

DIRECTOR'S REPORT

The board of directors of Ecopack Limited is pleased to present its' report for the Financial Year 2007-08:

OVERVIEW:

The highlight of the outgoing financial year was the environment of rampant inflation which impacted virtually all the costs heads of goods produced and sold by the company across the board. Fuelled essentially by historically high crude oil prices which rose in the international market from less than US\$ 60/barrel at 1st July 2007 to over US\$ 145/barrel at the end of June 2008, the resulting runaway inflation in the company's main raw-material, PET RESIN, alongwith increasingly high financial charges (over 3% increase in KIBOR), freight, labour and electricity charges played havoc with the company's "costs of goods sold". Despite the somewhat mitigating effect of growth in value sales and volume sales for both bottles and preforms, your company struggled to keep up the pass-through of inflationary costs to its customers as higher benchmarks of inflationary pressure were breached throughout the year.

The overhang of political uncertainty and a worsening law and order situation in most of the country during the year under discussion resulted in two successive downgradings of Pakistan's risk ratings by renowned international agencies. The resulting increase in the mark-up rates by Banks coupled with the company's need to finance rising raw and packing materials and accompanying costs combinedwith the declining value of the Pak Rupee, could only be partially covered by the company's efforts to pass on the costs.

Another important factor which severely constrained the company's ability to increase its' selling prices on the back of the rising inflationary cost-push was the advent of a new competitor in the north of Pakistan who continued to keep low selling prices in a bid to seek approval and entry as a vendor to the soft-drink industry. This entry technique not only impacted their own profitability but also made the PET bottles and preforms industry bear the brunt of the rising cost increases which normally would have been borne by a robust beverage industry which is now increasingly dependent on PET bottles as the engine of its continuing sales growth. The convenience of one-way PET bottles in both small and large sizes continues to take a greater share in the beverage packing-mix against a declining share of 'Returnable Glass Bottles' (RGB).

SALES:

PET bottle sales grew by 40% in value terms and by 24% in volume sales over the prior year. Preform sales which really started in 2007 saw a meteoric rise of 82% in FY 2007-08.

FINANCIAL HIGHLIGHTS:

The high cost of production and sales during this year, for reasons cited above, impacted the financial results of the company adversely.

- i) G.P. declined from Rs. 208.7 million to Rs. 148.67 million i.e. by 25.9% YOY.
- ii) Financial charges increased from Rs. 107.1 million to Rs. 142.2 million (32.7%) YOY.
- iii) Freight costs increased from Rs. 43 million to Rs. 50.6 million (17.74%) over last year.
- iv) Operating Profit declined by Rs. 64.81 million against the previous years Rs. 106.87 million, a decrease of 60.64%.
- v) After tax loss came to Rs. 84.669 million this year compared with a profit of Rs. 0.234 million for the prior year.

FUTURE OUTLOOK:

Having weathered a difficult financial year in 2007-08, your company's ongoing efforts to become a reliable low-cost producer of high quality products for the fast growing beverage industry have begun to bear fruit. The inflationary cost hikes which ravaged the PET industry last year, have now been effectively passed on to customers across the board. While your company targets to achieve a sales growth of 25 to 30% in the new financial year, profitable growth is being achieved from the very first quarter of FY 2008-09.

With crude oil prices now in steady decline from the historic highs, decreasing prices of petro-chemical based supply chain raw-materials such as PET Resin, plastic labels and packing materials are positively supporting the company's profitability. Your company's well earned status as an experienced and reliable vendor to the dynamic and growth oriented beverage industry positions it to make FY 2008-09 a turn-around year with healthy profitability.

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 (2007 – NIL) or bonus shares (2007 – NIL).
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. 8.0 million are invested in various schemes duly approved by Govt of Pakistan for Provident Fund investment. The Gratuity scheme is un-funded and no investment has been made for it.

12. During the year 05 board meetings were held and the attendance by each director is given below:

Name of Director	No. of Meetings Attended
Mr. Hussain Jamil	05
Mr. Ahsan Jamil	05
Mrs. Deborah Jamil	05
Mrs. Ayesha Khan	05
Mr. Shahid Jamil	02
Mr. Ali Jamil	03
Mr. Asad Ali Sheikh	03

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	Chief Executive Officer	(499,041) ^a
Mr. Ahsan Jamil	Director	nil
Mr. Shahid Jamil	Director	(99,500)
Mrs. Deborah Jamil	Director	499,041 ^b /(19,000) ^c (1,208,500)
Mrs. Ayesha Khan	Director	(717,500)
Mr. Asad Ali Sheikh	Director	500
Mr. Ali Jamil	Director	19,000 ^d /(25,000) ^e (164,000)
Mr. H.R Siddiqui	Chief Financial Officer	(47,077)

^a Gifted to Mrs. Deborah Jamil

^b Gift received from Mr. Hussain Jamil

^c Gifted to Mr. Ali Jamil

^d Gift received from Mrs. Deborah Jamil

^e Gifted to Mrs. Asma Jamil Sadiq

AUDITORS:

The present Auditors M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountant, retire and being eligible offer themselves for re-appointment for the year 2008-2009.

STAFF & ACKNOWLEDGEMENTS:

We wish to record our thanks and appreciation for the services of the outgoing Chief Executive Officer of the company, Mr. Ahsan Jamil, who resigned as CEO effective 15th August 2008 to take up a challenging opportunity in the important health and social sector of the country. We wish him success in his future endeavours and career.

Ahsan will continue to be a member of the board of directors of the company and also as Chairman of the Audit Committee, a position from which the new CEO, Mr. Hussain Jamil has resigned.

The efforts, skills and coordination of the management and workers of the company are recognized and appreciated for increasing sales and production in a specially trying year. The maintenance team has kept the plant and machinery in a good state by taking timely preventive actions resulting in improved efficiencies.

The morale of the management and workforce remains high as your company completes the first profitable quarter of the current fiscal year.

We join our hands together and pray for the stability and prosperity of Pakistan and the success of your Company.

For & on behalf of the Board of Directors

Karachi,
Dated: September 29, 2008

HUSSAIN JAMIL
(Chief Executive Officer)