

PAKISTAN PAPERSACK CORPORATION LIMITED
SELECTED EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED MARCH 31, 2006
(UN-AUDITED)

1. THE COMPANY AND ITS OPERATIONS

Pakistan Papersack Corporation Limited (the company) was incorporated in Pakistan in 1973. Its shares are quoted on the Stock Exchanges of Karachi and Lahore. The registered office of the company is situated at 5th Floor, Siddiqsons Tower, 3-Jinnah Cooperative Housing Society, Sharea Faisal, Karachi. The principal business activities of the two divisions (Stepped-end and Balochistan Laminates) of the company are manufacture of papersacks, formite sheets and laminates respectively.

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:

	Nine Months Ended March 31, 2006		Nine Months Ended March 31, 2005	
	Acquisitions (cost)	Disposals (book value)	Acquisitions (cost)	Disposals (book value)
------(Rupees in thousands)-----				
Owned Assets				
Factory Building on free hold land	1,443	-	-	-
Plant and machinery	3,961	-	6,874	-
Office & Factory equipment	304	286	140	38
Computers	171	47	865	172
Furniture and fixtures	494	100	18	-
Motor Vehicles	543	927	4,381	531
	6,916	1,360	12,278	741
Capital work in progress	566	-	-	-
	7,482	1,360	12,278	741
Leased Assets				
Motor Vehicles	2,985	-	-	-
	10,467	1,360	12,278	741

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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	-
	<u>2,473</u>	-
Less: Current maturity	1,116	-
	<u>1,357</u>	-

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.9.167 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.1.821 million (June 30, 2005: Rs.2.804 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
Associates	7,894	50,575	842	-	-	-	-	458
Common directorship	-	-	-	487	112	4,332	2	-
Subsidiary	-	-	-	-	-	-	-	2,921
	<u>7,894</u>	<u>50,575</u>	<u>842</u>	<u>487</u>	<u>112</u>	<u>4,332</u>	<u>2</u>	<u>3,379</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
Associates	7,315	45,828	1,211	-	-	-	-	-
Common directorship	-	-	-	107	681	4,674	6	-
Subsidiary	-	-	-	-	-	-	-	1,932
	<u>7,315</u>	<u>45,828</u>	<u>1,211</u>	<u>107</u>	<u>681</u>	<u>4,674</u>	<u>6</u>	<u>1,932</u>

Rs.000's

8. SEGMENT RESULTS

	Stepped-end Division				Balochistan Laminates Division				T o t a l			
	For the Nine Months		For the quarter		For the Nine Months		For the quarter		For the Nine Months		For the quarter	
	July - Mar (2005-2006)	July - Mar (2004-2005)	Jan - Mar (2006)	Jan - Mar (2005)	July - Mar (2005-2006)	July - Mar (2004-2005)	Jan - Mar (2006)	Jan - Mar (2005)	July - Mar (2005-2006)	July - Mar (2004-2005)	Jan - Mar (2006)	Jan - Mar (2005)
Turnover												
Local	373,832	260,549	118,120	104,094	458,028	408,172	153,306	130,342	831,860	668,721	271,426	234,436
Export	-	6,101	-	1,009	53,928	51,898	18,601	15,316	53,928	57,999	18,601	16,325
	373,832	266,650	118,120	105,103	511,956	460,070	171,907	145,658	885,788	726,720	290,027	250,761
Less: Sales Tax	(48,761)	(33,985)	(15,407)	(13,578)	(54,912)	(53,341)	(18,483)	(17,021)	(103,673)	(87,326)	(33,890)	(30,599)
Sales discount	(2,538)	(465)	(1,711)	(375)	(716)	-	(53)	-	(3,254)	(465)	(1,764)	(375)
Net Sales	322,533	232,200	101,002	91,150	456,328	406,729	153,371	128,637	778,861	638,929	254,373	219,787
Cost of sales	(271,869)	(184,859)	(82,493)	(75,538)	(394,746)	(354,156)	(133,015)	(114,662)	(666,615)	(539,015)	(215,508)	(190,200)
Gross profit	50,664	47,341	18,509	15,612	61,582	52,573	20,356	13,975	112,246	99,914	38,865	29,587
Administrative Expenses	(27,221)	(26,835)	(8,363)	(9,624)	(11,774)	(11,531)	(3,664)	(3,716)	(38,995)	(38,366)	(12,027)	(13,340)
Selling and distribution cost	(10,614)	(10,646)	(3,205)	(4,243)	(28,618)	(22,933)	(8,355)	(5,932)	(39,232)	(33,579)	(11,560)	(10,175)
Other income	640	1,184	144	203	767	1,746	544	728	1,407	2,930	688	931
Profit/(Loss) on trading	-	443	-	(40)	7,572	731	323	200	7,572	1,174	323	160
	(37,195)	(35,854)	(11,424)	(13,704)	(32,053)	(31,987)	(11,152)	(8,720)	(69,248)	(67,841)	(22,576)	(22,424)
Segment Result	13,469	11,487	7,085	1,908	29,529	20,586	9,204	5,255	42,998	32,073	16,289	7,163

Other income excludes dividend income, interest income and other item amounting in total to Rs.39.585 million for the nine months ended March 31, 2006 (March 31, 2005 : Rs. 21.675 million) and Rs.16.820 million for the quarter ended March 31, 2006 (March 31, 2005: Rs. 0.328 million as these relates to the entity as a whole and not to any segment of the company.

9. DATE OF AUTHORISATION FOR ISSUE

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

10. GENERAL

- 10.1 Figures have been rounded off to the nearest thousand rupee.
- 10.2 Corresponding period's figures have been rearranged for the purpose of better presentation.

Mazhar Valjee
Chief Financial Officer

S. Z. Kazmi
Vice Chairman & Director