

PAKISTAN PAPERSACK CORPORATION LIMITED
SELECTED EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 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 unaudited but subject to limited scope review by the auditors 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:

	Half-Year Ended December 31, 2005		Half-Year Ended December 31, 2004	
	Acquisitions (cost)	Disposals (book value)	Acquisitions (cost)	Disposals (book value)
	----- (Rupees in thousands) -----			
Owned Assets				
Factory Building	1,443	-	-	-
Plant and machinery	1,727	-	3,730	-
Office & Factory equipment	72	28	140	38
Computers	45	-	865	173
Furniture and fixtures	-	-	18	-
Vehicles	520	354	3,137	4
	3,807	382	7,890	215
Capital work in progress	20	-	-	-
	3,827	382	7,890	215
Leased Assets				
Vehicles	1,676	-	-	-
	5,503	382	7,890	215

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5. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	December 31 2005	December 31 2004
Assets acquired during the period	1,676	-
Less: Payment made during the period	204	-
	1,472	-
Less: Current maturity	460	-
	1,012	-

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 Rs.9.097 million (June 30, 2005: Rs.15.985 million) were in issue against the performance of sales agreements to various companies
- (b) The case under section 122(5A) of the Income Tax Ordinance 2001 reopened by the Additional Commissioner of Income Tax Department for the Tax Year 2004 been decided in favor of the company. The additional tax liability amounted to Rs. 5.07 million has been deleted by the Commissioner of Income Tax (Appeals-1) Karachi.

6.2 Commitments

- (a) Commitments under lease agreements in respect of vehicles amounted to Rs.2.149 million (June 30, 2005: Rs.2.804 million).
- (b) Outstanding letter of credit amounted to Rs.89.548 million (June 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	2005							
	Sale of goods	Purchase of goods	Purchase of motor vehicle	Financial Expenses	Interest Received	Insurance Expenses	Insurance claim received	Services acquired
Associates	6,723	34,249	459	-	-	-	-	-
Common directorship	-	-	-	143	91	4,035	2	-
Subsidiary	-	-	-	-	-	-	-	2,024
	6,723	34,249	459	143	91	4,035	2	2,024
Nature of related party relationship	2004							
	Sale of goods	Purchase of goods	Purchase of motor vehicle	Financial Expenses	Interest Received	Insurance Expenses	Insurance claim received	Services acquired
Associates	5,843	31,292	1,211	-	-	-	-	-
Common directorship	-	-	-	72	677	4,101	6	-
Subsidiary	-	-	-	-	-	-	-	1,361
	5,843	31,292	1,211	72	677	4,101	6	1,361

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Rs.000's

8. SEGMENT RESULTS

	Stepped-end Division				Balochistan Laminates Division				T o t a l			
	For the half year		For the quarter		For the half year		For the quarter		For the half year		For the quarter	
	July - Dec (2005)	July - Dec (2004)	Oct - Dec (2005)	Oct - Dec (2004)	July - Dec (2005)	July - Dec (2004)	Oct - Dec (2005)	Oct - Dec (2004)	July - Dec (2005)	July - Dec (2004)	Oct - Dec (2005)	Oct - Dec (2004)
Turnover												
Local	255,712	156,455	121,720	77,437	304,722	277,830	151,016	145,889	560,434	434,285	272,736	223,326
Export	-	5,092	-	3,158	35,327	36,582	20,738	15,499	35,327	41,674	20,738	18,657
	255,712	161,547	121,720	80,595	340,049	314,412	171,754	161,388	595,761	475,959	293,474	241,983
Less: Sales Tax	(33,354)	(20,407)	(15,877)	(10,100)	(36,429)	(36,320)	(17,896)	(19,092)	(69,783)	(56,727)	(33,773)	(29,192)
Sales discount	(827)	(90)	(632)	(90)	(663)	-	(663)	-	(1,490)	(90)	(1,295)	(90)
Net Sales	221,531	141,050	105,211	70,405	302,957	278,092	153,195	142,296	524,488	419,142	258,406	212,701
Cost of sales	(189,376)	(109,321)	(90,141)	(57,402)	(261,731)	(239,494)	(130,649)	(119,965)	(451,107)	(348,815)	(220,790)	(177,367)
Gross profit	32,155	31,729	15,070	13,003	41,226	38,598	22,546	22,331	73,381	70,327	37,616	35,334
Administrative Expenses	(18,858)	(17,211)	(10,141)	(8,602)	(8,110)	(7,815)	(4,463)	(3,673)	(26,968)	(25,026)	(14,604)	(12,275)
Selling and distribution cost	(7,409)	(6,403)	(4,075)	(3,195)	(20,263)	(17,001)	(11,117)	(10,904)	(27,672)	(23,404)	(15,192)	(14,099)
Other income	496	981	132	900	223	1,018	(621)	830	719	1,999	(489)	1,730
Profit/(Loss) on trading	-	483	-	(397)	7,249	531	3,699	489	7,249	1,014	3,699	92
	(25,771)	(22,150)	(14,084)	(11,294)	(20,901)	(23,267)	(12,502)	(13,258)	(46,672)	(45,417)	(26,586)	(24,552)
Segment Result	6,384	9,579	986	1,709	20,325	15,331	10,044	9,073	26,709	24,910	11,030	10,782

Other income excludes dividend income, interest income and other item amounting in total to Rs.22.765 million for the half year ended Dec 31, 2005 (Dec 31, 2004 : Rs. 21.347 million) and Rs.22.634 million for the quarter ended Dec 31, 2005 (December 31, 2004: Rs. 20.918 million) as these relates to the entity as a whole and not to any segment of the company.

9. SUBSEQUENT EVENT

The scheme of merger between Pakistan Papersack Corporation Ltd., ("PPCL") and Khyber Papers (Private) Ltd., ("KPPL") and Thal Limited ("TL") has been approved by the Board of Directors at its meeting held on February 20, 2006 effective July 01, 2005 with the object to transfer the whole of the undertaking of PPCL and KPPL into TL subject to completion of legal formalities. Thal Limited shall allot and issue fully paid ordinary shares to the qualifying shareholders of PPCL and KPPL in the ratio of 1 share of TL for every 3.07 shares of PPCL and in the ratio of 1 share of TL for every 0.26 share of KPPL.

10. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 20th February 2006 by the Board of Directors of the company.

11. GENERAL

- 11.1 Figures of the profit and loss account for the quarters ended December 31, 2005 and December 31, 2004 have not been subject to a limited scope review, as the scope of the review covered only the cumulative figures for the half-year ended December 31, 2005.
- 11.2 Figures have been rounded off to the nearest thousand rupee.
- 11.3 Corresponding period's figures have been rearranged for the purpose of better presentation.

Mazhar Valjee
Chief Financial Officer

S. Z. Kazmi
Vice Chairman & Director