

Pakistan Papersack Corporation Limited
SELECTED EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED MARCH 31, 2005
(UN-AUDITED)

1. THE COMPANY AND ITS OPERATIONS

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 Towers, 3-Jinnah Cooperative Housing Society, Sharea Faisal, Karachi. The principal business activities of different divisions of the Company are as follows:

	Division	Principal Activities	Location of Undertaking	Commencement of Commercial Production
1.	Balochistan Laminates	Formite Sheets and Laminates Manufacturing	Hub Chowki, Balochistan	January 1, 1981
2.	Stepped-end	Papersack Manufacturing	Hub Chowki Balochistan	April 1, 1986

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the requirements of the International Accounting Standard 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

3.1 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, 2004, except for the change mentioned in note 3.2.

3.2 Change in accounting policy

"During the period, the Securities and Exchange Commission of Pakistan substituted the Fourth Schedule to the Companies Ordinance, 1984, effective from the financial year ending on or after July 5, 2004. This has resulted in the change in accounting policy pertaining to the recognition of dividends and other appropriations declared subsequent to the year / period end. Dividends and other appropriations to general reserve are now recognised in the period in which these are declared. Up until the previous year, dividends declared and appropriations made after the balance sheet date but before the financial statements were authorised for issue, were recognised as of the balance sheet date. The change in accounting policy has been accounted for retrospectively and comparative information has been restated in accordance with the bench mark treatment specified in IAS - 8 (Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies).

Had there been no change in accounting policy, the unappropriated profit for the year ended June 30, 2004 would have been lower by Rs.65,547(000) [June 30, 2003: Rs.79,496(000)] and the liability for proposed dividend and general reserve would have been higher for the year ended June 30, 2004 by Rs.31,047(000) [June 30, 2003: Rs.34,496(000)] and Rs.34,500(000) [June 30, 2003: Rs.45,000(000)] respectively. The effect of change in accounting policy has been reflected in the comparative balance sheet and the statement of changes in equity. The change in accounting policy has not resulted in any change in the profit for the current period.

4. PROPERTY, PLANT & EQUIPMENT

The following additions and deletions were made in property, plant and equipment during the period:

	July - March (2004 - 2005)		July - March (2003 - 2004)	
	Additions (cost)	Deletions (book value)	Additions (cost)	Deletions (book value)
	----- Rs.000's -----			
Plant and machinery	6,874		7,061	-
Furniture and fixtures	18		18	-
Vehicles	4,381	531	167	693
Office & Factory equipment	140	38	94	33
Computers	865	172	208	-
	<u>12,278</u>	<u>741</u>	<u>7,548</u>	<u>726</u>