



Tri-Pack Films Limited

EN ROUTE

TO NEW HEIGHTS



HALF YEARLY REPORT JUNE 2014

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Company Information

BOARD OF DIRECTORS

Syed Babar Ali (Chairman)
* Syed Hyder Ali
Kimihide Ando
Shahid Hussain (Chief Executive)
Yasumasa Kondo
Asif Qadir
Khalid Jacob

AUDIT COMMITTEE

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

EXECUTIVE COMMITTEE

Kimihide Ando (Chairman)
* Syed Hyder Ali
Shahid Hussain
Khalid Jacob

HUMAN RESOURCE AND REMUNERATION COMMITTEE

Mr. Asif Qadir (Chairman)
* Mr. Shahid Hussain
Mr. Khalid Jacob

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

* In alphabetical order

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 Khyber
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

Directors' Report to the Shareholders

For the quarter and six months period ended June 30, 2014

The Directors are pleased to present their review report together with the un-audited financial statements of the Company for the quarter and half year ended June 30, 2014.

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

	Six months ended June 30, 2014	Six months ended June 30, 2013
Sales Volume (M. Tonnes)	23,629	20,773
Net Sales Income (Rs M)	6,619	5,644
Operating Profit (Rs M)	416	566
(Loss) / Profit after tax (Rs M)	(21)	238
Earnings per share (Rs)	(0.68)	7.9

Sales volumes for the quarter and six months were higher by 6% and 14% respectively over corresponding periods last year. Consequently Net Sale Income for quarter and six months at Rs 3.4 billion and Rs 6.6 billion were higher by 8% and 17% respectively compared to corresponding periods last year.

In the outgoing quarter supply overhang kept the product prices low, resultantly escalation in input cost could not be fully pushed to the downstream industry. This adversely affected the margins for the quarter and H1. However this being a temporary situation was subsequently addressed in July by realigning the prices with the escalation in input cost.

Administrative and Selling expenses were higher primarily on account of higher distribution cost and increase in fuel cost. Finance cost for quarter and six months was higher by Rs 167 million and Rs 233 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 capitalization cost.

Consequently, the Company incurred loss after tax for the quarter amounting to Rs 53 million against profit after tax of Rs 124 million in same period last year. For six months the Company made a loss after tax amounting to Rs 21 million against profit after tax of Rs 238 million in corresponding period last year.

Future Outlook

With the adjustment in product prices to recover the escalation in feedstock prices, improved operational efficiencies of BOPP line 4 & CPP line2 and focus on value added products the Company is expected to steer back into profitable operations from Q3 2014.

We remain grateful to all our stakeholders for their continuous support during this difficult time.


Shahid Hussain
Chief Executive

Karachi – August 13, 2014

Auditors' Report to the Members on Review of Condensed Interim Financial Information

Introduction

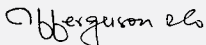
We have reviewed the accompanying condensed interim balance sheet of Tri-Pack Films Limited as at June 30, 2014, the related condensed interim profit and loss account, condensed interim statement of changes in equity and condensed interim cash flow statement together with the notes forming part thereof for the six months period then ended (here-in-after referred to as the 'condensed interim financial information'). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures included in the condensed interim profit and loss account for the quarters ended June 30, 2014 and 2013 and the note forming part thereof have not been reviewed as we are required to review only the cumulative figures for the six months period ended June 30, 2014.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of the condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.



A.F. Ferguson & Co.
Chartered Accountants

Engagement Partner: Khurshid Hasan

Karachi, August 19, 2014

Financial Statements

Condensed Interim Balance Sheet

As at June 30, 2014 (Unaudited - Note 2)

	Note	June 30, 2014	December 31, 2013
----- (Rupees in thousand) -----			
SHARE CAPITAL AND RESERVES			
Authorised capital		<u>1,000,000</u>	<u>1,000,000</u>
Issued, subscribed and paid-up share capital		300,000	300,000
Reserves		1,782,655	1,775,185
		<u>2,082,655</u>	<u>2,075,185</u>
NON-CURRENT LIABILITIES			
Long-term finances	5	5,176,924	4,576,924
DEFERRED LIABILITIES			
Deferred taxation		290,534	299,888
Accumulated compensated absences	6	4,750	33,612
		295,284	333,500
		<u>5,472,208</u>	<u>4,910,424</u>
CURRENT LIABILITIES AND PROVISIONS			
Trade and other payables	7	1,944,223	2,742,581
Accrued mark-up		248,320	175,042
Derivative financial instruments		-	43,871
Short-term borrowings	8	3,712,721	3,263,531
Current portion of long-term finances	5	362,500	525,000
		<u>6,267,764</u>	<u>6,750,025</u>
TOTAL LIABILITIES		<u>11,739,972</u>	<u>11,660,449</u>
TOTAL EQUITY AND LIABILITIES		<u>13,822,627</u>	<u>13,735,634</u>
CONTINGENCIES AND COMMITMENTS	9		

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

NON-CURRENT ASSETS

Property, plant and equipment	10	7,496,125	7,535,042
Intangible assets		8,033	11,165
Long-term deposits		2,934	2,999
		<u>7,507,092</u>	<u>7,549,206</u>

CURRENT ASSETS

Stores and spares		394,113	343,874
Stock in trade		2,122,676	2,485,187
Trade debts	11	1,912,834	1,778,982
Advances and prepayments		107,810	149,763
Other receivables		304,550	139,650
Taxation		958,222	622,937
Cash and bank balances		515,330	666,035
		<u>6,315,535</u>	<u>6,186,428</u>
TOTAL ASSETS		<u>13,822,627</u>	<u>13,735,634</u>

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


Shahid Hussain
Chief Executive


Kimihide Ando
Director

Condensed Interim Profit & Loss Account

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

Note	-----Quarter ended-----		---Six months period ended---	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
------(Rupees in thousand)-----				
Sales	3,881,617	3,584,324	7,622,273	6,512,427
Less: Sales tax	525,581	464,068	1,002,805	867,944
Net sales	3,356,036	3,120,256	6,619,468	5,644,483
Cost of sales	2,973,090	2,659,591	5,906,352	4,835,664
Gross profit	382,946	460,665	713,116	808,819
Distribution cost	93,888	73,942	178,590	132,211
Administrative expenses	60,368	58,907	118,047	110,849
	154,256	132,849	296,637	243,060
Operating profit	228,690	327,816	416,479	565,759
Other income	12,829	11,833	20,141	19,650
	241,519	339,649	436,620	585,409
Finance cost	355,706	188,296	482,375	249,814
Other expenses	(5,352)	10,393	-	23,385
	350,354	198,689	482,375	273,199
(Loss) / profit before taxation	(108,835)	140,960	(45,755)	312,210
Taxation				
- Current	-	43,672	-	57,120
- Deferred	(55,600)	(27,664)	(25,233)	17,253
	(55,600)	16,008	(25,233)	74,373
(Loss) / profit after taxation	(53,235)	124,952	(20,522)	237,837
Other Comprehensive Income for the period				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Transfer to stock in trade on settlement of derivative financial instruments	7,393	-	43,871	-
Less: Income tax relating to hedging reserves	(2,418)	-	(14,339)	-
	4,975	-	29,532	-
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Income tax relating to retirement benefits	(1,540)	-	(1,540)	-
Other comprehensive income for the period - net of tax	3,435	-	27,992	-
Total Comprehensive (loss) / income for the period	(49,800)	124,952	7,470	237,837
(Loss) / earnings per share - (Rupees)	(1.77)	4.16	(0.68)	7.92

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


Shahid Hussain
Chief Executive


Kimihide Ando
Director

Condensed Interim Statement of Changes in Equity

For the six months period ended June 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)	-
Total comprehensive income	-	234,000	-	(534,000)	(300,000)
Total Comprehensive Income for the six months period ended June 30, 2013	-	-	-	237,837	237,837
Balance at June 30, 2013 - restated	300,000	1,605,000	-	234,727	2,139,727
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	-	-	-	-	-
Loss after taxation for six months period ended June 30, 2014	-	-	-	(20,522)	(20,522)
Other Comprehensive Income for the six months period ended June 30, 2014	-	-	29,532	(1,540)	27,992
Total Comprehensive Income / (loss) for the six months period ended June 30, 2014	-	-	29,532	(22,062)	7,470
Balance at June 30, 2014	300,000	1,804,717	-	(22,062)	2,082,655

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


Shahid Hussain
Chief Executive


Kimihide Ando
Director

Condensed Interim Cash Flow Statement

For the six months period ended June 30, 2014 (Un-audited - note 2)

	Note	Six months period ended June 30, 2014	Six months period ended June 30, 2013
----- (Rupees in thousand) -----			
Cash flows from operating activities			
Cash (utilised in) / generated from operations	15	(1,523)	65,798
Payment on account of accumulated compensated absences		(14,262)	(8,150)
Long-term deposits		65	(386)
Staff retirement benefits paid		(21,120)	(22,061)
Income taxes paid		(335,285)	(229,758)
Net cash outflow from operating activities		(372,125)	(194,557)
Cash flows from investing activities			
Fixed capital expenditure		(302,531)	(644,973)
Profit received on bank balances		223	75
Sale proceeds on disposal of operating assets		4,411	1,696
Net cash outflow from investing activities		(297,897)	(643,202)
Cash flows from financing activities			
Finance cost paid		(367,373)	(158,358)
Long-term financing acquired		1,500,000	-
Long-term finances paid		(1,062,500)	(62,500)
Short-term loan acquired		735,735	-
Dividend paid		-	(233,360)
Net cash inflow / (outflow) from financing activities		805,862	(454,218)
Net increase / (decrease) in cash and cash equivalents		135,840	(1,291,977)
Cash and cash equivalents at the beginning of the period		(2,597,496)	(1,946,945)
Cash and cash equivalents at the end of the period	16	(2,461,656)	(3,238,922)

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


Shahid Hussain
Chief Executive


Kimihide Ando
Director

Notes to and Forming Part of the Condensed Interim Financial Information

For the six months period ended June 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. BASIS OF PREPARATION

2.1 These condensed interim financial information of the Company for the six months period ended June 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 June 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 six months period ended June 30, 2014 which have been subjected to a review in accordance with the listing regulations but not audited. These condensed interim financial information also include the condensed interim profit and loss account for the quarter ended June 30, 2014 which is not subjected to review.

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 six months period ended June 30, 2013 have been extracted from the condensed interim financial information of the Company for the six months period then ended, which were subjected to a review but not audited. The comparative profit and loss account for the quarter ended June 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.

Notes to and Forming Part of the Condensed Interim Financial Information

For the six months period ended June 30, 2014 (Un-audited - note 2)

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 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 six months period ended June 30, 2014 would have been higher by Rs 105.605 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	June 30, 2014	December 31, 2013
	----- (Rupees in thousand) -----	

5. LONG-TERM FINANCES

Secured

Finance 1	5.1	62,500	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>5,539,424</u>	<u>5,101,924</u>
Less: Current portion of long-term finances		<u>(362,500)</u>	<u>(525,000)</u>
		<u>5,176,924</u>	<u>4,576,924</u>

- 5.1 The Company has 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 a 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 six months was 10.20% (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.
- 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 six months was 10.05% to 10.85% (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 on a semi-annual basis at the rate of six months KIBOR plus 0.75% per annum. The effective weighted average rate of mark-up during the six months was 10.92%. 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

	Six months period ended June 30, 2014	Six months period ended June 30, 2013
	---- (Rupees in thousand) ----	
Opening balance	33,612	29,736
(Reversed) / provision made during the period - net	(14,600)	14,522
Payments made during the period	(14,262)	(8,150)
Closing balance	<u>4,750</u>	<u>36,108</u>

Notes to and Forming Part of the Condensed Interim Financial Information

For the six months period ended June 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 13.588 million (December 31, 2013: Rs 5.968 million) payable to related parties.

8. SHORT-TERM BORROWINGS

	Note	June 30, 2014	December 31, 2013
----- (Rupees in thousand) -----			
Secured			
Short-term money market loans	8.1	2,365,000	1,875,000
Short-term running finance	8.2	611,986	1,388,531
		<u>2,976,986</u>	<u>3,263,531</u>
Short-term loan	8.3	735,735	-
		<u>3,712,721</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 10.21% to 10.58% (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 10.06% to 11.49% (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. 8,100 million (December 31, 2013: Rs 8,100 million) out of which the amount unavailed at the period end was Rs 4,118 million (December 31, 2013: Rs 4,836 million).

9. CONTINGENCIES AND COMMITMENTS

	June 30, 2014	December 31, 2013
	----- (Rupees in thousand) -----	
Contingencies		
Guarantees issued by banks on behalf of the Company	244,786	226,184
Commitments		
Letter of credit for purchase of raw materials and spares	805,237	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 letter of credits and for guarantees as at June 30, 2014 amount to Rs 11,550 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 9,096 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.

Notes to and Forming Part of the Condensed Interim Financial Information

For the six months period ended June 30, 2014 (Un-audited - note 2)

- 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.
- 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 56.349 million. Application for rectification has been filed with ACIR and an appeal has been filed with CIR (A) both of which are 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.
- 9.5 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 has been filed with ACIR and an appeal has been filed with CIR (A) both of which are 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 has been filed with ACIR and an appeal has been filed with CIR (A) both of which are 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.

10. PROPERTY, PLANT AND EQUIPMENT

	Note	June 30, 2014	December 31, 2013
----- (Rupees in thousand) -----			
Operating fixed assets	10.1	7,446,550	6,394,753
Capital work in progress	10.2	3,480	1,100,939
Major spare parts and stand-by equipments		46,095	39,350
		<u>7,496,125</u>	<u>7,535,042</u>
		Six months period ended June 30, 2014	Six months period ended June 30, 2013
----- (Rupees in thousand) -----			
10.1 Operating fixed assets			
Additions		<u>1,393,245</u>	<u>5,502,258</u>
Disposals [having a net book value of Rs 3.342 million (2013: Rs 1.696 million)]		<u>6,619</u>	<u>4,253</u>
		June 30, 2014	December 31, 2013
----- (Rupees in thousand) -----			
10.2 Capital work in progress			
Plant and machinery		-	773,776
Building and civil works		3,480	23,985
Advances to suppliers and contractors		-	303,178
		<u>3,480</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).			

Notes to and Forming Part of the Condensed Interim Financial Information

For the six months period ended June 30, 2014 (Un-audited - note 2)

11. TRADE DEBTS

These include Rs 151.34 million (December 31, 2013: Rs 80.638 million) receivable from related parties.

12. COST OF SALES

	Quarter ended		Six months period ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
	------(Rupees in thousand)-----			
Opening stock of finished goods	179,410	57,944	109,798	21,918
Cost of goods manufactured	2,881,748	2,658,319	5,884,622	4,870,418
Less: Closing stock of finished goods	(88,068)	(56,672)	(88,068)	(56,672)
	<u>2,973,090</u>	<u>2,659,591</u>	<u>5,906,352</u>	<u>4,835,664</u>

13. (LOSS) / EARNINGS PER SHARE

There were no convertible dilutive potential ordinary shares outstanding on June 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 six months period ended June 30, 2014	Transactions during the six months period ended June 30, 2013
		---(Rupees in thousand)---	
Purchase of goods and services	Associated undertaking	<u>814,518</u>	<u>731,485</u>
Sale of goods and services	Associated undertaking	<u>601,607</u>	<u>497,582</u>
Purchase of property, plant and equipment	Associated undertaking	<u>18,176</u>	<u>3,998</u>

Nature of transaction	Nature of relationship	Transactions during the six months period ended June 30, 2014	Transactions during the six months period ended June 30, 2013
---(Rupees in thousand)---			
Capital work in progress	Associated undertaking	-	3,123
Dividend	Associated undertaking	-	188,524
Commission earned	Associated undertaking	6,851	5,966
Donation	Associated undertaking	-	575
Contributions to staff retirement benefit funds		21,120	22,061
Salaries and other short term employees' benefits	Key management personnel	40,808	40,276
Gratuity and Pension	--- do ---	4,179	4,585
		<u>44,987</u>	<u>44,861</u>

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

15. CASH (UTILISED IN) / GENERATED FROM OPERATIONS

	Six months period ended June 30, 2014	Six months period ended June 30, 2013
---(Rupees in thousand)---		
(Loss) / profit before taxation	(45,755)	312,210
Adjustment for non-cash charges and other items:		
Depreciation	338,106	315,792
Amortisation	3,132	4,617
Provision for retirement benefits	24,305	22,061
Profit on bank balances	(223)	(75)
Gain on disposal of fixed assets	(1,069)	-
Reversal / provision for accumulated compensated absences - net	(14,600)	14,522
Unrealised exchange gain	(7,179)	-
Finance cost	440,651	249,814
Working capital changes – note 15.1	(738,891)	(853,143)
	<u>(1,523)</u>	<u>65,798</u>

Notes to and Forming Part of the Condensed Interim Financial Information

For the six months period ended June 30, 2014 (Un-audited - note 2)

	Note	Six months period ended June 30, 2014	Six months period ended June 30, 2013
---(Rupees in thousand)---			
15.1			
Working capital changes			
Decrease / (increase) in current assets:			
Stores and spares		(50,239)	51,037
Stock in trade		362,511	(125,116)
Trade debts		(133,852)	(415,261)
Other receivables		(164,900)	(372,521)
Advances and prepayments		41,953	(21,495)
		<u>55,473</u>	<u>(883,356)</u>
(Decrease) / increase in current liabilities:			
Trade and other payables		<u>(794,364)</u>	<u>30,213</u>
		<u>(738,891)</u>	<u>(853,143)</u>

16. CASH AND CASH EQUIVALENTS

	June 30, 2014	June 30, 2013
---(Rupees in thousand)---		
Cash and bank balances	515,330	679,376
Short-term borrowings	(2,976,986)	(3,918,298)
	<u>(2,461,656)</u>	<u>(3,238,922)</u>

17. PLANT CAPACITY AND ACTUAL PRODUCTION

	Six months period ended June 30, 2014	Six months period ended June 30, 2013
(Metric tonnes)		
Operational capacity available during the period	<u>40,400</u>	<u>27,650</u>
Production	<u>25,117</u>	<u>23,605</u>

18. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial information were authorised for issue on August 13, 2014 by the Board of Directors of the Company.


Shahid Hussain
Chief Executive


Kimihide Ando
Director

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