

Manufacturers of Quality PET Bottles and Preforms

**EcoPack Ltd.**


## 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.*

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## COMPANY INFORMATION

### BOARD OF DIRECTORS:

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

### AUDIT COMMITTEE:

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

### COMPANY SECRETARY:

Mr. Habib Ur Rehman Siddiqui

### CHIEF FINANCIAL OFFICER:

Mr. Ali Adil

### BANKERS:

Askari Commercial Bank Limited  
Habib Bank Limited  
Citi Bank N. A  
The Bank of Khyber

### AUDITORS:

Khalid Majid Rahman Sarfaraz  
Rahim Iqbal Rafiq  
Chartered Accountants

### LEGAL ADVISOR:

M/s. Ebrahim Hosain Advocate & Corporate Council

### FACTORY:

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

### REGISTERED & CORPORATE OFFICE:

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

### REGISTRAR OFFICE:

Technology Trade (Pvt.) Ltd.  
241-C, Dagia House Block-2, P.E.C.H.S., Karachi.  
Tel : (021) 4391316-7 Fax : (021) 4391318

## **DIRECTOR'S REPORT**

On behalf of the Board of Directors of Ecopack Limited I am pleased to present the reviewed financials for the half year ended December 31, 2006 (July-Dec 06).

### **Sales and Operations:**

Bottle and preform quantitative sales grew by 19% over the same period last year while sales revenue was marginally down by 3.7% over the same period. Quantitative growth was below expectation mainly on account of temporary disruptions in supply of carbon dioxide (CO<sub>2</sub>) to our main clients, i.e. the carbonated soft drink (CSD) industry. This was reported in our last quarterly report and was again an issue albeit a smaller one in this October-December 2006 quarter. Sales revenue too was affected by this and also by the fact that our sale mix is changing in favour of the potentially fast growth sectors of preforms and small PET bottles where per piece values are less.

### **Financial Results:**

Gross and Operating profit improved by 6% and 3% respectively over the same period last year. This was, however, offset by doubling of financial charges from Rs 23 million in the same period last year to nearly Rs 47 million for the period under review. Financial charges have increased mainly on account of rising KIBOR and your company's investment in capacity expansion. As a consequence profit after tax fell by Rs 10.95 million from the same period last year to Rs 10.45 million for the period under review.

### **Future Outlook:**

Your company has signed up a long-term bottle supply agreement with the Pepsi Cola franchise bottler in Islamabad M/s. Haidari Beverages Private Limited (HBPL). Your company will, therefore, install before the coming summer season a brand new bottle manufacturing plant inside the HBPL factory. The bottles will be supplied 'through the wall' straight into the customer's filling line. The significance of this landmark deal in Pakistan is not just in its substantial tie-up of customer sales volume, which will certainly help grow our business, but also the launching of a new business model for the beverage industry. There in business alliances are formed based on old corporate relationships to leverage core competences creating efficiencies all around.

As the growth for PET packaging continues in Pakistan, customer on-premises supply chain arrangements for your company is expected to grow and flourish with other customers too. Future PET demand is expected to grow on the back of new pack size introductions in the CSD sector and the advent of increased competition in the bottled water market. The launch of Aquafina by Pepsi and Kinley by Coke will challenge the dominance of Nestle and the impending "water wars" means demands for PET preforms and bottles will be quite sharp.

In this back drop your company has undertaken investments in bottle manufacturing capacity expansion to be located at rented space inside HBPL factory in Islamabad. Moreover, investment in preform capacity expansion at our Hattar factory has also been undertaken to profitably target the growing demand for preforms from customers with blowing machines.

Manufacturers of Quality PET Bottles and Preforms



The across the board investments by our customer in much larger bottle filling capacities and in the case of most MNC customers, investment in state of the art filling technologies encourage us to believe that this supply side de-bottle necking will further accelerate conversion from glass bottles to PET containers. Therefore, Ecopacks role as a supply-chain solution provider to its customers bodes well for the future growth and profitability of the company.

**Staff and Acknowledgements:**

On behalf of the Board I would like to thanks the management, staff, workers and the valued customers whose support and co-operation has been crucial to our success. I am confident that if the management and the employees of the Company continue to work with the devotion and zeal that has been their hallmark, the company will insha-Allah continue to prosper.

I pray to almighty Allah for the continued success of your company.

For & on behalf of the Board of Directors

Karachi  
Dated: February 28, 2007

**Ahsan Jamil**  
(Chief Executive Officer)

## **REVIEW REPORT TO THE MEMBERS**

We have reviewed the annexed condensed interim balance sheet of **Ecopack Limited** as at December 31, 2006 and the related condensed interim profit and loss account, 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 "condensed interim financial statements") for the half-year then ended. These condensed interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these condensed interim financial statements based on our review. The figures of the condensed interim profit and loss account for the quarters ended December 31, 2005 and 2006 have not been reviewed as we are required to review only the cumulative figures for the half yearly ended December 31, 2006.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the condensed interim financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit we have not performed an audit and, accordingly, we do not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the annexed condensed interim financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Karachi  
Dated: February 28, 2007

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**Khalid Majid Rahman Sarfaraz**  
**Rahim Iqbal Rafiq**  
Chartered accountants

**CONDENSED INTERIM BALANCE SHEET**  
AS AT DECEMBER 31, 2006

	Note	(Un-Audited) December 31, 2006 ( Rupees in '000)	(Audited) June 30, 2006 <b>RESTATED</b>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, Plant & Equipment	5	811,527	833,473
Long term security deposits		9,013	8,875
<b>CURRENT ASSETS</b>			
Spares and loose tools		79,780	53,304
Stock in trade		360,185	226,971
Trade debts - unsecured considered good		63,817	135,781
Loans and advances		41,353	35,604
Short term prepayments & deposits		3,742	1,898
Other receivables		36,810	11,287
Cash and bank balances		706	7,046
		586,393	471,892
<b>TOTAL ASSETS</b>		<b>1,406,932</b>	<b>1,314,239</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Share Capital</b>			
Authorized			
25,000,000 ( June 2006 : 25,000,000) Ordinary shares of Rs. 10 each		250,000	250,000
Issued, subscribed and paid-up		229,770	164,121
Reserve for issue of Bonus shares		-	-
<b>Reserves</b>		<b>97,841</b>	<b>145,699</b>
		327,611	309,820
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>		<b>97,551</b>	<b>102,324</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term loans - Secured		276,086	306,668
Liability against assets subject to finance lease		21,052	27,693
Deferred liabilities		101,206	98,265
		398,344	432,626
<b>CURRENT LIABILITIES</b>			
Trade and other payables		316,824	303,182
Accrued mark-up on loans		10,645	8,324
Short term finances		154,453	64,231
Current portion of long term liabilities		89,275	84,131
Taxation		12,230	9,600
		583,427	469,468
<b>CONTINGENCIES AND COMMITMENTS</b>	6	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,406,932</b>	<b>1,314,239</b>

The annexed notes form an integral part of these condensed interim financial statements

CHAIRMAN

CHIEF EXECUTIVE OFFICER

## CONDENSED INTERIM PROFIT & LOSS FOR THE HALF YEAR

Note	Total			
	Jul-Dec 06 Rs.	Jul-Dec 05 Rs.	Oct-Dec 06 Rs.	Oct-Dec 05 Rs.
NET SALES	524,695	544,795	252,858	260,633
Less: Cost of goods sold	8 (416,312)	(442,221)	(196,863)	(218,344)
<b>Gross Profit</b>	<b>108,383</b>	102,573	<b>55,995</b>	42,289
Operating expenses:				
Administration	(21,803)	(18,194)	(11,257)	(9,601)
Selling & distribution	(22,566)	(22,330)	(10,495)	(9,592)
	(44,369)	(40,524)	(21,752)	(19,193)
<b>Operating Profit</b>	<b>64,013</b>	62,050	<b>34,243</b>	23,096
Financial charges & others :				
Financial charges	(46,748)	(25,529)	(23,191)	(11,957)
Workers' profit participation fund	(943)	(1,911)	(596)	(586)
Other income	1,590	1,692	862	583
	(46,101)	(25,747)	(22,925)	(11,960)
<b>Profit before taxation</b>	<b>17,912</b>	36,303	<b>11,318</b>	11,136
Taxation - Current	(2,631)	(2,724)	(1,272)	(1,303)
- Deferred	(4,834)	(12,180)	(767)	(6,568)
	(7,465)	(14,904)	(2,039)	(7,872)
<b>Profit after taxation</b>	<b>10,448</b>	21,398	<b>9,280</b>	3,264
Earning per share - basic and diluted	<b>0.60</b>	1.01	<b>0.53</b>	0.15

The annexed notes form an integral part of these condensed interim financial statements

CHAIRMAN



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**ACCOUNT ( UN-AUDITED )**  
**ENDED DECEMBER 31, 2006**

( Rupees in '000 )

Hattar				Karachi			
Jul-Dec 06 Rs.	Jul-Dec 05 Rs.	Oct-Dec 06 Rs.	Oct-Dec 05 Rs.	Jul-Dec 06 Rs.	Jul-Dec 05 Rs.	Oct-Dec 06 Rs.	Oct-Dec 05 Rs.
499,389	466,492	241,082	221,970	99,485	84,979	49,069	42,487
(398,156)	(374,271)	(188,193)	(182,669)	(92,335)	(74,626)	(45,970)	(39,498)
101,233	92,221	52,890	39,301	7,149	10,353	3,099	2,988
(17,669)	(15,356)	(9,079)	(8,048)	(4,134)	(2,838)	(2,178)	(1,553)
(18,826)	(18,042)	(9,082)	(7,775)	(3,740)	(4,288)	(1,413)	(1,817)
(36,495)	(33,397)	(18,161)	(15,823)	(7,874)	(7,126)	(3,591)	(3,370)
64,738	58,823	34,729	23,477	(725)	3,227	(493)	(382)

CHIEF EXECUTIVE OFFICER

**CONDENSED INTERIM CASH FLOW STATEMENT ( UN-AUDITED )  
FOR THE HALF YEAR ENDED DECEMBER 31, 2006**

	<b>December 31, 2006</b>	<b>December 31, 2005</b>
	<b>( Rupees in '000)</b>	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	17,912	36,303
Adjustment for non cash charges:		
Depreciation	28,726	23,197
Provision for WPPF	943	1,911
Provision for gratuity	1,207	951
Financial charges	46,748	25,529
	77,625	51,588
<b>Cash flow from operating activities before working capital changes</b>	95,537	87,891
<b>(Increase) / Decrease in current assets :</b>		
Spares & loose tools	(26,475)	(2,504)
Stock in trade	(133,214)	(38,194)
Trade debts	71,964	63,063
Loans & advances	(5,749)	(34,982)
Short term prepayments & deposits	(1,844)	(594)
Other receivables	(17,844)	(1,425)
	-	-
Net increase in current assets	(113,162)	(14,635)
Increase / ( Decrease ) in Trade & Other Payables	17,253	(21,480)
<b>Other payments:</b>		
Financial charges paid	(43,087)	(27,194)
Gratuity paid	(1,882)	(144)
WPPF paid	(4,554)	(2,804)
Taxes Paid	(7,679)	(536)
	(57,202)	(30,677)
<b>Net cash (Outflow) / inflow from operating activities</b>	(57,574)	41,143
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(6,780)	(139,981)
Capital work-in-progress	0	122,052
Long term security deposits increased	(138)	(876)
	-	-
<b>Net cash outflow from investing activities</b>	(6,918)	(18,805)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term loan obtained	4,819	-
Repayment of long term loans	(31,133)	(17,227)
Leases acquired	2,824	-
Finance lease repaid	(8,579)	(6,780)
<b>Net cash outflow from financing activities</b>	(32,070)	(24,007)
Net Increase in cash and cash equivalents	(96,562)	(1,669)
Cash and cash equivalents at the beginning of the period	(57,185)	2,515
<b>Cash and cash equivalents at the end of the period</b>	(153,747)	846

The annexed notes form an integral part of these condensed interim financial statements

CHAIRMAN

CHIEF EXECUTIVE OFFICER

Manufacturers of Quality PET Bottles and Preforms



**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2006**

	NOTE	Share Capital	Unappropriated Profit/	Total
----- ( Rupees in '000 ) -----				
Balance as on July 01, 2005		142,714	69,720	212,434
Correction of error	9	-	3,765	3,765
Balance as on July 01, 2005 - Restated		142,714	73,484	216,198
Issue of Bonus shares @ 15%		21,407	(21,407)	-
Profit for the half year Jul to Dec 2005		-	21,398	21,398
Profit for the half year ended June 2006 ( restated )		-	48,971	48,971
Transfer from surplus on revaluation of fixed assets, current year - net of deferred tax		-	23,252	23,252
Balance as at July 01, 2006 - Restated		164,121	145,698	309,820
Issue of Bonus shares @ 40%		65,648	-	65,648
Net Profit for the half year Jul to Dec 2006		-	10,448	10,448
Transfer from surplus on revaluation of fixed assets, current period - net of deferred tax		-	7,344	7,344
<b>Balance as at December 31, 2006</b>		<b>229,769.701</b>	<b>97,841.206</b>	<b>327,611</b>

The annexed notes form an integral part of these condensed interim financial statements

CHAIRMAN

CHIEF EXECUTIVE OFFICER

**CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED DECEMBER 31, 2006**

**1. STATUS AND NATURE OF BUSINESS**

The company was incorporated on 25 August 1991 as a private limited company under the Companies Ordinance, 1984. It was converted as a public limited company on April 29, 1992 and subsequently in March 1994 was listed at Karachi Stock Exchange. The 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 NWFP at Hattar.

2. These condensed interim financial statements are un-audited but subject to limited scope review by auditors and have been prepared in accordance with the International Accounting Standard 34 "interim Financial "Reporting" and are being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 and the listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges. These condensed interim financial statements do not include all of the information required for full annual financial statements, and should be read in connection with the financial statements of the company for the year ended June 30, 2006.
3. The accounting policies adopted and methods of computation followed for the preparation of these financial statements are the same as those applied in preparing the financial statements for the year ended June 30, 2006.

**4. ESTIMATES AND JUDGMENTS**

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. However, actual results may differ from these estimates.

In preparing these condensed interim financial statements, 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 financial statements as at and for the year ended June 30, 2006.

**December 31, 2006**      **June 30, 2006**

( Rupees in '000)

**5. PROPERTY, PLANT & EQUIPMENT**

Additions in operating assets during the period:

Piping Work & Electrification	2	14,128
Plant & Machinery	-	85,665
Blow Mould	-	13,911
Vehicles	2,856	-
Others	3,923	1,383
	<u>6,780</u>	<u>115,087</u>

**6. CONTINGENCIES AND COMMITMENTS**

**6.1 Contingency**

There is no change in the contingency as already disclosed in the audited financial statements for the year ended June 30, 2006.

**6.2 Commitments**

Commitments in respect of letters of credit of raw materials and imported machines amounting to Rs. 141,746.49 million as at balance sheet date ( June 2006 : Rs.23.072 million ).

**7. INTERSEGMENT SALES & PURCHASES**

	<u>For the 6 months ended Dec-06</u>	<u>For the 6 months ended Dec-05</u>	<u>For the Quarter ended Dec-06</u>	<u>For the Quarter ended Dec-05</u>
Inter-segment Sales and Purchases between Hattar and Karachi plant have been reported in respective segments and eliminated from total. Transactions among business segments recorded at cost are:	<u>74,179</u>	<u>6,676</u>	<u>37,293</u>	<u>3,396</u>

## 8. COST OF GOODS SOLD

PARTICULARS	July-Dec. 2006	July-Dec. 2005	Oct-Dec. 2006	Oct-Dec. 2005
<b>COST OF SALES</b>				
Raw material consumed	411,518	340,575	222,455	167,157
Packing material consumed	23,755	19,196	11,945	8,855
Salaries, wages & other benefits	28,511	24,011	14,768	13,055
Travelling & conveyance	1,317	1,008	640	491
Professional charges	344	337	59	105
Vehicle repair & maintenance	3,316	1,899	1,704	991
Rent, rate & taxes	6,989	3,271	3,798	1,687
Repair & maintenance	3,068	2,911	1,114	2,059
Telephone	735	766	370	376
Printing, postage & stationery	487	703	250	378
Entertainment	743	634	545	443
Insurance	833	1,073	403	526
Medical	641	47	604	11
Electricity, gas & water	39,561	30,145	17,941	12,216
Freight, octroi & toll tax	2,334	719	1,742	440
Depreciation	27,290	22,001	13,432	11,725
Transportation factory workers	1,752	1,454	891	811
Consumable store	10,101	12,533	5,095	8,524
Lab tests	391	143	74	3
Courses & seminars fee	2	346	-	6
Miscellaneous	42	21	22	11
	563,729	463,791	297,851	229,869
<b>Work in process</b>				
Opening	57,256	27,067	-	18,402
Closing	(139,507)	(33,165)	(77,843)	(33,165)
	(82,251)	(6,098)	(77,843)	(14,763)
	481,478	457,692	220,007	215,106
<b>Finished goods</b>				
Opening - Finished	46,568	36,167	-	54,876
Closing - Finished	(111,734)	(51,638)	(23,144)	(51,638)
	(65,166)	(15,471)	(23,144)	3,238
<b>Cost of goods sold</b>	<b>416,312</b>	<b>442,221</b>	<b>196,863</b>	<b>218,344</b>

**9. CORRECTION OF ERROR**

Previously the Company was providing for tax expenses by creating liability @ 0.5% of turn over. After the amendment in clause "C" to subsection 2 of Section 113 of Income Tax Ordinance, 2001 made through Finance Act, 2004, the Company has started recording deferred tax asset on minimum tax paid @ 0.5% of turnover. The change resulted in reduction of net deferred tax liability and increase in advance tax by Rs.3.7 million for the year 2005 and Rs.5.8 million for the year 2006. The correction has been made by adjusting the opening balance of retained earning and comparative figures for the year ended June 30, 2006 has been restated.

**10. AUTHORISATION FOR ISSUE**

These financial statements have been authorised for issue on February 28, 2007 by the Board of Directors of the Company

**11. GENERAL**

Figures have been rounded off to the nearest rupee.

CHAIRMAN

CHIEF EXECUTIVE OFFICER