

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 March 31, 2006		Nine Months Ended 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

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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)

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	Services provided
Associates	7,895	50,575	842	-	-	-	-	458	11,152
Common directorship	-	-	-	487	112	4,629	2	-	4,728
	<u>7,895</u>	<u>50,575</u>	<u>842</u>	<u>487</u>	<u>112</u>	<u>4,629</u>	<u>2</u>	<u>458</u>	<u>15,880</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	Services provided
Associates	7,315	45,828	1,211	-	-	-	-	-	7,530
Common directorship	-	-	-	107	681	4,809	6	-	3,548
	<u>7,315</u>	<u>45,828</u>	<u>1,211</u>	<u>107</u>	<u>681</u>	<u>4,809</u>	<u>6</u>	<u>-</u>	<u>11,078</u>

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