

Tri-Pack Films Limited

Interim Report (Unaudited)

3rd Quarter Ended September 30, 2008



Registered office

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DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors are pleased to present their report along with unaudited accounts of the Company for the third quarter ended September 30, 2008.

OPERATING AND FINANCIAL RESULTS

The result of operations for the third quarter ended September 30, 2008 remained satisfactory. We were able to achieve production and sales targets with improved margins.

During the period under review, oil prices in the international market suddenly dropped, which resulted in sharp decline in the prices of our raw material. Consequently, BOPP film prices in the international market slashed down, while raw material on order was still at high prices. This situation created an adverse cost v/s price imbalance.

On the other hand, Pak Rupee also lost value against US Dollar and other international currencies which adversely affected the cost of production and cash flows.

Despite all these challenges, your Company was able to achieve its sales and profit targets. Net sales during the period increased to Rs 4,567 million which is higher by Rs 1,203 million (36%) in comparison to the corresponding period of last year. Profit after tax also increased to Rs 409 million from Rs 318 million for the corresponding period of last year.

FUTURE OUTLOOK

At present, global financial markets are under severe pressure facing liquidity squeeze and financial difficulties. Our country is also influenced with this situation and its consumer products growth is affected, which in turn is curtailing our market. This turbulent situation may continue till the end of year 2008. With the stability in international raw material and oil prices, and improvement in the general economic conditions in the country, we hope to have normal business conditions and smooth operations from the start of 2009.

We will endeavor to maintain our sales volumes and margins by offering wide range of value added products at competitive prices, excellent after sales services, reduced lead time, maintaining economies of operations and human resource development strategies.

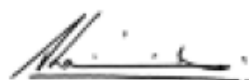
CPP PLANT (Cast Polypropylene Film)

The installation of the CPP plant is in final stages and we are expecting the project to be completed on time. Commercial production is expected from the month of December 2008.

ACKNOWLEDGEMENT

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

On behalf of the board



Shahid Hussain
Chief Executive

Karachi – October 30, 2008.

**CONDENSED INTERIM BALANCE SHEET
AS AT SEPTEMBER 30, 2008 (UNAUDITED)**

| | September 30, 2008 | December 31, 2007 |
|---|-----------------------|----------------------|
| Note | (Rupees in thousand) | |
| Share capital and reserves | | |
| Authorised capital | 1,000,000 | 1,000,000 |
| Issued, subscribed and paid-up capital | 300,000 | 300,000 |
| Reserves | 941,305 | 952,219 |
| Unrealised surplus on revaluation of investment | - | 389 |
| | 1,241,305 | 1,252,608 |
| Non-current liabilities | | |
| Long-term finances | 3 824,000 | 540,000 |
| Deferred liabilities | | |
| Deferred taxation | 190,243 | 185,530 |
| Accumulated compensated absences | 5,460 | 7,201 |
| Current liabilities and provisions | | |
| Current portion of long-term finances | 3 216,000 | 216,000 |
| Short - term finances | 4 224,966 | |
| Trade and other payables | 5 968,132 | 1,010,778 |
| Accrued mark-up | 25,338 | 20,188 |
| Taxation | 120,679 | 109,350 |
| | 1,555,115 | 1,356,316 |
| Contingencies and commitments | 6 | |
| | 3,816,123 | 3,341,655 |
| Property, plant and equipment | 7 1,985,673 | 1,608,744 |
| Long-term deposits | 1,228 | 1,104 |
| Current assets | | |
| Stores and spares | 174,543 | 142,651 |
| Stock-in-trade | 709,974 | 640,772 |
| Trade debts | 8 795,914 | 534,197 |
| Advances, deposits, prepayments and other receivables | 109,558 | 38,503 |
| Investments - available for sale | - | 50,389 |
| Cash and bank balances | 39,233 | 325,295 |
| | 1,829,222 | 1,731,807 |
| | 3,816,123 | 3,341,655 |

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2008 (UNAUDITED)

| | -----Quarter ended----- | | -----Nine months period ended----- | |
|---|---------------------------------|--------------------|------------------------------------|--------------------|
| | September 30, 2008 | September 30, 2007 | September 30, 2008 | September 30, 2007 |
| Note | ------(Rupees in thousand)----- | | | |
| Sales | 2,091,852 | 1,485,144 | 5,528,220 | 3,948,500 |
| Less: sales tax | 370,844 | 255,113 | 961,601 | 584,956 |
| Net sales | <u>1,721,008</u> | <u>1,230,031</u> | <u>4,566,619</u> | <u>3,363,544</u> |
| Cost of sales | 9 1,403,063 | 953,843 | 3,708,188 | 2,687,034 |
| Gross profit | <u>317,945</u> | <u>276,188</u> | <u>858,431</u> | <u>676,510</u> |
| Distribution expenses | 20,720 | 19,632 | 67,968 | 55,145 |
| Administrative expenses | 21,334 | 14,927 | 57,973 | 45,661 |
| | <u>42,054</u> | <u>34,559</u> | <u>125,941</u> | <u>100,806</u> |
| Operating profit | <u>275,891</u> | <u>241,629</u> | <u>732,490</u> | <u>575,704</u> |
| Other income | 2,669 | 3,844 | 12,295 | 13,639 |
| | <u>278,560</u> | <u>245,473</u> | <u>744,785</u> | <u>589,343</u> |
| Finance cost | 43,058 | 21,942 | 80,301 | 71,892 |
| Other expenses | 11,265 | 10,439 | 40,865 | 30,719 |
| | <u>54,323</u> | <u>32,381</u> | <u>121,166</u> | <u>102,611</u> |
| Profit before taxation | <u>224,237</u> | <u>213,092</u> | <u>623,619</u> | <u>486,732</u> |
| Taxation | | | | |
| -Current | 82,145 | 75,007 | 209,820 | 75,178 |
| -Deffered | (4,447) | (1,393) | 4,713 | 93,092 |
| | <u>77,698</u> | <u>73,614</u> | <u>214,533</u> | <u>168,270</u> |
| Profit after taxation | <u>146,539</u> | <u>139,478</u> | <u>409,086</u> | <u>318,462</u> |
| Earnings per share - basic and diluted (Rupees) | <u>4.88</u> | <u>4.65</u> | <u>13.64</u> | <u>10.62</u> |

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

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2008 (UNAUDITED)**

| | Share capital | General reserve | Unappropriated profit | Unrealised Surplus on revaluation of Investment | Total |
|--|---------------------------------|--------------------|--------------------------|--|------------------|
| | ------(Rupees in thousand)----- | | | | |
| Balance as at January 1, 2007 | 300,000 | 614,000 | 168,064 | - | 1,082,064 |
| Transfer to general reserve | - | 18,000 | (18,000) | - | - |
| Dividend relating to the year ended December 31, 2006 @ 50% | - | - | (150,000) | - | (150,000) |
| Net profit for the nine months period ended September 30, 2007 | - | - | 318,462 | - | 318,462 |
| Interim dividend | | | (120,000) | | (120,000) |
| Balance as at September 30, 2007 | <u>300,000</u> | <u>632,000</u> | <u>198,526</u> | <u>-</u> | <u>1,130,526</u> |
| Balance as at January 1, 2008 | 300,000 | 632,000 | 320,219 | 389 | 1,252,608 |
| Transfer to general reserve | - | 140,000 | (140,000) | - | - |
| Dividend relating to the year ended December 31, 2007 @ 60% | - | - | (180,000) | - | (180,000) |
| Interim dividend | - | - | (240,000) | - | (240,000) |
| Net profit for the nine months ended September 30, 2008 | - | - | 409,086 | - | 409,086 |
| Unrealised surplus on revaluation of available for sale' investment | - | - | - | (389) | (389) |
| Balance as at September 30, 2008 | <u>300,000</u> | <u>772,000</u> | <u>169,305</u> | <u>-</u> | <u>1,241,305</u> |

**CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2008 (UNAUDITED)**

| | Note | Nine months period ended September 30, 2008 | Nine months period ended September 30, 2007 |
|--|------|---|---|
| (Rupees in thousand) | | | |
| Cash flows from operating activities | | | |
| Cash generated from operations | 11 | 400,244 | 669,048 |
| Payment of accumulated compensated absences | | (4,441) | (1,136) |
| Long-term deposits | | (124) | (216) |
| Retirement benefits paid | | (6,651) | (7,553) |
| Income taxes paid | | (198,491) | (23,818) |
| Net cash inflow from operating activities | | 190,537 | 636,325 |
| Cash flows from investing activities | | | |
| Fixed capital expenditure | | (575,760) | (47,220) |
| Profit on bank balances received | | 1,194 | 2,185 |
| Investment purchased during the year | | (120,000) | (50,000) |
| Investment disposed off during the year | | 171,992 | - |
| Sale proceeds on disposal of fixed assets | | 1,736 | 1,106 |
| Net cash outflow from investing activities | | (520,838) | (93,929) |
| Cash flows from financing activities | | | |
| Finance costs paid | | (75,151) | (77,378) |
| Long-term finance (paid) received | | 284,000 | (216,000) |
| Dividend paid | | (389,576) | (149,291) |
| Net cash outflow from financing activities | | (180,727) | (442,669) |
| Net (decrease) in cash and cash equivalents | | (511,028) | 99,727 |
| Cash and cash equivalents at the beginning of the period | | 325,295 | 208,867 |
| Cash and cash equivalents at the end of the period | 12 | (185,733) | 308,594 |

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2008 (UNAUDITED)**

1. INTRODUCTION

The Company is a public company incorporated in Pakistan on April 29, 1993 under the Companies Ordinance, 1984 and is listed on all the 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 4th 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, 2008 and the profit and loss account, statement of changes in equity and the cash flow statement for the nine months ended September 30, 2008. The financial statements also include the profit and loss account for the quarter ended September 30, 2008.

The comparative balance sheet presented in these financial statements as at December 31, 2007 has been extracted from the audited financial statements of the Company for the year ended December 31, 2007 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, 2007. The comparative profit and loss account for the quarter ended September 30, 2007 is also included in these financial statements.

2.2 The accounting policies and methods of computation of balances 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, 2007.

September 30 **December 31,**
2008 **2007**
(Rupees in thousand)

3. LONG-TERM FINANCES

Secured

| | | |
|---|-----------|---------|
| Finance 1 - note 3.1 | 500,000 | 700,000 |
| Finance 2 - note 3.2 | 40,000 | 56,000 |
| Finance 3 - note 3.3 | 500,000 | - |
| | 1,040,000 | 756,000 |
| Less: Amounts payable within twelve months shown under current liabilities | 216,000 | 216,000 |
| | 824,000 | 540,000 |

- 3.1 The Company had obtained a long term finance facility of Rs 1,000 million (December 31, 2007: Rs 1,000 million) from a commercial bank under mark-up arrangements. 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 six months treasury bills of the State Bank of Pakistan. The effective rate of mark-up during the nine months was 10.94% (December 31, 2007: 9.89%) per annum. The principal amount is repayable in ten equal semi annual installments commencing after thirty months inclusive of two years grace period from the date of first draw down. 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.
- 3.2 The Company had obtained a long-term finance facility of Rs 100 million (December 31, 2007: Rs 100 million) from a commercial bank under mark-up arrangements out of which the Company has availed Rs 80 million (December 31, 2007: Rs 80 million). Mark-up is payable on quarterly basis at the rate of three months Karachi Inter Bank Offer Rate (KIBOR) plus 1% per annum. The effective rate of mark-up during the nine months was 12.28% (December 31, 2007: 10.72%) per annum. The principal amount is repayable in ten equal semi annual installments commencing after thirty months inclusive of two years grace period from the date of first draw down. 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.
- 3.3 The Company had obtained a long term finance facility of Rs 500 million from a commercial bank under mark-up arrangements. Mark-up is payable on semi-annual basis at the rate of six months KIBOR plus 0.50 percent per annum. The principal amount will be repayable in 8 equal installments commencing after six months from the date of first draw down with a grace period of two years. The facility is secured by first pari passu hypothecation/ mortgage charges on all the Company's present and future assets including but not limited to land, building, plant and machinery, equipment, furniture and fixture etc.

4. SHORT-TERM FINANCES - SECURED

Short-term finances are under mark-up arrangement with banks payable on various maturity dates upto August 31, 2009. These facilities are secured by joint hypothecation by way of first floating charge over current assets including but not limited to stores and spares, stock in trade and trade debts. Rate of mark-up applicable to these facilities ranges between 13.08% to 15.04% (December 31, 2007: 9.87% to 10.89%) per annum. Total facilities available under mark-up arrangements aggregated Rs 1,600 million (December 31, 2007: Rs 1,710 million) out of which the amount unavailed at the period end was Rs 1,375 million (December 31, 2007: Rs 1,710 million).

5. TRADE AND OTHER PAYABLES

These include Rs 3.205 million (December 31, 2007: Rs 26.277 million) payable to related parties.

6. CONTINGENCIES AND COMMITMENTS

| | September 30, 2008 | December 31, 2007 |
|---|-------------------------------|------------------------------|
| | (Rupees in thousand) | |
| Contingencies | | |
| Guarantees issued by banks on behalf of the Company | <u>30,755</u> | <u>9,755</u> |
| Commitments | | |
| Letter of credit for purchase of raw material and spares | <u>622,434</u> | <u>350,681</u> |
| Commitments for capital expenditures | <u>243,812</u> | <u>351,946</u> |

- 6.1 The facilities for opening of letter of credits and for guarantees as at September 30, 2008 amount to Rs 3,500 million (December 31, 2007: Rs 2,690 million) and Rs 110 million (December 31, 2007: Rs 110 million), of which the amount remaining unutilized was of Rs 2,633.754 million (December 31, 2007: Rs 1,987.373 million) and Rs 79.245 million (December 31, 2007: Rs 100.245 million) respectively.

7. PROPERTY, PLANT AND EQUIPMENT

| | September 30, 2008 | December 31, 2007 |
|-------------------------------------|-------------------------------|------------------------------|
| | (Rupees in thousand) | |
| Operating fixed assets - note 7.1 | 1,528,390 | 1,513,925 |
| Capital work-in-progress - note 7.2 | <u>457,283</u> | <u>94,819</u> |
| | <u>1,985,673</u> | <u>1,608,744</u> |

- | | Nine months
period ended
September 30,
2008 | Nine months
period ended
September 30,
2007 |
|----------------------------|--|--|
| | (Rupees in thousand) | |
| 7.1 Operating fixed assets | | |

| | | |
|---|----------------|---------------|
| Additions | <u>213,360</u> | <u>35,073</u> |
| Disposals [having a net book value of Rs 1.751 million (2007: Rs 0.758 million)] | <u>4,458</u> | <u>2,169</u> |

- 7.2 This includes software implementation cost amounting to Rs. 19.254 million (December 31, 2007: Rs. 7.367 million).

8. TRADE DEBTS

Considered good

These include Rs 18.362 million (December 31, 2007: Rs 2.638 million) receivable from related parties.

9. COST OF SALES

| | Quarter ended | | Nine months period ended | |
|--|----------------------|----------------------|--------------------------|----------------------|
| | September30, 2008 | September30, 2007 | September30, 2008 | September30, 2007 |
| | (Rupees in thousand) | | (Rupees in thousand) | |
| Opening stock of finished goods | 12,098 | 24,233 | 47,091 | 24,511 |
| Cost of goods manufactured – note 9.1 | 1,411,932 | 945,836 | 3,682,064 | 2,678,749 |
| Less: Closing stock of finished goods | <u>(20,967)</u> | <u>(16,226)</u> | <u>(20,967)</u> | <u>(16,226)</u> |
| | <u>1,403,063</u> | <u>953,843</u> | <u>3,708,188</u> | <u>2,687,034</u> |
| 9.1 Cost of goods manufactured | | | | |
| Opening stock of work-in-process | 33,592 | 56,522 | 43,849 | 38,238 |
| Raw materials consumed – note 9.2 | 1,200,379 | 717,134 | 2,972,615 | 2,074,504 |
| Salaries, wages and other benefits | 34,972 | 25,270 | 94,460 | 67,822 |
| Fuel, power and water | 96,182 | 72,776 | 275,891 | 203,520 |
| Packing material consumed | 29,422 | 26,373 | 87,050 | 76,599 |
| Repairs and maintenance | 21,660 | 16,389 | 62,948 | 49,798 |
| Insurance | 5,597 | 3,843 | 15,134 | 11,398 |
| Vehicle running and maintenance | 4,188 | 2,490 | 9,800 | 7,368 |
| Travelling | 1,675 | 816 | 3,655 | 1,871 |
| Staff retirements benefits | 2,265 | 1,594 | 6,746 | 4,752 |
| Depreciation | 66,767 | 62,077 | 193,938 | 181,621 |
| Others | 464 | 350 | 1,209 | 1,056 |
| | 1,497,163 | 985,634 | 3,767,295 | 2,718,547 |
| Less: Closing stock of work-in-process | <u>(85,231)</u> | <u>(39,798)</u> | <u>(85,231)</u> | <u>(39,798)</u> |
| | <u>1,411,932</u> | <u>945,836</u> | <u>3,682,064</u> | <u>2,678,749</u> |
| 9.2 Raw materials consumed | | | | |
| Opening stock of raw materials | 489,368 | 184,693 | 293,939 | 201,001 |
| Purchases | 1,150,828 | 771,236 | 3,118,493 | 2,112,298 |
| Closing stock of raw materials | <u>(439,817)</u> | <u>(238,795)</u> | <u>(439,817)</u> | <u>(238,795)</u> |
| | <u>1,200,379</u> | <u>717,134</u> | <u>2,972,615</u> | <u>2,074,504</u> |

10. TRANSACTIONS WITH RELATED PARTIES

| | Nature of transactions | Nine months period ended September 30, 2008 | Nine months period ended September 30, 2007 |
|--|---|--|--|
| (Rupees in thousand) | | | |
| Purchases of goods and services | | | |
| International General Insurance Company of Pakistan Limited | Insurance Services | 65,687 | 52,706 |
| Mitsubishi Corporation, Japan Packages Limited | Raw material Goods and Services | 58,620 33,294 | 32,000 29,426 |
| Siemens Pakistan Engineering Company Limited | Goods and Services | 4,037 | 7,577 |
| | | <u>161,638</u> | <u>121,709</u> |
| Sales of goods & services | | | |
| Packages Lanka (Private) Limited | Supplies | 9,435 | 4,613 |
| Packages Limited | Supplies | 269,260 | 146,067 |
| Tetra Pak Pakistan Limited | Supplies | 11,019 | 3,726 |
| | | <u>289,714</u> | <u>154,406</u> |
| Purchase of spare parts | | | |
| Mitsubishi Corporation, Japan | Spares parts | 1,615 | - |
| Purchase of an intangible asset | | | |
| Siemens Pakistan Engineering Company Limited | Intangible assets (included in CWIP) | 9,002 | - |
| Contributions to staff retirement benefit funds | | | |
| Gratuity fund | Contribution | 1,940 | 1,556 |
| Pension fund | Contribution | 4,598 | 3,541 |
| Provident fund | Contribution | 2,936 | 2,217 |
| | | <u>9,474</u> | <u>7,314</u> |
| Dividend | | | |
| International General Insurance Company of Pakistan Limited | | 12,295 | 3,557 |
| Mitsubishi Corporation, Japan Packages Ltd. | | 104,986 | 37,500 |
| | | <u>140,000</u> | <u>50,000</u> |
| | | <u>257,281</u> | <u>91,057</u> |
| Remuneration of key management personnel | | | |
| Salaries and other short-term employees' benefits | | 16,082 | 11,097 |
| International General Insurance Co. of Pakistan Ltd | Commission | 2,308 | - |

11. CASH GENERATED FROM OPERATIONS

**Nine months
period ended
September 30,
2008** **Nine months
period ended
September 30,
2007**
(Rupees in thousand)

| | | |
|--|------------------|------------------|
| Profit before taxation | 623,619 | 486,733 |
| Adjustment for non cash charges and other items: | | |
| Depreciation | 197,145 | 183,481 |
| (Provision written back)/provision for doubtful debts | 3,473 | (410) |
| Provision for retirement benefits | 6,538 | 7,653 |
| Profit on bank balances | (532) | (2,566) |
| Profit on disposal of fixed assets | (50) | (368) |
| Net realized gain from Investment classified as available for sale | (1,992) | - |
| Provision for accumulated compensated absences | 2,700 | 1,800 |
| Finance cost | 80,301 | 71,892 |
| Working capital changes - note 11.1 | (510,958) | (79,167) |
| | <u>400,244</u> | <u>669,048</u> |
| 11.1 Working capital changes (Increase) / decrease in current assets: | | |
| Stores and spares | (31,892) | (6,692) |
| Stock in trade | (69,202) | (29,883) |
| Trade debts | (265,190) | (88,619) |
| Advances, deposits, prepayments and other receivables | (71,717) | (10,830) |
| | <u>(438,001)</u> | <u>(136,024)</u> |
| Increase / (Decrease) in current liabilities | | |
| Trade and other payables | (72,957) | 56,857 |
| | <u>(510,958)</u> | <u>(79,167)</u> |

12. CASH AND CASH EQUIVALENTS

**September 30,
2008** **September
30, 2007**
(Rupees in thousand)

| | | |
|------------------------------|------------------|----------------|
| Cash and bank balances | 39,233 | 308,594 |
| Short term finances – note 4 | (224,966) | - |
| | <u>(185,733)</u> | <u>308,594</u> |

13. PLANT CAPACITY AND ACTUAL PRODUCTION

**Nine months
period ended
September 30,
2008** **Nine months
period ended
September
30, 2007**
(Metric tonnes)

| | | |
|--|---------------|---------------|
| Operational capacity available during the period | 20,850 | 20,100 |
| Production | <u>21,457</u> | <u>20,790</u> |

14. CORRESPONDING FIGURES

For better presentation, 'Commission earned on insurance premium' aggregating Rs 3.731 million which has previously been netted off with insurance expense 'cost of sales' has been reclassified and included in 'other income'.

15 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on October 30, 2008 by the board of directors of the Company.