

Pakistan Papersack Corporation Limited

Company Information

BOARD OF DIRECTORS

Rafiq M. Habib	Chairman
S. Z. Kazmi	Vice Chairman
Ali S. Habib	
Kersi D. Kapadia	
Mohamedali R. Habib	
Ajjaz Rahim	NIT Nominee
Mansoob A. Akhtar	NIT Nominee

CHIEF EXECUTIVE OFFICER

Mazhar Valjee

AUDIT COMMITTEE

Ali S. Habib	Chairman
Kersi D. Kapadia	Member
Mohamedali R. Habib	Member

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Altaf Ismail

AUDITORS

Ford Rhodes Sidat Hyder & Co
Chartered Accountants

LEGAL ADVISER

Nadeem Ahmed
Advocate

BANKERS

Habib Bank AG Zurich
Habib Bank Limited
Hongkong & Shanghai Banking Corporation
Metropolitan Bank Limited
National Bank of Pakistan

FACTORIES

Stepped-end Division
Hub Chowki, Balochistan

Balochistan Laminates Division
Hub Chowki, Balochistan

REGISTERED OFFICE

5th Floor, Siddiqsons Tower,
3-Jinnah Cooperative Housing Society,
Sharae Faisal, Karachi, Pakistan
Tele: 4312030-34
Fax: 92-21-4312198
E-Mail: ppcl@cyber.net.pk

REGIONAL SALES OFFICE

1st Floor, E-83/A, Super Town,
Link Street, Walton Road
Lahore Cantt.
Tele: 042- 6664571

REGISTRAR

Noble Computer Services (Pvt) Limited
Sohni Centre, 2nd Floor, BS 5-6
Block 4, Main Karimabad,
Karachi
Tele: 6801880-2

Pakistan Papersack Corporation Limited

DIRECTORS' REVIEW

The Directors of your Company are pleased to present to the shareholders, the unaudited financial statements of the Company for the quarter & half year ended December, 2005.

During the period under review the operating results as compared to the corresponding period of 2004-05 are as follows:

	Half Year		Quarter	
	Jul - Dec 2005	Jul - Dec 2004	Oct - Dec 2005	Oct - Dec 2004
Net Sales	524,488	419,142	258,406	212,701
Operating Profit	49,474	46,257	33,664	31,700
Profit before taxation	44,490	41,646	30,469	28,707

The Company's total sales during the period under review have increased by 25%. The operating profit increased by 6.9% and profit before tax increased by 6.8% over the previous period.

PAPERSACK OPERATIONS

During the period under review sales have increased by 57% to Rs. 221.531 million from Rs.141.050 million in the previous corresponding period. The increase was largely due to volume growth with some marginal increase in sales price at the end of the period under review. Gross profit has increased to Rs.32.155 million from Rs.31.729 million. Operating profit has decreased to Rs.6.384 million from Rs.9.579 million from the corresponding last period. The operating profit has come under considerable pressure, mainly due to increasing raw material prices and unfavorable duty structure, coupled with tough competition amongst the local papersack & woven polypropylene (WPP) sack manufacturers.

FUTURE OUTLOOK

The cement sector is showing handsome growth with planned expansion of capacities gradually coming online. Demand for cement resulting in demand for papersacks is expected to remain stable with reconstruction activity gaining momentum in the country.

Global increase in paper prices, coupled with higher freight charges and the anomaly in tariff structure in favor of Woven Polypropylene bag manufacturers will continue to impact on the profitability of the Division.

LAMINATES OPERATIONS

The Sales during the period under review went up from Rs.278.092 million to Rs.302.957 million, an increase of 9 %. This increase is mainly due to volume growth.

Cost of sales increased by 9 % from Rs.239.494 million to Rs.261.732 million as compared to corresponding period of last year due to increased sales. Operating Profit increased from Rs.15.330 million to Rs.20.325 million an increase of 33 %. Trading profit of Rs.7.249 million contributed towards it.

FUTURE OUTLOOK

The management is hopeful that the present trend of market growth will continue. However, the impact of the upward trend of raw material price is a matter of concern.

MERGER UPDATE

The Board of Directors has approved a Scheme of Arrangement for the amalgamation of Pakistan Papersack Corporation Limited (“PPCL”), Khyber Papers (Private) Limited (“KPPL”) and Thal Limited (“TL”).

The Scheme will be processed in accordance with Sections 284 to 288 of the Companies Ordinance 1984 for the sanction and appropriate facilitating orders of the High Court of Sindh. Approval of the Scheme will also be sought from the Members in General Meeting of each of the three companies, which meetings will be convened in due course under the orders of the Court.

In accordance with the Scheme, the entire business of PPCL and of KPPL together with their respective properties, assets, rights, liabilities and obligations will be transferred to and will vest in TL, and TL will issue at par 1 fully paid up ordinary share of TL of Rs. 5 each for every 3.07 fully paid up ordinary shares of PPCL of Rs. 5 each held by the registered holders of ordinary shares in PPCL (other than TL) and 1 fully paid up ordinary share of TL of Rs. 5 each for every 0.26 fully paid up shares of KPPL of Rs. 5 each held by the registered holders of ordinary shares in KPPL.

**On behalf of the
Board of Director**

**MazharValjee
Chief Executive Officer**

Karachi: February 20, 2006

Pakistan Papersack Corporation Limited

AUDITORS' REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed balance sheet of Pakistan Papersack Corporation Limited as at December 31, 2005 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.

We conducted our review in accordance with the International Standard on 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's personnel and analytical procedures applied to financial data and thus provides 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.

FORD RHODES SIDAT HYDER & CO.
Chartered Accountants

Karachi: February 20, 2006.

PAKISTAN PAPERSACK CORPORATION LIMITED
BALANCE SHEET
AS AT DECEMBER 31, 2005
(UN-AUDITED)

	Note	Dec 31 2 0 0 5 (Un-audited) (Rupees in thousands)	June 30, 2 0 0 5 (Audited)
<u>ASSETS</u>			
NON-CURRENT ASSETS			
Property, plant and equipment	4	52,980	53,257
Long-term investments		98,856	86,194
Long-term loans		384	460
Long-term deposits		3,038	2,927
		155,258	142,838
CURRENT ASSETS			
Stores & spares		17,129	15,671
Stock-in-trade		250,484	247,024
Trade debts		232,604	184,583
Loan & advances		7,635	9,290
Trade deposits & short-term prepayments		3,028	2,778
Income tax refunds due from the Government		5,548	10,587
Other receivables		1,809	10,059
Cash & bank balances		11,102	26,540
		529,339	506,532
TOTAL ASSETS		684,597	649,370
<u>EQUITY AND LIABILITIES</u>			
SHARE CAPITAL AND RESERVES			
Authorised capital 20,000,000 ordinary shares of Rs.5/- each		100,000	100,000
Issued, subscribed and paid-up capital		68,993	68,993
Revenue reserves		390,000	345,000
Un-appropriated profit		36,718	59,860
Net unrealised gain on long-term investments		57,870	45,208
		553,581	519,061
NON-CURRENT LIABILITIES			
Deferred liabilities		4,400	4,400
Liabilities against assets subject to finance lease	5	1,012	-
		5,412	4,400
CURRENT LIABILITIES			
Current maturity of liabilities against assets subject to finance lease		460	-
Trade and other payables		94,220	110,294
Short term borrowings		30,924	15,615
		125,604	125,909
CONTINGENCIES & COMMITMENTS	6		
TOTAL EQUITY AND LIABILITIES		684,597	649,370

The annexed notes from 1 to 11 form an integral part of these financial statements.

Mazhar Valjee
Chief Executive Officer

S. Z. Kazmi
Vice Chairman & Director

PAKISTAN PAPERSACK CORPORATION LIMITED
PROFIT & LOSS ACCOUNT
FOR THE HALF-YEAR ENDED DECEMBER 31, 2005
(UN-AUDITED)

	For the Half-Year Ended		For the Quarter Ended	
	July - Dec (2005)	July - Dec (2004)	Oct - Dec (2005)	Oct - Dec (2004)
------(Rupees in thousands)-----				
Net sales	524,488	419,142	258,406	212,701
Cost of sales	(451,107)	(348,815)	(220,790)	(177,367)
Gross profit	73,381	70,327	37,616	35,334
Administrative expenses	(26,968)	(25,026)	(14,604)	(12,275)
Selling & distribution cost	(27,672)	(23,404)	(15,192)	(14,099)
Other income	23,484	23,346	22,145	22,648
Profit on trading	7,249	1,014	3,699	92
	(23,907)	(24,070)	(3,952)	(3,634)
Operating profit	49,474	46,257	33,664	31,700
Financial charges	(2,170)	(1,501)	(1,420)	(852)
Other charges:				
Workers' profit participation fund	(2,365)	(2,248)	(1,612)	(1,552)
Workers' welfare fund	(449)	(862)	(163)	(589)
	(4,984)	(4,611)	(3,195)	(2,993)
Net Profit before taxation	44,490	41,646	30,469	28,707
Taxation	(8,833)	(9,127)	(3,925)	(4,598)
Net Profit after taxation	35,657	32,519	26,544	24,109
Basic earnings per share - Rupees.	2.58	2.36	1.92	1.75

The annexed notes from 1 to 11 form an integral part of these financial statements.

Mazhar Valjee
Chief Executive Officer

S. Z. Kazmi
Vice Chairman & Director

PAKISTAN PAPERSACK CORPORATION LIMITED
CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED DECEMBER 31, 2005
(UN-AUDITED)

	December 31 (2005)	December 31 (2004)
------(Rupees in thousands)-----		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	44,490	41,646
Adjustments for non-cash charges and other items:		
Depreciation	5,238	5,494
Dividend Income	(22,464)	(18,165)
Gain on sale of goodwill and trademark of trading business	-	(2,500)
Financial charges	2,170	1,501
Profit on bank accounts	(194)	(682)
Gain on disposal of property, plant and equipment	(726)	(1,226)
	<u>(15,976)</u>	<u>(15,578)</u>
Operating profit before working capital changes	28,514	26,068
(Increase)/decrease in current assets		
Stores and spares	(1,458)	355
Stock-in-trade	(3,460)	(28,712)
Trade debts	(48,021)	(24,339)
Loan and Advances	1,655	(5,121)
Trade Deposits and short-term prepayments	(250)	55
Other receivables	8,362	3,750
	<u>(43,172)</u>	<u>(54,012)</u>
Decrease in current liabilities		
Trade and other payables	(16,088)	(7,227)
	<u>(59,260)</u>	<u>(61,239)</u>
Cash used in operating activities	(30,746)	(35,171)
Interest paid	(2,247)	(1,510)
Income tax paid	(3,794)	(10,289)
Long-term loans	76	
Long-term deposits	(111)	(3)
	<u>(6,076)</u>	<u>(11,802)</u>
Net cash used in operating activities (A)	(36,822)	(46,973)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(5,343)	(7,890)
Dividend Received	22,464	18,165
Proceeds from sale of goodwill and trademark of trading business	-	2,500
Proceeds from disposal of fixed assets	1,108	1,441
Interest income received	82	772
Net cash inflow from investing activities (B)	18,311	14,988
CASH FLOWS FROM FINANCING ACTIVITIES		
Lease financing - net	1,472	-
Repayment of Liability against asset subject to finance lease	-	-
Dividends paid	(13,708)	(31,058)
Net cash used in financing activities (C)	<u>(12,236)</u>	<u>(31,058)</u>
Net decrease in cash and cash equivalents (A+B+C)	(30,747)	(63,043)
Cash and cash equivalents at the beginning of the period	<u>10,925</u>	<u>61,276</u>
Cash and cash equivalents at end of the period	<u>(19,822)</u>	<u>(1,767)</u>
Cash and cash equivalents comprise:		
Cash and bank balances	11,102	44,104
Short-term running finance	(30,924)	(45,871)
	<u>(19,822)</u>	<u>(1,767)</u>

The annexed notes from 1 to 11 form an integral part of these financial statements.

Mazhar Valjee
Chief Executive Officer

S. Z. Kazmi
Vice Chairman & Director

PAKISTAN PAPERSACK CORPORATION LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED DECEMBER 31, 2005
(UN-AUDITED)**

	Issued, subscribed and fully paid-up share capital	Revenue Reserve	Un-appropriated profit	Net unrealised gain on long-term investments	Total
	------(Rupees in thousands)-----				
Balance as at July 1, 2004	68,993	310,500	65,978	36,802	482,273
- Dividend	-	-	(31,047)	-	(31,047)
- Transfer to revenue reserve	-	34,500	(34,500)	-	-
Net profit for the period	-	-	32,519	-	32,519
Unrealised gain on long-term investments - net	-	-	-	13,130	13,130
Balance as at December 31, 2004	68,993	345,000	32,950	49,932	496,875
Net profit for the period	-	-	26,910	-	26,910
Unrealised gain on long-term investments - net	-	-	-	(4,724)	(4,724)
Balance as at June 30, 2005	68,993	345,000	59,860	45,208	519,061
- Dividend	-	-	(13,799)	-	(13,799)
- Transfer to revenue reserve	-	45,000	(45,000)	-	-
Net profit for the period	-	-	35,657	-	35,657
Unrealised gain on long-term investments - net	-	-	-	12,662	12,662
Balance as at December 31, 2005	68,993	390,000	36,718	57,870	553,581

The annexed notes from 1 to 11 form an integral part of these financial statements.

Mazhar Valjee
Chief Executive Officer

S. Z. Kazmi
Vice Chairman & Director

PAKISTAN PAPERSACK CORPORATION LIMITED
SELECTED EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2005
(UN-AUDITED)

1. THE COMPANY AND ITS OPERATIONS

Pakistan Papersack Corporation Limited (the company) was incorporated in Pakistan in 1973. Its shares are quoted on the Stock Exchanges of Karachi and Lahore. The registered office of the company is situated at 5th Floor, Siddiqsons Tower, 3-Jinnah Cooperative Housing Society, Sharea Faisal, Karachi. The principal business activities of the two divisions (Stepped-end and Balochistan Laminates) of the company are manufacture of papersacks, formite sheets and laminates respectively.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - "Interim Financial Reporting" as applicable in Pakistan and are unaudited but subject to limited scope review by the auditors and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984.

3. ACCOUNTING POLICIES

The accounting policies and methods of computation followed for the preparation of these financial statements are the same as those applied in the preparation of the financial statements for the preceding year ended June 30, 2005.

4. PROPERTY, PLANT & EQUIPMENT

The following additions and deletions were made in property, plant and equipment during the period:

	Half-Year Ended December 31, 2005		Half-Year Ended December 31, 2004	
	Acquisitions (cost)	Disposals (book value)	Acquisitions (cost)	Disposals (book value)
	----- (Rupees in thousands) -----			
Owned Assets				
Factory Building	1,443	-	-	-
Plant and machinery	1,727	-	3,730	-
Office & Factory equipment	72	28	140	38
Computers	45	-	865	173
Furniture and fixtures	-	-	18	-
Vehicles	520	354	3,137	4
	3,807	382	7,890	215
Capital work in progress	20	-	-	-
	3,827	382	7,890	215
Leased Assets				
Vehicles	1,676	-	-	-
	5,503	382	7,890	215
	5,503	382	7,890	215

PAKISTAN PAPERSACK CORPORATION LIMITED

5. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	December 31 2005	December 31 2004
Assets acquired during the period	1,676	-
Less: Payment made during the period	204	-
	1,472	-
Less: Current maturity	460	-
	1,012	-

6. CONTINGENCIES AND COMMITMENTS

6.1 Contingencies

The following changes have occurred in the contingent liabilities of the company since the last balance sheet date:

- (a) Bank guarantees issued against the performance of sales agreements with various companies Rs.9.097 million (June 30, 2005: Rs.15.985 million) were in issue against the performance of sales agreements to various companies
- (b) The case under section 122(5A) of the Income Tax Ordinance 2001 reopened by the Additional Commissioner of Income Tax Department for the Tax Year 2004 been decided in favor of the company. The additional tax liability amounted to Rs. 5.07 million has been deleted by the Commissioner of Income Tax (Appeals-1) Karachi.

6.2 Commitments

- (a) Commitments under lease agreements in respect of vehicles amounted to Rs.2.149 million (June 30, 2005: Rs.2.804 million).
- (b) Outstanding letter of credit amounted to Rs.89.548 million (June 2005: Rs. 142.428 million)

7. TRANSACTIONS WITH RELATED PARTIES

Aggregate transactions made by the company during the period with the related parties were as follows:

	2 0 0 5							
	Sale of goods	Purchase of goods	Purchase of motor vehicle	Financial Expenses	Interest Received	Insurance Expenses	Insurance claim received	Services acquired
Nature of related party relationship								
Associates	6,723	34,249	459	-	-	-	-	-
Common directorship	-	-	-	143	91	4,035	2	-
Subsidiary	-	-	-	-	-	-	-	2,024
	6,723	34,249	459	143	91	4,035	2	2,024
	2 0 0 4							
Nature of related party relationship								
Associates	5,843	31,292	1,211	-	-	-	-	-
Common directorship	-	-	-	72	677	4,101	6	-
Subsidiary	-	-	-	-	-	-	-	1,361
	5,843	31,292	1,211	72	677	4,101	6	1,361

PAKISTAN PAPERSACK CORPORATION LIMITED

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8. SEGMENT RESULTS

	Stepped-end Division				Balochistan Laminates Division				T o t a l			
	For the half year		For the quarter		For the half year		For the quarter		For the half year		For the quarter	
	July - Dec (2005)	July - Dec (2004)	Oct - Dec (2005)	Oct - Dec (2004)	July - Dec (2005)	July - Dec (2004)	Oct - Dec (2005)	Oct - Dec (2004)	July - Dec (2005)	July - Dec (2004)	Oct - Dec (2005)	Oct - Dec (2004)
Turnover												
Local	255,712	156,455	121,720	77,437	304,722	277,830	151,016	145,889	560,434	434,285	272,736	223,326
Export	-	5,092	-	3,158	35,327	36,582	20,738	15,499	35,327	41,674	20,738	18,657
	255,712	161,547	121,720	80,595	340,049	314,412	171,754	161,388	595,761	475,959	293,474	241,983
Less: Sales Tax	(33,354)	(20,407)	(15,877)	(10,100)	(36,429)	(36,320)	(17,896)	(19,092)	(69,783)	(56,727)	(33,773)	(29,192)
Sales discount	(827)	(90)	(632)	(90)	(663)	-	(663)	-	(1,490)	(90)	(1,295)	(90)
Net Sales	221,531	141,050	105,211	70,405	302,957	278,092	153,195	142,296	524,488	419,142	258,406	212,701
Cost of sales	(189,376)	(109,321)	(90,141)	(57,402)	(261,731)	(239,494)	(130,649)	(119,965)	(451,107)	(348,815)	(220,790)	(177,367)
Gross profit	32,155	31,729	15,070	13,003	41,226	38,598	22,546	22,331	73,381	70,327	37,616	35,334
Administrative Expenses	(18,858)	(17,211)	(10,141)	(8,602)	(8,110)	(7,815)	(4,463)	(3,673)	(26,968)	(25,026)	(14,604)	(12,275)
Selling and distribution cost	(7,409)	(6,403)	(4,075)	(3,195)	(20,263)	(17,001)	(11,117)	(10,904)	(27,672)	(23,404)	(15,192)	(14,099)
Other income	496	981	132	900	223	1,018	(621)	830	719	1,999	(489)	1,730
Profit/(Loss) on trading	-	483	-	(397)	7,249	531	3,699	489	7,249	1,014	3,699	92
	(25,771)	(22,150)	(14,084)	(11,294)	(20,901)	(23,267)	(12,502)	(13,258)	(46,672)	(45,417)	(26,586)	(24,552)
Segment Result	6,384	9,579	986	1,709	20,325	15,331	10,044	9,073	26,709	24,910	11,030	10,782

Other income excludes dividend income, interest income and other item amounting in total to Rs.22.765 million for the half year ended Dec 31, 2005 (Dec 31, 2004 : Rs. 21.347 million) and Rs.22.634 million for the quarter ended Dec 31, 2005 (December 31, 2004: Rs. 20.918 million) as these relates to the entity as a whole and not to any segment of the company.

9. SUBSEQUENT EVENT

The scheme of merger between Pakistan Papersack Corporation Ltd., ("PPCL") and Khyber Papers (Private) Ltd., ("KPPL") and Thal Limited ("TL") has been approved by the Board of Directors at its meeting held on February 20, 2006 effective July 01, 2005 with the object to transfer the whole of the undertaking of PPCL and KPPL into TL subject to completion of legal formalities. Thal Limited shall allot and issue fully paid ordinary shares to the qualifying shareholders of PPCL and KPPL in the ratio of 1 share of TL for every 3.07 shares of PPCL and in the ratio of 1 share of TL for every 0.26 share of KPPL.

10. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 20th February 2006 by the Board of Directors of the company.

11. GENERAL

- 11.1 Figures of the profit and loss account for the quarters ended December 31, 2005 and December 31, 2004 have not been subject to a limited scope review, as the scope of the review covered only the cumulative figures for the half-year ended December 31, 2005.
- 11.2 Figures have been rounded off to the nearest thousand rupee.
- 11.3 Corresponding period's figures have been rearranged for the purpose of better presentation.

Mazhar Valjee
Chief Financial Officer

S. Z. Kazmi
Vice Chairman & Director