

Pakistan Papersack Corporation Limited

DIRECTORS' REVIEW ON THE CONSOLIDATED ACCOUNTS TO THE SHAREHOLDERS FOR THE PERIOD ENDED DECEMBER 31, 2005

The Directors have pleasure in presenting the unaudited consolidated financial statements of the Group for the quarter ended December 31, 2005.

FINANCIAL PERFORMANCE OF THE GROUP

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

	Half Year		Quarter	
	Jul - Dec 2005	Jul - Dec 2004	Oct - Dec 2005	Oct - Dec 2004
Net Sales	541,768	434,335	267,497	220,433
Operating Profit	31,759	31,287	15,191	16,206
Profit before taxation	68,833	59,205	32,042	29,095

Total Group Sales during the year under review have increased by 24.7% over preceding period. Operating Profit has shown an increase of 1.5% and profit before taxation has grown by 16%.

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 Directors

Mazhar Valjee
Chief Executive Officer

Karachi : February 20, 2006