

SCHEDULE 17 - NOTES FORMING PART OF THE ACCOUNTS
1 SECURED LOANS

Bank borrowings are nil at year end. However, working capital loan facilities sanctioned by banks have been secured by hypothecation of inventories & book-debts.

2 a) DIRECTORS' REMUNERATION

	31st December, 2005	(Rs.in Thousands) 31st December, 2004
Salary, Allowances & Perquisites	13,048	8,920
Contribution to Provident Fund	679	567
	<u>13,727</u>	<u>9,487</u>

Note: Provision for gratuity which is based on actuarial valuation is excluded from above.

b) Computation of net profit in accordance with Sections 198, 349 and 350 of the Companies Act, 1956 and commission payable to Directors:

	31st December, 2005	(Rs.in Thousands) 31st December, 2004
Profit before Taxation & Extraordinary items	386,904	336,493
Add: Provision for diminution in value of Investments	3	-
Loss on sale of Investments	-	6,743
Directors fees	165	180
Remuneration to Working Directors	13,727	9,487
Remuneration to Non-Executive Directors	1,450	1,100
	<u>15,345</u>	<u>17,510</u>
	402,249	354,003
Less: Capital Profit on sale of fixed assets	24,393	3,590
Profit on sale of Investments	634	-
Write back of provision for diminution in value of Investments	-	3,305
Write back of provision for Doubtful Debts	-	259
	<u>25,027</u>	<u>7,153</u>
Net Profit	<u>377,222</u>	<u>346,850</u>
Managerial Remuneration payable as per above profit:		
To Working Directors @ 10% P.A.	37,722	34,685
To Non-Executive Directors @ 1 % P.A.	3,772	3,469
	<u>41,494</u>	<u>38,154</u>
Commission provided for		
-Non-Executive Directors	1,450	1,100
	<u>1,450</u>	<u>1,100</u>

The Company depreciates its fixed assets as enumerated in Schedule 16 Policy III wherein estimated useful lives for certain assets are lower than implicit estimated useful lives prescribed by Schedule XIV of the Companies Act, 1956. Thus, the depreciation charge in the books is higher than the minimum prescribed by the Companies Act, 1956. This higher depreciation value has been considered as deduction for the Computation of Managerial Remuneration above.

3 a) Provision for taxes is based on the results for the year ended 31st December 2005 in accordance with the provisions of the Income Tax Act, 1961. The final tax liability will be determined on the basis of the results of the operations for the year ending 1st April 2005 to 31st March 2006, being the tax year of the Company.

	31st December, 2005	(Rs.in Thousands) 31st December, 2004
b) Details of Deferred Tax Asset		
Arising on account of timing differences in :		
-Provision for doubtful debts	10,399	10,160
-Provision for retirement benefits	10,408	9,835
-Deferment of VRS expenses	284	1,544
	<u>21,091</u>	<u>21,539</u>
Details of Deferred Tax Liability		
Arising on account of timing differences in :		
-Depreciation	81,291	111,445
Deferred Tax Liability (Net)	<u>60,200</u>	<u>89,906</u>

4 SEGMENTAL REPORTING

The company's sole business segment is Consumer Packaging & all activities of the company are incidental to this sole business segment. Given this fact & that the company services its domestic & export markets from India only, the financial statements reflect the information required by AS-17 for the sole business segment of Consumer Packaging. 100% of the business assets of the Company are situated in India.

Total Capital employed in the business and as such in the segment is Rs.2,190,957 Thousands (Previous Year Rs.2,015,297 Thousands) Secondary segments for the Company are geographic, namely domestic & exports.

Debtors outstanding in respect of export segment are Rs.180,576 Thousands (Previous Year Rs.105,324 Thousands)

	31st December, 2005	(Rs.in Thousands) 31st December, 2004
Net Sales to External Domestic Customers	3,247,749	3,085,377
Net Sales to External Export Customers	735,162	532,392
Total Net Sales to External Customers	<u>3,982,912</u>	<u>3,617,769</u>
Net Sales to Inter Unit Domestic Customers	345,692	322,442
Total Company Net Sales	<u>4,328,604</u>	<u>3,940,211</u>

Revenue from geographic segments is based on the domicile of customers.

5 RELATED PARTY TRANSACTIONS

- a) Related party where control exists :
1. Ultimate Parent Company Huhtamaki Oyj., Finland
 2. Holding Company Huhtavefa B.V., Netherlands
- b) Other Related Parties with whom transactions have taken place during the year :
- Fellow Subsidiary
- Huhtamaki New Zealand Ltd. New Zealand.
Huhtamaki Vietnam Ltd, Vietnam
Huhtamaki Australia Ltd., Australia
Huhtamaki Deutschland Gmbh & Co.KG. Germany
- c) Employees' Benefit Plans where there is significant influence The Paper Products Ltd. Employees Gratuity Fund
- d) Key Managerial Personnel
- Mr. Suresh Gupta - Managing Director & President
Mr. C.N.Murthy - Director - Technical
(w.e.f. 01.02.2005)
Mr. H.L.Chopra - Director - Technical
(upto 31.01.2005)
- e) Relatives of Key Managerial Personnel
- Brig.V.P.Gupta, Mrs.Manmohini Gupta,
Mrs.Kumkum Gupta,
Ms.Ratna Gupta, Ms.Shivani Gupta,
Mr.Suresh Gupta as Executor of Jyoti Trust.

f) The Company has entered into following transactions with the related parties :

	Nature of Transactions	31st December, 2005	(Rs.in Thousands) 31st December, 2004
Ultimate Parent Company	Training, Software & Expense Reimbursements Paid\Payable	2,068	438
Holding Company	Dividend Paid	44,321	110,802
Fellow Subsidiary	Purchase of Goods	408	3,484
	Technical Services Income	96	631
	Sale of Goods	658	-
	Expense Reimbursements Paid\Payable	602	-
	Expense Reimbursements Received\Receivable	556	-
	Balance due to	2,235	-
	Balance due from	500	-
Key Managerial Personnel & their relatives	Remuneration Paid	13,727	9,487
	Dividend Paid	2,088	5,652
	Interest Paid	177	153
	Deposits Received and Outstanding as on	2,373	1,810
Employees' Benefit Plans	Contribution for Gratuity	6,233	4,747
	Net Outstanding Amount Payable/(Receivable) as on	1,224	(3,044)
		31st December, 2005	(Rs.in Thousands) 31st December, 2004

6 LEASES

a) Assets obtained on lease

- i) Company has taken office facilities & residential facilities under cancellable operating lease agreements.

Company renews such leases in the normal course of business.

Total rental expenses under cancellable operating leases 2,306 2,661

- ii) The Company has taken prior to 01.04.2001 vehicles & equipments on lease under non-cancellable lease agreements.

Total rentals payable for unexpired period of leases - 60

b) Assets given on lease

- i) Company has given certain land under operating lease agreements & renews such leases in the normal course of business.

Total rental income under such operating leases was 300 300

- ii) Company has given packaging & related machines to customers under operating lease terms. These machines which are manufactured by company are capitalised in the books of accounts at the direct cost of manufacturing. Initial direct costs (other than direct cost of manufacturing) incurred specifically to earn revenues from operating leases are recognised as expenses in the statement of profit & loss in the year in which they are incurred.

Original cost of machines given on lease 3,046 3,046

Depreciation charge for year 320 320

Accumulated depreciation 1,605 1,286

Rental income credited to profit & loss account 412 1,319

7 CONTINGENT LIABILITIES

i) Excise Duty

- a) (i) The Customs, Excise & Gold (Control) Appellate Tribunal has confirmed the demand of Rs.4,336 Thousands and a penalty of Rs.1,000 Thousands vide their order dated 6th February, 2002. The company has filed an appeal against same before the Supreme Court. As per Supreme Court order an amount of Rs.2,500 Thousands has been deposited.
- (ii) The CESTAT confirmed the demand of Rs.22,012 Thousands and penalty of Rs.10,000 Thousands vide its order dated 15th July, 2005. The Company has filed an appeal against same before the Supreme Court and stay has been obtained. Consistent with the previous stand & based on the opinion of legal counsel no provision is made for these demands in the financial statements.
- b) Matters pending in appeal Rs.19,121 Thousands and penalties Rs.12,343 Thousands (Previous Year Rs.62,829 Thousands and penalties Rs.21,798 Thousands).
- c) Other showcause notices Rs.35,633 Thousands (Previous Year Rs.76,608 Thousands)

	31st December, 2005	(Rs.in Thousands) 31st December, 2004
ii) Customs Duty demands in appeal	133	-
iii) Sales Tax demands in appeal	758	2,126
iv) Claims against the Company not acknowledged as debts	7,431	7,431
v) Counter guarantees issued to bankers for issuance of guarantees on behalf of the Company	6,456	4,802
vi) Contracts remaining to be executed on capital account & not provided for (net of advances)	301,971	3,277
vii) Bonds executed in favour of excise/customs authorities	300	6,239
viii) The Company has obtained EPCG licenses issued under & subject to conditions contained in Chapter 5 of the Foreign Trade Policy 2004-2009. These licenses entitle the Company to import capital goods at concessional rates of customs duty. In accordance with the terms of the EPCG license, the Company has undertaken an export obligation of Rs 802,854 Thousands to be discharged over a period of 8 years w.e.f January 2004. As on 31st December 2005 the Company has discharged export obligation of approximate Rs.463,700 Thousands.		

8 RESEARCH & DEVELOPMENT EXPENSES

The details of research & development expenses incurred and included under various heads in Profit & Loss Account are as follows:

	For The Year ended 31st December, 2005	(Rs.in Thousands) For The Year ended 31st December, 2004
Operating Expenses		
Repairs & Stores Consumed	435	1,000
Personnel Expenses		
Salaries, Wages & Bonus	3,857	2,510
Contribution to PF & Other funds	357	(4)
Staff Welfare Expenses	442	329
Other Expenditure		
Product Development Expenses	1,959	2,611
Conveyance, Electricity, Printing & Stationery, Travelling, Car & Vehicle Expenses, Society Charges etc.	437	365
Miscellaneous Expenses	185	123
Depreciation	475	1,071
Total	<u>8,147</u>	<u>8,005</u>

This information is given pursuant to the recognition granted to the Company's Research & Development Center by the Department of Scientific & Industrial Research, Ministry of Science & Technology, Government of India, vide their letter No.TUD/4D/RD/963/84-84 dt.06.01.1984 and as renewed from time to time.

9 PARTICULARS IN RESPECT OF GOODS MANUFACTURED

Description	31st December, 2005		31st December, 2004	
	Tonnes		Tonnes	
1 Installed Capacity *				
a. Laminates & Converted, Coated / Uncoated Paper & Films		24,590.000		24,590.000
b. Cartons		6,000.000		4,320.000
c. Metalised Films		1,000.000		1,000.000
d. Polyethylene Films		3,600.000		3,600.000
* Installed capacities are as certified by the management & have not been verified by the auditors, as this is a technical matter.				
2 Production				
a. Laminates & Converted, Coated / Uncoated Paper & Films		18,773.416		16,388.781
b. Cartons		5,103.408		4,439.974
c. Metalised Films *		274.995		346.674
d. Jobwork - Metalised Films		658.251		594.939
e. Polyethylene Films *		3,219.954		3,148.744
f. Jobwork- Others		70.420		34.671
		<u>28,100.444</u>		<u>24,953.783</u>

* Includes for captive consumption

10 TURNOVER & STOCKS OF GOODS MANUFACTURED & TRADED

	31st December, 2005		(Rs.in Thousands) 31st December, 2004	
	Tonnes	Value	Tonnes	Value
a. Turnover (Net Sales)				
a. Laminates & Converted, Coated / Uncoated Paper & Films	18,777.938	3,730,871	16,254.252	3,323,638
b. Cartons	5,102.931	287,363	4,439.289	308,312
c. Metalised Films *	274.995	59,589	346.674	76,297
d. Jobwork - Metalised Films	658.251	17,952	594.939	24,151
e. Polyethylene Films *	3,176.254	262,772	3,153.380	233,903
f. Jobwork- Others	70.420	1,524	34.671	1,008
g. Others	-	38,247	-	25,605
	<u>28,060.789</u>	<u>4,398,318</u>	<u>24,823.205</u>	<u>3,992,914</u>
Less: Rebates & Discounts		69,714		52,703
	<u>28,060.789</u>	<u>4,328,604</u>	<u>24,823.205</u>	<u>3,940,211</u>
* Includes for captive consumption				
b. Opening Stock				
a. Laminates & Converted, Coated / Uncoated Paper & Films	324.652	28,727	190.123	31,780
b. Cartons	11.537	843	10.852	409
c. Metalised Films	-	-	-	-
d. Polyethylene Films	61.527	3,926	66.163	4,611
	<u>397.716</u>	<u>33,496</u>	<u>267.138</u>	<u>36,800</u>
c. Closing Stock				
a. Laminates & Converted, Coated / Uncoated Papers & Films **	273.621	51,870	324.652	28,727
b. Cartons	12.014	493	11.537	843
c. Metalised Films	-	-	-	-
d. Polyethylene Films	105.227	7,078	61.527	3,926
	<u>390.862</u>	<u>59,441</u>	<u>397.716</u>	<u>33,496</u>

** Does not include 46.509 Tonnes of finished goods damaged due to flood.

Quantitative details for Turnover, Production, Opening Stock & Closing Stock have been converted in Tonnes based on technical estimates by management as products are sold in diverse units of measurement.

11 RAW MATERIALS & PACKING MATERIALS CONSUMED

	31st December, 2005		(Rs.in Thousands) 31st December, 2004	
	Tonnes	Value	Tonnes	Value
a. Paper	4,378.737	174,741	3,569.618	134,482
b. Paper Board	4,611.525	98,327	4,059.726	96,150
c. Films	15,458.831	1,626,160	14,040.774	1,549,248
d. Inks,Adhesives and Solvents	6,723.981	626,338	6,144.220	530,363
e. Polyethylene Granules	5,079.330	334,348	4,423.226	261,224
f. Others		116,088		90,083
	<u>36,252.404</u>	<u>2,976,002</u>	<u>32,237.564</u>	<u>2,661,550</u>

12 CIF VALUE OF IMPORTS

a. Raw Materials	579,921	389,244
b. Stores, Spares-Parts & Other Materials	18,576	13,383
c. Capital Goods	6,693	291,913

13 CONSUMPTION OF RAW MATERIALS, PACKING MATERIALS, STORES & SPARES

	Percentage	Value	Percentage	Value
a. Imported	20.27%	609,285	15.72%	422,175
b. Indigenous	79.73%	2,396,271	84.28%	2,262,897
	<u>100.00%</u>	<u>3,005,556</u>	<u>100.00%</u>	<u>2,685,072</u>

14 EARNINGS IN FOREIGN CURRENCY

a. F.O.B. Value of Exports	640,421	462,787
b. Service Charges Earned	14,392	14,908

15 EXPENDITURE IN FOREIGN CURRENCY (On payment basis)

a. Travelling Expenses	3,832	5,058
b. Export Agency Commission	6,595	7,372
c. Technician Fees	1,924	412
d. Others	241	670

16 a) The Company has availed of unsecured interest free sales tax deferred loan of Rs.160,574 Thousands from the Government of Andhra Pradesh for its Hyderabad (Bollaram) factory, in accordance with their sales tax deferral scheme. The above amount is repayable after 14 years from the date of availment of the loan. The first due date for repayment is 1st April 2011.

b) In October 1998, the company acquired the Hyderabad Plant from APR Ltd through an asset buyout deal. To comply with the Andhra Pradesh Sales Tax deferrment Scheme, the Company took over a sales tax deferred loan of Rs.6,318 Thousands from APR Ltd . As a compensation the company was given 195 IDBI deep discount bonds having issue price of Rs.526 Thousands and a fair value of Rs.1,541 Thousands. These bonds on due date for repayment of this loan were to yield a maturity value of Rs 9,750 Thousands which after meeting the estimated Income tax liability would have fully funded the sales tax loan liability. The investment in IDBI bonds valued at Rs.1,541 Thousands was shown as long term investment, the sales tax loan under unsecured loans and the differential of Rs. 4,776 Thousands under other current assets being the unearned interest component which is being accrued over the tenure of the bonds. Consequent to the exercise of call option on these bonds by IDBI the above deep discount bonds have been redeemed in March,2002. The Board decided to continue to invest in deep discount bonds to fund this liability. Accordingly it has invested an amount of Rs.3,111 Thousands in ICICI deep discount bonds. The unearned interest of Rs.1,435 Thousands as on 31st December,2005 reflects current estimated yield on this investment.

17 a) The Company has remitted dividend in Foreign Currency (Euro) to its parent Company M/s Huhtavefa B V Netherlands. The particulars of dividend declared and paid to above shareholder are as under:

	31st December, 2005	31st December, 2004
a. Number of Non-resident Shareholder	1	1
b. Equity Shares held by Non-resident Shareholder	7,386,820	7,386,820
c. Gross Amount of Dividend Remitted (Rs.in Thousands)	44,321	110,802

- b) Except at point no.17 a) the Company has not directly remitted any amount in foreign currency on account of dividend on equity shares and or interest on Non Convertible Debentures held by Non Resident Indians, Overseas Corporate Bodies and Foreign Institutional Investors. The Company does not have any information if any remittance in foreign exchange has been made by the respective banks and/or custodians, to whom the payment had been made by company in rupees.

The particulars of dividend declared during the year and paid to the Non- resident shareholders are as under:-

	31st December, 2005	31st December, 2004
a. Number of Non-resident Shareholders	41	32
b. Equity Shares held by Non-resident Shareholders	1,562,146	1,005,015
c. Gross Amount of Dividend (Rs.in Thousands)	9,373	15,075

- 18 Small Scale Industrial Undertakings to whom dues are outstanding for more than 30 days are as follows :
(As identified by the management)

Able Moulders	Dipti Corrugating Industries Pvt Ltd	Silva Printing & Packaging
Akik Insupack	Ganesh Corporation	Shanti Patra Plastics Pvt.Ltd.
Anand Polyrotex	Hotmelt Packaging Pvt.Ltd.	SDBP Compositions
Ambetronics	Indrayani Paper Products Pvt Ltd	Sri Sri Sairam Packaging
Bombay Paints & Chemicals	Kolns Pipes Pvt Ltd	Sree Venkateshwara Pouch Makers
Choudhary Packagers	Manish Packaging Pvt. Ltd	Thermo Shell Industries
Convertech Equipment Pvt Ltd	Plascap Industries	Tarun Engineering Works
Classic Paper Tube Company	Shreenath Packaging	Vijayalaxmi Enterprises
Dalbir Engineers	Setco Chemicals (I) Pvt Ltd	Zenith Die Makers Pvt Ltd

- 19 Extraordinary items of Rs.7,959 Thousands constitute net loss to assets/inventories damaged (net of estimated/settled insurance claim) as estimated by the management pursuant to damage caused by water inundation at Thane plant due to heavy rains in Thane & Mumbai on 26th July, 2005.The detailed claim assessment and settlement procedures are in process & further adjustments (if any) will be given effect to on the settlement of claim.
- 20 Sundry Debtors include following amounts due from Companies under the Same Management:-
Huhtamaki New Zealand Ltd. New Zealand, Rs.259 Thousands (Previous Year Rs.Nil).
Huhtamaki Vietnam Ltd, Vietnam, Rs.142 Thousands (Previous Year Rs.Nil).
- 21 Loans & Advances include following amounts due from Companies under the Same Management:-
Huhtamaki Australia Ltd., Australia, Rs.99 Thousands (Previous Year Rs.Nil).
- 22 Capital Work in Progress as at 31st December,2005 includes an amount of Rs.1,282 Thousands incurred during the year being preoperative expenses given below debited to project account:-

	(Rs.in Thousands)
Personnel Expenses	55
Travelling & Conveyance	501
Legal & Professional Charges	382
Bank Charges	102
Depreciation	99
Rent & Maintenance	88
Software Licence Fees	50
Miscellaneous	5
	<u>1,282</u>

- 23 Previous year figures are appropriately reclassified to conform with current year's classification.

Signatures to Schedules 1 to 17

	K.C. NARANG <i>Chairman</i>
PRADEEP PASARI <i>Company Secretary</i>	SURESH GUPTA <i>Managing Director & President</i>
Mumbai 31st January, 2006	PARAG VYAVAHARE <i>Controller - Accounts</i>
	RAVI CHIDAMBARAM <i>Controller - Finance</i>