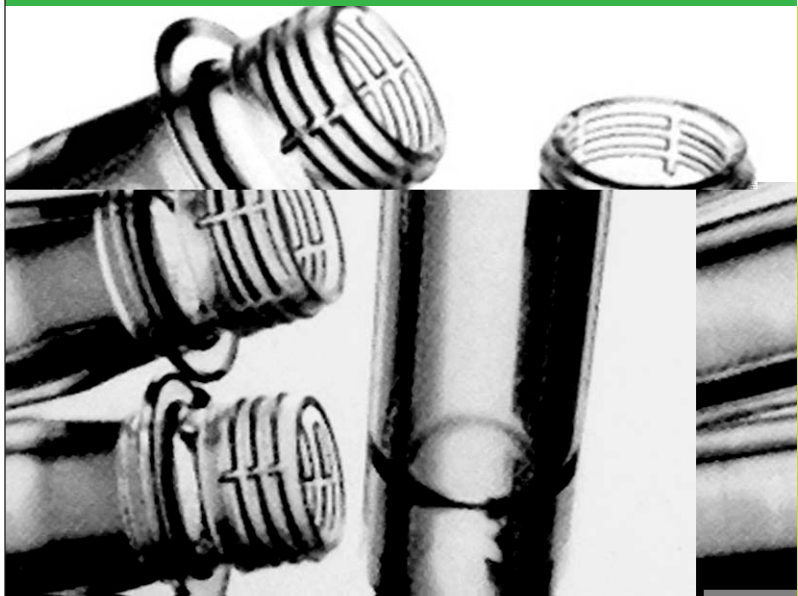


**EcoPack Ltd**  
Manufacturers of Quality PET Bottles and Preforms



Annual Report  
2005



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# 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

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### BOARD OF DIRECTORS:

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

### AUDIT COMMITTEE:

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

### COMPANY SECRETARY:

Mr. Mohammad Hussain Khan	FICS
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### CHIEF FINANCIAL OFFICER:

Mr. Habib Ur Rehman Siddiqui	FCMA
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### BANKERS:

Askari Commercial Bank Limited  
Habib Bank Limited  
Citibank N.A.  
Prime Commercial Bank Limited  
The Bank of Khyber

### AUDITORS:

Khalid Majid Rahman Sarfaraz  
Rahim Iqbal Rafiq  
Chartered Accountants

### LEGAL ADVISOR:

Mr. Saeed Ahmed Siddiqui	Advocate
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### LEGAL CONSULTANT:

Khawaja Ahmed Hosain

### FACTORIES:

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

### REGISTERED & CORPORATE OFFICE:

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

### HEAD OFFICE:

Room # 206, 2nd Floor, The Plaza, Kehkashan, Clifton, Karachi.  
Tel: (021) 5361231-8 Fax: (021) 5361242  
E-mail: [cityoffice@ecopack.com.pk](mailto:cityoffice@ecopack.com.pk)

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 14th Annual General Meeting of Ecopack Limited will be held on Tuesday, October 18, 2005 at 11:30 AM at "Mahnoor Hall" Pearl Continental Hotel, Club Road, Karachi, to transact the following business:

### Ordinary Business

1. To confirm the minutes of the last Annual General Meeting held on October 13, 2004.
2. To receive and adopt the Director's and auditors report together-with Audited Accounts of the Company for the year ended June 30, 2005.
3. To appoint external auditors and to fix their remuneration for the year ending June 30, 2006. The present auditors being eligible offer themselves for re-appointment.

### Special Business

4. To consider and approve increase in remuneration of working directors of the Company.
5. To consider and approve issue of Bonus Shares @ 15% i.e. fifteen shares for every one hundred shares held.
6. To consider and approve the alterations in the object clause of the Memorandum of Association and amendments in Articles of Association of the Company.
7. To approve placing of quarterly accounts on our website instead of sending the same by mail to the members.
8. To consider any other business of the Company with permission of the chair.

By order of the Board

Karachi: September 07, 2005

Mohammad Hussain Khan  
(Company Secretary)

**Note:**

1. The register of members will remain closed from October 05, 2005, to October 18, 2005. (both days inclusive). Physical scrip transfers/CDS transaction IDs received in order at the registered office of the Company at the close of business i.e. by 05:00 PM on October 04, 2005 will be treated in time for the purpose of entitlement of bonus shares entitlement.
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.

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

1. For attending the Meeting:
  - a. In case of individuals, the account holder or sub account holder and/or the person whose securities are in group account and their registration details are uploaded as per regulations shall authenticate his/her identity by showing his/her National Identity Card (NIC) or original passport at the time of attending the meeting.
  - b. In case of a corporate entity the Board of Directors resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.
2. For appointing proxies:
  - a. In case of individuals, the account holder or sub account holder and/or the person whose securities are in group account and their registration details are uploaded as per regulations shall submit the proxy form as per requirement.
  - b. The proxy form shall be witnessed by two persons whose name, address and new NIC number are mentioned on the form.
  - c. Attested copies of NIC or passport of the beneficial owner and the proxy shall be furnished with the proxy form.
  - d. The proxy shall produce his/her original NIC or original passport at the time of the meeting.
  - e. In case of corporate entity the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) along with the proxy form of the Company.
3. Change of address, if any, should be notified to the Company immediately.

(Draft resolutions and statement of material fact is being sent to members along with notice)

#### **Resolution for Item # 4**

“Resolved that the salary of Chief Executive Officer and Executive Director of the Company be increased to Rs. 350,000 per month each with effect from July 01, 2005”

#### **Resolution for Item # 5**

##### **Resolved:**

- a. That a sum of Rs. 21,407,115 out of the free reserves of the Company for the year ended June 30, 2005 be capitalized and applied for issue of 2,140,711 fully paid bonus shares of Rs. 10/- each allotted as fully paid Bonus shares to the members of the Company whose name appears on the register of the members as at close of business on October 04, 2005 in proportion of fifteen shares for every one hundred shares held i.e. fifteen percent (15%) stock dividend as recommended by the Board of Directors.
- b. That the Bonus shares so allotted shall rank pari passu in all respects with the existing shares except that they shall not qualify for the stock dividend, declared for the year ended June 30, 2005.
- c. That the member(s) entitled to a fraction of a share shall be given sales proceeds of their fractional entitlement for which purpose the fractions shall be consolidated into whole shares and sold in the market.
- d. That the Company Secretary be authorized and empowered to give effect to this resolution and to do or cause to be done all acts, deeds, and thing that may be necessary or required for issue, allotment and distribution of Bonus shares. In the case of non-resident shareholders the Company Secretary is further authorized to issue/export/despatch the Bonus shares after fulfilling the statutory requirements.

#### **Resolution for Item # 6**

“**Resolved that** clause III of the Memorandum be amended to read as follows:

- III. The objects for which the Company is established are to undertake in and outside Pakistan all or any of the following:-
  1. To own, run and establish an industrial undertaking for the manufacture, supply, import, export of all kinds of preforms, bottles, bags and rolls made up of polyethylenterephthalat (PET). Polyethylene, polyester chips, resins & other raw materials for the production of above goods.
  2. To manufacture, sell purchase, trade, deal, import, export, buy exchange, prepare, process barter, in all kinds; descriptions and qualities of plastics, synthetic resins, polymeric substances, plasticines, plastic substance, polythene, polyethylenterephthalat (PET), polymers of ethylene, thermo-plastic, acrylic nylon, nylon filaments, sheets, bristles, films, fibres, polymeric amides, naphthalenes, naphthols, naphthylamines and all kinds of petrochemical products and raw materials, bye-products, joint products, derivatives, allied products, substances, finished and semi-finished and all other items from such products.
  3. To treat, process, blow, form, extrude, plastic granules & raw materials, for own manufacture, selling, export and dispose of plastic goods and raw materials.

4. To manufacture, purchase, import, export, store, warehouse process, sell and generally to deal in all materials, articles, substance and things required for or incidental to the manufacture, preparation adoption treatment, use or working of the aforementioned or the packaging, storing or other wise dispose of all or any of the same as may be thought desirable for the business of the Company.
5. To set-up an industrial undertaking for manufacturing and producing of all kinds of beverages and allied products.
6. To manufacture, import, export, improve, prepare sell, market and to carry on the business of canners, preservers, growers of and dealers in beverages, soft drinks, dates, fruits, honey, vegetables, herbs, medicines flowers, fluids and other fresh and preservable products and generally to carry on the manufacturing and trading in soft drinks, juices, jams, jelleys, pickles, cider, chutney, marmalades, vinegars, ketchups, juices, squashes, syrups, powders (edible) gelatives, essences, ice creams, milk preparations, meat, sausages, prawn, potted meats, table delicacies and other eatables products.
7. To carry on the business of manufacturers, producers and processors of and dealers in beverages, soft drinks, alcohols, dates, fruits, milk, cream butter, ghee, cheese, condensed milk, malted milk, milk powder, skimmed milk powder, whole milk powder, ice-milk, ice-cream, milk foods, baby foods, infant foods and milk products and milk preparations of all kinds.
8. To manufacture, produce, process, prepare, buy, sell and deal in soymilk products, and preparations, soyabean-based foods including spray dried milk, powders, cheese, curd, ice-cream, baby foods, protein foods and other preparations of Soya cereals and lentils including flour and dal, Soya snack foods, Soya sweets, Soya cookies and confections including biscuits, breads, cakes, pastries, nuts, toffees and chocolates, Soya weaning food flavoured with fruits and vegetables and Soya beverages and other products and preparations of every kind, nature and description.
9. To manufacture, buy, sell, improve, treat, preserve, fine, collect, abrate, purify, mineralize, bottle and otherwise deal in mineral and aerated water and other liquids of every description whether pure, mixed or adulterated.
10. To run a poultry farm and to buy, sell, import, export and deal in poultry and poultry products.
11. To manufacture, produce, process, buy, sell and deal in all kinds of bakery products and confectionery items such as biscuits, breads, cakes, pastries, confectionery, sweets, chocolates, toffees, breakfast foods, proteins foods, diet products, strained baby foods, cereal products, wheat flakes, maize flakes, and table delicacies and food stuffs and provisions of all kinds.
12. To carry on the business of farming, agriculture and horticulture in all their respective forms and branches and to grow, produce, manufacture, process, prepare, refine, extract, manipulate, hydrolyze, deodorize, grind, bleach, hydrogenate, buy, sell or otherwise deal in all kinds of agricultural, horticultural dairy, poultry and farm produce and products including dates, food grains, cereals, seeds, oil seeds, plants, flowers, vegetables, fruits, vegetable and edible oils, meat, fish, eggs, foods and food products and preparation of any nature or description whatsoever.
13. To carry on the business of preservation, dehydration, freezing, freeze-drying, drying canning, tinning, bottling and packing of all or any of the produce and products mentioned above and food stuffs, provisions and consumable materials of all kinds.
14. To setup an undertaking for manufacture, produce, organize; conduct, dehydrate, buy, sell, and manage all types or grades of Industrial Alcohol or Ethanol with chemical formulate from sugar cane and beet molasses or other raw material such as sugar beet, corn etc. and to carry on the business of general distillers, compounders, processors, rectifiers, merchants and traders in relation to industrial alcohol, rectified and methylated spirit and all other products and byproducts derived from fermentation and distillation of sugar beet molasses and allied products.



15. To set up and operate electric power generation project for generating and supply of electricity to sister concern, Companies / Branches, W.A.P.D.A., K.E.S.C., and also supply to industries, cities, towns, buildings, streets, docks, markets, theaters, and all places both public and private.
16. To carry on the business of establishing operating and managing transmission systems for electricity generation steam / process air and suppliers of and dealers in electrical and related appliances, generators, cables, wire lines, dry cells, accumulators lamps and works and to generate, accumulate, distribute and supply electricity for the purpose of light, heat, motive power and for all other purposes for which electrical energy can be employed.
17. To carry out the construction and manufacture of thermal gas, hydroelectric and thermal energy projects such as gas energy, solar energy, bio-thermal energy and to construct, establish and fix necessary power stations.
18. To import, purchase, supply and acquire all kinds of raw and other materials for generation of energy / electricity and sell, transmit and deliver the electricity thus generated any where in Pakistan.
19. To initiate, organize and to carry on the business of manufacture, importer, exporter, assembler and supplier of all kinds of heavy and light apparatus for the purpose of electric generation and also manufacture, import, export, supplies and assembles of accumulator wire, lumps, meters, batteries and all kind of engineering goods.
20. To carry on all kinds of business as manufacturers, importers, exporters, dealers, assembler and distributors of gas generators, humidifying, ventilating cooling plant and all types of tools and equipments for industrial & commercial use.
21. To purchase or otherwise acquire lands, houses, buildings, slides and other fixtures on lands and buildings and to let them out on lease, rent, contract or any agreement as may be deemed fit by the Company.
22. To assist in arranging financing for the sale and purchase of real estate properties, land, houses, buildings, flats, by way of hire purchase or deferred payment of similar transactions and to institute, enter into, and to carry on subsidies or assist in subsidizing the sale, purchase and maintenance of any such real estate properties, land, houses, buildings, flats, furnished or otherwise.
23. To carry on the business of real estate developers, constructions, Builders and town planner of Town houses, Bridges, Markets, Shops, Showrooms, Arcades, Shopping centers, Flats, Offices, Paint houses, Townships, Water-works, Electric generating stations, Roads, Tramways, Underground rail roads, Seaports, Airports, Heat, Light, Gas supply works, Telegraphs works, Hotels, Cafeteria, Refreshment rooms, Lodging houses, Huts, Clubs, Tanks, Hospitals, Restaurants, Baths, Places of worship, amusement , Cremation and burial grounds, Parks, Gardens, Libraries, Reading rooms, Orchestra stands, Pavilions, factory, warehouses, Taxi rickshaw and other vehicles stands, ships garages, Dairy farms and all kinds of civil works.
24. To carry on the business and profession of construction of apartments, plazas, multi-storied flats, business offices, shops, markets, warehouses, industrial and commercial buildings, roads, dams, bridges, spillways, highways, reservoirs, airports, seaports, and structures of all descriptions and to equip the same or any part thereof with all or any conveniences, drainage and sewerage facilities, water supply, electric and gas installations subject to any permission required by law.
25. To act as civil work / mechanical/electrical contractors to Government of Pakistan, Provincial Governments, Foreign Governments, Foreign Agencies, Public Local Authorities, Municipalities or otherwise, Semi-Government, Autonomous Corporations, Private / Public Companies or any private person.

26. To carry on the business of estimation, drawing up of specifications, interior and exterior decoration and other similar works relating to civil mechanical, environmental and/or electrical engineering.
27. To invest surplus money of the company in housing projects and in the shares, stocks or securities of any company, short term and long term participation, term finance certificate and any other government securities without indulging in non banking finance Companies business, banking business or an investment company and any other unlawful business.
28. To carry on the business of General Traders, Manufacturer, Commission Agent, Buyers, Sellers, Importers, Exporters, Suppliers and dealers in gold, silver, wheat, cotton, rice, sugar, pulses, beans, cereals, tea, corn, oats, barley, rye, flaxseed, grain sorghums, mil feeds, butter, eggs, wool, fats and oils (including lard, tallow, cottonseed oil, peanut oil, soybean oil, and all other fats and oils), cottonseed meal, cottonseed, peanuts, soybeans, soybean meal, livestock, livestock products, and frozen concentrated orange juice, food, fabrics, textile goods apparels, readymade garments, leather garments engineering goods, automobiles parts, steel & iron products, chemicals, medicines, pharmaceutical, machineries & mills works, marbles & hardware items, computer software & hardware, electric & electronics products and all other goods and articles as may be included by the company for the purpose of trade along with all services, rights and interests.
29. To carry on the business of general order suppliers including Government, Semi-Government Agencies, Armed Forces, Army, Military or Defense and commission agents, indenters, traders and as general merchants, wholes alers, retailers, dealers, distributors, stockiest agents, sub-agents in any goods or products or within the scope of the object of the Company and subject to any permission required under the law.
30. To enter into partnership, joint venture or into any arrangement for sharing profits, union of interest, cooperation, joint adventure or reciprocal concession, with any person or Company local or foreign carrying on, or engaged in, any business or transaction which this Company is authorized to carry on or engage in or any business or transaction capable of being conducted so as directly or indirectly to benefit this Company. And to advance money to, guarantee the contracts of, or otherwise assist, any such person or Company, and to take or otherwise acquire shares and securities of any such Company, and to sell, hold, re-issue, with or without guarantee or otherwise deal with the same.
31. To amalgamate with any other company whose objects are or include any object similar to those of this company, whether by sale or purchase (for fully paid up shares or otherwise) of the undertaking subject to the liabilities of this or any such other company as foresaid with or without winding up or by sale or purchase (for fully paid up shares or otherwise) of all or a controlling interest in the shares or stock of this or any such other company as aforesaid, or by partnership or any arrangement of the nature of partnership, or in any other manner.
32. To purchase or otherwise acquire and undertake all or any part of the business, property, assets, liabilities and transaction of any person, firm or company carrying on any business which this Company is authorized to carry on or any business capable of being conducted so as directly or indirectly to benefit this Company.
33. To promote any Company or companies for the purpose of acquiring all or any of the property, rights and liabilities of this Company, or for any other purposes which may seem directly or indirectly calculated to benefit this Company.
34. To act as agents or brokers of any person, firm, company or corporation.
35. To underwrite the shares, stocks or securities of any other company and to pay underwriting commission and brokerage on any shares, stock or securities issued by the Company.

36. To subscribe or contribute or otherwise assist or to guarantee money to charitable, benevolent, religious, scientific, technical national, public or any other institutions, for its objects or purposes or for any exhibition.
37. To establish industrial units for the manufacture of any of the raw materials required by the Company for manufacturing of any of its products.
38. To carry on the business of transporter, loading and unloading, freight station operator, suppliers of labour on contract basis on daily/monthly rates or on any other basis, owner, operators, hirer and suppliers of means of transportation such as trucks, camel carts, cranes, fork lifters and similar other means of transportation.
39. To sell or dispose of any undertaking of Company or any part thereof for such consideration as the Company may think fit, and in particular for shares, debentures, or securities of any other company having objects altogether or in part similar to those of this Company.

Further resolved that existing sub clauses 1 to 39 of Memorandum of Association be renumbered as clause 40 to 78 to accommodate above insertions.

**Resolved that :**

- a. the in clause 56 of the Articles of Association the period of holding AGM be reduced from six month to four months
- b. and in clause 62 of Articles of Association quorum of three person be replaced with ten person.
- c. Further resolved that where necessary clauses be renumbered to fill the gap created due to clauses deleted previously.

**Resolution for Item # 7**

“Resolved that the Company is hereby authorized to place its quarterly accounts on its website instead of sending these to shareholders by mail.”

Further resolved that the Company Secretary be authorized and empowered to give effect to this resolution.

**Statement with regard to special business under section 160 of the Companies Ordinance, 1984.**

**A. Issue of Bonus shares:**

The Directors of the Company are of the view that the company's financial position and its reserves justify capitalization of free reserves amounting Rs. 21,407,115 for issue of bonus shares in the ratio of fifteen shares for every one hundred shares held (15%) The Directors of the Company directly or indirectly are not personally interested in this issue except to the extent of their shareholding in the Company.

## B. Increase in remuneration of working directors:

The Board of directors in their meeting held on September 07, 2005 has approved the monthly remuneration of working directors of the Company i.e. Executive Director and Chief Executive Officer as follows:

I.	<b>Salary</b>	<b>Rs.</b>
	Basic Salary	297,727
	House Rent Allowance	22,500
	Utility Allowance	<u>29,773</u>
	Total	<u><u>350,000</u></u>
II	<b>Other Benefits</b>	
	Domestic servants	Company paid servants.
	Telephone	Allowance of Rs. 15,000 per month.
	Medical	10% of basic salary as medical allowance.
	Transport	Use of Company maintained chauffeur driven cars as per Company policy for executives of the Company.

## C. Amendment in Memorandum & Articles of Association of the Company:

Changes in Memorandum of Association of the Company are required to widen the objects as previously there was single object clause. Further changes in Articles of Association are required to bring the Articles of Association in accordance with Companies Ordinance, 1984 and numbering of clauses in line.

## D. Placing of quarterly accounts on website:

The Securities and Exchange Commission of Pakistan vide circular No 19 dated April 14, 2004 has allowed listed companies to place their quarterly accounts on the website instead of sending them to share holders by mail. Your Company wishes to place its quarterly accounts on its website: "www.ecopack.com.pk".

## E. Interest of Directors in Special Business

The directors of the Company have no special interest in the special business other than shareholders of the Company except Chief Executive Officer and Executive Director who are interested in remuneration as full time working Chief Executive Officer and Executive Director.

## DIRECTOR'S REPORT

The Board of Directors of Ecopack Limited is pleased to present the audited financial statements for the year ended 30th June 2005.

### Overview

This year your company has recorded, by the grace of God, it's highest ever growth in annual sales of 70% over previous year. Profit before tax grew by a healthy 27% over the same period last year to Rs.53.3 million.

This has been possible because of your company's commitment to meet growing market demand through timely expansions in production capacity. Ecopack successfully enhanced its back process preform capacity as planned by over 200% in July 2004. The second phase of the bottle-blowing capacity enhancement in the Hattar facility, matching the preform capacity increase, was completed in June 2005 with commercial production planned for July 2005.

Deferred taxation this year, mainly as a consequence of our strategy of investment in enhanced capacity, has jumped by Rs.18.8 million over last year. This has given your company considerable relief from actual payment of tax for the period under review but has necessitated the provision of a deferred tax charge that brings our after tax profit down to Rs. 27.6 million.

The market value of your company share has risen from Rs. 35/share as on 30th June, 2004 to Rs.49.64/share (42%) as on 30th June, 2005. This when adjusted for the 50% stock dividend and the 100% rights share issued subsequently equates to a price of Rs.114.10/share, i.e. a growth of 230%.

### Sales and Operations

Increasingly rapid sales growth and economies of scale were significant contributors to the healthy operating results. Sales grew by seventy percent over the same corresponding period last year. While Coke and Pepsi remain the biggest users of PET bottles and still comprise the largest contributors to growth, the demand for PET packaging from the other carbonated soft drinks (CSD) is gaining in significance along with non-CSD drinks.

Capacity utilization even after the significant expansion this year almost reached pre-expansion levels in year one; Hattar plant achieved 73.6% utilization this year versus 75.4% last year while at the Karachi plant and 69.9% utilization was achieved this year versus 72.2% last year.

The sales from the Karachi plant grew by almost 47% over last year, which has meant that it is finally profitable at the operating level. Hattar plant, however, remains the main contributor to both overall company sales growth (75%) and operating profits.

### Financials

PET resin prices rose by around 41% compared to last year as a direct consequence of the steep international oil price hikes during the period under review. A volume-led strategy was preferred over a margin-led one. This was to improve the momentum of conversion from glass to PET packaging, particularly in the back drop of our recently expanded capacities. As a result some pressure on margins was absorbed in the short term. Gross profit and operating profit, however, still grew by a healthy 40% and 38% respectively over the same period last year.

The overall financial cost of the Company increased by Rs. 13.10 million (67%). This was mainly due to long-term borrowings to fund the capacity expansion and additional working capital utilization to fund increased materials procurement.

The beneficial tax depreciation availed by your Company as a result of its capacity expansion in this period, has created a deferred tax liability of Rs. 21.9 million. This provision to offset the timing difference with tax accounting this year has meant the posting of a lower than last year after tax profit of Rs. 27.6 million. A bottom line comparison is made with the previous period last year appears more un-favourable as it contains a one-off special situation windfall (unusual item) in the shape of a write back through an early loan repayment.

Moreover, (i) the unusual item of last year and (ii) the deferred tax provision of this year disturb the underlying earnings per share (EPS) trend. A more meaningful comparison of EPS is achieved if we adjust for the above two items. In so doing the EPS for the year under review of Rs. 3.96/share as compared to last years EPS of Rs. 4.16/share reflects a more accurate picture i.e. EPS within the first year after expansion has almost achieved.

## **Future Outlook**

The future outlook for PET packaging remains very positive with growth in CSD and other new sectors projected to be strong. Your Company intends to pursue its expansion strategy to track this growth with a much greater emphasis on product and customer diversification. In this way it intends to maintain its market leadership position while continuing to enhance share-holder value.

## **Dividends**

In view of the positive financial results the Board is pleased to recommend a 15% share dividend.

## **COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE:**

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

1. The financial statement 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 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 is attached (see Annexure-A).
9. The Company has declared 15% bonus shares (2004 – 50% stock, 10% cash, 100% right).
10. There are no outstanding statutory payments on account of taxes, levies and charges except of normal and routine nature.
11. The Company has introduced a provident fund scheme during the year for the permanent employees.
12. Statement as to the value of gratuity fund on the basis of actuarial valuation as on 30.06.2005 is included in note # 6 to the financial statements.
13. During the year 04 board meetings were held and the attendance by each director is given below:

<u>Name of Director</u>	<u>No. of Meeting Attended</u>
Mr. Ahsan Jamil	04
Mr. Hussain Jamil	04
Mrs. Deborah Jamil	03
Mrs. Ayesha Khan	02
Mr. Shahid Jamil	03
Mr. Ali Jamil	01
Mr. Ashiq Hussain Qureshi	01

14. The pattern of shareholding and additional information regarding pattern of shareholding is attached Annexure-B.
15. Trading of shares by Directors & Chief Financial Officer/Secretary of the Company during the year under review is as under:

Name	Designation	No. of Shares Acquired/(Sold)
Mr. Hussain Jamil	Executive Director/Chairman	1,722,863 *
Mr. Ahsan Jamil	Chief Executive Officer	1,296,939 *
Mr. Shahid Jamil	Director	343,731 *
Mr. Ali Jamil	Director	233,603 *
Mrs. Deborah Jamil	Director	460,873 *
Mrs. Ayesha Khan	Director	557,246 *(/41000)
Mr. Ashiq Hussain Qureshi	Director	1006 *
Mr. Habib Ur Rehman Siddiqui	CFO	4500 *(/7500)

- Bonus shares and right issue.

16. The board has recommended appointment of Auditors M/s. Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants for the year ending on June 30, 2006 as recommended by the audit committee in its meeting held on September 07, 2005.

**ACKNOWLEDGEMENT:**

On behalf of the Board I would like to thank the management, staff, workers, the bankers and the valued customers whose support and co-operation has been crucial to our success.

I am confident that if management and the employees of the Company continue to work with the devotion and zeal that has been their hallmark, the Company will Inshallah continue to prosper.

I pray to Almighty Allah for the continued success of your Company.

For & on behalf of the Board of Directors

Karachi,  
Dated: September 07, 2005

**Ahsan Jamil**  
(Chief Executive Officer)



## SIX YEARS AT A GLANCE

Annexure "A"

Rupees in '000'

<b>Profit &amp; Loss:</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
Sales	751,188	442,919	294,491	250,541	148,671	126,832
Cost of sales	595,997	332,393	225,144	204,498	141,192	99,413
Gross Profit	155,191	110,526	69,347	46,043	7,479	27,419
Operating expenses	64,503	44,634	30,798	23,402	17,914	12,723
Operating profit	90,688	65,893	38,549	22,641	(10,434)	14,696
Other income/ (charges)	(2,600)	(2,139)	948	(315)	(54)	347
Financial charges	32,604	19,502	33,805	40,436	18,876	14,331
Profit / (Loss) before taxation	53,275	42,040	5,407	(18,110)	(29,364)	677
Unusual item	-	21,473	-	-	-	-
Taxation	25,667	5,351	2,420	1,083	188	161
Profit / (Loss) after taxation	27,607	58,162	2,987	(19,192)	(29,552)	515
Dividend	-	5,709	-	-	-	-
Bonus shares	21,407	28,543	-	-	-	7,446

### Balance Sheet:

Shareholder's equity	337,391	256,132	104,000	123,685	142,878	170,866
Financing facilities	269,381	242,525	110,417	111,578	144,561	45,542
Fixed assets (net of depreciation)	571,995	476,635	279,079	295,110	196,089	207,604
Current Assets	329,387	184,986	110,730	98,935	77,620	80,181
Current Liability	329,210	179,154	150,524	163,506	93,550	75,518

### Key Financial Ratios:

Gross profit	21%	25%	24%	18%	5%	22%
Operating profit	12%	15%	13%	9%	-7%	12%
Profit before tax to net sales	7%	9%	2%	-7%	-20%	1%
Return on capital employed	9%	9%	2%	-8%	-10%	0%
Inventory turnover (times)	8	7	6	5	4	3
Fixed assets turnover (times)	1.31	0.93	1.06	0.85	0.76	0.61
Debt equity ratio	44 : 56	49 : 51	52 : 48	47 : 53	50 : 50	21 : 79
Current ratio	1.00	1.03	0.73	0.6	0.83	1.06
Earnings per share	2.15	5.11	0.52	(3.36)	(5.18)	0.10

## PATTERN OF SHAREHOLDING (FORM 34) AS AT JUNE 30, 2005

Annexure 'B'

SERIAL NUMBER	NO. OF SHARE HOLDERS	SHAREHOLDING		TOTAL SHARES HELD
		FROM	TO	
1	439	1	100	23,977
2	871	101	500	209,038
3	470	501	1000	410,274
4	204	1001	5000	418,579
5	28	5001	10000	211,861
6	11	10001	15000	129,755
7	3	15001	20000	55,500
8	4	20001	25000	91,685
9	4	25001	30000	142,089
10	2	30001	35000	63,035
11	1	35001	40000	36,500
12	2	45001	50000	95,971
13	1	75001	80000	77,000
14	1	85001	90000	86,500
15	1	95001	100000	97,000
16	1	100001	105000	101,805
17	1	180001	185000	180,887
18	1	240001	245000	240,960
19	1	345001	350000	348,984
20	1	440001	445000	441,000
21	1	500001	505000	503,592
22	1	555001	560000	557,522
23	1	645001	650000	648,000
24	1	745001	750000	747,523
25	2	845001	850000	1,696,000
26	1	860001	865000	862,838
27	1	895001	900000	895,500
28	1	2100001	2105000	2,103,599
29	1	2790001	2795000	2,794,436
	2057			14,271,410

## Categories of shareholders

Name	No. of shareholder	Share	Percentage
<b>1. Associated Companies, undertakings and related parties</b>	NIL	NIL	NIL
<b>2. Financial Institutions</b>			
2.a. National Bank of Pakistan	1	150	0.00%
2.b. NDFC	1	4,372	0.03%
2.c. Investment Corporation of Pakistan	1	7,129	0.05%
2.d. Crescent Commercial Bank Limited	1	441,000	3.09%
2.e. Habib Bank AG Zurich, Deira Dubai	1	8,000	0.06%
2.f. The Bank of Khyber	1	848,000	5.94%
2.g. Prime Commercial Bank Limited	1	500	0.00%
2.h. Mohd Amin Mohd Bashir Int (Pvt) Limited	1	10,000	0.07%
	<u>8</u>	<u>1,319,151</u>	<u>9.24%</u>
<b>3. Directors, Chief Executive , their spouses and minor children</b>			
3.a Mr. Hussain Jamil Chairman / Executive Director	1	2,794,436	19.58%
3.b Mr. Ahsan Jamil Chief Executive Officer	1	2,103,599	14.74%
3.c Mr. Shahid Jamil Director	1	557,522	3.91%
3.d Mr. Ali Jamil Director	1	378,898	2.65%
3.e Mrs. Deborah Jamil Director	1	747,523	5.24%
3.f Mrs. Ayesha Khan Director	1	862,838	6.05%
3.g Mr. Ashiq Hussain Qureshi Director	1	1,632	0.01%
	<u>7</u>	<u>7,446,448</u>	<u>52.18%</u>
<b>4. Non-Banking Finance Institutions, Insurance Companies, Modarbas, Mutual Funds, Joint Stock Companies &amp; Others</b>			
4.a State Life Insurance Corp of Pakistan	1	503,592	3.53%
4.b Prudential Stock Fund Limited	1	86,500	0.61%
4.c Excel Securities (Pvt) Limited	1	22	0.00%
4.d Y.S. Securities & Services (Pvt) Limited	1	100	0.00%
4.e Prudential Securities Limited	1	1,000	0.01%
4.f Prudential Securities Limited	1	67	0.00%
4.g Mega Securities (Pvt) Limited	1	500	0.00%
4.h Y.S. Securities & Services (Pvt) Limited	1	49,690	0.35%
4.i Crescent Steel & Allied Products Limited	1	13,000	0.09%
4.j Zahid Latif Khan Securities (Pvt) Limited	1	441	0.00%
4.k M.S. Securities (Pvt) Limited	1	939	0.01%
4.l Azee Securities (Pvt) Limited	1	4,266	0.03%
4.m Zillion Capital Securities (Pvt) Limited	1	284	0.00%
4.n Zafar Moti Capital Sec (Pvt) Limited	1	106	0.00%
4.o A. Sattar Motiwala Sec (Pvt) Limited	1	3,287	0.02%
4.p Oriental Securities (Pvt) Limited	1	11,000	0.08%
4.q Live Securities (Pvt) Limited	1	10,358	0.07%
4.r Time Securities (Pvt) Limited	1	1,970	0.01%
4.s General Invest & Securities (Pvt) Limited	1	1,378	0.01%
4.t B & B Securities (Pvt) Limited	1	2,000	0.01%
4.u Dosslain's Securities (Pvt) Limited	1	43	0.00%
4.v Dawood Capital Management Limited	1	24,000	0.17%
4.w Mega Securities (Pvt) Limited	1	2,076	0.01%
4.x Guardian Modaraba	1	30,000	0.21%
4.y First Pak Modaraba	1	3,000	0.02%
4.z CDC - Trustee Picic Investment Fund	1	848,000	5.94%
4.aa CDC - Trustee First Dawood Mutual Fund	1	895,500	6.27%
4.ab Habib Brothers (Pvt.) Ltd.	1	1,565	0.01%
4.ac Somer's Nominee (Far East) Ltd C/o Citi Bank N.A	1	3,877	0.03%
4.ad First Dawood Investment Bank Limited	1	648,000	4.54%
	<u>30</u>	<u>3,146,561</u>	<u>22.05%</u>
<b>5. Shareholding ten percent or more voting interest.</b>			
5.a Mr. Hussain Jamil Chairman / Executive Director	1	2,794,436	19.58%
5.b Mr. Ahsan Jamil Chief Executive Officer	1	2,103,599	14.74%
	<u>2</u>	<u>4,898,035</u>	<u>34.32%</u>
<b>6. Individuals</b>	<u>2,012</u>	<u>2,359,250</u>	<u>16.53%</u>
<b>Total</b>	<u>2,057</u>	<u>14,271,410</u>	<u>100.00%</u>

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended June 30, 2005

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37 of listing regulations of Karachi Stock Exchange Guarantee Limited 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 Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes five non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten 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 NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year under review.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by the directors and all the employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies alongwith 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 and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met atleast once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated atleast seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged in-house and external orientation courses for its directors during the year to apprise them of their duties and responsibilities.
10. The Board has approved appointment of Head of Internal Audit, including his remuneration and terms and conditions of employment, as determined by the CEO.
11. The directors' report for this year 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 CEO and Financial Controller 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, of whom two are non-executive directors.
16. The meetings of the audit committee were held atleast 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.
17. The Board has set-up an effective internal audit department, which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company and is involved in the internal audit function on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program 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 Institute of Chartered Accountants of Pakistan.
19. 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.
20. We confirm that all other material principles contained in the Code have been complied with.

Karachi,  
Dated: September 07, 2005

**Ahsan 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 to comply with the Listing Regulation No. 37 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Boards' statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, 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 on June 30, 2005.

Karachi:

Dated: September 7, 2005

**KHALID MAJID RAHMAN SARFARAZ**  
**RAHIM IQBAL RAFIQ**  
Chartered Accountants

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Ecopack Limited as at June 30, 2005, and the related profit & loss account, cash flow statement and statement of changes in equity 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 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 account 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 account and are further in accordance with accounting policies consistently applied except for the chain indicated in note 2.1.2. with which we concur;
  - (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, cashflow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by 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, 2005, and of the loss, its cashflows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that ordinance.

Karachi:

Dated: September 7, 2005

**KHALID MAJID RAHMAN SARFARAZ**  
**RAHIM IQBAL RAFIQ**  
Chartered Accountants

## BALANCE SHEET

	NOTE	2005 RUPEES	2004 RUPEES (Restated)
<b>SHARE CAPITAL &amp; RESERVES</b>			
AUTHORISED			
25,000,000 (June 2004: 10,000,000)			
Ordinary Shares of Rs.10/- each			
		<b>250,000,000</b>	100,000,000
Issued, subscribed and paid-up	3	<b>142,714,100</b>	57,085,640
Unappropriated profit		<b>69,719,696</b>	69,864,474
		<b>212,433,796</b>	126,950,114
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>	4	<b>124,956,910</b>	129,181,416
<b>NON-CURRENT LIABILITIES</b>			
Liability against assets subject to finance lease	5	<b>36,505,109</b>	1,794,496
Deferred liabilities	6	<b>101,022,099</b>	80,133,236
Redeemable capital non participatory	7	-	-
Long term loans - secured	8	<b>232,875,729</b>	159,838,495
Long term suppliers' credit	9	-	80,891,772
		<b>370,402,937</b>	322,657,999
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	<b>212,357,850</b>	126,246,785
Accrued mark-up on loans	11	<b>5,825,192</b>	1,329,605
Short term finances	12	<b>42,244,915</b>	16,636,512
Current portion of long term liabilities	13	<b>65,017,133</b>	32,711,507
Taxation		<b>3,764,588</b>	2,229,458
		<b>329,209,678</b>	179,153,867
<b>CONTINGENCIES &amp; COMMITMENTS</b>	14	-	-
		<b>1,037,003,321</b>	757,943,396

**HUSSAIN JAMIL**  
Chairman

**AHSAN JAMIL**  
Chief Executive Officer



## AS AT JUNE 30, 2005

	NOTE	2005 RUPEES	2004 RUPEES (Restated)
<b>PROPERTY, PLANT AND EQUIPMENT</b>	15	<b>700,172,182</b>	571,083,572
<b>LONG TERM DEPOSITS</b>	16	<b>7,444,050</b>	1,873,650
<b>CURRENT ASSETS</b>			
Spares and loose tools	17	<b>32,801,462</b>	27,306,349
Stock-in-trade	18	<b>169,227,301</b>	75,739,493
Trade debts		<b>102,338,448</b>	61,297,916
Loans and advances	19	<b>9,303,153</b>	6,600,401
Short term prepayments	20	<b>1,495,314</b>	4,628,876
Other receivables	21	<b>11,706,873</b>	6,390,133
Cash and bank balances	22	<b>2,514,538</b>	3,023,007
		<b>329,387,089</b>	184,986,174
		<b>1,037,003,321</b>	<b>757,943,396</b>

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

**H.R. SIDDIQUI**  
Chief Financial Officer

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2005

	NOTE	2005 RUPEES	2004 RUPEES
Net sales	23	751,188,112	442,919,202
Cost of goods sold	24	(595,996,882)	(332,393,160)
<b>Gross profit</b>		<b>155,191,230</b>	<b>110,526,042</b>
<b>Operating expenses</b>			
Administration	25	(30,161,009)	(22,867,713)
Selling & Distribution	26	(34,341,804)	(21,765,814)
		(64,502,813)	(44,633,527)
<b>Operating profit</b>		<b>90,688,417</b>	<b>65,892,515</b>
<b>Financial charges</b>	27	<b>(32,604,166)</b>	<b>(19,501,602)</b>
<b>Other charges</b>	28	<b>(5,475,964)</b>	<b>(5,184,406)</b>
<b>Other income</b>	29	<b>3,470,189</b>	<b>3,045,640</b>
		(34,609,941)	(21,640,368)
		56,078,475	44,252,147
<b>Workers' profit participation fund</b>		<b>(2,803,924)</b>	<b>(2,212,607)</b>
<b>Profit before taxation</b>		<b>53,274,551</b>	<b>42,039,540</b>
<b>Unusual Item</b>	30	<b>-</b>	<b>21,473,158</b>
		53,274,551	63,512,698
<b>Taxation - Current</b>		<b>(3,764,588)</b>	<b>(2,229,458)</b>
- Deferred		(21,902,597)	(3,121,120)
	31	(25,667,185)	(5,350,578)
<b>Profit after taxation</b>		<b>27,607,366</b>	<b>58,162,120</b>
<b>Transfer from surplus on revaluation of fixed assets</b>			
- current year -net of tax		6,499,239	6,891,833
		34,106,606	65,053,953
<b>Earning per share -basic &amp; diluted</b>	32	<b>2.15</b>	<b>5.11</b>

The annexed notes form an integral part of these financial statements

**HUSSAIN JAMIL**  
Chairman

**AHSAN JAMIL**  
Chief Executive Officer

**H.R. SIDDIQUI**  
Chief Financial Officer

## CASHFLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2005

	2005 RUPEES	2004 RUPEES
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	53,274,551	63,512,698
<b>Adjustment for non cash charges</b>		
Depreciation	36,648,660	24,420,378
Reversal of liability	(1,927,197)	(21,473,158)
Gain on disposal of fixed assets	(238,240)	-
Other charge - deficit on revaluation	-	5,184,406
Exchange loss	5,475,964	-
Provision for WPPF	2,803,924	2,212,607
Provision for Gratuity	1,910,000	4,242,000
Financial Charges	32,604,166	19,501,602
	<b>77,277,278</b>	<b>34,087,835</b>
<b>Cash flow from operating activities before working capital changes</b>	<b>130,551,829</b>	<b>97,600,533</b>
<b>Changes in current assets:</b>		
Spares & loose tools	(5,495,113)	(9,363,232)
Stock in trade	(93,487,808)	(27,451,094)
Trade debts	(41,040,532)	(31,914,641)
Loans & advances	(2,702,752)	101,221
Short term prepayments	3,133,562	(3,622,538)
Other receivables	(5,316,741)	(89,677)
Net increase in current assets	<b>(144,909,384)</b>	<b>(72,339,962)</b>
<b>Changes in current liabilities:</b>		
Trade and other payables	85,519,749	66,199,648
Accrued mark-up on loans	4,495,587	(1,780,098)
Short term finances	25,608,403	(19,558,925)
Net changes in current liabilities	<b>115,623,738</b>	<b>44,860,625</b>
<b>Other payments:</b>		
Financial Charges paid	(29,196,684)	(21,232,003)
Gratuity paid	(649,000)	(899,000)
WPPF paid	(2,225,712)	(305,561)
Taxes paid	(3,767,306)	(1,206,470)
	<b>(35,838,702)</b>	<b>(23,643,034)</b>
<b>Net cash inflow from operating activities</b>	<b>65,427,480</b>	<b>46,478,162</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(130,848,297)	(85,748,440)
Capital work-in-progress	(121,377,801)	(13,557,002)
Long term security deposits increased	(5,570,400)	44,680
Proceeds from disposal of fixed assets	430,000	-
<b>Net cash (outflow) / inflow from investing activities</b>	<b>(257,366,498)</b>	<b>(99,260,762)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term loan obtained	124,009,902	92,541,830
Repayment of long term loans	(30,872,668)	(35,687,164)
Proceed from issue of right shares	57,085,640	-
Dividend paid	(5,708,564)	-
Leases acquired	49,996,002	-
Finance lease repaid	(3,079,763)	(1,861,246)
<b>Net cash inflow / (outflow) from financing activities</b>	<b>191,430,549</b>	<b>54,993,420</b>
Net Increase in cash and cash equivalents	(508,469)	2,210,820
Cash and bank at the beginning of the year	3,023,007	812,187
Cash and bank at the end of the year	<b>2,514,538</b>	<b>3,023,007</b>

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

**HUSSAIN JAMIL**  
Chairman

**AHSAN JAMIL**  
Chief Executive Officer

**H.R. SIDDIQUI**  
Chief Financial Officer

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2005

	SHARE CAPITAL (Rupees)	UNAPPROPRIATED PROFIT (Restated) (Rupees)	TOTAL (Rupees)
Balance as at July 01, 2003 as previously reported	57,085,640	4,810,522	61,896,162
Effect of change in accounting policy	-	-	-
Balance as at July 01, 2003 restated	57,085,640	4,810,522	61,896,162
Net Profit for the year ended June 30, 2004	-	58,162,120	58,162,120
Transfer from surplus on revaluation of fixed assets: - net of deferred tax	-	6,891,833	6,891,833
Balance as at June 30, 2004 restated	57,085,640	69,864,475	126,950,115
Balance as on July 01, 2004 as previously reported	57,085,640	35,613,091	92,698,731
Effect of change in accounting policy Final cash dividend @ 10% Issue of Bonus shares @ 50%	- - -	5,708,564 28,542,820 -	5,708,564 28,542,820 -
Balance as at June 30, 2004 restated	57,085,640	69,864,475	126,950,115
Final cash dividend @ 10%	-	(5,708,564)	(5,708,564)
Issue of Bonus shares @ 50%	28,542,820	(28,542,820)	-
Issue of rights shares @ 100%	57,085,640	-	57,085,640
Net profit for the year ended June 30, 2005	-	27,607,366	27,607,366
Transfer from surplus on revaluation of fixed assets, net of deferred tax	-	6,499,239	6,499,239
Balance as at June 30, 2005	142,714,100	69,719,696	212,433,797

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

**HUSSAIN JAMIL**  
Chairman

**AHSAN JAMIL**  
Chief Executive Officer

**H.R. SIDDIQUI**  
Chief Financial Officer

## **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2005**

### **1. STATUS AND NATURE OF BUSINESS**

The company was incorporated on 25 August 1991 as a private limited company under the Companies Ordinance, 1984. Subsequently it was converted into public limited on April 29, 1992. It is quoted at Karachi Stock Exchange. The principal activity of the company is manufacture and sale of Poly Ethylene Terephthalat (PET) bottles. Its two manufacturing facilities are located in the province of Sindh at Karachi and in the province of NWFP at Hattar.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **2.1 Statement of compliance**

**2.1.1** These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities & Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

**2.1.2** During the year, the SECP substituted the Fourth Schedule to the Companies Ordinance, 1984, which is effective from the financial year ending on or after July 5, 2004. The Company has accordingly change its dividend recognition policy. Dividend proposed at year end is recognized upon approval by the shareholders in the Annual General Meeting of the Company.

#### **2.2 Accounting Convention**

These financial statements have been prepared under the historical cost convention, except that certain fixed assets have been included at revalued amounts, certain exchange elements have been incorporated in the cost of the relevant assets and staff retirement benefits have been recognized at values determined by actuary.

#### **2.3 Employees' retirement benefits**

The employees retirement benefits comprises of Gratuity and Provident fund schemes.

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.

An actuarial valuation of all defined benefit schemes is conducted at the end of every year. The valuation uses the Projected Unit Credit method. Actuarial (unrecognized) gains and losses are amortized over the expected average remaining working lives of employees (note # 6.1).

During the year, the Company has introduced Provident fund scheme for permanent employees with the approval of the Commissioner of Income Tax.

## 2.4 Taxation

### Current

Provision for current taxation is based on taxable income at current tax rate after taking into account tax credits, rebates and exemptions available, if any, or half percent of the turnover, whichever is higher.

### Deferred

Deferred tax is provided using 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 based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the current rates of taxation.

The Company recognises a deferred tax asset to the extent it is probable that taxable profits for the foreseeable future will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Further the Company recognises deferred tax asset / liability on deficit / surplus on revaluation of fixed assets which is adjusted against the related deficit / surplus.

## 2.5 Operating fixed assets

### - Owned assets

These are stated at cost less accumulated depreciation and impairment loss, if any, except for certain fixed assets that are shown at revalued amounts. Depreciation charge is based on methods and rates as specified in note 14. Depreciation on addition is charged from the month in which the asset is put to use and on disposals up to the month of disposal.

Incremental depreciation charged for the period on revalued assets is transferred from surplus on revaluation of fixed assets to retained earnings (unappropriated profit) during the current year.

Maintenance and normal repairs are charged to income as and when incurred; major renewals and improvements are capitalised and the assets so replaced, if any, are retired.

Gains and losses on disposal of assets are taken to profit and loss account.

### - Leased assets

Assets subject to finance lease are stated at lower of present value of minimum lease payments under the lease agreement and the fair value of the leased assets. The related obligation under the lease are accounted for as liabilities. Depreciation charge is based on rates and method as specified in note # 15.

The finance charge is calculated at the rate implicit in the lease.

## 2.6 Borrowing cost

The borrowing cost is recognized as an expense in the period in which they are incurred, except borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset is capitalized as part of the cost of that asset.

## 2.7 Spares & loose tools

These are valued on moving average cost. Items in transit are valued at cost comprising invoice values and other charges paid thereon upto the balance sheet date.

## 2.8 Stock in trade

These are valued at lower of cost and net realisable value. The cost is computed by using the following methods :

- Raw and packing material	At moving average cost
- Work in process	At average material cost including direct labour and proportionate manufacturing overheads.
- Finished goods	At actual manufacturing cost.

Items in-transit are valued at cost comprising invoice values plus other charges incurred thereon upto the date of balance sheet.

Net realisable values signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated cost necessary to make the same.

## 2.9 Trade debts

These are stated at net of provision for doubtful debts. Known bad debts are written off and provision is made against the debts considered doubtful.

## 2.10 Cash and Cash Equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash and bank balances.

## 2.11 Foreign Currency Translation

Foreign currency translations during the year are recorded at the exchange rate ruling on the transaction date. Monetary assets / liabilities at the year end are translated at official rate ruling on the balance sheet date.

## 2.12 Financial Instruments

### Financial assets

The Company's principal financial assets are cash & bank balances, trade debtors and advances.

Trade debtors are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

### Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Significant financial liabilities include long term loans, finance lease obligation, short term finances, creditors & other liabilities. These are stated at nominal values.

## 2.13 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set off the recognised amounts and either to settle on a net basis or to realise the asset and settle liability simultaneously.

## 2.14 Provisions.

Provisions are recognized when the company has a present obligation (legal or constructive) as a result of a past event and 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.

## 2.15 Revenue recognition

Sales are recorded on dispatch of goods to the customers.

## 2.16 Segment reporting

Segmentation is based on geographical basis. Administration and selling expenses are allocated on the basis of net sales value of each segment.

	2005 Rupees	2004 Rupees
<b>3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>		
<b>Paid in cash</b>		
4,554,100 (2004: 4,554,100) Ordinary shares of Rs. 10/- each	45,541,000	45,541,000
5,708,564 (2004: Nil) Ordinary shares of Rs. 10/- each issued as Right shares	57,085,640	-
<b>Bonus shares</b>		
4,008,746 (2004: 1,154,464) Ordinary shares of Rs. 10/- each issued as bonus shares	40,087,460	11,544,640
	<u>142,714,100</u>	<u>57,085,640</u>
<b>4. SURPLUS ON REVALUATION OF FIXED ASSETS</b>		
Balance as at July 01	129,181,416	42,104,097
Add : Surplus arising on revaluation during the year	-	141,337,002
	<u>129,181,416</u>	<u>183,441,099</u>
Less : Deficit on revaluation adjusted during the year	-	(484,505)
	<u>129,181,416</u>	<u>182,956,594</u>
Related deferred taxation	-	(49,467,951)
	<u>129,181,416</u>	<u>133,488,643</u>
Less: Transferred to unappropriated profit on account of incremental depreciation for the year net of deffered taxation	(4,224,506)	(4,307,228)
	<u>124,956,910</u>	<u>129,181,416</u>
<b>5. LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>		
Opening balance	2,439,335	3,740,581
Obtained during the year	5.1 49,996,002	560,000
	<u>52,435,337</u>	<u>4,300,581</u>
Paid during the year	(3,079,763)	(1,861,246)
	<u>49,355,574</u>	<u>2,439,335</u>
Less: Current portion shown under current liabilities	12 (12,850,465)	(644,839)
	<u>36,505,109</u>	<u>1,794,496</u>



5.1 This includes Plant & Machinery imported, sale and lease back during the year as a part of expansion in the existing production facilities at Hattar. (refer note # 8).

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

	2005		2004	
	Minimum lease payments	Present value	Minimum lease payments	Present value
	Rupees	Rupees	Rupees	Rupees
Within one year	16,696,286	12,850,465	851,288	644,835
After one year but not more than five years	40,411,554	36,505,109	1,980,065	1,794,500
<b>Total minimum lease payments</b>	<b>57,107,840</b>	<b>49,355,574</b>	<b>2,831,353</b>	<b>2,439,335</b>
Less : Amount representing financial charges	(7,752,266)	-	(392,018)	-
<b>Present value of minimum lease payments</b>	<b>49,355,574</b>	<b>49,355,574</b>	<b>2,439,335</b>	<b>2,439,335</b>
Less : Current portion	(12,850,465)	(12,850,465)	(644,839)	(644,839)
	<b>36,505,109</b>	<b>36,505,109</b>	<b>1,794,496</b>	<b>1,794,496</b>

#### Finance lease - Significant terms & conditions

Leasing Company	Principal (Rupees)	Instalments Payment	Number of Instalments	Commencement date	Implicit rate of finance per annum	Lease Rental (Rupees)
Faysal Bank Ltd.	565,000	Monthly	60	01st Dec 2001	12.00%	11,398
Faysal Bank Ltd.	340,000	Monthly	60	15th Dec 2001	12.00%	6,821
Faysal Bank Ltd.	825,000	Monthly	60	01st Jan 2002	12.00%	16,543
Faysal Bank Ltd.	599,000	Monthly	60	01st Jan 2002	12.00%	12,011
National Dev. Leasing Corp.	590,000	Monthly	60	31st Dec 2002	14.00%	12,215
Faysal Bank Ltd.	560,000	Monthly	60	01st April 2004	7.75%	10,094
Faysal Bank Ltd.	1,580,000	Monthly	60	01st July 2004	7.75%	28,479
Faysal Bank Ltd.	519,000	Monthly	36	01st October 2004	10.00%	14,540
Faysal Bank Ltd.	355,000	Monthly	48	01st October 2004	10.00%	7,748
Faysal Bank Ltd.	355,000	Monthly	48	01st October 2004	10.00%	7,748
Askari Leasing Ltd.	30,000,000	Monthly	36	01st April 2005	9.50%	864,014
Atlas Investment Bank	15,900,000	Quarterly	16	01st May 2005	10.82%	1,113,695
Habib Bank Ltd.	1,287,000	Monthly	60	05th May 2005	9.50%	28,670

The Company intends to exercise the option to purchase the leased assets upon completion of the lease period. There is no restriction on lease assets.

		2005 RUPEES	2004 RUPEES
<b>6. DEFERRED LIABILITY</b>			
Staff gratuity	6.1	8,007,000	6,746,000
Deferred taxation		<u>93,015,099</u>	<u>73,387,236</u>
		<u><b>101,022,099</b></u>	<u><b>80,133,236</b></u>
<b>6.1 Reconciliation of Payable to Defined Benefit Plan</b>			
Present Value of Defined Obligation		12,174,000	8,141,000
Net Acturial (Losses) not Recognized		<u>(4,167,000)</u>	<u>(1,395,000)</u>
		<u><b>8,007,000</b></u>	<u><b>6,746,000</b></u>
<b>Movement in net liability recognized</b>			
Opening net liability		6,746,000	3,403,000
Expenses recognised		1,910,000	4,242,000
Benefits paid during the year		<u>(649,000)</u>	<u>(899,000)</u>
Closing net liability		<u><b>8,007,000</b></u>	<u><b>6,746,000</b></u>
<b>Charge for Defined Benefit Plan</b>			
Current Service Cost		1,133,000	698,000
Interest Cost		733,000	282,000
Vested past service cost		-	3,246,000
Acturial losses recognized		<u>44,000</u>	<u>16,000</u>
		<u><b>1,910,000</b></u>	<u><b>4,242,000</b></u>

These figures are based on the latest actuarial valuation as on June 30, 2005. The valuation uses the projected Unit Credit method. Actuarial gains and losses are amortised over the expected future service of current members.

The discount rate taken as 10 per cent per annum. Salary inflation assumed to average 10% per annum over the future working lives of current employees and management.

		2005 RUPEES	2004 RUPEES
<b>7. REDEEMABLE CAPITAL - NON PARTICIPATORY</b>			
Opening Balance		-	32,039,246
Less : Reversal of liability		-	<u>(8,318,749)</u>
		-	23,720,497
Less : Paid during the year	7.1	-	<u>(23,720,497)</u>
		-	-
Less: Current portion shown under current liabilities		-	-
		-	-
		<u><b>-</b></u>	<u><b>-</b></u>

7.1 In pursuance of the order of Honorable Sind High Court, the company has settled the agreed liability by repayment of Rs. 23,720,497/- to Bankers Equity Limited (BEL). This results in reversal of the principal of Rs. 8,318,749 and mark up of Rs. 13,154,409/- (refer note # 30).

## 7.2 Security

The above finance is secured by way of mortgage / charge over all assets movable as well as immovable including uncalled capital, promissory notes and undertakings from the directors of the Company and deposit of sponsors shares with Bankers Equity Limited. However, subsequent to the balance sheet date, the charges against above finance have been released by the Bankers Equity Limited.

## 8. LONG TERM LOANS - SECURED

Particular	Askari Commercial Bank Ltd.				Habib Bank Ltd. Demand Finance	Total	
	Term Finance	Term Finance1	Term Finance2	Term Finance3		2005	2004
Opening Balance	101,330,000	21,633,333	68,941,830	-	-	191,905,163	111,330,000
Obtained during the year	-	-	4,009,902	60,000,000	60,000,000	124,009,902	92,541,830
Total loan payable	101,330,000	21,633,333	72,951,732	60,000,000	60,000,000	315,915,065	203,871,830
Paid during the year	(17,000,000)	(7,872,668)	(6,000,000)	-	-	(30,872,668)	(11,966,667)
	84,330,000	13,760,665	66,951,732	60,000,000	60,000,000	285,042,397	191,905,163
Current portion	(18,000,000)	(7,866,667)	(14,000,000)	(4,800,000)	(7,500,000)	(52,166,667)	(32,066,668)
Closing balance	66,330,000	5,893,998	52,951,732	55,200,000	52,500,000	232,875,730	159,838,495
Significant Term & Condition Note No.	8.1	8.2	8.3	8.4	8.5		

- 8.1 This represents term finance obtained to pay leasing. It carries mark up at 12 months average KIBOR plus 1.5% spread floor of 6% p.a., to be paid in quarterly installments upto December 2009.
- 8.2 This represent term finance obtained for the repayment of Redeemable capital from Bankers' Equity Ltd. It carries mark up at SBP discount rate with floor of 7.5% per annum, reviewable on half year basis, to be paid in three years in quarterly installments from June 2004 to March 2007.
- 8.3 This represents finance obtained to finance expansion in existing production facilities at Hattar plant. It carries mark up at 12 months average KIBOR plus 1.5% spread floor 6% p.a., to be paid in five years in quarterly installments from February 2005 to February 2009 with a initial grace period of one year from the date of disbursement.
- 8.4 This represents term finance obtained to finance expansion in existing production facilities at Hattar plant. It carries mark up at 12 months average KIBOR plus 1.5% spread with floor of 6% per annum, to be paid in four years in quarterly installments from October 2005 to November 2009 with a initial grace period of one year from the date of disbursement.
- 8.5 This represents demand finance obtained to finance expansion in existing production facilities at Hattar plant (refer note # 9). It carries mark up at 3 months KIBOR plus 2.5% with floor of 6.5% per annum, to be paid in five years in quarterly installments from January 2006 to October 2009 with a initial grace period of one year from the date of disbursement.

**Securities:**

The above finances are secured as follows:

**Askari Commercial Bank Ltd.:**

- First Hypothecation charge ranking pari passu with Prime Commercial Bank Ltd. charge to the extent of Rs. 10 M over all present & future current assets of the Company.
- First charges on all present & future fixed assets of the Company.
- First floating charge on undertaking & other property and assets whatsoever (both present & future) with 30% margin.
- First charge by way of Equitable Mortgage for Rs. 10 M ranking pari passu with Prime Commercial Bank Ltd. over properties at Hattar Industrial Estate.
- Personal guarantees of two Directors of the Company.

**Habib Bank Ltd.:**

1st charge ranking pari passu over present and future fixed assets.

**9. LONG TERM SUPPLIER'S CREDIT**

This represents the liability on account of usance letter of credit in respect of machinery imported. During the year, the Company has settled the obligation partly through Demand Finance and partly through leasing arrangements (refer note # 8.5 & 5.1).

**10. TRADE AND OTHER PAYABLES**

Trade creditors including bills payable  
Accrued & other liabilities  
Advances from customers  
Tax deducted at source  
Workers' profit participation fund  
Sales tax payable  
Unclaimed Dividend

10.1

10.2

	2005 RUPEES	2004 RUPEES
	192,487,361	115,219,057
	7,863,765	6,054,064
	2,202,656	690,457
	162,568	198,374
	2,803,924	2,212,607
	6,361,300	1,631,115
	476,276	241,111
	<u>212,357,850</u>	<u>126,246,785</u>
<b>10.1 Workers' profit participation fund</b>		
Balance as on 1 July	2,212,607	284,587
Allocation for the year	2,803,924	2,212,607
	5,016,531	2,497,194
Mark-up on fund utilized in the Company's business at 12% per annum (2004: 10%)	13,105	20,974
	5,029,636	2,518,168
Less : Amount paid on behalf of the Fund	(2,225,712)	(305,561)
Balance as on 30 June	<u>2,803,924</u>	<u>2,212,607</u>

**10.2** The Company, effective from the current year, has ceased to recognize as a liability the final dividend proposed subsequent to the year end to comply with the substituted Fourth Schedule to the Ordinance, as referred to in note 2.1.2. Such a change in policy has been accounted for retrospectively and comparative financial statements have been restated in accordance with the recommended benchmark treatment of IAS 8.

		2005 RUPEES	2004 RUPEES
<b>11. ACCRUED MARK-UP ON LOANS</b>			
Long-term finance		4,602,724	1,077,842
Short-term finance		<u>1,222,468</u>	<u>251,763</u>
		<u>5,825,192</u>	<u>1,329,605</u>
<b>12. SHORT TERM FINANCE AND OTHER CREDIT FACILITIES - Secured</b>			
Askari Commercial Bank Ltd.			
- Running finance	12.1	<u>6,634,108</u>	<u>10,426,512</u>
- Cash finance	12.1	-	-
- Local bills purchase	12.1	<u>22,951,000</u>	<u>6,210,000</u>
		<u>29,585,108</u>	<u>16,636,512</u>
Prime Commercial Bank Ltd.			
- Running finance	12.2	1,805,525	-
Habib Bank Ltd.			
- Running finance	12.3	<u>10,854,282</u>	-
		<u>42,244,915</u>	<u>16,636,512</u>
12.1			
6 months KIBOR plus 2% spread, floor 6% p.a.			
12.2			
Mark up @9% per annum			
12.3			
3 months KIBOR plus 2.5% spread, floor 6.5% p.a.			
<b>Securities</b>			
These facilities have been secured against hypothecation of entire present and future current assets, equitable mortgage of property of the Company and personal guarantees of the working directors.			
<b>13. CURRENT PORTION OF LONG TERM LIABILITIES</b>			
<b>Current Maturity:</b>			
Term Finance	8	44,666,668	32,066,668
Demand Finance	8	7,500,000	-
Lease Finance	5	<u>12,850,465</u>	<u>644,839</u>
		<u>65,017,133</u>	<u>32,711,507</u>
<b>14. CONTINGENCIES AND COMMITMENTS</b>			
<b>14.1 Commitments</b>			
Letters of credit		<u>960,133</u>	<u>3,802,400</u>
<b>14.2 Contingencies</b>			
The Commissioner of Income Tax, Companies Zone, Islamabad has communicated to the Company about having filed an application in the Lahore High Court, Rawalpindi Bench, against the order of Income Tax Appellate Tribunal passed in favour of the Company annulling impugned order of Additional Commissioner of Income Tax dated March 22, 2002 passed under section 66A resulting in a tax demand of Rs. 6.695 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 favour of the Company on legal grounds. No proceedings have yet started in the said matter.			
<b>15. PROPERTY, PLANT &amp; EQUIPMENT</b>			
Operating Property, Plant & Equipment	15.1	571,995,412	476,634,798
Capital Work-in-progress	15.5	<u>128,176,770</u>	<u>94,448,774</u>
		<u>700,172,182</u>	<u>571,083,572</u>

During the year, in order to reflect the changed pattern, the Company reviewed the depreciation method in respect of Injection Moulds and Plant & Machinery. The depreciation method on Injection Moulds and Plant & Machinery has accordingly been changed from reducing balance method to straight line method. As a result of change in accounting estimate necessary adjustments in depreciation charge for the current and future period have been made in these accounts.

**15.1 PROPERTY PLANT & EQUIPMENT (Rupees)**

Particulars	COST AND REVALUATION					D E P R E C I A T I O N				Written Down Value as at 30-06-2005
	As at 01-07-2004	Addition / (Deletions)	Revaluation / (Deficit)	As at 30-06-2005	Rate (%)	METHOD	As at 01-07-2004	For the year	As at 30-06-2005	
<b>OWNED</b>										
LAND	3,524,750	-	-	3,524,750	-	WDV	-	-	-	3,524,750
FACTORY BUILDING	12,624,211	-	-	12,624,211	5	WDV	4,567,800	402,821	4,970,621	7,653,590
FACTORY ROAD	769,052	-	-	769,052	10	WDV	469,587	29,947	499,534	269,519
PREFORM CONTAINER	2,866,870	3,935,300	-	6,802,170	10	WDV	722,927	433,120	1,156,047	5,646,123
FURNITURE & FIXTURE	1,726,325	1,470,838	-	3,197,163	10	WDV	900,809	142,944	1,043,752	2,153,411
VEHICLES	4,016,481	1,285,326	-	4,621,807	20	WDV	2,854,801	402,379	3,257,180	1,866,369
		(680,000)	-					(501,742)		-
PIPING WORK	7,009,474	197,915	-	7,207,389	10	WDV	1,458,435	574,717	2,033,152	5,174,237
ELECTRIFICATION	12,565,496	960,172	-	13,525,668	10	WDV	3,555,794	978,816	4,534,611	8,991,057
INJECTION MOULDS	138,666,159	-	-	138,666,159	-	ST. LINE	39,784,032	7,200,231	46,984,264	91,681,895
BLOW MOULD	13,596,518	2,053,188	-	15,649,706	5	WDV	8,199,476	1,156,182	9,355,658	6,294,048
PLANT & MACHINERY :										
LOCAL	36,151,465	6,427,082	-	42,578,547	-	ST. LINE	11,209,877	1,985,121	13,194,998	29,383,549
IMPORTED	391,870,294	96,426,454	-	453,451,263	-	ST. LINE	83,730,679	20,861,615	104,592,294	350,198,198
		(34,845,485)	-					(1,339,229)		
OFFICE EQUIPMENT	5,831,036	1,563,188	-	7,394,224	10	WDV	2,186,718	542,037	2,728,755	4,665,469
LOCAL MOULDS	7,771,035	1,129,469	-	8,900,504	20	WDV	5,451,864	629,108	6,080,971	2,819,533
LABORATORY EQUIPMENT	429,763	-	-	429,763	10	WDV	155,393	27,437	182,830	246,933
WEIGHING SCALES	127,650	196,000	-	323,650	10	WDV	5,313	25,034	30,347	293,303
WATER TANKS	-	12,000	-	12,000	10	WDV	-	1,200	1,200	10,800
Sub-total (Rupees)	639,546,579	115,656,932 (35,525,485)	-	719,678,026			165,253,505	35,392,709	200,646,213 (1,840,971)	520,872,783
<b>LEASED</b>										
VEHICLES	4,118,900	4,136,850	-	8,255,750	20	WDV	1,777,169	873,452	2,650,621	5,605,129
GENERATOR	-	3,506,256	-	3,506,256	5	WDV	-	29,219	29,219	3,477,036
CHILLER (15.1.1)	-	7,588,000	-	7,588,000	5	WDV	-	63,233	63,233	7,524,766
AIR CONVEYOR (15.1.1)	-	4,805,744	-	4,805,744	5	WDV	-	40,048	40,048	4,765,696
PLANT & MACHINERY (IMP)	-	30,000,000	-	30,000,000	-	ST. LINE	-	250,000	250,000	29,750,000
Sub-total (Rupees)	4,118,900	50,036,850	-	54,155,750			1,777,169	1,255,952	3,033,121	51,122,627
<b>RUPEES 2005</b>	<b>643,665,479</b>	<b>165,693,782</b> <b>(35,525,485)</b>	-	<b>773,833,776</b>			<b>167,030,674</b>	<b>36,648,660</b>	<b>203,679,335</b> <b>(1,840,971)</b>	<b>571,995,410</b>
RUPEES 2004	421,688,944	85,823,934 (484,506)	141,337,000 (5,184,406)	643,665,472			142,610,296	24,420,378	167,030,674	476,634,798

**ALLOCATION OF DEPRECIATION**

	<b>2005</b>	<b>2004</b>
	<b>Rupees</b>	<b>Rupees</b>
Cost of Goods Sold	<b>34,816,227</b>	23,199,359
Admin Expenses	<b>1,832,433</b>	1,221,019
	<b>36,648,660</b>	<b>24,420,378</b>

15.1.1 These assets are under sale and lease back arrangement upon direct transfer from Capital Work in Progress

**15.2** The above balances represent the value of operating property, plant and equipment subsequent to revaluation in 1995-96 and 2003-04, which had resulted in a surplus of Rs. 92,519,760/- and Rs. 141,337,002/- respectively. 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.

**15.3** Had there been no revaluation, the net book value of specific classes of Operating Property, Plant and Equipment as at June 30, 2005 would have been as follows:

	<b>2005 RUPEES W.D.V.</b>	<b>2004 RUPEES W.D.V.</b>
Leasehold land	<b>3,524,750</b>	4,056,750
Factory building	<b>7,348,716</b>	6,412,228
Plant & Machinery		
- Local	<b>29,384,333</b>	28,273,455
- Imported	<b>309,400,948</b>	220,539,961
Injection mould	<b>80,305,749</b>	56,225,211
Blow mould	<b>5,673,061</b>	2,642,888
Electrification	<b>8,962,138</b>	10,353,383
	<b><u>444,599,696</u></b>	<b><u>328,503,876</u></b>

#### 15.4 DISPOSAL OF FIXED ASSETS

Particulars	Cost	Accumulated Depreciation	Written Down Value	Sale Proceeds	Gain/ (Loss)	Mode of Disposal	Buyers
	R U P E E S						
Generator	3,595,485	89,229	3,506,256	3,506,256	-	Sale & Lease Back	Atlas Investment Bank Ltd.
Plant and machinery	31,250,000	1,250,000	30,000,000	30,000,000	-	Sale & Lease Back	Askari Leasing Ltd.
Vehicle	680,000	501,742	178,258	430,000	251,742	Insurance Claim	Adamjee Insurance
Rupees 2005	35,525,485	1,840,971	33,684,514	33,936,256	251,742		
Rupees 2004	-	-	-	-	-		

#### 15.5 CAPITAL WORK IN PROGRESS

Plant & Machinery	<b>77,591,337</b>	87,649,805
Electric installation	<b>11,783,333</b>	-
Piping work	<b>18,383,538</b>	-
Building and roads	<b>20,418,562</b>	6,798,969
	<b><u>128,176,770</u></b>	<b><u>94,448,774</u></b>

	2005 RUPEES	2004 RUPEES
<b>16. LONG TERM DEPOSITS</b>		
Utilities	1,256,750	1,256,750
Leasing Companies	6,076,300	505,900
Others	111,000	111,000
	<u>7,444,050</u>	<u>1,873,650</u>
<b>17. SPARES AND LOOSE TOOLS</b>		
Stores and Spares	31,615,515	26,260,458
Loose tools	1,185,947	1,045,891
	<u>32,801,462</u>	<u>27,306,349</u>
<b>18. STOCK IN TRADE</b>		
<b>Raw material</b>		
- In hand	77,555,955	42,412,034
- In bond	21,956,636	15,711,899
	<u>99,512,591</u>	<u>58,123,933</u>
<b>Packing material</b>		
- In hand	4,199,931	2,178,653
- In bond	2,280,461	-
	<u>6,480,392</u>	<u>2,178,653</u>
Work in process	27,066,949	6,333,999
Finished goods	36,167,369	9,102,908
	<u>63,234,318</u>	<u>15,436,907</u>
	<u>169,227,301</u>	<u>75,739,493</u>
<b>19. LOAN AND ADVANCES</b>		
<b>Considered good:</b>		
Suppliers	7,986,870	5,333,988
Employees	1,313,970	1,153,538
Expenses	2,312	112,875
	<u>9,303,153</u>	<u>6,600,401</u>
<b>20. SHORT TERM PREPAYMENTS</b>		
Prepayments	1,495,314	4,628,876
<b>21. OTHER RECEIVABLES</b>		
Income tax	6,602,098	2,834,792
Excise duty	100,639	100,639
Margin and charges on L/c	965,921	216,410
Sales tax refundable	4,015,836	3,215,986
Others	22,379	22,305
	<u>11,706,873</u>	<u>6,390,133</u>
<b>22. CASH AND BANK BALANCES</b>		
Cash in hand	10,867	10,639
Cash with banks - current account	2,027,395	2,771,257
Cash with bank - dividend account	476,276	241,111
	<u>2,514,538</u>	<u>3,023,007</u>



	<b>Total</b>		<b>Hattar</b>		<b>Karachi</b>	
	<b>Rupees</b>		<b>Rupees</b>		<b>Rupees</b>	
	Jul-Jun 2005	Jul-Jun 2004	Jul-Jun 2005	Jul-Jun 2004	Jul-Jun 2005	Jul-Jun 2004
<b>23. OPERATING RESULTS</b>						
SALES						
Gross sales - others	865,856,296	509,550,980	722,603,200	411,772,820	143,253,096	97,778,160
Intersegment	-	-	90,907,132	50,309,062	-	-
	<b>865,856,296</b>	<b>509,550,980</b>	<b>813,510,332</b>	<b>462,081,882</b>	<b>143,253,096</b>	<b>97,778,160</b>
Less : Sales discount	971,986	73,215	971,339	14,835	647	58,380
Sales tax - others	112,938,598	66,558,563	94,252,639	53,783,377	18,685,959	12,775,186
Sales tax - intersegment	-	-	11,857,452	6,562,052	-	-
Sales return	757,600	-	757,600	-	-	-
	<b>114,668,184</b>	<b>66,631,778</b>	<b>107,839,030</b>	<b>60,360,264</b>	<b>18,686,606</b>	<b>12,833,566</b>
	<b>751,188,112</b>	<b>442,919,202</b>	<b>705,671,302</b>	<b>401,721,618</b>	<b>124,566,490</b>	<b>84,944,594</b>
Less:						
Cost of goods sold	24 595,996,882	332,393,160	563,325,705	290,069,504	111,720,857	86,070,666
Gross profit /(loss)	<b>155,191,230</b>	<b>110,526,042</b>	<b>142,345,597</b>	<b>111,652,114</b>	<b>12,845,633</b>	<b>(1,126,072)</b>
Operating expenses:						
Administration	25 30,161,009	22,867,713	25,159,531	18,482,063	5,001,478	4,385,650
Selling & distribution	26 34,341,804	21,765,814	28,263,360	16,530,073	6,078,444	5,235,741
	<b>64,502,813</b>	<b>44,633,527</b>	<b>53,422,891</b>	<b>35,012,136</b>	<b>11,079,922</b>	<b>9,621,391</b>
Operating profit / (loss)	<b>90,688,417</b>	<b>65,892,515</b>	<b>88,922,707</b>	<b>76,639,978</b>	<b>1,765,710</b>	<b>(10,747,463)</b>
<b>Segment assets:</b>	<b>1,004,694,158</b>	<b>735,420,925</b>	<b>877,325,572</b>	<b>656,432,015</b>	<b>127,368,586</b>	<b>78,988,910</b>
<b>Unallocated assets</b>	<b>32,309,164</b>	<b>19,493,060</b>				
	<b>1,037,003,322</b>	<b>754,913,985</b>				
<b>Segment liabilities:</b>	<b>174,122,075</b>	<b>101,526,295</b>	<b>169,937,247</b>	<b>94,854,447</b>	<b>4,184,828</b>	<b>6,671,848</b>
<b>Unallocated liabilities</b>	<b>525,472,002</b>	<b>398,056,114</b>				
	<b>699,594,077</b>	<b>499,582,409</b>				
<b>Capital expenditure</b>	<b>80,811,447</b>	<b>85,748,440</b>	<b>78,776,920</b>	<b>84,437,027</b>	<b>2,034,527</b>	<b>1,311,413</b>

Note:

Inter-segment sales have been eliminated from total.

Inter-segment business is recorded at cost including sales tax.

	Total		Hattar		Karachi	
	Rupees		Rupees		Rupees	
	Jul-Jun 2005	Jul-Jun 2004	Jul-Jun 2005	Jul-Jun 2004	Jul-Jun 2005	Jul-Jun 2004
<b>24. COST OF GOODS SOLD</b>						
Raw material consumed						
Opening stock	58,123,932	21,023,516	54,063,354	17,543,342	4,060,578	3,480,174
Purchases						
Others	494,889,519	240,353,853	484,591,705	226,903,209	10,297,814	13,450,643
Inter-segment	-	-	-	-	79,049,680	43,747,010
	494,889,519	240,353,853	484,591,705	226,903,209	89,347,494	57,197,653
	553,013,451	261,377,369	538,655,059	244,446,551	93,408,072	60,677,827
Closing stock	(99,512,591)	(58,123,932)	(89,413,080)	(54,063,354)	(10,099,511)	(4,060,578)
Raw material consumed	453,500,860	203,253,436	449,241,979	190,383,197	83,308,561	56,617,249
Packing material consumed	28,163,903	16,072,694	23,905,240	13,168,232	4,258,663	2,904,462
Salaries, wages & other benefits (24.1)	30,783,621	19,229,923	24,826,172	14,941,543	5,957,449	4,288,380
Travelling & conveyance	1,715,384	882,990	1,643,968	813,249	71,416	69,741
Professional charges	982,850	377,600	982,850	278,000	-	99,600
Vehicle repair & maintenance	2,540,616	1,794,930	2,287,641	1,598,150	252,975	196,780
Rent, rate & taxes	6,050,490	2,826,289	2,380,131	817,989	3,670,359	2,008,300
Repair & maintenance	3,835,059	3,659,740	2,356,030	1,415,891	1,479,029	2,243,849
Telephone	1,358,643	1,348,851	1,041,467	951,885	317,176	396,966
Printing, postage & stationery	767,766	787,120	555,683	514,468	212,083	272,652
Entertainment	522,252	549,166	395,007	282,309	127,245	266,857
Advertisement	58,462	21,868	58,462	21,868	-	-
Insurance	2,184,667	779,058	1,741,048	671,160	443,619	107,898
Medical	397,568	181,286	324,357	142,505	73,211	38,781
Electricity, gas & water	51,066,237	32,846,863	41,016,216	24,567,480	10,050,021	8,279,383
Freight, octroi & toll tax	1,100,686	1,129,061	772,369	928,350	328,317	200,711
Depreciation	34,816,227	23,199,361	31,390,892	20,883,286	3,425,335	2,316,075
Transportation factory workers	1,983,923	1,401,690	1,983,923	1,401,690	-	-
Consumable store	21,495,827	12,448,449	17,567,363	10,016,481	3,928,464	2,471,968
Lab tests	16,675	137,120	16,675	125,680	-	11,440
Newspaper, books & periodicals	-	2,390	-	2,390	-	-
Courses & seminars fee	435,200	47,500	435,200	27,500	-	20,000
Miscellaneous	17,377	29,524	14,269	23,576	3,108	5,948
	643,794,293	323,046,909	604,936,943	283,976,879	117,907,030	82,817,040
Work in process						
Opening	6,333,999	10,902,747	6,333,999	10,902,747	-	-
Closing	(27,066,949)	(6,333,999)	(27,066,949)	(6,333,999)	-	-
	(20,732,950)	4,568,748	(20,732,950)	4,568,748	-	-
<b>Cost of goods manufactured</b>	<b>623,061,343</b>	<b>327,615,657</b>	<b>584,203,993</b>	<b>288,545,627</b>	<b>117,907,030</b>	<b>82,817,040</b>
Finished goods						
Opening - Finished	9,102,908	13,880,411	8,293,182	9,817,059	809,726	4,063,352
Closing - Finished	(36,167,369)	(9,102,908)	(29,171,470)	(8,293,182)	(6,995,899)	(809,726)
	(27,064,461)	4,777,503	(20,878,288)	1,523,877	(6,186,173)	3,253,626
<b>Cost of good sold</b>	<b>595,996,882</b>	<b>332,393,160</b>	<b>563,325,705</b>	<b>290,069,504</b>	<b>111,720,857</b>	<b>86,070,666</b>

24.1 Salaries & wages includes Rs. 1,093,557 (2004: Rs. 664,284) in respect of staff retirement benefit

	Total		Hattar		Karachi	
	Rupees		Rupees		Rupees	
	Jul-Jun 2005	Jul-Jun 2004	Jul-Jun 2005	Jul-Jun 2004	Jul-Jun 2005	Jul-Jun 2004
<b>25. ADMINISTRATION EXPENSES</b>						
Directors' salary & other benefits (25.1)	7,090,316	7,472,496	5,914,558	6,039,395	1,175,758	1,433,101
Directors' meeting fee	150,000	-	125,126	-	24,874	-
Staff salaries & other benefits	7,511,950	5,241,404	6,266,274	4,236,189	1,245,676	1,005,215
Ex-Gratia	247,095	-	206,120	-	40,975	-
Rent, rate & taxes	1,004,332	204,952	837,788	165,646	166,544	39,306
Electricity, gas & water	230,091	72,573	191,936	58,655	38,155	13,918
Entertainment	287,139	221,214	239,524	178,789	47,615	42,425
Travelling & conveyance	2,077,790	1,736,910	1,733,238	1,403,799	344,552	333,111
Vehicle running & maintenance	1,369,447	1,061,371	1,142,357	857,818	227,090	203,553
Repair & maintenance	201,660	376,322	168,220	304,150	33,440	72,172
Communications	1,584,982	1,449,572	1,322,151	1,171,568	262,831	278,004
Legal & professional	3,294,306	1,384,383	2,748,025	1,118,881	546,281	265,502
Auditors' remuneration (25.2)	315,000	612,500	262,765	495,033	52,235	117,467
Advertisement	321,370	89,400	268,079	72,255	53,291	17,145
Medical	802,296	514,877	669,254	416,132	133,042	98,745
Insurance	80,765	70,234	67,372	56,764	13,393	13,470
Printing & stationery	943,438	529,858	786,991	428,240	156,447	101,618
Depreciation	1,832,433	1,221,017	1,528,568	986,846	303,865	234,171
Books,newspaper and periodicals	30,644	16,002	25,562	12,933	5,082	3,069
Courses, seminar & subscription	157,980	270,621	131,783	218,720	26,197	51,901
Donation & others (25.3)	499,969	58,500	417,061	47,281	82,908	11,219
Bad debts written off	128,006	263,507	106,779	212,971	21,227	50,536
	<b>30,161,009</b>	<b>22,867,713</b>	<b>25,159,531</b>	<b>18,482,063</b>	<b>5,001,478</b>	<b>4,385,650</b>

25.1 Directors' remuneration includes Rs. 956,218 (2004: Rs. 3,200,000) and Salaries & wages includes Rs. 461,513 (2004: Rs. 307,756) in respect of staff retirement benefit.

	2005	2004
25.2 Auditors' remuneration		
Audit fee	295,000	200,000
Out of pocket expenses	5,000	25,000
Consultancy	-	382,500
Audit fee - WPPF	5,000	5,000
Audit fee - Provident fund	10,000	-
	<b>315,000</b>	<b>612,500</b>

25.3 The directors and their spouses have no interest in the donee fund.

25.4 Administration expenses are allocated on the basis of the net sales value of each segment.

	Total		Hattar		Karachi	
	Rupees		Rupees		Rupees	
	Jul-Jun 2005	Jul-Jun 2004	Jul-Jun 2005	Jul-Jun 2004	Jul-Jun 2005	Jul-Jun 2004
<b>26. SELLING &amp; DISTRIBUTION</b>						
Staff salaries & other benefits (26.1)	1,934,143	1,385,341	1,613,412	1,119,655	320,731	265,686
Office rent	399,059	309,021	332,885	249,756	66,174	59,265
Electricity, water & gas	33,789	26,500	28,186	21,418	5,603	5,082
Entertainment	20,843	8,061	17,387	6,515	3,456	1,546
Travelling & conveyance	273,297	384,200	227,977	310,517	45,320	73,683
Repair & maintenance	51,639	12,889	43,076	10,417	8,563	2,472
Vehicle running & maintenance	451,081	236,570	376,280	191,200	74,801	45,370
Communications	447,085	576,646	372,947	466,055	74,138	110,591
Insurance	19,457	23,901	16,231	19,317	3,226	4,584
Printing & stationery	33,015	11,100	27,540	8,971	5,475	2,129
Carriage & freight outward	30,594,971	18,694,679	25,137,849	14,047,931	5,457,122	4,646,748
Medical	79,939	58,206	66,683	47,043	13,256	11,163
Courses & seminar	500	38,500	417	31,116	83	7,383
Books & periodicals	2,986	200	2,491	162	495	38
	<b>34,341,804</b>	<b>21,765,814</b>	<b>28,263,360</b>	<b>16,530,073</b>	<b>6,078,444</b>	<b>5,235,741</b>

26.1 Salaries & wages includes Rs. 120,829 (2004: Rs. 69,960) in respect of staff retirement benefit.

26.2 Selling expenses are allocated on the basis of the net sales value of each segment.

	2005 RUPEES	2004 RUPEES
<b>27. FINANCIAL CHARGES</b>		
Mark-up on;		
- Long-term loan	15,166,843	10,004,639
- Short-term loan	3,229,752	3,078,112
- Lease finance	1,278,402	287,936
	<u>19,674,997</u>	<u>13,370,687</u>
Usance charges	11,248,325	5,322,654
Bank charges	1,680,844	808,262
	<u>32,604,166</u>	<u>19,501,603</u>
<b>28. OTHER CHARGES</b>		
Deficit on revaluation of fixed assets	-	5,184,406
Exchange loss	5,475,964	-
	<u>5,475,964</u>	<u>5,184,406</u>
<b>29. OTHER INCOME</b>		
Income from sale of scrap	1,304,752	2,845,830
Reversal of liability	1,927,197	189,962
Gain on disposal of fixed assets	238,240	-
Miscellaneous income	-	9,848
	<u>3,470,189</u>	<u>3,045,640</u>
<b>30. UNUSUAL ITEM</b>		
Reversal of liability:		
Principal	-	8,318,749
Mark-up	-	13,154,409
	<u>-</u>	<u>21,473,158</u>
<p>Reversal of total amount of mark up of Rs. 13,154,409/- represents Rs. 2,794,409/- related to the pre tax holiday period and Rs. 10,360,000/- related to the post tax holiday period.</p>		
<b>31. TAXATION</b>		
For the year		
Current	3,764,588	2,229,458
Prior	-	-
Deferred	21,902,597	3,121,120
	<u>25,667,185</u>	<u>5,350,578</u>
<b>31.1 Relationship between tax expense and accounting profit</b>		
Profit for the year	53,274,551	42,039,540
Expenses that are (admissible) / inadmissible in determining taxable profit	(36,202,174)	(28,833,222)
Taxable income / (Loss)	<u>17,072,377</u>	<u>13,206,318</u>
Less: Carry forward losses	(23,040,025)	(40,692,473)
Taxable income / (Loss)	<u>(5,967,648)</u>	<u>(27,486,155)</u>
Tax charge for the current year / minimum tax	3,764,588	2,229,458
Prior year adjustments	-	-
Deferred tax adjustment	21,902,597	3,121,120
	<u>25,667,185</u>	<u>5,350,578</u>

### Current

The assessment of the Company have been finalized upto and including the tax year 2004. Assessed losses available to the Company to be carried forward amounted to Rs. 23,040,025/- at the end of the tax year 2004.

	2005 RUPEES	2004 RUPEES
<b>32. EARNING PER SHARE - BASIC &amp; DILUTED</b>		
Profit after tax	27,625,904	58,162,120
Number of shares	12,495,691	8,562,846
Earning per share (2004: restated)	<u>2.15</u>	<u>5.11</u>

### 33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Director		Executives	
	2005	2004	2005	2004	2005	2004
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Managerial remuneration	2,481,816	1,745,460	2,481,816	1,745,460	1,138,064	-
House allowance & utilities	518,182	175,540	518,182	174,540	625,936	-
Servant allowance	214,248	214,248	214,248	214,248	-	-
Telephone allowance	180,000	180,000	180,000	180,000	-	-
Retirement benefits	330,910	1,600,000	330,910	1,600,000	151,743	-
Medical reimbursement	125,000	136,581	125,000	156,000	103,494	-
	<u>3,850,156</u>	<u>4,050,829</u>	<u>3,850,156</u>	<u>4,070,248</u>	<u>2,019,237</u>	<u>-</u>
Number of persons	1	1	1	1	2	-

The Chief Executive, Director and two Executives are entitled to free use of Company maintained vehicles.

### 34. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

### 35. FINANCIAL RISK MANAGEMENT OBJECTIVES

The company's activities expose it to a variety of financial risks, including the effect of changes in foreign exchange rates, credit and liquidity risk associated with various financial assets and liabilities respectively as referred to in note no. 36. The Company finances its operations through equity and management of working capital with a view to maintaining a reasonable mix between the various sources of finance to minimize risk. Taken as a whole, risk arising from the company's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments.

### 36. MARK-UP RATE RISK MANAGEMENT

Mark-up rate risk arises from the possibility that changes in interest / mark-up rates will effect the value of financial instruments. The Company monitors its exposure to fluctuations in markup rate and has already approached financial institutions for reduction in these rates to balance the effect of any increase in the short term. The following table indicates the effective periods in which they will re-price or mature.

	<b>Figures in Rupees</b>				
	<b>Interest Bearing</b>		<b>Non-Interest bearing</b>	<b>Total</b>	
	<b>One month to one year</b>	<b>One year and onward</b>		<b>2005</b>	<b>2004</b>
<b>Financial Assets</b>					
Long Term Deposit	-	-	7,444,050	<b>7,444,050</b>	1,873,650
Trade Debtors	-	-	102,338,448	<b>102,338,448</b>	61,297,916
Other Receivables	-	-	22,379	<b>22,379</b>	22,305
Cash and Bank	-	-	2,514,538	<b>2,514,538</b>	3,023,007
	-	-	112,319,415	<b>112,319,415</b>	66,216,878
<b>Financial Liabilities</b>					
Long term loan	52,166,668	232,875,729	-	<b>285,042,397</b>	191,905,163
Long term supplier's credit	-	-	-	-	80,891,772
Lease finance	12,850,465	36,505,109	-	<b>49,355,574</b>	2,439,335
Short term finance	42,244,915	-	-	<b>42,244,915</b>	16,636,512
Trade & other payables	2,803,924	-	203,192,626	<b>205,996,550</b>	124,615,670
Accrued mark-up on loans	5,825,192	-	-	<b>5,825,192</b>	1,329,605
	115,891,164	269,380,838	203,192,626	<b>588,464,628</b>	417,818,057
Balance sheet gap	(115,891,164)	(269,380,838)	(90,873,211)	<b>(476,145,213)</b>	(351,601,179)

#### Rate of Interest

Lease finance	Refer Note # 5
Long-term loan	Refer Note # 8
Short-term finance	Refer Note # 12

### 37. CREDIT RISK MANAGEMENT

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted. Out of the total financial assets of Rs.122,588,489 (2004: Rs. 73,033,689) the financial assets which are subject to credit risk amounted to Rs.102,338,448 (2004: Rs. 61,297,916). The Company foresees that it is not exposed to major concentration of credit risk. To manage exposure to credit risk the Company deals mainly with credit worthy manufacturers of beverages and applies restrictive credit period for its major customers. Deposits with leasing companies are guaranteed by assets acquired against them.

### 38. LIQUIDITY RISK MANAGEMENT

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Company treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

### 39. FOREIGN EXCHANGE RISK MANAGEMENT

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered in foreign currencies. The Company exposed to foreign currency risk on purchases and import of machinery that are entered in a currency other than local currency. The risk is not considered to be material in view of the amount of the transaction and relative stability of the Pak. Rupees in the foreign exchange market.

### 40. PLANT CAPACITY AND ACTUAL PRODUCTION

#### Hattar Plant

100% plant capacity at 250 days (3 shifts)-Number of bottles  
Actual production - Number of bottles  
Utilization

	2005 RUPEES	2004 RUPEES
100% plant capacity at 250 days (3 shifts)-Number of bottles	110,700,000	62,075,000
Actual production - Number of bottles	81,474,777	46,816,254
Utilization	73.60%	75.42%
<b>Karachi Plant</b>		
100% plant capacity at 250 days (3 shifts)-Number of bottles	23,700,000	15,000,000
Actual production - Number of bottles	16,560,271	10,826,503
Utilization	69.87%	72.18%

#### 40.1 Reasons for under unitization of capacity

The under utilization of capacity is attributable to the usual fall in demand for bottles during the off season winter period.

### 41. NUMBER OF EMPLOYEES

Total number of employees as at year end was 264 (2004: 257)

### 42. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on September 07, 2005 by the Board of Directors of the Company

### 43. GENERAL

- Figures have been rounded off to the nearest rupees.
- The board of directors has proposed a Share Dividend @ 15% for the year ended June 30, 2005 at their meeting held on September 07, 2005 for approval of members at the Annual General Meeting to be held on October 18, 2005. These financial statements do not reflect this Share Dividend as explained in note 10.2.
- **Corresponding figures**  
Corresponding figures have been re-arranged, wherever necessary. For the purposes of comparison significant re-arrangements are as follows:
  - The definition of executives under the Companies Ordinance, 1984 was revised during the year with respect to minimum basic salary requirement from Rs. 100,000 to Rs. 500,000. Therefore, the figures of the previous year have been restated for the purposes of comparison.
  - The above figures have been re-arranged as the re-classification made is considered more appropriate for the purposes of presentation.

**HUSSAIN JAMIL**  
Chairman

**AHSAN JAMIL**  
Chief Executive Officer

**H.R. SIDDIQUI**  
Chief Financial Officer







Manufacturer of Quality PET Bottles and Preforms

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