

DIRECTOR'S REPORT

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

Overview

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

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

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

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

Sales and Operations

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

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

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

Financials

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

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

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

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

Future Outlook

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

Dividends

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

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE:

As required under the Code of Corporate Governance dated 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 Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure there-from has been adequately disclosed.
5. The system of internal control and other such procedures which are in place, are being continuously reviewed by the Internal Audit Department. The process of review will continue and any weakness in controls will be removed.
6. There is no significant doubt on company's ability to continue as going concern.
7. There has been no departure from the best practice of corporate governance, as detailed in the listing regulations.

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

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

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

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

- Bonus shares and right issue.

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

ACKNOWLEDGEMENT:

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

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

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

For & on behalf of the Board of Directors

Karachi,
Dated: September 07, 2005

Ahsan Jamil
(Chief Executive Officer)