

**Pakistan Papersack Corporation Limited**  
**SELECTED EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 2005**  
**(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:

	July - Sept ( 2005 )		July - Sept ( 2004 )	
	Acquisitions (cost)	Disposals (book value)	Acquisitions (cost)	Disposals (book value)
----- Rs.000's -----				
<b>Owned Assets</b>				
Factory Building	890	-	-	-
Plant and machinery	30	-	1,851	-
Vehicles	520	354	1,817	-
Office & Factory equipment	72	-	203	39
Computers	45	-	728	172
	1,557	354	4,599	211
<b>Leased Assets</b>				
Vehicles	1,309	-	-	-
	2,866	354	4,599	211
Capital work-in-progress	1,085	-	-	-
	3,951	354	4,599	211

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**5. CONTINGENCIES AND COMMITMENTS**

**5.1 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 Rs.8.351 million (June 30, 2005: Rs.15.985 million) were in issue against the performance of sales agreements to various companies
- (b) The company's assessment order was taken to have been made U/S 120 of Income Tax Ordinance 2001 for the tax year 2004 with tax payable amounting to Rs. 13.238 million. Additional Commissioner of Income Tax amended the assessment order U/S 122(5A) of ITO 2001 and levied total tax amounting to Rs. 18.307 million, creating additional demand of Rs. 5.07 million, which is not justifiable. The company has filed an appeal U/S 127(1) of ITO 2001 against the said amendment. As the company is confident of winning the case, no provision has been made in the accounts.

**5.2 Commitments**

- (a) Commitments under lease financial agreements in respect of vehicles and machinery amounted to Rs.3.692 million (June 30, 2005: Rs.2.804 million).
- (b) Letter of credit outstanding amounted to Rs.147.077 million (June 2005: Rs. 142.428 million)

**6 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 05 - September 05							
	Sale of goods	Purchase of goods	Purchase of motor vehicle	Financial Expenses	Interest Received	Insurance Expenses	Insurance claim received	Services acquired
Associates	2,608	18,131	459					
Common directorship				49	8	3,131	2	
Subsidiary								942
Noble Computer Services Pvt Ltd								942
	<u>2,608</u>	<u>18,131</u>	<u>459</u>	<u>49</u>	<u>8</u>	<u>3,131</u>	<u>2</u>	<u>942</u>
Nature of related party relationship	July 04 - September 04							
	Sale of goods	Purchase of goods	Purchase of motor vehicle	Financial Expenses	Interest Received	Insurance Expenses	Insurance claim received	Services acquired
Associates	1,947	16,996						
Common directorship				35	428	1,976		
Subsidiary								694
Noble Computer Services Pvt Ltd								694
	<u>1,947</u>	<u>16,996</u>	<u>-</u>	<u>35</u>	<u>428</u>	<u>1,976</u>	<u>-</u>	<u>694</u>

7. **SEGMENT RESULTS**

Rs.000's

	Stepped-end Division		Balochistan Laminates Division		T o t a l	
	For the Quarter		For the quarter		For the Quarter	
	July - Sept ( 2005 )	July - Sept ( 2004 )	July - Sept ( 2 0 0 5 )	July - Sept ( 2 0 0 4 )	July - Sept ( 2005 )	July - Sept ( 2004 )
Turnover						
Local	133,992	79,018	153,706	131,940	287,698	210,958
Export	-	1,934	14,589	21,083	14,589	23,017
	133,992	80,952	168,295	153,023	302,287	233,975
Less: Sales Tax	(17,477)	(10,307)	(18,533)	(17,228)	(36,010)	(27,535)
Sales discount	(195)	-	-	-	(195)	-
Net Sales	116,320	70,645	149,762	135,795	266,082	206,440
Cost of sales	(99,235)	(52,355)	(131,082)	(119,529)	(230,317)	(171,884)
Gross profit	17,085	18,290	18,680	16,266	35,765	34,556
Selling and distribution cost	(3,334)	(3,127)	(9,146)	(6,077)	(12,480)	(9,204)
Administrative Expenses	(8,717)	(8,253)	(3,647)	(4,162)	(12,364)	(12,415)
Other income	364	81	844	188	1,208	269
Profit/(Loss) on trading	-	880	3,550	42	3,550	922
	(11,687)	(10,419)	(8,399)	(10,009)	(20,086)	(20,428)
Segment Result	5,398	7,871	10,281	6,257	15,679	14,128

Other income excludes interest income and other item amounting in total to Rs. 0.131 million for the quarter ended Sept 30, 2005 (Sept 30, 2004 : Rs. 0.428 million) as these relates to the entity as a whole and not to any segment of the company.

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

9. **DATE OF AUTHORISATION FOR ISSUE**

These un-audited financial statements were authorised for issue on October 19, 2005, by the Board of Directors of the company.

**S. Z. Kazmi**  
Chief executive

**Kersi D. Kapadia**  
Director