(389)	(1,162)
Recognition of past service cost	295	1,111
Recognition of loss/(gain)	173	(338)
	1,726	4,096
Gratuity		
Current service cost	468	-
Interest cost for the year	695	-
Expected return on plan assets	(1,215)	-
Recognition of (gain)	(264)	-
	(316)	-

In addition to above, salaries, wages and amenities include Rs. 0.911 million (2002: Rs. 1.719 million) and Rs. (0.609) million (2002: Rs. 2.31 million) in respect of provident fund contribution by the Parent Company and accumulating compensated absences respectively.

27.2 Salaries, wages and amenities

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

	2003	2002
	(Rupees in thousand)	
Pension		
Current service cost	4,672	1,001
Interest cost for the year	10,060	3,223
Expected return on plan assets	(8,696)	(2,928)
Contribution made by the employees	(1,425)	(336)
Recognition of past service cost	1,083	321
Recognition of loss/(gain)	634	(98)
	6,328	1,183
Gratuity		
Current service cost	1,717	604
Interest cost for the year	2,546	1,350
Expected return on plan assets	(4,453)	(1,979)
Recognition of (gain)	(967)	(150)
	(1,157)	(175)

In addition to above, salaries, wages and amenities include Rs. 3.604 million (2002: Rs. 2.290 million) and Rs. 1.399 million (2002: Rs. 2.270 million) in respect of provident fund contribution by the Parent Company and accumulating compensated absences respectively.

28. Other income

		2003	2002
		(Rupees in thousand)	
Management and technical fee		5,723	-
Rental income		-	305
Insurance commission from an associated company		3,403	2,944
Rental income from investment property - associated companies		17,199	14,354
Profit on disposal of fixed assets		20,067	4,120
Scrap sales		890	1,206
Provisions and unclaimed balances written back		41,970	40,977
Agricultural income		1,558	1,100
Income on foreign currency deposits		-	8,745
Income on rupee deposits		469	1,887
Profit on outside jobs including Rs. 1.104 million (2002: Rs. 0.730 million) from associated companies		2,120	1,476
Unrealised gain on investment available for sale		11,400	-
Others	- note 28.1	9,606	5,116
		114,405	82,230

28.1 These include Rs. 0.953 million (2002: Rs. 0.790 million) in respect of unrealised profit on TFCs of First International Investment Bank Limited, an associated concern.

29. Financial charges

		2003	2002
		(Rupees in thousand)	
Interest and mark up including commitment charges on			
Long term foreign currency loans		15,402	34,244
Redeemable capital and local loans		111,520	99,442
Short term running finances		36,306	65,021
Finance lease		6,109	10,239
Deferred import duties		2,115	3,470
Workers' profit participation fund		-	29
Loan handling charges		252	553
Exchange loss		653	625
Bank charges		4,823	4,958
		177,180	218,581

30. Other charges

Workers' profit participation fund		60,458	47,633
Workers' welfare fund		14,718	20,278
Donations	- note 33	1,328	1,327
		76,504	69,238

31. Provision for taxation

For the year		
Current	299,150	214,000
Deferred	(10,300)	(27,000)
	288,850	187,000
Prior years		
Current	(131,044)	1,596
Deferred	93,300	(100)
	(37,744)	1,496
	251,106	188,496

32. Professional services

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

Statutory audit	652	601
Half yearly review	200	280
Tax services	3,396	3,729
Share transfer, workers' profit participation fund audit, management staff pension fund audit, special reports and certificates for lending agencies and sundry advisory services	538	795
Out of pocket expenses	266	198
	5,052	5,603

33. Donations

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

	2003	2002
	(Rupees in thousand)	
Pakistan Olympic Association, Lahore (Syed Wajid Ali, Chief Executive is the President of the Association)	-	100
Liaquat National Hospital, Karachi (Syed Wajid Ali, Chief Executive is the Chairman of the Hospital)	400	400
Gulab Devi Chest Hospital, Lahore (Syed Wajid Ali, Chief Executive is the President of the Hospital)	35	440
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	-

34. Remuneration of Chief Executive, Directors and Executives

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

	Chief Executive		Directors & alternate Directors		Executives	
	2003	2002	2003	2002	2003	2002
Number of persons	1	1	7	7	186	166
	(Rupees in thousand)					
Managerial remuneration	2,385	2,206	10,544	9,466	68,401	62,000
Contribution to provident, gratuity, pension and welfare funds	-	-	2,920	2,329	14,018	11,685
Housing	680	549	4,755	4,264	24,822	22,736
Utilities	627	718	934	838	8,963	7,820
Leave passage	18	-	778	698	1,606	1,334
Medical expenses	934	328	257	245	3,936	3,603
Club expenses	13	13	30	27	4	6
Others	-	-	-	-	12,113	9,542
	4,657	3,814	20,218	17,867	133,863	118,726

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

34.2 Remuneration to other Directors

Aggregate amount charged in the accounts for the year for fee to 3 directors (2002: 3 directors) was Rs. 5,500 (2002: Rs. 5,500).

35. 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 is shown under receivables and remuneration of directors is disclosed in note 34. Other significant transactions with related parties are as follows:

Description	Pricing method	2003	2002
		(Rupees in thousand)	
Purchase of goods and services	Comparable uncontrolled	249,080	243,107
Sale of goods and services	Cost plus	1,206,969	1,051,984
Rental income	Cost plus	17,199	14,354
Royalty and technical fee	Technical licence agreement approved by the State Bank of Pakistan	12,361	9,980

All transactions with related parties have been carried out on commercial terms and conditions under the above pricing methods.

36. Capacity and production

	Capacity		Actual production	
	2003	2002	2003	2002
Paper and paperboard produced - tonnes	101,900	87,000	86,641	72,642
Paper and paperboard converted - tonnes	70,000	70,000	66,870	59,808
Plastics all sorts converted - tonnes	7,500	6,000	5,850	5,236
Inks produced - tonnes	2,375	2,375	2,149	1,631
Flexible packaging material - meters' 000	54,000	44,400	19,954	20,995

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

37. Rates of exchange

Liabilities in foreign currencies have been translated into Rupees at USD 1.7355 (2002: USD 1.7094), EURO 1.3801 (2002: EURO 1.6300), SFR 2.1529 (2002: SFR 2.3719), SEK 12.5313 (2002: SEK 14.9477), GBP 0.9745 (2002: GBP 1.0661), YEN 185.5632 (2002: YEN 202.8398) and SLR 162.2323 (2002: SLR 158.5540) equal to Rs. 100.

38. Cash generated from operations

	2003	2002
	(Rupees in thousand)	
Profit before taxation	1,339,557	917,947
Adjustments for:		
Depreciation/amortisation on fixed assets	474,147	448,079
Depreciation on investment property	569	413
Amortisation of leased assets	11,184	11,000
Amortisation of goodwill	10,017	8,421
Preliminary/pre-operational expenses written off	-	(4,856)
Provision for accumulating compensated absences and gratuity	9,527	7,469
Retirement and other benefits accrued	12,811	9,199
Exchange adjustments	(2,060)	(1,255)
Net profit on disposal of fixed assets	(20,067)	(4,120)
Financial charges	177,180	218,581
Unrealised profit on investments		
Held to maturity	(953)	(1,033)
Available for sale	(11,400)	-
Share of profit from associated companies	(690,549)	(578,779)
Profit before working capital changes	1,309,963	1,031,066
Effect on cash flow due to working capital changes		
(Increase) in stores and spares	(19,502)	(37,748)
Decrease/(increase) in stock-in-trade	36,608	(110,139)
(Increase)/decrease in trade debts	(56,414)	41,853
(Increase)/decrease in loans, advances, deposits, prepayments and other receivables	(34,034)	26,555
Increase/(decrease) in creditors, accrued and other liabilities	36,868	(59,849)
	(36,474)	(139,328)
	1,273,489	891,738

39. Cash and cash equivalents

	2003	2002
Cash and bank balances	118,298	101,422
Finances under mark up arrangements	(641,869)	(884,229)
	(523,571)	(782,807)

40. Combined earnings per share

40.1 Combined basic earnings per share

		2003	2002
Net profit for the year	Rupees in thousand	923,004	635,218
Weighted average number of ordinary shares	Numbers	47,537,080	47,537,080
Combined basic earnings per share	Rupees	19.42	13.36

40.2 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.

41. 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	2003	2002	2003	2002
	(Rupees in thousand)									
Financial assets										
On balance sheet										
Long-term investments	-	7,985	7,985	-	31,425	31,425	39,410	7,058	39,410	7,058
Loans to employees	-	-	-	656	1,005	1,661	1,661	1,087	452	-
Long-term security deposits	-	-	-	-	3,356	3,356	3,356	3,128	3,356	3,128
Trade debts	-	-	-	652,640	-	652,640	652,640	596,226	652,640	596,226
Advances, deposits and prepayments:										
Trade deposits	-	-	-	9,345	-	9,345	9,345	3,066	9,345	3,066
Security deposits	-	-	-	880	-	880	880	830	880	830
Profit receivable on bank deposits	12	-	12	-	-	-	12	32	6	28
Others	-	-	-	734	-	734	734	253	734	253
Cash and bank balances	16,755	-	16,755	101,543	-	101,543	118,298	101,422	28,633	17,090
	16,767	7,985	24,752	765,798	35,786	801,584	826,336	713,102	735,456	627,679
Off balance sheet	-	-	-	-	-	-	-	-	-	-
Total	16,767	7,985	24,752	765,798	35,786	801,584	826,336	713,102	735,456	627,679
Financial liabilities										
On balance sheet										
Non participatory redeemable capital - secured	50,000	-	50,000	-	-	-	50,000	150,000		
Non participatory redeemable capital - unsecured	-	850,000	850,000	-	-	-	850,000	850,000		
Liabilities against assets subject to finance lease	35,986	1,702	37,688	-	-	-	37,688	70,400		
Long-term loans and other payables - secured	25,285	83,392	108,677	-	-	-	108,677	131,465		
Finances under mark up arrangements	641,869	-	641,869	-	-	-	641,869	884,229		
Creditors, accrued and other liabilities	-	-	-	423,139	-	423,139	423,139	386,045		
	753,140	935,094	1,688,234	423,139	-	423,139	2,111,373	2,472,139		
Off balance sheet										
Contracts for capital expenditure	-	-	-	42,616	-	42,616	42,616	86,324		
Guarantees	-	-	-	3,726	-	3,726	3,726	2,865		
Letters of credit other than for capital expenditure	-	-	-	265,785	-	265,785	265,785	277,214		
	-	-	-	312,127	-	312,127	312,127	366,403		
Total	753,140	935,094	1,688,234	735,266	-	735,266	2,423,500	2,838,542		
On balance sheet gap	(736,373)	(927,109)	(1,663,482)	342,659	35,786	378,445	(1,285,037)	(1,759,037)		
Off balance sheet gap	-	-	-	(312,127)	-	(312,127)	(312,127)	(366,403)		

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

41.1 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 40 and cash flow risk associated with accrued interests in respect of borrowings as referred to in note 5 and 6.

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

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

(a) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The Group's credit risk is primarily attributable to its trade debts and its balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Group has no significant concentration of credit risk as exposure is spread over a large number of counter parties in the case of trade debts. Out of the total financial assets of Rs. 826.336 million (2002: Rs. 713.102 million) financial assets which are subject to credit risk amount to Rs. 735.456 million (2002: Rs. 627.679 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, 2003 to hedge the foreign currency liabilities which are due within the next four months:

Forward exchange contracts

	(Rupees in thousand)
Purchase value	56,588
Fair value	59,902

(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 6.

(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.

41.2 Fair value of financial assets and liabilities

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

42. Number of employees	2003	2002
Number of employees as at December 31	3,305	3,206

43. Detail of subsidiaries

Name of the subsidiaries	Accounting year end	Percentage of holding	Country of incorporation
Packages Lanka (Private) Limited	December 31, 2003	79.07%	Sri Lanka
Coates Lorilleux Pakistan Limited	December 31, 2003	54.98%	Pakistan

44. Date of authorisation for issue

These financial statements were authorised for issue on January 24, 2004 by the Board of Directors.

45. Corresponding figures

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

Syed Wajid Ali
Chief Executive

Tariq Iqbal Khan
Director

Ten-Year Summary
(Rupees in thousand)

	Year to December 31, 2003	Year to December 31, 2002	Year to December 31, 2001	Six months to December 31, 2000
ASSETS EMPLOYED:				
Fixed Assets at Cost	6,881,590	6,512,007	5,773,725	5,360,950
Accumulated Depreciation/Amortisation	3,927,588	3,546,508	3,130,521	2,748,913
Fixed Assets at Book Value	2,954,002	2,965,499	2,643,204	2,612,037
Capital Work-in-Progress	344,747	196,902	445,143	257,381
Net Current and Other Assets	1,353,162	1,088,165	1,023,154	855,630
Net Assets Employed	4,651,911	4,250,566	4,111,501	3,725,048
FINANCED BY:				
Paid up Capital	475,371	475,371	475,371	452,734
Reserves	2,753,287	2,343,839	2,021,227	1,832,902
Shareholders' Equity	3,228,658	2,819,210	2,496,598	2,285,636
Long-Term & Deferred Liabilities	1,423,253	1,431,356	1,614,903	1,439,412
Total Funds Invested	4,651,911	4,250,566	4,111,501	3,725,048
Invoiced Sales	6,293,219	5,360,884	5,157,816	2,238,033
Material Consumed	2,263,462	1,925,656	1,911,866	858,044
Gross Profit	1,193,713	949,559	891,383	354,276
Employees Remuneration	550,566	506,552	471,220	218,009
Operating Profit	683,929	459,674	474,027	185,588
Profit before Tax	1,036,905	797,225	514,441	241,927
Profit after Tax	813,513	655,372	424,879	193,241
Cash Dividend	404,065	332,760	213,917	90,547
Cash Dividend %	85.00	70.00	45.00	20.00
Stock Dividend	-	-	-	22,637
Stock Dividend %	-	-	-	5.00
Earnings per Share - rupees	17.11	13.79	8.94	4.07
Taxes, duties and levies	1,426,321	1,286,246	1,213,008	499,232
Market Value per Share - KSE 100 Index-Rs.	167.90	88.50	60.50	66.00
KEY RATIOS:				
Debt : Equity Ratio	21:79	25:75	30:70	28:72
Current Ratio	1.44	1.29	1.24	1.01
Inventory Turnover Ratio	4.93	4.48	5.10	2.68
Gross Profit Ratio (%)	18.97	17.71	17.28	15.83
Profit before Tax Ratio (%)	16.48	14.87	9.97	10.81
Return on Capital Employed (%)	29.28	23.81	19.01	9.01
Interest Cover Ratio	8.06	5.58	2.95	2.97
Total Assets Turnover Ratio	1.02	0.90	0.84	0.38
Price - Earning Ratio	9.81	6.42	6.77	16.22

	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	Six months to June 30, 1995
	5,323,073	4,640,648	4,535,229	4,400,635	3,516,219	2,740,770
	2,568,522	2,240,099	1,922,308	1,609,295	1,298,855	1,052,692
	2,754,551	2,400,549	2,612,921	2,791,340	2,217,364	1,688,078
	79,696	351,722	7,183	21,391	637,533	368,745
	1,063,658	1,221,874	1,461,465	1,617,564	1,673,556	1,382,448
	3,897,905	3,974,145	4,081,569	4,430,295	4,528,453	3,439,271
	411,577	411,577	357,893	318,127	284,042	284,042
	1,771,365	1,515,524	1,338,716	1,194,192	1,137,892	984,389
	2,182,942	1,927,101	1,696,609	1,512,319	1,421,934	1,268,431
	1,714,963	2,047,044	2,384,960	2,917,976	3,106,519	2,170,840
	3,897,905	3,974,145	4,081,569	4,430,295	4,528,453	3,439,271
	4,165,603	3,925,696	3,512,272	3,154,006	3,022,437	1,339,595
	1,353,832	1,206,286	1,074,792	1,077,569	1,083,102	442,081
	790,385	941,472	627,269	511,133	587,033	304,735
	384,556	389,069	332,943	296,783	280,760	129,354
	482,147	641,695	370,745	267,251	344,218	198,633
	551,224	512,389	162,753	110,684	195,257	209,335
	428,703	384,154	220,079	90,385	153,503	150,318
	172,862	153,662	35,789	-	-	35,505
	42.00	37.34	10.00	-	-	12.50
	41,158	-	53,684	39,766	34,085	-
	10.00	-	15.00	12.50	12.00	-
	9.47	9.33	6.15	2.84	5.40	5.29
	948,344	809,483	624,974	852,397	894,451	449,434
	60.00	41.00	36.00	62.00	90.00	135.00
	35:65	45:55	55:45	63:37	66:34	60:40
	1.05	1.00	1.00	1.14	1.30	1.33
	6.40	7.17	8.15	7.23	6.70	2.95
	18.97	23.98	17.86	16.21	19.42	22.75
	13.23	13.05	4.63	3.51	6.46	15.63
	20.03	21.20	14.62	13.97	11.99	10.35
	2.85	2.16	1.31	1.21	1.74	4.18
	0.70	0.62	0.56	0.51	0.53	0.31
	6.34	4.39	5.85	21.83	16.67	25.52