

Pakistan Papersack Corporation Limited

DIRECTORS' REVIEW ON THE CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS FOR THE PERIOD ENDED MARCH 31, 2006

The Directors have pleasure in presenting the unaudited consolidated financial statements of the Group for the nine months and quarter ended March 31, 2006.

FINANCIAL PERFORMANCE OF THE GROUP

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

	For the 9 months		For the quarter	
	Jul – Mar 2006	Jul –Mar 2005	Jan – Mar 2006	Jan–Mar 2005
Net Sales	805,002	661,027	263,234	226,692
Operating Profit	50,187	39,624	18,428	8,337
Profit before taxation	109,645	80,218	40,812	21,013

Total Group Sales during the year under review have increased by 21.78% over preceding year. Operating Profit has shown an increase of 26.7% & profit before taxation has grown by 36.7%.

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 Directors

Mazhar Valjee
Chief Executive Officer

Karachi: April 14, 2006

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

Note	March 31, 2 0 0 6 (Un-audited)	June 30, 2 0 0 5 (Audited)
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(Rupees in thousands)

ASSETS

NON-CURRENT ASSETS

Property, plant and equipment	4	57,189	57,242
Intangible assets		249	50
Long-term investments		299,207	229,429
Long-term loans		383	460
Long-term deposits		3,289	3,613

CURRENT ASSETS

Stores & spares		17,540	15,729
Stock-in-trade		328,171	247,024
Trade debts		208,999	187,388
Loans & advances		10,972	9,878
Trade deposits & short-term prepayments		3,466	4,208
Income tax refunds due from the Government		1,532	11,465
Other receivables		15,482	10,329
Short-term investments		6,576	4,000
Cash & bank balances		58,395	30,095
		651,133	520,116

TOTAL ASSETS

		1,011,450	810,910
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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		391,872	346,872
Un-appropriated profit		251,425	216,564
Net unrealised gain on long-term investments		83,651	45,208
		795,941	677,637

Minority Interest

		26	23
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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		180,260	113,235
Short-term borrowings		28,350	15,615
		209,726	128,850

CONTINGENCIES AND COMMITMENTS

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TOTAL EQUITY & LIABILITIES

		1,011,450	810,910
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The annexed notes from 1 to 9 form an integral part of these financial statements.

Mazhar Valjee
Chief Executive Officer

S. Z. Kazmi
Vice Chairman & Director

PAKISTAN PAPERSACK CORPORATION LIMITED
CONSOLIDATED PROFIT & LOSS ACCOUNT
FOR THE NINE MONTHS & QUARTER ENDED MARCH 31, 2006
(UN-AUDITED)

	For the Nine Months Ended		For the Quarter Ended	
	July - Mar (2005-2006)	July - Mar (2004-2005) (Restated)	Jan - March (2006)	Jan - March (2005) (Restated)
----- (Rupees in thousands) -----				
Net sales	805,002	661,027	263,234	226,692
Cost of sales	(666,615)	(539,015)	(215,508)	(190,200)
Gross profit	138,387	122,012	47,726	36,492
Administrative expenses	(61,686)	(58,274)	(19,425)	(19,680)
Selling & distribution cost	(39,232)	(33,579)	(11,560)	(10,175)
Other income	5,146	8,291	1,364	1,540
Profit on trading	7,572	1,174	323	160
	(88,200)	(82,388)	(29,298)	(28,155)
Operating profit	50,187	39,624	18,428	8,337
Financial charges	(3,420)	(2,813)	(1,244)	(1,310)
Other charges:				
Workers' profit participation fund	(3,959)	(2,548)	(1,594)	(300)
Workers' welfare fund	(729)	(1,000)	(280)	(138)
	(8,108)	(6,361)	(3,118)	(1,748)
Share in profits of associates *	67,566	46,955	25,502	14,424
Net Profit before taxation	109,645	80,218	40,812	21,013
Taxation	(15,982)	(11,963)	(6,272)	(2,228)
Net Profit after taxation	93,663	68,255	34,540	18,785
Minority Interest	(3)	(2)	(1)	(1)
Net Profit for the period	93,660	68,253	34,539	18,784
Basic earnings per share - Rupees	6.79	4.95	2.50	1.36

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

* Represents after tax share

Mazhar Valjee
Chief Executive Officer

S. Z. Kazmi
Vice Chairman & Director

PAKISTAN PAPERSACK CORPORATION LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE NINE MONTHS ENDED MARCH 31, 2006
(UN-AUDITED)

	March 31, (2006)	March 31, (2005)
	------(Rupees in thousands)-----	----- (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	109,645	80,218
Adjustment for non-cash charges and other items:		
Depreciation	9,365	10,123
Amortisation	116	-
Share in post acquisition profits of associates after taxation	(67,566)	(46,955)
Dividend Income	(2,533)	(1,537)
Gain on sale of goodwill and trademark of trading business	-	(2,500)
Financial charges	3,420	2,813
Profit on bank accounts	(1,032)	(728)
Gain on disposal of property, plant and equipment	(632)	(2,196)
	(58,862)	(40,980)
Operating profit before working capital changes	50,783	39,238
(Increase)/decrease in current assets		
Stores and spares	(1,811)	(514)
Stock-in-trade	(81,147)	(139,963)
Trade debts	(21,611)	(51,472)
Loans and advances	(1,094)	1,010
Trade deposits and short-term prepayments	742	276
Other receivables	(4,695)	15,360
	(109,616)	(175,303)
Decrease in current liabilities		
Trade and other payables	67,227	21,493
	(42,389)	(153,810)
Cash used in operating activities	8,394	(114,572)
Interest paid	(3,626)	(2,253)
Income tax refund received	3,518	-
Income tax paid	(9,569)	(16,135)
Encashment of COIs	-	710
Long-term loans	77	-
Long-term deposits	324	614
	(9,276)	(17,064)
Net cash used in operating activities (A)	(882)	(131,636)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(11,169)	(15,805)
Dividend Received	38,764	18,174
Sale proceeds from sale of goodwill and trademark of trading business	-	2,500
Sale proceeds from disposal of property, plant and equipment	2,174	3,025
Disinvestment in shares	-	200
Interest income received	574	886
Purchase of short-term investment	(2,576)	(3,000)
Net cash used in investing activities (B)	27,767	5,980
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 increase/(decrease) in cash and cash equivalents (A+B+C)	15,565	(156,714)
Cash and cash equivalents at beginning of the period	14,480	66,480
Cash and cash equivalents at end of the period	30,045	(90,234)
Cash and cash equivalents comprise:		
Cash and bank balances	58,395	3,422
Short-term running finance	(28,350)	(93,656)
	30,045	(90,234)

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

Mazhar Valjee
Chief Executive Officer

S. Z. Kazmi
Vice Chairman & Director

PAKISTAN PAPERSACK CORPORATION LIMITED
CONSOLIDATED 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	Unappropriated profit	Net unrealised gains on long-term investments	Total
	----- (Rupees in thousands) -----				
Balance as at July 1, 2004 - Restated	68,993	312,372	191,978	36,802	610,145
- Dividend	-	-	(31,047)	-	(31,047)
- Transfer to revenue reserve	-	34,500	(34,500)	-	-
Net profit for the period	-	-	68,253	-	68,253
Unrealised gain on long-term investments - Net	-	-	-	10,432	10,432
Balance as at March 31, 2005 - Restated	68,993	346,872	194,684	47,234	657,783
Net profit for the period	-	-	21,880	-	21,880
Unrealised gain on long-term investments - Net	-	-	-	(2,026)	(2,026)
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 period	-	-	93,660	-	93,660
Unrealised gain on long-term investments - Net	-	-	-	38,443	38,443
Balance as at March 31, 2006	68,993	391,872	251,425 *	83,651	795,941

(Rs. in million)

* Retained in/with:

company	24.88
subsidiary	14.75
associates	211.80
	<u>251.43</u>

The annexed notes from 1 to 9 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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED MARCH 31, 2006
(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 to group companies.

2. BASIS OF PREPARATION

These un-audited 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		Nine Months Ended	
	March 31, 2006		March 31, 2005	
	Additions (cost)	Deletions (book value)	Additions (cost)	Deletions (book value)
	----- Rs.000's -----			
Owned Assets				
Factory Building on free hold land	1,443	-	-	-
Plant and machinery	3,961	-	6,874	-
Office & Factory equipment	358	286	363	45
Computers	547	70	1,113	193
Furniture and fixtures	494	100	2,981	4
Motor Vehicles	660	1,086	4,474	587
	7,463	1,542	15,805	829
Intangible Assets	315			
Capital work in progress	566			
	8,344	1,542	15,805	829
Leased Assets				
Motor Vehicles	2,985	-	-	-
	11,329	1,542	15,805	829

PAKISTAN PAPERSACK CORPORATION LIMITED
SELECTED EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 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	-
	2,473	-
Less: Current maturity	1,116	-
	1,357	-

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.9.743 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.4.458 million (June 30, 2005: Rs.5.084 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)

	July 2005 - March 2006								
	Sale of goods	Purchase of goods	Purchase of Assets	Financial Expenses	Interest Received	Insurance Expenses	Insurance claim received	Services Acquired	Services provided
Nature of related party relationship									
Associates	7,895	50,575	842	-	-	-	-	458	11,152
Common directorship	-	-	-	487	112	4,629	2	-	4,728
	7,895	50,575	842	487	112	4,629	2	458	15,880
	July 2004 - March 2005								
Nature of related party relationship									
Associates	7,315	45,828	1,211					-	7,530
Common directorship				107	681	4,809	6	-	3,548
	7,315	45,828	1,211	107	681	4,809	6	-	11,078

8. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 14th April 2006 by the Board of Directors of the company.

9. GENERAL

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

9.2 Corresponding period's figures have been rearranged for the purpose of better presentation.

Mazhar Valjee
Chief Executive Officer

S. Z. Kazmi
Vice Chairman & Director