

Manufacturers of Quality PET Bottles and Preforms



## Financial Statements for the Half Year ended December 31, 2016

Manufacturers of Quality PET Bottles and Preforms



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## Half Year Report 2016

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# QUALITY IS OUR FORTÉ





## **VISION & MISSION STATEMENT**

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

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



## **CORPORATE STRATEGY**

## COMPANY INFORMATION

### BOARD OF DIRECTORS

Mr. Amar Zafar Khan	Chairman
Mr. Hussain Jamil	Chief Executive Officer
Mr. Shahid Jamil	Non-Executive Director
Mr. Ali Jamil	Non-Executive Director
Mr. Amjad Awan	Non-Executive Director
Mr. Asad Ali Sheikh	Non-Executive Director
Ms. Laila Jamil	Non-Executive Director
Mr. Shahan Ali Jamil	(Alternate Director of Mr. Shahid Jamil)

### AUDIT COMMITTEE

Mr. Asad Ali Sheikh	Chairman
Mr. Amjad Awan	Member
Mr. Amar Zafar Khan	Member
Ms. Laila Jamil	Member

### HUMAN RESOURCE & REMUNERATION COMMITTEE

Ms. Laila Jamil	Chairperson
Mr. Hussain Jamil	Member
Mr. Asad Ali Sheikh	Member

### CORPORATE GOVERNANCE & NOMINATION COMMITTEE

Mr. Amjad Awan	Chairman
Mr. Asad Ali Sheikh	Member

### CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Mr. Muhammed Ali Adil

### BANKERS

Habib Bank Limited	Faysal Bank Limited
JS Bank Limited	Allied Bank Limited
Askari Bank Limited	Pak Oman Investment Company Limited

### AUDITORS

Rahman Sarfaraz Rahim Iqbal Rafiq	Chartered Accountants
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### SHARE REGISTRAR

M/s. Technology Trade (Private) Limited  
 Ballotter, Share Registrar & Transfer Agent

### LEGAL ADVISOR

M/s. Ebrahim Hosain	Advocate & Corporate Counsel
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### REGISTERED OFFICE AND FACTORY

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# DIRECTORS' REPORT

The board of directors of EcoPack Limited is pleased to present the Directors' Report along with the half-yearly reviewed financial statements of the company for the 6-month period ended December 31, 2016:

## OVERVIEW

The period under review has largely been a steady one for your company with only relatively minor variations in costs, sales and production viz-a-viz the comparative 6-month period of the prior year ended December 31, 2015. The extended Eid-ul-Fitar holidays and slow resumption of trucking and dispatches, both for raw materials and finished goods, gave a slow start to the new financial year but soon thereafter gained the usual expected momentum in sales during the hot monsoon season.

Sales revenue fell by 8.8 percent overall in the first half of the current FY 2016-17 compared to the same period of the previous year. This was due partly to lower Bottle sales (8.6 percent) and related production as well as a 6 percent reduction in the average price of PET resin in the period under review. In addition to this, profitability too was adversely impacted somewhat as the bottle sales mix tilted towards 'small packs' with a relatively lower contribution margin versus 'larger packs' with more value addition – an unpredictable function of spontaneous market demand.

Nevertheless, your company continued to pay down its long-term loans diligently and thus reduced financial costs by more than Rs. 10.3 million to Rs. 25 million in this 6-month period from Rs. 35 million in the prior year comparative period.

The 2nd quarter of the current financial year, which is traditionally an uneventful loss making quarter signaling the advent of severe winter in the central & northern parts of the country, was purposefully exacerbated due to an earlier than usual start of the planned annual maintenance undertaken by the company to ensure timely readiness for the new year and oncoming spring and summer season. This timely preparedness is likely to bode well for the peak sales in the high summer season.

## SALES & FINANCIAL HIGHLIGHTS

Sales revenue decreased by 8.8% from Rs. 755 million to Rs. 688 million HoH mainly due to a decrease in PET resin price by approximately 6%, thereby restricting topline revenue. Gross profit decreased by Rs. 9.6 million (18.8%) during the half year under review versus the same period last year. A comparatively lower capacity utilization on account of bottle sales due to slight decrease in demand is the main reason of this reduction in gross margin. However, Operating profit decreased likewise by Rs. 22 million i.e., from an operating profit of Rs. 1.9 million to an operating loss of Rs. 20.1 million HoH.

Financial charges this half year has reduced by Rs. 10.3 million from Rs. 35.5 million last year compared to Rs. 25.2 million – a significant reduction of 29% on account of consistent debt reduction as well as lower KIBOR and bank mark-up.

Pre-tax loss is Rs. 57.1 million against a pre-tax loss of Rs. 39.3 million in the same period last year - an increase of loss by Rs. 17.8 million HoH. In the same token, Post-tax loss is Rs. 64.6 million against a post-tax loss of Rs. 46.9 million in the same period last year – an increase of loss by Rs. 17.7 million HoH.

Loss per share (basic and diluted) for the first half year of FY 2017 is Rs. 2.25 per share against Rs. 1.63 loss per share for the same period last year.

## **FUTURE OUTLOOK**

Despite the loss in the first half of the year, the next two quarters together traditionally reverse the trend. Your management is cautiously optimistic in its projections based on market information and continuing procurement from the company's dedicated customers, as the summer season approaches after the waning winter flurry in the northern areas.

It is expected that the company's COGS will remain reasonably stable as oil prices are likely to trade in a narrow band barring any untoward geo-political adventures, the possibility of which appears minimal in the near term of 2 or 3 financial quarters. Positive indications of strong demand for your company's products continue to fuel your managements drive and enthusiasm as it positions it's preparations for a long hot profitable summer.

## **RISKS**

As stated in the last Annual Report of the company, the vagaries of continuous electricity supply remain a challenge for your company's plans as they do for industrial production at large. While new power projects are expected to come on stream to ease the present shortfall, the ageing electricity distribution lines are a worry and power outages can rupture stable supply without notice.

Your company's management team is alert to these uncertainties and alternate stand-by generation arrangements are prudently put in place to manage the sudden occurrence of such contingencies.

**For and on behalf of the Board of Directors**

Karachi  
Dated: February 24, 2017

**Hussain Jamil**  
Chief Executive Officer



قبل از ٹیکس نقصان 57.1 ملین روپے ہے جو کہ گزشتہ سال اسی مدت کے دوران 39.3 ملین روپے تھا جس کی وجہ سے نقصان میں 17.8 ملین روپے HoH کا اضافہ ہوا۔ اسی طرح بعد از ٹیکس نقصان 64.6 ملین روپے ہے جو کہ گزشتہ سال اسی عرصے کے دوران 46.9 ملین روپے تھا، اس طرح نقصان میں 17.7 ملین روپے HoH کا اضافہ ہوا۔

مالی سال 2017 کی پہلی ششماہی کے ہر (basic and diluted) شیئرز پر نقصان 2.25 روپے فی شیئر رہا جو کہ گزشتہ سال اسی عرصے کے دوران 1.63 روپے فی شیئر تھا۔

### مستقبل کے امکانات

سال کی پہلی ششماہی میں نقصان کے باوجود، روایتی طور پر اگلی دونوں سہ ماہی کے دوران یہ رجحان والہی کی جانب گامزن ہوگا۔ آپ کی کمپنی کی انتظامیہ مارکیٹ کی معلومات اور مستقل صارفین کی جانب سے کی جانے والی مسلسل خریداری کی بنا پر تیار کردہ تخمینوں کے متعلق دورانہ پیش کے ساتھ پر امید ہے کیونکہ شمالی علاقہ جات میں سردی میں کمی واقع ہونے کے بعد گرمیوں کا موسم آرہا ہے۔

یہ توقع ہے کہ کمپنی کی COGS مناسب حد تک مستحکم رہے گی کیونکہ تیل کی قیمتوں میں اضافے کا نسبتاً ایسی صورت میں کم امکان ہے جبکہ کوئی جغرافیائی سیاسی مہم جوئی نہ کی جائے، جس کا امکان اگلی دو تین سہ ماہیوں میں توازن بنائی کم دکھائی دیتا ہے۔ آپ کی کمپنی کی مصنوعات کی زیادہ طلب کے سلسلے میں مثبت اشاروں سے آپ کی انتظامیہ کے حوصلوں کو تقویت ملتی ہے کہ وہ طویل گرم اور نفع بخش موسم گرما کے لیے اپنی تیاریاں کرے۔

### خطرات

جیسا کہ کمپنی کی گزشتہ سالانہ رپورٹ میں بتایا گیا تھا، بجلی کی مسلسل فراہمی میں غیر یقینی صورتحال آپ کی کمپنی کے منصوبہ جات کے لیے ایک چیلنج بنی رہی ہے کیونکہ ان کا صنعتی پیداوار میں بڑا کردار ہے۔ اگرچہ بجلی کی موجودہ کمی کو دور کرنے کے لیے نئے پاور پراجیکٹس متوقع ہیں تاہم بجلی کی تقسیم کاری کے لیے استعمال ہونے والی لائنوں کی بوسیدگی پریشان کن ہے جن کی وجہ سے بلا اطلاع بجلی کی فراہمی میں قفل واقع ہو سکتا ہے۔

آپ کی کمپنی کی انتظامی ٹیم ان غیر یقینی حالات سے نبرد آزما ہونے کے لئے چوکس ہے اور اس صورتحال سے نمٹنے کے لیے بجلی کی متبادل فراہمی کے انتظامات مناسب طور پر کر رہی ہے۔

بورڈ آف ڈائریکٹرز کی جانب سے

کراچی

24 فروری 2017

حسین جمیل

چیف ایگزیکٹو آفیسر

## ڈائریکٹر رپورٹ

ایکویٹیڈ کے بورڈ آف ڈائریکٹرز کی جانب سے 31 دسمبر 2016 کو ختم ہونے والی ششماہی کے لیے نظر ثانی شدہ مالیاتی تفصیلات کے ہمراہ اپنی رپورٹ نہایت مسرت سے پیش کی جا رہی ہے۔

### عمومی جائزہ

زیرِ غور عرصہ آپ کی کمپنی کے لیے بڑی حد تک مستحکم رہا اور اس عرصے میں گزشتہ سال کی نسبت اخراجات، سیلز اور پیداوار میں معمولی فرق دیکھنے میں آیا۔ عید الفطر کی زیادہ چھٹیوں اور خام و تیار مال کے سلسلے میں ٹرک سروس کے ساتھ ساتھ ترسیلات کی بحالی میں آہستگی کی وجہ سے نئے مالی سال کے آغاز میں سستی دیکھنے میں آئی لیکن اس کے فوراً بعد گرمیوں میں سیلز کی رفتار نے عمومی طور پر متوقع استحکام حاصل کر لیا۔

موجودہ مالی سال 2016-17 کی پہلی ششماہی کے دوران گزشتہ سال کے اسی عرصے کی نسبت سیلز کے حجم میں 8.8% کمی ہوئی۔ جزوی طور پر یہ بوتلوں کی فروخت میں 8.6% کمی اور اسی طرح رواں سال میں پیداوار میں ہونے والی کمی کے ساتھ ساتھ PET Resin کی اوسط قیمت میں 6% کمی کی وجہ سے ہوئی۔ اس کے علاوہ نفع بھی شدید طور پر متاثر ہوا کیونکہ چھوٹی بوتلوں کی فروخت زیادہ ہوئی جس میں margin بڑی بوتلوں کی نسبت کم ہوتا ہے، جو کہ مارکیٹ کی قدرتی طلب کی غیر متوقع صورت تھی۔

تاہم اس کے باوجود آپ کی کمپنی نے مسلسل اپنے طویل مدتی قرضوں کی ادائیگی جاری رکھی اور اس طرح گزشتہ سال میں اسی عرصے کے دوران 35 ملین روپوں کی نسبت اس ششماہی کے مالیاتی اخراجات 25 ملین روپے رہے جو کہ پچھلے سال کی نسبت 10.3 ملین روپے کم ہیں۔

موجودہ مالی سال کی دوسری سہ ماہی کے دوران جو کہ روایتی طور پر ایک غیر منافع بخش اور کم سرگرمیوں کی حامل سہ ماہی ہوتی ہے اور یہ اس عرصے میں ملک کے وسطی اور شمالی علاقہ جات میں شدید سردی پڑنے کی نشاندہی کرتا ہے، تاہم نئے سال اور آنے والے بہار اور موسم گرما کے لیے بروقت تیاری یقینی بنانے کے سلسلے میں طے شدہ سالانہ مرتبی کام معمول سے ہٹ کر پہلے شروع کیے گئے۔ اس بروقت تیاری کی وجہ سے موسم گرما کی بڑھتی ہوئی شدت کے دوران زیادہ سیلز کی پیش گوئی کی جاسکتی ہے۔

### سیلز اور مالیات کے اہم نکات

بنیادی طور پر PET Resin کی قیمت میں تقریباً 6% کمی کی وجہ سے، سیلز کا حجم 755 ملین روپوں سے کم ہو کر 688 ملین روپے رہا جو کہ 8.8% کم ہے جس کی وجہ سے مجموعی آمدن محدود رہی۔ زیرِ مشاہدہ ششماہی کے دوران گزشتہ سال اسی عرصے کی نسبت نفع میں تقریباً 9.6 ملین روپے (18.8%) کمی ہوئی۔ طلب میں معمولی کمی کی وجہ سے بوتلوں کی فروخت کی وجہ سے پیداواری گنجائش میں نسبتاً کم پیداوار کے مجموعی margin کی بنیادی وجہ رہی۔ تاہم اسی طرح گزشتہ سال کے اسی عرصہ کے نسبت operating نفع میں 22 ملین روپوں کی کمی ہوئی یعنی گزشتہ سال کی ششماہی میں operating نفع 1.9 ملین روپے کے مقابلے میں operating نقصان 20.1 ملین روپے رہا۔

رواں سال مالیاتی اخراجات میں پچھلے سال کی نسبت 35.5 ملین روپوں سے 10.3 ملین روپوں کی کمی ہوئی جو کہ 25.2 ملین روپے رہی، قرضے میں مسلسل کمی کے ساتھ KIBOR اور بینک مارک اپ میں مسلسل کمی کی بنا پر 29% کی واضح کمی دیکھنے میں آئی۔

# AUDITORS' REPORT TO THE MEMBERS

ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

## INTRODUCTION

We have reviewed the accompanying condensed interim balance sheet of EcoPack Limited as at December 31, 2016 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "condensed interim financial information") for the half year then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2016 and 2015 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2016 and 2015.

## SCOPE OF REVIEW

We conducted our review in accordance with International Standards on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity". A review of interim financial information consist of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2016 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Karachi

Dated: February 24, 2017

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**Rahman Sarfaraz Rahim Iqbal Rafiq**

**Chartered Accountants**

Engagement Partner: **Muhammad Waseem**

# Condensed Interim Balance Sheet

As at December 31, 2016

		Un-audited December 31, 2016	Audited June 30, 2016
		----- Rupees in 000-----	
<b>ASSETS</b>	<b>Note</b>		
<b>Non-current assets</b>			
Property, plant and equipment	5	<b>985,228</b>	1,014,171
Long term security deposits		<b>7,055</b>	6,064
Intangibles		<b>6,394</b>	5,399
		<b>998,677</b>	1,025,634
<b>Current assets</b>			
Stores, spares and loose tools		<b>60,957</b>	62,475
Stock in trade	6	<b>203,674</b>	241,424
Trade debts - unsecured considered good		<b>92,288</b>	158,308
Loans and advances - unsecured considered good		<b>33,484</b>	49,887
Short term deposits, prepayments and other receivables		<b>30,208</b>	33,529
Taxation - Net		<b>45,916</b>	39,054
Cash and bank balances		<b>26,720</b>	59,858
		<b>493,247</b>	644,535
<b>Total assets</b>		<b>1,491,924</b>	1,670,169
<b>EQUITY AND LIABILITIES</b>			
Authorized capital			
50,000,000 (June 2016: 50,000,000) ordinary shares of Rs.10/- each		<b>500,000</b>	500,000
<b>Share capital and reserves</b>			
Issued, subscribed and paid-up capital	7	<b>287,212</b>	229,770
Unappropriated profit		<b>50,779</b>	163,119
		<b>337,991</b>	392,889
Surplus on revaluation of property, plant and equipment	8	<b>152,771</b>	157,905
<b>Non-current liabilities</b>			
Long term loans - secured		<b>203,189</b>	245,156
Liability against assets subject to finance lease	9	<b>7,492</b>	2,223
Deferred liabilities		<b>257,382</b>	263,164
		<b>468,063</b>	510,543
<b>Current liabilities</b>			
Trade and other payables		<b>140,672</b>	183,735
Accrued mark-up		<b>7,920</b>	5,687
Short term borrowings - secured	10	<b>300,255</b>	343,697
Current portion of long term liabilities		<b>84,252</b>	75,713
		<b>533,099</b>	608,832
<b>Total equity and liabilities</b>		<b>1,491,924</b>	1,670,169
<b>Contingencies and commitments</b>	11		

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE OFFICER

DIRECTOR

## Condensed Interim Profit and Loss Account (Un-audited)

For the interim period ended December 31, 2016

		Half year ended		Second quarter ended	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Note		.....Rupees in 000.....			
Sales - net	12	688,254	754,950	178,321	195,380
Cost of sales	13	(646,567)	(703,643)	(209,218)	(213,240)
Gross profit / (loss)		41,687	51,307	(30,897)	(17,860)
Distribution expenses		(27,785)	(19,718)	(10,102)	(7,041)
Administrative expenses		(34,005)	(29,676)	(17,624)	(16,441)
		(61,790)	(49,394)	(27,726)	(23,482)
Operating (loss) / profit		(20,103)	1,913	(58,623)	(41,342)
Other income		4,767	4,922	3,351	3,616
Other expenses		(16,588)	(10,633)	(9,440)	(5,467)
		(11,821)	(5,711)	(6,089)	(1,851)
		(31,924)	(3,798)	(64,712)	(43,193)
Finance cost		(25,215)	(35,485)	(12,249)	(15,805)
Loss before taxation		(57,139)	(39,283)	(76,961)	(58,998)
Taxation	14	(7,508)	(7,598)	(2,396)	(1,990)
Loss after taxation		(64,647)	(46,881)	(79,357)	(60,988)
Loss per share - basic and diluted	15	(2.25)	(1.63)	(2.76)	(2.12)

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE OFFICER

DIRECTOR

# Condensed Interim Statement Of Comprehensive Income (Un-audited)

For the interim period ended December 31, 2016

	Half year ended		Second quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	.....Rupees in 000.....			
Loss for the period	(64,647)	(46,881)	(79,357)	(60,988)
<b>Other comprehensive income</b>				
Items that will not be reclassified subsequently to profit or loss				
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation net of tax	9,749	10,265	4,967	5,132
<b>Total comprehensive income for the period</b>	<u>(54,898)</u>	<u>(36,616)</u>	<u>(74,390)</u>	<u>(55,856)</u>

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE OFFICER

DIRECTOR

# Condensed Interim Statement Of Changes In Equity (Un-audited)

For the interim period ended December 31, 2016

	Issued, subscribed and paid up capital	Unappropriated Profit	Total
	----- Rupees in 000-----		
<b>Balance as at July 01, 2015</b>	<b>229,770</b>	<b>42,481</b>	<b>272,251</b>
<i>Total comprehensive income for the half year ended December 31, 2015</i>			
- Loss for the period	-	(46,881)	<b>(46,881)</b>
- Other comprehensive income	-	10,265	<b>10,265</b>
	-	(36,616)	<b>(36,616)</b>
<b>Balance as at December 31, 2015</b>	<b>229,770</b>	<b>5,865</b>	<b>235,635</b>
<i>Total comprehensive income for the half year ended June 30, 2016</i>			
- Profit after taxation	-	148,799	<b>148,799</b>
- Other comprehensive income	-	8,455	<b>8,455</b>
	-	157,254	<b>157,254</b>
<b>Balance as at July 01, 2016</b>	<b>229,770</b>	<b>163,119</b>	<b>392,889</b>
<i>Total comprehensive income for the half year ended December 31 2016</i>			
- Loss for the period	-	(64,647)	<b>(64,647)</b>
- Other comprehensive income	-	9,749	<b>9,749</b>
	-	(54,898)	<b>(54,898)</b>
<i>Transaction with owners</i>			
- Issuance of bonus shares	57,442	(57,442)	-
<b>Balance as at December 31, 2016</b>	<b>287,212</b>	<b>50,779</b>	<b>337,991</b>

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.

\_\_\_\_\_  
**CHIEF EXECUTIVE OFFICER**

\_\_\_\_\_  
**DIRECTOR**



# Condensed Interim Cash Flow Statement (Un-Audited)

For the interim period ended December 31, 2016

		For the half year ended	
		December 31, 2016	December 31, 2015
		.....Rupees in 000.....	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>Note</b>		
Loss before taxation		(57,139)	(39,283)
Adjustments for:			
- Depreciation		53,236	49,376
- Amortization		63	63
- Loss on disposal of property, plant and equipment		11	1
- Provision for gratuity		5,774	6,661
- Provision for Workers' Profit Participation Fund		2,939	-
- Provision for Workers' Welfare Fund		1,073	-
- Provision for doubtful debts		1,500	-
- Finance cost		25,215	35,485
		<b>89,811</b>	<b>91,586</b>
		<b>32,672</b>	<b>52,303</b>
<b>Changes in working capital:</b>			
Decrease in stores, spares and loose tools		1,518	196
Decrease in stock in trade		37,750	56,372
Decrease in trade debts		64,520	149,943
Decrease / (increase) in loans and advances		16,403	(9,807)
Decrease / (increase) in short term deposits, prepayments and other receivables		3,321	(13,641)
Decrease in trade and other payables		(42,657)	(183,113)
		<b>80,855</b>	<b>(50)</b>
Cash generated from operations		<b>113,527</b>	<b>52,253</b>
Finance cost paid		(22,982)	(31,062)
Gratuity paid		(807)	(3,783)
Workers' Welfare Fund paid		(4,418)	-
Taxes paid		(20,504)	(9,320)
Long term security deposits - net		(991)	-
Net cash generated from operating activities		<b>63,825</b>	<b>8,088</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(17,399)	(18,246)
Intangible asset purchased		(1,058)	-
Proceeds from disposal of fixed assets		-	121
Net cash used in investing activities		<b>(18,457)</b>	<b>(18,125)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long term loans		(34,467)	(40,443)
Principal repayment of finance lease liability		(597)	(379)
Net cash used in financing activities		<b>(35,064)</b>	<b>(40,822)</b>
Net increase / (decrease) in cash and cash equivalents		<b>10,304</b>	<b>(50,859)</b>
Cash and cash equivalents at the beginning of the period		<b>(283,839)</b>	<b>(249,876)</b>
Cash and cash equivalents at the end of the period	17	<b>(273,535)</b>	<b>(300,735)</b>

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.

**CHIEF EXECUTIVE OFFICER**

**DIRECTOR**

# Notes to the Condensed Interim Financial Information (Un-Audited)

For the interim period ended December 31, 2016

## 1. STATUS AND NATURE OF BUSINESS

Ecopack Limited (the Company) is a limited liability Company incorporated in Pakistan and is listed on Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange into which Lahore and Islamabad stock exchanges have merged). The registered office and manufacturing facility of the Company is located at Hattar Industrial Estate, Khyber Pakhtunkhwa.

The principal business activity of the Company is manufacturing and sale of Polyethylene Terephthalate (PET) bottles and preforms for the market of beverages and other liquid packaging industry.

## 2. BASIS OF PREPARATION

- 2.1 This condensed interim financial information of the Company for the six months period ended December 31, 2016 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under Companies Ordinance, 1984 have been followed.
- 2.2 This condensed interim financial information are unaudited and are being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984 and the listing regulations of Pakistan Stock Exchange. However, a limited scope review has been carried out by the auditors in accordance with the requirements of clause (xix) of code of corporate governance issued by Securities and Exchange Commission of Pakistan. Further, the figures in the condensed interim financial information for the quarter ended December 31, 2016 and December 31, 2015 have not been reviewed by the auditors.
- 2.3 This condensed interim financial information does not include information required for full annual financial information, and should be read in conjunction with the Company's annual audited financial statements for the year ended June 30, 2016.
- 2.4 This condensed interim financial information have been prepared under the historical cost convention except as otherwise stated.
- 2.5 The condensed interim financial information are presented in Pakistan Rupees which is the functional currency of the Company and rounded off to the nearest thousand rupees except stated otherwise.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Company in the preparation of this interim financial information are the same as those applied in preparation of the preceding published financial statements of the Company for the year ended June 30, 2016.

## 4. ESTIMATES AND JUDGMENTS

The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing the condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the preceding published annual financial statements of the Company as at and for the year ended June 30, 2016.

# Notes to the Condensed Interim Financial Information (Un-Audited)

For the interim period ended December 31, 2016

		Un-audited December 31, 2016	Audited June 30, 2016
		----- Rupees in 000-----	
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>	<b>Note</b>		
Operating fixed assets	5.1	<b>967,858</b>	999,085
Capital work in progress		<b>17,370</b>	15,086
		<b>985,228</b>	1,014,171
<b>5.1 Operating fixed assets</b>			
<b>Opening net book value</b>		<b>999,085</b>	1,055,461
<b>Additions during the period / year</b>			
- Factory buildings and roads		<b>1,309</b>	-
- Plant and machinery		<b>3,240</b>	20,624
- Factory equipment		<b>8,502</b>	53,340
- Furniture and fittings		-	26
- Office equipment		<b>1,213</b>	1,560
- Vehicles - owned		<b>654</b>	2,128
- Vehicles - leased		<b>7,102</b>	-
		<b>22,020</b>	77,678
Disposals / write off during the period / year		<b>(11)</b>	(35,020)
Depreciation for the period / year		<b>(53,236)</b>	(99,034)
Closing net book value		<b>967,858</b>	999,085
<b>6. STOCK IN TRADE</b>			
Raw material		<b>59,088</b>	109,684
Packing material		<b>7,356</b>	11,476
Work in process		<b>99,225</b>	46,824
Finished goods		<b>41,533</b>	76,968
		<b>207,202</b>	244,952
Provision for obsolete stocks		<b>(3,528)</b>	(3,528)
		<b>203,674</b>	241,424
<b>7. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>			
10,262,664 (June 2016: 10,262,664) ordinary shares of Rs. 10/- each issued for cash		<b>102,627</b>	102,627
18,458,447 (June 2016: 12,714,307) ordinary shares of Rs. 10/- each issued as fully paid bonus shares		<b>184,585</b>	127,143
		<b>287,212</b>	229,770

# Notes to the Condensed Interim Financial Information (Un-Audited)

For the interim period ended December 31, 2016

Un-audited December 31, 2016	Audited June 30, 2016
----- Rupees in 000-----	

## 8. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

### Gross surplus

Balance as at July 01	227,993	251,907
Less: Reversal due to disposal of assets	-	(3,377)
Less: Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year	(9,749)	(20,537)
	<u>218,244</u>	<u>227,993</u>

### Related deferred tax charge

Balance as at July 01	(70,088)	(88,282)
Transferred to revaluation surplus on account of change in tax rate	1,690	10,541
Deferred tax on fixed assets written off during the period	-	1,081
Deferred tax on incremental depreciation charged during the period	2,925	6,572
	<u>(65,473)</u>	<u>(70,088)</u>
	<u>152,771</u>	<u>157,905</u>

## 9. LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE

Balance as at July 01	3,003	3,687
Leases obtained during the period / year	6,905	-
Payments made during the period / year	(597)	(684)
	<u>9,311</u>	<u>3,003</u>
Less: Current portion shown under current liabilities	(1,819)	(780)
	<u>7,492</u>	<u>2,223</u>

## 10. SHORT TERM BORROWINGS - Secured

These represent short term running finance, Finance Against Trust Receipts (FATR) and other facilities obtained under mark-up arrangements from various commercial banks carrying mark-up ranging from 7.54% - 9.05% (June 2016: 7.85% - 10%) per annum calculated on daily product basis. These facilities are secured by first pari passu and ranking hypothecation charges of entire present and future current assets, equitable mortgage of property of the Company and personal guarantee of one original founder / sponsor Director of the company.

## 11. CONTINGENCIES AND COMMITMENTS

### 11.1 Contingencies

No contingencies existed as of the balance sheet date (June 30, 2016: Nil).

### 11.2 Commitments

Inland letter of credits as of December 31, 2016 amounted to Rs. 30.95 million (June 30, 2016: Nil).

# Notes to the Condensed Interim Financial Information (Un-Audited)

For the interim period ended December 31, 2016

	Half year ended		Second quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	.....Rupees in 000.....			
<b>12. SALES-net</b>				
Sales	805,805	884,121	208,761	228,889
Less: Sales discount	(469)	(575)	(111)	(136)
Less: Sales tax	(117,082)	(128,596)	(30,329)	(33,373)
	<b>688,254</b>	<b>754,950</b>	<b>178,321</b>	<b>195,380</b>
<b>COST OF SALES</b>				
Raw material consumed	408,737	415,288	116,485	116,221
Packing material consumed	27,414	29,370	7,239	8,027
Salaries, wages and other benefits	71,089	59,094	32,669	26,525
Traveling and conveyance	6,713	5,645	3,131	2,667
Professional charges	459	653	68	288
Vehicle repair and maintenance	3,765	3,752	1,748	1,597
Rent, rates and taxes	9,965	5,985	4,664	3,088
Repair and maintenance	6,016	6,888	3,116	1,653
Communication charges	779	475	499	253
Printing, postage and stationery	693	639	322	259
Entertainment	267	536	115	303
Insurance	1,853	2,246	969	1,081
Medical	1,611	1,430	1,611	1,430
Electricity, gas and water	60,152	74,924	16,269	17,067
Freight, octroi and toll tax	1,433	1,350	529	437
Depreciation	50,574	46,907	25,228	24,084
Stores consumed	11,538	14,654	4,747	6,626
Lab tests	272	388	202	31
Courses and seminars fee	95	84	95	70
Miscellaneous	108	92	88	49
	<b>663,533</b>	<b>670,400</b>	<b>219,794</b>	<b>211,756</b>
Work in process - opening	46,824	83,158	68,135	45,703
Work in process - closing	(99,225)	(53,574)	(99,225)	(53,574)
	<b>(52,401)</b>	<b>29,584</b>	<b>(31,090)</b>	<b>(7,871)</b>
Cost of goods manufactured	<b>611,132</b>	<b>699,984</b>	<b>188,704</b>	<b>203,885</b>
Finished goods - opening	76,968	43,684	62,047	49,380
Finished goods - closing	(41,533)	(40,025)	(41,533)	(40,025)
	<b>35,435</b>	<b>3,659</b>	<b>20,514</b>	<b>9,355</b>
	<b>646,567</b>	<b>703,643</b>	<b>209,218</b>	<b>213,240</b>

# Notes to the Condensed Interim Financial Information (Un-Audited)

For the interim period ended December 31, 2016

	Half year ended		Second quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	.....Rupees in 000.....			
<b>14. TAXATION</b>				
Current	(13,642)	(7,598)	(8,530)	(1,990)
Deferred				
- change in tax rates	3,076	-	3,076	-
- origination and reversal of temporary differences	3,058	-	3,058	-
	6,134	-	6,134	-
	(7,508)	(7,598)	(2,396)	(1,990)
<b>15. LOSS PER SHARE - BASIC AND DILUTED</b>				
Loss after taxation	(64,647)	(46,881)	(79,357)	(60,988)
	.....Numbers in '000'.....			
Weighted average number of ordinary shares	28,721	28,721	28,721	28,721
	.....Rupees.....			
Loss per share - basic and diluted	(2.25)	(1.63)	(2.76)	(2.12)

15.1 There were no convertible dilutive potential ordinary shares in issue as at December 31, 2016 and December 31, 2015.

15.2 The number of shares as at December 31, 2015 have been adjusted for the effect of bonus shares issued subsequent to that date.

## 16. SEGMENT REPORTING

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

### (a) Description of operating segments

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

# Notes to the Condensed Interim Financial Information (Un-Audited)

For the interim period ended December 31, 2016

## (b) Segment Information

The operating information of the reportable business segments is as follows:

	.....INJECTION.....		.....BLOWING.....		.....TOTAL.....	
	Half year ended December 31,	Second Quarter Ended December 31,	Half year ended December 31,	Second Quarter Ended December 31,	Half year ended December 31,	2015
	2016	2015	2016	2015	2016	2015
	.....Rupees '000'.....					
Sales-net	287,779	313,022	400,475	441,928	688,254	754,950
Cost of sales	(282,001)	(304,976)	(364,566)	(398,667)	(646,567)	(703,643)
	5,778	8,046	35,909	43,261	41,687	51,307
	.....					
Distribution cost	(11,618)	(6,720)	(16,167)	(12,998)	(27,785)	(19,718)
Administrative	(14,219)	(12,304)	(19,787)	(17,372)	(34,005)	(29,676)
	(25,837)	(19,024)	(35,954)	(30,370)	(61,790)	(49,393)
	.....					
Operating profit/(loss)	(20,059)	(10,978)	(45)	12,891	(20,103)	1,913
	.....					
Segment assets	459,621	701,362	430,552	293,854	890,173	995,216
Unallocated assets	-	-	-	-	601,751	674,953
	459,621	701,362	430,552	293,854	1,491,924	1,670,169
Segment liabilities	144,450	167,722	168,434	148,954	312,885	316,676
Unallocated liabilities	-	-	-	-	688,277	802,699
	144,450	167,722	168,434	148,954	1,001,162	1,119,375
Capital expenditure	4,029	25,984	4,722	31,629	8,751	57,613
Unallocated Capex	-	-	-	-	13,269	20,066
	4,029	25,984	4,722	31,629	22,020	77,679

# Notes to the Condensed Interim Financial Information (Un-Audited)

For the interim period ended December 31, 2016

## 17. CASH AND CASH EQUIVALENTS

For the purposes of cash flow statement, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the condensed interim cash flow statement are reconciled to the related items as follows:

	December 31, 2016	December 31, 2015
	----- Rupees in 000-----	
Cash and bank balances	26,720	26,051
Short term borrowings	(300,255)	(326,786)
	<u>(273,535)</u>	<u>(300,735)</u>

## 18. TRANSACTIONS WITH RELATED PARTIES

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

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

	Half year ended	
	December 31, 2016	December 31, 2015
	.....Rupees in 000.....	
<b><i>Transactions during the period</i></b>		
Contribution to staff provident fund	<u>3,576</u>	<u>3,246</u>
<b><i>Outstanding balance as of the reporting date</i></b>		
Payable to staff provident fund	<u>884</u>	<u>759</u>

## 19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's financial risk management objectives and policies are consistent with that disclosed in the audited financial statements as at and for the year ended June 30, 2016.

## 20. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison and better presentation.



# Notes to the Condensed Interim Financial Information (Un-Audited)

For the interim period ended December 31, 2016

	Reclassification from component	Reclassification to component	Rupees in '000'
-	<b>Stores, spares and loose tools</b> Stores, spares and loose tools	<b>Property, plant and equipment</b> Capital work in progress	15,086
-	<b>Cost of sales</b> Raw material consumed	<b>Distribution Expense</b> Carriage and freight outward	3,511

## 21. DATE OF AUTHORIZATION

This condensed interim financial information has been authorized for issue on February 24, 2017 by the Board of Directors of the Company.

## 22. GENERAL

Figures have been rounded off to the nearest thousand rupees.

\_\_\_\_\_  
CHIEF EXECUTIVE OFFICER

\_\_\_\_\_  
DIRECTOR