

Pakistan Papersack Corporation Limited

DIRECTORS' REVIEW

The Directors of your Company are pleased to present to you, the unaudited financial statements of the Company for the nine months and quarter ended March 2006.

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

	For the nine months		For the quarter	
	Jul - Mar 2006	Jul - Mar 2005	Jan - Mar 2006	Jan-Mar 2005
Net Sales	778,861	638,929	254,373	219,787
Operating Profit	82,583	53,748	33,109	7,491
Profit before taxation	74,489	47,395	29,999	5,749

Total sales of the Company during the period under review have increased by 21.9% over last year. The operating profit increased by 53.6% and the profit before tax improved by 57.1% as compared to the last year.

PAPERSACK OPERATIONS

The sales of the Papersack operations have increased by 38.9% during the period under review from Rs.232.200 million to Rs.322.533 million as the demand for papersacks by the cement industry remained healthy in the quarter. The gross profit however has improved only by Rs.3.323 million as the selling prices of papersacks have remained below the rates that prevailed in the corresponding period of the last year while price of raw materials (sackcraft paper) has registered an increase in the international market. Operating profit of the Division has improved from Rs.11.487 million to Rs.13.469 million during period under review.

FUTURE OUTLOOK

Demand for cement is on the rise as the Government and the Private sector undertakes infrastructure development, housing and other projects. The commencement of construction activities in the earthquake-devastated areas is also likely to fuel the demand for cement. Producers of Cement are enhancing capacity utilization and are undertaking expansions. The demand for papersacks is not yet sufficient to absorb the overcapacity within the Papersack industry and therefore selling prices remain depressed. Your management looks forward to an improvement in the overall economics of the industry on the back of the growth of the Cement sector.

LAMINATES OPERATIONS

The Division achieved a net sales of Rs.456.328 million during the nine months ended March 31, 2006 as compared to Rs.406.729 million for the corresponding period last year, an increase of 12% which is mainly due to increase in sales volume. Cost of sales increased by 11 % from Rs 354.156 million to Rs.394.746 million as compared to corresponding period of last year due to increased sales. Operating profit increased from Rs.20.586 million to Rs.29.529 million an increase of 48%. The segment result improved significantly due to trading profit of Rs.7.172 million.

During the period under review export increased to Rs. 53.928 million from Rs.51.898 million as compared to corresponding period of last year.

FUTURE OUTLOOK

The management is hopeful that increase in sales volume will continue as a result of growth in the construction industry.

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 Director**

**MazharValjee
Chief Executive Officer**

Karachi: April 14, 2006