Tri-Pack Films Limited

Half Yearly Report
June , 2019

The Art of Film Making

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Company Information

Board of Directors
Syed Babar Ali (Chairman)
Syed Hyder Ali*
Mr. Khurram Raza Bakhtayari
Ms. Nermeen Chinoy
Mr. Atsushi Fujii
Mr. Yukio Hayasawa
Syed Aslam Mehdi
Mr. Asif Qadir

Chief Executive Officer
Mr. Nasir Jamal

Audit Committee
Mr. Asif Qadir (Chairman)
Mr. Khurram Raza Bakhtayari
Ms. Nermeen Chinoy
Mr. Atsushi Fujii
Mr. Yukio Hayasawa

Executive Committee
Mr. Atsushi Fujii (Chairman)
Syed Hyder Ali*
Mr. Khurram Raza Bakhtayari
Syed Aslam Mehdi

Human Resource and Remuneration Committee
Mr. Asif Qadir (Chairman)
Mr. Khurram Raza Bakhtayari
Mr. Atsushi Fujii
Syed Aslam Mehdi

Chief Financial Officer
Mr. Shafiq Afzal Khan

Company Secretary
Mr. 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
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www.tripack.com.pk

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Bankers
Al-Baraka Bank (Pakistan) Limited
Allied Bank Limted
Askari Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
Dubai Islamic Bank (Pakistan) Limited
Faysal Bank Limited
Habib Bank Limted
Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Limited
Standard Chartered Bank (Pakistan) Limited
United Bank Limted

Regional Sales & Head Office
House No. 18, Sir Abdullah Haroon Road,
Near Marriott Hotel, Karachi.
Tel: (021) 35224336-37
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Plot No. G-1 to G-4,
North Western Industrial Zone,
Port Qasim Authority, Karachi.
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Fax : (021) 34720245

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Hattar Industrial Estate, Hattar,
Khyber Pakhtunkhwa,
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Regional Sales Office
Plot No. 5 FC. C,
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Gulberg II, Lahore.
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* In alphabetical order by sumame

Directors' Review

For the Quarter and Half year ended June 30, 2019

The Directors are pleased to present their review report together with the un-audited condensed interim financial information of the Company for the half year ended June 30, 2019.

The Company remained committed to the Safety, Health and Environment (SHE) policies and procedures.

	Half year ended June 30,	
	2019	2018
Sales Volume (M. Tonnes)	24,282	25,261
Revenue (Rs M)	7,151	6,507
Operating Profit (Rs M)	383	442
(Loss)/Profit before tax (Rs M)	(56)	237
(Loss)/Profit after tax (Rs M)	(293)	187
(Loss)/Earnings per share (Rs)	(7.6)	4.8

Business condition remained challenging on account of economic downturn, uncertainty and decline in demand across major industries including your Company. Consequently, overall volumes are lower by 3.9%.

The volatility in Pak Rupee against major currencies increased the cost of imported raw material which coupled with increase in energy cost affected the cost of production. In addition, slackened demand and supply overhang situation restricted the price adjustments. Gross margin for the six months ended were marginally lower compared to same period last year. However, compared to the preceding half year it was 2% better which is an indication of improvement in core business profitability.

Administrative and distribution expenses increased by 15% mainly on account of increase in fuel prices.

Management of foreign exchange risk and working capital remained a challenge. Despite all difficulties the Company generated Rs 1.0 billion from operations and managed to reduce debts by Rs 148 million, which will have a positive effect in the increasing mark-up rate scenario.

Finance cost for the half year ended was higher by 116% as compared to the same period last year mainly on account of increase in policy rate by an average 476 bps and exchange loss of Rs 94 million as compared to Rs 15 million in same period last year. As aforementioned, the strategy going forward is to reduce the debt with better margins and working capital management.

Operating profit lower than same period last year when there was some stability in business conditions and demand was significantly better than H2, 2018 from where all the uncertainties and depletion in demand triggered.

Consequently, Loss before tax for the half year ended at Rs 56 million as compared to Profit before tax of Rs 237 million in same period last year. Loss after tax for the half year ended was Rs 293 million compared to Profit after tax of Rs 187 million in the same period last year due to imposition of full and final tax at the rate of 1.75% on import of raw material thus increasing the average rate of tax.

We would like to seek attention of revenue authorities to address this anomaly as it has increased the cost of doing business irrespective of the profitability. Various representations have already been made to Federal Board of Revenue and relevant ministries which shall continue till its resolution.

Moreover, during the year the corporate tax has been fixed at 29% (enacted through Finance Act, 2019) for tax year 2019 and onwards. Therefore, the deferred tax liability has been revalued at 29% which was valued before at 25%. Total one-time impact of which is Rs 98.82 million. Further, Rs 28 million of prior year tax charge was taken due to reduction in the tax credit from 10% to 5% on Business Modernization and Rationalization (BMR) also promulgated through Finance Act, 2019.

Future Outlook

Business conditions are expected to remain tough due to economic slowdown and poor liquidity affecting demand and sale volumes. Volatility in exchange rate is expected to continue to impact the profitability along with the pressure on margins. Finance cost is expected to remain high. We will endeavor to minimize the effects of these strong head winds through maintaining operational efficiencies, cost savings and working capital management.

We are grateful to all our stakeholders for their continued support.

Nasir Jamal
Chief Executive Officer

Karachi, August 21, 2019

Condensed Interim Statement of Financial Position

As At June 30, 2019

	Note	(Un-audited) June 30 2019	(Audited) December 31 2018
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	5	6,101,671	6,073,755
Intangibles		12,154	2,352
Long term deposits		5,247	5,247
		6,119,072	6,081,354
CURRENT ASSETS			
Inventories	6	2,646,313	2,575,128
Trade debts - net		2,575,299	2,324,698
Advances and prepayments	7	88,940	104,392
Other receivables		139,027	135,853
Refunds due from the government - sales tax		175,463	151,956
Income tax refundable		1,180,569	1,187,537
Cash and bank balances		65,052	43,870
		6,870,663	6,523,434
TOTAL ASSETS		12,989,735	12,604,788
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital		388,000	388,000
Capital Reserves			
Share premium		999,107	999,107
Revenue Reserves			
General reserve		1,605,000	1,605,000
Unappropriated profit		291,101	739,372
		3,283,208	3,731,479
LIABILITIES			
NON CURRENT LIABILITIES			
Long term finances	8	1,070,000	1,070,001
Deferred taxation - net		268,031	193,484
Staff retirement benefits		59,016	47,357
Accumulated compensated absences		31,174	31,466
		1,428,221	1,342,308
CURRENT LIABILITIES			
Trade and other payables	9	2,563,879	1,705,841
Unclaimed dividend		17,523	16,540
Accrued mark-up		130,658	94,485
Short term borrowings	10	4,968,554	4,860,114
Current portion of long term finances	8	597,692	854,021
		8,278,306	7,531,001
TOTAL LIABILITIES		9,706,527	8,873,309
CONTINGENCIES AND COMMITMENTS	11		
TOTAL EQUITY AND LIABILITIES		12,989,735	12,604,788

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

Nasir Jamal	**Asif Qadir**	**Shafiq Afzal Khan**
Chief Executive Officer	Director	Chief Financial Officer

Condensed Interim Profit & Loss Account and Other Comprehensive Income

For The Half Year Ended June 30, 2019 - (Un-audited)

	Note	Quarter ended June 30		Half year ended June 30	
		2019	2018	2019	2018
		(Rupees in thousand)			
Revenue from contracts with customers	12	3,610,878	3,389,558	7,150,989	6,507,197
Cost of sales		(3,209,589)	(2,961,945)	(6,388,580)	(5,733,336)
Gross profit		401,289	427,613	762,409	773,861
Distribution costs		(118,372)	(98,811)	(219,537)	(187,183)
Administrative expenses		(83,657)	(72,414)	(159,698)	(144,267)
		(202,029)	(171,225)	(379,235)	(331,450)
Operating profit		199,260	256,388	383,174	442,411
Other income		17,340	17,310	27,489	28,622
		216,600	273,698	410,663	471,033
Other expenses		(110)	(12,901)	(1,025)	(19,641)
Finance cost	13	(276,723)	(113,799)	(465,374)	(214,739)
		(276,833)	(126,700)	(466,399)	(234,380)
(Loss) / profit before income tax		(60,233)	146,998	(55,736)	236,653
Income tax	14	(210,051)	(33,331)	(237,335)	(49,783)
(Loss) / profit for the period		(270,284)	113,667	(293,071)	186,870
Earnings per share (loss) - basic and diluted (Rupees)	15	(6.97)	2.93	(7.55)	4.82

There are no other comprehensive income items during this period.

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

Nasir Jamal
Chief Executive Officer

Asif Qadir
Director

Shafiq Afzal Khan
Chief Financial Officer

Condensed Interim Statement of Changes in Equity

For The Half Year Ended June 30, 2019 - (Un-audited)

	Issued, subscribed and paid up share capital	Reserves				Total
		Capital	Revenue		Total Reserves	
		Share Premium	General reserve	Unappro-priated profit		
	(Rupees in thousand)					
Balance as at January 1, 2018	388,000	999,107	1,605,000	962,362	3,566,469	3,954,469
Final cash dividend for the year ended December 31, 2017 @ Rs 10.00 per share	-	-	-	(388,000)	(388,000)	(388,000)
Total comprehensive income for the half year ended June 30, 2018						
-Profit after taxation for the half year ended June 30, 2018	-	-	-	186,870	186,870	186,870
-Other comprehensive ncome for the half year ended June 30, 2018	-	-	-	-	-	-
	-	-	-	186,870	186,870	186,870
Balance as at June 30, 2018	388,000	999,107	1,605,000	761,232	3,365,339	3,753,339
Balance as at January 1, 2019	388,000	999,107	1,605,000	739,372	3,343,479	3,731,479
Final cash dividend for the year ended December 31, 2018 @ Rs 4.00 per share	-	-	-	(155,200)	(155,200)	(155,200)
Total comprehensive loss for the half year ended June 30, 2019						
-Loss after taxation for the half year ended June 30, 2019	-	-	-	(293,071)	(293,071)	(293,071)
-Other comprehensive income for the half year ended June 30, 2019	-	-	-	-	-	-
	-	-	-	(293,071)	(293,071)	(293,071)
Balance as at June 30, 2019	388,000	999,107	1,605,000	291,101	2,895,208	3,283,208

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

Nasir Jamal
Chief Executive Officer

Asif Qadir
Director

Shafiq Afzal Khan
Chief Financial Officer

Condensed Interim Statement of Cash Flows

For The Half Year Ended June 30, 2019 - (Un-audited)

	Note	Half year ended June 30 2019	June 30 2018
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from / (used in) operations	17	1,199,627	(260,660)
Payment on account of accumulated compensated absences		(3,892)	(4,639)
Increase in long term deposits		-	(167)
Staff retirement benefits paid		(26,753)	(108,172)
Income taxes paid		(155,820)	(168,140)
Net cash generated from / (used in) operating activities		1,013,162	(541,778)
Cash flows from investing activities			
Purchase of property, plant and equipment		(342,603)	(231,558)
Purchase of intangible assets		(12,344)	(348)
Profit received on bank balances		168	289
Sale proceeds on disposal of operating fixed assets		102	5,642
Net cash used in investing activities		(354,677)	(225,975)
Cash flows from financing activities			
Long term finances paid		(456,330)	(560,193)
Long term finances acquired		200,000	-
Short term financing - net		(792,000)	1,820,000
Finance cost paid		(321,559)	(185,296)
Dividend paid		(154,217)	(373,612)
Bank charges paid		(13,637)	(6,843)
Net cash (used in) / generated from financing activities		(1,537,743)	694,056
Net decrease in cash and cash equivalents		(879,258)	(73,697)
Cash and cash equivalents at the beginning of the period		(2,254,244)	(221,988)
Cash and cash equivalents at the end of the period	18	(3,133,502)	(295,685)

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

Nasir Jamal
Chief Executive Officer

Asif Qadir
Director

Shafiq Afzal Khan
Chief Financial Officer

Notes to and Forming Part of the Condensed Interim Financial Statements

For The Half Year Ended June 30, 2019

1. THE COMPANY AND ITS OPERATIONS

Tri-Pack Films Limited (the Company) was incorporated in Pakistan as a public limited company on April 29, 1993 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and is listed on the Pakistan Stock Exchange. It is principally engaged in the manufacturing 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 Statement of compliance

These condensed interim financial statements of the Company have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

These condensed interim financial statements do not include all the information required to be contained in the annual financial statements and, therefore, should be read in conjunction with the annual audited financial statements of the Company for the year ended December 31, 2018.

2.2 Changes in accounting standards, interpretations and pronouncements

Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

- IFRS 9 'Financial instruments' - This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

  The impact of changes laid down by this standard are detailed in note 4.

- IFRS 15 'Revenue from contracts with customers' - IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations on revenue recognition.

- IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard does not have any impact on the condensed interim financial statements.

- IFRS 16 'Leases' - IFRS 16 replaces the previous lease standard: IAS 17 Leases. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low value leases.The standard does not have any material impact on the condensed interim financial statements.

3. SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of these condensed interim financial statements requires management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgements and estimates made by the management in the preparation of these condensed interim financial statements are the same as those that were applied to financial statements as at and for the year ended December 31, 2018.

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, 2018 except for the changes as stated in note 4.

4. CHANGE IN ACCOUNTING POLICIES

IFRS 9 'Financial instruments' (effective for reporting periods ending on or after June 30, 2019)

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. It retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: Amortised Cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI, not recycling.

The standard also includes an expected credit losses (ECL) model that replaces the current incurred loss impairment model. The ECL model involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (e.g. trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

For financial liabilities, there are no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

The adoption of IFRS 9 from January 1, 2019 by the Company has resulted in change in accounting policies. The Company has applied IFRS 9 retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", however, it has elected not to restate comparative information as permitted under the transitional provisions of the standard considering there being no material impact of the same.

Furthermore, on January 1, 2019, the management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from the reclassification as at that date are as follows:

	Orignal classification under IAS 39	New classification under IFRS 9	Original amount under IAS 39	New carrying amount under IFRS 9
Financial assets				
Long term deposits	Loans and receivables	Amortised cost	5,247	5,247
Trade debts - net	Loans and receivables	Amortised cost	2,324,698	2,324,698
Advances and prepayments	Loans and receivables	Amortised cost	5,042	5,042
Other receivables	Loans and receivables	Amortised cost	114,387	114,387
Cash and bank balances	Loans and receivables	Amortised cost	43,870	43,870
Financial liabilities				
Long term finances	Amortised cost	Amortised cost	1,924,022	1,924,022
Trade and other payables	Amortised cost	Amortised cost	1,603,210	1,603,210
Unclaimed dividend	Amortised cost	Amortised cost	16,540	16,540
Accrued mark-up	Amortised cost	Amortised cost	94,485	94,485
Short term borrowings	Amortised cost	Amortised cost	4,860,114	4,860,114

No material differences were noted in prior year figures as a result of applying the new expected credit loss model on adoption of IFRS 9. The reclassifications of the financial instruments also did not result in any changes to measurements. Hence, there was no restatement of opening balances and reserves. Furthermore, there is no impact on the condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows.

5. PROPERTY, PLANT AND EQUIPMENT

	(Un-audited) June 30	(Audited) December 31
	2019	2018
	(Rupees in thousand)	
Operating fixed assets	5,804,558	5,895,087
Capital work in progress	270,035	151,590
Major spare parts and stand-by equipment	27,078	27,078
	6,101,671	6,073,755

5.1 Additions and disposals to operating fixed assets and major spare parts during the period are as follows:

	Additions/Transfer from CWIP (at cost)		Disposals/Transfer (at net book value)	
	June 30 2019	June 30 2018	June 30 2019	June 30 2018
	(Rupees in thousand)			
Building and other civil work on leasehold land	6,752	3,954	-	-
Plant and machinery	179,831	51,704	-	-
Furniture and fittings	6,132	4,754	23	133
Office and other equipments	31,402	3,613	52	92
Vehicles	41	-	-	2,119
Major spare parts and stand-by equipment	-	12,744	-	1,226
	224,158	76,769	75	3,570

6. INVENTORIES

	(Un-audited) June 30 2019	(Audited) December 31 2018
	(Rupees in thousand)	
Stores and spares	461,309	431,231
Raw materials		
In hand	1,023,614	1,444,216
In transit	451,623	68,364
	1,475,237	1,512,580
	1,936,546	1,943,811
Packing materials	23,651	23,464
Work in process	337,027	304,655
Finished goods	349,089	303,198
	2,646,313	2,575,128

7. ADVANCES AND PREPAYMENTS

This includes Rs. 58.38 million (December 31, 2018: Rs. 58.15 million) in respect of advances against import of raw material and spares.

8. LONG TERM FINANCES

During the period, the Company has drawn a tranche of loan under existing mark-up arrangement amounting to Rs. 200 million for a tenor of 5 years.

9. TRADE AND OTHER PAYABLES

9.1 This includes Rs. 831.18 million (December 31, 2018: Rs. 764.45 million) in respect of Gas Infrastructure Development Cess (GIDC) which has not been paid as stay order has been obtained by the Company in the Honourable High Courts of Sindh and Peshawar against demand and collection under GIDC Act 2015.

9.2 This includes Rs. 170.44 million (December 31, 2018: Rs. 143.38 million) levied through. The Sindh development and maintenance of Infrastructure Cess, 2017, which superseded the previous levy under Sindh Finance Act, 1994. The said amount has not been paid as stay order has been obtained by the Company in the Honourable High Court of Sindh.

10. SHORT TERM BORROWINGS

	Note	(Un-audited) June 30 2019	(Audited) December 31 2018
		(Rupees in thousand)	
Secured			
Short term running finance	10.2	3,198,554	2,298,114
Short term money market loans	10.1 & 10.3	1,770,000	2,562,000
		4,968,554	4,860,114

10.1 Following are the changes in the short-term money market loans:

	(Un-audited) June 30 2019	(Audited) December 31 2018
	(Rupees in thousand)	
Balance as at January 01	2,562,000	2,142,000
Disbursements during the period / year	9,938,000	18,100,000
Repayment	(10,730,000)	(17,680,000)
	1,770,000	2,562,000

10.2 Short-term running finances have been obtained under mark-up arrangements from commercial banks payable on various maturity dates up to September 30, 2021. 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 ranged between 10.72% to 14.62% (December 31, 2018: 6.27% to 11.40%).

10.3 Short-term money market loans have been arranged as a sub-limit of the running finance facility. Rate of mark-up applicable to these facilities ranged between 9.68% to 14.17% (December 31, 2018: 6.16% to 10.01%) per annum. These facilities are available for a maximum period of one year from the date of agreement with the latest facility expiring on September 30, 2021.

10.4 Total facilities available under mark-up arrangements aggregated Rs. 6.01 billion (December 31, 2018: Rs. 6.81 billion) out of which the amount unavailed at the period end was Rs. 1.04 billion (December 31, 2018: Rs. 1.95 billion). Running finance facility amounting to Rs. 0.5 billion (December 31, 2018: Rs. 0.5 billion) is sub-limit of letter of credit.

11. CONTINGENCIES AND COMMITMENTS

	(Un-audited) June 30 2019	(Audited) December 31 2018
	(Rupees in thousand)	
Contingencies		
Guarantees issued by banks on behalf of the Company	451,915	404,745
Commitments		
- for purchase of raw materials and spares	774,334	670,881
- for capital expenditure	833,317	204,800

11.1 Aggregate commitments in respect of ijarah arrangements of motor vehicles amounted to Rs. 18.40 million (December 31, 2018: Rs. 14.37 million).

11.2 The facilities for opening of letter of credits and for guarantees as at June 30, 2019 amount to Rs. 10.37 billion (December 31, 2018: Rs. 10.62 billion) and Rs. 1.08 billion (December 31, 2018: Rs 1.08 billion) respectively, of which the amount remaining unutilised was Rs. 7.77 billion (December 31, 2018: Rs. 9.45 billion) and Rs. 623.09 million (December 31, 2018: Rs. 670.26 million) respectively. Letter of guarantee is sub-limit of running finance except for Rs. 200 million (December 31, 2018: Nil) which is sub-limit of letter of credit.

12. REVENUE FROM CONTRACTS WITH CUSTOMERS

	(Un-audited) Quarter ended June 30		Half year ended June 30	
	2019	2018	2019	2018
	(Rupess in thousand)			
Sale of goods less returns:				
- Local	4,150,570	4,110,685	8,171,733	7,811,490
Less: Sales tax	(632,663)	(597,022)	(1,234,384)	(1,133,135)
Discounts	(47,233)	(158,050)	(106,647)	(272,279)
	3,470,674	3,355,613	6,830,702	6,406,076
- Export	140,204	33,945	320,287	101,121
	3,610,878	3,389,558	7,150,989	6,507,197

13. FINANCE COST

13.1 This includes amount of Rs. 94 million (June 30, 2018: Rs. 15.48 million) in respect of exchange loss - net of gain.

13.2 This include financial charges on short term borrowings and long term finances amounting to Rs. 253.36 million (June 30, 2018: Rs. 118.01 million) and Rs. 104.37 million (June 30, 2018: Rs. 74.40 million) respectively.

14. INCOME TAX

14.1 During the year 2018, a change in corporate tax rate from 30% to 29% was enacted through Finance Act, 2018 for the tax year 2019. The said tax rate was annouced to gradually decrease by 1% over a period of 4 years. Therefore, deferred tax assets and liabilities were recognised accordingly using the expected applicable rate i.e 25%. However, during the current period, the above mentioned clause has been replaced by Finance Act, 2019 and the tax rate has been fixed to 29% for tax year 2019 and onwards. The same rate has been used in the current period to recognise deferred tax assets and liabilities. The change has resulted in increase of deferred tax liaibility by Rs. 98.82 million.

14.2 Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate applicable for the full financial year.

15. EARNINGS PER SHARE (LOSS)

	(Un-audited)			
	Quarter ended June 30		Half year ended June 30	
	2019	2018	2019	2018
	(Rupees in thousand)			
(Loss) / profit after taxation attributable to ordinary shareholders	(270,284)	113,667	(293,071)	186,870
	(No. of shares in thousand)			
Weighted average number of ordinary shares outstanding at the end of the period	38,800	38,800	38,800	38,800
	(Rupees)			
Earnings per share (loss) - basic and diluted	(6.97)	2.93	(7.55)	4.82

15.1 There were no convertible dilutive potential ordinary shares outstanding on June 30, 2019 and 2018.

16. TRANSACTIONS WITH RELATED PARTIES

Significant transactions with related parties are as follows:

Nature of transaction	Nature of relationship	(Un-audited) Half year ended June 30	
		2019	2018
		(Rupees in thousand)	
Purchase of goods and services	Associated company	212,484	222,252
Sale of goods and services	Associated company	847,551	1,075,847
Commission earned	Associated company	-	3,046
Dividend paid	Associated company and Directorship	103,480	258,678
Contributions to staff retirement benefit funds	Retirement benefit funds	27,135	107,455
Salaries and other short term employees' benefits	Key management personnel	50,043	46,144

	Note	(Un-audited) Half year ended June 30 2019	2018
		(Rupees in thousand)	
17. CASH GENERATED FROM/(USED IN) OPERATIONS			
(Loss) / profit before income tax		(55,736)	236,653
Adjustment for non-cash charges and other items:			
Depreciation		314,612	314,167
Amortisation expense		2,542	1,463
Provision for staff retirement benefits		38,412	41,436
Profit on bank balances		(168)	(289)
Gain on disposal of operating fixed assets		(27)	(3,298)
Provision for accumulated compensated absences - net		3,600	4,500
Exchange loss - unrealised		18,371	(446)
Finance cost		371,369	199,258
Working capital changes	17.1	506,652	(1,054,104)
		1,199,627	(260,660)
17.1 Working capital changes			
(Increase) / decrease in current assets:			
Inventories		(71,185)	(881,457)
Trade debts - net		(250,601)	(379,722)
Advances and prepayments		15,452	(140,618)
Refunds due from the government - sales tax		(23,507)	(130,391)
Other receivables		(3,174)	7,511
		(333,015)	(1,524,677)
Increase in trade and other payables		839,667	470,573
		506,652	(1,054,104)
18. CASH AND CASH EQUIVALENTS			
Cash and bank balances		65,052	160,005
Short term running finance	10	(3,198,554)	(455,690)
		(3,133,502)	(295,685)

19. PLANT CAPACITY AND ACTUAL PRODUCTION

	(Un-audited) Half year ended June 30 2019	2018
	(Metric tonnes)	
Operational capacity available during the period	41,900	41,900
Production	24,570	25,293

20. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on August 21, 2019 by the Board of Directors of the Company.

Nasir Jamal
Chief Executive Officer

Asif Qadir
Director

Shafiq Afzal Khan
Chief Financial Officer

ڈائریکٹرز کا جائزہ

برائے ششماہی مختتمہ 30 جون 2019

ڈائریکٹرز بمسرت اپنی جائزہ رپورٹ مع کمپنی کے غیر آڈٹ شدہ عبوری مالیاتی معلومات کا خلاصہ برائے ششماہی مختتمہ 30 جون 2019 پیش کرتے ہیں۔

کمپنی نے اس ششماہی میں بھی حفاظت، صحت اور ماحولیات (SHE) کے تقاضوں کی تکمیل کی۔

	مختتمہ ششماہی 30 جون 2019	
	2019	2018
فروخت کا حجم (میٹرک ٹن)	24,282	25,261
فروخت سے حاصل ہونے والی خالص آمدنی (ملین روپے)	7,151	6,507
آپریٹنگ منافع (ملین روپے)	383	442
(نقصان)/منافع قبل از ٹیکس (ملین روپے)	(56)	237
(نقصان)/منافع بعد از ٹیکس (ملین روپے)	(293)	187
(نقصان)/منافع فی حصہ (روپے)	(7.6)	4.8

معاشی بدحالی، غیر یقینی کیفیت اور بڑی صنعتوں بشمول آپ کی کمپنی کو طلب میں کمی کی وجہ سے کاروبار میں مشکلات پیش آئیں۔ اس کے نتیجے میں فروخت کے حجم میں 3.9% کمی واقع ہوئی۔

بڑی کرنسیز کے مقابلے میں پاکستانی روپے کی قدر میں اتار چڑھاو سے درآمد شدہ خام مال کی قیمتوں میں اضافہ ہوا اور اس کے ساتھ ساتھ توانائی کی قیمتوں میں اضافہ کی وجہ سے پیداوار کی لاگت میں اضافہ ہوا۔ اس کے علاوہ طلب میں سستی اور فراہمی کی زیادتی کی وجہ سے قیمتیں ایڈجسٹ کرنے میں مشکل پیش آئی۔ گزشتہ چھ ماہ کے دوران میں گزشتہ سال کی اسی مدت کے مقابلے میں خام منافع میں معمولی کمی آئی۔ تاہم گزشتہ چھ ماہ کے مقابلے میں یہ 2% بہتر تھی جو بنیادی کاروبار میں بہتری کا اشارہ ہے۔

انتظامی اور تقسیم کاری کے اخراجات میں 15% اضافہ ہوا جس کی بنیادی وجہ تیل کی قیمتوں میں اضافہ تھی۔

غیر ملکی زرمبادلہ جاری سرمایہ کے انتظامات میں مشکلات پیش آئیں۔ تمام تر مشکلات کے باوجود کمپنی نے آپریشنز سے 1.0 بلین روپے حاصل کئے اور قرضوں کی مد میں 148 ملین روپے کی کمی لانے میں کامیاب ہوئی جو بڑھتی ہوئی شرح سود کی صورتحال میں مثبت ثابت ہوگا۔

مالیاتی لاگت گزشتہ سال کی اسی مدت کے مقابلے میں 116% زیادہ رہی جس کی وجہ شرح سود میں اوسطاً 476bps کا اضافہ اور زرمبادلہ میں 94 ملین روپے کا نقصان تھا جو کے گزشتہ سال کی اسی مدت میں 15 ملین روپے تھا۔ پیش نظارہ، ہماری حکمتِ عملی بہتر مارجن اور جاری سرمایہ کے انتظام سے قرضہ جات میں کمی لانا ہے۔

آپریٹنگ منافع گزشتہ سال کے اسی عرصے کے مقابلے میں کم رہا۔ جب کاروباری حالات اور طلب کافی بہتر تھے۔ لیکن گذشتہ چھ ماہ کے مقابلے کافی بہتر رہا جہاں سے غیر یقینی صورتحال اور طلب میں کمی متحرک ہوئی۔

نتیجتاً اس ششماہی میں نقصان قبل از ٹیکس 56 ملین روپے رہا جب کہ گزشتہ سال اسی مدت میں منافع قبل از ٹیکس 237 ملین روپے ہوا تھا۔ اس ششماہی میں نقصان بعد از ٹیکس 293 ملین روپے ہوا جب کہ گزشتہ سال کی اسی مدت میں منافع بعد از ٹیکس 187 ملین روپے ہوا تھا جس کی بڑی وجہ خام مال کی درآمد پر ٹیکس کی شرح 1.75% کا مکمل اور حتمی ٹیکس کا نافذ ہونا تھا جس کی وجہ سے اوسط ٹیکس شرح میں اضافہ ہوا۔

ہم آمدنی کے حکام کی توجہ اس بے ضابطگی کی جانب دلانا چاہتے ہیں جس کی وجہ منافع کے قطع نظر کاروباری لاگت میں نمایاں اضافہ ہوا ہے۔ اس سلسلے میں منافع کے وفاقی اداروں اور متعلقہ وزارتوں سے پہلے بھی گزارشات کی جا چکی ہیں جو اس کے حل تک جاری رہے گی۔

مزید یہ کہ سال کے دوران 2019 اور اس کے بعد کیلئے کارپوریٹ ٹیکس کی شرح 29% فنانس ایکٹ 2019 کے ذریعے مقرر کر دی گئی ہے۔ لہٰذا ملتوی شدہ ٹیکس کی شرح بھی 29% ہوگئی ہے جو کہ پہلے 25% تھی۔ اس کی وجہ سے ایک مرتبہ کا کل نقصان 98.81 ملین روپے ہوا۔ اس کے علاوہ اسی فنانس ایکٹ 2019 کے ذریعہ بزنس ماڈرنائزیشن اینڈ ریشنلائزیشن (BMR) کی ٹیکس کی چھوٹ کو 10% سے کم کر کے 5% کر دیا گیا جس کے باعث پیشگی سال کے ٹیکس چارجز کی مد میں 28 ملین کا اضافہ ہوا۔

مستقبل کے امکانات

طلب میں کمی کی وجہ سے کاروباری حالات مشکل رہیں گے جس کا اثر فروخت کے حجم اور اس سے حاصل ہونے والی خالص آمدنی پر ہوگا۔ روپے کے اتار چڑھاو کے ساتھ ساتھ مارجن پر دباؤ متوقع ہیں۔ مالیاتی لاگت بھی زیادہ رہنے کی توقع ہے۔ ہم آپریشنل استعداد، اخراجات میں بچت اور جاری سرمایہ کے انتظامات کے ذریعہ ان سخت مشکلات کا مقابلہ کر کے منفی اثرات کو کم سے کم کرنے کیلئے پرعزم ہیں۔

ہم اپنے تمام اسٹیک ہولڈرز کے مستقل تعاون پر بے حد شکر گزار ہیں۔

ناصر جمال
چیف ایگزیکٹیو آفیسر

کراچی۔ 21 اگست، 2019ء

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