

Pakistan Papersack Corporation Limited

DRAFT DIRECTORS' REVIEW ON THE CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS FOR THE QUARTER ENDED SEPTEMBER 30, 2005

The Directors have pleasure in presenting the unaudited consolidated financial statements of the Group for the first quarter ended September 30, 2005.

FINANCIAL PERFORMANCE OF THE GROUP

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

	For the first quarter July – Sept. 2005	For the first quarter July – Sept. 2004
Sales	274,271	213,901
Operating Profit	16,568	14,940
Profit before taxation	36,791	29,969

Total Group Sales during the quarter under review have increased by 28% over preceding year. Operating Profit has shown an increase of 11% & profit before taxation has grown by 23%.

PLANS FOR THE MERGER OF THE COMPANY

There have been no material changes since September 30, 2005 other than plans for the merger of the holding Company. The Group has not entered into any commitment, which would affect its financial position at that date.

On behalf of the
Board of Directors

S. Z. Kazmi
Chief Executive

Karachi : October 19, 2005

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

	Note	September 30 2005 (Un-audited)	June 30, 2005 (Audited)
-----Rs.000's-----			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	58,266	57,242
Intangible assets		326	50
Long term investments		249,923	229,429
Long term loans		377	460
Long term deposits		3,500	3,613
CURRENT ASSETS			
Stores and spares		16,032	15,729
Stock-in-trade		247,139	247,024
Trade debts		218,763	187,388
Loan and advances		14,185	9,878
Trade deposits and short-term prepayments		4,604	4,208
Income tax refunds due from the Govt.		7,983	11,465
Other receivables		8,908	10,329
Short term investments		4,000	4,000
Cash and bank balances		4,741	30,095
		526,355	520,116
TOTAL ASSETS		838,747	810,910
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital		100,000	100,000
20,000,000 ordinary shares of Rs.5/- each			
Issued, subscribed and paid-up capital		68,993	68,993
Revenue reserves		391,872	346,872
Un-appropriated profit		189,338	216,564
Net unrealised gain on investments		43,689	45,208
		693,892	677,637
Minority Interest		24	23
NON-CURRENT LIABILITIES			
Deferred liabilities		4,400	4,400
Liabilities against assets subject to finance lease		862	-
CURRENT LIABILITIES			
Current maturity of liabilities against assets subject to finance lease		353	-
Trade and other payables		93,975	113,235
Short term running finance		45,241	15,615
		139,569	128,850
CONTINGENCIES AND COMMITMENTS	5		
TOTAL EQUITY AND LIABILITIES		838,747	810,910

The annexed notes from 1 to 8 form an integral part of these financial statements.

S. Z. Kazmi
Chief Executive

Kersi D. Kapadia
Director

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

	For the Quarter	
	July - Sept (2005)	July - Sept (2004) (Restated)
	----- Rs.000's -----	
Net sales	274,271	213,901
Cost of sales	(230,317)	(171,884)
Gross profit	43,954	42,017
Selling & distribution cost	(12,480)	(9,204)
Administrative expenses	(19,852)	(19,514)
Other income	1,396	719
Profit on trading	3,550	922
	(27,386)	(27,077)
Operating profit	16,568	14,940
Financial charges	(751)	(650)
Other charges:		
Workers' profit participation fund	(753)	(696)
Workers' welfare fund	(286)	(273)
	(1,790)	(1,619)
Share in profits of associates *	22,013	16,648
Profit before taxation	36,791	29,969
Taxation	(5,218)	(4,729)
Profit after taxation	31,573	25,240
Basic earnings per share - Rs.	2.29	1.83

The annexed notes from 1 to 8 form an integral part of these financial statements.

* Represents after tax share

S. Z. Kazmi
Chief Executive

Kersi D. Kapadia
Director

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

	July - Sept (2005)	July - Sept (2004)
	-----Rs.000's-----	
		(Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	36,791	29,969
Adjustment for non-cash charges and other items:		
Depreciation	2,790	2,833
Amortisation	39	-
Share in post acquisition profits of associates after taxation	(22,013)	(16,648)
Profit on bank accounts	(96)	(442)
Financial charges	751	650
Gain on disposal of property, plant and equipment	(745)	(8)
	<u>(19,274)</u>	<u>(13,615)</u>
Operating profit before working capital changes	17,517	16,354
(Increase)/decrease in current assets		
Stores and spares	(303)	322
Stock-in-trade	(115)	(12,632)
Trade debts	(31,375)	(19,037)
Loan and advances	(4,307)	423
Trade deposits and short-term prepayments	(396)	(1,875)
Other receivables	1,421	2,218
	<u>(35,075)</u>	<u>(30,581)</u>
Increase/(decrease) in current liabilities		
Trade and other payables	(32,606)	(8,139)
	<u>(67,681)</u>	<u>(38,720)</u>
Cash (used in)/generated from operations	(50,164)	(22,366)
Interest paid	(1,190)	(755)
Income tax paid	(1,738)	(3,910)
Long-term loans	83	-
Long-term deposits	113	187
	<u>(2,732)</u>	<u>(4,478)</u>
Net cash used in operating activities (A)	(52,896)	(26,844)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(4,506)	(4,866)
Sale proceeds from disposal of property, plant and equipment	1,122	251
Interest income received	96	470
Purchase of short-term investment	-	710
Net cash used in investing activities (B)	(3,288)	(3,435)
CASH FLOWS FROM FINANCING ACTIVITIES		
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)/increase in cash and cash equivalents (A+B+C)	(54,980)	(30,305)
Cash and cash equivalents at beginning of the period	18,480	66,480
Cash and cash equivalents at end of the period	<u>(36,500)</u>	<u>36,175</u>
Cash and cash equivalents comprise:		
Cash and bank balances	4,741	88,567
Short-term Investment	4,000	710
Short-term running finances	(45,241)	(53,102)
	<u>(36,500)</u>	<u>36,175</u>

The annexed notes from 1 to 8 form an integral part of these financial statements.

S. Z. Kazmi
Chief Executive

Kersi D. Kapadia
Director

Pakistan Papersack Corporation Limited
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2005
(UN-AUDITED)

	Issued, subscribed and fully paid-up share capital	Revenue Reserve	Unappropriated profit	Net unrealised gains on investments	Total
	-----Rs.000's-----				
Balance as at July 1, 2004 - as previously reported	68,993	346,872	10,746	36,802	463,413
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	-	-
- Share in post acquisition reserve of associates			115,685		115,685
Balance as at July 1, 2004 - restated	68,993	312,372	191,978	36,802	610,145
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			25,240		25,240
Unrealised gain on long-term investments - net				1,407	1,407
Balance as at September 30, 2004	68,993	346,872	151,671	38,209	605,745
Net profit for the period			64,893		64,893
Unrealised gain on long-term investments - net				6,999	6,999
Balance as at June 30, 2005	68,993	346,872	216,564	45,208	677,637
Dividend			(13,799)		(13,799)
Transfer to revenue reserve		45,000	(45,000)		-
Net profit for the quarter ended Sept 30,2005			31,573		31,573
Unrealised gain on long-term investments - net				(1,519)	(1,519)
Balance as at September 30, 3005	68,993	391,872	189,338 *	43,689	693,892

(Rs. in million)

* Retained in/with:

company	10.174
subsidiary	12.938
associates	166.226
	<u>189.338</u>

S. Z. Kazmi
Chief Executive

Kersi D. Kapadia
Director

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

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)	
	Additions (cost)	Deletions (book value)	Additions (cost)	Deletions (book value)
----- Rs.000's -----				
Owned Assets				
Factory Building	890	-		
Plant and machinery	30	-	1,851	
Vehicles	520	354	1,817	
Office & Factory equipment	126	-	426	46
Computers	231	23	772	193
Furniture & Fixture				4
	1,797	377	4,866	243
Leased Assets				
Vehicles	1,309	-	-	-
	3,106	377	4,866	243
Capital work-in-progress	1,085	-	-	-
Intangible Assets	315	-	-	-
	4,506	377	4,866	243

Pakistan Papersack Corporation Limited
SELECTED EXPLANATORY NOTES TO THE CONSOLIDATED 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.6.592 million (June 30, 2005: Rs.5.084 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 provided
Associates	2,608	18,131	459					3,523
Common directorship				49	8	3,276	2	1,567
	<u>2,608</u>	<u>18,131</u>	<u>459</u>	<u>49</u>	<u>8</u>	<u>3,276</u>	<u>2</u>	<u>5,090</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 provided
Associates	1,947	16,996						2,507
Common directorship				35	428	1,976		1,253
	<u>1,947</u>	<u>16,996</u>	<u>-</u>	<u>35</u>	<u>428</u>	<u>1,976</u>	<u>-</u>	<u>3,760</u>

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

8. 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