

# Pakistan Papersack Corporation Limited

## DIRECTORS' REVIEW ON THE CONSOLIDATED ACCOUNTS TO THE SHAREHOLDERS FOR THE PERIOD ENDED DECEMBER 31, 2005

The Directors have pleasure in presenting the unaudited consolidated financial statements of the Group for the quarter ended December 31, 2005.

### FINANCIAL PERFORMANCE OF THE GROUP

During the year under review, the Group sales & profitability have increased as depicted by the figures given below:

	Half Year		Quarter	
	Jul - Dec 2005	Jul - Dec 2004	Oct - Dec 2005	Oct - Dec 2004
Net Sales	541,768	434,335	267,497	220,433
Operating Profit	31,759	31,287	15,191	16,206
Profit before taxation	68,833	59,205	32,042	29,095

Total Group Sales during the year under review have increased by 24.7% over preceding period. Operating Profit has shown an increase of 1.5% and profit before taxation has grown by 16%.

### 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 Directors

**Mazhar Valjee**  
Chief Executive Officer

Karachi : February 20, 2006

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

	Note	Dec 31, 2 0 0 5 (Un-audited)	June 30, 2 0 0 5 (Audited)
<b>(Rupees in thousands)</b>			
<b><u>ASSETS</u></b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	56,538	57,242
Intangible assets		288	50
Long-term investments		264,224	229,429
Long-term loans		384	460
Long-term deposits		3,350	3,613
		324,784	290,794
<b>CURRENT ASSETS</b>			
Stores & spares		17,169	15,729
Stock-in-trade		250,484	247,024
Trade debts		236,124	187,388
Loan & advances		7,665	9,878
Trade deposits & short-term prepayments		4,683	4,208
Income tax refunds due from the Government		6,241	11,465
Other receivables		2,219	10,329
Short-term investments		6,000	4,000
Cash & bank balances		13,990	30,095
		544,575	520,116
<b>TOTAL ASSETS</b>		<b>869,359</b>	<b>810,910</b>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital			
20,000,000 ordinary shares of Rs.5/- each		100,000	100,000
		100,000	100,000
Issued, subscribed and paid-up capital		68,993	68,993
Revenue reserves		391,872	346,872
Un-appropriated profit		216,888	216,564
Net unrealised gain on investments		57,870	45,208
		735,623	677,637
<b>Minority Interest</b>		25	23
<b>NON-CURRENT LIABILITIES</b>			
Deferred liabilities		4,400	4,400
Liabilities against assets subject to finance lease	5	1,012	-
		5,412	4,400
<b>CURRENT LIABILITIES</b>			
Current maturity of liabilities against assets subject to finance lease		460	-
Trade and other payables		96,915	113,235
Short-term borrowings		30,924	15,615
		128,299	128,850
<b>CONTINGENCIES AND COMMITMENTS</b>	6		
		128,299	128,850
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>869,359</b>	<b>810,910</b>

The annexed notes from 1 to 10 form an integral part of these financial statements.

Mazhar Valjee  
Chief Executive Officer

S. Z. Kazmi  
Vice Chairman & Director

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

	<u>For the Half-Year Ended</u>		<u>For the Quarter Ended</u>	
	July - Dec ( 2005 )	July - Dec ( 2004 )	Oct - Dec ( 2005 )	Oct - Dec ( 2004 )
----- <b>(Rupees in thousands)</b> -----				
Net sales	<b>541,768</b>	434,335	<b>267,497</b>	220,433
Cost of sales	<b>(451,107)</b>	(348,815)	<b>(220,790)</b>	(177,367)
<b>Gross profit</b>	<b>90,661</b>	85,520	<b>46,707</b>	43,066
Administrative expenses	<b>(42,261)</b>	(38,594)	<b>(22,409)</b>	(18,884)
Selling & distribution cost	<b>(27,672)</b>	(23,404)	<b>(15,192)</b>	(14,099)
Other income	<b>3,782</b>	6,751	<b>2,386</b>	6,031
Profit on trading	<b>7,249</b>	1,014	<b>3,699</b>	92
	<b>(58,902)</b>	(54,233)	<b>(31,516)</b>	(26,860)
<b>Operating profit</b>	<b>31,759</b>	31,287	<b>15,191</b>	16,206
Financial charges	<b>(2,176)</b>	(1,503)	<b>(1,425)</b>	(853)
Other charges:				
Workers' profit participation fund	<b>(2,365)</b>	(2,248)	<b>(1,612)</b>	(1,552)
Workers' welfare fund	<b>(449)</b>	(862)	<b>(163)</b>	(589)
	<b>(4,990)</b>	(4,613)	<b>(3,200)</b>	(2,994)
Share in profits of associates *	<b>42,064</b>	32,531	<b>20,051</b>	15,883
<b>Net Profit before taxation</b>	<b>68,833</b>	59,205	<b>32,042</b>	29,095
Taxation	<b>(9,710)</b>	(9,735)	<b>(4,492)</b>	(5,006)
<b>Net Profit after taxation</b>	<b>59,123</b>	49,470	<b>27,550</b>	24,089
<b>Basic earnings per share - Rupees</b>	<b>4.28</b>	3.59	<b>2.00</b>	1.75

The annexed notes from 1 to 10 form an integral part of these financial statements.

\* Represents after tax share

**Mazhar Valjee**  
**Chief Executive Officer**

**S. Z. Kazmi**  
**Vice Chairman & Director**

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

	December 31 ( 2005 )	December 31 ( 2004 )
	------(Rupees in thousands)-----	
	(Restated)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	68,833	59,205
Adjustment for non-cash charges and other items:		
Depreciation	5,840	6,179
Amortisation	77	-
Share in post acquisition profits of associates after taxation	(42,064)	(32,531)
Dividend Income	(2,533)	(1,528)
Gain on sale of goodwill and trademark of trading business	-	(2,500)
Financial charges	2,176	1,503
Profit on bank accounts	(365)	(716)
Gain on disposal of property, plant and equipment	(784)	(1,234)
	(37,653)	(30,827)
Operating profit before working capital changes	31,180	28,378
<b>(Increase)/decrease in current assets</b>		
Stores and spares	(1,440)	355
Stock-in-trade	(3,460)	(28,772)
Trade debts	(48,736)	(23,419)
Loan and advances	2,213	(3,488)
Trade deposits and short-term prepayments	(475)	(424)
Other receivables	8,190	3,947
	(43,708)	(51,801)
<b>Decrease in current liabilities</b>		
Trade and other payables	(16,330)	(7,966)
	(60,038)	(59,767)
Cash used in operating activities	(28,858)	(31,389)
Interest paid	(2,253)	(1,512)
Income tax paid	(4,488)	(11,255)
Encashment of COIs	-	710
Long-term loans	76	-
Long-term deposits	263	371
	(6,402)	(11,686)
Net cash used in operating activities (A)	(35,260)	(43,075)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(6,015)	(11,268)
Dividend Received	22,464	18,165
Proceeds from sale of goodwill and trademark of trading business	-	2,500
Proceeds from disposal of property, plant and equipment	1,348	1,480
Interest income received	285	806
Purchase of short-term investment	(2,000)	-
Net cash used in investing activities (B)	16,082	11,683
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Lease financing - net	1,472	
Dividends paid	(13,708)	(31,058)
Net cash (used in)/generated from financing activities (C)	(12,236)	(31,058)
Net (decrease)/increase in cash and cash equivalents (A+B+C)	(31,414)	(62,450)
Cash and cash equivalents at beginning of the period	14,480	66,480
Cash and cash equivalents at end of the period	(16,934)	4,030
Cash and cash equivalents comprise:		
Cash and bank balances	13,990	49,901
Short-term running finances	(30,924)	(45,871)
	(16,934)	4,030

The annexed notes from 1 to 10 form an integral part of these financial statements.

Mazhar Valjee  
Chief Executive Officer

S. Z. Kazmi  
Vice Chairman & Director

**PAKISTAN PAPERSACK CORPORATION LIMITED**  
**CONSOLIDATED 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	Unappropriated profit	Net unrealised gains on investments	Total
------(Rupees in thousands)-----					
Balance as at July 1, 2004	68,993	312,372	191,978	36,802	610,145
- Dividend	-	-	(31,047)	-	(31,047)
- Transfer to revenue reserve	-	34,500	(34,500)	-	-
Net profit for the period	-	-	49,470	-	49,470
Unrealised gain on long-term investments	-	-	-	13,130	13,130
<b>Balance as at December 31, 2004</b>	<b>68,993</b>	<b>346,872</b>	<b>175,901</b>	<b>49,932</b>	<b>641,698</b>
Net profit for the period	-	-	40,663	-	40,663
Unrealised gain on long-term investments	-	-	-	(4,724)	(4,724)
<b>Balance as at June 30, 2005</b>	<b>68,993</b>	<b>346,872</b>	<b>216,564</b>	<b>45,208</b>	<b>677,637</b>
- Dividend	-	-	(13,799)	-	(13,799)
- Transfer to revenue reserve	-	45,000	(45,000)	-	-
Net profit for the period	-	-	59,123	-	59,123
Unrealised gain on long-term investments	-	-	-	12,662	12,662
<b>Balance as at December 31, 2005</b>	<b>68,993</b>	<b>391,872</b>	<b>216,888 *</b>	<b>57,870</b>	<b>735,623</b>

(Rs. in million)

\* Retained in/with:

company	16.79
subsidiary	13.80
associates	186.30
	<u>216.88</u>

The annexed notes from 1 to 10 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 CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED DECEMBER 31, 2005**  
**(UN-AUDITED)**

**1. THE GROUP AND ITS OPERATIONS**

The Group consists of

**Holding company**

Pakistan Papersack Corporation Limited and

**Subsidiary company**

Noble Computers Services (Private) Limited.

Pakistan Papersack Corporation Limited (the holding company) was incorporated in Pakistan in 1973. Its shares are quoted on the Stock Exchanges of Karachi and Lahore.

Noble Computer Services (Private) Limited (the subsidiary) was incorporated in Pakistan as a private limited company and is a subsidiary of Pakistan Papersack Corporation Limited, which holds 99.85% shares in its equity.

The holding company's two divisions (Stepped-end and Balochistan Laminates) are engaged in manufacturing of papersacks and formite sheets and laminates respectively.

The subsidiary is engaged in providing share registrar and related accounting services, share floatation services, data entry services and internal audit services to group companies.

**2. BASIS OF PREPARATION**

These un-audited 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 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:

	<b>Half-Year Ended</b>		<b>Half-Year Ended</b>	
	<b>December 31, 2005</b>		<b>December 31, 2004</b>	
	Additions	Deletions	Additions	Deletions
	(cost)	(book value)	(cost)	(book value)
----- <b>Rs.000's</b> -----				
<b>Owned Assets</b>				
Factory Building	1,443	-	-	-
Plant and machinery	1,727	-	3,730	-
Office & Factory equipment	126	28	363	45
Computers	348	23	1,019	193
Furniture and fixtures	-	-	2,981	4
Vehicles	520	354	3,175	4
	<b>4,164</b>	<b>405</b>	11,268	246
Intangible Assets	315			
Capital work in progress	20			
	<b>4,499</b>	<b>405</b>	11,268	246
<b>Leased Assets</b>				
Vehicles	1,676	-	-	-
	<b>6,175</b>	<b>405</b>	11,268	246

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

**5. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**

	<b>December 31 2005</b>	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.5.112 million (June 30, 2005: Rs.5.084 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:

(Rs.000's)

	2 0 0 5							
	Sale of goods	Purchase of goods	Purchase of motor vehicle	Financial Expenses	Interest Received	Insurance Expenses	Insurance claim received	Services provided
Associates	6,723	34,249	459					7,421
Common directorship				143	91	4,248	2	3,267
	6,723	34,249	459	143	91	4,248	2	10,688
	2 0 0 4							
Nature of related party relationship	Sale of goods	Purchase of goods	Purchase of motor vehicle	Financial Expenses	Interest Received	Insurance Expenses	Insurance claim received	Services provided
Associates	5,843	31,292	1,211					5,015
Common directorship				72	677	4,188	6	2,528
	5,843	31,292	1,211	72	677	4,188	6	7,543

**8. 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.

**9. DATE OF AUTHORISATION FOR ISSUE**

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

**10. GENERAL**

- 10.1 Figures have been rounded off to the nearest thousand rupee.
- 10.2 Corresponding period's figures have been rearranged for the purpose of better presentation.

**Mazhar Valjee**  
Chief Executive Officer

**S. Z. Kazmi**  
Vice Chairman & Director