



Eco Pack Ltd

Manufacturers Of Quality PET Bottles & Preforms



Nine Months & Third Quarter Report
March 31, 2013

■ **Mission Statement**

To Systematically and cost effectively manufacture and supply consistently high 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	MCB Bank Ltd
Habib Bank Limited	Standard Chartered Bank Ltd
Allied Bank Limited	Al-Barka Bank (Pakistan) Ltd
JS Bank Limited	
Faysal Bank Limited	

AUDITORS

Rahman Sarfaraz Rahim Iqbal Rafiq
 Chartered Accountants

LEGAL ADVISOR

M/s. Ebrahim Hosain Advocate & Corporate Counsel

REGISTERED OFFICE AND FACTORY

112-113, Phase V, Hattar Industrial
 Estate, Hattar, District Haripur
 Khyber Pakhtunkhwa
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DIRECTORS' REPORT

The board of directors of Ecopack Limited is pleased to present the un-audited financial statements of the Company for the 9-month period ended March 31, 2013 :

Overview :

The period under review displayed a more positive reflection of an improving demand & supply situation for the sale of the company's products. Contrary to the last three years when the demand:supply gap remained mostly unfavorable due to substantial capital investment in the supply site of the industry, the present scenario has greatly improved in favor of the vendor industry. In particular the demand for PET bottles is witnessing a sharp rise in the approaching summer season as bottle capacity in the industry falls clearly short of demand. This augurs a welcome change for your company as it is well poised with its large bottle blowing capacity to gain from such a market situation.

Sales & Financial Highlights:

Net sales value decreased from PKR 1.23 billion to PKR 1.0 billion as the average PET resin prices decreased by 6 % over the same period last year. High margin Bottles sales in unit term increased by 18% & in value terms by 20% to PKR 617 million, whereas the Preform sales decreased by 36% in unit sales & 46% in value terms from PKR 720 million to PKR 390 million. Bottles sales contribute higher profit margins compared to Preforms sales & hence the GP increased from PKR 45.7 million to PKR 58.4 million i.e. an increase of almost 28% over the corresponding period last year.

Loss after tax decreased by 22% from PKR 101.9 million to PKR.79.70 million as compared to the corresponding period last year.

Future outlook:

As reported in the previous directors' report, your company's substantial instantaneous capacity in bottle production positions it as a preferred vendor to meet the significant spill-over demand arising from the increased number of SKU's/pack sizes & drink flavors for each consumer segment being simultaneously demanded by the CSD industry. The beverage industry would be stocking up to meet the peaks of Ramadhan sales from the month of June therefore it is expected to have high bottle and preform sales and margins in the last quarter of the fiscal year i.e. April to June 2013. Strong summer sales with improved margins position the company to reverse the previous trends and bring the company back to profit in this financial year.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Hussain Jamil
Chief Executive Officer

Dated : April 29, 2013

CONDENSED INTERIM BALANCE SHEET
AS AT MARCH 31, 2013

		Un-audited March 31, 2013	Audited June 30, 2012
	Note	----- Rupees in '000' -----	
NON-CURRENT ASSETS			
Property, plant & equipment	5	1,087,266	1,157,131
Long term security deposits		6,889	6,890
CURRENT ASSETS			
Stores, spares and loose tools		51,525	55,954
Stock in trade	6	111,199	154,891
Trade debts - unsecured considered good		160,699	154,644
Loans and advances - unsecured considered good		33,145	23,993
Short term deposits, prepayments & other receivables		6,229	9,340
Taxation - Net		16,168	11,135
Cash and bank balances		7,320	14,329
		386,285	424,286
TOTAL ASSETS		1,480,440	1,588,307
SHARE CAPITAL AND RESERVES			
Authorized Share Capital			
50,000,000 (June 2012 : 50,000,000) Ordinary shares of Rs. 10 each		500,000	500,000
Issued, subscribed and paid-up capital		229,770	229,770
Unappropriated Loss		(177,086)	(123,975)
		52,684	105,795
Surplus on revaluation of property, plant and equipment		196,007	213,466
NON-CURRENT LIABILITIES			
Long term loans - secured	7	206,598	322,213
Liabilities against assets subject to finance lease		7,901	10,396
Deferred liabilities		119,626	135,268
		334,125	467,877
CURRENT LIABILITIES			
Trade and other payables		368,009	432,817
Accrued mark-up		21,679	23,960
Short term borrowings - secured	8	346,240	241,924
Current portion of long term liabilities		161,695	102,468
		897,624	801,169
TOTAL EQUITY AND LIABILITIES		1,480,440	1,588,307
CONTINGENCIES AND COMMITMENTS			
	9		

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
 FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013**

		Jul-Mar 2013	Jul-Mar 2012	Jan-Mar 2013	Jan-Mar 2012
Note		----- Rupees in '000' -----			
Sales - Net	10	1,006,068	1,233,047	254,844	275,403
Cost of sales	11	(947,668)	(1,187,340)	(260,929)	(274,101)
Gross Profit		<u>58,400</u>	<u>45,707</u>	<u>(6,085)</u>	<u>1,302</u>
Operating expenses					
Distribution costs		(37,343)	(32,534)	(9,614)	(7,505)
Administrative expenses		(30,062)	(29,268)	(9,376)	(9,731)
		<u>(67,404)</u>	<u>(61,803)</u>	<u>(18,989)</u>	<u>(17,237)</u>
Operating profit / (loss)		<u>(9,004)</u>	<u>(16,096)</u>	<u>(25,075)</u>	<u>(15,935)</u>
Finance costs	12	(84,539)	(85,376)	(27,943)	(34,896)
Other income		6,131	10,914	2,876	1,308
		<u>(78,407)</u>	<u>(74,462)</u>	<u>(25,067)</u>	<u>(33,588)</u>
Loss before taxation		<u>(87,412)</u>	<u>(90,557)</u>	<u>(50,141)</u>	<u>(49,522)</u>
Taxation - Current		(5,071)	(12,016)	(1,298)	(2,354)
- Deferred		12,513	639	3,681	-
		<u>7,442</u>	<u>(11,377)</u>	<u>2,383</u>	<u>(2,354)</u>
Loss after taxation		<u>(79,970)</u>	<u>(101,934)</u>	<u>(47,758)</u>	<u>(51,877)</u>
Loss per share - Basic and diluted		<u>(3.48)</u>	<u>(4.44)</u>	<u>(2.08)</u>	<u>(2.26)</u>

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.

 CHIEF EXECUTIVE OFFICER

 DIRECTOR

 CHIEF FINANCIAL OFFICER

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013

	Jul-Mar 2013	Jul-Mar 2012	Jan-Mar 2013	Jan-Mar 2012
----- Rupees in '000' -----				
Loss for the period	(79,970)	(101,934)	(47,758)	(51,877)
Other comprehensive income:	-	-	-	-
Total comprehensive loss for the period transferred to equity	<u>(79,970)</u>	<u>(101,934)</u>	<u>(47,758)</u>	<u>(51,877)</u>

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2013

	Issued, subscribed and paid up capital	Appropriated Loss	Total
	----- Rupees in '000' -----		
Balance as at July 01, 2011	229,770	(101,661)	128,109
Total comprehensive income for the nine months ended March 31, 2012	-	(101,934)	(101,934)
Transfer from Surplus on revaluation of Property, Plant and Equipment - net of deferred tax	-	24,207	24,207
Balance as at March 31, 2012	<u>229,770</u>	<u>(179,388)</u>	<u>50,382</u>
Balance as at April 1, 2012	229,770	(179,388)	50,382
Total comprehensive income for the quarter ended June 30, 2013	-	37,278	37,278
Transfer from Surplus on revaluation of Property, Plant and Equipment - net of deferred tax - restated	-	18,135	18,135
Balance as at June 30, 2012	<u>229,770</u>	<u>(123,975)</u>	<u>105,795</u>
Balance as at July 01, 2012	229,770	(123,975)	105,795
Total comprehensive income for the nine months ended Mar 31 2013	-	(79,970)	(79,970)
Transfer from Surplus on revaluation of Property, Plant and Equipment - net of deferred tax	-	26,859	26,859
Balance as at March 31, 2013	<u>229,770</u>	<u>(177,086)</u>	<u>52,684</u>

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2013**

	Jul-Mar 2013	Jul-Mar 2012
Note	----- Rupees in '000' -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(87,412)	(90,557)
Adjustments for:		
Depreciation	73,572	71,330
Impairment loss	-	8,090
(Gain)/Loss on disposal of property, plant & equipment	102	-
Provision for gratuity	7,188	6,598
Finance cost	84,539	85,376
	<u>165,401</u>	<u>171,393</u>
Cash generated from operating activities before working capital changes	77,989	80,835
Changes in working capital		
(Increase) / Decrease in current assets :		
Stores, spares and loose tools	4,429	(2,330)
Stock in trade	43,693	46,456
Trade debts	(6,055)	47,033
Loans & advances	(9,153)	1,009
Short term deposits, prepayments and other receivables	3,111	(427)
Increase / (Decrease) in current liabilities:		
Trade and other payables	(64,727)	(22,239)
	<u>(28,702)</u>	<u>69,502</u>
Cash generated from operations	49,287	150,337
Finance cost paid	(86,819)	(60,656)
Gratuity paid	(914)	(2,406)
Taxes Paid	(10,104)	(13,618)
Net cash generated from / (used in) operating activities	<u>(48,551)</u>	<u>73,657</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(4,272)	(2,623)
Capital work-in-progress	(245)	(455)
Long term security deposits	1	184
Proceeds from disposal of fixed assets	626	-
Net cash generated/(used) in investing activities	<u>(3,890)</u>	<u>(2,893)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term loans	(54,086)	(82,168)
<i>Conversion of short term loan into long term</i>	-	171,000
Repayment of finance lease liability	(4,798)	(5,060)
Net cash generated/(used) in financing activities	<u>(58,884)</u>	<u>83,772</u>
Net decrease in cash and cash equivalents	<u>(111,325)</u>	<u>154,535</u>
Cash and cash equivalents at the beginning of the period	<u>(227,595)</u>	<u>(380,899)</u>
Cash and cash equivalents at the end of the period	<u>14</u> <u>(338,920)</u>	<u>(226,364)</u>

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2013**

1 STATUS AND NATURE OF BUSINESS

The company was incorporated on 25 August 1991 as a private limited company under the Companies Ordinance, 1984. It was converted as a public limited company on April 29, 1992 and subsequently in March 1994 was listed at Karachi Stock Exchange. The principal activity of the company is manufacture and sale of Poly Ethylene Terephthalat (PET) bottles and preforms for beverage and non-beverage industry. The Company's manufacturing facility and registered office is situated at 112-113, Phase-V, Industrial Estate Hattar, district Haripur, Khyber Pakhtunkhwa.

2 BASIS OF PREPARATION

This condensed interim financial information is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard - 34 "Interim Financial Reporting" as applicable in Pakistan and provisions of, and directives issued under the Companies Ordinance 1984; in case, where the requirements of the International Accounting Standard differ, the provisions of, and directives issued under the Companies Ordinance 1984, have been followed. This interim financial information has however been subject to limited scope review by the auditors, as required by the Code of Corporate Governance. The interim financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2012.

The comparative balance sheet presented in these interim financial information has been extracted from the audited financial statements of the Company for the year ended June 30, 2012, whereas the comparative profit and loss account, statement of changes in equity, statement of comprehensive income and cash flow statement are extracted from the unaudited interim financial information for the nine month ended March 31, 2012.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Company in the preparation of these interim financial information are the same as those applied in preparation of the preceding published financial statements of the Company for the year ended June 30, 2012.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3.1 Adoption of new accounting standards

The company has adopted the following amended IFRS and related interpretations which became effective during the period:

IAS 24: Related Party Disclosures (Revised)

IFRIC 14: Prepayments of a Minimum funding Requirement (Amendment)

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

IFRS 7: Financial Instruments Disclosures

- Clarification of disclosures

IAS 1: Presentation of Financial Statements

- Clarification of Statement of changes in equity

IFRIC 13: Presentation of Financial Statements

- Fair Value of award credits

The adoption of the above standards, amendments, interpretations and improvements did not have any effect on these condensed interim financial statements.

4 ESTIMATES AND JUDGMENTS

The preparation of the condensed interim financial information in conformity with approved accounting standards require management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and 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.

In preparing the condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the preceding published annual financial statements of the Company as at and for the year ended June 30, 2012.

		March 31, 2013	June 30, 2012
	Note	Rupees in '000'	
5 PROPERTY, PLANT & EQUIPMENT			
Operating fixed assets	5.1	1,080,321	1,150,431
CWIP		6,945	6,700
		1,087,266	1,157,131
5.1 Opening WDV		1,150,431	1,231,394
Additions to property, plant & equipment during the period			
Plant & Machinery		1,903	2,239
Factory equipment		2,075	24,607
Furniture and fixture		60	6
Office equipment		233	582
		4,272	27,434
Disposals / Transfers		(809)	(10,158)
Depreciation for the period		(73,573)	(98,239)
Closing WDV		1,080,321	1,150,431

		March 31, 2013	June 30, 2012
6 STOCK IN TRADE	Note	----- Rupees in '000' -----	
Raw material		33,298	70,456
Packing material		7,263	7,707
Work in process	6.1	21,314	38,514
Finished goods		52,851	41,742
		<u>114,726</u>	158,419
Provision for obsolete stocks		<u>(3,528)</u>	<u>(3,528)</u>
		<u><u>111,199</u></u>	<u><u>154,891</u></u>

6.1 During the period the inventory amounting to Rs. 48.236 millions has been written down to net realisable value of Rs. 44.349 millions.

7 LONG TERM LOANS

Long term loans repaid during the period amounted to Rs. 54.086 millions.

8 SHORT TERM BORROWINGS - Secured

These represents short-term running finance. Finance against trust receipts and other facilities obtained under mark-up arrangements from various commercial banks carrying mark-up ranging from 11.5% to 14.5% (June 30,2012: 13.9% to 18%) per annum calculated on daily product basis. 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 two original founder / sponsor Directors of the company.

9 CONTINGENCIES AND COMMITMENTS

Contingencies remain same as at March 31, 2013 as disclosed in the audited financial statements for the year ended June 30, 2012. There are no commitments as at March 31, 2013 (June 30, 2012: Nil).

10 Net Sales:

	Jul-Mar 2013	Jul-Mar 2012	Jan-Mar 2013	Jan-Mar 2012
	----- Rupees in '000' -----			
Sales	1,167,435	1,423,816	295,922	319,472
Less: Sales Tax	<u>(161,367)</u>	<u>(190,769)</u>	<u>(41,078)</u>	<u>(44,069)</u>
	<u>1,006,068</u>	<u>1,233,047</u>	<u>254,844</u>	<u>275,403</u>

11 COST OF SALES

	For the Nine Months Ended		For the Quarter Ended	
	Jul - Mar 2013	Jul - Mar 2012	Jan - Mar 2013	Jan - Mar 2012
(Rupees in '000).....			
Raw material consumed	642,450	872,206	178,999	185,023
Packing material consumed	41,124	40,936	12,497	9,114
Salaries, wages & other benefits	71,163	62,212	23,943	19,539
Travelling & conveyance	736	1,192	152	318
Professional charges	566	430	215	64
Vehicle repair & maintenance	7,114	5,345	1,947	1,430
Rent, rate & taxes	6,462	7,469	1,958	2,326
Repair & maintenance	5,249	3,490	1,754	863
Communication charges	928	858	291	265
Printing, postage & stationery	560	761	120	100
Entertainment	354	292	122	84
Advertisement	33	19	1	-
Insurance	3,842	4,608	1,267	1,536
Electricity, gas & water	69,330	64,612	18,681	20,060
Freight, octroi & toll tax	1,591	1,670	433	444
Depreciation	69,893	67,763	23,165	22,314
Consumable store	19,291	19,889	4,638	2,735
Lab tests	892	294	618	87
Provision of Impairment	-	8,090	-	-
	941,577	1,162,135	270,801	266,301
Work in process				
Opening	38,514	58,023	28,957	42,123
Closing	(21,314)	(28,559)	(21,314)	(28,559)
	17,200	29,464	7,643	13,564
COST OF GOODS MANUFACTURED	958,777	1,191,599	278,444	279,866
Finished goods				
Opening	41,742	51,870	36,242	50,365
Closing	(52,851)	(56,130)	(52,851)	(56,130)
	(11,109)	(4,260)	(16,609)	(5,765)
COST OF SALES	947,668	1,187,340	261,835	274,101

March 31, March 31,
2013 2012
Note ----- Rupees in '000' -----

12 Finance Cost

12.1 84,539 85,376

12.1 The terms of relief in mark up from SBP vide its circular # 11 of dated July 01, 2010 on all existing business loans to rehabilitate the economic life in Khyber Pakhtunkhwa, FATA and PATA has ended as at December 31, 2011. With effect from January 01, 2012, original rate of interest as agreed with financial institutions on all of its business loans is applicable.

13 SEASONALITY OF OPERATIONS

Due to the seasonal nature of business of the Company, higher revenues and operating profits are usually expected in first and last quarter of the year.

(a) Description of operating 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 products.

14 CASH & CASH EQUIVALENTS

For the purposes of cash flow statement, cash and cash equivalents include cash on hand and in banks and investments having maturity of less than 3 months and insignificant risk of changes in value till maturity, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the condensed interim cash flow statement are reconciled to the related items as follows:

	March 31, 2013	March 31, 2012
	----- Rupees in '000' -----	
Cash and bank balances	7,320	7,663
Short term borrowings	<u>(346,240)</u>	<u>(234,026)</u>
	<u>(338,920)</u>	<u>(226,363)</u>

15 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertaking, key management personnel and post employment benefit scheme. The company in the normal course of business carries out transactions with various related parties.

	March 31, 2013	March 31, 2012
	----- Rupees in '000' -----	
<u>Transactions during the period</u>		
Gratuity Paid	914	2,607
Provision during the period	<u>7,188</u>	<u>8,839</u>

16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk management objectives and policies adopted to meet these objectives were same as being followed as at June 30, 2012.

17 DATE OF AUTHORIZATION

This condensed interim financial information has been authorized for issue on April 29, 2013 by the Board of Directors of the Company.

18 GENERAL

Figures have been rounded off to the nearest thousand rupees.

 CHIEF EXECUTIVE OFFICER

 DIRECTOR

 CHIEF FINANCIAL OFFICER

Eco Pack Ltd

Manufacturers Of Quality PET Bottles & Preforms

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