DIRECTOR'S REPORT

The Board of Directors' of Ecopack Limited is pleased to present the audited financial statement for the year ended 30th June, 2007.

OVERVIEW:

Your company continues to grow and has once again achieved its highest ever sales of Rs.1.26 billion which is almost a 9% growth over last year. The preform capacity expansion successfully came on stream from April 2007 lending further impetus to our entry into nationwide perform sales as well as our initiating preform export.However, delays in the bottle capacity expansion for through the wall supplies to Pepsi Islamabad meant missing out on some important peak summer season higher margin bottle sales.This delay in start up along with high PET resin cost, self manufacture of bottles by a number of customers and steep increase in financial charges (by Rs.50m) this year resulted in a significant drop in profit before tax i.e. Rs.8.6 million this year compared to Rs.86.5 million last year.

SALES & OPERATONS:

Growth in PET container demand once again came largely from the carbonated soft drink (CSD) industry and that too for small packs. Continued rapid conversion from glass to PET bottles has required enormous and immediate capital investments beyond the bottle vendor industry's capabilities thereby also necessitating substantial customer investment in bottle manufacturing capacity.This in turn has resulted in a fast growing demand for preforms.In light of these market developments your company has more than doubled its preform capacity while only increasing its bottle capacity by 50% and that too against a 3- year supply agreement with the Pepsi Cola bottler in Islamabad.

Company sales grew mainly on account of preform sales.Your company successfully commenced its preform business achieving a first year sale of Rs.208 million.Preform sales could have been higher but for the late start up of some customers' bottle blowing projects. This year too preform export was successfully initiated by your company within the region and while volumes achieved are still small, the potential is quite promising.

Bottle sales grew quantatively by 7% on the back of small packs (300 ml, 500ml) replacing some of the 1.5 liter volume which consequently meant that bottle sales revenue was down by 9%.This growth could have been appreciably higher but for the startup delay in bottle manufacture at the Pepsi Islamabad location.This start up delay was a set back not only in terms of sales volume but resulted in our supplying bottles to Pepsi Islamabad from our existing Hattar factory capacity at lower (long-term contract) prices.

FINANCIALS:

The profitability of your company was adversely affected by high raw material prices on the back of high international oil prices and its resultant cost push trend. Moreover, the opportunity cost of supplying Pepsi Islamabad from our existing Hattar capacity further reduced profitability;the start up delay of our new plant at their premises meant higher-margin spot price sales were forgone to serve our longer term business interest with them.Margin at the gross level,therefore, dropped 5 percentage points this year to 16% from 21% last year. As operating expenses were at par with last year but against a higher sale, the operating margin drop was only 4.4 percentage points from last year.

Increase in financial charges was the single largest cost increase (87%),rising from Rs.57.4m last year to Rs.107.2m in this year.This was in part due to the increase in long term borrowings to finance the perform capacity expansions and in part on account of the full year impact of a higher KIBOR level.This rise in financial costs when combined with the above cited factors has resulted in a substantial drop in after tax profit from Rs.70.369 million last year to Rs.0.234 million.

The Rs.20m bottom line loss reported for the 9 month period was successfully wiped out as anticipated then and a meager profit but a profit nonetheless of Rs.0.234m for the year 2006-07 has been posted.This profit could have been significantly more but for the one-time start-up delay of the new plant at the customer location.A claim on the blowing machine supplier is,however, being made for non fulfillment of contractual obligations and only a very small portion of the claim has been provided for in our financials.

FUTURE OUTLOOK:

The demand for PET performs and bottles are expected to continue to be strong. This is based on the increasing 'on-the-go consumption' and 'convenience culture' which is taking root in Pakistan.These trends are particularly fueling growth in demand for the smaller PET bottle sizes in the CSD sector where the traditional 250ml returnable glass bottles' economic proposition is succumbing increasingly to the need for convenience.Add to this the 25-30% p.a.growth in soft drink sales and vastly improved and expanded supply side infrastructure and therefore, rapid growth can be safely anticipated.This growth is further backed by the introduction of drinking water in PET bottles by Coke and Pepsi whose international brands Kinley and Aqua fina are yet to be launched nationally 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.

This continuously rapid growth in demand for PET bottles has required massive capital investments which the bottle vendor industry alone could not undertake. Therefore, large volume customers within the Coke and Pepsi systems have had to invest in bottle manufacture to assure some self reliance in bottle availability. Their demand for performs will more than make up for their slowing growth,if any, of bottle demand given the introduction of new fast growing pack sizes and the introduction of new products in PET. Your company intends to consolidate its recent expansions and expects to maximize capacity utilization and grow quickly towards the Rs.2 billion mark albeit profitably.To this end the primary focus for the next year will be on cost reduction and efficiency generation, while the other priority is formulating plans for growth-through-diversification It is external factors like high oil prices and interest costs that will be the main hurdles for our plans next year. However, given the massive growth in demand for PET packaging and its potential growth from cannibalizing huge volumes of glass, tetra pack and even other plastic containers your company is well poised with its experience and expertise to gainfully grow for many years to come.

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 not declared any cash dividend (2006 - NIL) or bonus shares (2006 - 40%).

10. There are no outstanding statutory payments on account of taxes,levies and charges except of normal and routine nature.

11. The company maintains a funded provident fund scheme and invested a sum of Rs.7.1 million in various schemes duly approved by Govt of Pakistan for Provident Fund investment.The Gratuity scheme is un-funded and no investment made for that.

12. During the year 04 board meetings were held and the attendance by each director is given below:

Name of Director	No. of Meeting Attended
Mr. Ahsan Jamil	04
Mr. Hussain Jamil	04
Mrs.Deborah Jamil	04
Mrs. Ayesha Khan	03
Mr. Shahid Jamil	01
Mr. Ali Jamil	01
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 & Financial Controller/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	1,285,440 (Bonus share)
Mr. Ahsan Jamil	Chief Executive Officer	967,655 (Bonus share)
Mr. Shahid Jamil	Director	256,460 (Bonus share)
Mrs.Deborah Jamil	Director	343,860 (Bonus share)
Mrs. Ayesha Khan	Director	396,905 (Bonus share)
Mr. Ashiq Qureshi	Director	750 (Bonus share)
Mr. Ali Jamil	Director	(105,000) / 174,292 (Bonus share)
Mr. H.R Siddiqui	Chief Financial Officer	47,077

15. The Company has received the notice from a member under section 253(1) of the Companies Ordinance 1984 proposing the name of M/s.Rahman Sarfaraz Rahim Iqbal Rafiq,Chartered Accountant for the year ending on June 30,2008 for appointment as Auditors in place of retiring auditors.

AUDITORS:

The present Auditors M/s. Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountant, retired and has not offered themselves for re-appointment for the year 2007-2008.

STAFF & ACKNOWLEDGEMENT:

I would like to place on record our appreciation for the untiring efforts, team work and the dedication by the management and employees during the year under review.

I would also like to express my gratitude to our valued shareholders, customers, suppliers and financial institutions for their co-operation,consistent support and trust proposed in your company.

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:October 9,2007