

Half Yearly Report ( Unaudited )  
Ended June 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

### **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 are pleased to present their report for the half year ended June 30, 2006 along with unaudited financial statements duly reviewed by the auditors of the Company.

### **OPERATING AND FINANCIAL RESULTS**

The performance of your Company further improved during the second quarter of the year. We were able to get smooth production from all the three lines and on an overall basis acquired 100% capacity utilization.

During the period of six months a quantity of 13,504 Tonne of BOPP film was sold. Net sales grew to Rs. 1,787 million as compared to Rs. 1,321 million of corresponding period of last year. This depicts a growth of Rs. 466 million (35%). This performance has been attained by retaining and further strengthening our share in the local market. Raw material prices, energy cost and financial charges have kept an ever-high increasing trend, while internationally the selling prices of BOPP films remained under pressure. All these factors adversely affected our profit margins. However, due to optimum utilization of production facilities, higher sales in local market and control over others costs we managed to earn profit after tax of Rs. 67 million in comparison to Rs 20 million in the six months of last year – a growth over 200%.

### **FUTURE OUTLOOK**

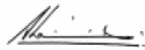
We are anticipating another sharp increase in the raw material prices and mark-up rates. We are committed to minimize the effects of this increase in costs by vigilantly rationalizing prices of our products and maintaining operational efficiencies.

We will continue to concentrate on increase in the production of value-added products and improvement in the quality of products.

### **ACKNOWLEDGEMENT**

The Directors wish to keep on record their appreciation for the patronage of all stakeholders and restless efforts of the employees of the Company.

On behalf of the board



Shahid Hussain  
Chief Executive

Karachi – August 29, 2006.

## **REVIEW REPORT TO THE MEMBERS**

We have reviewed the annexed balance sheet of Tri-Pack Films Limited as at June 30, 2006, and the related profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof (here-in-after referred to as the 'financial statements'), for the half year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to issue a report on those financial statements based on our review. The figures of the profit and loss account for the quarters ended June 30, 2005 and 2006 and the notes forming part thereof have not been reviewed as we are required to review only the cumulative figures for the half year ended June 30, 2006.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

As stated in note 3 to the financial statements the company has changed its accounting policy in respect of recognition of transfers from profit available for appropriation to reserves.

Based on our review, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

*A. F. Ferguson & Co.*

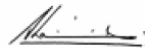
A. F. Ferguson & Co.  
Chartered Accountants

Karachi – August 29, 2006.

**BALANCE SHEET**  
**AS AT JUNE 30, 2006 (UNAUDITED - NOTE 2.1)**

	June 30, 2006	December 31, 2005
Note	(Rupees in thousand)	
<b>Share capital and reserves</b>		
Authorised capital	300,000	300,000
Issued, subscribed and paid-up capital	300,000	300,000
Reserves	681,114	689,182
	<u>981,114</u>	<u>989,182</u>
<b>Non-current liabilities</b>		
Long-term finances	4 864,000	972,000
<b>Deferred liabilities</b>		
Deferred taxation	62,105	42,410
Accumulated compensated absences	1,634	1,485
<b>Current liabilities and provisions</b>		
Current portion of long-term finances	4 216,000	108,000
Trade and other payables	5 456,007	414,404
Accrued mark-up	32,852	30,145
Taxation	1,532	-
Short-term finances	6 202,210	200,335
	908,601	752,884
<b>Contingencies and commitments</b>	7	
	<u>2,817,454</u>	<u>2,757,961</u>
<b>Property, plant and equipment</b>	8 1,796,943	1,879,300
<b>Long-term deposits</b>	924	1,048
<b>Current assets</b>		
Stores and spares	124,120	96,157
Stock in trade	427,576	313,917
Trade debts	9 393,500	391,637
Advances, deposits, prepayments and other receivables	50,098	50,243
Taxation	-	2,140
Cash and bank balances	24,293	23,519
	<u>1,019,587</u>	<u>877,613</u>
	<u>2,817,454</u>	<u>2,757,961</u>

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 SIX MONTHS PERIOD ENDED JUNE 30, 2006 (UNAUDITED-NOTE 2.1)**

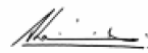
Note	Quarter ended		Six months period ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
	(Rupees in thousand)			
Sales	1,031,246	814,212	2,018,513	1,504,175
Less: sales tax	121,266	100,702	231,052	182,488
Net sales	909,980	713,510	1,787,461	1,321,687
Cost of sales	10 794,825	638,099	1,559,946	1,190,703
Gross profit	115,155	75,411	227,515	130,984
Distribution expenses	17,790	16,362	36,562	30,347
Administrative expenses	14,556	14,944	27,475	29,040
	32,346	31,306	64,037	59,387
Operating profit	82,809	44,105	163,478	71,597
Other income	3,552	3,701	6,076	5,764
	86,361	47,806	169,554	77,361
Finance cost	35,841	24,426	66,871	43,694
Other expenses	4,477	1,169	7,085	1,683
	40,318	25,595	73,956	45,377
Profit before taxation	46,043	22,211	95,598	31,984
Taxation				
-Current	4,568	3,914	8,971	6,637
-Deferred	8,178	4,211	19,695	4,909
	12,746	8,125	28,666	11,546
Profit after taxation	33,297	14,086	66,932	20,438
Earnings per share - basic and diluted (Rupees)	1.11	0.47	2.23	0.68

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

**STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2006 (UNAUDITED-NOTE 2.1)**

	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 six months period ended June 30, 2005	-	-	20,438	20,438
Dividend relating to the year ended December 31, 2004 @ 15%	-	-	(45,000)	(45,000)
Balance at June 30, 2005 (restated)	300,000	604,500	21,174	925,674
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 six months period ended June 30, 2006	-	-	66,932	66,932
Dividend relating to the year ended December 31, 2005 @ 25%	-	-	(75,000)	(75,000)
Balance at June 30, 2006	300,000	614,000	67,114	981,114

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 SIX MONTHS PERIOD ENDED JUNE 30, 2006 (UNAUDITED - NOTE 2.1)**

	Note	Six months period ended June 30, 2006 (Rupees in thousand)	Six months period ended June 30, 2005 (Rupees in thousand)
<b>Cash flows from operating activities</b>			
Cash generated from operations	12	174,994	296,875
Payment of accumulated compensated absences		(715)	(1,258)
Long-term deposits		124	175
Retirement benefits paid		(3,200)	(3,227)
Income taxes paid		(5,299)	(1,848)
Net cash inflow from operating activities		165,904	290,717
<b>Cash flows from investing activities</b>			
Fixed capital expenditure		(30,850)	(47,036)
Profit on bank balances received		1	35
Sale proceeds on disposal of fixed assets		2,467	2,967
Net cash outflow from investing activities		(28,382)	(44,034)
<b>Cash flows from financing activities</b>			
Finance costs paid		(64,164)	(28,861)
Long-term finance paid		-	(68,750)
Dividend paid		(74,459)	(44,824)
Net cash outflow from financing activities		(138,623)	(142,435)
Net (decrease) / increase in cash and cash equivalents		(1,101)	104,248
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	(177,917)	(339,805)

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 SIX MONTHS PERIOD ENDED JUNE 30, 2006 (UNAUDITED-NOTE 2.1)**

**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 June 30, 2006 and the profit and loss account, statement of changes in equity and the cash flow statement for the six months period ended June 30, 2006 which have been subjected to a review but not audited. The financial statements also include the profit and loss account for the quarter ended June 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 six months period ended June 30, 2005 and were subjected to a review but not audited. The comparative profit and loss account for the quarter ended June 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.

	June 30, 2006	December 31, 2005
	(Rupees in thousand)	
<b>4. LONG-TERM FINANCE - SECURED</b>		
Finance 1 - note 4.1	1,000,000	1,000,000
Finance 2 - note 4.2	80,000	80,000
	<u>1,080,000</u>	<u>1,080,000</u>
Less: Amounts payable within twelve months shown under current liabilities	216,000	108,000
	<u>864,000</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 half year was 9.26% (2005: 7.20%) per annum. The principal amount will be repayable in 10 equal semi annual instalments after grace period of two years, from the date of advance payment/retirement of the letter of credit documents. 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 June 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 half year was 9.89% (2005: 10.09%) per annum. The principal amount will be repayable in 10 equal semi annual instalments after a grace period of two years, from the date of advance payment/retirement of the letter of credit documents. 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 3.186 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 10.07% (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 year end was Rs 632.79 million (2005: Rs 525 million).

**7. CONTINGENCIES AND COMMITMENTS**

	June 30, 2006	December 31, 2005
	(Rupees in thousand)	
<b>Contingencies</b>		
Claim against the Company not acknowledged as debts	10,000	-
Guarantees issued by banks on behalf of the company	9,730	7,680
<b>Commitments</b>		
Letter of credit for purchase of raw material and spares	297,086	373,450

8. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2006	December 31, 2005
	(Rupees in thousand)	
Operating fixed assets – note 8.1	1,788,523	1,787,524
Capital work in progress	8,420	91,776
	<u>1,796,943</u>	<u>1,879,300</u>
8.1 Operating fixed assets	<b>Six months period ended June 30, 2006</b>	<b>Six months period ended June 30, 2005</b>
	(Rupees in thousand)	
Additions	114,206	50,530
Disposals [having a net book value of Rs 1.252 million (2005: Rs 0.953 million)]	3,667	9,722

9. TRADE DEBTS – CONSIDERED GOOD

These include Rs 16.051 million (2005: Rs 24.268 million) receivable from associated undertakings.

10. COST OF SALES

	Quarter ended		Six months period ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
	(Rupees in thousand)		(Rupees in thousand)	
<b>Raw materials consumed</b>				
Opening stock of raw materials	182,362	219,274	177,167	311,758
Purchases	772,895	511,704	1,350,132	829,120
Closing stock of raw materials	<u>(340,911)</u>	<u>(203,402)</u>	<u>(340,911)</u>	<u>(203,402)</u>
	614,346	527,576	1,186,388	937,476
<b>Manufacturing expenses</b>				
Salaries, wages and other benefits	19,099	16,143	37,139	30,377
Fuel, power and water	67,505	43,535	124,209	77,604
Packing expenses	26,691	22,224	51,809	39,511
Repairs and maintenance	7,786	8,535	21,641	15,858
Insurance	3,252	3,601	7,136	7,016
Vehicle running and maintenance	2,439	2,895	4,570	4,656
Travelling	478	737	816	1,348
Retirement benefits	1,337	1,201	2,754	2,344
Depreciation	55,958	58,014	110,394	119,368
Other expenses	358	538	764	784
	184,903	157,423	361,232	298,866
<b>Work in process</b>				
Opening stock	28,188	57,669	43,413	65,086
Closing stock	<u>(40,411)</u>	<u>(74,635)</u>	<u>(40,411)</u>	<u>(74,635)</u>
	(12,223)	(16,966)	3,002	(9,549)
<b>Cost of goods manufactured</b>	787,026	668,033	1,550,622	1,226,793
<b>Finished goods</b>				
Opening stock	24,717	20,329	26,242	14,173
Closing stock	<u>(16,918)</u>	<u>(50,263)</u>	<u>(16,918)</u>	<u>(50,263)</u>
	7,799	(29,934)	9,324	(36,090)
	<u>794,825</u>	<u>638,099</u>	<u>1,559,946</u>	<u>1,190,703</u>

11. TRANSACTIONS WITH RELATED PARTIES

Transactions were done with the following related parties of the company during the six 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 six months period ended June 30, 2006	Transactions during the six months period ended June 30, 2005	Amount outstanding as at June 30, 2006	Amount outstanding as at June 30, 2005
	(Rupees in '000)			
Sale of finished goods	100,548	86,010	(16,051)	(22,745)
Purchase of goods and services	153,186	110,791	3,186	6,130
Sale of plant and machinery and related spares	-	3,200	-	-
Contribution to Staff retirement benefit funds				
• Provident fund	1,429	-	2	1
• Grativity fund	982	847	1	141
• Pension fund	2,196	1,928	(5,678)	(3,081)
Dividend paid	45,520	27,317		
Key management personnel compensation	5,213	4,421		

**12. CASH GENERATED FROM OPERATIONS**

	Six months period ended June 30, 2006	Six months period ended June 30, 2005
	(Rupees in thousand)	
Profit before taxation	95,598	31,984
Adjustment for non cash charges and other items:		
Depreciation	111,955	121,886
Provision for doubtful debts	876	
Provision for retirement benefits	3,178	3,209
Profit on bank balances	(1)	(35)
Profit on disposal of fixed assets	(1,215)	(2,014)
Provision for accumulated compensated absences	864	1,200
Finance cost	66,871	43,694
Working capital changes – note 12.1	(103,132)	96,951
	<u>174,994</u>	<u>296,875</u>

**12.1 Working capital changes**

(Increase) / decrease in current assets:		
Stores and spares	(27,963)	(4,129)
Stock in trade	(113,659)	70,336
Trade debts	(2,739)	(71,093)
Advances, deposits, prepayments and other receivables		
	<u>167</u>	<u>26,995</u>
	(144,194)	22,109
Increase in current liabilities:		
Trade and other payables	41,062	74,842
	<u>(103,132)</u>	<u>96,951</u>

**13. CASH AND CASH EQUIVALENTS**

	June 30, 2006	June 30, 2005
	(Rupees in thousand)	
Cash and bank balances	24,293	33,809
Short-term finance	(202,210)	(373,614)
	<u>(177,917)</u>	<u>(339,805)</u>

**14. PLANT CAPACITY AND ACTUAL PRODUCTION**

	Six months period ended June 30, 2006	Six months period ended June 30, 2005
	(Number of units )	
Operational capacity available during the period	<u>13,400</u>	<u>13,400</u>
Production	<u>13,417</u>	<u>10,464</u>

**15. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 29, 2006 by the board of directors of the company.

  
Shahid Hussain  
Chief Executive

  
Masaharu Domichi  
Director