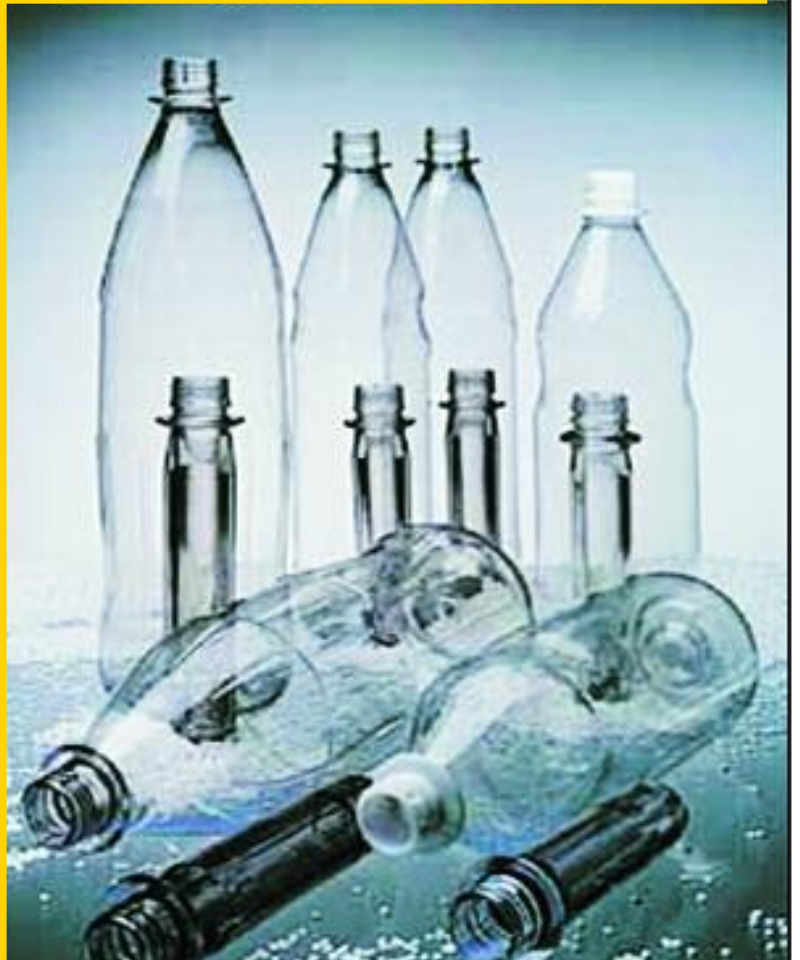




Annual Report  
2006



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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

#### BOARD OF DIRECTORS:

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

#### AUDIT COMMITTEE:

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

#### COMPANY SECRETARY:

Mr. Habib Ur Rehman Siddiqui	FCMA
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#### CHIEF FINANCIAL OFFICER:

Mr. Ahmer Qureshi	CA
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#### BANKERS:

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

#### AUDITORS:

Khalid Majid Rahman Sarfaraz
Rahim Iqbal Rafiq
Chartered Accountants

#### LEGAL ADVISOR:

M/s. Ebrahim Hosain	Advocate & Corporate Counsel
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#### FACTORIES:

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

#### REGISTERED OFFICE:

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

#### REGISTRAR OFFICE:

Technology Trade (Pvt) Ltd., Dagia House, 241-C, Block-2, P.E.C.H.S., off Shahrah-e-Quaideen, Karachi.  
Tel: (021) 4391316-7 Fax: (021) 4391318  
Email: mail@ttpl.com.pk

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 15th Annual General Meeting of Ecopack Limited will be held on Saturday, September 30, 2006 at 10:00 A.M. at the "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 18, 2005.
2. To receive and adopt the Director's and auditors report together-with Audited Accounts of the Company for the year ended June 30, 2006.
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 approve issue of Bonus Shares @ 40 % i.e. four (4) shares for every ten (10) shares held, as recommended by Board of Directors.
5. To consider and approve increase in remuneration of working directors of the Company.
6. To consider and approve increase the Authorized Capital from Rs. 250.00 million to Rs. 500.00 million and to approve the amendments in the Memorandum and Articles of Association of the Company resulting from this increase.
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,  
Dated: August 31, 2006

**H.R. Siddiqui**  
(Company Secretary)

### Note:

1. The register of members will remain closed from September 21, 2006 to September 30, 2006. (both days inclusive). Physical scrip transfers/CDS transaction IDs received in order at the registrar office at the close of business i.e. by 5:00 P.M. on September 20, 2006 will be treated in time for the purpose of entitlement of bonus shares.
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/her. Proxy form duly completed and signed must be deposited with the Company Secretary at the registered office at-least 48 hour's before the meeting.

**Circular** CDC account holders will further have to follow the under mentioned guideline as laid down in No. 1 of 2001 dated January 2000 issued by the Securities & Exchange Commission of Pakistan.

**2.1. 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.

**2.2. 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 Computerized NIC number are mentioned on the form.
  - c. Attested copies of CNIC or passport of the beneficial owner and the proxy shall be furnished with the proxy form.
  - d. The proxy shall produce his/her original CNIC 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.

**Resolution for Item # 4**

Resolved:

- a. That a sum of Rs. 65,648,480/= out of the free reserves of the Company for the year ended June 30, 2006 be capitalized and applied for issue of 6,564,848/= 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 September 20, 2006 in proportion of four (4) shares for every ten (10) shares held i.e. forty percent (40 %) 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, 2006.

- 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 Secretary is further authorized to issue/export/dispatch the bonus shares after fulfilling the statutory requirement.

**Resolution for Item # 5**

“Resolved that the salary of Chief Executive Officer and Executive Director of the Company be increased from Rs. 350,000/= to Rs. 437,500/= per month each with effect from July 01, 2006 plus other benefits as per Company policy”

**Resolution for Item # 6**

“Resolved that the Authorized Capital of the Company be increased from Rs. 250.00 million to Rs. 500.00 million.”

“Further Resolved that clause V of the Memorandum and clause 7 of Articles of Association of the Company be amended to incorporate the increase in authorized capital from Rs. 250.00 million to Rs. 500.00 million and the Company Secretary be authorized and empowered to give effect to this resolution”.

**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”.



**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. 65,648,480/= for issue of bonus shares in the ratio of four (4) shares for every ten (10) shares held (40 %). The directors of the Company directly or indirectly are not personally interested in this issue except to the extent of the shareholding in the Company.

**B. Increase in Authorized Capital and amendment in Memorandum and Articles Association of the Company:**

Present authorized capital of the company is Rs. 250.00 million. To accommodate increase in paid up capital, the authorized share capital of the Company needs to be increased. It is proposed that subject to approval of Securities and Exchange Commission of Pakistan the authorized share capital be increased from Rs. 250.00 million to Rs. 500.00 million. Amendments in Memorandum and Articles of Association of the Company are required to accommodate increase in Authorized Capital.

**C. Increase in remuneration of working directors:**

The Board of Directors in their meeting held on August 24, 2006 has approved the monthly remuneration of working directors of the Company i.e. Chief Executive Officer and Executive Director and as follows:

<b>I.</b>	<b>Salary</b>	<b>Rs.</b>
	Basic Salary	372,159.00
	House Rent Allowance	28,125.00
	Utility Allowance	37,216.00
	<b>Total</b>	<b>437,500.00</b>
<b>II.</b>	<b>Other Benefits (As per Company Policy)</b>	
	Domestic servants	Company paid servants Rs. 22,318.00 per month.
	Telephone	Allowance of Rs. 18,750.00 per month.
	Medical	10% of basic salary as medical allowance.
	Transport	Use of Company maintained chauffeur driven cars.

**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 shareholders by mail. Your Company wishes to place its quarterly accounts on its website: [www.ecopack.com.pk](http://www.ecopack.com.pk)



## DIRECTOR'S REPORT

The Board of Directors of Ecopack Limited is pleased to present the audited financial statements for the year ended 30th June 2006.

### Overview:

Your Company this year has achieved its highest, ever sales by crossing the billion rupee sales mark. It has registered an annual record sales of Rs. 1,162.00 million with a growth rate of 55% over previous year. Profit after tax grew by an impressive 133% over previous year to Rs. 64.50 million. EPS too has grown by 120% over last year to Rs. 3.93 per share. In light of the strong financial results the Board has recommended a 40% share dividend.

### Sales and Operations:

Once again your company's commitment to meet growing market demand through apt and timely production capacity enhancements has made these positive results possible. In July 2005 Ecopack's bottle capacity enhancement was successfully brought into commercial production followed by a subsequent capacity enhancement in preform manufacture (back process) in June 2006. These expansions have brought your company's preform production capacity to well over 300 million preforms and bottle blowing capacity in excess of 200 million per annum respectively.

In the back drop of continuing growth in market demand for PET containers your company's bottle sales quantities grew by 70% over previous year. Growth in demand has been fueled by not just the cola giants Coke and Pepsi but a strong emergence of local colas particularly in the smaller bottles segments of 500ml and 300ml who rely almost entirely on PET bottles.

Within the first year after capacity expansion at the Hattar plant, bottle capacity utilization reached an impressive 85% as compared to a pre-expansion 74% last year. Meanwhile, capacity utilization in Karachi plant increased steadily to 84% from 70% in the previous year.

### Financials:

The profitability of your company has grown at both the gross and operating levels by 56% and 65% respectively over last year resulting in slightly improved margins. This in a high raw material price scenario has only been possible mainly through expansion in manufacturing scale and robust improvements in throughput efficiencies and wastage control.

Financial charges have been the biggest cost increase for the Company growing by 76%. This has emanated in part from the expansion related increase in long term borrowings and the increase in working capital to support fast growing operations. However, the significant external factor has been the ever rising KIBOR rates and bank spreads that needs immediate re-dressal.

Even so sales growth of 55% has absorbed most of this financial charge burden as have improved efficiencies in other areas of operations resulting in pretax profit growth over last year of 62%. A prudent and rationalized reduction of 26% in this year's deferred tax provision has meant an after tax profit of Rs. 64.5 million registering a staggering growth of 133% over last year. EPS too has grown at an impressive rate of 120% over last year.

### Future Outlook:

The demand for PET containers is expected to grow at this rapid rate, untiringly yet for quite some years to come. This is based on the increasingly craved convenience and clarity benefit of PET now coupled with the important proposition of economy that comes from investment in output scale. Smaller packs that constitute the biggest segment of the drinks market and are the last bastion of glass containers, have begun to give way to PET bottles -- the opportunity we believe is significant and we intend to invest substantially in this area.

The entry of Pepsi into the mineral water market with its Aqua Fina brand means strong competition for market leader Nestle and the possible entry of Coke. This should result in increased competition and massive growth in the water industry and an opportunity for your company in water preform supply. Moreover, the introduction of Tropicana by Pepsi and other juices like Maaza, Fuito, Tops etc. albeit currently in glass bottles and Tetra packs, paves the way for specialized PET juice bottles in the future. All this presents great growth and diversification opportunities for your company and therefore, once again appreciate and timely investments will augur very well for its financial success.

### Dividends:

In view of the positive financial results the Board is pleased to recommend a 40% Share dividend.

**COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE:**

As required under the Code of Corporate Governance dated 28th 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 Standard, as applicable in Pakistan, has been followed in the preparation of financial statement 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 40% bonus shares (2005 – 15%).
10. There are no outstanding statutory payments on account of taxes, levies and charges except of normal and routine nature.
11. Statement as to the value of gratuity fund on the basis of actuarial valuation as on 30.06.2006 is included in note # 16 to the financial statements.
12. During the year 05 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. Hussain Jamil	05
Mr. Ahsan Jamil	05
Mrs. Deborah Jamil	05
Mrs. Ayesha Khan	05
Mr. Shahid Jamil	03
Mr. Ali Jamil	02
Mr. Ashiq Hussain Qureshi	01

13. The pattern of shareholding and additional information regarding pattern of shareholding is attached Annexure-B.

14. Trading of shares by Directors, Chief Financial Officer and Company 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	419,165	} Bonus Shares
Mr. Ahsan Jamil	Chief Executive Officer	315,539	
Mrs. Deborah Jamil	Director	112,128	
Mrs. Ayesha Khan	Director	129,425	
Mr. Shahid Jamil	Director	83,628	
Mr. Ashiq Hussain Qureshi	Director	244	
Mr. Ali Jamil	Director	56,834	
Mr. Habib ur Rehman Siddiqui	Company Secretary	NIL	
Mr. Ahmer Qureshi	Chief Financial Officer	NIL	

15. The board has recommended appointment of Auditors M/s. Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountant for the year ending on June 30, 2007 as recommended by the audit committee in its meeting held on August 24, 2006.

#### **STAFF & 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

**Ahsan Jamil**  
(Chief Executive Officer)

Karachi,  
Dated: August 24, 2006

## SIX YEARS AT A GLANCE

Annexure "A"  
(Rupees in '000)

<b>Profit &amp; Loss:</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
<b>Sales</b>	1,162,567	751,188	442,919	294,491	250,541	148,671
Cost of sales	920,083	595,997	332,393	225,144	204,498	141,192
Gross Profit	242,484	155,191	110,526	69,347	46,043	7,479
Operating expenses	93,235	64,503	44,634	30,798	23,402	17,914
Operating profit	149,248	90,688	65,893	38,549	22,641	(10,434)
Other income/ (charges)	(803)	(2,006)	(2,139)	948	(315)	(54)
Financial charges	57,373	32,604	19,502	33,805	40,436	18,876
Profit / (Loss) before taxation	86,519	53,275	42,040	5,407	(18,110)	(29,364)
Unusual item	-	-	21,473	-	-	-
Taxation	21,984	25,667	5,351	2,420	1,083	188
Profit / (Loss) after taxation	64,535	27,607	58,162	2,987	(19,192)	(29,552)
Dividend	-	-	5,709	-	-	-
Bonus shares	65,648	21,407	28,543	-	-	-

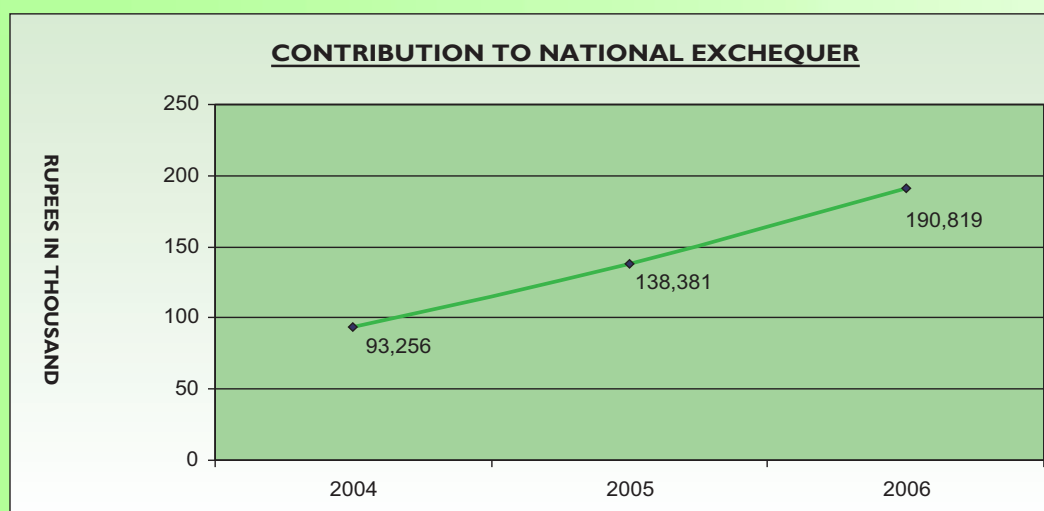
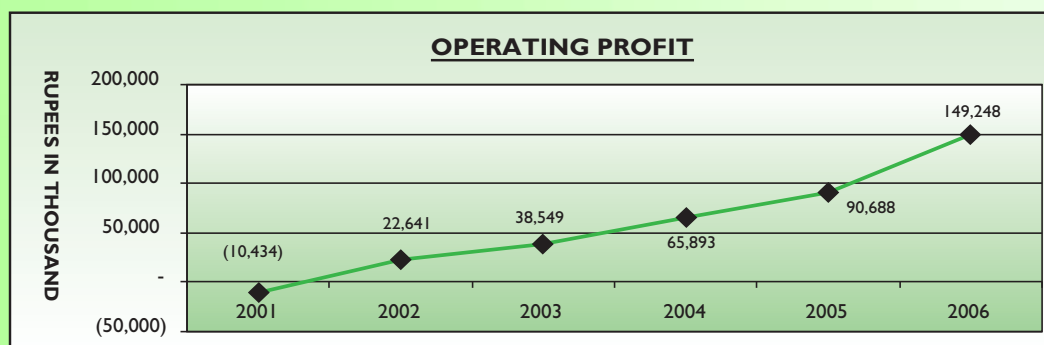
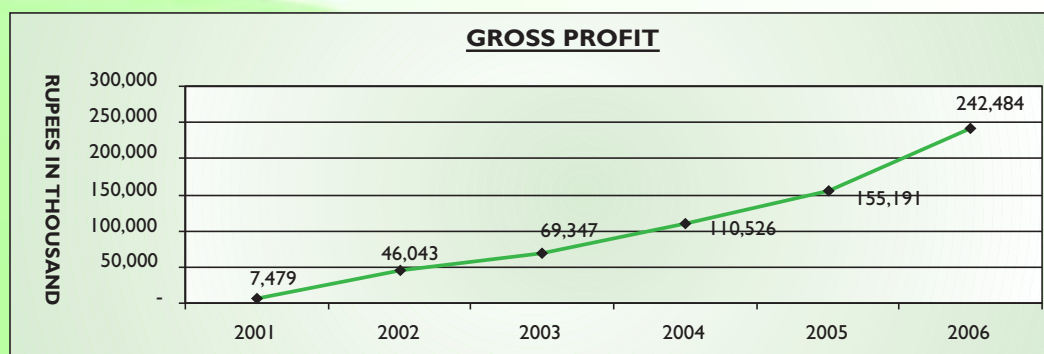
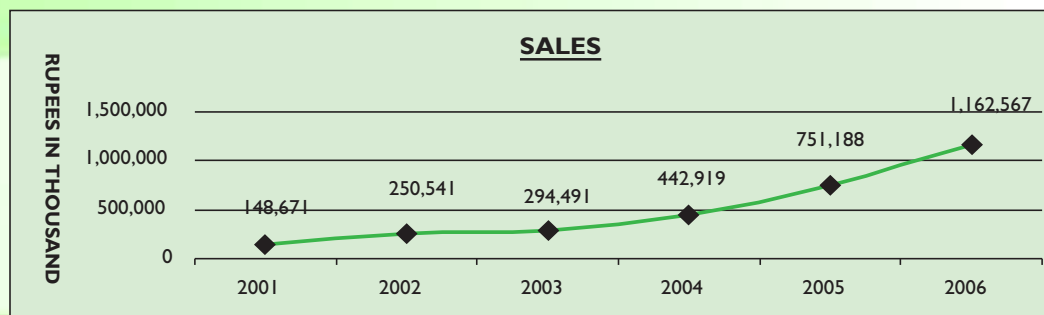
### Balance Sheet:

Shareholder's equity	402,545	337,391	256,132	104,000	123,685	142,878
Financing facilities	334,361	269,381	242,525	110,417	111,578	144,561
Fixed assets (net of depreciation)	824,126	571,995	476,635	279,079	295,110	196,089
Current Assets	468,126	329,387	184,986	110,730	98,935	77,620
Current Liability	465,703	329,210	179,154	150,524	163,506	93,550

### Key Financial Ratios:

Gross profit	21%	21%	25%	24%	18%	5%
Operating profit	13%	12%	15%	13%	9%	-7%
Profit before tax to net sales	7%	7%	9%	2%	-7%	-20%
Return on capital employed	12%	9%	9%	2%	-8%	-10%
Inventory turnover (times)	5	8	7	6	5	4
Fixed assets turnover (times)	1.41	1.31	0.93	1.06	0.85	0.76
Debt equity ratio	45 : 55	44 : 56	49 : 51	52 : 48	47 : 53	50 : 50
Current ratio	1.01	1.00	1.03	0.73	0.6	0.83
Earnings per share	3.93	2.15	5.11	0.52	(3.36)	(5.18)





**PATTERN OF SHAREHOLDING (FORM 34)  
AS AT JUNE 30, 2006**

SERIAL NO.	NO. OF SHAREHOLDERS	Annexure-"B" SHAREHOLDING		Annexure-"B" TOTAL SHARES HELD
		FROM	TO	
01	570	1	100	32,130
02	775	101	500	189,097
03	259	501	1000	190,270
04	520	1001	5000	831,985
05	40	5001	10000	274,544
06	14	10001	15000	163,150
07	5	15001	20000	91,210
08	6	20001	25000	137,214
09	4	25001	30000	109,475
10	3	30001	35000	93,889
11	1	35001	40000	37,415
12	3	40001	50000	149,100
13	2	50001	55000	105,818
14	1	55001	60000	56,906
15	1	60001	70000	66,400
16	2	70001	75000	146,485
17	1	75001	85000	82,400
18	1	85001	90000	88,550
19	1	90001	95000	93,475
20	1	95001	110000	107,084
21	2	110001	200000	395,545
22	1	200001	255000	250,104
23	1	255001	440000	435,732
24	1	440001	510000	507,150
25	1	510001	545000	544,000
26	1	545001	580000	579,130
27	1	580001	645000	641,150
28	1	645001	750000	745,035
29	1	750001	800000	799,200
30	1	800001	860000	859,651
31	1	860001	985000	983,825
32	1	985001	995000	992,263
33	1	995001	2420000	2,419,138
34	1	2420001	3215000	3,213,601
	<u>2225</u>			<u>16,412,121</u>

**Categories of Shareholders**

<b>Name</b>	<b>No. of Shareholder</b>	<b>Shares held</b>	<b>Percentage</b>
<b>1. Associated Companies, undertaking and related parties</b>	<b>NIL</b>	<b>NIL</b>	<b>0.00%</b>
<b>2. Financial Institutions</b>			
National Development Fin. Corp. Investor	1	5,027	0.03%
Trust Leasing Corporation Limited-CFS (LHR)	1	31,000	0.19%
Crescent Commercial Bank Limited	1	507,150	3.09%
The Bank of Khyber	1	544,000	3.31%
First Dawood Investment Bank	1	745,200	4.54%
Trust Leasing & Investment Bank Limited	1	49,100	0.30%
Trust Leasing & Investment Bank Limited	1	25,000	0.15%
	<b>7</b>	<b>1,906,477</b>	<b>11.62%</b>
<b>3. Insurance Companies</b>			
State Life Insurance Corporation of Pakistan	1	579,130	3.53%
	1	579,130	3.53%
<b>4. Directors, Chief Executive Officer, their Spouse and minor children</b>			
Mr. Hussain Jamil	1	3,213,601	19.58%
Mrs. Ayesha Khan	1	992,263	6.05%
Mrs. Deborah Jamil	1	859,651	5.24%
Mr. Ali Jamil	1	435,732	2.65%
Mr. Shahid Jamil	1	641,150	3.91%
Mr. Ahsan Jamil	1	2,419,138	14.74%
Mr. Ashiq Hussain Qureshi	1	1,876	0.01%
	<b>7</b>	<b>8,563,411</b>	<b>52.18%</b>
<b>5. Moadarbas And Mutul Funds</b>			
Guardian Modarba	1	26,300	0.16%
First Pak Modarba	1	450	0.00%
CDC-Trustee First Dawood Mutul Fund	1	983,825	5.99%
CDC-Trustee Picic Investment Fund	1	799,035	4.87%
Prudential Stock Fund Limited	1	93,475	0.57%
	<b>5</b>	<b>1,903,085</b>	<b>11.60%</b>
<b>6. NIT And ICP</b>			
Natioanl Bank of Pakistan	1	172	0.00%
Invsestment Corporation of Pakistan	1	8,138	0.05%
	<b>2</b>	<b>8,310</b>	<b>0.05%</b>
<b>7. Non-Banking Financial Institutions, joint stock compnies &amp; Others</b>			
Somers Nominee (Far East) Limited	1	4,458	0.03%
Prudenatial Securities Limited	1	150	0.00%
Modsani Securities (Pvt) Limited	1	3,800	0.02%
Y.S. Securities & Services (Pvt) Limited	1	73,985	0.45%
Progressive Investment Management (Pvt) Limited	1	307	0.00%
Zillion Capital Securities (Pvt) Limited	1	156	0.00%
Progressive Securities (Pvt) Limited	1	900	0.01%
General Investment & Securirties (Pvt) Limited	1	89	0.00%
Darson Securities (Pvt) Limited	1	18	0.00%
United Capital Securities (Pvt) Limited	1	500	0.00%
Mega Securities (Pvt) Limited	1	87	0.00%
Trustee - The Bank of Khyber	1	50,000	0.30%
Trustee - NWFP Pension Fund	1	5,800	0.04%
Invest Forum (Pvt) Limited	1	500	0.00%
Time Securities (Pvt) Limited	1	1,738	0.01%
Capital Vision Securities (Pvt) Limited	1	7,561	0.05%
FDM Capital Securities (Pvt) Limited	1	8,400	0.05%
ACE Securities (Pvt) Limited	1	50,000	0.30%
Y.S. Securities & Services (Pvt) Limited	1	12,875	0.08%
Shams Textile Mills Limited	1	6,500	0.04%
Prudential Securities Limited	1	77	0.00%
UNEX Securities (Pvt) Limited	1	1,000	0.01%
Habib Brothers (Pvt) Limited	1	1,799	0.01%
	<b>23</b>	<b>230,700</b>	<b>1.41%</b>
<b>8. Individual</b>	<b>2180</b>	<b>3,221,008</b>	<b>19.63%</b>
<b>Total</b>	<b>2,225</b>	<b>16,412,121</b>	<b>100.00%</b>
<b>Shareholding 10% or more voting Interest</b>			
Mr. Hussain Jamil	1	3,213,601	19.58%
Mr. Ahsan Jamil	1	2,419,138	14.74%
<b>Total</b>	<b>2</b>	<b>5,632,739</b>	<b>34.32%</b>

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended June 30, 2006

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 along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO 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 at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. 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 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.
11. The financial statements of the Company were duly endorsed by CEO and Financial Controller before approval of the Board.
12. 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.
13. The Company has complied with all the corporate and financial reporting requirements of the Code.
14. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors.
15. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.



16. 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.
17. 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.
18. 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.
19. We confirm that all other material principles contained in the Code have been complied with.

Karachi,  
Dated: August 24, 2006

**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 for the year ended on June 30, 2006.

Karachi,  
Dated: August 24, 2006

KHALID MAJID RAHMAN SARFARAZ  
RAHIM IQBAL RAFIQ  
Chartered Accountants

## AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Ecopack Limited as at June 30, 2006, 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 the management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that-

- (a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion –
  - (I) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied except for the change 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, cash flow 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 the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2006 and of the Profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Karachi  
Dated August 24, 2006

KHALID MAJID REHMAN SARFARAZ  
RAHIM IQBAL RAFIQ  
Chartered Accountants.

**BALANCE SHEET AS AT JUNE 30, 2006**

	Note	JUNE 30, 2006	JUNE 30, 2005
		( Rupees In '000 )	
<b>Assets</b>			
<b>Non-current Assets</b>			
Property, Plant & Equipment	3	833,473	700,172
Long Term Security Deposits	4	8,875	7,005
<b>Current Assets</b>			
Spares and Loose Tools	5	53,304	32,801
Stock In Trade	6	226,971	169,227
Trade Debts - Unsecured Considered Good	7	135,781	102,338
Loans and Advances	8	31,839	9,303
Short Term Prepayments & Deposits	9	1,898	1,934
Other Receivables	10	11,287	11,707
Cash and Bank Balances	11	7,046	2,515
		468,126	329,826
<b>Total Assets</b>		<b>1,310,474</b>	<b>1,037,003</b>
<b>Equity and Liabilities</b>			
<b>Share Capital and Reserves</b>			
<b>Share Capital</b>			
Authorized			
25,000,000 ( June 2005 : 25,000,000) Ordinary Shares of Rs. 10 Each		250,000	250,000
Issued, Subscribed and Paid-up	12	164,121	142,714
<b>Reserves</b>		136,099	69,720
		<b>300,221</b>	<b>212,434</b>
<b>Surplus on Revaluation of Fixed Assets</b>	13	102,324	124,957
<b>Non-current Liabilities</b>			
Long Term Loans - Secured	14	306,668	232,876
Liability Against Assets Subject To Finance Lease	15	27,693	36,505
Deferred Liabilities	16	107,865	101,022
		<b>442,226</b>	<b>370,403</b>
<b>Current Liabilities</b>			
Trade and other Payables	17	303,182	212,358
Accrued Mark-up on Loans	18	8,324	5,825
Short Term Finances	19	64,231	42,245
Current Portion of Long Term Liabilities	20	84,131	65,017
Taxation		5,835	3,765
		<b>465,703</b>	<b>329,210</b>
<b>Contingencies and Commitments</b>			
	21	-	-
<b>Total Equity and Liabilities</b>		<b>1,310,474</b>	<b>1,037,003</b>

The Annexed Notes Form An Integral Part Of These Financial Statements

**Hussain Jamil**  
(Chairman)

**Ahsan Jamil**  
(Chief Executive Officer)



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2006**

	NOTE	JUNE 30, 2006 ( Rupees in '000 )	JUNE 30, 2005
<b>Net sales</b>	22	1,162,567	751,188
Cost of goods sold	23	(920,083)	(595,997)
<b>Gross profit</b>		<b>242,484</b>	<b>155,191</b>
<b>Operating expenses</b>			
Administration	24	(39,315)	(30,033)
Selling & Distribution	25	(53,920)	(34,470)
		(93,235)	(64,503)
<b>Operating profit</b>		<b>149,248</b>	<b>90,688</b>
Financial charges	26	(57,373)	(32,604)
Other charges	27	(4,168)	(5,476)
Other income	28	3,365	3,470
		(58,176)	(34,610)
		91,072	56,078
<b>Workers' profit participation fund</b>		<b>(4,554)</b>	<b>(2,804)</b>
<b>Profit before taxation</b>		<b>86,519</b>	<b>53,275</b>
Taxation - Current		(5,834)	(3,765)
- Deferred		(16,150)	(21,903)
	29	(21,984)	(25,667)
<b>Profit after taxation</b>		<b>64,535</b>	<b>27,607</b>
<b>Earnings per share - basic &amp; diluted</b>	<b>30</b>	<b>3.93</b>	<b>1.78</b>

The annexed notes form an integral part of these financial statements

**Hussain Jamil**  
(Chairman)

**Ahsan Jamil**  
(Chief Executive Officer)

**CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2006**

	Note	JUNE 30, 2006	JUNE 30, 2005
		( Rupees In '000 )	
<b>Cash Flow From Operating Activities</b>			
Profit Before Taxation		86,519	53,275
Adjustment For Non Cash Charges:			
Depreciation		48,744	36,649
Reversal Of Liability		-	(1,927)
Gain On Disposal Of Fixed Assets		(178)	(238)
Other Charges - Impairment Loss		4,153	-
Exchange Loss		14	5,476
Provision For Obsolete Stocks		3,678	-
Provision For Doubtful Debts		1,906	-
Provision For Wppf		4,556	2,804
Provision For Gratuity		3,316	1,910
Financial Charges		57,373	32,604
		123,562	77,277
<b>Cash Flow From Operating Activities Before Working Capital Changes</b>		<b>210,081</b>	<b>130,552</b>
(Increase) / Decrease In Current Assets :			
Spares & Loose Tools		(24,181)	(5,495)
Stock In Trade		(57,744)	(93,488)
Trade Debts		(35,349)	(41,041)
Loans & Advances		(22,536)	(2,703)
Short Term Prepayments & Deposits		37	3,134
Other Receivables		807	(5,317)
<b>Net Increase In Current Assets</b>		<b>(138,966)</b>	<b>(144,909)</b>
<b>Increase / (Decrease) In Current Liabilities:</b>			
Trade And Other Payables		89,055	85,520
Accrued Mark-up On Loans		2,499	4,496
<b>Net Changes In Current Liabilities</b>		<b>91,554</b>	<b>90,015</b>
Other Payments:			
Financial Charges Paid		(56,937)	(29,197)
Gratuity Paid		(435)	(649)
Wppf Paid		(2,804)	(2,226)
Taxes Paid		(4,583)	(3,767)
		(64,759)	(35,839)
<b>Net Cash Inflow From Operating Activities</b>		<b>97,910</b>	<b>39,819</b>
<b>Cash Flow From Investing Activities</b>			
Fixed Capital Expenditure		(316,958)	(130,848)
Capital Work-in-progress		118,830	(121,378)
Long Term Security Deposits Increased		(1,870)	(5,570)
Proceeds From Disposal Of Fixed Assets		540	430
<b>Net Cash (Outflow) / Inflow From Investing Activities</b>		<b>(199,458)</b>	<b>(257,366)</b>
<b>Cash Flow From Financing Activities</b>			
Long Term Loan Obtained		133,886	124,010
Repayment Of Long Term Loans		(44,661)	(30,873)
Proceed From Issue Of Right Shares		-	57,086
Dividend Paid		-	(5,709)
Leases Acquired		8,854	49,996
Finance Lease Repaid		(13,985)	(3,080)
<b>Net Cash Inflow / (Outflow) From Financing Activities</b>		<b>84,094</b>	<b>191,431</b>
<b>Net Increase In Cash And Cash Equivalents</b>		<b>(17,454)</b>	<b>(26,117)</b>
<b>Cash And Cash Equivalents At The Beginning Of The Year</b>		<b>(39,730)</b>	<b>(13,614)</b>
<b>Cash And Cash Equivalents At The End Of The Year</b>	41	<b>(57,185)</b>	<b>(39,730)</b>

The Annexed Notes Form An Integral Part Of These Financial Statements

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2006**

	Share Capital	Unappropriated Profit (Restated) (Rupees in '000)	Total
Balance as on July 01, 2004	57,086	35,613	92,699
Effect of change in accounting policy			
Final cash dividend @ 10%	-	5,709	5,709
Issue of Bonus shares @ 50%	-	28,543	28,543
Balance as at June 30, 2004 restated	57,086	69,864	126,950
Final cash dividend @ 10%	-	(5,709)	(5,709)
Issue of Bonus shares @ 50%	28,543	(28,543)	-
Issue of rights shares @ 100%	57,086	-	57,086
Net profit for the year ended June 30, 2005	-	27,607	27,607
Transfer from surplus on revaluation of fixed assets, current year - net of deferred tax	-	6,499	6,499
Balance as at July 01, 2005	142,714	69,720	212,434
Issue of Bonus shares @ 15%	21,407	(21,407)	-
Net Profit for the year ended June 30, 2006	-	64,535	64,535
Transfer from surplus on revaluation of fixed assets, current period - net of deferred tax	-	23,252	23,252
<b>Balance as at June 30, 2006</b>	<b>164,121</b>	<b>136,099</b>	<b>300,221</b>

The annexed notes form an integral part of these financial statements

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**Hussain Jamil**  
 (Chairman)

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**Ahsan Jamil**  
 (Chief Executive Officer)

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2006

### 1. Status and nature of business

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

### 2. Summary of significant accounting policies

#### 2.1 Statement of compliance

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.

#### 2.2 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 benefit

The retirement benefits comprises of Gratuity and Provident fund schemes.

##### 2.3.1 Gratuity scheme

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).

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

Amounts recognized in the balance sheet represents the present value of defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, if any, and as reduced by the fair value of plan assets. Any assets resulting from the calculation is limited to the unrecognized actuarial losses and unrecognized past service cost plus the present value of available refunds and reduction in future contribution to the plan.

Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses for each individual plan exceeds 10% of the higher of (a) the defined obligation and (b) the fair value of plan assets. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

##### 2.3.2 Provident fund

The Company also operates an approved funded contributory provident fund for its management and non-management employees. Equal monthly contributions are made both by the Company and the employees at the rate of 5% per annum of the basic salary.

#### 2.4 Taxation Current

Provision for current taxation is based on the taxable income for the year determined in accordance with the prevailing law for taxation on income. The charge for current tax is calculated using prevailing tax rates. The charge for current tax also includes adjustments for prior years or otherwise considered necessary for such years. The tax charge as calculated above is compared with turnover tax under section 113 of the Income Tax Ordinance, 2001 and whichever is higher is provided in the financial statements.



**Deferred**

Deferred tax is accounted for using the balance sheet liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverses, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to income.

**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 is charged to the profit and loss account applying the straight line method whereby the cost of the asset is written off over its estimated useful life. The rates used are stated in note # 13.1 to the financial statements. Depreciation on additions is charged for the full month in which an asset is put to use and on deletions upto the month immediately proceeding the deletion.

Maintenance and normal repairs are charged to the profit and loss account as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Gains and losses on disposal of assets, if any, are taken to the profit and loss account.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exist and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. The recoverable amount of tangible fixed assets is greater of net selling price and value in use.

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.

Capital spares having useful life of more than one year are capitalized and accounted for as Property, Plant & Equipment. With effect from the current year, spares of capital nature are capitalized and classified under plant & machinery (refer note # 3.1). These are reflected at cost less depreciation. Had the change not been made, the profit for the year would have been lower by Rs.6.9 million.

**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 using rates and method specified in note # 3.1.

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

**2.6 Capital work-in-progress**

Capital work-in-progress is stated at cost. It consists of expenditure incurred and advances made in respect of tangible and intangible assets in the course of their construction and installation. Transfers are made to relevant fixed assets category as and when assets are available for use.

**2.7 Intangible assets**

Expenditure incurred to acquire software license is capitalized as intangible assets and stated at cost less accumulated amortization and impairment loss, if any. Intangible assets are amortized using the straight line method over a period of three years or license period whichever is lower. Where the carrying amount of an asset exceed its estimated recoverable amount is written down immediately to its recoverable amount.

**2.8 Borrowing cost**

The borrowing cost incurred for purchase/import of plant and machinery are added to the cost of respective assets till their installation is completed. Other borrowing cost and related charge is charged to profit & loss account as financial charges.

The capitalization of borrowing costs as part of a qualifying asset commence when expenditure for the asset are being incurred; borrowing costs are being incurred; and activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalization of borrowing costs is suspended during extended periods in which active development is interrupted.

Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete.

## **2.9 Stores, spares & loose tools**

Stores, spares and loose tools excluding those of capital nature and items in transit are valued at lower of moving average cost and net realizable value. Provision is made for slow moving and obsolete items.

Net realizable value signifies the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

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

## **2.10 Stock in trade**

Stock of raw and packing material is valued at lower of moving average cost, determined on a first-in first out ( FIFO ) basis, and net realized value. Items in transit is valued at cost comprising invoice values plus other charges incurred thereon accumulated to the balance sheet date. Stocks of semi-finished and finished products is valued at lower of cost, determined on average basis, and net realizable value. Cost in relation to semi-finished and finished products represents cost of raw materials plus an appropriate allocation of manufacturing overheads. Cost in respect of semi-finished items is adjusted to an appropriate stage of processing.

Net realizable value signifies the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

## **2.11 Trade debts**

These are recognized and carried at original invoice amount less an allowance for uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Debts considered irrecoverable are written-off when identified.

## **2.12 Cash and cash equivalents**

Cash in hand and at books, short term bank deposits and short term running finances, if any, are carried at cost. For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand and deposit in banks, net of short term running finances ( if any ) that are highly liquid in nature and are readily convertible into known amounts of cash.

## **2.13 Foreign currency translation**

Translations in foreign currencies into reporting currency is made at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into reporting currency equivalents using year-end spot foreign exchange rates. Non-monetary assets are translated using exchange rates that exists when the values are determined. Exchange differences on foreign currency translations is included in income currently.

## **2.14 Financial Instruments**

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. All the financial assets are derecognized at the time when the Company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on derecognition of the financial assets and financial liabilities are taken to profit and loss account currently.

**2.15 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 recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

**2.16 Provisions**

A provision is recognized when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation (and a reliable estimate can be made of the amount of the obligation).

**2.17 Revenue recognition**

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, and is recognized on the following basis:

Sales are recorded on dispatch of products to the customers.

Dividend income on equity investment is recognized when the Company's right to receive the payment has been established. Handling, storage and other services income and return on deposits is recognized on accrual basis.

**2.18 Related party transactions**

The transactions between the Company and related parties are carried out on an arm's length basis and the relevant rates are determined in accordance with the Comparable Uncontrolled Price Method.

		JUNE 30, 2006	JUNE 30, 2005
		(Rupees in '000)	
<b>3. Property, Plant &amp; Equipment</b>			
Operating Property, Plant & Equipment	3.1	824,126	571,995
Capital Work-in-progress	3.6	9,347	128,177
		<b>833,473</b>	<b>700,172</b>

### 3.1 PROPERTY, PLANT & EQUIPMENT

(Rupees in '000)

Particulars	COST AND REVALUATION			Rate %	METHOD	DEPRECIATION					Written Down Value as at 30-Jun-06
	As at 1-Jul-05	Inter transfer	Additions / (Deletions) / (Adjustment)			As at 1-Jul-05	Additions / (Deletions) / (Adjustment)	Inter transfer	For the year	As on 30-Jun-06	
<b>OWNED</b>											
LEASE HOLD LAND	3,525	-	-	-	WDV	-	-	-	-	-	3,525
FACTORY BUILDING	12,624	-	21,376	5%	WDV	4,971	802	-	1,184	6,155	27,845
FACTORY ROAD	769	-	-	10%	WDV	500	-	-	27	526	243
PIPING WORK	7,207	-	2,778	10%	WDV	2,033	257	-	774	2,808	7,178
ELECTRIFICATION	13,459	-	12,109	10%	WDV	4,527	1,199	-	2,092	6,619	18,949
PREFORM CONTAINER	6,802	-	2,547	10%	WDV	1,156	49	-	613	1,769	7,580
FURNITURE & FIXTURE	3,197	-	879	10%	WDV	1,044	65	-	280	1,324	2,752
VEHICLES	4,622	825	233	20%	WDV	2,755	11	-	382	3,137	1,631
VEHICLES	-	-	(1,608)	-	WDV	-	(1,247)	549	-	(697)	-
INJECTION MOULDS	138,666	-	-	5%	STLINE	46,984	-	-	6,966	53,950	84,716
BLOW MOULD	15,947	-	13,998	5%	WDV	9,371	2,787	-	4,178	13,549	16,396
LOCAL MOULDS	8,901	-	1,692	20%	WDV	6,081	58	-	552	6,633	3,959
PLANT & MACHINERY:											
LOCAL	41,070	-	-	5%	STLINE	12,667	261	-	2,050	14,717	35,206
- IMPORTED	453,451	-	(1,149)	5%	STLINE	103,253	(226)	-	-	(226)	543,666
- CAPITAL SPARES	-	-	232,845	-	STLINE	-	3,712	-	24,579	127,832	-
OFFICE EQUIPMENT	7,461	-	7,222	5%	STLINE	-	(2,172)	-	-	(2,172)	-
LABORATORY EQUIPMENT	430	-	2,520	10%	WDV	2,736	301	-	301	301	6,921
WEIGHING SCALE	1,535	-	4	10%	WDV	183	138	-	611	3,347	6,635
WATER TANK	12	-	41	10%	WDV	542	0	-	25	208	222
Sub Total	719,678	825	308,021			198,805	9,642	549	45,069	243,874	768,017
	-	-	(19,728)				(3,644)			(3,095)	
<b>LEASED</b>											
VEHICLES	8,256	-	8,938	20%	WDV	2,651	648	-	1,763	4,414	12,503
VEHICLES	-	(825)	-	-	WDV	-	-	(549)	-	(549)	-
GENERATOR	3,506	-	-	5%	STLINE	29	-	-	146	175	3,331
CHILLER	7,588	-	-	5%	STLINE	63	-	-	316	379	7,209
AIR CONVEYOR	4,806	-	-	5%	STLINE	40	-	-	200	240	4,565
PLANT & MACHINERY (IMPORTED)	30,000	-	-	5%	STLINE	250	-	-	1,250	1,500	28,500
Sub Total	54,156	(825)	8,938			3,033	648	(549)	3,676	6,160	56,108
RUPEES 2006	773,834	-	316,958			201,838	10,290	-	48,744	250,034	824,126
	-	-	(19,728)				(3,644)			(3,095)	
RUPEES 2005	643,665	-	165,694			167,031	-	-	36,649	203,679	571,995
	-	-	(35,525)							(1,841)	

#### ALLOCATION OF DEPRECIATION

2006

2005

COST OF GOODS SOLD  
ADMIN. EXPENSE

46,307  
2,437  
48,744

34,816  
1,832  
36,649

- 3.2 The above balances represents 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. 92.52 million and Rs. 141.34 million 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.
- 3.3 Had there been no revaluation, the net book value of specific classes of Operating Property, Plant and Equipment as at June 30, 2006 would have been as follows :

	2006 (Rupees in '000)	2005 (Rupees in '000)
	W.D.V.	W.D.V.
Leasehold land	3,525	3,525
Factory building	26,978	6,747
Plant & Machinery		
- Local	35,879	29,102
- Imported	393,388	185,241
Injection mould	49,291	52,641
Blow mould	13,577	3,206
Electrification	18,884	8,919
	<b>541,521</b>	<b>289,380</b>

### 3.4 Disposal

Particulars	Cost	Accumulated Depreciation	Written Down Value	Sales Proceeds	Gain / (Loss)	Mode of Disposal	Particulars of the Purchaser
	-----R U P E E S i n '000'-----						
Vehicle	825	549	276	296	20	Company policy	Mr. Hussain Jamil
Vehicle	783	697	86	244	158	Company policy	Mr. Hussain Jamil
Rupees 2006	1,608	1,247	362	540	178		-
Rupees 2005	35,525	1,841	33,685	33,936	0		-

### 3.5 Impairment of fixed assets

During the year, the Company recognized impairment loss on some identified items of Plant and Machinery. The recoverable amount of these items has been determined on the basis of their value in use. These assets have been carried at revalued amount, therefore, surplus on revaluation on these assets have also been adjusted accordingly for the total effect of impairment as under:

	Cost	Acc. Dep	Carrying value
	----- (Rupees in '000') -----		
Original cost of the impaired asset	30,248	(13,255)	16,993
Effect of revaluation recorded	13,966	(2,398)	11,568
Carrying value as on July 01, 2005			28,561
Impairment adjusted against revaluation:			
Surplus and deferred tax liability	(13,966)	2,398	(11,568)
Impairment loss recognized in profit and loss	(4,154)	-	(4,154)
	(18,120)	2,398	(15,722)
Adjusted carrying value of the assets as on June 30, 2006			12,839
<b>* Break-up of adjustment:</b>			
Impairment loss adjusted against			
Relevant revaluation surplus			7,519
Relevant deferred tax liability			4,049
			11,568



	JUNE 30, 2006	JUNE 30, 2005
	(Rupees in '000)	
<b>3.6 Capital work in progress</b>		
Plant & Machinery	2,739	77,591
Electric installation	1,121	11,783
Piping work	397	18,384
Building and roads	5,090	20,419
	9,347	128,177
<b>4. Longterm security deposits</b>		
Utilities	1,257	1,257
Leasing Companies	6,219	5,637
Others	1,399	111
	8,875	7,005
<b>5. Spares and loose tools</b>		
Stores and Spares	52,327	31,616
Loose tools	1,578	1,186
	53,905	32,801
Provision for obsolete store and spares	(600)	-
	53,304	32,801
<b>6. Stock in trade</b>		
Raw material		
- In hand	120,905	77,556
- In bond	-	21,957
	120,905	99,513
Packing material		
- In hand	7,659	4,200
- In bond	-	2,280
	7,659	6,480
Work in process	55,527	27,067
Finished goods	46,568	36,167
	102,094	63,234
	230,659	169,227
Provision for obsolete stocks	(3,688)	-
	226,971	169,227
<b>7. Trade debts - Unsecured considered good</b>		
Considered good	135,781	102,338
Considered doubtful	1,906	-
	137,687	102,338
Provision against debts considered doubtful	(1,906)	-
	135,781	102,338
<b>8. Loans and advances</b>		
Considered good:		
Suppliers	24,514	7,987
Employees:		
- Directors	1,898	22
- Employees	1,757	1,314
Expenses	3,670	2
	31,839	9,303
<b>9. Short term deposits and prepayments</b>		
Deposits	914	439
Prepayments	984	1,495
	1,898	1,934
<b>10. Other receivables</b>		
Income tax	6,989	6,602
Excise duty	101	101
Margin and charges on L/C	58	966
Sales tax refundable	4,016	4,016
Others	23	22
	11,287	11,707
<b>11. Cash and bank balances</b>		
Cash in hand	23	11
Cash with banks - current account	6,551	2,027
Cash with bank - dividend account	472	476
	7,046	2,515

	JUNE 30, 2006	JUNE 30, 2005
	(Rupees in '000)	
<b>12. Issued, subscribed and paid-up capital</b>		
<b>Paid in cash</b>		
4,554,100 ( 2005: 4,554,100) Ordinary shares of Rs. 10/- each	45,541	45,541
5,708,564 ( 2005 : 5708564 ) Ordinary shares of Rs. 10/- each issued as Right shares	57,086	57,086
Bonus shares		
6,149,458 ( 2005: 4,008,746) Ordinary shares of Rs. 10/- each issued as bonus shares	61,495	40,087
	164,121	142,714
<b>13. Surplus on revaluation of fixed assets</b>		
Balance as at July 01	124,957	129,181
Less :Adjustments of impairment in revalued fixed assets (refer note 3.5)	(7,519)	-
	117,438	129,181
Less: Transferred to unappropriated profit on account of incremental depreciation for the year net of deferred tax	(15,114)	(4,225)
	102,324	124,957

**14. Longterm loans - Secured**

Particular	Askari Commercial Bank Ltd.				Habib Bank Ltd. Demand Finance	Total	
	Term Finance	Term Finance 1	Term Finance 2	Term Finance 3		2006	2005
	Rs. In '000'						
Opening Balance	84,330	13,761	66,952	60,000	60,000	285,042	191,905
Obtained during the year	-	-	-	-	133,886	133,886	124,010
Total loan payable	84,330	13,761	66,952	60,000	193,886	418,928	315,915
Paid during the year	(18,000)	(7,861)	(14,000)	(4,800)	-	(44,661)	(30,873)
	66,330	5,900	52,952	55,200	193,886	374,268	285,042
Current portion	(21,000)	(5,900)	(20,000)	(13,200)	(7,500)	(67,600)	(52,167)
Closing balance	45,330	-	32,952	42,000	186,386	306,668	232,876
Significant Term & Condition Notes No.	14.1	14.2	14.3	14.4	14.5		

- 14.1 This represents term finance obtained to pay leasing. It carries mark up at a rate based on 12 months average KIBOR plus 2.5% (2005:1.5%) spread floor of 12% (2005:6%)p.a. payable in quarterly installments upto December 2009.
- 14.2 This represents term finance obtained for the repayment of Redeemable capital from Bankers' Equity Ltd. It carries mark up at 12 months average KIBOR plus 2.5% (2005:SBP discount rate) spread floor of 12% (2005:7.5%) p.a., 12 months average KIBOR rate to be reset on 1st of each calendar quarter, payable in three years in quarterly installments from June 2004 to March 2007.
- 14.3 This represents term finance obtained to finance expansion in existing production facilities at Hatter plant. It carries mark up at 12 months average KIBOR plus 2.5% (2005:1.5%) spread floor of 12% (2005:6%) pa., 12 months average KIBOR rate to be reset on 1st of each calendar quarter, payable 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.
- 14.4 This represents term finance obtained to finance expansion in existing production facilities at Hatter plant. It carries mark up at 12 months average KIBOR plus 2.5% (2005:1.5%) spread floor of 12% (2005:6%) pa., 12 months average KIBOR rate to be reset on 1st of each calendar quarter, payable in five years in quarterly installments from October 2005 to November 2009 with a initial grace period of one year from the date of disbursement.
- 14.5 This represents demand finance obtained to finance expansion in existing production facilities at Hatter plant . It carries mark up at 3 months KIBOR plus 2.5% (2005:2.5%) with floor of 7% (2005:6.5%) per annum, payable in five years in quarterly installments. No dividend to be declared without permission of bank till demand finance is outstanding.

**Security :**

The above finances are secured as follows :

**Askari Commercial Bank Ltd. :**

- 1st Hypothecation charge ranking pari passu with Prime Bank & HBL ( Prime Bank charge to the extent of Rs. 10 M & HBL Rs. 34 M ) over all present & future current assets of the Company.
- First charge 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.
- Personal guarantees of two Directors of the Company.

**Habib Bank Ltd. :**

- First charge ranking pari passu over present and future fixed assets.

		JUNE 30, 2006	JUNE 30, 2005
		(Rupees in '000)	
<b>15. Liability against assets subject to finance lease</b>			
Opening balance		49,356	2,439
Obtained during the year		8,854	49,996
		58,210	52,435
Paid during the year		(13,985)	(3,080)
		44,224	49,356
Less : Current portion shown under current liabilities	20	(16,531)	(12,850)
		27,693	36,505

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

	2006		2005	
	Minimum lease payments	Present value	Minimum lease payments	Present value
	(Rupees in '000)		(Rupees in '000)	
Within one year	20,191	16,531	16,696	12,850
After one year but not more than five years	29,957	27,693	40,412	36,505
Total minimum lease payments	50,148	44,224	57,108	49,356
Less : Amount representing financial charges	(5,923)	-	(7,752)	-
Present value of minimum lease payments	44,224	44,224	49,356	49,356
Less : Current portion	(16,531)	(16,531)	(12,850)	(12,850)
	27,693	27,693	36,505	36,505

**Finance Lease - Significant terms and conditions**

Leasing Company	Principal (Rs. in '000)	Installments Payment	Number of Installments	Commencement date	Implicit rate of finance per annum	Lease Rental (Rs. in '000)
Faysal Bank Ltd.	565	Monthly	60	01st Dec 2001	12.00%	11
Faysal Bank Ltd.	340	Monthly	60	15th Dec 2001	12.00%	7
Faysal Bank Ltd.	599	Monthly	60	01st Jan 2002	12.00%	12
National Dev. Leasing Corp.	590	Monthly	60	31st Dec 2002	14.00%	12
Faysal Bank Ltd.	560	Monthly	60	01st April 2004	7.75%	10
Faysal Bank Ltd.	1,580	Monthly	60	01st July 2004	7.75%	28
Faysal Bank Ltd.	519	Monthly	36	01st Oct 2004	10.00%	15
Faysal Bank Ltd.	355	Monthly	48	01st Oct 2004	10.00%	8
Faysal Bank Ltd.	355	Monthly	48	01st Oct 2004	10.00%	8
Askari Leasing Ltd.	30,000	Monthly	36	01st April 2005	9.50%	864
Atlas Investment Bank	15,900	Quarterly	16	01st May 2005	10.82%	1,114
Habib Bank Ltd.	1,287	Monthly	60	05th May 2005	9.50%	29
Habib Bank Ltd.	2,498	Monthly	36	05th Jun 2006	12.00%	75
Faysal Bank Ltd.	1,309	Monthly	48	01st April 2006	12.74%	31
Faysal Bank Ltd.	464	Monthly	48	01st May 2006	13.00%	11
Faysal Bank Ltd.	459	Monthly	48	01st April 2006	12.74%	11
Faysal Bank Ltd.	427	Monthly	48	01st April 2006	12.74%	10
Habib Bank Ltd.	2,410	Monthly	36	01st Sep 2006	10.74%	63
Faysal Bank Ltd.	1,287	Monthly	60	01st Sep 2006	12.00%	26

The Company intends to exercise the option to purchase the leased assets upon completion of the lease period. No restriction is placed on the Company under the lease arrangements.

		JUNE 30, 2006	JUNE 30, 2005
		(Rupees in '000)	
<b>16. Deferred liability</b>			
Staff gratuity	16.1	10,888	8,007
Deferred taxation	16.2	96,977	93,015
		107,865	101,022
<b>16.1 Reconciliation of payable to defined benefit plan</b>			
Present value of defined benefit obligation		18,645	12,174
Net Actuarial Losses not Recognized		(7,757)	(4,167)
		10,888	8,007
Movement in net liability recognized			
Opening net liability		8,007	6,746
Expense for the year		3,316	1,910
Benefits paid during the year		(435)	(649)
Closing net liability		10,888	8,007
Charge for defined benefit plan			
Current service cost		1,853	1,133
Interest cost		1,217	733
Actuarial losses recognized		246	44
		3,316	1,910

These figures are based on the latest actuarial valuation as on June 30, 2006. The valuation uses the projected Unit Credit Method. Actuarial gains and losses are amortized over the expected future service of current members.

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

		JUNE 30, 2006	JUNE 30, 2005
		(Rupees in '000)	
<b>16.2 Deferred Taxation</b>			
<b>Deferred tax debits arising from :</b>			
Retirement benefits		(2,390)	(2,802)
Liability against assets subject to finance lease		(6,079)	(17,274)
Accumulated tax losses		(17,201)	(2,089)
		(25,670)	(22,166)
<b>Deferred tax credit arising from :</b>			
Differences between written down values and tax bases of fixed assets		67,554	47,901
Total deferred tax liability recognized		41,884	25,735
Deferred tax liability on revalued assets - net		59,141	67,280
Deferred tax adjustment on impairment of fixed assets (refer note 3.5).		(4,049)	-
		96,977	93,015
<b>17. Trade and other payables</b>			
Trade creditors including bills payables		280,734	192,487
Accrued & other liabilities		12,787	7,864
Advances from customers		3,523	2,203
Tax deducted at source		968	163
Workers' profit participation fund	17.1	4,573	2,804
Sales tax payable		125	6,361
Unclaimed dividend		472	476
		303,182	212,358
<b>17.1 Workers' profit participation fund</b>			
Balance as on 1 July		2,804	2,213
Allocation for the year		4,554	2,804
		7,358	5,017
Mark-up on funds utilized in the Company's business at 12% per annum ( 2005 : 10% )		19	13
		7,377	5,030
Less :Amount paid on behalf of the Fund		(2,804)	(2,226)
Balance as on 30 June		4,573	2,804
<b>18. Accrued mark-up on loans</b>			
Long-term finance		6,730	4,603
Short-term finance		1,594	1,222
		8,324	5,825
<b>19. Short term finance and other</b>			
<b>CREDIT FACILITIES - Secured</b>			
Askari Commercial Bank Ltd.			
-Running finance	19.1	21,951	6,634
-Cash finance	19.1	-	-
-Local bills purchase	19.1	-	22,951
		21,951	29,585
Prime Commercial Bank Ltd.			
-Running finance	19.2	2,934	1,806
Habib Bank Limited			
-Running finance	19.3	11,518	10,854
Citibank N.A.			
-Running finance	19.4	19,334	-
- Import loan	19.4	8,495	-
		-	-
		27,829	-
		64,231	42,245

Markup on above facilities:

19.1 6 months average KIBOR plus 2.5% spread p.a., floor 12% p.a.

19.2 Mark-up @ 13% per annum

19.3 3 months KIBOR plus 2.5% , floor 7% p.a.

19.4 Mark-up rate ranging between 8.5% to 11% per annum

Securities:

These facilities are secured against hypothecation of entire present and future current assets.



# Annual Report 2006

		JUNE 30, 2006	JUNE 30, 2005
		(Rupees in '000)	
20. Current portion of long term liabilities			
Current Maturity:			
Term Finance	14	60,100	44,667
Demand Finance	14	7,500	7,500
Lease Finance	15	16,531	12,850
		84,131	65,017
21. Contingencies and commitments			
21.1 Commitments			
Letters of credit		23,072	960

## 21.2 Contingencies

The Company is contesting a suit filed in the Lahore High Court, Rawalpindi Bench by CIT, Companies Zone Islamabad against the order of Income Tax Appellate Tribunal passed in favor of the Company annulling impugned order of Additional Commissioner of Income Tax dated March 22, 2002 passed under Section 66-A, resulting in tax assessment of Rs.6.695 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 favor of the Company on legal grounds. No proceeding have yet started in the said matter.

		Total		Hattar		Karachi	
		-----Rupees in '000-----					
22	Segment information	Jul-Jun 2006	Jul-Jun 2005	Jul-Jun 2006	Jul-Jun 2005	Jul-Jun 2006	Jul-Jun 2005
Sales							
Gross sales - others		1,341,811	865,856	1,116,234	722,603	226,254	143,253
Intersegment		-	-	65,338	90,907	-	-
		1,341,811	865,856	1,181,572	813,510	226,254	143,253
Less : Sales discount		2,578	971	2,578	971	-	1
Sales tax - others		175,040	112,939	145,531	94,253	29,509	18,686
Sales tax - intersegment		-	-	-	11,857	-	-
Sales Commission		1,237	-	1,237	-	-	-
Sales return		389	758	382	758	7	-
		179,244	114,668	149,728	107,839	29,516	18,687
		1,162,567	751,188	1,031,844	705,671	196,738	124,566
Less:							
Cost of goods sold		23 920,083	595,997	810,884	563,326	175,204	111,721
Gross profit /(loss)		242,484	155,191	220,960	142,346	21,534	12,846
Operating expenses:							
Administration		24 39,315	30,161	32,662	25,160	6,653	5,001
Selling & distribution		25 53,920	34,342	43,685	28,263	10,235	6,078
		93,235	64,503	76,347	53,423	16,888	11,080
Operating profit / (loss)		149,248	90,688	144,613	88,923	4,645	1,765
Segment assets		1,249,530	1,004,694	1,095,290	877,326	154,240	127,369
Unallocated assets		53,899	32,309				
		1,303,428	1,037,003				
Segment liabilities		290,305	174,122	280,734	169,937	9,571	4,185
Unallocated liabilities		611,789	525,472				
		902,094	699,594				
Capital expenditure		316,958	80,811	309,195	78,777	7,763	2,035
Depreciation		48,744	36,649	43,158	32,919	5,586	3,729

### Note:

Inter-segment sales have been eliminated from total.  
Inter-segment business is recorded at cost including sales tax.

**23 Cost of goods sold**

	JUNE 30, 2006	JUNE 30, 2005
	(Rupees in '000)	
Raw material consumed		
Opening stock	99,513	58,124
Purchases	719,532	494,890
	<b>719,532</b>	<b>494,890</b>
	<b>819,045</b>	<b>553,013</b>
Closing stock	(119,165)	(99,513)
Raw material consumed	<b>699,880</b>	<b>453,501</b>
Provision for obsolete stocks	3,678	-
Packing material consumed	40,806	28,164
Salaries, wages & other benefits (23.1)	49,719	30,784
Travelling & conveyance	1,669	1,715
Professional charges	590	983
Vehicle repair & maintenance	4,336	2,541
Rent, rate & taxes	8,252	6,050
Repair & maintenance	6,523	3,835
Telephone	1,547	1,359
Printing, postage & stationery	910	768
Entertainment	959	522
Advertisement	110	58
Insurance	2,035	2,185
Medical	602	398
Electricity, gas & water	66,755	51,066
Freight, octroi & toll tax	2,116	1,101
Depreciation	46,307	34,816
Transportation factory workers	3,002	1,984
Consumable store	19,379	21,496
Lab tests	1,070	17
Courses & seminars fee	377	435
Miscellaneous	52	17
	<b>960,673</b>	<b>643,794</b>
	-	-
Work in process	-	-
Opening	27,067	6,334
Closing	(57,257)	(27,067)
	<b>(30,190)</b>	<b>(20,733)</b>
<b>Cost of goods manufactured</b>	<b>930,483</b>	<b>623,061</b>
	-	-
Finished goods	-	-
Opening	36,167	9,103
Closing	(46,567)	(36,167)
	<b>(10,400)</b>	<b>(27,064)</b>
<b>Cost of goods sold</b>	<b>920,083</b>	<b>595,997</b>

23.1 Salaries & wages includes Rs. 2,848,527 (2005 : Rs. 1,093,557 ) in respect of staff retirement benefit.

**24 Administration expenses**

		JUNE 30, 2006	JUNE 30, 2005
		(Rupees in '000)	
Director's salary & other benefits	(24.1)	10,877	7,090
Directors' meeting fee		225	150
Staff salaries & other benefits		10,631	7,512
Ex-Gratia		-	247
Rent, rate & taxes		1,053	1,004
Electricity, gas & water		296	230
Entertainment		654	287
Travelling & conveyance		2,534	2,078
Vehicle running & maintenance		2,264	1,369
Repair & maintenance		381	202
Communications		1,699	1,585
Legal & professional		2,799	3,294
Auditors' remuneration	(24.2)	355	315
Advertisement		212	321
Medical		1,413	802
Insurance		60	81
Printing & stationery		791	943
Depreciation		2,437	1,832
Books, newspaper and periodicals		20	31
Courses, seminar & subscription		213	158
Donation & others	(24.3)	400	500
		<b>39,315</b>	<b>30,033</b>

24.1 Directors' remuneration includes Rs. 952,716 (2005 : Rs.956,218) and Salaries & wages includes Rs. 674,314 (2005:Rs 461,513) in respect of staff retirement benefit.

**24.2 Auditors Remuneration**

Audit fee	240	200
Fee for review of half yearly accounts	50	50
Other advisory services	60	60
Out of pocket expenses	05	05
	<b>355</b>	<b>315</b>

24.3 The Directors and their spouses have no interest in the donee fund.

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

**25 Selling & distribution**

Staff salaries & other benefits	(25.1)	3,357	1,934
Office rent		548	399
Electricity, water & gas		99	34
Entertainment		28	21
Travelling & conveyance		534	273
Repair & maintenance		49	52
Vehicle running & maintenance		553	451
Communications		436	447
Insurance		15	19
Printing & stationery		10	33
Carriage & freight outward		45,483	30,595
Medical		55	80
Books & periodicals		7	3
Provision for doubtful debts		1,906	128
Bad Debt written off		839	-
		<b>53,920</b>	<b>34,470</b>

25.1 Salaries & wages includes Rs.191,594 (2005 : Rs.120,829) in respect of staff retirement benefit.

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

	JUNE 30, 2006	JUNE 30, 2005
	(Rupees in '000)	
<b>26. Financial charges</b>		
Mark-up on;		
- Long-term loan	29,832	15,167
- Short-term loan	5,732	3,230
- Lease finance	4,310	1,278
	39,875	19,675
Bank charges- Usance letters of credit	15,824	11,248
Bank charges	1,674	1,681
	57,373	32,604
<b>27. Other charges</b>		
Impairment loss on fixed assets (refer note 3.5)	4,154	-
Exchange loss	14	5,476
	4,168	5,476
<b>28. Other income</b>		
Income from sale of scrap	3,178	1,305
Pre-operating income	9	-
Reversal of liability	-	1,927
Gain on disposal of fixed asset	178	238
	3,365	3,470
<b>29. Taxation</b>		
For the year		
Current	5,834	3,765
Deferred	16,150	21,903
	21,984	25,667
<b>29.1 Relationship between tax expense and accounting profit</b>		
Profit before tax	86,519	53,275
Expenses that are (admissible) / inadmissible in determining taxable profit	(164,159)	(36,202)
Taxable income/(loss)	(77,640)	17,072
Less: Carry forward losses	(724)	(23,040)
Taxable income/(loss)	(78,364)	(5,968)
Tax charge for the current year/minimum tax	5,834	3,765
Deferred tax adjustment	16,150	21,903
	21,984	25,667

#### Current

The assessment of the Company have been finalized upto and including the tax year 2005. Assessed loss available to the Company to be carried forward amounted to Rs. 724,025 at the end of the tax year 2005.

#### 30. Earning per share - basic & diluted

Profit after tax	64,535	27,607
Number of shares	16,412	14,271
Earning per share (2005 : restated from Rs.2.15 per share)	3.93	1.78

#### 31. Remuneration of Chief Executive, Directors and Executives

	Chief Executive		Director		Executives	
	2006	2005	2006	2005	2006	2005
	-----Rupees in '000-----					
Managerial remuneration	3,573	2,482	3,573	2,482	5,195	1,138
House allowance & utilities	270	270	270	270	2,857	626
Servant allowance	214	214	214	214	-	-
Telephone allowance	180	180	180	180	-	-
Retirement benefits	476	331	476	331	1	57
Medical reimbursement	298	125	298	125	79	103
	5,011	3,602	5,011	3,602	8,132	1,924
Number of Persons	01	01	01	01	06	-

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

**32. Fair value of financial instruments**

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

**33. Financial risk management objectives**

The company's activities expose it to a variety of financial risks, including the effects of changes in foreign exchange rates, credit and liquidity risk associated with various financial assets and liabilities respectively as referred to in note no. 34. 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.

**34. 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 fluctuation in markup rate and already approached financial institutions for reduction in these rates to balance the effect of any increase in the short term. The following table indicate their effective periods in which they will re-price or mature:

	Rupees in '000				
	Interest bearing		Non-Interest bearing	Total	
	One month to one year	One year and onward		2006	2005
Financial Assets					
Long Term Deposit	-	-	8,875	8,875	7,444
Trade Debtors	-	-	135,781	135,781	102,338
Other Receivables	-	-	23	23	22
Cash and Bank	-	-	7,046	7,046	2,515
	-	-	151,725	151,725	112,319
Financial Liabilities					
Long term loan	67,600	306,668	-	374,268	285,042
Lease finance	16,531	27,693	-	44,224	49,356
Short term finance	64,231	-	-	64,231	42,245
Trade & other payables	4,573	-	298,484	303,057	205,997
Accrued mark-up on loans	-	-	8,324	8,324	5,825
	152,935	334,361	306,808	794,104	588,465
Balance sheet gap	(152,935)	(334,361)	(155,083)	(642,379)	(476,145)

**Rate of Interest**

Lease finance

Refer Note # 14

Long-term loan

Refer Note # 15

Trade &amp; other payables

Refer Note # 17.1

Short-term finance

Refer Note # 19

**35. Credit risk management**

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted. Out of the total financial assets of Rs. 151.725 million (2005: Rs. 112.319 million) the financial assets which are subject to credit risk amounted to Rs. 135.781 million (2005: Rs. 102.338 million). The Company is exposed to major concentration of credit risk. To manage exposure to credit risk the Company applies restrictive credit period for its major customers. Deposits with leasing companies are guaranteed by assets acquired against them.

**36. Liquidity risk management**

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

**37. Foreign exchange risk management**

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into 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 Pak. rupees in exchange market.  
Quantities in 000'

**38. Plant capacity and actual production**

	<b>JUNE 30, 2006</b>	<b>JUNE 30, 2005</b>
	(Rupees in '000)	
<b>Hattar Plant</b>		
100% plant capacity at 250 days (3 shifts)- No. of bottles	163,750	110,700
Actual production - Number of bottles	138,734	81,475
Utilization	85%	74%
<b>Karachi Plant</b>		
100% plant capacity at 250 days (3 shifts)-Number of bottles	32,400	23,700
Actual production - Number of bottles	27,253	16,560
Utilization	84%	70%

**38.1 Reasons for under utilization of capacity**

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

**39. Number of employees**

Total number of employees as at year end were 285 (2005: 264).

**40. Transactions with related parties**

During the year, vehicles have been sold to Executive Director for Rs.540,000 on arms length basis (refer note 3.4).

**41. Cash and cash equivalents**

Cash and bank balances	7,046	2,515
Short term finances	(64,231)	(42,245)
	(57,185)	(39,730)

**42. Non adjusting events after balance sheet date**

The Board of Directors have proposed a Bonus Shares @ 40 % for the year ended June 30, 2006 at their meeting held on August 24, 2006 for approval of members at the Annual General Meeting to be held on September 30, 2006.

**43. Date of authorization for issue**

These financial statements have been authorized for issue on August 24, 2006 by the Board of Directors of the Company.

**44. General**

- Figures have been rounded- off to the nearest thousand of rupees.
- Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison significant re-arrangement is as follows:
- 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)



## PROXY FORM



I/We \_\_\_\_\_ of \_\_\_\_\_  
being member Ecopack Limited, and holder of \_\_\_\_\_  
Ordinary Share as per register Folio No. \_\_\_\_\_ and / or CDC  
Participant I.D. No. \_\_\_\_\_ and Account/Sub-Account No. \_\_\_\_\_  
hereby appoint \_\_\_\_\_ of \_\_\_\_\_ as  
my/our proxy to attend, speak and vote for me / us and on my / our behalf at the 15th Annual General Meeting  
of the Company to be held on Saturday, September 30, 2006 \_\_\_\_\_  
and at any adjournment thereof. \_\_\_\_\_  
As witness my / our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2006  
Signed by the said \_\_\_\_\_  
in the presence of \_\_\_\_\_

Signature on  
Rs. 5/=  
Revenue Stamp

### Notes :

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



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