

Interim Report ( Unaudited )  
3<sup>rd</sup> Quarter Ended September 30, 2006



**Tri-Pack Films Limited**

## **Company information**

### **Board of directors**

Syed Babar Ali (Chairman)  
Shahid Hussain (Chief Executive)  
Hiroshi Kojima  
Khalid Yacob  
Masaharu Domichi  
Mujeeb Rashid  
Syed Hyder Ali

### **Company secretary**

Adi J. Cawasji

### **Audit committee**

Khalid Yacob (Chairman)  
Hiroshi Kojima  
Masaharu Domichi  
Mujeeb Rashid  
Shahid Hussain

### **Auditors and tax advisor**

A. F. Ferguson & Co.  
Chartered Accountants

### **Legal advisor**

Khan & Piracha

### **Website**

[www.tripack.com.pk](http://www.tripack.com.pk)

### **Registered office**

4th Floor, The Forum,  
Suit # 416-422,  
G-20, Block # 9, Clifton,  
Khayaban-e-Jami,  
Karachi- 75600, Pakistan  
Tel: (021) 5874047-49,  
5378650-52  
Fax: (021) 5860251

**Bankers**

ABN-Amro Bank N.V.  
AlBaraka Islamic Bank B.S.C. (E.C.)  
American Express Bank Limited  
Bank Alfalah Limited  
Bank Al Habib Limited  
Deutsche Bank A.G.  
Faysal Bank Limited  
Habib Bank Limited  
Muslim Commercial Bank Limited  
National Bank of Pakistan  
NIB NDLC-IFIC Bank Limited  
Standard Chartered Bank Limited  
The Bank of Tokyo-Mitsubishi, Limited  
The Bank of Khyber  
Union Bank Limited

**Head office & Work**

Plot No. G-1 - G-4,  
North Western Industrial Zone,  
Port Qasim, Karachi.  
Tel : (021) 4750690 Fax : (021) 4750689

**Works & Sales Office****Hattar**

Plot No. 78/1, Phase IV,  
Hattar Industrial Estate,  
Hattar, N.W.F.P.  
Tel: (0995) 617406-7 Fax: (0995) 617054

**Regional sales offices****Karachi**

101-106, Marine Pride, Block 7,  
Clifton, Karachi- 75600.  
Tel: (021) 5871801-2 Fax: (021) 5871803

**Lahore**

305, Siddique Trade Centre,  
Main Boulevard, Gulbeg II, Lahore.  
Tel: (042) 5781982-3 Fax: (042) 5781985

## **DIRECTORS' REPORT TO THE SHAREHOLDERS**

The Directors feel pleasure in presenting their report along with unaudited financial statements of the Company for the nine months ended September 30, 2006.

### **OPERATING AND FINANCIAL RESULTS**

Your Company was successful in maintaining its good performance despite difficulties which were generally faced by the BOPP film industry all over the world and particularly in Pakistan due to ever high oil prices and its consequential effect on the prices of raw materials and energy cost. The situation became further fragile with the widening of gap between demand and supply of raw material. However, your Company was able to minimize the negative impact on its operating profits by rationalizing sales prices, strong inventory management and effective cost control.

We were able to run all the three lines at 100% capacity level and further improve our domestic market share.

During the period of nine months a quantity of 20,151 Tonne of BOPP film was sold. Net sales grew to Rs 2,737 million as compared to Rs 2,135 million in the corresponding period of last year. Thus we were able to record a growth of Rs 602 million (28%). We were also able to earn a profit after tax of Rs 101 million in comparison to Rs 47 million in the nine months of last year – a growth over 115%.

### **ELECTION OF DIRECTORS**

The election of the directors was held on September 30, 2006 and all the existing directors were reappointed by the shareholders in an extraordinary general meeting of the Company for a term of three years commencing October 3, 2006. The directors wish to place on record their appreciation for the confidence bestowed by the shareholders.

### **FUTURE OUTLOOK**

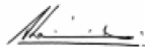
The international oil prices have not yet stabilized and same is the case with prices of raw material. We anticipate this phenomenon to continue in the near future and are monitoring the situation vigilantly and shall take the necessary mitigating measures as may be desired.

We will strive to control the effects of raw material price escalation by maintaining and further improving our operational efficiencies, increase in the volume of value added products and improvement in the quality of our products.

### **ACKNOWLEDGEMENT**

The Directors wish to keep on record their appreciation for the support of all the customers, stakeholders and the committed efforts of the employees of the Company.

On behalf of the board



Shahid Hussain  
Chief Executive

Karachi – October 28, 2006.

**BALANCE SHEET**  
**AS AT SEPTEMBER 30, 2006 (UNAUDITED )**

	Note	September 30, 2006 (Rupees in thousand)	December 31, 2005 Restated
<b>Share capital and reserves</b>			
Authorised capital		300,000	300,000
Issued, subscribed and paid-up capital		300,000	300,000
Reserves		715,718	689,182
		1,015,718	989,182
<b>Non-current liabilities</b>			
Long-term finances	4	756,000	972,000
<b>Deferred liabilities</b>			
Deferred taxation		72,241	42,410
Accumulated compensated absences		1,740	1,485
<b>Current liabilities and provisions</b>			
Current portion of long-term finances	4	216,000	108,000
Trade and other payables	5	410,452	414,404
Accrued mark-up		30,691	30,145
Taxation		4,938	-
Short-term finances	6	322,748	200,335
		984,829	752,884
<b>Contingencies and commitments</b>			
	7		
		2,830,528	2,757,961
<b>Property, plant and equipment</b>			
	8	1,757,399	1,879,300
<b>Long-term deposits</b>			
		854	1,048
<b>Current assets</b>			
Stores and spares		125,306	96,157
Stock in trade		459,059	313,917
Trade debts	9	413,609	391,637
Advances, deposits, prepayments and other receivables		37,713	50,243
Taxation		-	2,140
Cash and bank balances		36,588	23,519
		1,072,275	877,613
		2,830,528	2,757,961

The annexed notes 1 to 15 form an integral part of these financial statements.

  
Shahid Hussain  
Chief Executive

  
Masaharu Domichi  
Director

**PROFIT AND LOSS ACCOUNT FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2006 (UNAUDITED)**

Note	Quarter ended September 30,		Nine months period ended September 30,		
	2006	2005	2006	2005	
	(Rupees in thousand)				
Sales	1,082,247	915,984	3,100,760	2,420,159	
Less: sales tax	132,940	101,984	363,992	284,472	
Net sales	949,307	814,000	2,736,768	2,135,687	
Cost of sales	10	834,049	711,272	2,393,995	1,901,975
Gross profit	115,258	102,728	342,773	233,712	
Distribution expenses	17,678	16,131	54,240	46,478	
Administrative expenses	14,194	12,845	41,669	41,885	
	31,872	28,976	95,909	88,363	
Operating profit	83,386	73,752	246,864	145,349	
Other income	3,129	3,327	9,205	9,091	
	86,515	77,079	256,069	154,440	
Finance cost	33,339	35,265	100,210	78,959	
Other expenses	3,671	2,091	10,756	3,774	
	37,010	37,356	110,966	82,733	
Profit before taxation	49,505	39,723	145,103	71,707	
Taxation					
-Current	4,767	5,889	13,738	12,526	
-Deferred	10,134	7,170	29,829	12,079	
	14,901	13,059	43,567	24,605	
Profit after taxation	34,604	26,664	101,536	47,102	
Earnings per share - basic and diluted (Rupees)	1.15	0.89	3.38	1.57	

Note: The appropriations from profits are set out in the statement of changes in equity.

**STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2006 (UNAUDITED)**

	Share capital	General reserve	Unappropriated profit	Total
	(Rupees in thousand)			
Balance at January 1, 2005 as reported earlier	300,000	604,500	45,736	950,236
<b>Effect of change in accounting policy - note 3</b>				
Transfer to general reserve	-	(70,000)	70,000	-
Balance at January 1, 2005 (restated)	300,000	534,500	115,736	950,236
Transfer to general reserve		70,000	(70,000)	-
Net profit for the nine months period ended September 30, 2005	-	-	47,102	47,102
Dividend relating to the year ended December 31, 2004 @ 15%	-	-	(45,000)	(45,000)
Balance at September 30, 2005 (restated)	300,000	604,500	47,838	952,338
Balance at January 1, 2006 as reported earlier	300,000	614,000	75,182	989,182
<b>Effect of change in accounting policy - note 3</b>				
Transfer to general reserve	-	(9,500)	9,500	-
Balance at January 1, 2006 (restated)	300,000	604,500	84,682	989,182
Transfer to general reserve	-	9,500	(9,500)	-
Net profit for the nine months period ended September 30, 2006	-	-	101,536	101,536
Dividend relating to the year ended December 31, 2005 @ 25%	-	-	(75,000)	(75,000)
Balance at September 30, 2006	300,000	614,000	101,718	1,015,718

The annexed notes 1 to 15 form an integral part of these financial statements.

  
Shahid Hussain  
Chief Executive

  
Masaharu Domichi  
Director

**CASH FLOW STATEMENT  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2006 (UNAUDITED)**

	Note	Nine months period ended	
		September 30, 2006	September 30, 2005
(Rupees in thousand)			
<b>Cash flows from operating activities</b>			
Cash generated from operations	12	229,375	395,921
Payment of accumulated compensated absences		(927)	(1,495)
Long-term deposits		194	89
Retirement benefits paid		(4,264)	(4,078)
Income taxes paid		(6,658)	(3,809)
Net cash inflow from operating activities		217,720	386,628
<b>Cash flows from investing activities</b>			
Fixed capital expenditure		(48,008)	(95,748)
Profit on bank balances received		2	127
Sale proceeds on disposal of fixed assets		3,067	3,614
Net cash outflow from investing activities		(44,939)	(92,007)
<b>Cash flows from financing activities</b>			
Finance costs paid		(99,664)	(52,994)
Long-term finance paid		(108,000)	(68,750)
Dividend paid		(74,461)	(44,854)
Net cash outflow from financing activities		(282,125)	(166,598)
Net (decrease) / increase in cash and cash equivalents		(109,344)	128,023
Cash and cash equivalents at the beginning of the period		(176,816)	(444,053)
Cash and cash equivalents at the end of the period	13	(286,160)	(316,030)

The annexed notes 1 to 15 form an integral part of these financial statements.

  
Shahid Hussain  
Chief Executive

  
Masaharu Domichi  
Director

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2006 (UNAUDITED)**

**1. INTRODUCTION**

The company is a public company incorporated in Pakistan under the Companies Ordinance, 1984 and is listed on all stock exchanges in Pakistan. It is principally engaged in the manufacture and sale of Biaxially Oriented Polypropylene (BOPP) film. The registered office of the company is situated at 4<sup>th</sup> floor, the Forum, Suite # 416 to 422, G-20, Block-9, Khayaban-e-Jami, Clifton, Karachi.

**2. BASIS OF PRESENTATION**

- 2.1 These financial statements have been prepared in accordance with the requirements of the International Accounting Standard No. 34 'Interim Financial Reporting' and are being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 and the listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges.

The financial statements comprise of the balance sheet as at September 30, 2006 and the profit and loss account, statement of changes in equity and the cash flow statement for the nine months period ended September 30, 2006. The financial statements also include the profit and loss account for the quarter ended September 30, 2006.

The comparative balance sheet presented in these financial statements as at December 31, 2005 has been extracted from the audited financial statements of the company for the year ended December 31, 2005 whereas the comparative profit and loss account, statement of changes in equity and cash flow statement are for the nine months period ended September 30, 2005. The comparative profit and loss account for the quarter ended September 30, 2005 is also included in these financial statements.

- 2.2 The accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of the financial statements of the company for the year ended December 31, 2005, except for a change as explained in note 3 below.

**3. REASON AND EFFECT OF CHANGE IN AN ACCOUNTING POLICY**

In accordance with the requirements of circular No. 6 dated June 19, 2006 issued by the Institute of Chartered Accountants of Pakistan, the company has changed its policy relating to recognition of appropriations made subsequent to balance sheet date.

Upto December 31, 2005 transfers from profit available for appropriation to reserves, made after balance sheet date but before the financial statements were authorised for issue by the board of directors were recorded as changes in reserves. Effective January 1, 2006 appropriations to reserves, are recorded as changes in reserves in the period in which these are approved by the directors.

This change in accounting policy has been applied retrospectively and comparative information has been restated in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'. Had there been no change in this accounting policy, the 'unappropriated profit' as at December 31, 2005 would have been lower and 'general reserve' would have been higher by Rs 9.5 million.

The effect of the aforementioned change in accounting policy has been reflected in the 'statement of changes in equity'. This change in accounting policy has no effect on the profit for the period.

	September 30, 2006	December 31, 2005
	(Rupees in thousand)	

**4. LONG-TERM FINANCE - SECURED**

Finance 1 - note 4.1	900,000	1,000,000
Finance 2 - note 4.2	72,000	80,000
	<u>972,000</u>	<u>1,080,000</u>
Less: Amounts payable within twelve months shown under current liabilities	<u>216,000</u>	<u>108,000</u>
	<u>756,000</u>	<u>972,000</u>

4.1 The company has arranged a long-term finance facility of Rs 1,000 million (2005: Rs 1,000 million) from a commercial bank under mark-up arrangement. Mark-up is payable on quarterly basis at the rate of base rate plus 1% per annum. The base rate is the simple average of last three cut-off yields of 6 months treasury bills of SBP. The effective rate of mark-up during the nine month period was 9.29% (2005: 7.20%) per annum. The outstanding principal amount will be repayable in 9 equal semi annual installments upto March 2011. This facility is secured by first pari passu hypothecation/mortgage charge on all of the company's present and future fixed assets including but not limited to land, buildings, plant and machinery, equipment, furniture and fixtures, etc.

4.2 The company has obtained a long term finance facility of Rs 100 million (2005: Rs 100 million) from commercial bank under mark-up arrangements out of which the company has availed Rs 80 million (2005: 80 million) as at September 30, 2006. Mark-up is payable on quarterly basis at the rate of three months Karachi Inter Bank Offer Rate (KIBOR) plus 1 percent per annum. The effective rate of mark up during the nine month period was 10.10% (2005: 10.09%) per annum. The outstanding principal amount is repayable in 9 equal semi annual installments upto March 2011. This facility is secured by first pari passu hypothecation/mortgage charge on all of the company's present and future fixed assets including but not limited to land, buildings, plant and machinery, equipment, furniture and fixtures etc.

**5. TRADE AND OTHER PAYABLES**

These include Rs 7.91 million (2005: Rs 13.210 million) payable to associated undertakings.

**6. SHORT TERM FINANCE - SECURED**

Short term finances are under mark-up arrangement with banks payable on various maturity dates upto May 31, 2007. These facilities are secured by joint hypothecation by way of first floating charge over stores and spares, stock in trade and trade debts. Rate of mark-up applicable to these facilities ranges between 8.80% to 11.27% (2005: 4.10% to 9.62%) per annum. Total facilities available under mark-up arrangements aggregated Rs 835 million (2005: Rs 725 million) out of which the amount unavailed at the period end was Rs 512.25 million (2005: Rs 525 million).

**7. CONTINGENCIES AND COMMITMENTS**

	September 30, 2006	December 31, 2005
	(Rupees in thousand)	
<b>Contingencies</b>		
Claim against the Company not acknowledged as debt	10,000	-
Guarantees issued by banks on behalf of the company	9,755	7,680
<b>Commitments</b>		
Letter of credit for purchase of raw material and spares	295,712	373,450

<b>8. PROPERTY, PLANT AND EQUIPMENT</b>		<b>September 30, 2006</b>	<b>December 31, 2005</b>
		<b>(Rupees in thousand)</b>	
Operating fixed assets – note 8.1		1,751,075	1,787,524
Capital work in progress		6,324	91,776
		<u>1,757,399</u>	<u>1,879,300</u>
<b>8.1 Operating fixed assets</b>		<b>Nine months period ended September 30, 2006</b>	<b>Nine months period ended September 30, 2005</b>
		<b>(Rupees in thousand)</b>	
Additions		133,395	50,530
Disposals [having a net book value of Rs 1.444 million (2005: Rs 0.953 million)]		<u>4,624</u>	<u>9,722</u>

**9. TRADE DEBTS – CONSIDERED GOOD**

These include Rs 11.065 million (2005: Rs 24.268 million) receivable from associated undertakings.

**10. COST OF SALES**

	<b>Quarter ended September 30,</b>		<b>Nine months period ended September 30,</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>(Rupees in thousand)</b>		<b>(Rupees in thousand)</b>	
<b>Raw materials consumed</b>				
Opening stock of raw materials	340,912	203,402	177,167	311,758
Purchases	684,644	472,546	2,034,777	1,301,666
Closing stock of raw materials	<u>(371,260)</u>	<u>(187,650)</u>	<u>(371,260)</u>	<u>(187,650)</u>
	654,296	488,298	1,840,684	1,425,774
<b>Manufacturing expenses</b>				
Salaries, wages and other benefits	18,766	15,673	55,905	46,050
Fuel, power and water	63,371	50,528	187,580	128,132
Packing expenses	25,911	24,860	77,720	64,371
Repairs and maintenance	10,674	9,725	32,315	25,583
Insurance	3,512	3,866	10,648	10,882
Vehicle running and maintenance	2,273	1,844	6,843	6,500
Travelling	250	554	1,066	1,902
Retirement benefits	1,321	1,197	4,075	3,541
Depreciation	56,035	51,337	166,429	170,705
Other expenses	215	472	979	1,256
	182,328	160,056	543,560	458,922
<b>Work in process</b>				
Opening stock	40,411	74,635	43,413	65,086
Closing stock	<u>(39,019)</u>	<u>(46,654)</u>	<u>(39,019)</u>	<u>(46,654)</u>
	1,392	27,981	4,394	18,432
<b>Cost of goods manufactured</b>	838,016	676,335	2,388,638	1,903,128
<b>Finished goods</b>				
Opening stock	16,918	50,262	26,242	14,172
Closing stock	<u>(20,885)</u>	<u>(15,325)</u>	<u>(20,885)</u>	<u>(15,325)</u>
	(3,967)	34,937	5,357	(1,153)
	<u>834,049</u>	<u>711,272</u>	<u>2,393,995</u>	<u>1,901,975</u>

**11. TRANSACTIONS WITH RELATED PARTIES**

Transactions were done with the following related parties of the company during the nine months period:

- International General Insurance Company of Pakistan Limited.
- Mitsubishi Corporation, Japan.
- Packages Limited.
- Siemens Pakistan Engineering Company Limited.
- Packages Lanka (Private) Limited.
- Tetra Pak Pakistan Limited.

Significant balances and transactions with such related are as follows:

	Transactions during the nine months period ended September 30, 2006	Transactions during the nine months period ended September 30, 2005	Amount outstanding as at September 30, 2006	Amount outstanding as at September 30, 2005
	(Rupees in '000)			
	(Receivable) / payable			
Sale of finished goods	145,488	136,547	(11,065)	(24,560)
Purchase of goods and services	187,906	142,169	7,910	8,390
Sale of plant and machinery and related spares	-	3,200	-	-
Contribution to Staff retirement benefit funds				
• Provident fund	2,154	1,824	245	786
• Gratuity fund	1,473	1,251	165	138
• Pension fund	3,308	2,827	(5,303)	(3,099)
Dividend paid	45,520	27,317	-	-
Key management personnel compensation	6,904	5,932	-	-
<b>12. CASH GENERATED FROM OPERATIONS</b>				
	<b>Nine months period ended September 30, 2006</b>	<b>Nine months period ended September 30, 2005</b>		
	(Rupees in thousand)			
Profit before taxation	145,103	71,707		
Adjustment for non cash charges and other items:				
Depreciation	168,464	174,427		
Provision for doubtful debts	1,932	-		
Provision for retirement benefits	4,781	4,078		
Profit on bank balances	(2)	(127)		
Profit on disposal of fixed assets	(1,623)	(2,426)		
Provision for accumulated compensated absences	1,182	1,840		
Finance cost	100,210	78,959		
Working capital changes – note 12.1	(190,672)	67,463		
	<u>229,375</u>	<u>395,921</u>		
<b>12.1 Working capital changes</b>				
(Increase) / decrease in current assets:				
Stores and spares	(29,148)	(14,863)		
Stock in trade	(145,142)	151,240		
Trade debts	(23,904)	(186,470)		
Advances, deposits, prepayments and other receivables	12,013	28,284		
	(186,181)	(21,809)		
Increase in current liabilities:				
Trade and other payables	(4,491)	89,272		
	(190,672)	67,463		
<b>13. CASH AND CASH EQUIVALENTS</b>				
	<b>September 30, 2006</b>	<b>September 30, 2005</b>		
	(Rupees in thousand)			
Cash and bank balances	36,588	20,147		
Short-term finance	(322,748)	(336,177)		
	<u>(286,160)</u>	<u>(316,030)</u>		
<b>14. PLANT CAPACITY AND ACTUAL PRODUCTION</b>				
	<b>Nine months period ended September 30, 2006</b>	<b>Nine months period ended September 30, 2005</b>		
	(Number of units)			
Operational capacity available during the period	20,100	20,100		
Production	20,091	16,700		
<b>15. DATE OF AUTHORISATION FOR ISSUE</b>				
These financial statements were authorised for issue on October 28, 2006 by the board of directors of the Company.				

  
Shahid Hussain  
Chief Executive

  
Masaharu Domichi  
Director