

Manufacturers of Quality PET Bottles and Preforms

**EcoPack Ltd.**








## Mission Statement

*To systematically and cost effectively manufacture and supply consistently high quality products and services thus achieving customer satisfaction profitably and thereby ensuring the financial well being of the company and maximum returns to the shareholders.*

## Corporate Strategy

*Retain market share leadership through quality and price competitiveness while creating value as a low cost producer.*

## CONTENTS

 Company Information .....	03
 Directors' Report .....	04-05
 Balance Sheet .....	06
 Profit & Loss Account .....	07-08
 Cash Flow Statements .....	09
 Statement of Changes in Equity .....	10
 Notes to the Financial Statements .....	11-14

Manufacturers of Quality PET Bottles and Preforms



## COMPANY INFORMATION

### BOARD OF DIRECTORS:

Mr. Hussain Jamil	Chairman/Executive Director
Mr. Mr. Ahsan Jamil	Chief Executive Officer
Mr. Ali Jamil	
Mr. Shahid Jamil	
Mrs. Deborah Jamil	
Mrs. Ayesha Khan	
Mr. Ashiq Hussain Qureshi	

### AUDIT COMMITTEE:

Mr. Hussain Jamil	Chairman	
Mrs. Ayesha Khan	Member	Non-Executive Director
Mr. Ashiq Hussain Qureshi	Member	Non-Executive Director

### COMPANY SECRETARY:

Mr. Habib Ur Rehman Siddiqui

### CHIEF FINANCIAL OFFICER:

Mr. Ali Adil

### BANKERS:

Askari Commercial Bank Limited  
Habib Bank Limited  
Citi Bank N. A  
The Bank of Khyber

### AUDITORS:

Khalid Majid Rahman Sarfaraz  
Rahim Iqbal Rafiq  
Chartered Accountants

### LEGAL ADVISOR:

M/s. Ebrahim Hosain Advocate & Corporate Council

### FACTORIES:

1. Plot No. 112-113, Phase V, Industrial Estate Hattar, District Haripur, N.W.F.P., Tel: (0995) 617682-3, Fax: (0995) 617074  
Email: plant\_h@ecopack.com.pk
2. F-248, Near Fire Brigade, S.I.T.E., Karachi. Tel: (021) 2569549-52, Fax: (021) 2569436  
Email: headoffice@ecopack.com.pk

### REGISTERED & CORPORATE OFFICE:

F-248, Near Fire Brigade, S.I.T.E., Karachi. Tel: (021) 2569549-52,  
Fax: (021) 2569436  
Email: headoffice@ecopack.com.pk

### REGISTRAR OFFICE:

Technology Trade (Pvt.) Ltd.  
241-C, Dagia House Block-2, P.E.C.H.S., Karachi.  
Tel : (021) 4391316-7 Fax : (021) 4391318

## **DIRECTOR'S REPORT**

The board of directors of Ecopack Limited is pleased to herewith present its report for the 9-month period ended 31st March, 2007.

### **Sales and Operations:**

Bottle and preform quantitative sales grew by 18.4% over the same period last year while sales revenues were slightly down (5.2%) over the same period. Quantitative sales growth although healthy, was still below plan for the period under review. This was mainly on account of (i) temporary disruptions in supply of carbon dioxide (CO<sub>2</sub>) to our main customers in the carbonated soft drink (CSD) industry (ii) delays in start up of customers capacity expansion projects and (iii) nationwide rains in March '07 depressed demand for beverage drinks. Sales revenue too was affected by this, as by the fact that our sales mix is changing in favour of the potentially fast growth sectors of preforms and small PET bottles where per piece prices are, however, lower. Although preform sales comprise a small base of company sales, their sales trend continued to grow at a rapid rate. The rainy month of March '07 preform sales alone almost reached a third of preform sales for the rest of the period under review. Your company also successfully commenced its debut of preform export in the last quarter.

### **Financial Results:**

Gross margins dropped by 2% compared to same period last year mainly on account of rise in raw material costs, which in the off-season were not recoverable. Operating costs added a further 1% to margin slippage mainly from increases in human resource costs. This rise in cost was necessary given our expanding operations beginning with the new bottle plant investment for through-the-wall supplies to Pepsi Islamabad and our enhancement of preform capacity at our Hattar factory. The most substantial increase in costs was financial charges, which increased by nearly Rs.34 million (83%) over same period last year. Financial charges have increased mainly on account of rising KIBOR, your company's increase in debt for capacity expansions, and highest ever pre-season stock inventory. As a consequence your company has a bottom line loss of Rs.20.5 million versus a profit after tax of Rs.26.5 million for the same nine-month period last year.

### **Future Outlook:**

The long-term bottle supply agreement with the Pepsi Cola franchise bottler in Islamabad, M/s. Haidari Beverages Private Limited (HBPL) has now been successfully installed and trial production is currently being undertaken. Your company will, therefore, commence its first "on-premises" supplies during the current summer season from a brand new bottle manufacturing plant inside the HBPL factory. As informed earlier, the bottles will be supplied 'through the wall' straight into the customer's filling line. The significance of this landmark deal in Pakistan is not just in its substantial tie-up of customer sales volume, which will certainly help grow our business, but also the launching of a new business model for the beverage industry. Your company is now set to build new business alliances based on tried and tested valued corporate relationships in order to leverage core competences creating value and efficiencies simultaneously.

As the growth for PET packaging continues in Pakistan, customer on-premises supply chain arrangements for your company are expected to grow and flourish with other customers too. Future PET demand is expected to grow on the back of new pack size introductions in the CSD sector and the advent of increased competition in the bottled water market. The launch of Aquafina by Pepsi and Kinley by Coke will challenge the dominance of Nestle and the impending "water wars" means demands for PET preforms and bottles will be quite strong, which bodes well for your company.

Toward this objective, your company has undertaken investments in preform capacity expansion at the Hattar plant to profitably target the growing demand for preforms from customers with blowing machines. This plant too has been successfully installed last month and is also under trial production. This will enhance preform output substantially to meet growing demand in the local and export markets, adding a new revenue stream for your company.

The across the board investments by our customers in much larger bottle filling capacities and in the case of most MNC customers, their investment in state of the art filling technologies encourage us to believe that this supply side de-bottle necking will further accelerate conversion from glass bottles to PET containers. Therefore, Ecopacks' role as a supply-chain solution provider to its customers augurs well for the future growth and profitability of the company. Moreover, in the nearer term, your company expects to wipe out the nine-month loss and close the year with a profit.

**Staff and Acknowledgements:**

The management of your company acknowledges and appreciates the impressive and well coordinated efforts undertaken by all levels of staff, managers and workers across the board for the implementation of the bottle blowing in-house facility at the Pepsi-Cola plant in Islamabad. The project has been implemented in record time given that the green light to embark on it was finally inked near the end of December 2006. Pending routine albeit mandatory approvals from Pepsi International, the blowing line is geared to commence full steam production by early May this year.

Also noteworthy is the simultaneous start up a brand new preform injection system by the Project team at your Hattar plant during March 2007.

For & on behalf of the Board of Directors

Karachi  
Dated : April 27, 2007

**Ahsan Jamil**  
(Chief Executive Officer)

## CONDENSED INTERIM BALANCE SHEET

AS AT MARCH 31, 2007

	Note	(UN-AUDITED) MARCH 31, 2007 (Rupees in '000)	(Audited) June 30, 2006 RESTATED
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, Plant & Equipment	5	1,007,959	833,473
Long term security deposits		9,013	8,875
<b>CURRENT ASSETS</b>			
Spares and loose tools		56,270	53,304
Stock in trade		434,268	226,971
Trade debts - unsecured considered good		98,606	135,781
Loans and advances		53,331	35,604
Short term prepayments & deposits		3,449	1,898
Other receivables		42,032	11,287
Cash and bank balances		723	7,046
		688,679	471,892
<b>TOTAL ASSETS</b>		<b>1,705,651</b>	<b>1,314,239</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share Capital			
Authorised			
50,000,000 ( June 2006 : 25,000,000) Ordinary shares of Rs. 10 each		500,000	250,000
Issued, subscribed and paid-up		229,770	164,121
Reserves		70,590	145,699
		300,360	309,820
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>		95,164	102,324
<b>NON-CURRENT LIABILITIES</b>			
Loang term loans - Secured		501,746	306,668
Liability against assets subject to finance lease		21,853	27,693
Deferred liabilities		98,303	98,265
		621,902	432,626
<b>CURRENT LIABILITIES</b>			
Trade and other payables		384,580	303,182
Accrued mark-up on loans		19,502	8,324
Short term finances		172,608	64,231
Current portion of long term liabilities		98,287	84,131
Taxation		13,249	9,600
		688,225	469,468
<b>CONTINGENCIES AND COMMITMENTS</b>	6	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,705,651</b>	<b>1,314,239</b>

The annexed notes form an integral part of these financial statements.

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CHAIRMAN

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CHIEF EXECUTIVE OFFICER

**CONDENSED INTERIM PROFIT & LOSS  
FOR THE NINE MONTHS**

Note	Total			
	Jul-Mar 07 Rs.	Jul-Mar 06 Rs.	Jan-Mar 07 Rs.	Jan-Mar 06 Rs.
Net Sales	728,298	768,448	203,603	223,654
Cost of goods sold	(606,627)	(623,332)	(191,309)	(181,111)
Gross Profit	121,671	145,116	12,295	42,543
Operating expenses:				
Administration	(32,191)	(27,851)	(10,387)	(10,496)
Selling & distribution	(32,700)	(34,385)	(10,134)	(11,217)
	(64,891)	(62,236)	(20,522)	(21,713)
Operating Profit / (Loss)	56,780	82,880	(8,227)	20,830
Financial charges & others :				
Financial charges	(74,112)	(40,511)	(27,364)	(14,982)
Workers' profit participation fund	-	(2,237)	-	(326)
Other income	3,818	2,368	2,228	676
	(70,294)	(40,380)	(25,136)	(14,632)
Profit / (Loss) before tax	(13,514)	42,500	(33,363)	6,197
Taxation - Current	(3,650)	(3,842)	(1,019)	(1,118)
- Deferred	(3,312)	(12,180)	-	-
	(6,962)	(16,022)	(1,019)	(1,118)
Net Profit / (Loss)	(20,475)	26,478	(34,381)	5,079
Earning per share-basic and diluted	(0.89)	1.22	(1.45)	0.22

The annexed notes form an integral part of these financial statements

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CHAIRMAN

Manufacturers of Quality PET Bottles and Preforms



**ACCOUNT ( UN-AUDITED )**  
**ENDED MARCH 31, 2007**

( Rupees in '000 )

Hattar				Karachi			
Jul-Mar 07 Rs.	Jul-Mar 06 Rs.	Jan-Mar 07 Rs.	Jan-Mar 06 Rs.	Jul-Mar 07 Rs.	Jul-Mar 06 Rs.	Jan-Mar 07 Rs.	Jan-Mar 06 Rs.
686,515	666,274	187,126	199,782	129,507	126,604	30,022	41,625
(569,737)	(532,572)	(172,073)	(158,700)	(124,614)	(115,190)	(32,781)	(40,164)
116,779	133,702	15,054	41,082	4,892	11,414	(2,759)	1,461
(26,467)	(23,263)	(8,797)	(8,608)	(5,724)	(4,589)	(1,590)	(1,889)
(27,102)	(27,406)	(8,276)	(8,664)	(5,598)	(6,979)	(1,858)	(2,553)
(53,569)	(50,669)	(17,074)	(17,271)	(11,322)	(11,568)	(3,448)	(4,442)
63,210	83,034	(2,020)	23,810	(6,430)	(154)	(6,207)	(2,981)

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CHIEF EXECUTIVE OFFICER



**CASH FLOW STATEMENT ( UN-AUDITED )**  
**FOR THE NINE MONTHS ENDED MARCH 31, 2007**

	<b>March 31, 2007</b>	<b>March 31, 2006</b>
	<b>( Rupees in '000)</b>	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	(13,514)	42,500
<b>Adjustment for non cash charges:</b>		
Depreciation	45,495	36,372
Gain on disposal of fixed assets	(290)	-
Provision for WPPF	-	2,237
Provision for gratuity	2,818	1,433
Financial charges	74,112	40,511
	122,135	80,552
Cash flow from operating activities before working capital changes	108,621	123,052
<b>(Increase) / Decrease in current assets :</b>		
Spares & loose tools	(2,966)	(4,759)
Stock in trade	(207,296)	(51,402)
Trade debts	37,175	2,735
Loans & advances	(17,727)	(29,923)
Short term prepayments & deposits	(1,551)	304
Other receivables	(21,969)	(10,893)
Net increase in current assets	(214,334)	(93,938)
Increase / ( Decrease ) in Trade & Other Payables	85,951	78,358
<b>Other payments:</b>		
Financial charges paid	(67,308)	(40,763)
Gratuity paid	(2,239)	(282)
WPPF paid	(4,554)	(2,804)
Taxes Paid	(8,776)	(628)
	(82,878)	(44,477)
Net cash (Outflow) / inflow from operating activities	(102,639)	62,995
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(42,774)	(146,963)
Capital work-in-progress	(173,034)	44,014
Long term security deposits increased	(138)	(926)
Proceeds from disposal of fixed assets	481	-
Net cash outflow from investing activities	(215,464)	(103,875)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term loan obtained	256,528	79,467
Repayment of long term loans	(49,450)	(29,694)
Leases acquired	9,266	-
Finance lease repaid	(12,941)	(10,258)
Net cash inflow from financing activities	203,403	39,515
Net Increase in cash and cash equivalents	(114,700)	(1,365)
Cash and cash equivalents at the beginning of the period	(57,185)	2,515
Cash and cash equivalents at the end of the period	(171,885)	1,149

The annexed notes form an integral part of these financial statements.

CHAIRMAN

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CHIEF EXECUTIVE OFFICER

Manufacturers of Quality PET Bottles and Preforms



**STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE NINE MONTHS ENDED MARCH 31, 2007**

	NOTE	Share Capital	Unappropriated Profit	Total
----- ( Rupees in '000 ) -----				
Balance as on July 01, 2005		142,714	69,720	212,434
Correction of error	9	-	3,765	3,765
Balance as on July 01, 2005 - Restated		142,714	73,484	216,198
Issue of Bonus shares @ 15%		21,407	(21,407)	-
Profit from Jul 2005 to Mar 2006		-	26,478	26,478
Profit from April 2006 to June 2006		-	43,892	43,892
Transfer from surplus on revaluation of fixed assets, current year - net of deferred tax		-	23,252	23,252
Balance as at July 01, 2006 - Restated		164,121	145,698	309,819
Issue of Bonus shares @ 40%		65,648	(65,648)	-
Net ( Loss ) from Jul 2006 to Mar 2007		-	(20,475)	(20,475)
Transfer from surplus on revaluation of fixed assets, current period - net of deferred tax		-	11,015	11,015
<b>Balance as at March 31, 2007</b>		<b>229,770</b>	<b>70,590</b>	<b>300,360</b>

The annexed notes form an integral part of these financial statements

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CHAIRMAN

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CHIEF EXECUTIVE OFFICER

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED MARCH 31, 2007**

**1. STATUS AND NATURE OF BUSINESS**

The company was incorporated on 25 August 1991 as a private limited company under the Companies Ordinance, 1984. It was converted as a public limited company on April 29, 1992 and subsequently in March 1994 was listed at Karachi Stock Exchange. The registered office of the Company is situated at F-248, Near Fire Brigade S.I.T.E., Karachi. The principal activity of the company is to manufacture and sale of Poly Ethylene Terephthalat (PET) bottles and preforms for beverage and non-beverage industry. The company is the market leader in PET manufacturing for the beverage industry in Pakistan. Its two manufacturing facilities are located in the province of Sindh at Karachi and in the province of NWFP at Hattar.

2. These condensed interim financial statements are un-audited and have been prepared in accordance with the International Accounting Standard 34 "interim Financial "Reporting" and are being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 and the listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges. These condensed interim financial statements do not include all of the information required for full annual financial statements, and should be read in connection with the financial statements of the company for the year ended June 30, 2006.
3. The accounting policies adopted and methods of computation followed for the preparation of these financial statements are the same as those applied in preparing the financial statements for the year ended June 30, 2006.

**4. ESTIMATES AND JUDGMENTS**

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. However, actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended June 30, 2006.

**March 31, 2007**      **June 30, 2006**

( Rupees in '000)

**5. PROPERTY, PLANT & EQUIPMENT**

Additions in operating assets during the period :

Capital work in progress	173,034	(118,830)
Piping Work & Electrification	2	14,887
Building, Plant & Machinery	14,308	253,100
Blow & Injection Moulds	13,940	15,690
Vehicles	4,426	7,563
Others	14,463	5,990
	<u>220,173</u>	<u>178,400</u>

**6. CONTINGENCIES AND COMMITMENTS**

**6.1 Contingency**

There is no change in the contingency as already disclosed in the audited financial statements for the year ended June 30, 2006.

**6.2 Commitments**

Commitments in respect of letters of credit of raw materials and imported machines amounting to Rs. 37.940 million as at balance sheet date ( June 2006 : Rs.23.072 million )

**7. INTERSEGMENT SALES & PURCHASES**

	<u>For the 9 months ended Mar-07</u>	<u>For the 9 months ended Mar-06</u>	<u>For the Quarter ended Mar-07</u>	<u>For the Quarter ended Mar-06</u>
Inter-segment Sales and Purchases between Hattar and Karachi plant have been reported in respective segments and eliminated from total. Transactions among business segments recorded at cost are:	<u>87,724</u>	<u>24,430</u>	<u>13,545</u>	<u>17,754</u>

## 8. COST OF GOODS SOLD

PARTICULARS	Jul-Mar 07	Jul-Mar 06	Jan-Mar 07	Jan-Mar 06
Raw material consumed	592,501	478,309	180,983	137,735
Packing material consumed	34,369	27,530	10,614	8,334
Salaries, wages & other benefits	42,507	35,817	13,696	11,806
Travelling & conveyance	1,149	1,800	32	792
Professional charges	403	465	359	128
Vehicle repair & maintenance	4,743	2,945	1,427	1,046
Rent, rate & taxes	10,858	5,386	3,868	2,116
Repair & maintenance	2,807	5,101	532	2,190
Telephone	1,010	1,100	275	334
Printing, postage & stationery	673	660	186	213
Entertainment	948	778	205	144
Advertisement	23	-	23	-
Insurance	1,271	1,782	438	708
Medical	654	492	14	446
Electricity, gas & water	55,547	45,565	15,987	15,420
Freight, octroi & toll tax	2,884	1,295	550	576
Depreciation	43,220	34,569	15,930	12,569
Transportation factory workers	2,727	2,169	975	715
Consumable store	12,842	14,101	2,741	1,569
Lab tests	411	399	20	0.20
Courses & seminars fee	2	356	-	10
Miscellaneous	56	33	14	12
	811,605	660,653	248,870	196,862
<b>Work in process</b>				
Opening	57,256	27,067	139,507	33,165
Closing	(192,739)	(19,786)	(192,739)	(19,786)
	(135,483)	7,281	(53,232)	13,379
<b>COST OF GOODS MANUFACTURED</b>	<b>676,122</b>	<b>667,933</b>	<b>195,638</b>	<b>210,241</b>
<b>Finished goods</b>				
Opening	46,568	36,167	111,734	51,638
Closing	(116,063)	(80,768)	(116,063)	(80,768)
	(69,495)	(44,601)	(4,329)	(29,130)
<b>COST OF GOODS SOLD</b>	<b>606,627</b>	<b>623,332</b>	<b>191,309</b>	<b>181,111</b>

**9. CORRECTION OF ERROR**

Previously the Company was providing for tax expenses by creating liability @ 0.5% of turn over. After the amendment in clause "C" to subsection 2 of Section 113 of Income Tax Ordinance, 2001 made through Finance Act, 2004, the Company has started recording deferred tax asset on minimum tax paid @ 0.5% of turnover. The change resulted in reduction of net deferred tax liability and increase in advance tax by Rs.3.7 million for the year 2005 and Rs.5.8 million for the year 2006. The correction has been made by adjusting the opening balance of retained earning and comparative figures for the year ended June 30, 2006 have been restated.

**10. AUTHORISATION FOR ISSUE**

These financial statements have been authorised for issue on April 27th, 2007 by the Board of Directors of the Company.

**11. GENERAL**

Figures have been rounded off to the nearest thousand of rupees.

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CHAIRMAN

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CHIEF EXECUTIVE OFFICER