Manufacturers Of Quality PET Bottles and Preforms

EcoPack Ltd

Head Office
19, City Villas, Near High Court
Road, Rawalpindi
PABX: (051) 5974098 & 99
Fax: (051) 5974097

Registered Office and Factory
112-113, Phase V, Hattar Industrial
Estate, Hattar, District Haripur
Khyber Pakhtunkhwa
Tel: (0995) 617720-23, 617347
Fax: (0995) 617074
www.ecopack.com.pk

ANNUAL REPORT 2012

Manufacturers Of Quality PET Bottles and Preforms

EcoPack Ltd

Annual Report

2012

Contents

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.

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Hussain Jamil	Chairman/Chief Executive Officer
Mr. Shahid Jamil	
Mrs. Deborah Jamil	
Mrs. Ayesha Khan	
Ms. Laila Jamil	
Mr. Asad Ali Sheikh	
Mr. Mohammad Raza Chinoy	

AUDIT COMMITTEE

Mrs. Ayesha Khan	Chairperson	Non-Executive Director
Mr. Asad Ali Sheikh	Member	Non-Executive Director
Ms. Laila Jamil	Member	Non-Executive Director

CHIEF FINANCIAL OFFICER

Mr. Muhammed Ali Adil

COMPANY SECRETARY

Mr. Muhammed Ali Adil

BANKERS

Askari Bank Limited
Habib Bank Limited
Allied Bank Limited
JS Bank Limited
Faysal Bank Limited
MCB Bank Ltd
Standard Chartered Bank Ltd

AUDITORS

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

LEGAL ADVISOR

M/s. Ebrahim Hosain — Advocate & Corporate Counsel

REGISTERED OFFICE AND FACTORY

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 21st Annual General Meeting of Ecopack Limited will be held on Wednesday 31st October, 2012 at 3:45 PM. at Plot # 112-113, Phase-V, Hattar Industrial Estate, Hattar, District Haripur, KhyberPukhtunkhwa to transact the following business:

Ordinary Business

1. To confirm the minutes of the 20th Annual General Meeting held on October 27, 2011.

2. To receive and adopt the Directors' and Auditors' report together-with Audited Accounts of the company for the year ended June 30, 2012.

3. To appoint external auditors and fix their remuneration for the year ending June 30, 2013. The present auditors M/s. Rehman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants being eligible offer themselves for re-appointment.

4. To consider any other business of the company with the permission of the chair.

By order of the Board

Karachi,
Dated: September 27, 2012

MUHAMMED ALI ADIL
(Company Secretary)

Notes:

1. The share transfer books of the company will remain closed from October 18, 2012 to October 31, 2012. (both days inclusive).

2. A member eligible to attend and vote at the General Meeting is entitled to appoint another member as a proxy to attend and vote instead of him. Proxy form duly completed and signed must be deposited with the company secretary at the registered office at least 48 hour before the meeting.

3. CDC shareholder, entitled to attend and vote at this meeting, must bring with them their Computerized National Identity Cards/Passport in original along with Participants' ID Numbers and their Account Numbers to prove his/her identity and in case of Proxy, must enclose an attested copy of his/her CNIC or Passport. Representatives of corporate members should bring the usual documents required for such purpose.

4. CDC account holders will further have to follow the guidelines as laid down in Circular No. 1 dated January 26, 2000 issued by the Securities & Exchange Commission of Pakistan.

5. Change of address, if any, should be notified to the Company immediately.

DIRECTORS' REPORT

The board of directors of Ecopack Limited is pleased to present the directors' report along with the audited financial statements and Auditors' report for the year ended 30th June 2012:

OVERVIEW

Although the first quarter of the year gave the company a good start with performance improving across the board on all fronts whereby your company posted a profit of PKR 10.5M reflecting a positive swing of almost PKR 28M over the prior year corresponding period, the two winter quarters that followed were traditionally slow and much of the early gains were dissipated. Inflation on all major cost indices continued it's thrust unabated from the previous year. Electricity charges increased by over 12 % PET resin prices increased by 8%, fuel costs increased by 8.5% and consequent truck freight charges shot up by an average 9% during the course of the year. The Pak Rupee too lost value (over 10%) against the rising US Dollar impacting almost all import based and priced raw materials and cost components.

Your company continued on its cost cutting path and focused on enhancing efficiencies wherever it was possible, particularly in optimizing manpower and administrative costs without compromising on key performance areas.

SALES & FINANCIAL HIGHLIGHTS

Despite the negative impact of high inflationary cost drivers, your Company strived to mitigate their effect and achieve the best possible financial results for the year. Sales in value terms increased by a significant 13% for Bottles and a marginal 3% for Preforms on account of both improved margins and also higher PET resin prices as compared to the previous year. Gross profit improved from 6% to 7.4% due to strict controls on various cost heads. Operating profit increased sharply from 2% to 3.2% i.e. by Rs. 26 million in absolute terms. This is clear evidence of the successful application of our margin led strategy which contributed to an improved bottom line in sync with tight management controls over manufacturing and administrative costs. Financial charges increased from Rs. 104 million to Rs. 124 million due to expiry of SBP Circular # 11 on 31st December, 2011.This circular was issued for a 2 year period for the economic rehabilitation of industries in Khyber Pukhtunkhwa which capped financial charges at 7.5% per annum. Despite withdrawal of this subsidy since January 2012 the after tax loss has been reduced by Rs. 20.5 million from Rs. 79.7 million to Rs. 59.2 million over last year.

Directionally your company is poised to improve it's financial performance as new customers in the water and beverage sectors consolidate their growth and expand their demand for the company's products. Furthermore, your company's large capacity for instantaneous bottle production in the peak summer months allows it to profitably meet the high spill-over demand simultaneously for multiple pack sizes & beverage flavors targeting different segments of consumers, thereby making it a dependable Supply Chain partner to a rapidly growing industry.

In order to streamline the company's extremely tight cash flow cycle, we have successfully rescheduled the company's long term loans with respective banks, by increasing the tenor of the term loans by one to two years.This will provide the much needed respite to the company's management in order to plan and coordinate it's Supply Chain and Production functions for ensuring better results.

FUTURE OUTLOOK

In the face of positive double digit growth being witnessed recently in beverage sales, your company's management has deemed it necessary to augment it's finances and working capital by a timely injection of equity in order to position itself to benefit from the growth trends in the market place. Thus it is considering a Rights Issue of shares in the second quarter of the new financial year.

Export of Preforms to nearby regions and specially those where weather conditions are anti-podal to ours, is a key part of your company's strategy to mitigate the losses that accrue due to high fixed charges in the winter months on account of low utilization of plant capacity. A break-through was made last year in getting our product approvals and substantial exports to Africa which augurs very exciting prospects for your company for utilization of capacity in the off season months.

EMPLOYEE MANAGEMENT RELATIONS

Multi-tasking and extra responsibility for cost cutting at all levels of management and labour have been well received and embraced with great enthusiasm by employees who are keen to fashion the company as a lean and efficient production organization to face the competitive challenges of a demanding, cost conscious and growth oriented market. Your management is taking necessary steps to reinvent & position it self to exploit new emerging opportunities for a profitable future.

For and on behalf of the board of directors

Karachi
Dated: September 27, 2012

Hussain Jamil
Chief Executive Officer

"ANNEXURE A" TO THE DIRECTORS' REPORT

Six Years at a Glance

Rupees in '000'

	2012	2011	2010	2009	2008	2007
Profit & Loss:						
Sales	**1,921,542**	1,784,754	1,742,074	1,764,852	1,763,546	1,262,124
Cost of sales	**1,780,008**	1,677,725	1,542,996	1,577,169	1,614,878	1,061,395
Gross Profit	**141,534**	107,029	199,078	187,683	148,668	200,729
Operating expenses	**96,803**	95,207	100,189	104,419	106,605	93,854
Other income/ (charges)	**17,519**	23,494	13,828	6,293	29,102	9,315
Operatig profit	**62,251**	35,316	112,717	89,557	71,165	116,190
Financial charges	**124,207**	104,294	138,592	195,368	142,238	107,182
Profit / (Loss) before taxation	**(61,956)**	(68,978)	(25,875)	(105,811)	(71,071)	8,558
Taxation	**(2,694)**	10,765	7,482	20,192	(8,316)	8,324
Profit / (Loss) after taxation	**(59,262)**	(79,743)	(18,393)	(85,619)	(79,387)	234
Balance Sheet						
Shareholder's equity	**96,369**	128,109	180,454	180,124	255,591	325,162
Surplus on Revaluation of Fixed Assests	**213,465**	240,988	193,672	213,329	82,691	92,503
Financing facilities	**703,583**	751,343	807,888	872,476	983,440	868,057
Fixed assets (net of depreciation)	**1,150,431**	1,231,394	1,213,425	1,259,423	1,078,169	939,986
Current Assets	**415,287**	457,299	443,093	572,711	699,565	716,978
Current Liability	**792,168**	991,693	830,724	868,062	782,917	714,666
Key Financial Ratios:						
Gross profit	**7.37%**	6.00%	11.43%	10.63%	8.43%	15.90%
Operating profit	**3.24%**	1.98%	6.47%	5.07%	4.04%	8.47%
Profit before tax to net sales	**-3.22%**	-3.86%	-1.49%	-6.00%	-4.03%	0.68%
Return on capital employed	**-6.1%**	-6.2%	-2.2%	-8.4%	-5.4%	0.7%
Inventory turnover (times)	**2.8**	2.1	1.7	1.4	1.1	0.9
Fixed assets turnover (times)	**1.67**	1.45	1.44	1.40	1.64	1.34
Debt equity ratio	**58:42**	49 : 51	55 : 45	52 : 48	63 : 37	57 : 43
Current ratio	**0.52**	0.46	0.53	0.66	0.89	1.00
Earnings per share	**(2.58)**	(3.47)	(0.80)	(3.72)	(3.65)	0.01

"ANNEXURE B" TO THE DIRECTORS' REPORT
COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE:

As required under the Code of Corporate Governance dated March 28, 2002, we are pleased to state as follows:

1. The financial statements prepared by the management present fairly its state of affairs, the results of its operations, cash flows and changes in equity.

2. Proper books of accounts have been maintained.

3. Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.

4. International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure there-from has been adequately disclosed.

5. The system of internal control and other such procedures which are in place are being continuously reviewed by the Internal Audit Department. The process of review will continue and any weakness in controls will be removed.

6. There is no significant doubt on company's ability to continue as a going concern.

7. There has been no departure from the best practice of corporate governance, as detailed in the listing regulations.

8. Key operating and financial data for the last six years in summarized form has been attached with the directors report as Annexure "A".

9. The Company has not declared any cash dividend (2011: NIL) or bonus shares (2011: NIL).

10. There are no outstanding statutory payments on account of taxes, levies and charges except of normal and routine nature.

11. The company maintains a funded provident fund scheme and a sum of Rs. 8.03 million is invested in various schemes duly approved by Govt of Pakistan for Provident Fund investment. The Gratuity scheme is un-funded and no investment has been made for that.

12. During the year 05 board meetings were held and the attendance of each director is given below:

NAME OF DIRECTORS	NO. OF MEETINGS ATTENDED
Mr. Hussain Jamil	04
Mr. Shahid Jamil	03
Mrs. Deborah Jamil	04
Mrs. Ayesha Khan	04
Ms. Laila Jamil	02
Mr. Asad Ali Sheikh	04
Mr. Mohammad Raza Chinoy	04

13. Trading of shares by Directors, Chief Financial Officer & Secretary of the Company during the year 2011-2012 is as under

NAME	**DESIGNATION**	**NO. OF SHARES ACQUIRED / (SOLD)**
Mr. Hussain Jamil	Chief Executive Officer	Nil
Mr. Shahid Jamil	Director	Nil
Mrs. Deborah Jamil	Director	Nil
Mrs. Ayesha Khan	Director	Nil
Ms. Laila Jamil	Director	Nil
Mr. Asad Ali Sheikh	Director	Nil
Mr. Mohammad Raza Chinoy	Director	Nil
Mr. Muhammed Ali Adil	Chief Financial Officer	Nil

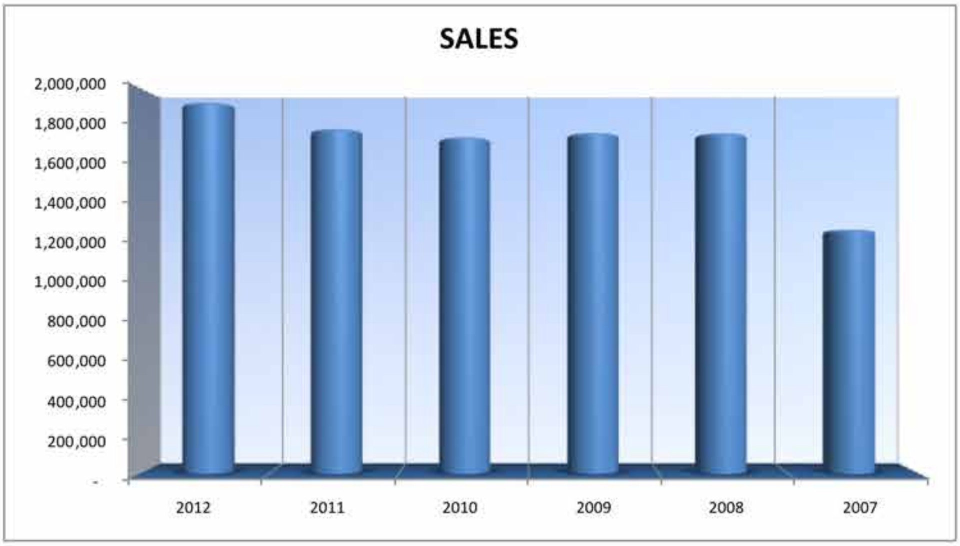
AUDITORS:

The present Auditors M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, retire and being eligible have offered themselves for re-appointment for the financial year 2012-2013.

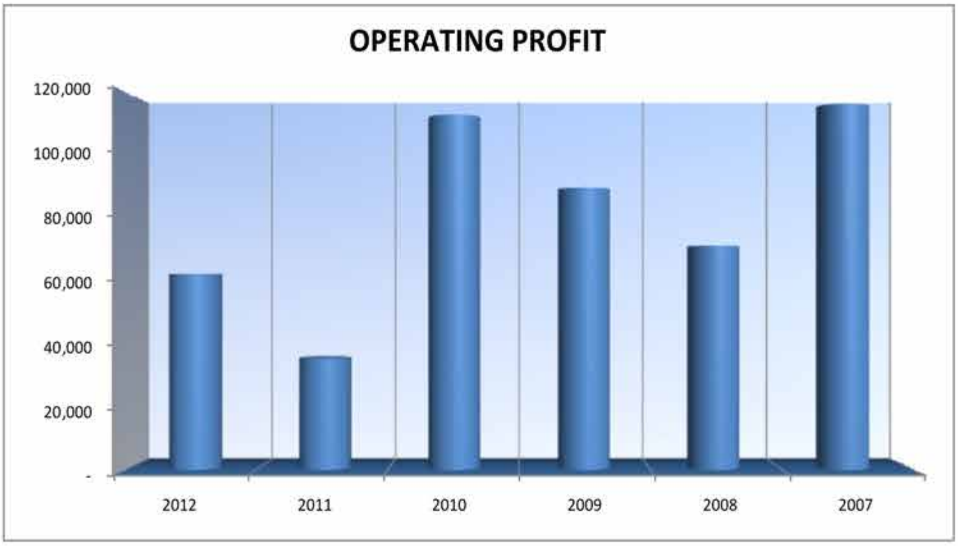
For & on behalf of the Board of Directors

Karachi.
Dated: September 27, 2012

HUSSAIN JAMIL
(CHIEF EXECUTIVE OFFICER)


SALES
2,000,000
1,800,000
1,600,000
1,400,000
1,200,000
1,000,000
800,000
600,000
400,000
200,000
-
2012
2011
2010
2009
2008
2007


GROSS PROFIT
250,000
200,000
150,000
100,000
50,000
-
2012
2011
2010
2009
2008
2007


OPERATING PROFIT
120,000
100,000
80,000
60,000
40,000
20,000
-
2012
2011
2010
2009
2008
2007

PATTERN OF SHAREHOLDING (Form34)

THE COMPANIES ORDINANCE 1984

AS AT JUNE 30, 2012

Serial No	No. of Shareholders	Shareholding From	Shareholding To	Total Shares Held	Percentage %
1	550	1	100	18,300	0.08%
2	861	101	500	222,686	0.97%
3	354	501	1000	291,334	1.27%
4	624	1001	5000	1,351,902	5.88%
5	86	5001	10000	650,924	2.83%
6	32	10001	15000	398,201	1.73%
7	21	15001	20000	359,203	1.56%
8	11	20001	25000	265,685	1.16%
9	4	25001	30000	106,702	0.46%
10	2	30001	35000	67,595	0.29%
11	4	35001	40000	150,119	0.65%
12	3	40001	45000	128,136	0.56%
13	6	45001	50000	290,651	1.26%
14	1	50001	55000	52,381	0.23%
15	1	65001	70000	68,500	0.30%
16	1	80001	85000	85,000	0.37%
17	2	95001	100000	200,000	0.87%
18	1	100001	105000	104,000	0.45%
19	1	105001	110000	110,000	0.48%
20	3	120001	125000	366,835	1.60%
21	1	150001	155000	153,000	0.67%
22	1	155001	160000	159,295	0.69%
23	1	165001	170000	167,500	0.73%
24	1	230001	235000	233,159	1.01%
25	1	280001	285000	282,500	1.23%
26	1	285001	390000	389,168	1.69%
27	1	425001	430000	429,555	1.87%
28	1	545001	550000	549,910	2.39%
29	1	645001	650000	649,631	2.83%
30	1	795001	800000	797,610	3.47%
31	1	885001	890000	886,268	3.86%
32	1	1230001	1235000	1,233,739	5.37%
33	1	2130001	2135000	2,132,906	9.28%
34	1	2235001	2240000	2,237,781	9.74%
35	1	3385001	3390000	3,386,793	14.74%
36	1	3995001	4000000	4,000,000	17.41%
	2,584	**Total Shares Held**		**22,976,969**	100.00%

CATEGORIES OF SHAREHOLDERS

S.No	Name	Number of Share Holders	Total Shares Held	Percentage
1	**Associated Companies, undertaking and related parties**	NIL	NIL	0.00%
2	**BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS & NON BANKING FINANCIAL INSTITUTIONS:**			
	National Development Fin.Corp.Investor,	1	7,037	0.031%
	Escorts Investment Bank Limited	1	22,500	0.098%
	Samba Bank Limited	1	549,910	2.393%
	National Bank Of Pakistan	1	240	0.001%
	Sub-Total:	**4**	**579,687**	**2.523%**
3	**DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN:**			
	Mr. Hussain Jamil	1	4,000,000	17.409%
	Mr. Shahid Jamil	1	798,110	3.474%
	Mrs. Ayesha Noora Khan	1	671,668	2.923%
	Mrs. Deborah Jamil	1	243,670	1.060%
	Mr. Mohammad Raza Chinoy	1	500	0.002%
	Mr. Asad Ali Sheikh	1	500	0.002%
	Ms. Laila Jamil	1	500	0.002%
	Mr. Ahsan Jamil	1	3,386,793	14.740%
	Sub-Total:	**8**	**9,101,741**	**39.613%**
4	**MODARABAS AND MUTUAL FUNDS:**			
	Prudential Stocks Fund Ltd.	1	115,865	0.504%
	Modaraba Al-Mali	1	15,000	0.065%
	Sub-Total:	**2**	**130,865**	**0.570%**
5	**NIT AND ICP:**			
	Investment Corporation Of Pakistan	1	95	0.000%
	IDBP (ICP UNIT)	1	391	0.002%
	Sub-Total:	**2**	**486**	**0.002%**
6	**FOREIGN INVESTORS:**			
	Somers Nominee (Far East) Limited	1	6,241	0.027%
	Habibsons Bank Ltd - Client Account	1	110,000	0.479%
	Sub-Total:	**2**	**116,241**	**0.506%**

CATEGORIES OF SHAREHOLDERS

S.No	Name	Number of Share Holders	Total Shares Held	Percentage
7	**OTHERS:**			
	Prudential Securities Limited	1	607	0.003%
	Y.S. Securities & Services (Pvt) Ltd.	1	700	0.003%
	Ace Securities (Pvt.) Limited	1	5,000	0.022%
	Highlink Capital (Pvt) Ltd	1	2,000	0.009%
	A.H.K.D. Securites (Pvt) Ltd.	1	6,000	0.026%
	Capital Vision Securities (Pvt) Ltd.	1	4,585	0.020%
	Time Securities (Pvt.) Ltd.	1	1,016	0.004%
	H.S.Z. Securities (Private) Limited	1	1,000	0.004%
	Stock Master Securities (Private) Ltd.	1	1,200	0.005%
	Abbasi Securities (Private) Limited	1	38,499	0.168%
	Darson Securities (Pvt) Limited	1	1,072	0.005%
	SAAO Capital (Pvt) Limited	1	25,000	0.109%
	Mak Securities (Private) Limited	1	2,000	0.009%
	HK Securities (Pvt) Ltd.	1	40	0.000%
	Muhammad Ahmed Nadeem Securities (Smc-Pvt)	1	505	0.002%
	Mam Securities (Pvt) Limited	1	99	0.000%
	Dr. Arslan Razaque Securities (Smc-Pvt)	1	1,073	0.005%
	Value Stock Securities Private Limited	1	2,000	0.009%
	M.S. Maniar Financials (Pvt) Ltd.	1	6,465	0.028%
	Ghani Osman Securities (Private) Limited	1	2,291	0.010%
	Mazhar Hussain Securities (Pvt) Ltd	1	7,000	0.030%
	Freedom Enterprises (Pvt) Ltd.	1	2,518	0.011%
	Sub-Total:	**22**	**110,670**	**0.482%**
8	**Individual:**			
	Local - Individuals	2,544	12,937,279	56.305%
	Sub-Total:	**2,544**	**12,937,279**	**56.305%**
	Grand Total:	**2,584**	**22,976,969**	**100%**
	Share holding 10% or more voting interest			
	Hussain Jamil	**1**	**4,000,000**	17.409%
	Ahsan Jamil	**1**	**3,386,793**	14.740%
	Tariq Siddiq Paracha	**1**	**2,312,925**	10.066%
	Total	**3**	**9,699,718**	**42.215%**

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended June 30, 2012

This statement is being presented to comply with the Code of Corporate Governance contained in the Regulation No. 37 of Listing Regulations of Karachi Stock Exchange (Guarantee) Ltd. for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Board comprises seven directors, including the CEO. The Company encourages representation of independent non-executive directors on its Board including those representing minority interests. At present, the Board includes two non executive directors.

2. The Directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.

3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or being a member of a stock exchange, has been declared as a defaulter by the stock exchange.

4. Casual Vacancies occurred in the Board on Sep. 17, 2011 was filled by the Directors on Sep. 26, 2011.

5. The Company has prepared a Statement of Ethics and Business Practices which has been signed by all the directors and senior employees of the Company.

6. The Board has developed a vision and mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.

8. The meetings of the Board were presided by the Chairman. The Board met atleast once in every quarter. Written notices of the Board Meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. Two of the directors met the criteria of exemption from taking orientation course under the condition of having 14 years of education and 15 years of experience on the Board of Directors of Listed company.

10. No new appointment of Company Secretary and Head of Internal Audit has been made during the year, however, there is a change of Chief Financial Officer has been occurred during the year.

11. The Directors' Report for this period has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.

13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an Audit Committee. It comprises three members, two of which are non-executive Directors.

16. The Board has formed a Human Resource and Remuneration Committee. It comprises three members, two of which are non-executive Directors.

17. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code.
The terms of reference of the committee have been formed and advised to the committee for compliance.

18. The Board has setup an effective internal audit function manned by suitable qualified and experienced personnel who are conversant with the policies and procedures of the Company. They are involved in the internal audit function on full time basis.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period' prior to the announcement of interim / final results and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.

22. The company has complied with all the major corporate and financial reporting requirements to the code. All related parties transactions has been reviewed and approved by the Board and are carried out as per agreed terms.

23. We confirm that all other material principles contained in the Code have been complied with except for the requirements pertaining to change in composition of Board of Directors or some its committees.

Karachi.
Dated: September 27, 2012

HUSSAIN JAMIL
(CHIEF EXECUTIVE OFFICER)

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Ecopack Limited** ("the Company"), to comply with the Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of the audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Boards statement on internal control covers all risks and control, or to form an opinion on the effectiveness of such internal controls, the company corporate governance procedures and risks.

Further, Sub-Regulation (xiii a) of Listing Regulations 35 notified by the Karachi Stock Exchange (Guarantee) Limited requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in the arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

We report that,

The requirement of the clause xi of the code of corporate governance of listing regulation of Karachi stock exchange (Guarantee) limited, relating to the orientation course to be completed by of one of the directors of the company by June 30, 2012 has not been complied by the company.

Based on our review, except for the matter stated in above paragraph, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended **June 30, 2012.**

Karachi
Dated: September 27, 2012

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Ecopack Limited** ("the company") as at **June 30, 2012**. and the related profit & loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, we report that:

(a) In our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;

(b) **In our opinion:**

(I) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied,

(ii) the expenditure incurred during the year was for the purpose of the company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit & loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at **June 30, 2012**. and of the **Loss**, its changes in equity and cash flows for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Karachi
Dated: September 27, 2012

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Muhammad Waseem

BALANCE SHEET

AS AT 30 JUNE, 2012

	NOTE	2012	2011
		(Rupees in '000')	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	1,157,131	1,237,519
Security deposits	5	6,890	8,274
		1,164,021	1,245,793
CURRENT ASSETS			
Stores, spares and loose tools	6	55,954	51,423
Stock in trade	7	154,891	168,292
Trade debts	8	154,644	146,759
Loans and advances	9	23,993	43,549
Short term deposits, prepayments & other receivables	10	9,340	8,500
Sales tax refundable		-	3,978
Taxation recoverable - net		11,135	24,669
Cash and bank balances	11	5,329	10,129
		415,286	457,299
TOTAL ASSETS		1,579,307	1,703,092
EQUITY AND LIABILITIES			
EQUITY			
Authorized Capital			
50,000,000 (2011 :50,000,000) ordinary shares of Rs.10 each		500,000	500,000
Issued, subscribed and paid-up capital	12	229,770	229,770
Accumulated loss		(133,404)	(101,661)
		96,366	128,109
Surplus on revaluation of property, plant & equipment	13	213,466	240,988
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term loans	14	322,213	159,999
Liability against assets subject to finance lease	15	10,396	20,650
Deferred liabilities	16	144,695	161,653
		477,304	342,302
CURRENT LIABILITIES			
Trade and other payables	17	463,426	411,939
Accrued mark-up on loans	18	23,960	9,060
Short term borrowings - secured	19	202,317	391,028
Current portion of non-current liabilities	20	102,468	179,666
		792,171	991,693
CONTINGENCIES AND COMMITMENTS	21		
TOTAL EQUITY AND LIABILITIES		1,579,307	1,703,092

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive Officer **Director**

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2012

	NOTE	2012	2011
		(Rupees in '000')	
Sales - net	22	1,921,542	1,784,754
Cost of sales	23	(1,780,009)	(1,677,725)
Gross profit		141,533	107,029
Distribution cost	24	(57,112)	(53,558)
Administrative expenses	25	(39,689)	(41,649)
Other operating income	26	17,519	23,494
		(79,282)	(71,713)
Profit from operations		62,251	35,316
Finance cost	27	(124,210)	(104,294)
Loss before taxation		(61,959)	(68,978)
Taxation	28	2,694	(10,765)
Loss after taxation		(59,265)	(79,743)
Loss per share - basic and diluted (in Rupees)	29	(2.58)	(3.47)

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive Officer **Director**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2012

	NOTE	2012	2011
		(Rupees in '000')	
Loss after taxation		**(59,265)**	(79,743)
Other comprehensive income		**-**	-
Total comprehensive Loss for the year		**(59,265)**	(79,743)

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive Officer **Director**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2012

	SHARE CAPITAL	ACCUMULATED PROFIT/ (LOSS)	TOTAL
	(Rupees in '000')	(Rupees in '000')	(Rupees in '000')
Balance as at June 30, 2010	229,770	(49,315)	180,455
Total comprehensive income for the year	-	(79,743)	(79,743)
Transfer from surplus on revaluation of property, plant & equipment - net of deferred tax	-	27,397	27,397
Balance as at June 30, 2011	**229,770**	**(101,661)**	**128,109**
Total comprehensiveincome for the year	**-**	**(59,265)**	**(59,265)**
Transfer from surplus on revaluation of property, plant & equipment - net of deferred tax	**-**	**27,522**	**27,522**
	229,770	**(133,404)**	**96,366**

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive Officer **Director**

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30 2011

	NOTE	2012	2011
		(Rupees in '000')	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated From operations	**30**	**250,871**	176,928
Finance cost paid		**(108,356)**	(96,336)
Gratuity paid		**(4,668)**	(4,389)
Taxes paid		**(5,316)**	(8,179)
Net cash generated from operating activities		**132,532**	68,024
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(27,435)**	(5,018)
Capital work-in-progress		**(575)**	(2,757)
Proceeds from disposal of Property, Plant & Equipment		**3,241**	2,138
Security deposits		**1,384**	2,450
Net cash used in investing activities		**(23,385)**	(3,187)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term loans		**(81,422)**	(91,926)
Obtained longterm loan		**171,000**	-
Repayment of finance lease liability		**(14,815)**	(13,552)
Net cash used in financing activities		**74,763**	(105,478)
Net decrease in cash and cash equivalents		**183,910**	(40,641)
Cash and cash equivalents at the beginning of the year		**(380,898)**	(340,257)
Cash and cash equivalents at the end of the year	**31**	**(196,988)**	(380,898)

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive Officer **Director**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

1. STATUS AND NATURE OF BUSINESS

Ecopack Limited "the Company" was incorporated on August 25, 1991 as a private limited Company under Companies Ordinance, 1984. Subsequently, it was converted into a public limited Company on April 29, 1992 and thereafter, in March 1994 converted into a public listed Company. Its shares are listed on Karachi Stock Exchange.

The principal business activity of the Company is manufacture and sale of Polyethylene Terepthalat (PET) bottles and preforms for the market of Beverages and other liquid packaging industry. The Company has its manufacturing facility located at Hattar, province Khyber Pakhtunkhawa. The registered office of the Company has been shifted from Karachi, Sindh Province to Hattar, Khyber Pakhtunkhwa Province during the year.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Whereever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except that certain property, plant and equipment have been included at revalued amount and for revaluation of certain employee retirement benefits at present value.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is the functional currency of the Company.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on amounts recognised in the financial statements are discussed below:

i) Employee's retirement benefits (Note 3.1).

ii) Provision for taxation (Note 3.2).

iii) Useful life and residual values of property, plant and equipment (Note 3.3).

2.5 Initial application of standards, amendments or an interpretation to existing standards

a) Standards, amendments to published standards and interpretations that are effective in 2011 and are relevant to the Company:

- **IAS 1 (amendment), 'Presentation of financial statements' effective from July 1, 2010.** The amendment was part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. It did not have a material impact on the Company's financial statements.

- **IAS 39 (amendment); 'Cash flow hedge accounting' effective from July 1, 2010**. This amendment provides clarification when to recognise gains or losses on hedging instruments as a reclassification adjustments in a cash flow hedge of a forecast transaction that results subsequently in the recognition of a financial instrument. The amendment clarifies that gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects profit or loss. It did not have any affect on the Company's financial statements.

- **IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale' effective from July 1, 2010.** The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. It is not expected to have a material impact on the Company's financial statements.

- **IFRIC 19 (interpretation), 'Extinguishing Financial Liabilities with Equity Instruments',** effective from annual periods beginning on or after July 1, 2010. The interpretation clarifies the requirements of IFRS when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The Company has not offered its shares to the creditors, therefore, this interpretation could not have any impact on the Company's financial statements.

b) Standards, amendments to published standards and interpretations that are effective in 2010 but not relevant to the Company

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2010 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and therefore have not been analyzed in detail.

c) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2012:

- **Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012).** The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.

- **Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012).** The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Company.

- **IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013).** The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

- **IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013).** IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

- **IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013).** IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

- **Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014).** The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

- **Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013).** The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following five standards, with consequential amendments to other standards and interpretations.

- IAS 1 *Presentation of Financial Statements is amended to clarify that* only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

- IAS 16 *Property, Plant and Equipment* is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 *Inventories* .

- IAS 32 *Financial Instruments: Presentation* - is amended to clarify that IAS 12 *Income Taxes* applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

- IAS 34 *Interim Financial Reporting* is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 *Operating Segments* . IAS 34 now requires the disclosure of a measure of total assets *and* liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

- **IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013).** The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

The Significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Employees' retirement benefits

The main features of the schemes operated by the company for its employees are as follows.

3.1.1 Defined benefit plan

A defined benefit plan is post employment benefit plan other than a defined contribution plan. The company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods, that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the projected unit credit method. The Gratuity scheme is unfunded and covers those permanent employees & management staff of the Company who have completed prescribed qualifying period of service. Provision is made annually to cover obligations under the scheme on the basis of actuarial valuation.

Past service cost is recognized immediately to the extent that the benefits are already vested. For non-vested benefits past service cost is amortized on the straight line basis over the average period until the amended benefits become vested.

Actuarial gains or losses in excess of 10% of the present value of defined value obligations, are amortised over the expected average remaining working lives of the employees participating in the plan. The following significant assumptions are used for valuation of these schemes.

Discount rate	14%	Per annum
Expected rate of increase in salary level	14%	Per annum
Average expected remaining working life time of employees	8	years

3.1.2 Defined contribution plan

A defined contribution plan is a post employment benefit plan under which the company pays fixed contribution into a separate entity and will have no legal and constructive obligation to pay further amounts. Obligation for contributions to defined contribution plans are recognized as an employee benefit expense in profit and loss account when they are due. The Company also operates an approved funded contributory provident fund for its permanent employees. Monthly contributions are made both by the Company and the employees at the rate of 5% per annum of the basic salary.

3.2 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognised in profit and loss account except to the extent that it relates to item(s) recognized directly in equity, in which case it is also recognised in equity.

Current

Provision for current taxation is based on income streams chargeable at current rate of taxation under the normal tax regime after taking into account tax credits and tax rebates available, if any. The charge for current tax includes adjustments to charge for prior years, if any.

Deferred

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and the tax laws that have been enacted or substantively enacted by the balance sheet date.

A deferred tax asset is recognised only when it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.3 Property, plant and equipment

Owned

Property, plant and equipment, except for free hold land, building, plant & machinery and capital work in progress are stated at cost less accumulated depreciation and accumulated impairment loss, if any. Free hold land, building and plant & machinery are stated at revalued amounts less accumulated depreciation. Cost comprises acquisition and other directly attributable costs.

Disposal of assets is recognised when significant risks and rewards incidental to the ownership have been transferred to the buyers. Gains and losses on disposal of items of property, plant and equipment are recognised in profit and loss account. The related surplus on revaluation of property, plant and equipment, if any, is transferred directly to retained earnings (unappropriated profits).

The cost of replacing parts of an item of property, plant and equipment is recognised in the carrying amount of the item, if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The costs of the day to day servicing of property, plant and equipment are recognised in profit and loss account as they are incurred.

Depreciation is charged to profit and loss account applying either straight line method or written down value method, where the cost of an asset is written off over its estimated useful life. Depreciation on additions is charged from the month in which asset is available for use and on disposals up to the month immediately preceding that of deletion.

The Company reviews the useful life and residual value of property, plant and equipment on a regular basis. Any change in estimate in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on depreciation charge.

Leased

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership, are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to lower of its fair value and present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Outstanding obligations under the lease less finance cost allocated to future periods are shown as a liability.

Finance costs under lease agreements are allocated to the periods during the lease term so as to produce a constant periodic rate of markup on the remaining balance of principal liability for each period.

3.4 Intangible assets

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Software is stated at cost less accumulated amortization and accumulated impairment losses, if any. These are amortized using the straight line method over the estimated useful life of software. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Costs associated with maintaining computer software products are recognized as an expense as incurred.

3.5 Impairment of non-financial assets

Assets that are subject to depreciation/amortisation are reviewed at each balance sheet date to identify circumstances indicating occurrence of impairment loss or reversal of previous impairment losses. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sale and value in use. Reversal of impairment loss is restricted to the original cost of the asset.

3.6 Borrowing costs

Borrowings costs are recognised as an expense in the period in which they are incurred except, to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of that asset.

3.7 Stores, spares & loose tools

Stores, spares and loose tools are valued at moving average cost except for items in transit, which are stated at cost incurred up to the balance sheet date. For items which are slow moving or identified as surplus to the company's requirements, adequate provision is made for any excess book value over estimated realizable value. The company reviews the carrying amounts of stores and spares on a regular basis and provision is made for the obsolescence.

Net realizable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

3.8 Stock-in-trade

Stock-in-trade is valued at lower of cost and net realizable value. Cost is determined using the weighted average method except for raw material in transit, which is stated at cost. Cost includes applicable purchase cost and manufacturing expenses. The cost of work-in-process includes material and proportionate conversion cost.

Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and the costs necessary to make the sale.

3.9 Financial instruments

Financial assets and financial liabilities are recognised at the time when the company becomes a party to the contractual provisions of the instrument and derecognised when the company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year.

3.9.1 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

3.9.2 Trade and other receivables

Trade and other receivables are recognised and carried at original invoice/cost less an allowance for any uncollectible amounts. Carrying amounts of trade and other receivables are assessed on a regular basis and if there is any doubt about the realisability to these receivables, appropriate amount of provision is made.

3.10 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognised amount and the company intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A provision for impairment in trade debts and other receivables is made when there is objective evidence that the Company will not be able to collect all amounts due according to original terms of receivables.

3.11 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, demand deposits held with bank and highly liquid investments with maturity of less than three months from the date of acquisition. Running finance facilities availed by the Company, which are repayable on demand and form an integral part of the Company's cash management are included as part of cash and cash equivalents for the purpose of the statement of cash flows.

3.12 Segment reporting

A segment is a distinguishable component of the Company that is engaged in providing related products or services (business segment), or in providing product or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the Company's business segments.

The Company's primary format for segment reporting is based on business segments. The business segments are determined based on the Company's management and internal reporting structure. Segment results and other information is provided on the basis of product and service. Theses categories are:

1) Injection — this represents manufacture and sale of Polyethylene Terepthalat (PET) preforms for beverage and non-beverage industry.

2) Blowing — this represents manufacture and sale of Polyethylene Terepthalat (PET) bottles for beverage and non-beverage industry.

3.13 Revenue recognition

Revenue is measured at the fair value of consideration received or receivable. Revenue from sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer, and is recorded on dispatch of goods to the customers.

3.14 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses on translation are recognized in the profit and loss account. Non-monetary items are translated into Pak rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

3.15 Dividend

Dividend distribution to the company's shareholders is recognised as a liability in the period in which the dividends are approved.

3.16 Provisions

Provisions are recognized when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at present value of the expected expenditure, discounted at a pre-tax rate that reflects current market assessment of the time value of money and the risk specific to the obligation.

Related party transactions

Transactions with related parties are carried out on commercial terms and conditions.

		2012	2011
		(Rupees in '000')	
4. PROPERTY, PLANT & EQUIPMENT			
Operating fixed assets	4.1	**1,150,431**	1,231,394
Capital work-in-progress	4.2	**6,700**	6,125
		1,157,131	1,237,519

4.1 Property, plant and equipment

	ASSETS OWNED BY THE COMPANY							LEASED ASSETS		
	Freehold land	Factory building & roads	Plant & machinery	Factory equipments	Furniture & fixture	Office equipment	Vehicles	Vehicles	Plant & machinery	Total
	Rupees in '000'									
As at July 01, 2010										
Cost and revaluation	3,800	72,127	1,484,236	98,457	5,848	18,839	13,991	12,137	56,832	**1,766,267**
Accumulated depreciation	-	14,669	457,540	53,853	2,292	6,643	8,556	4,919	4,369	**552,841**
Net book value	**3,800**	**57,458**	**1,026,696**	**44,604**	**3,556**	**12,196**	**5,435**	**7,218**	**52,463**	**1,213,426**
Year ended June 30, 2011										
Opening net book value	3,800	57,458	1,026,696	44,604	3,556	12,196	5,435	7,218	52,463	**1,213,426**
Additions during the year	-	-	7,391	3,124	85	542	-	-	-	**11,142**
Revaluation	1,900	9,607	87,660	-	-	-		-	-	**99,167**
Disposals / transfers										
Cost	-	-		-	(73)	(15)	176	(3,672)	-	**(3,584)**
Accumulated depreciation	-	-		-	19	2	(5)	2,483	-	**2,499**
	-	-	-	-	(54)	(13)	171	(1,189)	-	**(1,085)**
Depreciation for the year	-	2,895	68,809	13,203	340	1,245	969	1,444	2,351	**91,256**
Closing net book value	**5,700**	**64,170**	**1,052,938**	**34,525**	**3,247**	**11,480**	**4,637**	**4,585**	**50,112**	**1,231,394**
As at July 01, 2011										
Cost and revaluation	5,700	81,734	1,579,287	101,581	5,860	19,366	14,167	8,465	56,832	**1,872,992**
Accumulated depreciation	-	17,564	526,349	67,056	2,613	7,886	9,530	3,880	6,720	**641,598**
Net book value	**5,700**	**64,170**	**1,052,938**	**34,525**	**3,247**	**11,480**	**4,637**	**4,585**	**50,112**	**1,231,394**
Year ended June 30, 2012										
Opening net book value	5,700	64,170	1,052,938	34,525	3,247	11,480	4,637	4,585	50,112	**1,231,394**
Additions during the year	-	-	2,240	24,607	6	582	-	-	-	**27,435**
Revaluation	-	-	-	-	-	-	-	-	-	**-**
Disposals / transfers										
Cost	-	-	23,145	(15,517)	-	(137)	(6,829)	-	(23,145)	**(22,482)**
Accumulated depreciation	-	-	(4,754)	7,427	-	29	4,869	-	4,754	**12,325**
	-	-	18,391	(8,090)	-	(108)	(1,960)	-	(18,391)	**(10,157)**
Depreciation for the year	-	3,236	78,179	11,249	331	1,172	882	917	2,273	**98,241**
Closing net book value	**5,700**	**60,934**	**995,390**	**39,793**	**2,925**	**10,782**	**1,780**	**3,668**	**29,448**	**1,150,431**
Rate of depreciation	-	5%-10%	5%-20%	10%-50%	10%	10%	20%	20%	5%	
Method of depreciation	-	DBM	DBM & SLM	DBM & SLM	DBM	DBM	DBM	DBM	SLM	

* "DBM" represents declining balance method of deprecation whereas 'SLM' represents straight line method.

	2012	2011
	(Rupees in '000')	
4.1.1 Depreciation charge has been allocated as follows:		
Cost of sales	**93,329**	86,708
Administrative expenses	**4,912**	4,548
	98,241	91,256

4.1.2 The company revalued certain operating fixed assets, in 1995-96, 2003-04, 2008-09 and 2010-11 which had resulted in a surplus of Rs. 92.5 Million Rs. 141 Million Rs. 216.6 Million and Rs 99 Million respectively. These revaluations had been carried out by M/s Iqbal A.Nanjee & company, independent valuer, taking market value or depreciated replacement cost, as applicable, as a basis of valuation. The incremental values at the date of revaluation of the revalued operating property, plant and equipment are being depreciated over the remaining useful lives of these assets.

4.1.3 Had there been no revaluation, the net carrying value of specific classes of operating fixed assets would have been as follows:

	2012	2011
	(Rupees in '000')	
Freehold land	**2,995**	2,995
Factory building & roads	**33,716**	35,571
Plant & machinery	**712,645**	751,430
	749,356	789,996

4.1.4 Particulars of disposal of operating fixed assets

Particulars	Cost	Acc. Depreciation	Carrying value	Sale proceeds	Gain / (Loss)	Mode of disposal	Particulars of purchaser
	-----	-----Rupees in '000'	-----	-----	-----		
Toyota Altas - KD-293	1,383	1,000	382	692	310	Negotiation	Mr. Sohail Zaidi
Honda civic - AMR-206	1,541	1,084	457	536	79	As per Co, Policy	Mr. Hussain Jamil (Chief executive officer)
Toyota Corolla - ALY-274	903	635	268	288	20	As per Co, Policy	Mr.Zameer ul Hasan (G.M. Technical)
Honda Civic - AMH-196	1,410	992	418	451	33	As per Co, Policy	Mr. Raza Chinoy (Chief operating officer)
Suzuki Cultus - ALM-791	604	429	175	265	90	As per Co, Policy	Mr. Ali Adil (G.M. Finance)
Toyota Corolla - AKT-265	988	728	260	910	650	Negotiation	Mr. Rehan Mehmood
Laptop HP - G62	48	4	44	44	-	As per Co, Policy	Mr. Safdar
Laptop Sony Vaio	77	21	56	56	-	As per Co, Policy	Mr. Sohail Zaidi
June 2012	**6,953**	**4,894**	**2,059**	**3,241**	**1,182**		
June 2011	3,584	2,499	1,085	2,138	1,053		

4.2 Capital work in progress

	Plant & machinery	Electric installation	E.R.P. implementation cost	Piping work	Building and roads	Others	Total
	-----	-----	-----Rupees in '000'	-----	-----	-----	-----
Year ended June, 2011							
Balance as at July, 2010	-	-	5,512	-	-	3,980	9,492
Additions	-	-	613	-	-	2,144	2,757
Transferred to operating assets	-	-	-	-	-	(6,124)	(6,124)
Balance as at June, 2011	-	-	6,125	-	-	-	6,125
Year ended June, 2012							
Balance as at July, 2011	-	-	6,125	-	-	-	**6,125**
Additions	-	-	575	-	-	-	**575**
Transferred to operating assets	-	-	-	-	-	-	-
Balance as at June, 2012	**-**	**-**	**6,700**	**-**	**-**	**-**	**6,700**

4.3 E.R.P installation cost represents hardware, software acqisition cost and consultancy charges for its implementation.

	2012	2011
	(Rupees in '000')	
5. SECURITY DEPOSITS		
Utilities	**2,775**	**2,775**
Leasing Companies	**1,522**	**2,906**
Bank Guarantee	**2,530**	**2,530**
Others	**63**	**63**
	6,890	8,274
6. STORES, SPARES AND LOOSE TOOLS		
Stores and spares	**56,364**	51,938
Loose tools	**1,497**	1,392
Provision against slow moving stores and spares	**(1,907)**	(1,907)
	55,954	51,423
7. STOCK IN TRADE		
Raw material	**70,456**	55,168
Packing material	**7,707**	6,759
Work in process	**38,514**	58,023
Finished goods	**41,742**	51,870
	158,419	171,820
Provision for obsolete stocks	**(3,528)**	(3,528)
	154,891	168,292

8. TRADE DEBTS

		2012	2011
		(Rupees in '000')	
Considered good			
Secured		-	-
Unsecured		154,644	146,759
		154,644	146,759
Considered doubtful		5,111	5,111
		159,755	151,870
Provision against debts considered doubtful		(5,111)	(5,111)
		154,644	146,759

9. LOANS AND ADVANCES

		2012	2011
Advances:			
to suppliers		18,943	39,358
for expenses		1,537	1,665
		20,480	41,023
Loan to employees	9.1	3,513	2,526
		23,993	43,549

9.1 This includes amount of Rs. NIL (2011: Rs. 0.6 million) receivable from executives.

10. DEPOSITS, PREPAYMENTS & OTHER RECEIVABLES

	2012	2011
Deposits	2,437	3,287
Prepayments	199	304
Margin and L/C charges	6,704	3,955
Mark-up refundable	-	954
	9,340	8,500

11. CASH AND BANK BALANCES

	2012	2011
Cash in hand	29	19
Cash at bank - current	5,300	10,110
	5,329	10,129

12. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2012	2011		2012	2011
Numbers				
10,262,664	10,262,664	ordinary shares of Rs. 10/- each issued for consideration in cash	102,627	102,627
12,714,307	12,714,307	ordinary shares of Rs. 10/- each issued as fully bonus shares	127,143	127,143
22,976,971	22,976,971		229,770	229,770

13. SURPLUS ON REVALUATION OF PROPERTY, PLANT & EQUIPMENT

	2012	2011
Surplus on revaluation :		
Balance as at July 01	369,726	297,956
Add : Surplus arising on revaluation during the year	-	99,167
Less: On disposal of revalued fixed assets	-	-
Less : Transferred to unappropriated profit in respect of incremental depreciation charged during the year	(42,342)	(27,397)
	327,384	369,726
Related deferred tax :		
Balance as at July 01	128,738	104,284
Add : On Revaluation surplus arising during the year		34,043
	128,738	138,327
Less : On disposal of revalued fixed assets	-	-
Less : On incremental depreciation charged during the year	(14,820)	(9,589)
	113,918	128,738
Surplus on revaluation of fixed assets - net of Deferred Tax	213,466	240,988

		2012	2011
		(Rupees in '000')	

14. LONG TERM LOANS

		2012	2011
Loan from banking companies -secured		322,213	159,999

14.1 Loan from banking companies

		2012	2011
Askari Bank Limited (TF)	14.1.1	102,598	151,686
Habib Bank Limited (DF-I)	14.1.2	146,382	-
Habib Bank Limited (DF-II)	14.1.2	-	114,466
Habib Bank Limited (DF-III)	14.1.2	-	61,250
Allied Bank Limited TF	14.1.2	168,000	-
		416,980	327,402
Less: current portion shown under current liabilities		(94,766)	(167,403)
		322,213	159,999

14.1.1 This represents term finance from Askari bank restructured in March 2012, to finance expansion in existing production facilities at Hatter plant. It carries mark up at 3 months average KIBOR plus 2.5% to be paid in quartely in 10 seasonilized installments and with final maturity June ,2014. The finance is secured by way of First Pari Passu charge of PKR 450 million over all present and future fixed assets of the company and personal guarantees of two original founder / sponsor Directors of the company.

14.1.2 These represents demand finances obtained to finance expansion in existing production facilities at plant . These carry mark up at 3 months KIBOR plus 2.5% , payable in six years in quarterly installments. Finances are secured by way of 1st pari passu charge over existing and future fixed assets up to PKR 415 million of the company situated at plot # 112-113 Phase V, Industrial Estate Hattar, District Haripur, Khyber Pakhtunkhwa.

14.1.3 These represents restructuring of working capital loans into term finance obtained during previous years to meet the working capital requirements of the company. These carry markup at average 3 months KIBOR, payable in 33 monthly installments. Finances are secured by way of first pari passu charge over stocks and book debts of the company amounting Rs. 267 million.

15. LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2012	2011
Opening balance	32,913	46,465
Obtained during the year	-	-
Paid during the year	(14,815)	(13,552)
	18,098	32,913
Less: current portion shown under current liabilities	(7,702)	(12,263)
	10,396	20,650

15.1 The future minimum lease payments and the period in which they become due are :

	2012	2011
Minimum lease payment		
Upto one year	9,472	15,683
More than one year but less then five years	12,933	22,436
	22,405	38,119
Amount representing financial cost not yet due		
Upto one year	(1,770)	(3,419)
More than one year but less then five years	(885)	(1,787)
	(2,655)	(5,206)
Present value of minimum lease payment		
Upto one year	7,702	12,263
More than one year but less then five years	10,396	20,650
	18,098	32,913
Current portion shown under current liabilities	(7,702)	(12,263)
Present value of minimum lease payment payable later than one year but not later then five years	10,396	20,650

15.2 This represents vehicles and plant & machinery acquired under a number of finance lease agreements. Interest rate used discounting factor ranging from 12.50% to 16.38% (2011:14.86% to 16.65%) per anum. Taxes, repair, replacements and insurance are born by the company. Under the terms of arrangement, the company has an option to acquire leased assets at the end of respective lease terms and intends to exercise the option. At June 30, 2012 the net carrying amount of leased vehicles and plant & equipment are Rs. 3.7 million and Rs. 29.5 million (2011: Rs. 4.6 million and Rs. 50 million) respectively. There are no restrictions imposed on the Company under the term of leases.

		2012	2011
		(Rupees in '000')	
16. DEFERRED LIABILITIES			
Staff gratuity	**16.1**	**27,246**	22,556
Deferred taxation	**16.2**	**117,449**	139,097
		144,695	161,653

16.1 STAFF GRATUITY

16.1.1 Reconciliation of liability recognised in the balance sheet is as follows:

	2012	2011
Present value of defined benefit obligation	**33,594**	31,043
Net actuarial losses not recognized	**(6,348)**	(8,487)
	27,246	22,556

16.1.2 Movement in liability recognized in balance sheet:

	2012	2011
Present value of defined benefit obligation (opening)	**22,556**	18,148
Expense for the year	**9,358**	8,797
Benefits paid during the year	**(4,668)**	(4,389)
	27,246	22,556

16.1.3 Expense recognised in profit and loss account is as follows:

	2012	2011
Current service cost	**4,340**	4,497
Interest cost	**4,346**	3,390
Actuarial losses recognised	**673**	910
	9,358	8,797

16.1.4 Comparison of present value of defined benefit obligation for the current year and pervious four years is as follows:

	Present value of defined benefit obligations	Experience adjustments on obligations
June 2012	33,594	(6,348)
June 2011	31,043	(8,487)
June 2010	28,250	(10,102)
June 2009	24,706	(12,790)
June 2008	25,887	(12,645)

16.2 DEFERRED TAXATION

		2012	2011
Deductible temporary differences			
Tax losses carried forward		**(163,649)**	(128,869)
Provisions and finance lease		**(7,971)**	(19,630)
Minimum tax	**16.2.1**	**(18,954)**	(18,329)
		(190,574)	(166,828)
Taxable temporary differences:			
Accelerated depreciation		-	177,187
Surplus on revaluation of fixed assets		-	128,738
		308,023	305,925
		117,449	139,097

16.2.1 This represents minimum tax for the current year and under clause (c) of sub section (1) of section 113 of Income Tax Ordinance, 2001, the minimum tax is allowed to be carried forward and available for set off against tax liability for 3 years succeeding the tax year for which the minimum tax is paid.

		2012	2011
		(Rupees in '000')	
17. TRADE AND OTHER PAYABLES			
Trade creditors & bills payable		**399,096**	329,124
Accrued & other liabilities		**25,729**	19,708
Advances from customers		**23,660**	28,645
Tax deducted at source		**978**	547
Sales tax payable		**12,910**	14,533
Unclaimed dividend		**461**	461
Workers' profit participation fund		**592**	592
Tax payable	**28.1**		18,329
		463,426	411,939

18. ACCRUED MARK-UP ON LOANS

	2012	2011
Long term financing	**12,073**	2,838
Short term borrowings	**11,815**	6,144
Liabilities against assets subject to finance lease	**72**	78
	23,960	9,060

19. SHORT TERM BORROWINGS - secured

From banking companies

	2012	2011
Short-term running finance	**162,657**	204,521
Finance against trust receipt	**39,660**	186,507
	202,317	391,028

Short-term running finance and other facilities are obtained under mark-up arrangements from various commercial banks carrying mark-up ranging from 13.9% to 18% (2011: 14.17% to 17.54%) per anum calculated on daily product basis. These facilities have various maturities dates upto October 30, 2011.

These facilities are secured by first pari passu and ranking hypothecation charges of entire present and future current assets, equitable mortgage of property of the Company and personal guarantees of the working directors.

20. CURRENT PORTION OF NON-CURRENT LIABILITIES

	2012	2011
Long term loans	**94,766**	167,403
Liability against assets subject to finance lease	**7,702**	12,263
	102,468	179,666

21. CONTINGENCIES AND COMMITMENTS

21.1. Contingencies

In the year 2002, the Commissioner of Income Tax, Companies Zone, Islamabad notified the Company with respect to application filed by it in the Lahore High Court, Rawalpindi Bench, against the order of Income Tax Appellate Tribunal passed in favor of the Company annulling impugned order of Additional Commissioner of Income Tax dated March 22, 2002 passed under Section 66-A, resulting in tax assessment of Rs. 6.69 Million The Company has not made any provision in this respect in view of the legal opinion of its Legal Advisor that the said case is likely to be decided in favor of the Company on legal grounds. The matter is pending for adjudication.

21.2. Commitments

No commitment outstanding as at June 30, 2012 (June 30, 2011: nil)

22. SALES - NET

		2012	2011
		(Rupees in '000')	
Gross sales	22.1	2,222,470	2,109,405
Sales tax		(300,928)	(287,042)
Excise duty		-	(29,698)
Sales commission		-	-
Sales return		-	(7,911)
		(300,928)	(324,651)
		1,921,542	1,784,754

22.1 This includes export sales of Rs. 40.8 million (2011: Rs. 101.4 million).

23. COST OF SALES

		2012	2011
Raw material consumed	23.1	1,321,737	1,207,255
Packing material consumed		69,813	58,898
Salaries, wages & other benefits	23.2	78,047	82,747
Traveling & conveyance		10,287	9,883
Professional charges		239	842
Vehicle repair & maintenance		7,390	8,569
Rent, rate & taxes		11,995	22,008
Repair & maintenance		4,901	6,272
Communication charges		1,323	1,201
Printing, postage & stationery		822	1,045
Entertainment		474	375
Advertisement		18	76
Insurance		5,983	6,368
Medical		1,670	1,880
Electricity, gas & water		109,517	92,696
Freight, octroi & toll tax		2,525	4,381
Depreciation	4.1.1	93,329	86,708
Lab testing		1,635	662
Store consumed		20,309	13,397
Courses and seminar fees		35	-
Impairment loss		8,090	-
Miscellaneous		233	410
		1,750,372	1,605,673
Work-in-process - opening		58,023	102,009
Work-in-process - closing		(38,514)	(58,023)
		19,509	43,986
Cost of goods manufactured		1,769,881	1,649,659
Finished goods - opening		51,870	79,936
Finished goods - closing		(41,742)	(51,870)
		10,128	28,066
		1,780,009	1,677,725

23.1 Raw material consumed

	2012	2011
Opening stock	55,168	41,710
Purchases	1,337,025	1,220,713
Closing stock	(70,456)	(55,168)
	1,321,737	1,207,255

23.2 This includes staff retirement benefits amounting to Rs. 3.7 million (2011: Rs. 6.6 million).

		2012	2011
		(Rupees in '000')	

24. DISTRIBUTION COST

		2012	2011
Salaries and benefits	24.1	**8,534**	11,958
Office rent		**269**	350
Electricity, water & gas		**201**	364
Entertainment		**128**	175
Traveling & conveyance		**964**	770
Repair & maintenance		**102**	326
Vehicle running & maintenance		**1,854**	1,387
Communications		**469**	600
Insurance		**74**	88
Printing & stationery		**45**	65
Carriage & freight outward		**44,078**	37,425
Courses & seminar fees		**-**	50
Miscellaneous		**394**	-
		57,112	53,558

24.1 This includes staff retirement benefits amounting to Rs. 0.86 million (2011: Rs. 0.86 million).

25. ADMINISTRATIVE EXPENSES

		2012	2011
Salaries and benefits	25.1	**23,399**	23,116
Rent, rate and taxes		**547**	842
Electricity, gas and water		**279**	351
Entertainment		**449**	431
Traveling & conveyance		**2,637**	2,539
Vehicle running & maintenance		**1,426**	1,018
Repair & maintenance		**220**	514
Communications		**467**	866
Legal & professional		**1,980**	2,070
Auditors' remuneration	25.2	**785**	785
Advertisement		**23**	33
Medical		**1,351**	1,274
Insurance		**234**	323
Printing & stationery		**471**	432
Depreciation	4.1.1	**4,912**	4,548
Books, newspaper and periodicals		**12**	19
Courses, seminar & subscription		**112**	110
Donation	25.3	**300**	15
Relocation of Resources	25.4	**58**	1,525
Impairment on Fixed Assets		**-**	798
Miscellaneous		**27**	40
		39,689	41,649

25.1 This includes staff retirement benefits amounting to Rs. 0.66 million (2011: Rs. 0.7 million).

25.2 Auditors' remuneration

	2012	2011
Audit fee	**500**	500
Fee for half yearly review	**200**	200
Other advisory services	**75**	75
Out-of-pocket expense	**10**	10
	785	785

25.3 None of the directors and their spouse have any interest in the donee's fund.

25.4 This represents expenses incurred for the purpose of shifting of regisetered office from Karachi to Hattar as disclosed in note.1 of the financial statements.

26. OTHER OPERATING INCOME

		2012	2011
		(Rupees in '000')	
Income from sale of scrap	26.1	**14,647**	20,026
Insurance claim		**-**	1,019
Discount received		**178**	-
Other income freight		**1,317**	1,251
Profit on bank deposits		**190**	145
Net gain on disposal of fixed assets		**1,187**	1,053
		17,520	23,494

26.1 It includes sales of PET crush amounting to Rs. 9.67 million (2011: 7.18 million).

27. FINANCE COST

		2012	2011
Mark-up on:			
Long-term financing	27.1	**42,908**	27,151
Short-term borrowing	27.1	**29,646**	20,571
Liabilities against assets subject to finance lease	27.1	**3,152**	4,146
		75,706	51,868
Interest on workers' profit participation fund		**-**	-
LC usance and other charges		**41,735**	49,940
Bank charges		**6,769**	2,303
Other financial charges		**-**	183
		48,504	52,426
		124,210	104,294

27.1 The State Bank of Pakistan (SBP) vide its Circular no. 11 dated July 01, 2010 announced a fiscal relief package on account of markup on existing business loans to rehabilitate the economic life in Khyber Pakhtunkhwa, FATA and PATA and directed that all banks, DFIs and Microfinance Banks shall charge markup on all business loans outstanding as on December 31, 2009 at the rate of 7.5% p.a. or six months KIBOR (offer side) whichever is lower for next two years. Interest rate as originally agreed with the finance providers are stated in respective notes of long term loan, short term borrowings and liabilities against assets subject to finance lease. The term of relief has ended as at 31 December, 2011. With effect from 1 January 2012, the company has been subject to original rate of interest (that ranges from 13.9% to 18%) as agreed with financial institutions on all of its business loans.

28. PROVISION FOR TAXATION

		2012	2011
		(Rupees in '000')	
Current	28.1	**(18,954)**	(18,329)
Deferred		**21,648**	7,564
		2,694	(10,765)

28.1 Current

The assessments of the Company have been finalized upto and including the tax year 2011. In view of the brought forward tax losses and after restoration of section 113 in Finance Act 2010-11, provision for current income tax is based on section 113 of the Income Tax Ordinance, 2001. Accordingly tax expense reconciliation with the accounting profit is not reported.

29. LOSS PER SHARE - BASIC AND DILUTED

	2012	2011
	(Rupees in '000')	
29.1 Basic loss per share		
Loss after tax (rupees in thousands)	**(59,264)**	(79,743)
Weighted average number of ordinary shares (nos.)	**22,977**	22,977
Loss per share (rupees)	**(2.58)**	(3.5)

29.2 Diluted loss per share

There is no dilutive effect on the basic earnings per share of the Company as it has not issued any instruments carrying options which could have an impact on loss per share when exercised.

30. CASH GENERATED FROM OPERATIONS

		2012	2011
		(Rupees in '000')	
Loss before taxation		**(61,959)**	(68,978)
Adjustment for non-cash charges and other items:			
Depreciation		**98,241**	91,256
Impairment loss		**8,090**	-
Gain on disposal of property, plant & equipment		**(1,182)**	(1,053)
Insurance claim		**-**	(1,019)
Provision for gratuity		**9,358**	8,797
Finance cost		**124,210**	104,294
Working capital changes	30.1	**74,113**	43,631
		250,871	176,928

30.1 Working capital changes

	2012	2011
(Increase) / decrease in current assets :		
Stores, spares and loose tools	**(4,531)**	(2,319)
Stock in trade	**13,401**	62,525
Trade debts	**(7,885)**	(32,195)
Loans and advances	**19,556**	(21,156)
Short term deposits, prepayments & other	**(1,794)**	(3,216)
receivables		-
	18,747	3,639
Increase / (decrease) in current liabilities:		
Trade and other payables	**55,366**	39,992
	74,113	43,631

31. CASH AND CASH EQUIVALENTS

	2012	2011
Cash and bank balances	**5,329**	10,129
Short term borrowings	**(202,317)**	(391,028)
	(196,988)	(380,899)

32. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the accounts for remuneration, including certain benefits to directors, chief executive and executives of the company as follows:

	Chief Executive		Directors		Executives	
	2012	2011	**2012**	2011	**2012**	2011
Managerial remmuneration	**7,533**	7,533	**4,409**	3,369	**7,336**	14,992
House allowance and utilities	**569**	569	**1,984**	1,599	**3,301**	8,228
Servent allowance	**452**	452	**-**	-	**-**	-
Telephone allowance	**380**	380	**-**	-	**-**	-
Medical reimbursement	**753**	753	**284**	190	**475**	339
Total	**9,687**	9,687	**6,677**	5,158	**11,113**	23,559
No. of person(s)	**1**	1	**7**	6	**16**	18

32.1 The Company also provides company maintained vehicles to its Chief Executive, Executive Direcotrs & some executives, in accordance with Company's policy. They are entittled to Gratuity and provident fund in accordance with the Company's policy.

33. TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party and exercise significant influence over the other party in making financial and operating decisions.

The related parties comprise of major shareholders, directors of the company and key management personnel and staff/workers funds. Remuneration and benefits to executives of the company are in accordance with the terms of the employment while contribution to the provident fund and gratuity are in accordance with staff service rules.

	2012	2011
	(Rupees in '000')	
Details of transactions with related parties are as follows:		
Transactions during the year		
Sale of vehicles & office equipment	**3,854**	535
Post employment benefit paid	**4,666**	754
Contribution to staff provident fund	**1,856**	1,145
Payable as on balance sheet date with:		
Employees' provident fund trust	**5,498**	5,748
Post employment benefit payble	**14,247**	12,747

The remuneration of Chief Executive, Directors and Executives is disclosed in Note 32 to the financial statements.

34. SEGMENT REPORTING

	Injection		Blowing		Total	
	2012	2011	2012	2011	2012	2011
	(Rupees '000)		(Rupees '000)		(Rupees '000)	
Sales-net	**936,286**	913,541	**985,256**	871,213	**1,921,542**	1,784,754
Cost of sales	**(879,892)**	(822,085)	**(900,116)**	(855,640)	**(1,780,009)**	(1,677,725)
	56,394	91,456	**85,140**	15,573	**141,533**	107,029
Distribution cost	**(27,985)**	(26,243)	**(29,127)**	(27,315)	**(57,112)**	(53,558)
Administrative	**(19,448)**	(20,408)	**(20,241)**	(21,241)	**(39,689)**	(41,649)
	(47,432)	(46,651)	**(49,368)**	(48,556)	**(96,801)**	(95,207)
Operating profit	**8,962**	44,805	**35,771**	(32,983)	**44,732**	11,822
Segment assets	**492,186**	630,419	**512,275**	630,057	**1,004,461**	1,235,406
Unallocated assets	**-**	-	**-**	-	**597,779**	467,686
	492,186	630,419	**512,275**	630,057	**1,602,240**	1,703,092
Segment liabilities	**131,039**	138,826	**136,387**	144,493	**267,426**	283,319
Unallocated liabilities	**-**	-	**-**	-	**1,022,760**	1,050,676
	131,039	138,826	**136,387**	144,493	**1,290,186**	1,333,995
Capital expenditure	**13,443**	**5,460**	**13,992**	**5,682**	**27,435**	**11,142**

34.1 Inter-segment sales have been eliminated from totals.

34.2 Administrative expenses and distribution costs are allocated on the basis of the net sales value for each segment.

35. FINANCIAL INSTRUMENTS

35.1 Financial instruments by category

	2012	2011
	(Rupees in '000')	
FINANCIAL ASSETS		
Loans and receivables		
Security deposits	**6,890**	8,274
Trade debts	**154,644**	146,759
Short term deposits and other receivables	**9,141**	8,196
Cash and bank balances	**5,329**	10,129
	176,004	173,358
FINANCIAL LIABILITIES		
Financial liabilities at amortized cost		
Long term loans	**416,980**	327,402
Liability against assets subject to finance lease	**18,098**	32,913
Trade and other payables	**438,196**	363,826
Accrued mark-up on loans	**23,960**	9,060
Short term borrowings - secured	**202,317**	391,028
	1,099,551	1,124,229

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks: capital risk, credit risk, liquidity risk and market risk (including foreign exchange or currency risk, interest/mark-up rate risk and price risk). The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall, risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below.

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. All treasury related transactions are carried out within the parameters of these policies.

36.1 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations.To manage exposure to credit risk, Company applies credit limits and deals with selected credit worthy parties. It makes required provision against balances that are considered doubtful.The exposure to cash and bank balances is managed by placing funds with those that have good credit rating amongst major banks and financial institutions. The following carrying amounts of financial assets against which the Company holds no collateral represents the maximum credit exposure at the balance sheet date.

	2012	2011
	(Rupees in '000')	
Trade debts	**159,755**	151,870
Loans and advances	**23,993**	43,549
Other receivables	**6,704**	3,955
Bank balances	**5,300**	10,110
	195,752	209,484

36.1.1 Impairment losses

The aging of trade debts at the reporting date was:

	2012		2011	
	Gross value	**Impairment**	Gross value	Impairment
	(Rupees '000)		(Rupees '000)	
Not past due	41,370	-	39,271	-
Past due 1-60 days	75,410	-	81,332	-
Past due 61 days to 1 year	28,910	-	15,422	-
More than 1 year	8,954	**5,111**	10,735	5,111
Total	154,644	**5,111**	146,759	5,111

The credit quality of company's bank balances can be assessed with reference to external credit ratings as follows:

37.1.2 Credit rating	**2012**	2011
	(Rupees in '000')	
A1+	5,246	9,355
A2	10	507
A1	7	190
A-1 +	37	59
	5,300	10,111

36.2 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facility. The Company finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Company treasury aims at maintaining flexibility in funding by keeping committed credit line available.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying value	Contractual cash flow	Upto one year	More than one year
		(Rupees '000)		
Long term financing	416,980	416,980	99,814	319,983
Finance lease	18,098	22,405	9,472	12,933
Trade and other payables	463,426	463,426	463,426	-
Short term borrowings	202,317	214,132	214,132	-
June 2012	**1,100,821**	**1,116,943**	**786,844**	**332,916**
Long term financing	327,402	357,868	202,007	155,861
Finance lease	32,913	38,119	15,683	22,436
Trade and other payables	411,939	411,939	411,939	-
Short term borrowings	391,028	397,172	397,172	-
Jun-11	1,163,282	1,205,098	1,026,801	178,297

Contractual cash flows include interest related cash flows up to the year end. The future interest related cash flows depend on the interest rates applicable at that time and the extent of utilization of running finance facilities.

36.3 Market risk

Market risk means that the future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates and interest rates. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Company's market risk comprises of two types of risk: foreign exchange or currency risk and interest/mark up rate risk. The market risks associated with the Company's business activities are discussed as under:

a) Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The company is not exposed to foreign currency risk on export. or import as it produce material from local market in local currency.

Exposure to foreign currency risk

Company is not exposed to foreign currency risk as there are no foreign debtors and creditors on the balance sheet date.

b) Interest/ mark up rate risk

Interest/ mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest/mark-up rates. Sensitivity to interest/ mark up rate risk arises from mismatches of financial liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. At the balance sheet date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

		Effective interest rate (%)	Carrying amount (Rs. in '000')
2012			
Fixed rate instruments	**27.1**		
Long term financing		10.8%	**416,980**
Finance lease		15.8%	**18,098**
Short term borrowings		11.1%	**202,317**
			637,395
2011			
Fixed rate instruments			
Long term financing		7.5%	327,402
Finance lease		7.5%	32,913
Short term borrowings		7.5%	391,028
			751,343

Sensitivity analysis

The Company have no any fixed rate liabilities at fair value through profit or loss nor any derivatives as hedging instruments recognized under fair value hedge accounting model. Therefore, a change in interest rate at reporting date would not have any effect on the fair value of any financial instrument.

A change of 100 basis points in interest rate would have no bearing on the financial liabilties. (2011: Rs. Nil thousand)

36.4 Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties at arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Fair value of all financial assets and financial liabilities are estimated to approximate their respective carrying amount.

37. CAPITAL RISK MANAGEMENT

The company’s objectives when managing capital are to safeguard the company’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectation of the shareholders. Debt is calculated as total borrowings ('long term financing' and 'short term borrowings' as shown in the balance sheet). Total capital comprises shareholders' equity and surplus on revaluation of fixed assets as shown on the face of the balance sheet.

There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

38. PLANT CAPACITY AND ACTUAL PRODUCTION

	QUANTITIES IN '000'	
	2012	2011
Blowing		
Capacity - Number of bottles	**304,200**	304,200
Production - Number of bottles	**92,644**	89,267
Utilization	**30%**	29%
Injection		
Capacity - Number of bottles	**415,733**	415,733
Production - Number of bottles	**217,839**	232,316
Utilization	**52%**	56%

38.1 The underutilization of capacity was due to market constraints.

39. DATE OF AUTHORIZATION

These financial statements have been authorized for issue on **September 27, 2012** by the Board of Directors of the Company.

40. GENERAL

Figures have been rounded off to the nearest thousand rupees.

Chief Executive Officer **Director**

Proxy Form

I/We ______________________________ of ____________________

being member Ecopack Limited, and holder of

Ordinary Share as per register Folio No ______________________ and / or CDC

Participant I.D. No. ____________________ and Account / Sub-Account No. ________

hereby appoint ______________________________ of ____________________

and my / our proxy to attend, speak and vote for me / us and on my / our behalf at the

21st Annual General Meeting of the Company to be held on Wednesday October 31, 2012

____and

as any adjournment thereof. ______________________________ As

witness my / our hand this ______________________________ day of

____

2012 signed the said ______________________________ in

the presence of

____

Notes:

1. The Proxy Form in order to be valid must be deposited with the Company not late than 48 hours before the time of holding the Meeting.
2. The proxy must be a member of the Company.
3. Signature should agree with the specimen signature, registered with the Company.
4. CDC shareholders and their Proxies must attached either an attested photocopy of their Computerized National Identity Card or Passport with the proxy form.