

Pakistan Papersack Corporation Limited

Company Information

BOARD OF DIRECTORS

Rafiq M. Habib	Chairman
S. Z. Kazmi	Chief Executive
Ali S. Habib	
Kersi D. Kapadia	
Mohamedali R. Habib	
Anis Wahab Zuberi	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

Raj Kanwar Batra

AUDITORS

Ford Rhodes Sidat Hyder & Co
Chartered Accountants

LEAG 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,
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

DIRECTORS' REVIEW

The Directors are pleased to present to the shareholders, the un-audited financial statements of the company for the nine months and quarter ended March 31, 2005.

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

	<u>For the nine months</u>		<u>For the Quarter</u>	
	July 04 -Mar 05	July 03 -Mar 04	Jan.-Mar. 2005	Jan.-Mar. 2004
	Rs. in '000'			
Sales	638,929	604,530	219,787	207,625
Operating profit	53,748	53,306	7,491	15,139
Profit before taxation	47,395	47,888	5,749	13,132

The company's sales during the period under review have increased by 5.69% while the profit before taxation of the company has shown slight deterioration by 1.03% as compared to last year.

STEPPED END DIVISION

Sales have shown a decline of 9.24% during the period under review from Rs. 255.845 million last year to Rs.232.200 million in the current year primarily due to decrease in selling prices because of intense competition from other Papersack suppliers. Cost of sales has shown decrease by 6.87% from Rs. 199.981 million to Rs. 186.246 million. This has resulted in deterioration in gross profit ratio from 21.84% to 19.79% and decline of 17.74% in gross profit value being Rs. 45.954 million during the period as compared to Rs. 55.864 million during the same period last year.

Segment result has shown a large decline of 57.32% being Rs. 11.487 million during the period from Rs. 26.912 million last year. The decrease is due to decline in selling prices and resulting reduced contribution margin.

During the period 720,000 bags were exported as compared to 360,000 bags during the corresponding period last year showing an increase of 100%.

Future Out look

The continued high prices of Sack Kraft paper our primary raw material and high rate of import duty of 15% is putting pressure on the profitability of the company. The company's management has been making strenuous efforts to have the duty structure rationalized and if such rationalization is made in the budget as expected, the profitability of the company should improve. Selling prices are also expected to increase in the future in line with increasing trend in paper prices in international markets which should give some breathing space to the industry.

BALUCHISTAN LAMINATES DIVISION

The Baluchistan Laminates Division achieved a net sales of Rs.406.729 million during the nine months ended March 31, 2005 as compared to Rs.348.685 million for the corresponding period last year, an increase of 16.7%, which is mainly due to increase in sales volume. For the same reason cost of sales increased by 12.8% from Rs.314.048 million to Rs.354.156 million. The segment result improved significantly from Rs. 7.690 million to Rs.20.586 million as a result of increase in sales of high margin products and increased volume of sales.

EXPORT:

During the period export increased to Rs. 51.898 million from Rs. 40.408 million as compared to corresponding period of last year.

FUTURE OUTLOOK:

To overcome shortage of local chipboard, management has booked sufficient quantity of imported chipboards. Result of the remaining period depends on external factors such as price of Phenol Crystal and other inputs in international market.

MERGER

The detailed scheme of the proposed merger of the Company and Khyber Papers (Private) Ltd with Thal Limited is in process.

On behalf of the
Board of Directors

S. Z. Kazmi
Chief Executive

Karachi: April 14, 2005

Pakistan Papersack Corporation Limited
BALANCE SHEET
AS AT MARCH 31, 2005
(UN-AUDITED)

	Note	March 31, 2005 (Un-audited)	June 30, 2004 (Audited) (Restated)
-----Rs.000's-----			
<u>ASSETS</u>			
NON-CURRENT ASSETS			
Property, plant and equipment	4	55,768	53,288
Long term investments		88,220	77,988
Long term deposits		2,891	2,944
CURRENT ASSETS			
Stores and spares		17,738	17,224
Stock-in-trade	6	312,157	172,279
Trade debts		182,513	129,799
Advances		8,183	7,551
Deposits and prepayments		1,259	1,883
Income tax recoverable-net		20,968	17,233
Other receivables		7,659	24,087
Cash and bank balances		689	106,245
		551,166	476,301
TOTAL ASSETS		698,045	610,521
<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		345,000	310,500
Un-appropriated profit		36,800	65,978
Net unrealised gain on investments		47,234	36,802
		498,027	482,273
NON-CURRENT LIABILITIES			
Deferred taxation		5,200	5,200
CURRENT LIABILITIES			
Short term and running finances		93,656	44,969
Creditors, accrued and other liabilities		101,162	78,079
		194,818	123,048
CONTINGENCIES AND COMMITMENTS	5		
TOTAL EQUITY AND LIABILITIES		698,045	610,521

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

S. Z. Kazmi
Chief Executive

Kersi D. Kapadia
Director

Pakistan Papersack Corporation Limited
PROFIT & LOSS ACCOUNT
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2005
(UN-AUDITED)

	<u>For the nine months</u>		<u>For the Quarter</u>	
	<u>July - March</u> <u>(2004 - 2005)</u>	<u>July - March</u> <u>(2003 - 2004)</u>	<u>January - March</u> <u>(2 0 0 5)</u>	<u>January - March</u> <u>(2 0 0 4)</u>
	----- Rs.000's -----			
Net sales	638,929	604,530	219,787	207,625
Cost of sales	(540,402)	(514,029)	(190,613)	(176,569)
Gross profit	98,527	90,501	29,174	31,056
Administrative expenses	(37,300)	(33,128)	(13,042)	(10,278)
Selling & distribution expenses	(33,258)	(25,307)	(10,060)	(7,166)
Other income	24,605	19,574	1,259	534
Profit on trading	1,174	1,666	160	993
	(44,779)	(37,195)	(21,683)	(15,917)
Operating profit	53,748	53,306	7,491	15,139
Financial charges	(2,805)	(1,869)	(1,304)	(1,033)
Other charges:				
Workers' profit participation fund	(2,548)	(2,572)	(300)	(706)
Workers' welfare fund	(1,000)	(977)	(138)	(268)
	(6,353)	(5,418)	(1,742)	(2,007)
Profit before taxation	47,395	47,888	5,749	13,132
Taxation	(11,026)	(10,929)	(1,899)	(4,552)
Profit after taxation	36,369	36,959	3,850	8,580
Basic/diluted earnings per share - Rs.	2.64	2.68	0.28	0.62

The annexed notes from 1 to 10 form 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 NINE MONTHS ENDED MARCH 31, 2005
(UN-AUDITED)

Note	Issued, subscribed and fully paid-up share capital	Revenue Reserve	Un-appropriated profit	Net unrealised gain on investments	Total
	Rs.000's				
Balance as at June 30, 2003 - as previously reported	68,993	310,500	82	9,905	389,480
Effect of change in accounting policy - Appropriations for the year ended June 30, 2003 declared subsequent to the year end	3.2				
- Dividend	-	-	34,496	-	34,496
- Transfer to revenue reserve	-	(45,000)	45,000	-	-
Balance as at June 30, 2003 - restated	68,993	265,500	79,578	9,905	423,976
Effect of change in accounting policy - Appropriations for the year ended June 30, 2003 declared subsequent to the year end	3.2				
- Dividend	-	-	(34,496)	-	(34,496)
- Transfer to revenue reserve	-	45,000	(45,000)	-	-
Net profit for the period	-	-	36,959	-	36,959
Unrealised gain on investments	-	-	-	22,386	22,386
Balance as at March 31, 2004	68,993	310,500	37,041	32,291	448,825
Balance as at June 30, 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	3.2				
- Dividend	-	-	31,047	-	31,047
- Transfer to revenue reserve	-	(34,500)	34,500	-	-
Balance as at June 30, 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	3.2				
- 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 investments	-	-	-	10,432	10,432
Balance as at March 31, 2005	68,993	345,000	36,800	47,234	498,027

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

S. Z. Kazmi
Chief Executive

Kersi D. Kapadia
Director

Pakistan Papersack Corporation Limited
SELECTED EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED MARCH 31, 2005
(UN-AUDITED)

1. THE COMPANY AND ITS OPERATIONS

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 Towers, 3-Jinnah Cooperative Housing Society, Sharea Faisal, Karachi. The principal business activities of different divisions of the Company are as follows:

	Division	Principal Activities	Location of Undertaking	Commencement of Commercial Production
1.	Balochistan Laminates	Formite Sheets and Laminates Manufacturing	Hub Chowki, Balochistan	January 1, 1981
2.	Stepped-end	Papersack Manufacturing	Hub Chowki Balochistan	April 1, 1986

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the requirements of the International Accounting Standard 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

3.1 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, 2004, except for the change mentioned in note 3.2.

3.2 Change in accounting policy

"During the period, the Securities and Exchange Commission of Pakistan substituted the Fourth Schedule to the Companies Ordinance, 1984, effective from the financial year ending on or after July 5, 2004. This has resulted in the change in accounting policy pertaining to the recognition of dividends and other appropriations declared subsequent to the year / period end. Dividends and other appropriations to general reserve are now recognised in the period in which these are declared. Up until the previous year, dividends declared and appropriations made after the balance sheet date but before the financial statements were authorised for issue, were recognised as of the balance sheet date. The change in accounting policy has been accounted for retrospectively and comparative information has been restated in accordance with the bench mark treatment specified in IAS - 8 (Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies).

Had there been no change in accounting policy, the unappropriated profit for the year ended June 30, 2004 would have been lower by Rs.65,547(000) [June 30, 2003: Rs.79,496(000)] and the liability for proposed dividend and general reserve would have been higher for the year ended June 30, 2004 by Rs.31,047(000) [June 30, 2003: Rs.34,496(000)] and Rs.34,500(000) [June 30, 2003: Rs.45,000(000)] respectively. The effect of change in accounting policy has been reflected in the comparative balance sheet and the statement of changes in equity. The change in accounting policy has not resulted in any change in the profit for the current period.

4. PROPERTY, PLANT & EQUIPMENT

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

	July - March (2004 - 2005)		July - March (2003 - 2004)	
	Additions (cost)	Deletions (book value)	Additions (cost)	Deletions (book value)
	----- Rs.000's -----			
Plant and machinery	6,874		7,061	-
Furniture and fixtures	18		18	-
Vehicles	4,381	531	167	693
Office & Factory equipment	140	38	94	33
Computers	865	172	208	-
	<u>12,278</u>	<u>741</u>	<u>7,548</u>	<u>726</u>

Pakistan Papersack Corporation Limited

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 amounting to Rs.19.359 million (June 30, 2004: Rs.17.388 million) were in issue against the performance of sales agreements to various companies and to customs authorities.
- (b) The company had filed appeal with the Collector Sales Tax (Appeals) against the penalty amounting to Rs. 0.16 million levied by the Sales tax department on account of non submission of monthly sales tax returns of trading activities of the company. During the period the collector of appeals had decided the case against the company, in response to which the company filed an appeal with the Honorable Customs, Excise and Sales Tax Appellate Tribunal (CESTAT), Karachi. The company has won the case and the orders imposing the penalty has been set-aside.
- (c) The case under section 66-A of the repealed Income Tax Ordinance, 1979 reopened by the Income Tax Department for the Assessment Year 1999-2000 has been decided. The additional tax liability has been reduced to Rs.0.135 million from Rs.4 million by the department, which has been paid by the company.

5.2 Commitments

Commitments for rentals under operating lease agreements in respect of vehicles amounted to Rs.3.165 million (June 30, 2004: Rs.4.315 million).

- 6. There are no unusual items included in the accounts affecting assets, liabilities, equity, net income or cash flows of the company except that stock of jam and jelly imported for trading purposes has been written down by Rs.0.439 million and the goodwill and trade name of the food trading business has been disposed off for Rs. 2.5 million.

7. TRANSACTIONS WITH RELATED PARTIES

	For the nine months		For the quarter	
	March 31, 2005	March 31, 2004	March 31, 2005	March 31, 2004
	----- Rs.000's -----			
Sales of goods	7,315	2,208	1,472	739
Purchase of goods	45,828	41,562	14,536	15,695
Interest received	681	-	4	-
Financial expenses	107	-	35	-
Services acquired	6,600	5,117	1,145	1,497
Services provided	-	927	-	927
Vehicle Purchased *	1,211	-	-	-

Transactions with related parties are carried out at arm's length prices using admissible valuation methods.
* Formerly these were included in purchase of goods but have now been separately shown for better presentation

Rs.000's

8. SEGMENT RESULTS

	Stepped-end Division				Balochistan Laminates Division				Total			
	For the nine months		For the quarter		For the nine months		For the quarter		For the nine months		For the quarter	
	July - March (2004-2005)	July - March (2003-2004)	Jan - Mar (2005)	Jan - Mar (2004)	July - March (2004-2005)	July - March (2003-2004)	Jan - Mar (2005)	Jan - Mar (2004)	July - March (2004-2005)	July - March (2003-2004)	Jan - Mar (2005)	Jan - Mar (2004)
Net sales	232,200	255,845	91,150	89,213	406,729	348,685	128,637	118,412	638,929	604,530	219,787	207,625
Cost of sales	(186,246)	(199,981)	(75,951)	(68,010)	(354,156)	(314,048)	(114,662)	(108,559)	(540,402)	(514,029)	(190,613)	(176,569)
Gross profit	45,954	55,864	15,199	21,203	52,573	34,637	13,975	9,853	98,527	90,501	29,174	31,056
Other income	1,184	706	203	31	1,746	164	728	164	2,930	870	931	195
Profit/(Loss) on trading	443	1,223	(40)	889	731	443	200	104	1,174	1,666	160	993
Administrative expenses	(25,698)	(23,281)	(9,295)	(7,013)	(11,602)	(9,847)	(3,747)	(3,265)	(37,300)	(33,128)	(13,042)	(10,278)
Selling and distribution expenses	(10,396)	(7,600)	(4,159)	(2,348)	(22,862)	(17,707)	(5,901)	(4,818)	(33,258)	(25,307)	(10,060)	(7,166)
Segment Result	11,487	26,912	1,908	12,762	20,586	7,690	5,255	2,038	32,073	34,602	7,163	14,800

Other income excludes dividend income, interest income and other items amounting in total to Rs. 21.675 million for the nine months ended March 31, 2005 (March 31, 2004 : Rs. 18.704 million) and Rs. 0.328 million for the quarter ended March 31, 2005 (March 31, 2004 : Rs.0.339 million) as these relates to the entity as a whole and not to any segment of the company.

Pakistan Papersack Corporation Limited

9 GENERAL

9.1 Due to certain changes made by the SECP in the Fourth Schedule to the Ordinance vide SRO 589(I)/2004 dated July 5, 2004, previous period's figures have been rearranged or reclassified wherever necessary for the purpose of comparison.

9.2 Other major changes are as follows

Statement	Component	Reclassification from	Reclassification to	Reason	Rupees in 000
Balance Sheet	Income tax	Other receivables	Income tax recoverable - net	For better presentation	17,233
Cash Flow	Short term and Running Finances	Cash generated from operations	Cash & cash equivalents	For better presentation	36,186
Cash Flow	Long term deposits	Cash flows from financing activities	Cash flow from operating activities	For better presentation	12

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

10. DATE OF AUTHORISATION FOR ISSUE

These un-audited financial statements were authorised for issue on April 14, 2005 by the Board of Directors of the company.

S. Z. Kazmi
Chief Executive

Kersi D. Kapadia
Director