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COMPANY INFORMATION

Board of Directors

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

Advisor

Syed Babar Ali

Company Secretary

Adi J. Cawasji

Executive Committee

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

Audit Committee

Shamim Ahmad Khan - Chairman
(Non-Executive Director)
Tariq Iqbal Khan - Member
(Non-Executive Director)
Syed Shahid Ali - Member
(Non-Executive Director)
Mujeeb Rashid - Member
(Director & General Manager)

Adi J. Cawasji - Secretary

Business Strategy Committee

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

System and Technology Committee

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

Rating Agency: PACRA

Company Rating: AA

Auditors

A.F. Ferguson & Co.
Chartered Accountants

Legal Advisors

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

Web Presence

www.packages.com.pk

Bankers

ABN Amro Bank
Allied Bank Limited
Askari Commercial Bank Limited
Bank Al-Habib Limited
Citi Bank N.A.
Crescent Commercial Bank Limited
Deutsche Bank A.G.
Faysal Bank Limited
Habib Bank Limited
Habib Bank A.G. Zurich
MCB Bank Limited
NIB Bank Limited
Oman International Bank, S.A.O.G.
PICIC Commercial Bank Limited
Standard Chartered Bank
The Bank of Tokyo - Mitsubishi UFJ, Limited
Union Bank Limited
United Bank Limited

Head Office & Works

Shahrah-e-Roomi
P.O. Amer Sidhu
Lahore - 54760, Pakistan
PABX : (042) 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, Pakistan
Tel. : (021) 5045320, 5045310
Fax : (021) 5045330

Registered Office & Regional Sales Office

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

Regional Sales Office

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

Zonal Sales Offices

C-2, Hassan Arcade
Nusrat Road
Multan Cantt. - 60000, Pakistan
Tel. & Fax: (061) 4784401-2

Uzair Enterprises

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

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

Shares Registrar

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

DIRECTORS' REVIEW FOR THE HALF YEAR ENDED JUNE 30, 2006



The Directors of Packages Limited take pleasure in presenting to its shareholders, the six months report together with the un-audited financial statements of the company for the period ended June 30, 2006.

Operating Results

The comparison of the un-audited results for the quarter and six months ended June 30, 2006 as against June 30, 2005 is as follows:

For the 2nd Quarter		Cumulative	
Apr - Jun 2006	Apr - Jun 2005	Jan - Jun 2006	Jan - Jun 2005

Financial-rupees in million

Invoiced sales	2,296	1,953	4,503	3,899
Profit from operations	242	192	471	440
Investment income	61	24	345	257
Profit before tax	282	196	767	657

Manufacturing-quantity in tonnes

Paper and paperboard produced	25,971	25,512	50,299	50,077
Paper and paperboard converted	21,271	20,321	43,342	40,711
Plastics all sorts converted	1,962	1,837	3,758	3,565

The company has maintained its momentum in sales but the raw material costs have increased sharply from the last quarter due to increase in prices of wheat straw and chemicals. The use of imported board to fulfil demand in business unit Carton and certain trials carried out in paper manufacturing process for future business development have also contributed to the increase in raw material consumption costs. Similarly prices of natural gas and furnace oil have also increased during the current period over last year. The aforementioned cost increases were offset partially by increased sales, continuous efforts to increase productivity and increased dividend income from associated companies resulting in a profit before tax for the half year of Rs. 767 million as compared to Rs. 657 million for the previous half year.

The company has invested in a wholly owned subsidiary involved in the business of construction. The services of the company will initially be used in the Bulleh Shah Paper Mill Project.

Bulleh Shah Paper Mill (A division of Packages Limited)

Significant progress has been made on the ongoing Bulleh Shah Paper Mill Project. During the first half of 2006, the focus has been to complete construction of various buildings for installation of equipment.

The installation of first paper machine PM6 is about 60% complete and all major roads and warehouse for finished goods storage are also complete. The building for pulping is nearly complete allowing for commencement of installation of mechanical equipment, pulping plant and piping. Other buildings to accommodate PM7 (writing and printing paper machine), Coating plant, Power plant, and Pulp slushing are well underway. Various service buildings will be ready in time for PM6 startup targeted towards the year end.

The project at the moment is within budget. The management is however considering including certain qualitative improvements which may result in some variation in the budget but shall be rationalized by increased revenue flows.

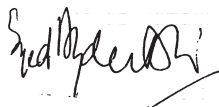
In line with the projected market demands of the Consumer Products Division and Packaging Division, a new Tissue machine, Corrugator machine, a three layer Co-extruder with ancillary machines for flexible packaging and a Lemanic machine for rigid packaging have been ordered.

Future Outlook

In view of high raw material prices, competition from local and foreign packaging suppliers the company is fully focused on its efforts to increase its productivity and rationalize its sale prices wherever possible in order to maintain its margins.

Customers' Support and Staff Relations

Our company wishes to record its appreciation of the dedicated services of its employees and continued patronage of its customers.



(Syed Hyder Ali)
Managing Director / Chief Executive
Lahore, August 24, 2006

REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed balance sheet of Packages Limited as at June 30, 2006 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the “financial statements”), for the half year then ended. These financial statements are the responsibility of the company’s management. Our responsibility is to issue a report on these financial statements based on our review. The figures of the profit and loss account for the quarters ended June 30, 2005 and 2006 and the notes forming part thereof have not been reviewed as we are required to review only the cumulative figures for the half year ended June 30, 2006.

We conducted our review in accordance with the International Standard on Auditing applicable to review engagements 2400. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.


A. F. Ferguson & Co.
Chartered Accountants
Lahore, August 24, 2006

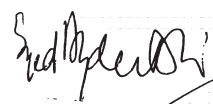
PACKAGES LIMITED
BALANCE SHEET
as at June 30, 2006 (un-audited)

	Note	June 30, 2006	December 31, 2005
(Rupees in thousand)			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 100,000,000 (2005: 100,000,000) ordinary shares of Rs. 10 each		1,000,000	1,000,000
Issued, subscribed and paid up capital 69,879,507 (2005: 69,879,507) ordinary shares of Rs. 10 each		698,795	698,795
Reserves		6,674,189	6,021,297
Unappropriated profit		606,817	1,016,163
		7,979,801	7,736,255
NON - CURRENT LIABILITIES			
Long-term finances - secured	5	3,500,000	1,000,000
Liabilities against assets subject to finance lease		186	851
Deferred liabilities		708,768	547,468
		4,208,954	1,548,319
CURRENT LIABILITIES			
Current portion of liabilities against assets subject to finance lease		3,644	5,159
Finances under mark up arrangements - secured		899,262	1,602,720
Derivative foreign currency forward options		-	90,959
Creditors, accrued and other liabilities		690,122	619,215
Provision for taxation		-	17,777
		1,593,028	2,335,830
CONTINGENCIES AND COMMITMENTS			
	6	-	-
		13,781,783	11,620,404

	Note	June 30, 2006	December 31, 2005
(Rupees in thousand)			
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	7	2,848,181	2,996,821
Intangible assets		3,899	5,300
Investment property		14,902	15,381
Assets subject to finance lease		7,190	8,581
Capital work-in-progress	8	7,016,306	3,265,517
Investments		699,376	693,576
Long-term loans and deposits		16,052	16,200
Retirement benefits		64,932	60,291
		10,670,838	7,061,667
CURRENT ASSETS			
Stores and spares		438,982	407,439
Stock-in-trade		1,446,831	1,144,043
Trade debts		847,355	784,638
Loans, advances, deposits, prepayments and other receivables		287,440	202,667
Cash and bank balances		90,337	2,019,950
		3,110,945	4,558,737
		13,781,783	11,620,404

The annexed notes 1 to 14 form an integral part of these financial statements.


Asadullah Khawaja
Chairman



Syed Hyder Ali
Managing Director / Chief Executive

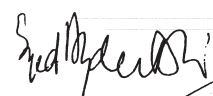

Mujeeb Rashid
Director

PACKAGES LIMITED
PROFIT AND LOSS ACCOUNT
for the half year ended June 30, 2006 (un-audited)

	For the 2nd Quarter		Cumulative	
	Apr - Jun 2006	Apr - Jun 2005	Jan - Jun 2006	Jan - Jun 2005
	Note (R u p e e s i n t h o u s a n d)			
Local sales	2,237,109	1,944,229	4,402,398	3,879,430
Export sales	59,161	8,949	100,484	19,338
	<u>2,296,270</u>	<u>1,953,178</u>	<u>4,502,882</u>	<u>3,898,768</u>
Less: Sales tax and excise duty	292,492	254,342	574,587	508,937
Commission	1,869	1,689	4,234	4,016
	<u>294,361</u>	<u>256,031</u>	<u>578,821</u>	<u>512,953</u>
	<u>2,001,909</u>	<u>1,697,147</u>	<u>3,924,061</u>	<u>3,385,815</u>
Cost of goods sold	9 (1,666,527)	(1,413,420)	(3,220,685)	(2,705,158)
Gross profit	<u>335,382</u>	<u>283,727</u>	<u>703,376</u>	<u>680,657</u>
Administration expenses	(90,695)	(96,793)	(176,373)	(178,856)
Distribution and marketing expenses	(61,192)	(47,303)	(117,846)	(98,580)
Other operating expenses	(31,578)	(15,413)	(57,635)	(46,800)
Other operating income	90,349	67,304	119,702	83,340
Profit from operations	<u>242,266</u>	<u>191,522</u>	<u>471,224</u>	<u>439,761</u>
Finance cost	(21,173)	(19,153)	(49,136)	(39,916)
Investment income	61,256	24,112	345,285	257,375
Profit before tax	<u>282,349</u>	<u>196,481</u>	<u>767,373</u>	<u>657,220</u>
Taxation	(49,442)	(73,000)	(161,442)	(176,000)
Profit for the period	<u>232,907</u>	<u>123,481</u>	<u>605,931</u>	<u>481,220</u>
Earnings per share - basic & diluted Rupees	<u>3.33</u>	<u>2.00</u>	<u>8.67</u>	<u>8.73</u>

The annexed notes 1 to 14 form an integral part of these financial statements.


Asadullah Khawaja
Chairman



Syed Hyder Ali
Managing Director / Chief Executive



Mujeeb Rashid
Director

PACKAGES LIMITED
CASH FLOW STATEMENT
for the half year ended June 30, 2006 (un-audited)

	Note	Six months to June 30, 2006	Six months to June 30, 2005
(Rupees in thousand)			
Cash flow from operating activities:			
Cash generated from operations	11	296,111	320,681
Finance cost paid		(54,642)	(43,358)
Taxes paid		(93,413)	(94,409)
Payments for accumulating compensated absences		(3,445)	(3,666)
Retirement benefits paid		(13,584)	(14,850)
Net cash from operating activities		131,027	164,398
Cash flow from investing activities:			
Purchase of property, plant and equipment		(3,802,435)	(1,248,470)
Net decrease / (increase) in long-term loans and deposits		148	(11,310)
Proceeds from sale of property, plant and equipment		7,540	12,567
Dividends received		381,777	257,375
Investments		(25,000)	9,360
Net cash used in investing activities		(3,437,970)	(980,478)
Cash flow from financing activities:			
Proceeds from long-term finances		2,500,000	-
Proceeds from issue of ordinary shares		-	3,016,228
Proceeds from short-term loan		-	600,000
Repayment of long-term finances		-	(854,840)
Payment of finance lease liabilities		(2,180)	(2,698)
Dividend paid		(417,032)	(402,292)
Net cash from financing activities		2,080,788	2,356,398
Net (decrease) / increase in cash and cash equivalents		(1,226,155)	1,540,318
Cash and cash equivalents at the beginning of the period		417,230	(89,311)
Cash and cash equivalents at the end of the period	12	(808,925)	1,451,007

The annexed notes 1 to 14 form an integral part of these financial statements.


Asadullah Khawaja
Chairman


Syed Hyder Ali
Managing Director / Chief Executive


Mujeeb Rashid
Director

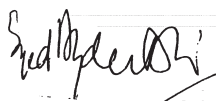
PACKAGES LIMITED
STATEMENT OF CHANGES IN EQUITY
for the half year ended June 30, 2006 (un-audited)

	Share capital	Share premium	Fair value reserve	Hedging reserve	General reserve	Unappropriated profit	Total
	(R u p e e s i n t h o u s a n d)						
Balance as on December 31, 2004	475,371	203,589	17,100	-	2,531,936	963,864	4,191,860
Final Dividend for the year ended December 31, 2004 Rs. 8.50 per share	-	-	-	-	-	(404,065)	(404,065)
Transferred from profit and loss account	-	-	-	-	559,000	(559,000)	-
Issue of 22,342,427 ordinary shares of Rs. 10 each fully paid in cash - net of issue cost	223,424	2,783,364	-	-	-	-	3,006,788
Fair value loss during the period	-	-	(16,500)	-	-	-	(16,500)
Profit for the period	-	-	-	-	-	481,220	481,220
Balance as on June 30, 2005	698,795	2,986,953	600	-	3,090,936	482,019	7,259,303
Fair value gain during the period	-	-	18,900	-	-	-	18,900
Loss arising on marking to market foreign currency forward options entered into as part of cash flow hedge for the purchase of plant and machinery	-	-	-	(76,092)	-	-	(76,092)
Profit for the period	-	-	-	-	-	534,144	534,144
Balance as on December 31, 2005	698,795	2,986,953	19,500	(76,092)	3,090,936	1,016,163	7,736,255
Final Dividend for the year ended December 31, 2005 Rs. 6.00 per share	-	-	-	-	-	(419,277)	(419,277)
Transferred from profit and loss account	-	-	-	-	596,000	(596,000)	-
Fair value loss during the period	-	-	(19,200)	-	-	-	(19,200)
Gain arising on foreign currency forward options entered into as part of cash flow hedge for the purchase of plant and machinery	-	-	-	1,905	-	-	1,905
Transferred to CWIP on expiry of foreign currency forward options	-	-	-	74,187	-	-	74,187
Profit for the period	-	-	-	-	-	605,931	605,931
Balance as on June 30, 2006	698,795	2,986,953	300	-	3,686,936	606,817	7,979,801

The annexed notes 1 to 14 form an integral part of these financial statements.



Asadullah Khawaja
Chairman



Syed Hyder Ali
Managing Director / Chief Executive



Mujeeb Rashid
Director

PACKAGES LIMITED
SELECTED NOTES TO THE FINANCIAL STATEMENTS
for the half year ended June 30, 2006 (un-audited)

1. These financial statements are un-audited and are being submitted to shareholders, as required by section 245 of the Companies Ordinance, 1984.
2. The accounting policies adopted for the preparation of these half yearly financial statements are the same as those applied in the preparation of the preceding annual published financial statements of the company for the year ended December 31, 2005.
3. These financial statements have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34, "Interim Financial Reporting" and have been reviewed by the auditors as required by the Code of Corporate Governance.
4. The provision for taxation for the half year ended June 30, 2006 has been made on an estimated basis.

	June 30, 2006	December 31, 2005
	(Rupees in thousand)	
5. Long-term finances - secured		
Opening Balance:	1,000,000	-
Add: disbursements during the period	2,500,000	1,000,000
	3,500,000	1,000,000
Less: repaid during the period	-	-
Closing Balance	3,500,000	1,000,000

6. Contingencies and commitments

6.1 Contingencies

- (i) Claims against the company not acknowledged as debts Rs. 10.192 million (December 31, 2005: Rs. 10.362 million).
- (ii) Against a sales tax refund aggregating Rs. 12.827 million determined by the Sales Tax Officer (STO) on the basis of the orders of the Appellate Assistant Commissioner (AAC) for the assessment years 1977-78 through 1980-81 and recognised in the financial statements in 1985, the STO filed an appeal in 1986 with the Income Tax Appellate Tribunal (ITAT) against the Orders of the AAC for these years. The orders of the AAC were based on a decision already given by the ITAT on the company's appeal for application of a lower rate of sales tax on self consumed material for earlier years. Pending the outcome of the appeal filed by STO no adjustment has been made for the refunds recognised in the financial statements as the management is of the view that the appeal of the STO will not be upheld by the ITAT.

6.2 Commitments in respect of

- (i) Contracts for capital expenditure Rs. 4,408.008 million (December 31, 2005: Rs. 3,105.869 million).
- (ii) Letters of credit other than for capital expenditure Rs. 481.928 million (December 31, 2005: Rs. 246.589 million).

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

	June 30, 2006 (Rupees in thousand)	December 31, 2005
Years		
Not later than one year	9,032	7,747
Later than one year and not later than five years	11,781	8,947
Later than five years	2,124	2,364
	<u>22,937</u>	<u>19,058</u>
7. Property, plant and equipment		
Opening book value	2,996,821	2,937,656
Add: additions during the period transfers from leased assets	-note 7.1 51,645 -	469,914 737
	<u>51,645</u>	<u>470,651</u>
	3,048,466	3,408,307
Less: disposals during the period (at book value) depreciation charged during the period	4,076 196,209	12,024 399,462
	<u>200,285</u>	<u>411,486</u>
Closing book value	<u>2,848,181</u>	<u>2,996,821</u>
7.1 Following is the detail of additions during the period		
Freehold land	-	12,530
Building on freehold land	100	23,881
Plant and machinery	34,533	357,171
Other equipment	7,147	39,958
Furniture and fixtures	95	989
Vehicles	9,770	35,385
	<u>51,645</u>	<u>469,914</u>
8. Capital work-in-progress		
Civil works	93,180	1,318
Plant and machinery [including in transit Rs. 149.834 million (2005: Rs. 0.576 million)]	298,972	35,917
Others	73,372	802
Expansion project:		
Civil works	749,207	412,257
Plant and machinery [including in transit Rs. 315.302 million (2005: Rs. 803.932 million)]	4,884,453	1,761,944
Advances	467,360	762,195
Unallocated expenditure	449,762	291,084
	<u>6,550,782</u>	<u>3,227,480</u>
	<u>7,016,306</u>	<u>3,265,517</u>

9. Cost of goods sold

	For the 2nd Quarter		Cumulative	
	Apr - Jun 2006	Apr - Jun 2005	Jan - Jun 2006	Jan - Jun 2005
	(R u p e e s i n t h o u s a n d)			
Opening work-in-process	88,919	86,606	80,980	77,127
Materials consumed	1,110,567	902,605	2,020,850	1,675,600
Salaries, wages and amenities	122,486	106,585	240,195	218,843
Fuel and power	242,590	192,749	458,646	377,717
Production supplies	55,538	53,610	109,625	98,943
Excise duty and sales tax	30	(1,332)	129	146
Rent, rates and taxes	570	75	1,287	1,480
Insurance	8,868	10,220	17,478	20,011
Repairs and maintenance	71,774	64,692	134,781	120,600
Packing expenses	18,118	10,417	33,856	19,199
Depreciation on property, plant and equipment	91,109	100,690	181,774	201,487
Amortisation on intangible assets	636	600	1,283	1,201
Depreciation on assets subject to finance lease	199	216	398	451
Technical fee and royalty	4,446	5,708	8,862	11,080
Other expenses	24,701	21,715	42,961	40,856
	<u>1,840,551</u>	<u>1,555,156</u>	<u>3,333,105</u>	<u>2,864,741</u>
Less: Closing work-in-process	77,180	99,937	77,180	99,937
Cost of goods produced	<u>1,763,371</u>	<u>1,455,219</u>	<u>3,255,925</u>	<u>2,764,804</u>
Opening stock of finished goods	<u>354,369</u>	<u>402,790</u>	<u>415,973</u>	<u>384,943</u>
	<u>2,117,740</u>	<u>1,858,009</u>	<u>3,671,898</u>	<u>3,149,747</u>
Less: Closing stock of finished goods	451,213	444,589	451,213	444,589
	<u>1,666,527</u>	<u>1,413,420</u>	<u>3,220,685</u>	<u>2,705,158</u>

10. Transactions with related parties

	Six months to June 30, 2006	Six months to June 30, 2005
	(Rupees in thousand)	
Purchase of goods and services	360,642	280,945
Sale of goods and services	1,395,054	1,185,748
Sale of property, plant and equipment	940	45
Purchase of property, plant and equipment	-	1,400
Dividend income	345,285	257,375
Rental income	12,643	10,004
Expense charged in respect of retirement benefits plans	19,336	20,740
Key management personnel compensation	17,428	14,547
Period-end balances		
	June 30, 2006	December 31, 2005
	(Rupees in thousand)	
Receivable from related parties	234,740	280,383
Payable to related parties	38,043	48,816

11. Cash generated from operations

	Six months to June 30, 2006	Six months to June 30, 2005
	(Rupees in thousand)	
Profit before taxation	767,373	657,220
Adjustments for:		
Depreciation on property, plant and equipment	196,209	214,464
Amortisation on intangible assets	1,401	1,213
Depreciation on investment property	479	474
Depreciation on assets subject to finance lease	1,392	1,446
Provision for accumulating compensated absences	14,745	13,429
Retirement benefits accrued	8,943	8,977
Gain on held to maturity investments	-	(293)
Gain on foreign currency forward options	(14,867)	-
Net profit on disposal of property, plant and equipment	(3,464)	(3,086)
Finance cost	49,136	39,916
Dividend income	(345,285)	(257,375)
Profit before working capital changes	676,062	676,385
Effect on cash flow due to working capital changes		
Increase in trade debts	(62,717)	(56,764)
Increase in stores and spares	(31,543)	(738)
Increase in stock-in-trade	(302,788)	(202,333)
Increase in loans, advances, deposits, prepayments and other receivables	(57,071)	(134,750)
Increase in creditors, accrued and other liabilities	74,168	38,881
	(379,951)	(355,704)
	296,111	320,681

12. Cash and cash equivalents


	June 30, 2006	June 30, 2005
	(Rupees in thousand)	
Cash and bank balances	90,337	2,010,080
Finances under mark up arrangements	(899,262)	(559,073)
	(808,925)	1,451,007

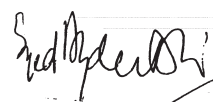
13. Date of authorisation

These financial statements were authorised for issue on August 24, 2006 by the Board of Directors of the company.

14. Corresponding figures

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


Asadullah Khawaja
Chairman


Syed Hyder Ali
Managing Director / Chief Executive


Mujeeb Rashid
Director

**Packages Group
Consolidated Financial Statements**

DIRECTORS' REVIEW ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED JUNE 30, 2006



The Directors of Packages Limited take pleasure in presenting to its shareholders, the un-audited consolidated financial statements of the group for the half year ended June 30, 2006.

Operating Results

The comparison of the un-audited results for the quarter and six months ended June 30, 2006 as against June 30, 2005 is as follows:

	For the 2nd Quarter		Cumulative	
	Apr - Jun 2006	Apr - Jun 2005	Jan - Jun 2006	Jan - Jun 2005
	(R u p e e s i n m i l l i o n)			
Invoiced sales	2,499	2,152	4,829	4,283
Profit from operations	285	230	557	515
Income from associated companies	348	359	670	505
Profit before tax	602	562	1,158	962

The group sales have increased by 12.76% over the same period last year. In case of the subsidiaries namely DIC Pakistan Limited and Packages Lanka (Pvt.) Limited increase in sales have been 13.74% and 17.96% respectively during the current half year over last year.

For DIC Pakistan Limited the sales were slightly lower than the budget but the company is confident of meeting its annual sales and profit targets. Presently the company is installing a packing machine for providing quick deliveries to its customers in the southern areas and dispersion equipment in Lahore to improve the quality of inks.

Packages Lanka (Pvt.) Limited has done better than its half yearly target set at the beginning of the year. The main reason has been better sales and tight control over raw materials and overheads. The company is expecting to further improve its sales during the second half of the year.

Packages Construction (Pvt.) Limited, the group's newest member is in the process of importing construction machinery and equipment to carry out business within the country.


(Syed Hyder Ali)
Managing Director / Chief Executive
Lahore, August 24, 2006


CONSOLIDATED BALANCE SHEET
as at June 30, 2006 (un-audited)

	Note	June 30, 2006	December 31, 2005
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital 100,000,000 (2005: 100,000,000) ordinary shares of Rs. 10 each		1,000,000	1,000,000
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENTS		<hr/>	<hr/>
Issued, subscribed and paid up capital 69,879,507 (2005: 69,879,507) ordinary shares of Rs. 10 each		698,795	698,795
Reserves		6,645,418	5,993,650
Unappropriated profit		1,597,443	1,857,321
		<hr/>	<hr/>
		8,941,656	8,549,766
MINORITY INTEREST		99,264	90,547
		<hr/>	<hr/>
		9,040,920	8,640,313
NON - CURRENT LIABILITIES			
Long-term finances - secured	5	3,524,957	1,033,339
Liabilities against assets subject to finance lease		186	2,187
Deferred liabilities		766,331	597,551
		<hr/>	<hr/>
		4,291,474	1,633,077
CURRENT LIABILITIES			
Current portion of long-term liabilities		18,542	17,395
Liabilities against assets subject to finance lease		3,644	6,232
Finances under mark up arrangements - secured		1,133,248	1,895,761
Derivative foreign currency forward options		-	90,959
Creditors, accrued and other liabilities		745,943	674,666
Provision for taxation		13,369	20,812
		<hr/>	<hr/>
		1,914,746	2,705,825
CONTINGENCIES AND COMMITMENTS	6	-	-
		<hr/>	<hr/>
		15,247,140	12,979,215

	Note	June 30, 2006	December 31, 2005
(Rupees in thousand)			
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	7	3,110,872	3,270,087
Intangible assets		4,005	5,440
Investment property		8,288	8,588
Assets subject to finance lease		9,516	11,256
Capital work-in-progress	8	7,030,269	3,267,194
Goodwill		31,805	37,106
Investments	9	1,436,469	1,309,058
Long-term loans and deposits		16,432	16,813
Retirement benefits		64,932	60,291
		11,712,588	7,985,833
CURRENT ASSETS			
Stores and spares		454,181	423,866
Stock-in-trade		1,699,562	1,415,522
Trade debts		977,911	916,576
Loans, advances, deposits, prepayments and other receivables		298,213	203,797
Cash and bank balances		104,685	2,033,621
		3,534,552	4,993,382
		15,247,140	12,979,215

The annexed notes 1 to 15 form an integral part of these financial statements.


Asadullah Khawaja
Chairman



Syed Hyder Ali
Managing Director / Chief Executive



Mujeeb Rashid
Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the half year ended June 30, 2006 (un-audited)

	For the 2nd Quarter		Cumulative	
	Apr - Jun 2006	Apr - Jun 2005	Jan - Jun 2006	Jan - Jun 2005
	Note (R u p e e s i n t h o u s a n d)			
Local sales	2,439,912	2,142,809	4,723,977	4,263,271
Export sales	59,161	8,949	105,258	19,338
	2,499,073	2,151,758	4,829,235	4,282,609
Less: Sales tax and excise duty	346,846	259,928	632,136	538,920
Commission	2,746	1,689	5,949	4,016
	349,592	261,617	638,085	542,936
	2,149,481	1,890,141	4,191,150	3,739,673
Cost of goods sold	10 (1,750,412)	(1,547,356)	(3,360,147)	(2,945,544)
Gross profit	399,069	342,785	831,003	794,129
Administration expenses	(103,479)	(108,683)	(201,230)	(202,363)
Distribution and marketing expenses	(67,828)	(53,239)	(130,486)	(110,024)
Other operating expenses	(33,987)	(17,349)	(62,433)	(50,349)
Other operating income	90,917	66,850	120,059	83,240
Profit from operations	284,692	230,364	556,913	514,633
Finance cost	(30,968)	(27,979)	(69,031)	(57,663)
Income from associated companies	347,862	359,223	669,955	504,814
Profit before tax	601,586	561,608	1,157,837	961,784
Taxation				
Group	(69,626)	(101,186)	(190,738)	207,800
Associated companies	(98,946)	(201,562)	(191,568)	194,284
	(168,572)	(302,748)	382,306	402,084
Profit for the period	433,014	258,860	775,531	559,700
Minority interest	(9,948)	(5,415)	(20,132)	(14,718)
	423,066	253,445	755,399	544,982
Combined earnings per share-basic and diluted	Rupees 6.05	4.20	10.81	10.15

The annexed notes 1 to 15 form an integral part of these financial statements


Asadullah Khawaja
Chairman



Syed Hyder Ali
Managing Director / Chief Executive

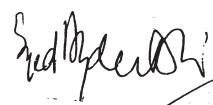

Mujeeb Rashid
Director

CONSOLIDATED CASH FLOW STATEMENT
for the half year ended June 30, 2006 (un-audited)

	Note	Six months to June 30, 2006	Six months to June 30, 2005
(Rupees in thousand)			
Cash flow from operating activities:			
Cash generated from operations	12	356,631	437,583
Finance cost paid		(78,075)	(60,495)
Taxes paid		(41,181)	(111,799)
Payments for accumulating compensated absences		(3,445)	(3,666)
Retirement benefits paid		(13,584)	(14,850)
Net cash from operating activities		220,346	246,773
Cash flow from investing activities:			
Purchase of property, plant and equipment		(3,824,172)	(1,261,429)
Net decrease / (increase) in long-term loans and deposits		381	(11,982)
Proceeds from sale of property, plant and equipment		8,671	12,723
Dividends received		368,268	237,112
Investments		-	9,360
Net cash used in investing activities		(3,446,852)	(1,014,216)
Cash flow from financing activities:			
Proceeds from long-term finances		2,500,000	-
Proceeds from issue of ordinary shares		-	3,016,228
Proceeds from short-term loan		-	600,000
Repayment of long-term finances		(7,235)	(858,210)
Payment of finance lease liabilities		(4,589)	(2,698)
Dividend paid		(417,032)	(402,292)
Dividend paid to minority shareholders		(11,061)	(16,592)
Net cash from financing activities		2,060,083	2,336,436
Net (decrease) / increase in cash and cash equivalents		(1,166,423)	1,568,993
Cash and cash equivalents at the beginning of the period		137,860	(356,873)
Cash and cash equivalents at the end of the period	13	(1,028,563)	1,212,120

The annexed notes 1 to 15 form an integral part of these financial statements.


Asadullah Khawaja
Chairman


Syed Hyder Ali
Managing Director / Chief Executive


Mujeeb Rashid
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the half year ended June 30, 2006 (un-audited)

	Attributable to equity holders of parent							Minority Interest	Total Equity								
	Share capital	Share premium	Exchange difference on translation of foreign subsidiary	Fair Value reserve	Hedging reserve	General reserve	Unappropriated profit			Total							
											(R	u	p	e	e	s
Balance as on December 31, 2004 as restated	475,371	203,589	(30,967)	17,100	-	2,531,936	1,708,616	4,905,645	93,399	4,999,044							
Final dividend for the year ended December 31, 2004	-	-	-	-	-	-	(404,065)	(404,065)	(16,592)	(420,657)							
Transferred from profit and loss account	-	-	-	-	-	559,000	(559,000)	-	-	-							
Issue of 22,342,427 ordinary shares of Rs. 10 each fully paid in cash-net of issue cost	223,424	2,783,364	-	-	-	-	-	3,006,788	-	3,006,788							
Fair value gain during the period	-	-	-	(16,500)	-	-	-	(16,500)	-	(16,500)							
Net profit for the period	-	-	-	-	-	-	544,982	544,982	14,718	559,700							
Exchange adjustments	-	-	5,617	-	-	-	-	5,617	1,486	7,103							
Balance as on June 30, 2005	698,795	2,986,953	(25,350)	600	-	3,090,936	1,290,533	8,042,467	93,011	8,135,478							
Final dividend for the year ended December 31, 2004	-	-	-	-	-	-	-	-	(22,124)	(22,124)							
Fair value gain during the period	-	-	-	18,900	-	-	-	18,900	-	18,900							
Loss arising on marking to market foreign currency forward options entered into as part of cash flow hedge for the purchase of plant and machinery	-	-	-	-	(76,092)	-	-	(76,092)	-	(76,092)							
Net profit for the period	-	-	-	-	-	-	566,788	566,788	20,267	587,055							
Exchange adjustments	-	-	(2,297)	-	-	-	-	(2,297)	(607)	(2,904)							
Balance as on December 31, 2005 as reported	698,795	2,986,953	(27,647)	19,500	(76,092)	3,090,936	1,857,321	8,549,766	90,547	8,640,313							
Final Dividend for the year ended December 31, 2005	-	-	-	-	-	-	(419,277)	(419,277)	(11,061)	(430,338)							
Transferred from profit and loss account	-	-	-	-	-	596,000	(596,000)	-	-	-							
Fair value loss during the period	-	-	-	(19,200)	-	-	-	(19,200)	-	(19,200)							
Gain arising on foreign currency forward options entered into as part of cash flow hedge for the purchase of plant and machinery	-	-	-	-	1,905	-	-	1,905	-	1,905							
Transferred to CWIP on expiry of foreign currency forward options	-	-	-	-	74,187	-	-	74,187	-	74,187							
Net profit for the period	-	-	-	-	-	-	755,399	755,399	20,132	775,531							
Exchange adjustments	-	-	(1,124)	-	-	-	-	(1,124)	(354)	(1,478)							
Balance as on June 30, 2006	698,795	2,986,953	(28,771)	300	-	3,686,936	1,597,443	8,941,656	99,264	9,040,920							

The annexed notes 1 to 15 form an integral part of these financial statements.



Asadullah Khawaja
Chairman



Syed Hyder Ali
Managing Director / Chief Executive



Mujeeb Rashid
Director

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the half year ended June 30, 2006 (un-audited)

1. These financial statements are un-audited and are being submitted to shareholders, as required by section 245 of the Companies Ordinance, 1984.
2. The accounting policies adopted for the preparation of these half yearly consolidated financial statements are the same as those applied in the preparation of preceding annual published financial statements of the group for the year ended December 31, 2005.
3. These financial statements have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34, "Interim Financial Reporting".
4. The provision for taxation of the parent company for the half year ended June 30, 2006 has been made on an estimated basis.
5. Long-term finances - secured

	June 30, 2006	December 31, 2005
	(Rupees in thousand)	
Foreign currency loans - secured	43,499	50,734
Long-term loans secured	3,500,000	1,000,000
	3,543,499	1,050,734
Less: current portion shown under current liabilities	(18,542)	(17,395)
Closing Balance	3,524,957	1,033,339

6. Contingencies and commitments

6.1 Contingencies

- (i) Claims against the group not acknowledged as debts Rs. 10.192 million (December 31, 2005: Rs. 10.362 million).
- (ii) Guarantees to the Director General of Customs amounting to Rs. 3.48 million (December 31, 2005: Nil).
- (iii) Against a sales tax refund aggregating Rs. 12.827 million determined by the Sales Tax Officer (STO) on the basis of the orders of the Appellate Assistant Commissioner (AAC) for the assessment years 1977-78 through 1980-81 and recognised in the financial statements in 1985, the STO filed an appeal in 1986 with the Income Tax Appellate Tribunal (ITAT) against the Orders of the AAC for these years. The orders of the AAC were based on a decision already given by the ITAT on the parent company's appeal for application of a lower rate of sales tax on self consumed material for earlier years. Pending the outcome of the appeal filed by STO no adjustment has been made for the refunds recognised in the financial statements as the management is of the view that the appeal of the STO will not be upheld by the ITAT.

6.2 Commitments in respect of

- (i) Contracts for capital expenditure Rs. 5,635.008 million (December 31,2005: Rs. 3,105.869 million).
- (ii) Letters of credit other than for capital expenditure Rs. 509.314 million (December 31,2005: Rs. 275.689 million).

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

	June 30, 2006	December 31, 2005
	(Rupees in thousand)	
Years		
Not later than one year	9,032	7,747
Later than one year and not later than five years	11,781	8,947
Later than five years	2,124	2,364
	<u>22,937</u>	<u>19,058</u>
7. Property, plant and equipment		
Opening book value	3,270,087	3,222,227
Add: additions during the period	-note 7.1 60,915	485,730
transfers from leased assets	-	737
exchange adjustment on opening cost	(4,135)	10,445
	<u>56,780</u>	<u>496,912</u>
	<u>3,326,867</u>	<u>3,719,139</u>
Less: disposals during the period (at book value)	4,482	12,416
depreciation charged during the period	213,064	431,965
exchange adjustment on opening accumulated depreciation / amortisation	(1,551)	4,671
	<u>215,995</u>	<u>449,052</u>
	<u>3,110,872</u>	<u>3,270,087</u>
7.1 Following is the detail of additions during the period		
Freehold land	-	12,530
Building on freehold land	100	24,487
Building on leasehold land	-	1,468
Plant and machinery	36,615	359,388
Other equipment	10,309	47,808
Furniture and fixtures	386	1,755
Vehicles	13,505	38,294
	<u>60,915</u>	<u>485,730</u>
8. Capital work-in-progress		
Civil works	93,180	2,413
Plant and machinery [including in transit Rs. 149.834 million (2005: Rs. 0.576 million)]	298,972	36,499
Others	73,372	802
Expansion project :		
Civil works	749,207	412,257
Plant and machinery [including in transit Rs. 315.302 million (2005: Rs. 803.932 million)]	4,898,416	1,761,944
Advances	467,360	762,195
Unallocated expenditure	449,762	291,084
	<u>6,564,745</u>	<u>3,227,480</u>
	<u>7,030,269</u>	<u>3,267,194</u>

9. Investments

		June 30, 2006	December 31, 2005
		(Rupees in thousand)	
These represent the long-term investments in:			
Equity instruments of associated companies	-note 9.1	1,376,144	1,229,533
Others	-note 9.2	60,325	79,525
		<u>1,436,469</u>	<u>1,309,058</u>

9.1 In equity instruments of associated companies

Cost		202,474	202,474
Post acquisition profit brought forward		1,027,059	913,635
		<u>1,229,533</u>	<u>1,116,109</u>
Profit for the year			
Before taxation		669,955	836,208
Provision for taxation		(191,568)	(157,311)
		<u>478,387</u>	<u>678,897</u>
		1,707,920	1,795,006
Less: Dividends received during the period		331,776	565,473
Balance as on	- note 9.3	<u>1,376,144</u>	<u>1,229,533</u>

9.2 Others

Quoted			
The Resource Group (TRG) Pakistan Limited 6,000,000 (2005: 6,000,000) fully paid ordinary shares of Rs. 10 each Equity held 2.78% (2005: 2.78%)		60,300	79,500
Unquoted			
Pakistan Tourism Development Corporation Limited 2,500 (2005: 2,500) fully paid ordinary shares of Rs. 10 each		25	25
Orient Mach Company Limited 1,900 (2005: 1,900) fully paid ordinary shares of Rs. 100 each		-	-
		<u>60,325</u>	<u>79,525</u>

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

9.3 In equity instruments of associated companies

	June 30, 2006	December 31, 2005
	(Rupees in thousand)	
Quoted		
Nestle Milkpak Limited 3,649,248 (2005:3,649,248) fully paid ordinary shares of Rs. 10 each Equity held 8.06% (2005: 8.06%)	178,909	162,154
International General Insurance Company of Pakistan Limited 2,118,138 (2005: 1,629,337) fully paid ordinary shares of Rs. 10 each Equity held 10.61% (2005: 10.61%)	155,942	117,705
Tri-Pack Films Limited 10,000,000 (2005: 10,000,000) fully paid ordinary shares of Rs. 10 each Equity held 33.33 % (2005: 33.33 %)	325,725	328,586
First International Investment Bank Limited 4,191,741 (2005: 4,191,741) fully paid ordinary shares of Rs. 10 each Equity held 9.99 % (2005: 9.99 %)	50,542	45,832
	711,118	654,277
Unquoted		
Tetra Pak Pakistan Limited 30,800,000 (2005:30,800,000) fully paid ordinary shares of Rs. 10 each Equity held 44 % (2005: 44%)	659,998	570,346
Coca-Cola Beverages Pakistan Limited 500,000 (2005: 500,000) fully paid ordinary shares of Rs. 10 each Equity held 0.14% (2005:0.14%)	5,028	4,910
	665,026	575,256
	<u>1,376,144</u>	<u>1,229,533</u>

10. Cost of goods sold

	For the 2nd Quarter		Cumulative	
	Apr - Jun 2006	Apr - Jun 2005	Jan - Jun 2006	Jan - Jun 2005
	(R u p e e s i n t h o u s a n d)			
Opening work-in-process	140,212	131,792	132,210	115,039
Materials consumed	1,147,739	996,700	2,071,153	1,843,427
Salaries, wages and amenities	133,191	115,858	260,898	236,664
Fuel and power	250,530	200,041	474,121	391,302
Production supplies	57,540	55,258	113,261	101,896
Excise duty and sales tax	30	(1,332)	129	146
Rent, rates and taxes	915	(568)	1,977	2,098
Insurance	9,276	10,525	18,290	20,615
Repairs and maintenance	76,023	67,813	143,892	127,544
Packing expenses	13,771	14,237	33,856	26,187
Depreciation on property, plant and equipment	98,790	108,101	197,131	216,643
Amortisation on intangible assets	653	600	1,317	1,201
Depreciation on assets subject to finance lease	199	216	398	451
Technical fee and royalty	9,266	9,941	18,408	19,028
Travelling and conveyance	122	-	267	-
Other expenses	26,477	23,448	46,515	44,556
	<u>1,964,734</u>	<u>1,732,630</u>	<u>3,513,823</u>	<u>3,146,797</u>
Less: Closing work-in-process	<u>119,871</u>	<u>144,817</u>	<u>119,871</u>	<u>144,817</u>
Cost of goods produced	<u>1,844,863</u>	<u>1,587,813</u>	<u>3,393,952</u>	<u>3,001,980</u>
Opening stock of finished goods	<u>383,637</u>	<u>435,867</u>	<u>444,283</u>	<u>419,888</u>
	<u>2,228,500</u>	<u>2,023,680</u>	<u>3,838,235</u>	<u>3,421,868</u>
Less: Closing stock of finished goods	<u>478,088</u>	<u>476,324</u>	<u>478,088</u>	<u>476,324</u>
	<u>1,750,412</u>	<u>1,547,356</u>	<u>3,360,147</u>	<u>2,945,544</u>

11. Transactions with related parties

	Six months to June 30, 2006	Six months to June 30, 2005
	(Rupees in thousand)	
Purchase of goods and services	185,539	107,230
Sale of goods and services	1,390,061	1,180,920
Purchase of property, plant and equipment	-	1,400
Dividend income	331,776	237,112
Rental income	10,738	8,099
Expense charged in respect of retirement benefit plans	19,336	23,175
Key management personnel compensation	17,428	14,547

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

Period-end balances

	June 30, 2006	December 31, 2005
	(Rupees in thousand)	
Receivable from related parties	236,090	288,788
Payable to related parties	13,868	44,194

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

12. Cash generated from operations

	Six months to June 30, 2006	Six months to June 30, 2005
	(Rupees in thousand)	
Profit before taxation	1,157,837	961,784
Adjustments for:		
Depreciation on property, plant and equipment	213,064	231,613
Amortisation on intangible assets	1,435	1,213
Depreciation on investment property	479	474
Depreciation on assets subject to finance lease	1,716	1,445
Amortisation of goodwill	5,301	5,301
Provision for accumulating compensated absences	15,225	14,706
Retirement and other benefits accrued	8,944	8,977
Exchange adjustments	1,190	(2,883)
Exchange gain	(14,925)	-
Gain on held to maturity investments	-	(293)
Net profit on disposal of property, plant and equipment	(4,189)	(3,086)
Finance cost	69,031	57,663
Share of profit from associated companies	(669,955)	(504,814)
Profit before working capital changes	<u>785,153</u>	<u>772,100</u>
Effect on cash flow due to working capital changes		
Increase in trade debts	(61,335)	(65,002)
(Increase) / decrease in stores and spares	(30,315)	2,242
Increase in stock-in-trade	(284,040)	(166,087)
Increase in loans, advances, deposits, prepayments and other receivables	(130,908)	(139,196)
Increase in creditors, accrued and other liabilities	78,076	33,526
	<u>(428,522)</u>	<u>(334,517)</u>
	<u>356,631</u>	<u>437,583</u>

13. Cash and cash equivalents

	June 30, 2006	June 30, 2005
	(Rupees in thousand)	
Cash and bank balances	104,685	2,014,750
Finances under mark up arrangements	(1,133,248)	(802,630)
	<u>(1,028,563)</u>	<u>1,212,120</u>

14. Detail of subsidiaries

Name of the subsidiaries	Accounting year end	Percentage of holding	Country of incorporation
Packages Lanka (Private) Limited	December 31	79.07%	Sri Lanka
DIC Pakistan Limited	December 31	54.98%	Pakistan
Packages Construction (Private) Limited	December 31	99.99%	Pakistan

15. Corresponding figures

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



Asadullah Khawaja
Chairman



Syed Hyder Ali
Managing Director / Chief Executive



Mujeeb Rashid
Director