

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

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)	
	Additions (cost)	Deletions (book value)	Additions (cost)	Deletions (book value)
----- Rs.000's -----				
Owned Assets				
Factory Building	890	-		
Plant and machinery	30	-	1,851	
Vehicles	520	354	1,817	
Office & Factory equipment	126	-	426	46
Computers	231	23	772	193
Furniture & Fixture				4
	1,797	377	4,866	243
Leased Assets				
Vehicles	1,309	-	-	-
	3,106	377	4,866	243
Capital work-in-progress	1,085	-	-	-
Intangible Assets	315	-	-	-
	4,506	377	4,866	243

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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.6.592 million (June 30, 2005: Rs.5.084 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 provided
Associates	2,608	18,131	459					3,523
Common directorship				49	8	3,276	2	1,567
	<u>2,608</u>	<u>18,131</u>	<u>459</u>	<u>49</u>	<u>8</u>	<u>3,276</u>	<u>2</u>	<u>5,090</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 provided
Associates	1,947	16,996						2,507
Common directorship				35	428	1,976		1,253
	<u>1,947</u>	<u>16,996</u>	<u>-</u>	<u>35</u>	<u>428</u>	<u>1,976</u>	<u>-</u>	<u>3,760</u>

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

8. 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