

# 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