

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	
Aijaz 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
Hong Kong & 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 you, the unaudited financial statements of the Company for the nine months and quarter ended March 2006.

During the period under review the operating results as compared to the corresponding period last year are as follows:

	For the nine months		For the quarter	
	Jul - Mar	Jul - Mar	Jan - Mar	Jan-Mar
	2006	2005	2006	2005
Net Sales	778,861	638,929	254,373	219,787
Operating Profit	82,583	53,748	33,109	7,491
Profit before taxation	74,489	47,395	29,999	5,749

Total sales of the Company during the period under review have increased by 21.9% over last year. The operating profit increased by 53.6% and the profit before tax improved by 57.1% as compared to the last year.

PAPERSACK OPERATIONS

The sales of the Papersack operations have increased by 38.9% during the period under review from Rs.232.200 million to Rs.322.533 million as the demand for papersacks by the cement industry remained healthy in the quarter. The gross profit however has improved only by Rs.3.323 million as the selling prices of papersacks have remained below the rates that prevailed in the corresponding period of the last year while price of raw materials (sackcraft paper) has registered an increase in the international market. Operating profit of the Division has improved from Rs.11.487 million to Rs.13.469 million during period under review.

FUTURE OUTLOOK

Demand for cement is on the rise as the Government and the Private sector undertakes infrastructure development, housing and other projects. The commencement of construction activities in the earthquake-devastated areas is also likely to fuel the demand for cement. Producers of Cement are enhancing capacity utilization and are undertaking expansions. The demand for papersacks is not yet sufficient to absorb the overcapacity within the Papersack industry and therefore selling prices remain depressed. Your management looks forward to an improvement in the overall economics of the industry on the back of the growth of the Cement sector.

LAMINATES OPERATIONS

The Division achieved a net sales of Rs.456.328 million during the nine months ended March 31, 2006 as compared to Rs.406.729 million for the corresponding period last year, an increase of 12% which is mainly due to increase in sales volume. Cost of sales increased by 11 % from Rs 354.156 million to Rs.394.746 million as compared to corresponding period of last year due to increased sales. Operating profit increased from Rs.20.586 million to Rs.29.529 million an increase of 48%. The segment result improved significantly due to trading profit of Rs.7.172 million.

During the period under review export increased to Rs. 53.928 million from Rs.51.898 million as compared to corresponding period of last year.

FUTURE OUTLOOK

The management is hopeful that increase in sales volume will continue as a result of growth in the construction industry.

MERGER UPDATE

Following the approval of the Scheme of Arrangement dated 20 February 2006 for the Amalgamation of Pakistan Papersack Corporation Limited (PPCL), Khyber Papers (Private) Limited (KPPL) with Thal Limited (TL) by the respective Boards of Directors of PPCL, KPPL and TL, a petition has been jointly filed in the High Court of Sindh at Karachi on 25 March 2006 by PPCL, KPPL and TL in accordance with the provisions of sections 284 and 288 of the Companies Ordinance 1984. Notices with regard to the filing of this Petition and other related applications have already been advertised in the newspapers.

Subject to the order and directions to be given by the High Court of Sindh, an Extraordinary General Meeting of the Members of each of PPCL, KPPL and TL will be convened for the purpose of considering and approving, adopting and agreeing to the Scheme of Arrangement. Notices for the convening of such Extraordinary General Meetings shall be sent to the respective Members of each of PPCL, KPPL and TL in due course.

**On behalf of the
Board of Director**

**MazharValjee
Chief Executive Officer**

Karachi: April 14, 2006

PAKISTAN PAPERSACK CORPORATION LIMITED
BALANCE SHEET
AS AT MARCH 31, 2006
(UN-AUDITED)

	Note	March 31 2006 (Un-audited)	June 30 2005 (Audited)
(Rupees in thousands)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	53,863	53,257
Long-term investments		124,637	86,194
Long-term loans		383	460
Long-term deposits		3,164	2,927
CURRENT ASSETS			
Stores & spares		17,500	15,671
Stock-in-trade		328,171	247,024
Trade debts		204,557	184,583
Loans & advances		10,957	9,290
Trade deposits & short-term prepayments		1,888	2,778
Income tax refunds due from the Government		1,295	10,587
Other receivables		12,775	10,059
Cash & bank balances		57,136	26,540
		634,279	506,532
TOTAL ASSETS		816,326	649,370
EQUITY AND LIABILITIES			
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		61,108	59,860
Net unrealised gain on long-term investments		83,651	45,208
		603,752	519,061
NON-CURRENT LIABILITIES			
Deferred liabilities		4,400	4,400
Liabilities against assets subject to finance lease	5	1,357	-
		5,757	4,400
CURRENT LIABILITIES			
Current maturity of liabilities against assets subject to finance lease		1,116	-
Trade and other payables		177,351	110,294
Short term borrowings		28,350	15,615
		206,817	125,909
CONTINGENCIES & COMMITMENTS	6		
TOTAL EQUITY AND LIABILITIES		816,326	649,370

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
PROFIT & LOSS ACCOUNT
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2006
(UN-AUDITED)

	For the Nine Months Ended		For the Quarter Ended	
	July - March (2005-2006)	July - March (2004-2005)	Jan - Mar (2006)	Jan - Mar (2005)
------(Rupees in thousands)-----				
Net sales	778,861	638,929	254,373	219,787
Cost of sales	(666,615)	(539,015)	(215,508)	(190,200)
Gross profit	112,246	99,914	38,865	29,587
Administrative expenses	(38,995)	(38,366)	(12,027)	(13,340)
Selling & distribution cost	(39,232)	(33,579)	(11,560)	(10,175)
Other income	40,992	24,605	17,508	1,259
Profit on trading	7,572	1,174	323	160
	(29,663)	(46,166)	(5,756)	(22,096)
Operating profit	82,583	53,748	33,109	7,491
Financial charges	(3,406)	(2,805)	(1,236)	(1,304)
Other charges:				
Workers' profit participation fund	(3,959)	(2,548)	(1,594)	(300)
Workers' welfare fund	(729)	(1,000)	(280)	(138)
	(8,094)	(6,353)	(3,110)	(1,742)
Net Profit before taxation	74,489	47,395	29,999	5,749
Taxation	(14,442)	(11,026)	(5,609)	(1,899)
Net Profit after taxation	60,047	36,369	24,390	3,850
Basic earnings per share - Rupees.	4.35	2.64	1.77	0.28

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
CASH FLOW STATEMENT
FOR THE NINE MONTHS ENDED MARCH 31, 2006
(UN-AUDITED)

	March 31, (2006)	March 31, (2005)
------(Rupees in thousands)-----		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	74,489	47,395
Adjustments for non-cash charges and other items:		
Depreciation	8,341	9,057
Dividend Income	(38,764)	(18,174)
Gain on sale of goodwill and trademark of trading business	-	(2,500)
Financial charges	3,406	2,805
Profit on bank accounts	(705)	(686)
Gain on disposal of property, plant and equipment	(574)	(1,915)
	<u>(28,296)</u>	<u>(11,413)</u>
Operating profit before working capital changes	46,193	35,982
(Increase)/decrease in current assets		
Stores and spares	(1,829)	(514)
Stock-in-trade	(81,147)	(139,878)
Trade debts	(19,974)	(52,714)
Loans and Advances	(1,667)	(632)
Trade Deposits and short-term prepayments	890	624
Other receivables	(2,226)	16,270
	<u>(105,953)</u>	<u>(176,844)</u>
Decrease in current liabilities		
Trade and other payables	67,257	22,534
	<u>(38,696)</u>	<u>(154,310)</u>
Cash used in operating activities	7,497	(118,328)
Interest paid	(3,612)	(2,245)
Income tax refund received	3,518	-
Income tax paid	(8,668)	(14,761)
Long-term loans	77	-
Long-term deposits	(237)	53
	<u>(8,922)</u>	<u>(16,953)</u>
Net cash used in operating activities (A)	(1,425)	(135,281)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(10,307)	(12,278)
Dividend Received	38,764	18,174
Sale proceeds from sale of goodwill and trademark of trading business	-	2,500
Sale proceeds from disposal of fixed assets	1,934	2,656
Disinvestment in shares	-	200
Interest income received	215	844
Net cash generated from investing activities (B)	30,606	12,096
CASH FLOWS FROM FINANCING ACTIVITIES		
Lease financing - net	2,473	-
Dividends paid	(13,793)	(31,058)
Net cash used in financing activities (C)	(11,320)	(31,058)
Net decrease in cash and cash equivalents (A+B+C)	17,861	(154,243)
Cash and cash equivalents at the beginning of the period	10,925	61,276
Cash and cash equivalents at end of the period	<u>28,786</u>	<u>(92,967)</u>
Cash and cash equivalents comprise:		
Cash and bank balances	57,136	689
Short-term running finance	(28,350)	(93,656)
	<u>28,786</u>	<u>(92,967)</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

STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED MARCH 31, 2006
(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	-	-	36,369	-	36,369
Unrealised gain on long-term investments - net	-	-	-	10,432	10,432
Balance as at March 31, 2005	68,993	345,000	36,800	47,234	498,027
Net profit for the period	-	-	23,060	-	23,060
Unrealised gain on long-term investments - net	-	-	-	(2,026)	(2,026)
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	-	-	60,047	-	60,047
Unrealised gain on long-term investments - net	-	-	-	38,443	38,443
Balance as at March 31, 2006	68,993	390,000	61,108	83,651	603,752

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 FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED MARCH 31, 2006
(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:

	Nine Months Ended March 31, 2006		Nine Months Ended March 31, 2005	
	Acquisitions (cost)	Disposals (book value)	Acquisitions (cost)	Disposals (book value)
	------(Rupees in thousands)-----			
Owned Assets				
Factory Building on free hold land	1,443	-	-	-
Plant and machinery	3,961	-	6,874	-
Office & Factory equipment	304	286	140	38
Computers	171	47	865	172
Furniture and fixtures	494	100	18	-
Motor Vehicles	543	927	4,381	531
	6,916	1,360	12,278	741
Capital work in progress	566	-	-	-
	7,482	1,360	12,278	741
Leased Assets				
Motor Vehicles	2,985	-	-	-
	10,467	1,360	12,278	741

PAKISTAN PAPERSACK CORPORATION LIMITED

**SELECTED EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED MARCH 31, 2006
(UN-AUDITED)**

5. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	March 31, 2006	June 30, 2005
Assets acquired during the period	2,985	-
Less: Payment made during the period	512	-
	<u>2,473</u>	-
Less: Current maturity	1,116	-
	<u>1,357</u>	-

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 amounting in Rs.9.167 million (June 30, 2005: Rs.15.985 million) were issued against the performance of sales agreements to various companies
- (b) Consequent to the order passed by the Commissioner of Income Tax (Appeal) for the tax year 2004, deleting the additional tax liability of Rs. 5.07 million. The department preferred an appeal in the Appellate Tribunal against the order of Commissioner Income Tax Appeal. The case is yet to be heard in the Tribunal.

6.2 Commitments

- (a) Commitments under lease agreements in respect of vehicles amounted to Rs.1.821 million (June 30, 2005: Rs.2.804 million).
- (b) Outstanding letter of credit amounted to Rs.105.732 million (June 30, 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)

Nature of related party relationship	July 2005 - March 2006							
	Sale of goods	Purchase of goods	Purchase of Assets	Financial Expenses	Interest Received	Insurance Expenses	Insurance claim received	Services acquired
Associates	7,894	50,575	842	-	-	-	-	458
Common directorship	-	-	-	487	112	4,332	2	-
Subsidiary	-	-	-	-	-	-	-	2,921
	<u>7,894</u>	<u>50,575</u>	<u>842</u>	<u>487</u>	<u>112</u>	<u>4,332</u>	<u>2</u>	<u>3,379</u>
Nature of related party relationship	July 2004 - March 2005							
	Sale of goods	Purchase of goods	Purchase of Assets	Financial Expenses	Interest Received	Insurance Expenses	Insurance claim received	Services acquired
Associates	7,315	45,828	1,211	-	-	-	-	-
Common directorship	-	-	-	107	681	4,674	6	-
Subsidiary	-	-	-	-	-	-	-	1,932
	<u>7,315</u>	<u>45,828</u>	<u>1,211</u>	<u>107</u>	<u>681</u>	<u>4,674</u>	<u>6</u>	<u>1,932</u>

Rs.000's

8. SEGMENT RESULTS

	Stepped-end Division				Balochistan Laminates Division				T o t a l			
	For the Nine Months		For the quarter		For the Nine Months		For the quarter		For the Nine Months		For the quarter	
	July - Mar (2005-2006)	July - Mar (2004-2005)	Jan - Mar (2006)	Jan - Mar (2005)	July - Mar (2005-2006)	July - Mar (2004-2005)	Jan - Mar (2006)	Jan - Mar (2005)	July - Mar (2005-2006)	July - Mar (2004-2005)	Jan - Mar (2006)	Jan - Mar (2005)
Turnover												
Local	373,832	260,549	118,120	104,094	458,028	408,172	153,306	130,342	831,860	668,721	271,426	234,436
Export	-	6,101	-	1,009	53,928	51,898	18,601	15,316	53,928	57,999	18,601	16,325
	373,832	266,650	118,120	105,103	511,956	460,070	171,907	145,658	885,788	726,720	290,027	250,761
Less: Sales Tax	(48,761)	(33,985)	(15,407)	(13,578)	(54,912)	(53,341)	(18,483)	(17,021)	(103,673)	(87,326)	(33,890)	(30,599)
Sales discount	(2,538)	(465)	(1,711)	(375)	(716)	-	(53)	-	(3,254)	(465)	(1,764)	(375)
Net Sales	322,533	232,200	101,002	91,150	456,328	406,729	153,371	128,637	778,861	638,929	254,373	219,787
Cost of sales	(271,869)	(184,859)	(82,493)	(75,538)	(394,746)	(354,156)	(133,015)	(114,662)	(666,615)	(539,015)	(215,508)	(190,200)
Gross profit	50,664	47,341	18,509	15,612	61,582	52,573	20,356	13,975	112,246	99,914	38,865	29,587
Administrative Expenses	(27,221)	(26,835)	(8,363)	(9,624)	(11,774)	(11,531)	(3,664)	(3,716)	(38,995)	(38,366)	(12,027)	(13,340)
Selling and distribution cost	(10,614)	(10,646)	(3,205)	(4,243)	(28,618)	(22,933)	(8,355)	(5,932)	(39,232)	(33,579)	(11,560)	(10,175)
Other income	640	1,184	144	203	767	1,746	544	728	1,407	2,930	688	931
Profit/(Loss) on trading	-	443	-	(40)	7,572	731	323	200	7,572	1,174	323	160
	(37,195)	(35,854)	(11,424)	(13,704)	(32,053)	(31,987)	(11,152)	(8,720)	(69,248)	(67,841)	(22,576)	(22,424)
Segment Result	13,469	11,487	7,085	1,908	29,529	20,586	9,204	5,255	42,998	32,073	16,289	7,163

Other income excludes dividend income, interest income and other item amounting in total to Rs.39.585 million for the nine months ended March 31, 2006 (March 31, 2005 : Rs. 21.675 million) and Rs.16.820 million for the quarter ended March 31, 2006 (March 31, 2005: Rs. 0.328 million as these relates to the entity as a whole and not to any segment of the company.

9. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 14th April 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 Financial Officer

S. Z. Kazmi
Vice Chairman & Director