



Manufacturers of Quality PET Bottles and Preforms

EcoPack Ltd
Formerly PLASTOBAG LTD

Annual Report
2004



Contents

01	Mission Statements & Corporate Strategy
02	Company Information
03	Notice of Meeting
08	Director's Report
14	Statement of Compliance with the Code of Corporate Governance
16	Review Report
17	Auditors' Report
18	Balance Sheet
20	Profit & Loss Account
21	Cashflow Statement
22	Statement of Changes in Equity
23	Notes to the Accounts
	Proxy

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COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Hussain Jamil
Mr. Ahsan Jamil
Mr. Ali Jamil
Mr. Shahid Jamil
Mrs. Deborah Jamil
Mrs. Ayesha Khan
Mr. Ashiq Hussain Qureshi

Chairman/Executive Director
Chief Executive Officer

AUDIT COMMITTEE

Mr. Hussain Jamil
Mrs. Ayesha Khan
Mr. Ashiq Hussain Qureshi

Chairman
Member Non-Executive Director
Member Non-Executive Director

COMPANY SECRETARY

Mr. Habib Ur Rehman Siddiqui

BANKERS

Askari Commercial Bank Limited
Prime Commercial Bank Limited
Muslim Commercial Bank Limited
The Bank of Khyber

AUDITORS

Khalid Majid Rahman Sarfaraz
Rahim Iqbal Rafiq
Chartered Accountants

LEGAL ADVISOR

Mr. Saeed Ahmed Siddiqui Advocate

FACTORY

1. Plot No. 112-113, Phase V, Industrial Estate Hattar, District Haripur, N.W.F.P., Tel: (0995) 617682-3, Fax: (0995) 617074
Email: plant_h@ecopack.com.pk
2. F-248, Near Fire Brigade, S.I.T.E., Karachi. Tel: (021) 2569549-52, Fax: (021) 2569436
Email: headoffice@ecopack.com.pk

REGISTERED & CORPORATE OFFICE

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

DIRECTORS' REPORT

The Board of Directors of Ecopack Limited (formerly Plastobag Limited) is pleased to present the audited financial statements for the year ended June 30, 2004.

OVERVIEW

By the Grace of Allah your Company has earned record profits in the year under review. Your Company posted a bottom-line after-tax profit of Rs. 58.162 million. This is a dramatic demonstration of your Company's commitment to meeting growing market demand through timely expansions in production capacity. Ecopack enhanced its bottle-blowing capacity in its Hattar facility by over 100% this year. The share value of your Company rose from Rs. 6.55/share as on June 30, 2003 to Rs. 35/share as on June 30, 2004 and has continued to rise further.

In keeping with the Company's decision to change its name to one that more appropriately reflects its main business and values, it was renamed "Ecopack Limited" in December 2003 where "ECO" represents our concern for both economy and ecology.

SALES AND OPERATIONS

Rapid sales growth and higher capacity utilization were significant contributors to the strong results. Sales grew by fifty percent over the same corresponding period last year, while capacity utilization increased from 60% to 75%. The greatest growth in sales once again came from the carbonated soft drink industry (CSD) which reduced its retail price on the back of government tax rationalizations. The popularity of PET as a growing packaging preference for non-CSD sectors is also on the increase.

The Karachi plant showed a sales growth of more than 40%. Although it did not record a profit due to competitive pricing in the south, nonetheless it still built on its advantageous market share position.

There was a continued improvement in operations efficiency with gross margins growing from 23.55% last year to 24.95% in the year under review. The operating margins improved in similar fashion from 13.09% to 14.88%. These improvements were a result of increasing economies of scale.

FINANCIALS

The overall financial cost of the Company reduced by Rs. 14.30 million (42.31%). This was possible because working capital facilities utilization decreased as a result of better cash cycle management; moreover, its loan from BEL was re-financed at current low interest rates. This early repayment/settlement of BEL's outstanding principal resulted in a contribution of Rs. 21.5 million to the bottom-line profit.





FUTURE OUTLOOK

The growth outlook for the PET container market remains strong. Your Company intends to pursue its expansion process to track this growth. Your company intends to bring on-stream its new preform capacity enhancement of over 200% by the first quarter of the year 2004-05. Similarly its bottle blowing capacity is expected to be further enhanced before the start of the next summer season therefore matching the (back process) preform capacity expansion. In doing so, it expects to maintain its market leadership position in a growing market while continuing to enhance share-holder value.(Aameen).

RIGHTS AND DIVIDENDS

In view of the strong financial results the Board is pleased to recommend a 50% bonus share and 10% cash dividend. Moreover, in light of the Company's growing expansion plans the BOD has recommended a 100% right share issue at par value, 1 share for every one share held i.e. 5,708,564 shares. The entitlement of right shares being declared simultaneously will not be applicable on bonus share declared above.

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, cashflows 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, have 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 10% cash dividend (2003 – NIL) and 50% bonus shares (2003 – NIL).
10. There are no outstanding statutory payments on account of taxes, levies and charges except of normal and routine nature.
11. The Company reached a settlement with BEL (Under Liquidity) on the basis of principal amount only, through official assignee of Sindh High Court. Further the Company is undertaking expansion of its production capabilities in order to meet the growing demand for bottle/preforms in the market.



12. Statement as to the value of gratuity fund on the basis of actuarial valuation as on 30.06.2004 is included in note # 9 to the financial statements.

13. During the year 5 board meeting 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	05
Mr. Hussain Jamil	05
Mrs. Deborah Jamil	05
Mrs. Ayesha Khan	04
Mr. Shahid Jamil	03
Mr. Ali Jamil	02
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 & Financial Controller/Secretary of the Company during the year under review is as under:

<u>Name</u>	<u>Designation</u>	<u>No. of Shares Acquired/(Sold)</u>
Mr. Hussain Jamil	Executive Director/Chairman	123,000/(32,500)
Mr. Ahsan Jamil	Chief Executive Officer	87,500
Mr. H.R. Siddiqui	Financial Controller/Co. Secretary	3,000

16. The board has recommended appointment of auditors Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountant for the year ending on June 30, 2005 as recommended by the audit committee in its meeting held on September 08, 2004.

AUDITORS

The present Auditors, M/s. Khalid Majid Rehman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, retire and being eligible, offer themselves for re-appointment for the year 2004-2005.

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

Karachi,
Dated: September 08, 2004

Ahsan Jamil
(Chief Executive Officer)

SIX YEARS AT A GLANCE

Annexure "A"

Rupees in '000'

Profit & Loss:	2004	2003	2002	2001	2000	1999
Sales	442,919	294,491	250,541	148,671	126,832	143,991
Cost of sales	332,393	225,144	204,498	141,192	99,413	95,578
Gross Profit	110,526	69,347	46,043	7,479	27,419	48,413
Operating expenses	44,634	30,798	23,402	17,914	12,723	16,404
Operating profit	65,893	38,549	22,326	(10,434)	14,696	32,010
Other income/ (charges)	(2,139)	948	(315)	(54)	347	(200)
Financial charges	19,502	33,805	40,436	18,876	14,331	13,501
Profit / (Loss) before taxation	42,040	5,407	(18,110)	(29,364)	677	17,005
Unusual item	21,473	-	-	-	-	-
Taxation	5,351	2,420	1,083	188	161	-
Profit / (Loss) after taxation	58,162	2,987	(19,192)	(29,552)	515	17,005
Dividend	5,709	-	-	-	-	-
Bonus shares	28,543	-	-	-	7,446	4,099

Balance Sheet:

Shareholder's equity	250,423	104,000	123,685	142,878	170,866	170,350
Financing facilities	242,525	110,417	111,578	144,561	45,542	53,195
Fixed assets (net of depreciation)	476,635	279,079	295,110	196,089	207,604	180,380
Current Assets	184,986	110,730	98,935	77,620	80,181	69,702
Current Liability	184,862	150,524	163,506	93,550	75,518	55,425

Key Financial Ratios:

Gross profit	25%	24%	18%	5%	22%	34%
Operating profit	15%	13%	9%	-7%	12%	22%
Profit before tax to net sales	9%	2%	-7%	-20%	1%	12%
Return on capital employed	9%	2%	-8%	-10%	0%	8%
Inventory turnover (times)	6	6	5	4	3	5
Fixed assets turnover (times)	0.93	1.06	0.85	0.76	0.61	0.80
Debt equity ratio	49 : 51	52 : 48	47 : 53	50 : 50	21 : 79	24 : 76
Current ratio	1.00	0.73	0.60	0.83	1.06	1.26
Earnings per share	10.19	0.52	(3.36)	(5.18)	0.10	3.73

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Current ratio	1.00	0.73	0.60	0.83	1.06	1.26
Earnings per share	10.19	0.52	(3.36)	(5.18)	0.10	3.73

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE For the year ended June 30, 2004



This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37 of listing regulations of Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes five non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year under review.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by the directors and all the employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged in-house and external orientation courses for its directors during the year to apprise them of their duties and responsibilities.
10. No new appointment of CFO, head of Internal Audit or Company Secretary has been made during the year.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and Financial Controller before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.
15. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has set-up an effective internal audit department, which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company and is involved in the internal audit function on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

Karachi,
Dated: September 08, 2004

Ahsan Jamil
(Chief Executive Officer)

**REVIEW REPORT TO THE MEMBERS ON STATEMENT OF
COMPLIANCE WITH BEST PRACTICES OF
CODE OF CORPORATE GOVERNANCE**



We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Ecopack Limited (formerly Plastobag Limited) to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of the audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Boards' statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended on June 30, 2004.

Karachi,
Dated: September 08, 2004

KHALID MAJID RAHMAN SARFARAZ
RAHIM IQBAL RAFIQ
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Ecopack Limited (formerly Plastobag Limited) as at June 30, 2004, and the related profit & loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statement in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:-

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:-
 - (i) the balance sheet and profit & loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according the the explanations given to us, the balance sheet, profit & loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2004, and of the Profit, its cash flow and changes in equity for, the year then ended; and
- (d) in our opinion, no Zakat was deductible under the Zakat and Ushr Ordinance, 1980.

Karachi,
Dated: September 08, 2004

KHALID MAJID RAHMAN SARFARAZ
RAHIM IQBAL RAFIQ
Chartered Accountants

Balance Sheet

	NOTE	2004 RUPEES	2003 RUPEES
SHARE CAPITAL			
Authorized 10,000,000 (2003: 10,000,000) Ordinary Shares of Rs. 10/- each		<u>100,000,000</u>	<u>100,000,000</u>
Issued, subscribed and paid-up	3	57,085,640	57,085,640
Reserves for issue of bonus shares		28,542,820	-
Unappropriated profit		<u>35,613,090</u>	<u>4,810,522</u>
		<u>121,241,550</u>	61,896,162
SURPLUS ON REVALUATION OF FIXED ASSETS	4	129,181,416	42,104,097
REDEEMABLE CAPITAL -NON PARTICIPATORY	5	-	7,197,746
LONG TERM LOANS - SECURED	6	159,838,495	101,330,000
LONG TERM SUPPLIER'S CREDIT	7	80,891,772	-
LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE	8	1,794,496	1,888,844
DEFERRED LIABILITY	9	80,133,236	26,785,770
CURRENT LIABILITIES			
Current portion of long term liabilities	10	32,711,507	36,693,237
Short term finances	11	16,636,512	36,195,437
Creditors, accrued and other liabilities	12	127,576,390	76,163,327
Proposed Dividend		5,708,564	-
Taxation		<u>2,229,458</u>	<u>1,472,455</u>
		<u>184,862,431</u>	150,524,456
CONTINGENCIES AND COMMITMENTS	13	-	-
		<u>757,943,396</u>	<u>391,727,075</u>

The annexed notes from 1 to 40 form an integral part of these financial statements

HUSSAIN JAMIL
Chairman

AHSAN JAMIL
Chief Executive Officer

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