

## 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