



Tri-Pack Films Limited

EN ROUTE

TO NEW HEIGHTS



QUARTERLY REPORT SEPTEMBER 2014

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Company Information

BOARD OF DIRECTORS

Syed Babar Ali (Chairman)
Asif Qadir *
Khalid Yacob
Kimihide Ando
Syed Aslam Mehdi (Chief Executive)
Syed Hyder Ali
Yasumasa Kondo

AUDIT COMMITTEE

Asif Qadir (Chairman)
Khalid Yacob *
Kimihide Ando
Yasumasa Kondo

EXECUTIVE COMMITTEE

Kimihide Ando (Chairman)
Khalid Yacob *
Syed Aslam Mehdi
Syed Hyder Ali

HUMAN RESOURCE AND REMUNERATION COMMITTEE

Asif Qadir (Chairman)
Khalid Yacob *
Syed Aslam Mehdi

CHIEF FINANCIAL OFFICER

Nasir Jamal

COMPANY SECRETARY

Adi J. Cawasji

AUDITORS AND TAX ADVISOR

A. F. Ferguson & Co.
Chartered Accountants

LEGAL ADVISOR

Sattar & Sattar
Khan & Paracha

SHARES REGISTRAR

FAMCO Associates (Pvt.) Ltd
8-F, Next to Hotel Faran
Nursery, Block 6, P.E.C.H.S.,
Shahrah-e-Faisal
Karachi - 75400
Tel : (021) 34380101-2
Fax : (021) 34380106

WEBSITE

www.tripack.com.pk

REGISTERED OFFICE

4th Floor, The Forum,
Suite No. 416-422,
G-20, Block No. 9, Clifton,
Khayaban-e-Jami,
Karachi - 75600, Pakistan.
Tel: (021) 35874047-49
(021) 35831618
Fax: (021) 35860251

BANKERS

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Bank Islami Pakistan Limited
Barclays Bank PLC, Pakistan
Citibank N.A.
Deutsche Bank A.G.
Faysal Bank Limited
Habib Bank Limited
HSBC Bank Middle East Limited
MCB Bank Limited
Meezan Bank Limited
NIB Bank Limited
Standard Chartered Bank Ltd.
The Bank of Tokyo-Mitsubishi UFJ, Ltd.

WORKS

Plot No. G-1 to G-4,
North Western Industrial Zone,
Port Qasim Authority,
Karachi.
Tel : (021) 34720247-48
Fax : (021) 34720245

WORKS & REGIONAL SALES OFFICE

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

REGIONAL SALES OFFICE

Plot No. 5 FC. C,
Maratib Ali Road,
Gulberg II,
Lahore.
Tel: (042) 35716068-70
Fax: (042) 35716071

REGIONAL SALES & HEAD OFFICE

House No. 18,
Sir Abdullah Haroon Road, Adjacent
Marriott Hotel,
Karachi.
Tel: (021) 35224336-37
Fax: (021) 35224338

* In alphabetical order

Directors' Report to the Shareholders

For the quarter and nine months ended September 30, 2014

The Directors are pleased to present their review report together with the un-audited financial information of the Company for the quarter and nine months ended September 30, 2014.

There was no reportable major injury during the period and the Company complied with the health, safety and environmental regulatory requirements.

	Nine months ended September 30	
	2014	2013
Sales Volume (M. Tonnes)	36,576	32,214
Net Sales Income (Rs M)	10,247	8,729
Operating Profit (Rs M)	724	689
(Loss) / Profit after tax (Rs M)	22	175
Earnings per share (Rs)	0.72	5.84

Through aggressive margin management, the Company partially recovered the escalation in feedstock prices from downstream industry, as a result, compared to a loss in last quarter, the Company returned to profitable operations this quarter.

Despite sluggish growth in demand and supply overhang, sales volumes for the quarter and nine months were higher by 13% over corresponding periods last year. Net Sales Income for the quarter and nine months at Rs 3.6 billion and Rs 10.2 billion were higher by approximate 17% compared to corresponding periods last year with pressure on margins starting to taper off as a result of aggressive margin management.

Administrative and selling expenses were higher primarily due to higher distribution cost resulting from higher volumes. Finance cost for the quarter and nine months was up by Rs 103 million and Rs 335 million respectively compared to the same period last year on account of long-term borrowings for BOPP Line 4 and CPP Line 2 which in 2013 were part of project capitalization cost.

Consequently, profit after tax for the quarter was Rs 42 million against loss after tax of Rs 63 million in corresponding period last year. On a year to date basis, profit after tax was Rs 22 million against Rs 175 million in corresponding period last year.

Recently the Competition Commission of Pakistan has disposed of the complaint against the Pioneering status granted to the BOPET films manufacturers. The Company is evaluating its options to further pursue the matter to ensure a level playing field and remove the undue advantage being passed on to the BOPET films manufacturers in terms of duty, taxes etc.

Future Outlook

The Company would remain focused on margins and working capital management. With efforts being put in to improve the debtor's collection, there may be some temporary negative impact on volumes. The Company is also taking up the matter of illegal imports affecting the films industry and economy in general with the relevant authorities to curb the menace of illegal imports.

External factors such as fragile political situation, energy supply outlook and depreciation of Pak Rupee against major currencies will remain a challenge.

We are grateful to all our stakeholders for their continuous support in turning back the Company to profitable operations.

S. a. mehdi.
Syed Aslam Mehdi
Chief Executive

Condensed Interim Balance Sheet

As at September 30, 2014 (Un-audited - note 2)

Note	September 30, 2014	December 30, 2013
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----- (Rupees in thousand) -----

SHARE CAPITAL AND RESERVES

Authorised share capital	<u>1,000,000</u>	<u>1,000,000</u>
Issued, subscribed and paid-up share capital	300,000	300,000
Reserves	1,824,786	1,775,185
	<u>2,124,786</u>	<u>2,075,185</u>

NON-CURRENT LIABILITIES

Long-term finances	5	4,747,047	4,576,924
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DEFERRED LIABILITIES

Deferred taxation		281,534	299,888
Accumulated compensated absences	6	11,313	33,612
		292,847	333,500
		<u>5,039,894</u>	<u>4,910,424</u>

CURRENT LIABILITIES AND PROVISIONS

Trade and other payables	7	2,579,156	2,742,581
Accrued mark-up		226,836	175,042
Derivative financial instruments		-	43,871
Short-term borrowings	8	3,070,326	3,263,531
Current portion of long-term finances	5	729,877	525,000
		<u>6,606,195</u>	<u>6,750,025</u>
		11,646,089	11,660,449

CONTINGENCIES AND COMMITMENTS

	9	<u>13,770,875</u>	<u>13,735,634</u>
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Note **September** December
30, 2014 30, 2013
 ----- (Rupees in thousand) -----

NON-CURRENT ASSETS

Property, plant and equipment	10	7,354,038	7,535,042
Intangible assets		6,777	11,165
Long-term deposits		4,398	2,999
		<u>7,365,213</u>	<u>7,549,206</u>

CURRENT ASSETS

Stores and spares		452,082	343,874
Stock-in-trade		2,520,756	2,485,187
Trade debts	11	1,938,215	1,778,982
Advances and prepayments		87,844	149,763
Other receivables		257,913	139,650
Taxation		1,145,804	622,937
Cash and bank balances		3,048	666,035
		<u>6,405,662</u>	<u>6,186,428</u>
		<u>13,770,875</u>	<u>13,735,634</u>

The annexed notes 1 to 18 form an integral part of these condensed interim financial information.

S. a. mehdi.
 Syed Aslam Mehdi
 Chief Executive

Syed Hyder Ali
 Syed Hyder Ali
 Director

Condensed Interim Profit & Loss Account

For the quarter and nine months period ended September 30, 2014 (Un-audited - note 2)

Note	-----Quarter ended-----		--Nine months period ended--	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
-----Rupees in thousand) -----				
Sales	4,213,754	3,593,908	11,836,027	10,106,335
Less: Sales tax	585,854	509,660	1,588,659	1,377,604
Net sales	3,627,900	3,084,248	10,247,368	8,728,731
Cost of sales	12 3,141,086	2,834,080	9,047,438	7,669,744
Gross profit	486,814	250,168	1,199,930	1,058,987
Distribution cost	114,733	73,000	293,323	205,211
Administrative expenses	64,241	53,895	182,288	164,744
Operating profit	178,974	126,895	475,611	369,955
Other income	307,840	123,273	724,319	689,032
Other income	12,378	7,877	32,519	27,527
Finance cost	320,218	131,150	756,838	716,559
Other expenses	287,087	184,461	769,462	434,275
Profit / (loss) before taxation	-	6,680	-	30,065
Taxation	287,087	191,141	769,462	464,340
- Current	33,131	(59,991)	(12,624)	252,219
- Deferred	-	18,749	-	75,869
Profit / (loss) after taxation	(9,000)	(16,130)	(34,233)	1,123
Other Comprehensive Income for the period	(9,000)	2,619	(34,233)	76,992
Transfer to stock in trade on settlement of derivative financial instruments	-	-	43,871	-
Less: Income tax relating to hedging reserves	-	-	(14,339)	-
	-	-	29,532	-
Income tax relating to retirement benefits	-	-	(1,540)	-
Other comprehensive income for the period - net of tax	-	-	27,992	-
Total Comprehensive income / (loss) for the period	42,131	(62,610)	49,601	175,227
Earnings / (loss) per share - (Rupees)	13 1.40	(2.09)	0.72	5.84

The annexed notes 1 to 18 form an integral part of these condensed interim financial information.

S. Aslam Mehdi
Syed Aslam Mehdi
Chief Executive

Syed Hyder Ali
Syed Hyder Ali
Director

Condensed Interim Statement of Changes in Equity

For the nine months period ended September 30, 2014 (Un-audited - note 2)

	Issued, subscribed and paid up share capital	General reserve	Hedging reserve	Unappropriated profit / (loss)	Total
------(Rupees in thousand)-----					
Balance at January 1, 2013 - restated	300,000	1,371,000	-	530,890	2,201,890
Transactions with owners					
Dividend relating to the year ended December 31, 2012 @ 100% (Rs 10 per share)	-	-	-	(300,000)	(300,000)
Transfer to general reserve	-	234,000	-	(234,000)	-
	-	234,000	-	(534,000)	(300,000)
Total Comprehensive Income for the nine months period ended September 30, 2013	-	-	-	175,227	175,227
Balance at September 30, 2013 - restated	300,000	1,605,000	-	172,117	2,077,117
Balance at January 1, 2014	300,000	1,605,000	(29,532)	199,717	2,075,185
Transaction with owners					
Transfer to general reserve	-	199,717	-	(199,717)	-
Comprehensive income for the period					
Profit after taxation for nine months period ended September 30, 2014	-	-	-	21,609	21,609
Other Comprehensive Income for the nine months period ended September 30, 2014	-	-	29,532	(1,540)	27,992
Total Comprehensive Income for the nine months period ended September 30, 2014	-	-	29,532	20,069	49,601
Balance at September 30, 2014	300,000	1,804,717	-	20,069	2,124,786

The annexed notes 1 to 18 form an integral part of these condensed interim financial information.

S. a. mehdi.
Syed Aslam Mehdi
Chief Executive


Syed Hyder Ali
Syed Hyder Ali
Director

Condensed Interim Cash Flow Statement

For the nine months period ended September 30, 2014 (Un-audited - note 2)

	Note	Nine months period ended September 30, 2014 ----- (Rupees in thousand) -----	Nine months period ended September 30 2013
Cash flows from operating activities			
Cash (utilised in) / generated from operations	15	753,529	964,679
Payment on account of accumulated compensated absences		(16,699)	(7,145)
Long-term deposits		(1,399)	(696)
Staff retirement benefits paid		(33,430)	(32,927)
Income taxes paid		(522,867)	(399,501)
Net cash inflow from operating activities		<u>179,134</u>	<u>524,410</u>
Cash flows from investing activities			
Fixed capital expenditure		(338,109)	(1,154,637)
Profit received on bank balances		290	119
Sale proceeds on disposal of operating assets		5,828	3,808
Net cash outflow from investing activities		<u>(331,991)</u>	<u>(1,150,710)</u>
Cash flows from financing activities			
Finance cost paid		(691,925)	(317,450)
Long-term financing acquired		1,500,000	-
Long-term finances paid		(1,125,000)	(125,000)
Short-term loan acquired		-	-
Dividend paid		-	(304,252)
Net cash outflow from financing activities		<u>(316,925)</u>	<u>(746,702)</u>
Net decrease in cash and cash equivalents		<u>(469,782)</u>	<u>(1,373,002)</u>
Cash and cash equivalents at the beginning of the period		<u>(2,597,496)</u>	<u>(1,946,945)</u>
Cash and cash equivalents at the end of the period	16	<u>(3,067,278)</u>	<u>(3,319,947)</u>

The annexed notes 1 to 18 form an integral part of these condensed interim financial information.


Syed Aslam Mehdi
Chief Executive


Syed Hyder Ali
Director

Notes to and Forming Part of the Condensed Interim Financial Statements

For the nine months period ended September 30, 2014 (Un-audited - note 2)

1. THE COMPANY AND ITS OPERATIONS

Tri-Pack Films Limited (the Company) was incorporated in Pakistan as a public company on April 29, 1993 under the Companies Ordinance, 1984 (the Ordinance) 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 and Cast Polypropylene (CPP) film. The registered office of the Company is situated at 4th floor, the Forum, Suite No. 416 to 422, G-20, Block-9, Khayaban-e-Jami, Clifton, Karachi.

2.1 These condensed interim financial information of the Company for the nine months period ended September 30, 2014 have been prepared in accordance with the requirements of approved accounting standards as applicable in Pakistan for interim financial reporting which comprise of the International Accounting Standard 34 - "Interim Financial Reporting" and provisions of and directives issued under the Ordinance. In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed. These interim financial statements should be read in conjunction with the financial statements for the year ended December 31, 2013 as they provide an update of previously reported information.

2.2 These condensed interim financial information comprise of the condensed interim balance sheet as at September 30, 2014 and the condensed interim profit and loss account, condensed interim statement of changes in equity and the condensed interim cash flow statement for the nine months period ended September 30, 2014. These condensed interim financial information also include the condensed interim profit and loss account for the quarter ended September 30, 2014.

2.3 The comparative balance sheet, presented in these condensed interim financial information, as at December 31, 2013 has been extracted from the audited financial statements of the Company for the year ended December 31, 2013 whereas the comparative condensed interim profit and loss account, condensed interim statement of changes in equity and condensed interim cash flow statement are for the nine months period ended September 30, 2013 have been extracted from the condensed interim financial information of the Company for the nine months period then ended. The comparative profit and loss account for the quarter ended September 30, 2013 is also included in these condensed interim financial information.

3. ACCOUNTING POLICIES

3.1 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended December 31, 2013.

3.2 New standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2014 are considered not to be relevant or not to have any significant effect on the Company's financial reporting and operations and are, therefore, not disclosed in these condensed interim financial information.

4. ACCOUNTING ESTIMATES

4.1 The preparation of these condensed interim financial information requires the use of certain accounting estimates. It also requires management to exercise its judgments in the process

Notes to and Forming Part of the Condensed Interim Financial Statements

For the nine months period ended September 30, 2014 (Un-audited - note 2)

of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

During the preparation of these condensed interim financial information, significant judgments made by management in applying the Company's accounting policies and key sources of estimation were the same as those applied in the Company's December 2013 financial statements except for those disclosed in note 4.2 below.

- 4.2 Effective January 1, 2014, the Company has made the following revision to the useful life of the items of property, plant and equipment:

Category	Useful life effective	
	Upto December 31, 2013	From January 1, 2014
BOPP Line-4:		
- Plant and machinery	10 years	20 years
- Electrical installations	10 years	20 years

The changes in useful life have been applied prospectively in accordance with the requirements of IAS 8 'Accounting policies, Change in Accounting Estimates and Errors'. Had there been no change in estimated useful life of aforementioned assets, the depreciation expense for the nine months period ended September 30, 2014 would have been higher by Rs 159.076 million.

- 4.3 The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended December 31, 2013.

Note	September 30, 2014	December 31, 2013
	----- (Rupees in thousand) -----	

5. LONG-TERM FINANCES

Secured

Finance 1	5.1	-	125,000
Finance 2	5.2	1,000,000	1,000,000
Finance 3	5.2	1,000,000	1,000,000
Finance 4	5.2	1,976,924	1,976,924
Finance 5	5.2	-	1,000,000
Finance 6	5.3	1,000,000	-
Finance 7	5.3	500,000	-
		<u>5,476,924</u>	<u>5,101,924</u>
Less: Current portion of long-term finances		<u>(729,877)</u>	<u>(525,000)</u>
		<u>4,747,047</u>	<u>4,576,924</u>

- 5.1 The Company obtained a long-term finance facility of Rs 500 million (December 31, 2013 : 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 Karachi Inter Bank Offer Rate (KIBOR) plus 0.50% (December 31, 2013: 0.50%) per annum. The effective rate of mark-up during the nine months was 10.26% (December 31, 2013: 11.55%) per annum. The principal amount is repayable in 8 equal installments commencing after six months with a grace period of two years from the date of first draw down. This facility is secured by first pari passu hypothecation / mortgage charges on all the Company's present and future fixed assets including but not limited to land, building, plant and machinery, equipment, furniture and fixtures, etc. During the year this facility was fully repaid.
- 5.2 The Company has obtained long-term finance facilities aggregating Rs 4,000 million (December 31, 2013: Rs 5,000 million) from various commercial banks under mark-up arrangements including Rs 2,200 million (December 31, 2013: Rs 2,200 million) under long term financing facility (LTFF) scheme provided by State Bank of Pakistan. Mark-up is payable on a semi-annual basis at the rate of six months KIBOR plus 0.75% to 0.8% per annum (December 31, 2013: 0.75% to 0.8%). The effective weighted average rate of mark-up during the nine months was 9.98% to 10.94% (December 31, 2013: 9.07% to 10.32%) per annum. The principal amount is repayable in 10 equal installments commencing after six months with a grace period of two years from the date of first draw down. This facility is secured by first pari passu hypothecation / mortgage charges on all the Company's present and future fixed assets including but not limited to land, building, plant and machinery, equipment, furniture and fixtures, etc.
- 5.3 The Company has obtained long-term finance facilities of Rs 1,000 and Rs 500 million from two commercial banks under mark-up arrangements during the current period. Mark-up is payable quarterly at the rate of three months KIBOR plus 0.75% per annum. The effective weighted average rate of mark-up during the nine months was 10.92% and 10.98% respectively. The principal amount is repayable in 10 and 8 equal installments respectively commencing after six months with a grace period of two and one year respectively from the date of first draw down. This facility is secured by first pari passu hypothecation / mortgage charges on all the Company's present and future fixed assets including land and buildings, plant and machinery, equipment, furniture and fixtures etc.

6. ACCUMULATED COMPENSATED ABSENCES

	Nine months period ended September 30, 2014	Nine months period ended September 30, 2013
	----- (Rupees in thousand) -----	
Opening balance	33,612	29,736
(Reversed) / provision made during the period - net	(5,600)	18,000
Payments made during the period	(16,699)	(7,145)
Closing balance	<u>11,313</u>	<u>40,591</u>

Notes to and Forming Part of the Condensed Interim Financial Statements

For the nine months period ended September 30, 2014 (Un-audited - note 2)

6.1 Effective April 1, 2014, the Company has revised the policy in respect of leave encashment and has reduced the number of days of leaves that can be accumulated in order to provide a better work life balance. Accumulated leaves can only be encashable at the time of retirement, death or resignation of the employee. Amount in respect of the unavailed leaves over and above the entitlement was paid during the period to the employees of the Company.

7. TRADE AND OTHER PAYABLES

These include Rs 242.528 million (December 31, 2013: Rs 5.968 million) payable to related parties.

8. SHORT-TERM BORROWINGS

	Note	September 30, 2014	December 31, 2013
----- (Rupees in thousand) -----			
Secured			
Short-term money market loans	8.1	2,225,000	1,875,000
Short-term running finance	8.2	109,591	1,388,531
Short-term loan	8.3	735,735	
		<u>3,070,326</u>	<u>3,263,531</u>

8.1 Short-term money market loans have been arranged from commercial banks as a sub-limit of the running finance facility. 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 10.28% to 10.13% (December 31, 2013: 9.06% to 10.57%) per annum.

8.2 Short-term running finances have been obtained under mark-up arrangement with banks payable on various maturity dates up to April 30, 2015. 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 10.43% to 10.01% (December 31, 2013: 9.46% to 11.62%) per annum.

8.3 This represents short-term loan of Rs 735.735 million from a commercial bank under murabaha financing arrangement obtained during the current period. The aforementioned short-term loan is repayable on January 5, 2015.

8.4 Total facilities available under mark-up arrangements aggregated Rs. 8,750 million (December 31, 2013: Rs 8,100 million) out of which the amount unavailed at the period end was Rs 5,142 million (December 31, 2013: Rs 4,836 million).

9. CONTINGENCIES AND COMMITMENTS


September 30,
2014 December 31,
 2013
 ----- (Rupees in thousand) -----

Contingencies

	150,214	226,184
Guarantees issued by banks on behalf of the Company		

Commitments

Letter of credit for purchase of raw materials and spares	701,029	989,094
Letter of credit for purchase of plant and machinery	-	30,405
Contracts for civil works	-	46,345

9.1 The facilities for opening of letters of credit and for guarantees as at September 30, 2014 amount to Rs 12,150 million (December 31, 2013: Rs 10,550 million) and Rs 395 million (December 31, 2013: Rs 360 million), of which the amount remaining unutilised was of Rs 10,648 million (December 31, 2013: Rs 7,177 million) and Rs 150.214 million (December 31, 2013: Rs 133.816 million) respectively.

9.2 During the year 2011, the Commissioner Inland Revenue (Appeals) [CIR (A)] deleted the disallowances made in the amended order in respect of the tax year 2005 issued by the Deputy Commissioner Inland Revenue (DCIR). While framing the appeal effect order DCIR had given appeal effect to the deletions made by the CIR (A). However, sales amounting to Rs 60.282 million during the trial production capitalised as the part of property, plant and equipment have been subjected to tax. The Company filed an appeal with CIR (A) which was heard during the year 2013 and appellate order No. 13/2013 dated October 24, 2013 has been received declaring appeal barred by time due to the reason that the appeal was not filed within the prescribed time under section 127(5) of the ITO, 2001. Applications for rectification were filed via letter number DT 2601 and DT 1284 dated February 8, 2012 and November 13, 2013 respectively. Consequently, the DCIR in its order D.C. No. 25/19 dated May 26, 2014 framed under section 221/124 of the ITO, 2001, rectified the issue of gain on sale of fixed assets. Other issues relating to disallowance of trial production expense, incorrect amount of trial production sales and treatment of other income were not rectified and an appeal was filed against the rectified order via letter number DT 4464 on June 23, 2014, however, the same has not been fixed for hearing. The management of the Company, based on the advice of its tax consultant, is confident that the ultimate decision in respect of the aforementioned matters shall be in its favour.

9.3 In respect of tax year 2009, an appeal as well as rectification application was filed against the order under Section 122 (1) of the ITO,2001. Rectified order has been issued by DCIR under Section 221 of the ITO,2001. According to the rectified order, disallowances aggregating Rs 22.132 million have been maintained by DCIR with a resulting tax impact of Rs 7.746 million. The Company filed an appeal with CIR (A) which was heard on June 3, 2014 and the appellate order is still awaited. The management of the Company, based on the advice of its tax consultant, is confident that the ultimate decision in respect of the aforementioned matter shall be made in its favour.

Notes to and Forming Part of the Condensed Interim Financial Statements

For the nine months period ended September 30, 2014 (Un-audited - note 2)

- 9.4 During the current period, the Additional Commissioner Inland Revenue (ACIR) in accordance with section 122(5A) of the ITO, 2001 has amended the taxable income of the Company for the tax year 2008. The ACIR through his Order No. 17/2 dated March 20, 2014 has disallowed provision of retirement benefits, charged tenderable gain to tax and increased the charge for Workers' Welfare Fund. Further, minimum tax carried forward pertaining to tax years 2005, 2006 and 2007 has also been disallowed resulting in total tax liability of Rs 53.988 million. Application for rectification was filed with ACIR and rectified order dated August 5, 2014 in which the ACIR has allowed the payments made to the fund by the Company. An appeal has been filed with CIR (A) which is pending disposal. The management of the Company, based on the advice of its tax consultant, is confident that the ultimate decision in respect of the aforementioned matter shall be made in its favour.
- 9.5 During the current period, the ACIR in accordance with section 122(5A) of the ITO, 2001 has amended the taxable income of the Company for the tax year 2010. The ACIR through his Order No. 20/02 dated April 3, 2014 has disallowed provision of retirement benefits and added back export rebate resulting in tax liability of Rs 8.66 million. Application of rectification was filed with ACIR and rectified order dated August 5, 2014 was received in which payments made to the approved funds and deduction on account of export rebate have been allowed. An appeal has been filed with CIR (A) which is pending disposal / hearing. The management of the Company, based on the advice of its tax consultant, is confident that the ultimate decision in respect of the aforementioned matter shall be made in its favour.
- 9.6 During the current period, the ACIR in accordance with section 122(5A) of the ITO, 2001 has amended the taxable income of the Company for the tax year 2011. The ACIR through his Order has disallowed provision of retirement benefits and donations paid and added back export rebate resulting in tax liability of Rs 31.731 million. Application of rectification was filed with ACIR and rectified order dated August 5, 2014 was received in which the ACIR had allowed the payments made to the fund by the Company, the tax credit and deduction on account of export rebate have been allowed. An appeal has been filed with CIR (A) which is pending disposal. The management of the Company, based on the advice of its tax consultant, is confident that the ultimate decision in respect of the aforementioned matter shall be made in its favour.

10. PROPERTY, PLANT AND EQUIPMENT

	Note	September 30, 2014	December 31, 2013
----- (Rupees in thousand) -----			
Operating fixed assets	10.1	7,302,940	6,394,753
Capital work-in-progress	10.2	3,922	1,100,939
Major spare parts and stand-by equipments		47,176	39,350
		<u>7,354,038</u>	<u>7,535,042</u>

	Nine months period ended September 30, 2014 ----- (Rupees in thousand) -----	Nine months period ended September 30, 2013 -----
10.1	Operating fixed assets	
	<u>1,427,300</u>	<u>5,512,988</u>
	Additions	
	<u>9,992</u>	<u>7,525</u>
	Disposals [having a net book value of Rs 4.704 million (2013: Rs 3.854 million)]	
	September 30, 2014 ----- (Rupees in thousand) -----	December 31, 2013 -----
10.2	Capital work-in-progress	
	-	773,776
	3,922	23,985
	-	303,178
	<u>3,922</u>	<u>1,100,939</u>

10.3 Capital work-in-progress includes borrowing cost capitalised during the period aggregating Rs Nil (December 31, 2013: Rs 142.249 million).

11. TRADE DEBTS

These include Rs 141.96 million (December 31, 2013: Rs 80.638 million) receivable from related parties.

12. COST OF SALES

	Quarter ended September 30, 2014 -----	Quarter ended September 30, 2013 -----	Nine months period ended September 30, 2014 -----	Nine months period ended September 30, 2013 -----
	----- (Rupees in thousand) -----			
Opening stock of finished goods	88,068	56,672	109,798	21,918
Cost of goods manufactured	3,180,866	2,829,746	9,065,488	7,700,164
Less: Closing stock of finished goods	(127,848)	(52,338)	(127,848)	(52,338)
	<u>3,141,086</u>	<u>2,834,080</u>	<u>9,047,438</u>	<u>7,669,744</u>

Notes to and Forming Part of the Condensed Interim Financial Statements

For the nine months period ended September 30, 2014 (Un-audited - note 2)

13. (LOSS) / EARNINGS PER SHARE

There were no convertible dilutive potential ordinary shares outstanding on September 30, 2014 and 2013.

14. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise related group companies, companies in which directors are interested, staff retirement benefits, directors, key management personnel and close members of the family of all the aforementioned related parties. The Company in the normal course of business carries out transactions with various related parties.

Significant transactions with related parties are as follows:

Nature of transaction	Nature of relationship	Transactions during the nine months period ended September 30, 2014 ----- (Rupees in thousand) -----	Transactions during the nine months period ended September 30, 2013
Purchase of goods and	Associated undertaking	<u>1,272,425</u>	<u>150,036</u>
Sale of goods and services	Associated undertaking	<u>917,010</u>	<u>688,716</u>
Purchase of property, plant and equipment	Associated undertaking	<u>18,176</u>	<u>3,123</u>
Capital work in progress	Associated undertaking	<u>-</u>	<u>11,934</u>
Dividend	Associated undertaking	<u>-</u>	<u>188,524</u>
Commission earned	Associated undertaking	<u>6,851</u>	<u>5,966</u>
Donation	Associated undertaking	<u>-</u>	<u>10,575</u>
Contributions to staff retirement benefit funds		<u>33,430</u>	<u>32,927</u>
Salaries and other short-term employees' benefits	Key management personnel	<u>58,098</u>	<u>51,108</u>
Gratuity and Pension	--- do ---	<u>6,560</u>	<u>6,568</u>
		<u>64,658</u>	<u>57,676</u>

The amounts payable and receivable from related parties have been disclosed in the relevant notes to these condensed interim financial information

15. CASH GENERATED FROM OPERATIONS

	Nine months period ended September 30, 2014	Nine months period ended September 30, 2013
	----- (Rupees in thousand) -----	
(Loss) / profit before taxation	(12,624)	252,219
Adjustment for non-cash charges and other items:		
Depreciation / Amortisation	518,797	528,822
Provision for doubtful debts	-	(350)
Provision for retirement benefits	36,819	32,927
Profit on bank balances	(290)	(119)
Gain on disposal of fixed assets	(1,124)	-
Reversal / provision for accumulated compensated absences - net	(5,600)	18,000
Unrealised exchange loss	25,743	-
Finance cost	743,719	434,275
Working capital changes – note 15.1	(551,911)	(301,095)
	<u>753,529</u>	<u>964,679</u>

15.1 Working capital changes

Decrease / (increase) in current assets:

Stores and spares	(108,208)	35,955
Stock-in-trade	(35,569)	526,340
Trade debts	(159,233)	(396,147)
Advances, prepayments and other receivables	(56,344)	18,599
	<u>(359,354)</u>	<u>184,747</u>

(Decrease) / increase in current liabilities:

Trade and other payables	(192,557)	(485,842)
	<u>(551,911)</u>	<u>(301,095)</u>

Notes to and Forming Part of the Condensed Interim Financial Statements

For the nine months period ended September 30, 2014 (Un-audited - note 2)

16. CASH AND CASH EQUIVALENTS

	September 30, 2014	September 30, 2013
	----- (Rupees in thousand) -----	
Cash and bank balances	3,048	562,603
Short-term borrowings	<u>(3,070,326)</u>	<u>(3,882,550)</u>
	<u>(3,067,278)</u>	<u>(3,319,947)</u>

17. PLANT CAPACITY AND ACTUAL PRODUCTION

	Nine months period ended September 30, 2014	Nine months period ended September 30, 2013
	(Metric tonnes)	
Operational capacity available during the period	<u>61,350</u>	<u>44,300</u>
Production	<u>39,658</u>	<u>35,095</u>

18. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial information were authorised for issue on October 21, 2014 by the Board of Directors of the Company.

S. a. mehdi.
Syed Aslam Mehdi
Chief Executive

Syed Hyder Ali
Syed Hyder Ali
Director

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