

Manufacturers of Quality PET Bottles and Preforms

EcoPack Ltd

**INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2007
(REVIEWED)**

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. Asad Ali Sheikh	

AUDIT COMMITTEE:

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

CHIEF FINANCIAL OFFICER:

Mr. Habib Ur Rehman Siddiqui

COMPANY SECRETARY:

Mr. Muhammad Jawaid Shaikh

BANKERS:

Askari Bank Limited
Habib Bank Limited
Allied Bank Limited
Citi Bank NA

AUDITORS:

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

LEGAL ADVISOR:

M/s. Ebrahim Hosain Advocate & Corporate Council

FACTORY:

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

REGISTERED OFFICE:

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DIRECTORS' REPORT

The Board of Directors of Ecopack Limited is pleased to present the reviewed financial statement for the Half Year (HY) ended 31st December, 2007.

OVERVIEW:

Your company continues to grow and has once again achieved its highest ever HY net sales in a July-Dec period of Rs.719 million which is a 37% growth over same HY period last year. The new bottle manufacturing plant came into commercial production in July'07 for through the wall supplies to Pepsi Islamabad. The oil price driven steep PET resin cost, self manufacture of bottles by some customers and increased financial charges (42%) in this period has resulted in a Rs.19.9 million after tax loss.

SALES & OPERATIONS:

A healthy sales increase of 37% has come mainly from strong growth in the new preform business (297%) which also includes a small contribution from preform export. Preforms now contribute 23% of company sales. Bottle sales growth of 15% seems modest by comparison but is from a much larger base. Bottles sales growth was somewhat constrained by the unusually severe winter in Nov-Dec 07, further compounded by the beverage industry increasing retail prices in early Nov.'07 and some customers using their own blowing capacities first and therefore, buying more preforms instead.

FINANCIALS:

The profitability of your company suffered on account of (i) high raw material prices driven in turn by high international oil prices and (ii) the depreciation cost of the new plant capacity expansion, the utilization of which was naturally low in its first off-season. Moreover, other inflationary costs from packing material to manpower, etc contributed to thinning of margins. Increase in financial charges was the other large cost increase (42%), rising from Rs.46.7m last year same period to Rs.66.2m in this HY. This was in the main part due to the jump in long term borrowings (75%) to finance the preform and bottle capacity expansions. It was not possible to fully pass on all these costs to the customers in a post-expansion off-season period. The coming on-line of the new expanded capacity when combined with the above cited inflationary factors has resulted in a drop in after tax profit from Rs.10.4 million last Jul-dec'06 to a loss of Rs.19.9 million for Jul-Dec'07.

A claim on an equipment supplier made for non fulfillment of contractual obligations had been partially provided for in our earlier financials. This claim has been withdrawn and an amicable settlement more than covering our provisions has been achieved and accounted for in this reporting period.

FUTURE OUTLOOK:

The robust growth in the PET industry is expected to continue to power ahead in the year 2008. The “on-the-go consumption” and “convenience culture” has taken root in Pakistan and is fueling this. Growth in demand for the smaller PET bottle sizes in the CSD sector will be the main driver as the traditional 250ml returnable glass bottles’ economic proposition is losing out to PET’s convenience. In addition to the conversion of glass to PET is the 25-30% p.a. growth in soft drink sales; and with improved and expanded supply side infrastructure higher growth can certainly be expected. This growth is further supported by the introduction of drinking water in PET bottles by Coke and Pepsi whose international brands Kinley and Aquafina have been launched and are still to go national, as well as the impending growth of juice into clear and convenient PET bottles. Other local cola and CSD players are also growing in their demand for PET bottles by taking strong positions in smaller packs and discount segments.

These factors will translate into high demand for PET Preforms and bottles. The on-premise blowing of water bottles would, increasingly occupy the blowing machines of the Coke & Pepsi bottlers, further ensuring the outsourcing of CSD bottles resulting in high demand patterns coming to the vendors of PET bottles and Preforms.

Consolidation of our Production facility in Hattar and On-premise manufacturing in Islamabad are important milestones towards the objective of becoming an efficient low-cost manufacturer of bottles and preforms. Your company is also involved in evaluating various diversification options and would pursue the most suitable ones based on market potential and economic viability.

With the impact of high oil prices on PET resin now being increasingly factored in our bottle & preform prices and passed on to our customers, your company is poised to reverse it’s half year losses and post a profit at the end of the financial year 2007 – 2008.

EMPLOYEE RELATIONS :

Your company and management are sufficiently motivated to meet these challenges. Focus and investments in improving the quality of our human resource base over the years is now starting to pay off as “cost-efficiency” and “consistent quality” become the buzz words of a rapidly galloping packaging industry.

For & on Behalf of the Board of Director

Karachi
Dated: February 28, 2008

Ahsan Jamil
(Chief Executive Officer)

Independent Auditor's Report
On Review of Condensed Interim Financial Information to the Share Holders.

Introduction

We have reviewed the accompanying condensed interim balance sheet of Ecopack Limited as of December 31, 2007 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity for the half year then ended and summary of significant accounting policies and other explanatory notes (here-in-after referred to as "interim financial information"). Management is responsible for the preparation and fair presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figure of the condensed interim profit and loss for the quarters then ended December 31, 2007 and 2006 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2007.

Scope of Review

We conducted our review in accordance with the International Standard 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 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 interim financial information as of and for the half year ended December 31, 2007 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Karachi
Dated: February 28, 2008

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Condensed Interim Balance Sheet

As at December 31, 2007

	Un-audited DECEMBER 31, 2007	Audited JUNE 30, 2007
	(Rupees in '000)	
	NOTE	
ASSETS		
NON-CURRENT ASSETS		
Property, plant & equipment	1,070,225	1,061,394
Long term security deposits	8,561	8,376
CURRENT ASSETS		
Stores, spares and loose tools	64,601	77,277
Stock in trade	381,674	386,420
Trade debts - unsecured considered good	126,744	175,240
Loans and advances	5,035	31,965
Short term prepayments & deposits	6,941	6,042
Other receivables	45,344	36,944
Cash and bank balances	1,267	3,090
	<u>631,606</u>	<u>716,978</u>
TOTAL ASSETS	<u>1,710,392</u>	<u>1,786,749</u>
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Share Capital		
Authorised		
50,000,000 (June 2007 : 50,000,000) Ordinary shares of Rs. 10 each	500,000	500,000
Issued, subscribed and paid-up capital	229,770	229,770
Reserves	82,987	95,392
	<u>312,757</u>	<u>325,162</u>
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	87,596	92,503
NON-CURRENT LIABILITIES		
Long term finance - Secured	465,524	525,296
Liabilities against assets subject to finance lease	32,953	33,366
Deferred liabilities	95,782	95,756
	<u>594,259</u>	<u>654,418</u>
CURRENT LIABILITIES		
Trade and other payables	210,416	363,873
Accrued mark-up on loans	22,624	25,482
Short term borrowings	295,135	206,570
Current portion of long term liabilities	168,091	102,825
Taxation	19,514	15,915
	<u>715,780</u>	<u>714,666</u>
CONTINGENCIES AND COMMITMENTS	6	-
TOTAL EQUITY AND LIABILITIES	<u>1,710,392</u>	<u>1,786,749</u>

The annexed notes from 1 to 10 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 07 Rs.	Jul-Dec 06 Rs.	Oct-Dec 07 Rs.	Oct-Dec 06 Rs.	
Sales - Net	7	719,303	524,695	254,222	252,858
Cost of sales	8	(634,036)	(416,312)	(226,329)	(196,863)
Gross Profit		85,267	108,383	27,893	55,995
Operating expenses:					
Administrative		(21,075)	(21,803)	(10,875)	(11,257)
Distribution cost		(26,791)	(22,566)	(9,797)	(10,495)
		(47,866)	(44,369)	(20,672)	(21,752)
Operating Profit / (Loss)		37,401	64,014	7,221	34,242
Finance cost		(66,211)	(46,748)	(34,390)	(23,191)
Workers' profit participation fund		-	(943)	253	(596)
Other income		12,745	1,590	6,046	862
		(53,466)	(46,101)	(28,091)	(22,925)
(Loss) / Profit before taxation		(16,065)	17,913	(20,870)	11,318
Taxation - Current		(3,599)	(2,631)	(1,273)	(1,272)
- Deferred		(290)	(4,834)	-	(767)
		(3,889)	(7,465)	(1,273)	(2,039)
(Loss) / Profit after taxation		(19,954)	10,448	(22,143)	9,280
Earning per share		(0.87)	0.60	(0.96)	0.53

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements

Account (Un-audited)
 ended December 31, 2007

(Rupees in '000)

Northern				Southern			
Jul-Dec 07 Rs.	Jul-Dec 06 Rs.	Oct-Dec 07 Rs.	Oct-Dec 06 Rs.	Jul-Dec 07 Rs.	Jul-Dec 06 Rs.	Oct-Dec 07 Rs.	Oct-Dec 06 Rs.
674,639	499,389	233,443	241,082	96,320	99,485	34,343	49,069
(592,639)	(398,156)	(204,753)	(188,193)	(93,053)	(92,335)	(35,139)	(45,970)
82,000	101,233	28,690	52,890	3,267	7,149	(796)	3,099
(18,253)	(17,669)	(9,412)	(9,079)	(2,822)	(4,134)	(1,463)	(2,178)
(22,033)	(18,826)	(8,350)	(9,082)	(4,758)	(3,740)	(1,447)	(1,413)
(40,286)	(36,495)	(17,762)	(18,161)	(7,580)	(7,874)	(2,910)	(3,591)
41,714	64,738	10,928	34,729	(4,313)	(725)	(3,706)	(493)

 CHAIRMAN

 CHIEF EXECUTIVE OFFICER

Condensed Interim Cash Flow Statements (Un-audited)
For the Six Months ended December 31, 2007

	December 31, 2007	December 31, 2006
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) / Profit before taxation	(16,065)	17,912
Adjustments:		
Depreciation	37,680	28,726
Provision for WPPF	-	943
Provision for gratuity	3,195	1,207
Financial charges	66,211	46,748
	107,086	77,624
Cash flow from operating activities before working capital changes	91,021	95,536
(Increase) / Decrease in current assets :		
Spares, spares and loose tools	12,676	(26,475)
Stock in trade	4,745	(133,214)
Trade debts	48,497	71,964
Loans & advances	26,930	(5,749)
Short term prepayments & deposits	(899)	(1,844)
Other receivables	(3,941)	(17,844)
Net decrease / (increase) in current assets	88,009	(113,162)
Increase / (Decrease) in current liabilities:		
Trade and other payables	(152,957)	17,253
Financial cost paid	(69,059)	(43,087)
Gratuity paid	(818)	(1,882)
WPPF paid	(500)	(4,554)
Taxes Paid	(4,460)	(7,679)
	(74,836)	(57,202)
Net cash Outflow from operating activities	(48,764)	(57,575)
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(158,672)	(6,780)
Capital work-in-progress	112,152	-
Long term security deposits	(184)	(138)
Net cash outflow from investing activities	(46,705)	(6,918)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term finance obtained	79,480	4,819
Repayment of long term finance	(66,650)	(31,133)
Finance lease acquired	2,048	2,824
Finance lease repaid	(9,797)	(8,579)
Net cash inflow / (outflow) from financing activities	5,081	(32,069)
Net decreased in cash and cash equivalents	(90,388)	(96,562)
Cash and cash equivalents at the beginning of the period	(203,480)	(57,185)
Cash and cash equivalents at the end of the period	(293,868)	(153,747)

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements

CHAIRMAN

CHIEF EXECUTIVE OFFICER

Condensed Interim Statement of Changes In Equity (Un-audited)
For the six months ended December 31, 2007

	Share Capital	Reserves	Total
	----- (Rupees in '000) -----		
Balance as at July 01, 2006 - Restated	164,121	145,698	309,819
Issue of Bonus shares @ 40%	65,648	(65,648)	-
Profit for the half year July to Dec 2006	-	10,448	10,448
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	7,344	7,344
Balance as at December 31, 2006	229,770	97,841	327,611
Balance as at July 01, 2007	229,770	95,392	325,162
Loss for the half year July to Dec 2007	-	(19,954)	(19,954)
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	7,548	7,548
Balance as at December 31, 2007	229,770	82,987	312,757

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements

 CHAIRMAN

 CHIEF EXECUTIVE OFFICER

Notes to the Condensed Interim Financial Statements
For the six months ended December 31, 2007

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 into a public limited company on April 29, 1992 and listed at Karachi Stock Exchange in March 1994. The principal activity of the company is the manufacture and sale of Poly Ethylene Terephthalat (PET) bottles and preforms for beverage and non-beverage industry. It has three manufacturing facilities located in the province of Sindh at Karachi, in the province of NWFP at Hattar and in the Federal Capital Territory Islamabad at Kohata. Subsequent to the Balance Sheet, the company closed its plant at Karachi for shifting to Hattar.

1.1 SEGMENT REPORTING

In addition to two existing manufacturing facilities at Hattar and Karachi the company started operation in July 2007 at a new manufacturing facility installed at Kahota, Islamabad. The segment reporting has been changed and now classified as northern segment and southern segment, as against Karachi and Hattar Segment respectively.

2. These condensed interim financial statements are un-audited and have been presented 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 Karachi, Lahore and Islamabad Stock Exchanges. These condensed interim financial statements do not include all the information required for annual financial statements, and should be read in conjunction with the financial statements of the company for the year ended June 30, 2007.

3. The accounting policies adopted in the preparation of these condensed interim financial statement are the same as those applied in the preparation of preceding annual financial statements for the year ended June 30, 2007.

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, 2007.

December 31, June 30,
2007 2007
(Rupees in '000)

5. PROPERTY, PLANT & EQUIPMENT

Additions in operating fixed assets during the period:

Factory building	203	5,571
Plant & Machinery	43,155	109,381
Electrification	615	6,765
Piping work	974	2,861
Capital Spares	964	9,549
Others	600	32,661
	46,510	166,788

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, 2007, except that the company has filed Appeals before the Collector (Appeals) against order passed by Additional Collector (Customs) demanding Rs. 2.123 million on account of custom duty, sales and income tax on raw material cleared from bonded warehouse at Hattar during the year 2005-06. The company do not foresee any liability arising on this account and in the opinion of its legal counsel the company has a good case on merit and expect the order to be set aside.

7. NET SALES

Particulars	Jul-Dec 07	Jul-Dec 06	Oct-Dec 07	Oct-Dec 06
Sales	838,797	605,775	297,149	293,164
Sales tax	(107,396)	(78,976)	(38,218)	(38,201)
Special excise duty	(7,121)	-	(2,485)	-
Sales return & discount	(4,977)	(647)	(2,224)	(647)
Sales commission	-	(1,457)	-	(1,457)
	(119,494)	(81,081)	(42,927)	(40,305)
	719,303	524,695	254,222	252,858

8. COST OF GOODS SOLD

	Jul-Dec 07	Jul-Dec 06	Oct-Dec 07	Oct-Dec 06
Raw material consumed	472,676	411,518	213,979	222,455
Packing material consumed	28,489	23,755	9,967	11,945
Salaries, wages & other benefits	37,647	28,511	18,006	14,768
Travelling & conveyance	1,398	1,317	545	640
Professional charges	215	344	18	59
Vehicle repair & maintenance	3,214	3,316	1,555	1,704
Rent, rate & taxes	12,940	6,989	4,678	3,798
Repair & maintenance	3,087	3,068	740	1,114
Telephone	736	735	363	370
Printing, postage & stationery	879	487	195	250
Entertainment	1,090	743	880	545
Advertisement	1	-	1	-
Insurance	1,302	833	662	403
Medical	643	641	249	604
Electricity, gas & water	41,038	39,561	15,992	17,941
Freight, octroi & toll tax	2,739	2,334	1,255	1,742
Depreciation	35,796	27,290	18,252	13,432
Transportation factory workers	1,782	1,752	892	891
Consumable store	10,199	10,101	4,026	5,095
Lab tests	332	391	210	74
Courses & seminars fee	-	2	-	-
Miscellaneous	279	42	240	22
	656,481	563,729	292,704	297,851
Work in process				
Opening	156,406	57,256	81,199	61,664
Closing	(116,311)	(139,507)	(116,311)	(139,507)
	40,095	(82,251)	(35,112)	(77,843)
COST OF GOODS MANUFACTURED	696,576	481,478	257,592	220,007
Finished goods				
Opening	71,643	46,568	102,919	88,589
Closing	(134,183)	(111,734)	(134,183)	(111,733)
	(62,540)	(65,166)	(31,264)	(23,144)
COST OF GOODS SOLD	634,036	416,312	226,329	196,863

9. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements have been authorized for issue on 28th February, 2008 by the Board of Directors of the Company.

10. GENERAL

The figures have been rounded off to the nearest thousand rupees.

CHAIRMAN

CHIEF EXECUTIVE OFFICER

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If undelivered, please return to:

EcoPack Ltd

Manufacturers of Quality PET Bottles and Preforms

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