

## Company Information

### BOARD OF DIRECTORS

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

### 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-83/1, Super Town,  
Link Street, Walton Road,  
Lahore Cantt.  
Tele: 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

## DRAFT DIRECTORS' REVIEW

The Directors of your Company are pleased to present to the shareholders, the unaudited financial statements of the Company for the first quarters ended September, 2005.

During the quarter under review the operating results as compared to the first quarter last year remained as follows:

	<b>For the first quarter July – Sept. 2005</b>	<b>For the first quarter July – Sept. 2004</b>
Sales	266,082	206,440
Operating Profit	15,810	14,556
Profit before taxation	14,021	12,939

The Company's total sales during the period under review have increased by 29%. The operating profit increased by 8.6% & profit before tax increased by 8.4% over the last quarter.

## PAPERSACK OPERATIONS

During the year under review sales have increased by 65% to Rs. 116.320 million from Rs.70.645 million in the current period primarily due to volume growth but prices of papersacks remained under severe pressure. Gross profit has decreased to Rs.17.085 million from Rs.18.290 million due to increased cost of raw materials. Operating profit has decreased to Rs.5.398 million from Rs.7.871 million from the last corresponding 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

Although the economic growth in the country continues to fuel the demand for cement and other construction materials; the benefits of this growth have not been passed onto the local papersack industry. With the increase in international paper prices, coupled with the anomaly in the duty structure, continuing pressure on the local papersack prices and increasing competition, we expect the coming period to bring many challenges. However, your management is hopeful that the trickle down effect of strong economic growth will materialize and yield positive results for the Company.

## LAMINATES OPERATIONS

The first quarter has started on a positive note whereby sales increased by 10% during the quarter under review from Rs.135.795 million to Rs.149.762 million as compared to corresponding quarter of last year. This is mainly due to increase in sales volume.

Cost of sales also increased by 10% from Rs.119.529 million to Rs.131.082 million as compared to corresponding period of last year. Cost of raw material increased by 8% which is mainly due to increase in sales volume.

Operating profit increased from Rs.6.257 million to Rs. 10.281 million, an increase of 64%. Increased sale volume of high margin products as well as a trading profit of Rs.3.55 million contributed towards it.

## **FUTURE OUTLOOK**

The management is hopeful that the present trend of market growth will continue. However, the impacts of the upward trend of fuel prices are a matter of concern.

## **PLANS FOR THE MERGER OF THE COMPANY**

The plan for merger of the company, as approved in principle by the Board of Directors, is under process.

**On behalf of the  
Board of Director**

**S. Z. Kazmi**  
Chief Executive

Karachi: October 19, 2005.

**Pakistan Papersack Corporation Limited**  
**BALANCE SHEET**  
**AS AT SEPTEMBER 30, 2005**  
**(UN-AUDITED)**

	Note	Sept 30, 2005 (Un-audited)	June 30, 2005 (Audited)
-----Rs.000's-----			
<b><u>ASSETS</u></b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	54,363	53,257
Long term investments		84,675	86,194
Long term loans		377	460
Long term deposits		3,001	2,927
<b>CURRENT ASSETS</b>			
Stores and spares		15,979	15,671
Stock-in-trade		247,139	247,024
Trade debts		214,852	184,583
Loan and advances		14,142	9,290
Trade deposits and short-term prepayments		2,859	2,778
Income tax refunds due from the Govt.		7,113	10,587
Other receivables		7,864	10,059
Cash and bank balances		2,566	26,540
		512,514	506,532
<b>TOTAL ASSETS</b>		654,930	649,370
<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
Issued, subscribed and paid-up capital		68,993	68,993
Revenue reserves		390,000	345,000
Un-appropriated profit		10,174	59,860
Net unrealised gain on long-term investments		43,689	45,208
		512,856	519,061
<b>NON-CURRENT LIABILITIES</b>			
Deferred liabilities		4,400	4,400
Liabilities against assets subject to finance lease		862	-
<b>CURRENT LIABILITIES</b>			
Current maturity of liabilities against assets subject to finance lease		353	-
Trade and other payables		91,218	110,294
Short term running finance		45,241	15,615
		136,812	125,909
<b>CONTINGENCIES AND COMMITMENTS</b>	5		
<b>TOTAL EQUITY AND LIABILITIES</b>		654,930	649,370

The annexed notes from 1 to 9 form an integral part of these financial statements.

**S. Z. Kazmi**  
Chief Executive

**Kersi D. Kapadia**  
Director

**Pakistan Papersack Corporation Limited**  
**PROFIT & LOSS ACCOUNT**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 2005**  
**(UN-AUDITED)**

	<b>For the Quarter</b>	
	<b>July - Sept ( 2005 )</b>	<b>July - Sept ( 2004 )</b>
	----- <b>Rs.000's</b> -----	
Net sales	<b>266,082</b>	206,440
Cost of sales	<b>(230,317)</b>	(171,884)
Gross profit	<b>35,765</b>	34,556
Selling & distribution cost	<b>(12,480)</b>	(9,204)
Administrative expenses	<b>(12,364)</b>	(12,415)
Other income	<b>1,339</b>	697
Profit on trading	<b>3,550</b>	922
	<b>(19,955)</b>	(20,000)
Operating profit	<b>15,810</b>	14,556
Financial charges	<b>(750)</b>	(648)
Other charges:		
Workers' profit participation fund	<b>(753)</b>	(696)
Workers' welfare fund	<b>(286)</b>	(273)
	<b>(1,789)</b>	(1,617)
Net Profit before taxation	<b>14,021</b>	12,939
Taxation	<b>(4,908)</b>	(4,529)
Net Profit after taxation	<b>9,113</b>	8,410
Basic earnings per share - Re.	<b>0.66</b>	0.61

The annexed notes from 1 to 9 form an integral part of these financial statements.

**S. Z. Kazmi**  
**Chief Executive**

**Kersi D. Kapadia**  
**Director**

**Pakistan Papersack Corporation Limited**  
**CASH FLOW STATEMENT**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2005**  
**(UN-AUDITED)**

	July - Sept ( 2005 )	July - Sept ( 2004 )
-----Rs.000's-----		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	14,021	12,939
Adjustment for non-cash charges and other items:		
Depreciation	2,491	2,628
Profit on bank account	(40)	(428)
Financial charges	750	648
Gain on disposal of property, plant and equipment	(744)	-
	2,457	2,848
Operating profit before working capital changes	16,478	15,787
<b>(Increase)/decrease in current assets</b>		
Stores and spares	(308)	322
Stock-in-trade	(115)	(12,632)
Trade debts	(30,269)	(18,697)
Loan and Advances	(4,852)	918
Trade Deposits and short-term prepayments	(81)	(1,591)
Other receivables	2,227	3,236
	(33,398)	(28,444)
<b>Increase/(decrease) in current liabilities</b>		
Trade and other payables	(32,425)	(8,554)
	(65,823)	(36,998)
Cash (used in)/generated from operations	(49,345)	(21,211)
Interest paid	(1,189)	(753)
Income tax paid	(1,434)	(3,510)
Long-term loans	83	-
Long-term deposits	(74)	-
	(2,614)	(4,263)
Net cash used in operating activities (A)	(51,959)	(25,474)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(3,951)	(4,599)
Sale proceeds from disposal of property, plant and equipment	1,098	211
Interest income received	8	456
Net cash used in investing activities (B)	(2,845)	(3,932)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Liabilities against assets subject to finance lease	1,309	-
Repayment of Liability against asset subject to finance lease	(94)	-
Dividends paid	(11)	(26)
Net cash (used in)/generated from financing activities (C)	1,204	(26)
Net decrease in cash and cash equivalents (A+B+C)	(53,600)	(29,432)
Cash and cash equivalents at beginning of the period	10,925	61,276
Cash and cash equivalents at end of the period	(42,675)	31,844
Cash and cash equivalents comprise:		
Cash and bank balances	2,566	84,946
Short-term running finance	(45,241)	(53,102)
	(42,675)	31,844

The annexed notes from 1 to 9 form an integral part of these financial statements.

**S. Z. Kazmi**  
Chief Executive

**Kersi D. Kapadia**  
Director

**Pakistan Papersack Corporation Limited**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED SEPTEMBER 30, 2005  
(UN-AUDITED)**

	Issued, subscribed and fully paid-up share capital	Revenue Reserve	Un-appropriated profit	Net unrealised gain on long-term investments	Total
	----- Rs.000's -----				
Balance as at July 1, 2004 - as previously reported	68,993	345,000	431	36,802	451,226
Effect of change in accounting policy - Appropriations for the year ended June 30, 2004 declared subsequent to the year end					
- Dividend	-	-	31,047	-	31,047
- Transfer to revenue reserve	-	(34,500)	34,500	-	-
Balance as at July 1, 2004 - restated	68,993	310,500	65,978	36,802	482,273
Effect of change in accounting policy - Appropriations for the year ended June 30, 2004 declared subsequent to the year end					
- Dividend			(31,047)		(31,047)
- Transfer to revenue reserve		34,500	(34,500)		-
Net profit for the quarter ended Sept 30,2004			8,410		8,410
Unrealised gain on long-term investments - net				1,407	1,407
Balance as at September 30, 3004	68,993	345,000	8,841	38,209	461,043
Net profit for the period	-	-	51,019	-	51,019
Unrealised gain on long-term investments - net	-	-	-	6,999	6,999
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 quarter ended Sept 30,2005			9,113		9,113
Unrealised gain on long-term investments - net				(1,519)	(1,519)
Balance as at September 30, 2005	68,993	390,000	10,174	43,689	512,856

**S. Z. Kazmi**  
Chief Executive

**Kersi D. Kapadia**  
Director

**Pakistan Papersack Corporation Limited**  
**SELECTED EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 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 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:

	July - Sept ( 2005 )		July - Sept ( 2004 )	
	Acquisitions (cost)	Disposals (book value)	Acquisitions (cost)	Disposals (book value)
	----- Rs.000's -----			
<b>Owned Assets</b>				
Factory Building	890	-	-	-
Plant and machinery	30		1,851	-
Vehicles	520	354	1,817	-
Office & Factory equipment	72	-	203	39
Computers	45	-	728	172
	1,557	354	4,599	211
<b>Leased Assets</b>				
Vehicles	1,309	-	-	-
	2,866	354	4,599	211
Capital work-in-progress	1,085	-	-	-
	3,951	354	4,599	211

**Pakistan Papersack Corporation Limited**

**SELECTED EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED SEPTEMBER 30, 2005  
(UN-AUDITED)**

**5. CONTINGENCIES AND COMMITMENTS**

**5.1 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.8.351 million (June 30, 2005: Rs.15.985 million) were in issue against the performance of sales agreements to various companies
- (b) The company's assessment order was taken to have been made U/S 120 of Income Tax Ordinance 2001 for the tax year 2004 with tax payable amounting to Rs. 13.238 million. Additional Commissioner of Income Tax amended the assessment order U/S 122(5A) of ITO 2001 and levied total tax amounting to Rs. 18.307 million, creating additional demand of Rs. 5.07 million, which is not justifiable. The company has filed an appeal U/S 127(1) of ITO 2001 against the said amendment. As the company is confident of winning the case, no provision has been made in the accounts.

**5.2 Commitments**

- (a) Commitments under lease financial agreements in respect of vehicles and machinery amounted to Rs.3.692 million (June 30, 2005: Rs.2.804 million).
- (b) Letter of credit outstanding amounted to Rs.147.077 million (June 2005: Rs. 142.428 million)

**6 TRANSACTIONS WITH RELATED PARTIES**

Aggregate transactions made by the company during the period with the related parties were as follows: (Rs.000's)

Nature of related party relationship	July 05 - September 05							
	Sale of goods	Purchase of goods	Purchase of motor vehicle	Financial Expenses	Interest Received	Insurance Expenses	Insurance claim received	Services acquired
Associates	2,608	18,131	459					
Common directorship				49	8	3,131	2	
Subsidiary								942
Noble Computer Services Pvt Ltd								942
	<u>2,608</u>	<u>18,131</u>	<u>459</u>	<u>49</u>	<u>8</u>	<u>3,131</u>	<u>2</u>	<u>942</u>
Nature of related party relationship	July 04 - September 04							
	Sale of goods	Purchase of goods	Purchase of motor vehicle	Financial Expenses	Interest Received	Insurance Expenses	Insurance claim received	Services acquired
Associates	1,947	16,996						
Common directorship				35	428	1,976		
Subsidiary								694
Noble Computer Services Pvt Ltd								694
	<u>1,947</u>	<u>16,996</u>	<u>-</u>	<u>35</u>	<u>428</u>	<u>1,976</u>	<u>-</u>	<u>694</u>

**7. SEGMENT RESULTS**

Rs.000's

	Stepped-end Division		Balochistan Laminates Division		T o t a l	
	For the Quarter		For the quarter		For the Quarter	
	July - Sept ( 2005 )	July - Sept ( 2004 )	July - Sept ( 2 0 0 5 )	July - Sept ( 2 0 0 4 )	July - Sept ( 2005 )	July - Sept ( 2004 )
Turnover						
Local	<b>133,992</b>	79,018	<b>153,706</b>	131,940	<b>287,698</b>	210,958
Export	-	1,934	<b>14,589</b>	21,083	<b>14,589</b>	23,017
	<b>133,992</b>	80,952	<b>168,295</b>	153,023	<b>302,287</b>	233,975
Less: Sales Tax	<b>(17,477)</b>	(10,307)	<b>(18,533)</b>	(17,228)	<b>(36,010)</b>	(27,535)
Sales discount	<b>(195)</b>	-	-	-	<b>(195)</b>	-
Net Sales	<b>116,320</b>	70,645	<b>149,762</b>	135,795	<b>266,082</b>	206,440
Cost of sales	<b>(99,235)</b>	(52,355)	<b>(131,082)</b>	(119,529)	<b>(230,317)</b>	(171,884)
Gross profit	<b>17,085</b>	18,290	<b>18,680</b>	16,266	<b>35,765</b>	34,556
Selling and distribution cost	<b>(3,334)</b>	(3,127)	<b>(9,146)</b>	(6,077)	<b>(12,480)</b>	(9,204)
Administrative Expenses	<b>(8,717)</b>	(8,253)	<b>(3,647)</b>	(4,162)	<b>(12,364)</b>	(12,415)
Other income	<b>364</b>	81	<b>844</b>	188	<b>1,208</b>	269
Profit/(Loss) on trading	<b>-</b>	880	<b>3,550</b>	42	<b>3,550</b>	922
	<b>(11,687)</b>	(10,419)	<b>(8,399)</b>	(10,009)	<b>(20,086)</b>	(20,428)
Segment Result	<b>5,398</b>	7,871	<b>10,281</b>	6,257	<b>15,679</b>	14,128

Other income excludes interest income and other item amounting in total to Rs. 0.131 million for the quarter ended Sept 30, 2005 (Sept 30, 2004 : Rs. 0.428 million) as these relates to the entity as a whole and not to any segment of the company.

8. Figures have been rounded off to the nearest thousand rupee.

**9. DATE OF AUTHORISATION FOR ISSUE**

These un-audited financial statements were authorised for issue on October 19, 2005, by the Board of Directors of the company.

**S. Z. Kazmi**  
Chief executive

**Kersi D. Kapadia**  
Director