

The background of the slide is a detailed, light-colored illustration of a city gate. The gate is a large, ornate structure with multiple arches and pillars. In the foreground, a diverse group of people is depicted, including men, women, and children, some on foot and some on horseback. There are also animals, such as an elephant on the left and a horse on the right. The scene is set in a city with trees and buildings in the background. The overall style is that of a classic illustration, possibly from a storybook or a historical document.

Introduction

Over twenty-five years ago we saw the opportunity to enter the field of film making and the potential to rise to new levels of excellence. We approached this task much like a voyager approaches the gates of a city-Akin to entering a new world. At Tri- Pack, we believe this to be the driving force behind our philosophy.

Adaptability is what makes Tri- Pack stand apart. Our Company ethos is that there is nothing that we cannot achieve. An open mind is all it takes to enter the gates of excellence.



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Mission Statement & Corporate Strategy

We will:

- satisfy our customers with timely supplies of products and services at economic prices, conforming to quality standards.
- achieve sustained growth to meet the demands of our customers' and stakeholders' expectations.
- continue developing new markets, products, applications and solutions in concert with our customers and suppliers.
- employ cost-effective technology to retain our competitive edge.
- nurture and inculcate a culture based on high ethical standards to meet our obligations towards the communities we operate in.
- attract, develop and retain talent through motivation, training, performance based rewards and providing growth opportunities.
- care for health and safety of our employees and stakeholders and play our due role towards the environmental requirements.

Our Values

Values are reasons which we regard as higher than our self interests.

Care

Fairness and consideration are integral to our culture.

Respect

We treat people with respect and dignity.

Lead

We aspire to lead in everything that we do.

Honesty

Truthfulness, integrity and trust form the backbone of all our activities.

Courage

We stand up for what we believe in.



Code of Conduct

Tri-Pack Films Limited has built a reputation for conducting its business with integrity, in accordance with highest standards of ethical behavior and in compliance with the laws and regulations that govern our business. This reputation is among our most valuable assets and ultimately depends upon the individual actions of each of our employees.

Tri-Pack's Code of Conduct has been prepared to assist each of us in our efforts to not only maintain but enhance this reputation. It provides guidance for business conduct in a number of areas and refers to more detailed corporate policies for further direction.

The adherence of all employees to highest standards of integrity and ethical behavior is mandatory and benefits all stakeholders which includes customers, communities, shareholders and ourselves.

CARE

Environment, health and safety: We continually improve our environmental performance. To achieve continual improvements in our environmental performance, we need to understand the potential environmental impacts of all our operations and activities, set improvement targets, take the necessary steps to reach these targets and monitor our progress. It is important that everyone should understand their own roles and responsibilities with respect to environmental issues, in order to make the right decisions. All employees should promote resource conservation and minimize waste of paper and other resources

HONESTY

Responsible business:

- We comply with all applicable local, national and international laws, regulations and voluntary commitments wherever we do business.
- We conduct business transactions with the best interests of Tri-Pack Films Limited and community in mind.
- We show zero tolerance for corrupt activities of any kind, either in our own operations or when we work with partners.
- We support free and fair competition by never becoming involved in price-fixing, market sharing or other anti-competitive practices.

- We take care of the company's valuable property and safeguard confidential information.
- We communicate with our stakeholders in a clear manner.
- We listen to all our stakeholders and seek to engage with them constructively.

Ethics, transparency, fairness and professionalism: In conducting business, Tri-Pack Films Limited is inspired by and complies with the principles of loyalty, fairness, transparency and efficiency. Any action, transaction and negotiation performed and generally, the conduct of all employees in the performance of their duties is inspired by the highest principles of fairness, completeness and transparency of information, clarity and truthfulness of all accounting documents, in compliance with the applicable laws in force and internal regulations. Bribes, illegitimate favors, request for personal benefits of oneself or others, either directly or through third parties, are prohibited without any exception.

Conflict of interest

Tri-Pack Films Limited expects all employees to be free from actual or potential conflicts of interest. A conflict of interest occurs whenever the prospect of direct or indirect personal gain may influence or appear to influence an employee judgment or actions while conducting the business in which employee has a prime responsibility towards the Company and is expected to avoid activities or transactions that clash directly with the interest of the Company. Such situations could arise in a number of ways.

Confidentiality

Employees shall not keep or make copies of correspondence, documents, records, list of clients or customers without prior approval of the Head of Department. An employee shall not disclose or reveal any information on behalf of the Company to print or electronic media as well as any other information medium, unless he/she is authorized to do so. Unpublished information may be disclosed to external organization or individual only on "need-to-know" basis upon explicit management approval.

Corruption

We show zero tolerance for any kind of corrupt activities. Taking or giving bribes is strictly prohibited in our Group companies. We comply vigorously, with the relevant anti-bribery laws. It is also our policy to require all our stake holders working for, or representing, any of the Packages Group Companies, in any capacity, including business partner, suppliers, vendors, consultants, financial advisers, agents, to comply with these laws and practices. It is also important to remember that offering or accepting gifts, hospitality, or expense payments is prohibited if they are of unreasonably high value more than Rs 5000 (this amount to be reviewed every year) or could inappropriately affect business transactions. Any gift or hospitality which is of greater value and can potentially impact the business dealings, should be immediately reported to supervisor, Head of internal audit and surrendered to HR for appropriate action.

Professional relationships

Every employee of Tri-Pack Films Limited needs to maintain a professional relationship with suppliers, customers and other stakeholders. They need to ensure that Tri-Pack Films Limited inculcates the value of professionalism in all its subsidiaries and among its employees. So, all employees working in Tri-Pack Films Limited dealing directly with suppliers and customers need to make sure that professional relationship is prior to any personal interest of employee. Being in business everyone has to ensure their professional commitment and reputation of the group.

Anti-Fraud policy: Tri-Pack Films Limited is committed to the highest possible standards of openness, transparency and accountability in all its affairs. The intent is to promote a culture of honesty and opposition to fraud in all its forms.

- Policy statement: Fraud in all its forms is wrong and is unacceptable to the Group. All stakeholders must carry out their activities/ business in such a way that it prevents fraud from occurring.
- Confidentiality and Non-Retaliation: All reported instances of fraud including the identity of those providing information will

be kept confidential in order to conduct an appropriate, fair and thorough investigation.

- Blacklisting: Packages Internal Audit department is authorized to blacklist any vendor, service provider, customer, contractor, agency, distributor etc. who are convicted of fraud under this policy
- Responsibility for prevention and detection: All employees are responsible for prevention and detection of fraud, misappropriation and other irregularities.

Dealings in securities/shares and insider trading

Tri-Pack Films Limited employees shall not trade or pass on inside information at any time to any other person, inside or outside Tri-Pack. Inside information refers to the information about Tri-Pack Films Limited, its business, or other companies with which Tri-Pack Films Limited is doing business or negotiating, that is not generally known to the public, but would likely, if known generally, affect the price of a company's shares or influence a person's investment decisions. Tri-Pack Films Limited employee should not pass on inside information at any time to any other person or encourage another person to deal in shares of its listed group companies on the basis of such information, even if the employee does not gain directly from the arrangement. Tri-Pack Films Limited employee should be aware of and comply with any local laws and regulations governing share dealings.

RESPECT

Equal Opportunity Employer: Tri-Pack Films Limited recognizes the value of striving for a balanced work force and is committed to the principles of equal opportunity, equality of treatment and creating a dynamic environment where diversity is valued as a source of enrichment and opportunity. All phases of the employment relationship – including recruitment, hiring, training, promotion, compensation, benefits, transfers, layoffs and leaves of absence will be carried out by all managers without regard to any race, color, religion, gender, age, ethnicity, national origin or disability.

Abuse of Alcohol or Drugs and Gambling: All employees shall personally contribute to promoting and maintaining a climate of common respect in the workplace. Particular attention should be paid to respect the feelings of others. No employee in Tri-Pack Films Limited shall work under the effect of alcohol or drugs, or substances with similar effect.

Email, computers and network security

All employees must follow the Group's policy to limit Internet access to official business during work. Activities that compromise network security are strictly forbidden. The disclosure of system IDs, passwords or information which can cause penetration into our network and security framework, is also not allowed. Employees shall not place Company material (copyrighted software, internal correspondence, etc.) on any publicly accessible Internet computer without proper permission. The Company reserves the right to inspect the computer system of any employee of Tri-Pack Films Limited for violations of this policy.

Protection of company's assets and proprietary information

Tri-Pack Films Limited's physical and intangible assets, as well as its proprietary information are the key to the Tri-Pack Films Limited's success. They should be used only to achieve business goals and should be protected to preserve their value. Any use of Group Company's assets or proprietary information by any employee in other business or personal activities is forbidden. Tri-Pack Films Limited's physical and intangible assets, as well as its proprietary information are the key to the Tri-Pack Films Limited's success. They should be used only to achieve business goals and should be protected to preserve their value. Any use of Group Company's assets or proprietary information by any employee in other business or personal activities is forbidden.

LEAD

Public activities and relationships with stakeholders Agreements with all our stake holders working for Tri-Pack in any capacity including business partner, suppliers, vendors, financial adviser, agents or consultants shall clearly specify the services to be performed for the Company, the amount to be paid, and all other relevant terms

and conditions. All payments and transactions shall be supported by documents. Relationships and dealings with Government officials, external agencies, parties and individuals at all times should be such that the Company's integrity and its reputation shall not be damaged, if details of the relationships or dealings were to become public knowledge. Payment of any nature to government officials for any reason whatsoever is strictly prohibited. Furthermore, no employee of Tri-Pack Films Limited shall support any political party or contribute to the funds of the groups whose activities are intended to promote any party interests. Due care should be taken while discussing the Company performances or plans with outsiders. Any employee having questions on how to comply with this requirement should seek guidance and advice from the respective supervisor.

CODE OF CONDUCT COMPLIANCE

Tri-Pack Films Limited will enforce this Code of Conduct by investigating any reports of mis- conduct or rules being broken. Where infringements are proven, actions will be taken to prevent this happening again. This process will be full and fair for everyone involved. We will ensure confidentiality for anyone reporting violations. Those reporting potential wrongdoings in good faith will not be fired, suspended or discriminated against. Correspondingly, action will not be taken against anyone accused of wrongdoing before an accusation has been duly investigated. If it is established that the Code of Conduct has been broken, Tri-Pack Films Limited may take disciplinary action and in serious cases even terminate employment agreements.

Code of Conduct for partners: We also require all agents, consultants, vendors and business partners who work on behalf of Tri-Pack Films Limited to comply with these same laws and practices that defines our conduct and how we do business (including Tri-Pack Films Limited sustainability requirements for suppliers).

Whom to Report: If you see or suspect misconduct, make a report immediately. We encourage you to speak directly to your own supervisor. You can also report your concerns anonymously in confidentiality through whistle blowing channel.

Company Information

Board of Directors

Syed Babar Ali (Chairman)
Syed Hyder Ali*
Mr. Khurram Raza Bakhtayari
Ms. Nermeen Towfiq Chinoy
Mr. Atsushi Fujii
Mr. Yukio Hayasawa
Mr. Asif Qadir
Mr. Saquib Hussain Shirazi

Chief Executive Officer

Mr. Nasir Jamal

Audit Committee

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

Executive Committee

Mr. Atsushi Fujii (Chairman)
Syed Hyder Ali*
Mr. Khurram Raza Bakhtayari
Mr. Asif Qadir

Human Resource and Remuneration Committee

Mr. Asif Qadir (Chairman)
Mr. Khurram Raza Bakhtayari
Mr. Atsushi Fujii
Ms. Nermeen Towfiq Chinoy

Chief Financial Officer

Mr. Muhammad Zuhair Damani

Acting Company Secretary

Mr. Sajjad Iftikhar

Auditors and Tax Advisor

A. F. Ferguson & Co.
Chartered Accountants

Legal Advisor

Sattar & Sattar

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

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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

Regional Sales & Head Office

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

Works

Plot No. G-1 to G-4, D-9 to D-14,
North Western Industrial Zone,
Port Qasim Authority, Karachi,
Sindh
Tel : (021) 34720247-48
Fax : (021) 34720245

Works & Regional Sales Office

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

Regional Sales Office

Unit No. 4, 17 Aziz Avenue,
Canal Bank, Lahore,
Punjab
Tel: (042) 35716068-70
Fax: (042) 35716071

Bankers

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

* In alphabetical order by last name

About us and Our Business

Tri-Pack Films Limited (Tri-Pack) – a joint venture between Mitsubishi Corporation of Japan and Packages Limited of Pakistan was incorporated as a Public Limited Company on April 29, 1993 to produce Biaxially Orientated Polypropylene (BOPP) Films in Pakistan. Its head office is based in Karachi and regional offices are located in Karachi, Lahore and Hattar where focus is to provide customers with dependable, economical and quality films backed by strong customer services. Tri-Pack is indeed proud of making distinctive contributions to the packaging industry in Pakistan.

Since inception the Company has been on a growth trajectory and has come a long way from one BOPP Line of 5,400 tons to four BOPP Lines of 66,800 tons and two CPP Lines of over 17,000 tons.

At Tri-Pack, our passion to cater to the needs of our customers lies at the heart of every endeavour. We go a long mile to get results, operate responsibly, apply innovative technology, execute with excellence, and capture new opportunities to create a wonderful world today for generations to come.

We aim to create long-term value for shareholders by catering to growing demands in a safe and responsible way. We not only strive to be a world-class operator, but also a responsible corporate citizen and an employer of choice.

Our people and our products are the hallmark of our success that give us the strength to endeavour to be amongst the front runners in delivering to our customers, shareholders and community.



Our Products

Tri-Pack offers wide range of Biaxially Oriented and Cast Polypropylene (BOPP & CPP) packaging films, which are carefully and diligently produced to not only meet the packaging needs but also outperform the expectations of the market. Our product brands are best suited for food and beverage applications (snacks, confectionery, dairy food, fresh cut vegetables, beverages etc.) and non-food applications (overwrapping, lamination, bag making etc.).

We have the capability to supply films in various sizes and thickness, ranging from 10 to 150 micron. We manufacture specialized films having unique barrier characteristics for special needs of the market designed to cater the ever-growing demand of our customers.

Our films are designed to capture, enhance and protect the products that they envelope. Be it transparent, metallized or opalescent; simple wrapping or ultra-barrier; low sealing temperature films or specialized films. These films not only extend and enhance shelf life, but they also protect against the often harsh supply chain conditions. We have also specialized in developing the following high-grade films:

Low Sealing Temperature Films

Tri-Pack's portfolio conglomerates low sealing temperature films with precise slip properties which can be laminated with other films and in single web laminations for high speed horizontal packaging machines. The main feature includes higher speed packaging, wider process ability on packaging machines especially in HFFS, superb ink adhesion-heat seal strength.

The main application is in snacks, biscuits, ice cream & chocolate wrappers. It also includes frozen food items as well as health, medicine, household items such as sanitary, detergent bags and gift wrappings.

Broad Seal High Barrier

Metallized BOPP film with broad range of heat sealing temperature. It is typically used in lamination with other substrates. We have successfully down gauged our broad-seal high barrier 18 micron to 15 microns while maintaining good metal anchorage, brilliant dimensional stability, excellent oxygen and moisture barrier with additional vibrant shine.

CPP Metallized High Adhesion Film

Tri-Pack has successfully accomplished the production of CPP metallized high adhesion films. This metallized film has good metal anchorage and great oxygen and moisture barrier with brilliant shine.

Labellene

An improved pearl white film which is co-extruded pearl white BOPP film used as a mono layer and with different substrates in bottle label application in beverage industry and in food packaging labels. We are

now producing low density pearl films, significantly enhancing the yield at customer end. Tri-Pack has successfully achieved customer specific shade of our pearl white films, meeting the needs of export customers. It is specially designed for speed conversion on HFFS and VFFS machines. Outstanding opacity and great ink conversion widely used in chocolate bar wrappers, ice cream and gift wraps.

High Gloss Label

The right material makes a big difference in the success of your labels. Successful conversion of Bruckner Line to five layer has allowed us to innovate and develop new films. Our new high gloss Pearl Label BOPP films are best suited for products which need high level of performance and serve variety of markets like beverages, food, bath, beauty, industrial. It offers high gloss, improved tensile strength that facilitates high-speed printing, greater stiffness, excellent printability, moisture and abrasion resistance.

Ultra High Barrier Metallized Film

Metallized BOPP film is a versatile ultra-high oxygen and moisture barrier film. Even with low microns it ensures excellent gas, moisture, aroma and mineral oil barrier for food and non-food applications that can be used in two or three lamination layers and as a foil replacement.

Perforation Films

Tri-Pack now offers specially produced perforated BOPP films to help extend shelf life, improve point of sale displays and maintain the quality and freshness of fruits and vegetables.

In Mould Labels

In Mould Label (IML) Films are getting increasingly popular due to good aesthetics, durability of the label and the elimination of an additional step of labelling the container. Our current portfolio consists of opaque films with excellent orange peel effect.

Paper Bond Film

Tri-Pack also offers specially produced CPP film that bonds with paper for syringe packaging to improve point of sale display.

Anti-Fog Films

Anti-fog films are generally transparent films which go in for fresh fruits/vegetables, salad packaging, meat packaging applications. The high moisture content in these food items lead to mist formation on the film surface thus affecting the visibility and therefore perceived freshness of the food packed inside. An anti-fogging film not only prevents this phenomenon leading to a better visibility of the contents inside but also renders the pack a better shelf appeal owing to its enhanced gloss/optics.

Tobacco Non-Coated Transparent Wrap

The new trend in packaging is to replace the carton with clear film for the transparent collation of cigarette packs. While Tripack Films already

offers a suitable film for this purpose, the challenge was to develop a non-coated film that shrinks onto the collated packs providing a tight wrap. We are one of the few approved suppliers in the world who are offering such grades which are non-coated. The films are static free and offer a super wide heat-seal range for outstanding machine performance.

Matt Film

Tri-Pack has extended range of products which also includes BOPP Matt film. Thanks to its excellent printability on the gloss side; sealable on the matt side; velvety appearance promoted by the matt side. Matt film creates visual impact with its “paper look” and soft touch effect. Matt films are highly appreciated especially in Monolayer or laminated flexible packaging constructions for cookies, biscuits, snacks, coffee, cereal bars, confectionery, ice-cream and general decorative applications.



Significant Changes from Prior Year

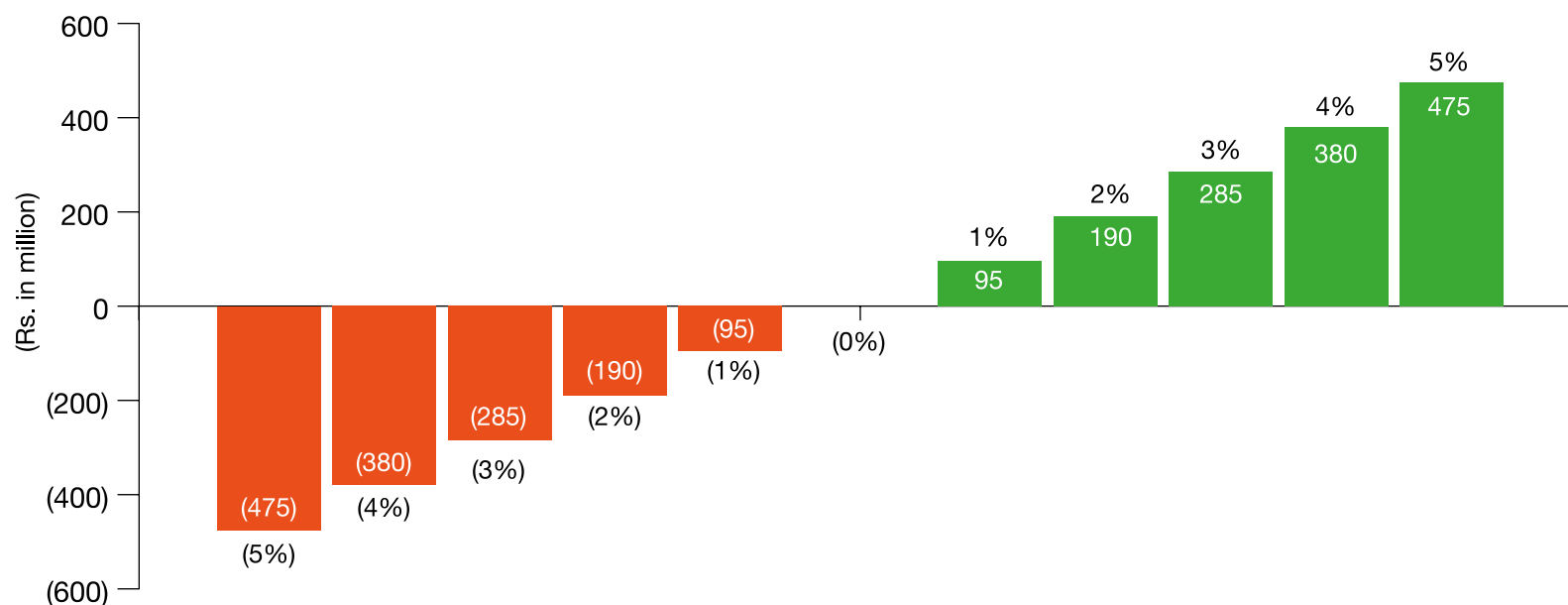
The Financial statements of the Company were prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017. The incentive given by the Government during the COVID-19 pandemic has been treated as Government Grant on the Statement of Financial Position as disclosed in the annexed financial statements.

Moreover, the decision of Supreme Court to dismiss all the review petitions against the decision in Gas Infrastructure Development Cess (GIDC) case has resulted in payments of GIDC to the government, provision of which has been recorded in the books of the Company.

Lastly, the Board of Tri-Pack Films Limited approved an investment in a new state of the art Biaxially Oriented Poly Propylene (BOPP) Film manufacturing Line. The project cost is estimated up to Rs 9 billion and is sensitive to exchange fluctuation and changes in duty/ taxes.

Composition of Local and Imported Material and Sensitivity Analysis Due to Exchange Fluctuation

The Company imports all of its raw material from different regions of the world. The Company is exposed to foreign currency fluctuation for all the materials imported and is directly impacted by any change in exchange rates. Keeping all the factors constant, 5% increase or decrease in exchange rates would have an impact of Rs 475 million.



Competitive Landscape and Market Positioning

Tri-Pack offers wide range of Biaxially Oriented and Cast Polypropylene (BOPP & CPP) packaging films, which are produced to not only meet the packaging needs but also outperform the expectations of the market.

Our product brands are best suited for food and beverage applications (snacks, confectionery, dairy food, fresh cut vegetables, beverages etc) and non-food applications (overwrapping, lamination, bag making etc).

Tri-Pack being an industry leader always looks to enter into new markets (locally as well as globally). Further, to strengthen the market position as well as on the back of increasing demand the Company has also announced a new BOPP line.

Competition in the industry

The BOPP and CPP film manufacturing industry consists of few producers only. Despite this, there is a lot of competition in the industry. However, Tri-Pack is still an industry leader and has the capacity to cater to the demand growth and increase its market share. Further, the industry also competes against international players however there is a certain level of protection available to the industry against imports in the form of high custom duty on import of finished films.

Potential of new entrants into the industry

Keeping in view the supply overhang situation in the industry over the past few years coupled with high capital requirement, there are limited producers of the BOPP and CPP films. The Company's state of the art efficient manufacturing operations together with the commitment of management to provide the best experience to its stakeholders means that the Company possesses competitive advantage in the industry.

Power of suppliers

Since hundred percent of the raw material needs to be imported there is a lot of dependence on international suppliers. The Company has been procuring its raw material from well reputed international suppliers of plastic granule and has quite pleasant relationships with them. Further, the Company has contracts and agreed pricing mechanisms in place with these suppliers to ensure supply continuity and competitive prices.

Power of customers

The Company's customers mainly comprise of converters who buy plastic films and convert it into packaging material in accordance with the requirements of their customers. As Tri-Pack produces various categories of films it has wide customer base. The Company always strives to keep the needs of the customers first by ensuring them both timeliness in delivery and best quality. This also means continuously being involved in research and development on existing as well as new variants which create a win-win situation for both the Company and the customers.

Threat of substitutes

With the ever increasing focus on sustainability commitments globally as well as locally, brands are being pressured to find more environment-friendly ways of packaging their products. This means that a global shift is expected to be seen from other plastic packaging films to BOPP film packaging since BOPP film can be easily recycled and at the same time meet the packaging needs of the consumers.

Overall the Company is positioned quite strongly in the market and is continually striving to maintain its competitive advantage.

Short, Medium and Long term Objectives

Tri-Pack Films limited has always focused on setting SMART objectives with the intention to ensure goal congruence. The overall objectives of the Company are set by the Board and performance against those objectives is timely reported. These objectives are aligned with the Company vision and mission statement.

Short term: Our short term objective is to maximize profits through operational efficiencies, effective working capital management and waste improvement. We also ensure to strengthen our relationships with external stakeholders and internally developing talent through training and providing growth opportunities.

Medium term: Our medium objectives comprise of evaluating areas of expansion through acquiring state of the art machines and equipment to increase our market reach. We also strive towards betterment of the society, minimizing our environmental footprint.

Long term: Our long term objective is to achieve sustained growth in line with our mission statement and corporate strategy.

Strategies in Place

The Company is focused on achieving its short, medium and long term objectives in order to enhance the performance of the Company, fulfilling the vision as set by the Board and management of the Company.

Short term:

Based on the concept of Goal congruence, the Company has set its short term objectives in line with long term objectives. When we talk about objectives, cost control and profit maximization is a globally known fundamental. Cost control objectives are made part of individual objectives of staff, with focus on cost center reporting. Regular planned maintenance of production lines is done to ensure maximum efficiency is achieved. Waste is measured at each process end to identify area of improvement and those areas are then evaluated to highlight discrepancies and possible solution to cater those discrepancies are implemented. This also achieved through creating synergies between Group Companies, benchmarking against international best practice and sharing of process improvement ideas through regular discussions.

The Finance team regularly monitors external factors affecting the working capital of the Company, in liaison with the Commercial and Sales team. Based on the exchange rate fluctuation and interest rate, the foreign currency exposure of the Company is set to reduce the impact of adverse change in exchange rate and to manage the debt levels of the Company considering the interest rate set by the State Bank of Pakistan.

Encouraging relationship building has been considered as a critical factor in Company's success. Customer retention, satisfaction and valuing customers is and will always be our priority. Regular meetings help us strengthen the bond, not only, between us and our customers but also with our other external stakeholders.

Regular trainings are conducted of individuals according to their professional and academic needs to develop resources, in line with the succession planning mechanism as set by the HR department.

Medium term:

Our milestone and history says it all when we talk about the Company's growth and expansion plan. This year also the Company, considering the change in business dynamics and market position, announced a new state of the art machine and equipment. This is going to be our fifth BOPP manufacturing line. The estimated cost of the project is going to be Rs 9 billion subject to exchange rate fluctuation.

Long term:

We plan to achieve our long term mission and corporate strategy by focusing on our short and medium term objective, making sure that they are in line with our vision and mission statement. The management timely seeks guidance from the Board to ensure that direction is clear!

Liquidity Strategy and Financing Position

Current Liquidity strategy

The liquidity position of the company is stable with the unutilized short term facilities of Rs 4.08 billion. The company on daily basis monitors its cash position and makes proactive decisions either to utilize the available limits or to enhance the limits if any in order to meet the working capital requirements. Company has never failed in scheduled repayments of long term loans.

As at December 31, 2020 the outstanding loan in the company's books is Rs 4.59 billion out of which short term financing is Rs 2.18 billion. Further the Company is planning to acquire further loan in future to finance its capital expenditure. The Company has also acquired SBP payroll re-financing loan as part of corporate incentive provided by State Bank of Pakistan. Furthermore, the Company has also availed SBP's loan deferment option which defers the amount relating to current maturity to be repaid in the adjoining year of loan maturity.

The Company timely settles its liabilities, maintaining strong business relationship with Banks and Suppliers. On the other side, Trade receivables recovery is also vigilantly monitored to maintain a balance between our payments and recoveries thus effectively managing our working capital.

Financing Position

The Company has cordial business relations with all the reputed banks and financial institutions of the country. Adequate unutilized short-term financing facilities are available at the Company's disposal. In the past the Company has obtained long-term loans to finance expansion projects at attractive mark-up rates, the repayment of which is as per schedule.

Significant Plans and Decisions

The Company has remained committed in achieving process improvements through technological advancements and upgradations. Growth and expansion is depicted in our milestone road map, with the addition of Year 2020 as the Company announced to acquire another state of the art BOPP Line. The decision was based keeping in view increased demand of BOPP films in Pakistan and offer faster delivery, better quality, greater convenience and increased flexibility.

During the current year, the Company incurred capital expenditure which majorly includes metallizer and slitter machine with the idea of sustainability on the back of increase in demand for metallized films and requirement for product development to cater market needs.

Significant Change in Objectives and Strategies

Objectives and strategies are in line with the Mission statement and Corporate strategy of the Company and there is no material change in Company's objectives and strategies from the prior years.

Business Continuity Plan

Tri-Pack Films Limited recognizes its responsibility to operate and ascertain protection of business operations from any sort of disruption.

We have a Business Continuity Plan in place. Formal trainings and drills are being conducted to impart and educate the people throughout the organization.

Manufactured Capital

Tri-Pack Films limited has installed four BOPP lines and two CPP lines. Besides that, the Company has several metallizers and slitting machines to cater customer's specific requirements. Considering the market dynamics, we have recently acquired a state of the art metallizer, slitter and has announced to install a new BOPP line.

Further, with the use of advanced recycling machines the Company is able to recycle majority of the plastic waste which is aligned with the Company's ever increasing focus on sustainability. To further improve operational efficiency and reduce process wastages, focus remained on engagements with consultants from equipment suppliers and industry experts.

Financial Capital

As at December 31, 2020, the Company has a total debt to equity ratio of 54:46 and an outstanding long term loan of Rs 2.43 billion including current maturity which has increased from last year mainly due to increase in loan acquisition to finance capital expenditure including the recent acquisition of state of the art metallizer and slitter machine and other equipment. Also, the Company availed SBP payroll refinancing facility as part of COVID-19 incentives provided by the Central Bank. Further, the short term borrowings stood at Rs 2.2 billion, which have reduced mainly on the back of effective working capital, generated from operations and cost management.

Intellectual Capital

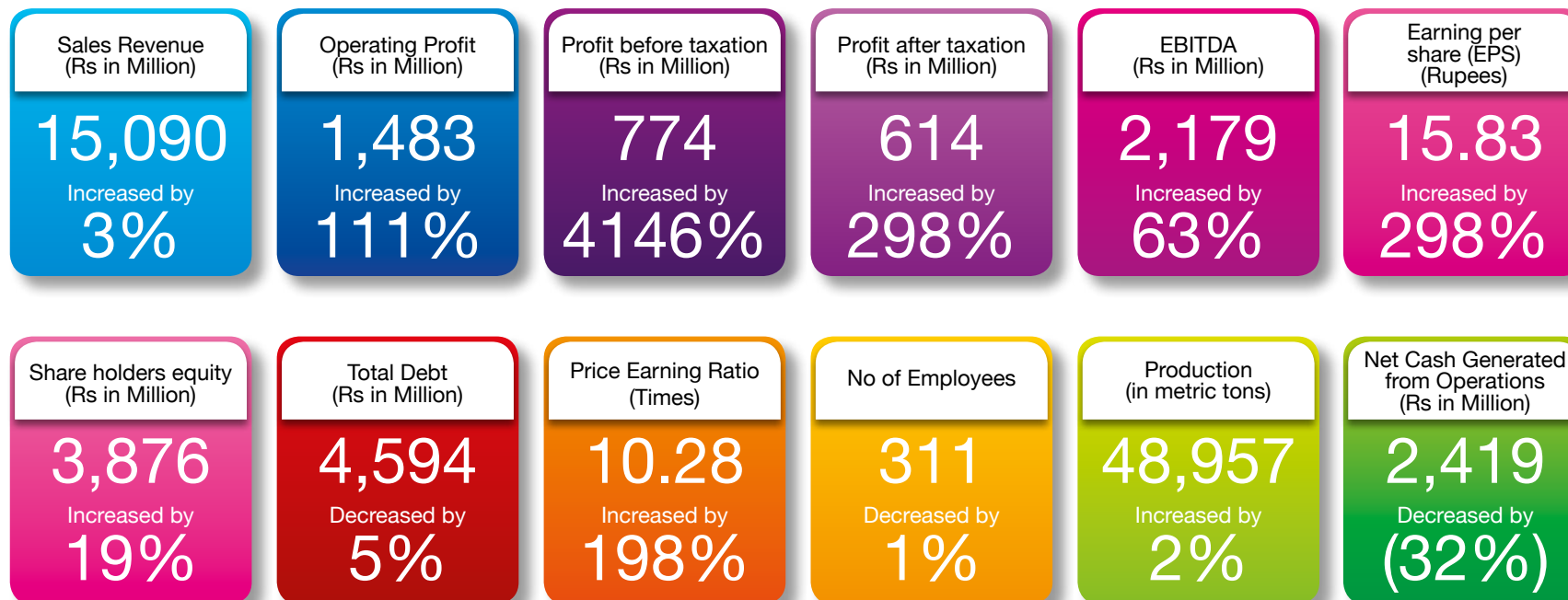
The Company is operating in an environment where internal and external stakeholders are being provided with complete technological support when it comes to ERP. Extensive utilization of SAP, automated workflows and portals improve efficiency and costs. Further, the Company has always remained committed in creating value for its customers in terms of providing them with new as well as better quality products which are developed and tested by our research and development department.

Social and Relationship Capital

We believe that regular communications with shareholders is an important part of creating an open and constructive dialogue. We respond to our shareholders' expectations through improvements in business operations, effective governance and corporate reporting framework. When it comes to customers Tri-Pack films has invested significantly over the years in customer relationship management going beyond extending usual credit facilities and trade discounts. Further to fulfill social responsibilities we actively coordinate with various organizations.

Key Performance Indicator

Financial Indicator



Methods and Assumptions Used

Everyone strives to increase the top and bottom line of a business, trying to gain more market share in an attempt to increase profits and Tri-Pack Films Limited is no different in doing so. We vigilantly monitor our KPIs to remain competitive.

The vision to maximize the wealth of our stakeholders reflects in our performance and the same can be seen from our set KPIs. Sales revenue, profitability, Earnings per share are basic financial indicators. All of these KPIs eventually reflect in our shareholder equity position.

Considering total debt to equity ratio of 54:46, monitoring of debt levels become our top priority. We ensure to meet all our covenants as set by the financing institutions.

The Cash generation from operations is directly connected to our high debt position. In order to sustain, we need to be pragmatic in managing our cash flow and working capital.

Non-financial Indicator

Capital Forms	Objective	KPI Monitored	Future Relevance
Human Capital	Health and safety	Employee Engagement Score (EES)	Human resource function is crucial to achieve Company's mission and will always be!
	Training needs	Number of training man-hours	
	Employee engagement level	Zero Lost Time Injury, number of near misses, unsafe acts etc.	
Manufactured Capital	Maintain market share	Market share of BOPP and CPP films	Considering the competitive nature of the industry, achieving operational efficiencies shall always be our KPI.
	Overall Equipment Effectiveness (OEE)	Monitoring of machine availability, performance and product quality against benchmarks	
	Focus on quality	Number of customer complaints /customer retention ratio	
Intellectual Capital	Upgraded automated systems	Timely upgradation of automated systems and conversion of manual workflows to automated workflows.	We shall continue to innovate and expand our reach, making opportunities for the Company to expand.
	Product development and innovation	Increase in share of specialized films against commodity film volumes	
Relationship Capital	Stock value	Analysis of market price with company's performance	We focus on strengthening our relationship with all our stakeholders and shall continue to do so.
	Customer relationship	Quality of product, OTIF delivery, number of complaints and customer feedback	
	Supplier relationship	Timely payments and supplier feedback	
Natural Capital	Compliance with all environmental regulations	Full compliance of all the relatable laws	We shall nurture and inculcate a culture based on high ethical standards to meet our obligations towards the environment.

Risks and Opportunities

Tri-pack Films limited has always been focused to mitigate all possible risks faced by the Company and avail opportunities to increase market share and business. Tri-pack has always considered the appetite of shareholders before taking decision ensuring that they are in the best interest of the business.

Risks

RISK	SOURCE	LIKELIHOOD	MAGNITUDE	MITIGATING FACTORS
Decrease in duty of films. Increase in duty of raw materials. Increase in imports at dumped prices.	External	High	High	Regulatory Duty is kept in check and coordination with relevant government agencies through external consultants is done regularly. Any new tax is paid on merit basis only and any unconstitutional move is challenged through tax consultants and legal advisors. (In case of removal of regulatory duties there will be irreparable loss to the local industry.)
Gas availability Reduction in gas pressure or deterioration in gas quality resulting in low load on engines and production losses.	External	Medium	Medium	In case of recurrent gas load management / shut down, generators are rented at significant cost. Also, quality of gas is being monitored on constant basis and in case of identification of quality issues diesel / furnace oil engines are used to compensate for load reduction. Further, the Company has also arranged for alternate source of energy in the form of KE connection.
Adverse law & order situation in the operating environment disrupting normal business operations (Terrorism, security threats, strikes, riots etc.).	External	Low	High	A threat alert system is in place whereby security head proactively communicates with staff on current security situation of the city/country. In case of any unforeseen security situation, appropriate security measures are taken as per the security protocol. All emergency numbers have been communicated to staff.
Mishandling/ damage to materials during loading, unloading and transit due to vehicle breakdown, road conditions, use of improper equipment etc.	External / Internal	Low	Low	Proper handling is ensured at the workplace. In transit insurance is available.
Cyber security threat/ password hacking or information integrity compromise (e.g. wrong/ unauthorized postings)/ information leakage.	External	Medium	High	Both hardware and software firewalls installed and updated on real time basis. Updated anti virus is installed on computers / servers.

RISK	SOURCE	LIKELIHOOD	MAGNITUDE	MITIGATING FACTORS
Credit Risk	External	Low	Medium	Credit limits are regularly monitored and it is ensured that no customer breaches the approved limit.
Machine Breakdown	Internal	Low	High	Timely repair and preventive maintenance of machines are conducted to avoid risk of breakdown
The risk that taxes will increase or an audit will reassess taxes of previous years and enhance the assessment.	External	Low	Medium	Since we obtain exemption certificate based on our refunds, tax is reassessed usually. We file self assessment through our tax consultants after thorough calculations and verifications.
Fluctuation in exchange rate will have a significant impact on the profitability of the Company as all of our raw material is imported.	External	High	Medium	Taking into account the foreign currency exposure, timely monitoring is done and credit strategies are prepared to cope with fluctation in exchange rate.



Opportunities

OPPORTUNITIES	SOURCE	LIKELIHOOD	MAGNITUDE	HOW TO ACHIEVE THEM?
Exploring potential market opportunities	External	Low	Medium	The Company is focused on innovation and product development to enter new markets and attract demand. Further, we are targeting to enter untapped local and international markets.
Available capacity to diversify products and cater large orders	External / Internal	High	High	The Company is committed to exploit all potential markets, both locally and internationally, to maximize volumes and improve market share.
Reduction in cost of production by adopting latest technology solutions	Internal	High	High	We have ensured that manufacturing lines are maintained properly and timely repaired when needed for smooth production. To improve productivity and profitability the Company has installed state-of-the-art slitting and metallizer machines during the year.
To move towards specialized films market	Internal	Medium	Medium	Continuous research and development is being done. Further investment plans are in place to enter into specialized films' local and export market.



Materiality Approach

Materiality has been approved by the Board of Directors as per the requirement of Code of Corporate Governance. Materiality has been defined on Statement of Profit or Loss and Statement of Financial Position line items. Based on this, the Board of Directors of Tri-Pack Films Limited has approved authority remits and power to the Chief Executive for taking day to day decisions.

In order to execute day to day operations/ transactions delegation of powers has also been defined clearly and formalized procedures are followed.

Boards Role in the Risk Management of the Company

As part of determining the Company's level of risk tolerance, the board has approved a risk management policy the purpose of the which is to define and identify risks which may compromise the achievement of business objectives and to implement controls against such risks. This policy covers credit, market risk, investment risk, business risk etc. To assess the financial impact of the risk, the board has also approved materiality levels based on Statement of Profit or Loss and Financial Position line items.

All the relevant risks, (business, operational, financial, etc.) facing the Company together with the mitigating factors are regularly presented to the board which the board reviews and gives its input on the same. Further, the evaluation of risk by the Board is also covered in the annexed Director's Report under the heading 'Risk and uncertainties'.

Capital Structure

The Company is currently operating at a total debt to equity ratio of 54:46. This has reduced as compared to 2019 mainly due to increased profitability.

Leadership Structure



Syed Babar Ali
Chairman

Mr. Ali is the founder of various industries and social welfare institutions. He is the Chairman of Board of Directors since inception of the Company. Besides Tri-Pack, he is the Chairman of Ali Institute of Education, Babar Ali Foundation, Coca Cola Beverages Pakistan Limited, IGI Holdings Limited, Industrial Technical & Educational Institute, National Management Foundation, Sanofi-Aventis Pakistan Limited, Syed Maratib Ali Religious & Charitable Trust Society and Tetra Pak Pakistan Limited. Mr. Ali is also a Director in Nestle Pakistan Limited, and a Board member of Gurmani Foundation. He is also serving on the Board of Trustee of The Layton Rahmatulla Benevolent Trust and Member Governing Body of Lahore University of Management Sciences (LUMS).



Syed Hyder Ali

Mr. Ali is a Non-Executive Member of the Board since inception. Syed Hyder Ali joined Packages Limited in July 1987 and presently holds the position of Managing Director and CEO of the Company. He has done his Masters in Sciences from Institute of Paper Chemistry and has also served as Mill Manager of Paper and Board operations of the Company. He is also CEO-Deemed Director of Packages Convertors Limited. He holds directorship in several other companies including IGI Holdings Limited, IGI Life Insurance Company Limited, IGI General Insurance Limited, IGI Investments (Private) Limited, Nestle Pakistan Limited, Packages Real Estate (Private) Limited, Packages Lanka (Private) Limited, Sanofi-Aventis Pakistan Limited, Tri-Pack Films Limited, Bulleh Shah Packaging (Private) Limited, and Flexible Packages Convertors (Proprietary) Limited, South Africa. He is also serving on the Boards of several philanthropic, educational, charitable and business support organizations including Pakistan Centre for Philanthropy, National Management Foundation, Syed Maratib Ali Religious and Charitable Trust Society and Babar Ali Foundation. He is also board member of Ali Institute of Education, International Chamber of Commerce, Lahore University of Management Sciences and World-Wide Fund for Nature. He is also serving on the Board of Trustee of Packages Foundation.



Mr. Atsushi Fujii

Mr. Atsushi Fujii is associated with the Company as Non-Executive Director. He is the General Manager for Mitsubishi Corporation of Japan's operations in Pakistan. He has a bachelor's degree in Law from Konan University, Tokyo, Japan and has been with Mitsubishi Corporation for 31 years. He has diverse experience in energy, oil and gas and petroleum industries. He joined the Board of Tri-Pack Films Limited in April 2019.



Mr. Khurram Raza Bakhtayari

Mr. Bakhtayari, currently the Chief Financial Officer of Packages Limited, is Non – Executive Member of the Board. He did his Bachelors in Commerce in 1997 from the Hailey College of Commerce, University of the Punjab, Lahore and thereafter qualified as a Chartered Accountant in 2002 from the Institute of Chartered Accountants of Pakistan. He became a fellow member of the Institute in January 2013. He has over 17 years of experience in Pakistan in the field of corporate finance, accountancy, treasury, auditing, corporate affairs and administration. He is CEO and Director of Packages Real Estate (Private) Limited. He holds Directorships in several other companies including Anemone Holdings Limited, Bulleh Shah Packaging (Private) Limited, DIC Pakistan Limited, Flexible Packages Convertors (Pty) Limited, IGI Life Insurance Company Limited, IGI Investments (Private) Limited, Maxim International (Private) Limited, OmyaPack (Private) Limited, Packages Lanka (Private) Limited and S.C. Johnson & Son of Pakistan (Private) Limited.



Mr. Saquib H. Shirazi

Saquib Shirazi is the Chief Executive Officer of Atlas Honda Limited. He is a graduate of the Wharton School of Finance and did his MBA from the Harvard Business School.

In addition to being a member of the Atlas Group, he is currently the Chairman of Pakistan Business Council. In the past, he has served on the Boards of Pakistan Petroleum Limited, National Refinery Limited, Sui Southern Gas Company Limited, Cherat Cement Limited, Cherat Paper Limited, Privatization Commission of Pakistan and as Chairman PAMA. He is at present a Board member of Prime Minister's Business Council, Engineering Development Board, Pakistan Cables, Tri-Pack and National School of Public Policy.

He was Harvard Business School's Global Alumni Board President for the years 2006-2008. At present, he is on the Advisory Boards of Harvard Business School, Veon Jazz and CDC Pakistan.



Mr. Asif Qadir

Mr. Qadir holds a degree in Chemical Engineering from Columbia University, New York, USA. He was elected as Non-Executive Independent Director of the Company on October 03, 2012. He serves on the Boards of Descon Oxychem Limited, Thal Limited, UNICOL and Cherat Cement Limited. He is Member Governing Body - Liaquat National Hospital.



Mr. Yukio Hayasawa

Mr. Hayasawa is a Non-Executive Member of the Board. A graduate from Nagoya University, he joined Mitsubishi Corporation of Japan in 1991. He has trading experience in a variety of chemical products, such as industrial/coating chemicals and plastics. He also has work experience at Mitsubishi Corporation Plastics Ltd (a Japanese plastics trading house), a subsidiary of Mitsubishi Corporation.

Currently, he is serving as a General Manager at the Plastics Department of Mitsubishi Corporation.



Ms. Nermeen Towfiq Chinoy

Ms. Chinoy began her career in corporate banking at Bank of America NT&SA. She went on to work at the Dawn Media Group in 2005 where her primary responsibility was as Chief Executive of the radio network, CityFM89. Since 2012 Ms. Chinoy has been based in Dubai running her own trading company dealing in products from United Arab Emirates, Italy, and Pakistan. Ms. Chinoy did her schooling in Karachi and subsequently earned her undergraduate degree in Economics from Smith College, USA. She has over twenty years of experience in the varied fields of banking, media, manufacturing, and trading.



Mr. Nasir Jamal

Mr. Nasir Jamal is the CEO of Tri-Pack Films Limited since March 2016 and is therefore a deemed Director of the Company.

Before being named as the CEO, Mr. Jamal was Tri-Pack's Chief Commercial & Chief Financial Officer where he was responsible for overseeing the commercial, financial and risk management activities for the domestic and international operations of the Company. He joined the Company in 2013 as Chief Financial Officer.

Mr. Jamal has a comprehensive background in Finance and Commercial roles. He has worked for over two decades in multitude of senior positions at different financial and manufacturing organizations, with his last 8 years of service at ICI Pakistan Limited as General Manager Finance. Mr. Jamal is a fellow member of the Institute of Chartered Accountants of Pakistan.

Chairman's Review

For the year ended December 31, 2020

Dear Stakeholders,

I present to you a review on the financial results of Tri-Pack Films Limited for the year ended December 31, 2020.

The year generally remained challenging across the globe and for the Company as well due to COVID 19 Pandemic. Our focus was primarily to ensure the wellbeing of all who were working with us and during this time the Company effectively implemented best practices to sail through COVID 19 crises and in the course also delivered a very good financial performance.

The Board continuously provided its direction and guidance, focusing on major risks faced by the Company. The Chief Executive provided reports and updated the Board on regular basis on areas such as budgets, business plans, operating performance, cash flows, risk management and talent development.


The Board is confident that the Company is poised to perform even better in the future owing to its commitment in achieving efficiencies through process improvements and upgradations and expected general improvement in demand and overall economy.

Reduction in interest rates besides gradual increase in demand post first phase of COVID enabled the Company to operate at full potential with better cost of production, resultantly, a considerably better financial performance.

The Board during the year, approved a new Biaxially Oriented Poly Propylene (BOPP) film manufacturing line, demonstrating the Company's commitment to ensure it caters to the increasing demand of BOPP Films in Pakistan and offer faster delivery, better quality, great convenience with increased flexibility.

I thank all our stakeholders for the trust reposed on the Company and their persistent support.

Karachi:
January 29, 2021



Syed Babar Ali
Chairman

Chief Executive Review

For the year ended December 31, 2020

Dear Stakeholders,

I present to you the Annual Report on your Company's performance for the year 2020.

This has surely been a difficult year with the outbreak of COVID-19 being a major issue across the globe. This resulted in difficult and slow business conditions in the first half of the year as market closure, supply disruption, shipping difficulties, etc were witnessed. The situation further worsened with the depreciation of Pak Rupee against major currencies adversely impacting the overall economic activity in the Country.

However, timely response from the Government to stabilize the economy and business conditions, while ensuring health and welfare of the public, were commendable. To mention a few, reduction in policy rates and introduction of refinance scheme for payment of wages and salaries played major role in the economic revival process.

Company's overall profitability improved in the second half of the year with market re-opening after implementation of smart lockdown across the country. The Company being cognizant to the changing scenarios, focused on operational efficiencies, working capital management and cost controlling measures.

Resultantly profit before tax for the year 2020 was Rs 774 million compared to loss before tax of Rs 19 million in 2019 and profit after tax of Rs 614 million has been reported compared to loss after tax of Rs 310 million last year.

For the year 2020, we propose a cash dividend of 50% i.e. Rs 5 per share.

Despite the pandemic, the Company being committed to its mission & Corporate strategy, announced expansion in its capacity by investing in the new state of the art BOPP film manufacturing line to cater for the future demand from the domestic market.

Commitment to and compliance with the Safety, Health and Environment (SHE) policies, procedures and regulation remained our major priority. We ensured complete adherence to SOPs details of which has been mentioned in our 'Pandemic recovery plan' in the annual report.

In the upcoming year, the focus should be on better quality services to our customers, higher productivity, lower costs of production and fixed cost along with stringent working capital management allowing even better returns to the stakeholders.

I would extend my gratitude towards everyone for steps taken to combat the crisis at hand. Your efforts and dedication made the difference. Also, to all our stakeholders for their continued support & trust amidst the pandemic and its challenges.

I remain confident that with the on-going improvement in the business environment and greater focus on improving the operational and business performance, the upcoming year would be more promising.



Nasir Jamal
Chief Executive Officer

Karachi:
January 29, 2021

Directors' Report to the Shareholders

The Directors of the Company are pleased to submit the report and the audited financial statements for the year ended December 31, 2020.

The Company remained committed to comply with the Safety, Health & Environment (SHE) policies and procedures in everything it does.

Market and Business Overview

COVID-19 pandemic remained a major issue across world from the beginning of the year, the impacts of which were seen globally as well as locally in the form of market closures, demand slowdown and consumer spending limited to 'essential only' items.

First half of the year was worst impacted. Not only the demand slowdown was witnessed owing to pandemic related measures but fiscal issues in the form of depreciation of local currency also had a negative impact on the overall economic activity in the country. However, the Government policies of providing stimulus and support to the businesses in the form of reduction in interest rates, payroll financing for employees and pro-investment policies played excellent role in keeping the businesses afloat. Later, the introduction of 'smart lockdown' in the country helped in quick revival of demand to its pre-COVID-19 levels.

Resultantly, significant improvement in demand was observed in the second half of the year with the re-opening of markets, which led to increase in sales volume of the Company.

During these challenging times, we realigned ourselves with changing scenario through more focus on efficiencies and effectiveness of production, working capital and cost management. Besides we remained committed in complying with the SOPs during COVID times and ensuring well-being of our staff.

Financial Highlights

Despite a sluggish start of the year coupled with market closure due to COVID, overall sales volumes remained in line with last year.

The gross margins showed significant improvement owing to operational effectiveness, re-organizing of product portfolio and better margins on exports due to depreciation of PKR. Timely recovery to offset the increase in raw material price and exchange effect remained a key success factor.

Distribution and administrative expenses were higher primarily on the back of higher fuel cost, one-off provision for bad debts and certain one-off legal expenditures.

Operating profits showed a healthy growth of 111%.

Other income for the year include Rs. 106 million in respect of one off notional income on remeasurement of provision for Gas Infrastructure Development Cess in accordance with relevant financial reporting standard. The same will be amortized over the repayment terms as per accounting treatment.

Interest cost was lower by 1% primarily due to reduced interest rates. Exchange loss however was significantly higher on account of major volatility in exchange rates in earlier part of the year however most of it was recovered through timely price increases. Combined together finance cost is almost at the same level as last year.

Resultantly Profit before tax for the year 2020 was Rs 774 million compared to loss before tax of Rs 19 million in 2019.

Further, due to the collective effort of all the related Industry players, industry was out of minimum tax regime at import stage (Finance Act, 2020), leading to normalization of tax charge for the year at Rs 159 million compared to Rs 291 million in the year 2019.

Consequent to all above, profit after tax of Rs 614 million has been reported compared to loss after tax of Rs 310 million last year.

Key Financial Highlights are as follows:

	2020	2019
Sales Volume - (M. Tons) – Local	44,575	44,148
Sales Volume - (M. Tons) – Export	3,397	4,050
Net Sales Value - (Rs in Million)	15,090	14,683
Gross Profit - (Rs in Million)	2,441	1,490
Operating Profit - (Rs in Million)	1,483	702
Interest Cost - (Rs in Million)	604	759
Exchange Loss - (Rs in Million)	205	60
Net Profit/(Loss) - (Rs in Million)	614	(310)
EPS/(LPS) - (Rs per share)	15.83	(7.98)

Dividend

The directors have recommended a cash dividend of 50% i.e. Rs 5 per share (2019: Rs Nil per share)

Names of the Members of the Directors and their Committees

The Members of the committees of the Board are mentioned in the company information section given on page 12 of the annual report.

Future Outlook

The second wave of the COVID-19 and its impacts may prove more challenging, the market demand is expected to remain strong benefitting the Company through acquiring more share of local demand and improving its bottom line. The expansion plan of the Company will result in improved performance in the years to come.

The Government's future fiscal and monetary policies would remain critical for industries in general.

Cash Flow Strategy

During the period under review, cash generated from operations amounted to Rs 2,419 million (2019: Rs 3,576 million) largely driven by improved operational performance. However, to limit the forex exposure the Company from Q2 largely operated on Sight LCs. Towards the second half of the year and before year end a significant

portion of trade liability was settled on sight. Had they been continued at usance the operational cash flow at Year End would have been higher by more than Rs 1 billion.

Further, the Company also invested in new technologically advanced machinery to obtain better quality and operational efficiencies. Despite this, the overall debt of the Company remained in line with last year.

Risks and Uncertainties

The COVID-19 pandemic created uncertainty locally as well as globally. However, business and trade were allowed to continue with required precautions.

Your Company is cognizant of the foreign exchange risk on account of uncertainty hovering over Pak Rupee value against major currencies and appropriate steps are being taken to minimize the impact of any depreciation in Rupee value.

A detailed Risks and Opportunities analysis covering the internal and external factors has been given on page 38 of the annual report.

Principal Activities / Major Developments / Changes in the Nature of the Business

The principal activities of the Company have been given in the annual report on page 20. There have been no significant changes in the nature of the business being conducted by the Company during the year.

Internal Financial Controls

The Company has a thorough internal controls framework in place. Detailed finance control manuals are in place, which have been prepared with the assistance of internal auditors. These manuals contain department-wise process flows, details of controls over each activity and requirements on legal and operational compliance.

The system of internal control is sound in design and has been effectively implemented and monitored. The system is continuously

monitored by Internal Audit and through other such monitoring procedures. The process of monitoring internal controls will continue as an ongoing process with an objective to further strengthen the controls.

Accounting Policies

Appropriate accounting policies have been consistently applied in preparation of financial statements except for the changes as stated in Notes to the Financial Statements. The accounting policies are based on reasonable and prudent judgement.

International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

The financial statements are audited by the external auditors as required by the local statute.

Directors' Responsibility in Respect of Internal Financial Controls

The Board Audit Committee (BAC) has been appointed, which includes five directors including two independent directors. As per the requirements of Code of Corporate Governance, the BAC is chaired by the independent director and its terms of reference have been determined by the Board of Directors and are in line with the guidelines provided in the Code of Corporate Governance. These terms of reference include but not limited to oversight over matters involving financial information, internal controls and corporate governance.

Material Changes Affecting the Financial Position Between the end of Financial year and date of Directors' Report

The material changes, if any, affecting the financial position between the end of financial year and date of directors' report are reflected in the audited annual financial statements annexed to this report.

Safety, Health and Environment

Safety, Health & Environment (SHE) remained among the top priorities of the Company. In 2020, this has been taken further and embedded in to the very fabric of the organization with COVID-19 pandemic. This unprecedented event stretching to months really pushed the

boundaries of dynamic and robust processes to be adapted and put in place to ensure health and well-being of our employees.

As conscientious citizens and employees, we want to do what is right and seriously take pride in our progress across all dimension of these programs that are specifically implemented across all business operations, designed to meet applicable compliance elements as well as to minimize the impact of our business on environment and communities we operate in. Together, this is all tied up with Company's social obligations with the commitment towards the United Nations Sustainable Development Goals (SDGs).

At TPFL, the applicable management systems stand on the backbone of integrated policy, standard practices and procedures, closely monitored to ensure due diligences at all times. Regular assessments of facilities, offices, warehouses are performed to provide assurance to business and stakeholders. We are committed to invest and provide all necessary resources to drive enhanced SHE performance, maintain compliance with applicable laws & regulations and drive continual improvement.

Corporate Social Responsibility

The Company implements a systematic strategy to fulfill its corporate social responsibility. The United Nations Sustainable Development Goals (SDG's) sets out a vision to facilitate the challenges faced by humanity and we can proudly say that we have aligned our environmental and social obligations with these to make a positive impact as an organization.

Social responsibility empowers our employees to do good and leads to an active pursuit of shared values. Our strategy to be a socially responsible organization is linked to our Group Values where the heart of all our CSR activities are linked to giving back to our community, taking part in philanthropic causes and ultimately creating a positive social value. We focus on different types of corporate social responsibility whether it be philanthropy, environment conservation or diversity and labor practices.

The first and fore-most challenge facing humanity across the globe is COVID-19. It is true that the pandemic has shaken most industries yet Tri-pack has remained resilient in combating it and the challenges that have accompanied it. As a company we adopted certain good practices to not only optimize operations but also adapt to the Covid-19 pandemic at the workplace. Since, our company provides essential services, we identified the health and safety practices and ensured timely implementation.

We have partnered in the past and shall continue to do so with institutions that operate for philanthropic causes, working tirelessly to uplift the community by striving for the rights of and making a significant difference to the quality of life and welfare of people. At Tri-pack, we remain proud to say, we have built strong alliances with institutions such as Indus Hospital, Akhuwat, NOWPDP and the academia in Pakistan.

From an environmental stand point, we launched 'tree plantation' activity which is linked to our CSR initiative to improve the air quality in our surroundings. Additionally, partnerships with institutions help us achieve our CSR initiative to advance towards a diverse representation (Females, Transgenders, Differently-abled individuals) across the organization.

We at Tri-pack take great pride in CSR initiatives, as they are linked to our business targets which enables us to leverage business and social agendas. The way we view it, it gives us the opportunity to give back to society but at the same time open doors for innovation and cost saving mechanisms.

In 2021, a greater emphasis will be laid on CSR initiatives to enhance the social well-being of people in our community, be inclusive as a society and make our surroundings environmental friendly. Our resolution from yester years and beyond remain on focusing on the following goals: SDG 03: Good Health; SDG 05: Gender Equality; SDG 07: Affordable and Clean Energy, SDG 10: Reduced Inequalities; SDG 13: Climate Action.

Management Information Systems

Our focus will remain on maximum utilization of our ERP to achieve a paperless work environment and to ensure robust internal controls. We have a dedicated team of ERP specialists who constantly strive to give out of the box solutions to all stakeholders and in turn help the Company to achieve its ambition to enhance operational efficiency and reporting accuracy.

Human Resource

2020 remained a turning point in the transformation of the HR Function – given the pandemic challenges we still managed to enhance our stakeholder's engagement, digitize and deliver strategically on talent's Learning & Development, strengthen our Talent Pipeline, develop future leaders, improve our Diversity representation at the workplace and enhance our Industrial Relations.

Our prime focus in Year 2020 remained to accelerate digital transformation and fundamentally simplify our operations in order to generate better returns on our projects. The aim of digitizing processes lies at the heart of achieving HR excellence and empowering our talent. Solutions be it learning or self-service are available to our employees when they require it remotely or at any time.

We are building capabilities that are critical to deliver our business strategy and future-proof our workforce by investing in our talent pipeline and engaging talent with new roles and development opportunities in the organization. A key highlight of 2020 was building of capabilities of our employees through our Careers, Succession & Development program, where importance is not given just to development of 'ready' Talent Pipeline across the organization, but also to grow employees' careers, inspiring them to grow professionally and individually through a robust mechanism of development & feedback.

In 2020, we have also reinforced the importance of developing 'self' with the launch of the renowned LinkedIn Learning solution, empowering our employees with learning avenues that are available to them when they need it based on their own assessment of their needs.

Additionally, we too have robust talent acquisition mechanisms in place for strengthening our talent pipeline against business critical positions.

Our goal in the past and beyond remains to enable & empower the youth. We have in place our summer Internship leading to Management Trainee Program and the Apprenticeship Program that caters to young talent, offering them a pathway into the corporate world by developing their knowledge and skills, helping them build rapport and a nexus of their own, challenging them to be analytical and creative, engaging them with technology and creating opportunities for active learning.

Lastly, we re-iterate that digitization will bring about not only a revolutionary change but also an evolutionary phenomenon. In essence, a transition of business with technology at its center, will also entail a shift in the culture and the mindset of the organization. This shall be a major breakthrough as it shall allow us to maximize employee experience and focus on strategizing, ultimately benefiting the business bottom line.

Quality Management

Quality has been the essence of our product. We ensure compliance with the requirements of all applicable quality standards through a sound system of key performance indicators (KPIs) and both on-job and external trainings.

To further improve productivity through machine efficiency and reduce process wastages, focus remained on engagements with consultants from equipment suppliers and industry experts.

Related Parties Transaction

In accordance with Section 208 of the Companies Act, 2017 and the Companies (Related Party Transactions and Maintenance of Related Records) Regulations, 2018, the Company has -

- a. established a policy of related party transactions which has been duly approved by the Board.
- b. set up conditions for transactions with related parties to be characterized as “arm’s length transactions”.

- c. circulated and disclosed to the Directors in the Board papers minimum information required for approval of related party transactions.

Code of Corporate Governance

The requirements of the Code of Corporate Governance set out in the listed Companies (Code of Corporate Governance Regulation 2019) have been adopted by the Company and have been duly complied with. A Statement to this effect is annexed to the report.

Corporate and Financial Reporting Framework

- i) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- ii) Proper books of account of the Company have been maintained.
- iii) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates except for the changes as stated in Notes to the Financial Statements. The accounting policies are based on reasonable and prudent judgment.
- iv) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- v) The system of internal control is sound in design and has been effectively implemented and monitored. The system is continuously monitored by Internal Audit and through other such monitoring procedures. The process of monitoring internal controls will continue as an ongoing process with an objective to further strengthen the controls.
- vi) Details of significant changes in the Company’s operating results during the current year as compared to last year and significant plans and decisions for the future prospects of profits are stated in this report.
- vii) Key operating and financial data of last six years is annexed

- viii) Information about the taxes and levies has been given the annexed Wealth generated and distributed on page 138 of the annual report.
- ix) There are no doubts upon the Company's ability to continue as a going concern.
- x) There has been no material departure from the best practices of corporate governance, as detailed in listing regulations.
- xi) The value of investments of provident and gratuity funds, as at June 30, 2020 based on their un-audited accounts is as follows:

	Rs '000
Provident Fund	131,761
Gratuity Fund	110,029

- xii) All Directors have either attended the Directors Training Program or have minimum of 14 years of education and 15 years of experience on the Board of listed companies and therefore are exempt from the Directors Training Program

Trading of shares by CEO/Directors and Executives

The details of trading of shares by Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, Head of Internal Audit, Other Executives, their spouses and minor children are as under: -

Purchase of shares	No. of shares
Director	NIL
Chief Executive Officer	NIL
Chief Financial Officer	NIL
Company Secretary	NIL
Head of Internal Audit	NIL
Other Executives	NIL
Spouses	NIL
Minor Children	NIL
Sales of shares	NIL

Board of Directors

Syed Babar Ali	(Chairman – Non Executive Director)
Syed Hyder Ali	(Non-Executive Director)
Atsushi Fujii	(Non- Executive Director)
Khurram Raza Bakhtayari	(Non-Executive Director)
Nermeen Towfiq Chinoy	(Independent Director)
Yukio Hayasawa	(Non-Executive Director)
Asif Qadir	(Independent Director)
Saqib Hussain Shirazi	(Independent Director)

Changes in the Composition of the Board

During the year, Syed Aslam Mehdi resigned and Mr. Saqib Hussain Shirazi was appointed in his place on December 30, 2020.

The Directors wish to place on record the valuable services rendered by Syed Aslam Mehdi during his tenure as Director and welcomes Mr. Saqib Hussain Shirazi on the Board of the Company.

Composition of Board

The Board of directors of the company consists of following eight directors:

(a) Male	7
(b) Female	1

Composition:

(i) Independent Directors	3
(ii) Non-Executive Directors	5
(iii) Executive Directors	-
(iv) Female (included in Independent Directors)	1

Mr. Nasir Jamal, the Chief Executive Officer of the Company, is a deemed director as envisaged in Section 188(3) of the Companies Act, 2017.

Meetings of Board of Directors

During the year 2020, five (5) meetings of the Board of Directors were held. The attendance of each Director is as follow:

S.No.	Name of Directors	No.of meetings attended
1.	Syed Babar Ali (Chairman)	5
2.	Mr. Nasir Jamal (Chief Executive Officer-Deemed Director)	5
3	Mr. Asif Qadir	5
4.	Syed Hyder Ali	4
5.	Syed Aslam Mehdi (Resigned on December 30, 2020)	5
6.	Mr. Khurram Raza Bakhtayari	5
7.	Mr. Yukio Hayasawa	5
8.	Ms. Nermeen Towfiq Chinoy	5
9.	Mr. Atsushi Fujii	5
10.	Saqib Hussain Shirazi (Appointed on December 30, 2020)	-

Leave of absence was granted to the Directors who could not attend the Board meetings.

Audit Committee

An Audit Committee of the Board has been in existence since the enforcement of the Code of Corporate Governance. It comprises of three (3) Non-Executive Directors, two (2) Independent Directors including the Chairman.

Four (4) meetings of the Audit Committee were held during the year. Attendance of each Member is given hereunder –

S.No.	Name of Directors	No.of meetings attended
1.	Mr. Asif Qadir (Chairman – Independent Director)	4
2.	Mr. Atsushi Fujii	4
3.	Mr. Khurram Raza Bakhtayari	4
4.	Ms. Nermeen Towfiq Chinoy – Independent Director	4
5.	Mr. Yukio Hayasawa	3

Leave of absence was granted to the Members who could not attend the meetings of the Audit Committee.

The Audit Committee has adopted its terms of reference as provided in the Listed Companies (Code of Corporate Governance) Regulations, 2019.

Human Resource and Remuneration Committee

The Human Resource and Remuneration Committee comprises of three (3) Non-Executive Directors, and the Chairman who is an Independent Director.

Two (2) meetings of the Human Resource and Remuneration Committee were held during the year. Attendance of each Member is given hereunder –

S.No.	Name of Directors	No.of meetings attended
1.	Mr. Asif Qadir (Chairman – Independent Director)	2
2.	Mr. Atsushi Fujii	2
3.	Mr. Khurram Raza Bakhtayari	2
4.	Syed Aslam Mehdi (Resigned as on December 30, 2020)	2
5.	Ms. Nermeen Towfiq Chinoy (Appointed on December 30, 2020)	-

The Human Resource and Remuneration Committee has adopted its terms of reference as provided in the Listed Companies (Code of Corporate Governance) Regulations, 2019.

Directors' Remuneration

The Company has approved the Director's Remuneration Policy. The purpose of this policy is to have a transparent procedure for fixing the remuneration packages of individual directors for attending meetings of the board and its committees.

- 1.1. The remuneration of the Directors for attending meetings of the Board or Committees of Directors shall from time to time be determined by the Board based on market trend.
- 1.2. Nominee directors of Packages from other group companies shall not be entitled to receive board/committee meeting fees.
- 1.3. If a director is resident out of the place at which any board meeting is held, and who shall come to that place for the purpose of attending board/committee meetings, the director shall be entitled to be reimbursed at actual.

The policy as set out by the Board has been given on page 90 of the annual report.

Further, detail of aggregate amount of remuneration of executive and non-executive directors is mentioned in the Financial Statements, note 32, page 195 of the annual report.

Contribution to National Exchequer

Your Company's contribution to the national exchequer in the form of Sales Tax, Custom Duties and Income Taxes etc. is approximately Rs 3.4 billion in the year 2020.

Pattern of Shareholding

A statement of the pattern of shareholding of certain class of shareholders as at December 31, 2020, disclosure of which is

required under the reporting framework, is included in the annexed shareholders' information given on page 84 of the annual report.

External Auditors

The present auditors' M/s A. F. Ferguson & Co., Chartered Accountants are retiring and being eligible, offer themselves for reappointment. The Board of directors on the recommendation of the Audit Committee proposes the appointment of M/s A. F. Ferguson & Co., Chartered Accountants as the auditors until the next annual general meeting at a fee to be mutually agreed.

Chairman's Review

The Chairman's review is part of the Annual Report given on page 49 of the annual report.

Acknowledgement

We are thankful to our valued stakeholders including customers, banks, suppliers, contractors, and shareholders, for their excellent support and confidence. We also thank our employees for their focused dedication and hard work throughout this period.



Nasir Jamal

Chief Executive Officer



Asif Qadir

Director

Karachi, January 29, 2021

Corporate Governance Framework

Our Corporate Governance framework is designed to ensure that the Company embodies its core values and principles that emphasize on high standards of integrity, transparency and trust at all levels of the organization. Our policies and practices are to ensure that the Company is managed with integrity in the best interest of shareholders. In addition, we are committed to upholding sound principles of corporate governance and to meeting the requirements of all statutory laws and regulations of the Country. The Board of Directors has adopted Code of Corporate Governance, which along with the charters of the Board Committees, the Company's Code of Conduct for employees and operational policies and procedures, provide the framework for the governance of the Company.

Decision taken by the Board and Matters Delegated to the Management

The Company has a Corporate Governance Policy in place, which provides guidelines about administration of Board of Directors.

The Board of Directors of the Company meets on quarterly basis as required by the Companies Act 2017. Moreover, the Board meeting can also be convened to approve significant matters such as approval of revenue and capital budget of the Company, to review significant changes in the operations of the Company including plans for expansion, capital and operational restructuring, approval of new policies & procedures and significant amendments to current policies & procedures etc. Due communication is made of all such meetings and their outcome as required by the Securities and Exchange Commission of Pakistan.

Principal Board Committees including Executive Committee, Board Audit Committee and Human Resource and Remuneration Committee are also in place to oversee the operations of the Company.

The Board of Directors systematically designs procedures to ensure sound, transparent and efficient corporate management. The Company makes decisions to conduct business activities in appropriate manner in the light of the size, industry sector and relevant laws and regulations.

The Board has authorized the Chief Executive Officer (CEO) to maximize corporate value in conformity with the law, internal corporate rules, memorandum and articles of association of the Company while considering the overall interest of shareholders. CEO has further been authorized to define the Company's mission / vision statement and ensure the alignment of objectives, from grass root level to the top, with the mission / vision.

The Board regularly evaluates performance of the Company ensuring proper conduct of operations directly and indirectly through Board Committees and the CEO.

Annual Evaluation of the Board, Individual Members, Chief Executive Officer (CEO) and the Chairman

The Board evaluation mechanism recognizes the effectiveness and efficiency of the board in meeting their objectives and to evaluate their performance for providing strategic direction and oversight to the management.

For this purpose, questionnaire has been prepared taking into account the effectiveness, accountability, leadership and strategy formulation by the Board and its committees. Directors are also asked to fill a self-evaluation questionnaire based on the decision taken by the Board member and their contributions in Board meetings.

These questionnaires are circulated across the Board on annual basis and the filled forms are compiled by the Company Secretary ensuring confidentiality.

Director's Orientation and Training

Directors appointed to the Board are given proper orientation regarding the Company information and their roles and responsibilities as Board member. During the year, Syed Aslam Mehdi resigned and Mr. Saquib Hussain Shirazi was appointed in his place on December 30, 2020. He will hold office for the remainder of the term of Syed Aslam Mehdi in whose place he is appointed. The Directors wish to place on record their appreciation of the valuable services rendered by Syed Aslam Mehdi during the tenure of his office.

All Directors have either attended the Directors' Training Program or have minimum of 14 years of education and 15 years of experience on the Board of listed companies and therefore are exempt from the Directors' Training Program.

Female Director

Diversity & inclusion has been a core part of Company's corporate objective. Our commitment to the same is reflected by our well-timed compliance to the gender diversity goals for the composition of the Board of Directors as defined by Company laws. The Board of Tri-Pack Films Limited has acquired the services of Ms. Nermeen Towfiq Chinoy as an independent director.

Remuneration Policy of Directors including Non-Executive and Independent Directors

Tri-Pack Films Limited has implemented a policy purpose of which is to have a transparent procedure for fixing the remuneration packages of individual directors for attending meetings of the board and its committees.

- a. The remuneration of the Directors for attending meetings of the Board or Committees of Directors shall from time to time be determined by the Board.

- b. Nominee directors of Packages from other group companies and Mitsubishi Corporation, Japan shall not be entitled to receive board/committee meeting fees.
- c. If a director is resident out of the place at which any board meeting is held, and who shall come to that place for the purpose of attending board/committee meetings, the director shall be entitled to be reimbursed at actual.

Executive Director Serving as Non-Executive Director

Currently, no individual is serving as an Executive Director on the Board of Tri-Pack Films Limited. Chief Executive Officer (deemed director), is also not serving as non-executive director in other companies.

Governance Practices Exceeding Legal Requirements

Tri-pack Films Limited has always believed in going the extra mile when comes to corporate governance. In line with this strategy, not only have we complied with all mandatory legal compliances under the Code of Corporate Governance, the Companies Act 2017 and other applicable rules, regulations and standards. We have also carried out the following activities in addition to the legal requirements;

1. Other information: The management reports various other essential information in this annual report which is not required by law.
2. Implementation of SHE: The Company has developed and implemented aggressive SHE strategies at its Plants to ensure maximum safety of its people and equipment.
3. Adopting BCR Criteria: The Company prepares its annual report in line with BCR criteria, reflecting on our stance to be transparent in all dealings, disclosing maximum quality information to our shareholders.
4. Integrated reporting: The management tries to ensure that integrated reporting framework is followed for the preparation of the Annual Report.

Diversity & Inclusion

Over the past few years, we have strived to broaden our horizon with respect to D&I at the workplace. D&I continue to be one of our key priorities focusing mainly on gender balance, LGBTQ+ and disabilities.

To us, it is now more than just Equal Opportunity and Representation. We have actively aligned ourselves to Empower (UN Women Empowerment Principles), Break Stereotypes, Sensitize our People & Fight Biasness.

Our most recent initiative involves (SDG 04: Gender Equality, SDG 10: Reduced Inequality), where we have joined hands with M/S Akhuwat to provide employment to trans-people in the Company.

We have since, successfully on-boarded 02 individuals from the trans community as part of our workforce and we intend to keep striving & doing our part to support and grow them.

All this, among others, to us is critical to moving our Company, the industry and society forward, by enabling every employee no matter their gender, gender identity or orientation, generation, or cultural background – to be respected and valued, as is their right.

Women Empowerment

Our commitment to women's empowerment begins at the top of the Company, where our Senior Leadership is personally vested in improving and sustaining talented females in all job functions in our Company, helping them realize their potential and magnify their contributions to the organization.

Over the last two years, we have observed the following trend against our efforts to increase female representation within Company:

2019:

- 50% growth in female staff head count vs. 2018
- Inclusion of female trade apprentices at shop floor.

2020:

- 20% growth in female staff head count vs. 2019
- Inclusion of Trans-Genders as part of the workforce.

We too have reformed our workplace for it to be better suited for women at work by implementation of female-friendly policies and best practices inspired from the Global Diversity & Inclusion Benchmarks (GDIB).

It is our long-term ambition is to become a recognized employer in attracting and retaining strong female talent.

Related Party

As required under Fourth Schedule to the Companies Act, 2017, detailed disclosures regarding related party transactions have been presented in note 36 to the financial statements presented afterwards in this annual report. Such disclosure is in line with the requirements of the Fourth Schedule to the Companies Act, 2017 and applicable International Financial Reporting Standards.

Name of related party with whom Company had entered into a transaction in year 2020 along with basis of relationship and aggregate % of shareholding has been taken into account in note 37 of the annexed financial statements.

The Company has an approved related party policy which is covered further in the annual report.

Detail of Board Meetings Held Outside Pakistan

The Company conducted 5 Board meeting during the year, all of which were held in Pakistan.

Keeping in view of the COVID-19 pandemic, majority of the Board Meetings were conducted through video conference.

IT Governance

Tri-Pack believes that without strong IT Governance, the business value of IT is substantially impaired and the organization becomes subject to the inefficiencies of short-term, tactical IT deployments, unproductive use of human resources and IT assets, breaches of data security and regulatory requirements. IT Governance structure fully capable of meeting business and reporting challenges is in place.

Conflict of Interest Policy

Tri-Pack Films Limited expects all employees to be free from actual or potential conflicts of interest.

Tri-Pack Films Limited expects all employees to be free from actual or potential conflicts of interest.

A conflict of interest occurs whenever the prospect of direct or indirect personal gain may influence or appear to influence an employee judgment or actions while conducting the business in which employee has a prime responsibility towards the Company and is expected to avoid activities or transactions that clash directly with the interest of the Company. Such situations could arise in a number of ways.

Some of the specifically forbidden situations are outlined below. This list is, however, neither exhaustive nor all inclusive. In case of doubt, the advice of the management should be sought.

- Any employee or any dependent member of his/her family (for the purpose of this code family includes parents, spouse, children and siblings in a position to influence) having an interest in any organization supplying goods or services to the Company.
- Any employee conducting personal business activities on the company premises or using company facilities for such purposes.

- Gaining personally from, performing any work for, or serving as a consultant, advisor, employee, or director of any competitor, supplier, or customer.
 - Any employee serving as an officer or Chief Executive Officer (CEO) of any other Company, or in any management capacity for, or as a consultant to any individual, firm or Company seeking to do business with any Group Company or its affiliate, except with the knowledge and prior consent of top management of the Group Company.
 - Using Group equipment, assets, or time to engage in non-Group activities, unless expressly authorized in writing by the CEO of your Group Company.
 - Engaging in any financial transaction with or possessing or controlling any financial interest in any competitor, customer, or supplier, whose securities are publicly traded on a stock exchange.
 - Family Members can work in Packages Group, provided they are not working in the same unit or in any capacity where one position might be able to influence the other one. If the employee's family member has applied for a position at Packages Group, then the employee will not be allowed to participate in the selection or recruitment of that position.
- In case a family relationship develops within the organization or within a Group company after employment, then the employee will be required to inform Human Resource (HR) in writing immediately.
- Accepting compensation or anything of material value (equivalent to Rs. 5000 or above) from third parties that have or propose to have a business relationship with any Group

Reporting Conflicts:

Any actual or potential conflict of interest has to be reported in writing to the HR and Internal Audit Heads of respective group company.

Related Party Policy

1. Purpose

The purpose of this policy is to ensure the timely approval of related party transactions that are not conducted in the normal course of business and to define the minimum parameters that should be kept into consideration before executing such related party transactions. This policy is defined to govern the approval process to ensure transparency in the conduct of Related Party Transactions in the best interest of the Company and its shareholders and to comply with the statutory provisions as amended from time to time.

2. Scope

This policy applies to all the transactions executed by the company outside the normal course of its business with its related parties as defined in section 208 of the Companies Act, 2017. These transactions may include:

- sale, purchase or supply of any goods or materials;
- selling or otherwise disposing of, or buying, property of any kind;
- leasing of property of any kind;
- availing or rendering of any services;
- appointment of any agent for purchase or sale of goods, materials, services or property; and
- such related party appointment to any office or place of profit in the company, its subsidiary company or associated company.

3. Related Parties

Related parties include all the persons or parties that are related to the company. As defined in section 208 of the Companies Act, 2017 related party includes:

- a) a director or his relative;
- b) a key managerial personnel or his relative;
- c) a firm, in which a director, manager or his relative is a partner;

- d) a private company in which a director or manager is a member or director;
- e) a public company in which a director or manager is a director or holds along with his relatives, any shares of its paid-up share capital;
- f) anybody corporate whose chief executive or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- g) any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (f) and (g) shall apply to the advice, directions or instructions given in a professional capacity;

- h) any company which is
 - a. a holding, subsidiary or an associated company of such company; or
 - b. a subsidiary of a holding company to which it is also a subsidiary;
- i) such other person as may be specified;

4. Potential Risks

The related party transactions are a common feature of business but they may give rise to specific risks depending upon the nature of relationships. The major risks associated with these transactions are listed below:

- related parties may operate through an extensive and complex range of relationships and structures, with a corresponding increase in the complexity of related party transactions;

- information systems may be ineffective at identifying or summarizing transactions and outstanding balances between an entity and its related parties;
- related party transactions may not be conducted under normal market terms and conditions;
- related party transactions executed by the company may be non-complied with the relevant laws and regulations as amended from time to time;
- related party transactions may be motivated solely or by and large to engage in fraudulent financial reporting or conceal misappropriation of assets.

5. Mitigating Controls

The following mitigating controls are in place to mitigate the potential risks stated in section 4:

- All related parties are identified by the Company Secretarial and Finance departments and an updated list is being maintained.
- Balances and other transactions with the related parties are reported and disclosed separately in the financial statements of the company.
- All the related party transactions are being approved by the board of directors.
- Transactions with related parties are captured in separate ledgers and reported along with the mode of cost determination to BOD for approval.

6. Pricing Policy

Company executes all the transactions with its related parties at arm's length. The term arm's length transactions mean any transaction carried out in a way, as if:

- The parties to the transaction were unrelated in any way;
- The parties were free from any undue influence, control or pressure;
- Through its relevant decision-makers, each party was sufficiently knowledgeable about the circumstances of the transaction, sufficiently experienced in business and sufficiently well advised to be able to form a sound judgement as to what was in its interests; and
- Each party was concerned only to achieve the best available commercial result for itself in all the circumstances.

7. Approval of Related Party Transactions

The board shall approve all related party transactions and the following minimum information shall be circulated and disclosed to the directors along with agenda item for board's meeting called for approval of related party transaction:

- Name of the related party;
- Names of the interested or concerned persons or directors;
- Nature of relationship, interest or concern along with complete information of financial or other interest or concern of directors, managers or key managerial personnel in the related party;
- Detail, description, terms and conditions of transactions;
- Amount of transactions;
- Timeframe or duration of the transactions or contracts or arrangements;
- Pricing policy;
- Recommendations to the audit committee, where applicable; and

- Any other relevant and material information that is necessary for the board to make a well-informed decision regarding the approval of related party transactions.

8. Responsibility of Board

The board of directors shall ensure:

- To educate and train directors and relevant employees so that they can identify and report the related party transactions to the board or other authorized persons;
- To provide direction as to whom a director or employee can consult should they be uncertain if a transaction is a related party transaction;
- For setting general criteria to approve transactions or agreement with related parties at various levels;
- For identifying and determining whether a related party transaction requires members' approval;

- To ensure that any related party transactions that require board's approval are put before the board;
- To ensure that any related party transactions that require members' approval are put before members;
- To fix the responsibility for identification and disclosure of related party transactions; and
- To ensure the company meets its legal and regulatory obligations in relation to related party transactions.

9. Records to be Maintained

The company shall maintain a register containing the information of transactions carried out with the related parties. The register shall contain the information that is required to be maintained as per the relevant provisions of law.

Whistle Blowing Policy

Purpose

The purpose of this document is to provide guidelines to establish an objective and impartial process for prevention, detection and remedial measures of unethical behavior, corruption and fraudulent activities that may cause damage to the Company's assets or reputation. This would ensure a safe, ethical and productive working environment free from any prejudice, harassment, fraud or other malpractices.

Policy Statement, Objective & Scope

Policy Statement

All the complaints received through whistle blowing channel would be investigated in a fair and transparent manner. The Company has zero tolerance policy against issues relating to non-compliance to the Company's Code of Conduct including corruption, bribery, misappropriation, violation of rules and regulation etc. and strict action would be taken against those convicted in such cases including termination of employment or business relationship.

Objective & Scope

1. The objective of this document is to ensure that the Code of Conduct is upheld through transparent and fair process. Employees are encouraged to question, discuss, and share information regarding any suspected irregularities or non-compliance with the Code of Conduct.
2. The types of issues which may be reported includes but are not limited to:
 - Breach of the Code of Conduct;
 - Corruption;
 - Harassment;
 - Misappropriation of financial data/reports;
 - Misuse of Company's assets;
 - Violation of applicable laws & regulations;
 - Action raising safety, security, and environmental concerns;
 - Damage to Tri-Pack's reputation or business; and
 - Discrimination against a person on the basis of his/her race, sex, identity, age, nationality, ancestry, religion, physical/mental disability or marital status.
3. This policy and related procedures are applicable to all employees, contractors and other stakeholders of the Company to encourage them to raise their concerns rather than overlooking them.
4. Raising concerns does not mean disloyalty to colleagues, subordinates or supervisors; rather it is a valuable contribution towards the colleagues

and the Company which would prevent inequality, harassment or a harmful trend of dishonesty, unlawful or unethical conduct.

5. An employee will assume full responsibility for accusation placed against a person for any act of discrimination, harassment, breach of the Code of Conduct or unethical business practices. Any wrongful accusation may also call for a disciplinary action.
6. Whistle blowing process has been devised to:
 - encourage people to raise their concerns and feel confident in questioning and acting upon the Code of Conduct;
 - provide channels to raise concerns in confidence and receive feedback on any action taken;
 - ensure that response is provided against concerns; and
 - assure complainants that their identity would be kept strictly confidential and protected from possible reprisals.
7. HR Department shall take measures for dissemination of the policy to create awareness among the people and encourage them to raise concerns through this procedure.

Reporting Procedure

1. Any person who believes that he/she has been a victim of discrimination, harassment or becomes aware of any activity which breaches the Code of Conduct or law should immediately report the issue under this policy. Confidentiality of all complaints would be ensured and appropriate remedial action would be taken after thorough verification/ investigation of underlying facts and details.
2. For communication of complaints following modes should be used:
 - Email to: "whistle@tripack.com.pk" OR
 - Send mail to: Head of Internal Audit Shahrah-e-Roomi. P.O. Amer Sidhu Lahore - 54760 Packages Limited Lahore, Pakistan

All complaints would be communicated to the Chairman of Board Audit Committee and Head of Internal Audit through mail forwarding facility.

3. If it is determined that the allegations constitute an act of harassment, breach of the Code of Conduct or law or constitutes unethical business practices; the allegations would be investigated by the Head of Internal Audit by forming an investigation team. Investigation of complaints would be conducted with high level of objectivity, impartiality and fairness.

Work Place Harassment

We believe that it is the right of every employee at Tri-Pack to work in a dignified environment. To achieve this and to promote a harmonized work culture, we will provide equal opportunities for development and growth regardless of gender, race, color, creed or religion.

'Harassment' means any unwelcome sexual advance, request for sexual favors or other verbal or written communication or physical conduct of a sexual nature, or sexually demeaning attitudes, causing interference with work performance or creating an intimidating, hostile or offensive work environment, or an attempt to punish the complainant for refusal to comply to such a request or is made a condition for employment. Its scope covers both male and female employees.

There are three significant manifestations of harassment in the work environment:

Abuse of authority:

A demand by a person in authority, such as a supervisor, for sexual favors in order for the complainant to keep or obtain certain job benefits, be it a wage increase, a promotion, training opportunity, a transfer or the job itself.

Creating a hostile environment:

Any unwelcome sexual advance, request for sexual favors or other verbal or physical conduct of a sexual nature, which interferes with an individual's work performance or creates an intimidating, hostile, abusive or offensive work environment. The typical "hostile environment" claim, in general, requires finding of a pattern of offensive conduct, however, in cases where the harassment is particularly severe, such as in cases involving physical contact, a single offensive incident will constitute a violation.

Retaliation:

The refusal to grant a sexual favor can result in retaliation, which may include limiting the employee's options for future promotions or training, distorting the evaluation reports, generating gossip against the employee or other ways of limiting access to his/her rights. Such behavior is also a part of harassment.

Process for filing a complaint:

1. The employee (the victim) shall raise complaint in accordance with the Anti- Harassment Policy. The complainant may wish to discuss the case with immediate supervisor for guidance in this regard.
2. The Chief Anti-Harassment Officer (CAHO), usually HR Head of respective company, will study the complaint in detail and determine if the complaint comes under the purview of the Anti-Harassment Policy. In case if the

complaint is outside the purview of the Anti-Harassment Policy, the complainant would be informed accordingly by giving reason(s). In case the complaint is found to be under the purview of the Anti- Harassment Policy, the CAHO will then forward the complaint to Special Inquiry Committee established for this purpose. During this course, the CAHO may contact the complainant by phone or may require the complainant to meet in person, so that the details of the complaint can be further clarified.

3. In order to block the implication of the misuse of this Policy, the basic requirement for the implementation of its clauses and for formal undertaking of an inquiry, the following two conditions are hereby kept as pre-requisites:
 - All allegations must either have at least one witness, or in case of no witness, any other written or recorded or pictorial evidence or in case of no such evidence to support the allegations, at least a circumstantial evidence or an inference based on incidental logic and reasoning.
 - The complainant shall declare and disclose her/his full name and correct identity, at the time of filing of the complaint, which will be kept confidential at all times.
4. No anonymous or conditional complaint shall be entertained.
5. All complaints shall be reported and investigated in accordance with this policy and any other applicable laws and regulations on Harassment.

Furthermore, harassment can occur in a variety of circumstances such as:

- Advances, propositions, suggestions or pressure for social activities outside of work, where it has been made clear that these are unwelcome. Conduct which is discriminatory, intimidatory, physically or verbally abusive, including the display of explicit material, humor or comments of a sexual or racial nature or related to a person's abilities or disabilities whether directed specifically at any particular individual or not.
- Spreading malicious rumors or insulting someone by word or behavior (particularly on the grounds of age, race, sex, disability, sexual orientation and religion or belief).
- Unfair treatment or misuse of power and position.
- Making threats or comments about job security without foundation.

Human Resource Policy

Purpose

The purpose of this policy is to provide guidance pertaining to human resource administration by facilitating the development of a sound employment and working environment and strengthening the human resource of the Company.

Policy

Personnel shall be hired by the best means available on the basis of a recruitment policy (setting out the number of people to be recruited, the type of people required, etc.) and in accordance with the laws and practices of the country and the conditions of labour market, without distinction of gender, race or any other factor unrelated to the candidate's ability to perform the job.

Appointment, retirement and termination of the Managing Director, Chief Financial Officer, Company Secretary, and Internal Auditor shall be approved by Board of Directors and through its Remuneration Committee shall fix the remuneration of the Managing Director and his direct reportees.

It is the responsibility of the Managing Director to ensure that Tri-Pack is properly resourced and is capable of sustaining existing operations and meeting strategic business needs. He shall do so by:

- Identifying and developing talent pool;
- Succession planning for all key senior positions, in particular, his direct reportees; and,
- Maintaining, development, careers and succession planning and remuneration in consultation with his executive team in line with better market practices and facilitated by the Head of Human Resource.

Human Resource Values

Employees are the most valuable asset and a source of competitive advantage for Tri-Pack.

Policies and procedures have been formulated to retain professionally competent and motivated employees. Tri-pack believes in respect for individuals, equal opportunities and advancement based on merit, effective communications and the development of a business culture and organization which values and encourages continuous improvement at all levels. Tri-pack gives particular importance to:

- Providing safe, secure and healthy working environment;
- Ensuring that employees are not discriminated on any grounds other than effective job performance;
- Employee evaluation based on their performance and rewarded accordingly;
- Ensuring that employees are properly equipped and trained to deliver better performance;
- Effective and open communication so that employees may display initiative and innovation in their work;
- Promoting environment free from any fear to exploit the best potential;
- Encouraging curiosity to ask questions;
- Proper segregation of function and duties to avoid concentration of information, power and authority;
- Ensuring gender diversity;
- Sharing of information on need to know basis; and,
- Ensuring that entitlement and benefits as far possible should be clearly specified to avoid element of discretion.

In order to achieve the above mentioned values, good practices are to be adopted in the following areas:

- Employees recruitment and orientation;
- Assessment of training and development needs;
- Performance management review;
- Succession planning;
- Job profile / description;
- Recognition and reward;
- Long term benefits;
- Code of Conduct; and,
- Performance based culture.

Insider Trading Policy

Introduction

The purpose of this Insider Trading Policy (the “Policy”) is to promote compliance with applicable securities laws by the Company and all directors, officers and employees thereof, in order to preserve the reputation and integrity of the Company as well as that of all persons associated with it.

In case there is any conflict in the provisions of this Policy and any other Rules of the Company, then this Policy shall prevail.

Applicability / Scope

The Policy is applicable to all directors, officers and employees of the Company. This Policy also applies to material, unpublished price sensitive information relating to any other company with publicly-traded securities, including the Company’s customers or suppliers, obtained in the course of employment by or association with the Company.

Policy

If a director, officer or any employee of the Company or any agent or advisor of the Company, its subsidiaries and affiliates has material, unpublished price sensitive information relating to the Company, it is the Company’s policy that neither that person nor any Connected Person (as defined below) may buy or sell securities of the Company (the “Company Securities”) or engage in any other action to take advantage of, or pass on to others, that information.

Trading in Other Securities

No director, officer or employee may place purchase or sell orders or recommend that another person place a purchase or sell order in the securities of another company if the person learns of material, unpublished information about the other company in the course of his/her employment with the Company.

Directors, officers and employees, and their Connected Persons may not trade Company Securities or sell Company Securities “short.” In addition, directors, officers and employees, and their Related Persons may not hold Company Securities in margin accounts.

Prohibition on Trading During Closed Period

As per Clause 5.6.1(d) of Pakistan Stock Exchange Regulations, no Director, CEO or executive shall, directly or indirectly, deal in the securities of the Company in any manner during the closed period.

The closed period shall start from the day when any document/statement, which forms the basis of price sensitive information, is sent to the Board of Directors and terminates after the information is made public. It is expected that such a restriction would help minimize the risk of insider trading by key management/directors or employees of the Company.

A photograph showing a row of palm trees in a landscaped area. The trunks of the palm trees are painted white at the base. In front of the trees, there is a bed of colorful flowers in shades of red, yellow, and purple. The background shows a clear sky and some buildings.

Social and Environmental Responsibility Policy

Tri-Pack Films Limited's Policy is to

- ensure customer satisfaction by its best quality product made by using state of the art machines and by continuous acquisition of knowledge and skills.
- establish, implement and review objectives & targets to ensure continuous improvement in our SHE System and inculcate Behavior Based concept to encourage employees in contributing towards every aspect of Safety, Health and Environmental protection.
- comply with all regulatory requirements on Safety, Health and Environment. Protect employees and community from health & safety hazards and to prevent environmental pollution.
- promote and adopt eco-friendly sustainable initiatives to minimize adverse impacts on the environment from its activities.
- use raw materials efficiently, manage waste effectively and economically to conserve resources.
- communicate to all stakeholders about our occupational safety, health and environment and quality policy & performance.
- ensure that any new plant, equipment and processes installed will minimize hazards impacting the environment.
- ensure sustainable use of energy and water resources via RO plant.

Statement of Compliance

With Listed Companies (Code of Corporate Governance) Regulations, 2019

For the year ended December 31, 2020

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 8 as per the following:
 - a. Male: 7
 - b. Female: 1
2. The composition of the Board is as follows:
 - i. Independent Directors 3
 - ii. Non-executive Directors 5
 - iii. Executive Directors -
 - iv. Female Director (included in Independent Directors) 1

Mr. Nasir Jamal, the Chief Executive Officer of the Company, is a deemed director as envisaged in Section 188(3) of the Companies Act, 2017. During the year, there is a change in the composition of the Board, since Mr. Saquib Hussain Shirazi joined the Board of the Company as an Independent Director in place of Syed Aslam Mehdi, Non-executive Director;

3. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company;
4. The Company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures;
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of significant policies along with their date of approval or updating is maintained by the Company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/shareholders as empowered by the relevant provisions of the Act and these Regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with

respect to frequency, recording and circulating minutes of meeting of the Board;

8. The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
9. The Board has arranged Director's Training program for the following:
 1. Mr. Khurram Raza Bakhtayari
 2. Mr. Yukio Hayasawa
 3. Mr. Atsushi Fujii
 4. Ms. Nermeen Towfiq Chinoy
10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board;
12. The Board has formed Committees comprising of members given below:

a) Audit Committee:		
Mr. Asif Qadir (Independent Director)	-	Chairman
Mr. Atsushi Fujii (Non-Executive Director)	-	Member
Mr. Khurram Raza Bakhtayari (Non-Executive Director)	-	Member
Mr. Yukio Hayasawa (Non-Executive Director)	-	Member
Ms. Nermeen Towfiq Chinoy (Independent Director)	-	Member

b) Human Resource and Remuneration Committee:

Mr. Asif Qadir (Independent Director)	-	Chairman
Mr. Atsushi Fujii (Non-Executive Director)	-	Member
Mr. Khurram Raza Bakhtayari (Non-Executive Director)	-	Member
Ms. Nermeen Towfiq Chinoy (Independent Director)	-	Member

During the year, Ms. Nermeen Towfiq Chinoy joined the Human Resource and Remuneration Committee in place of Syed Aslam Mehdi who resigned from the Board of the Company effective December 30, 2020.

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings (quarterly/half yearly/ yearly) of the committees were as per following:

a) Audit Committee	Quarterly
b) Human Resource and Remuneration Committee	As and when required
15. The Board has outsourced the internal audit function to EY Ford Rhodes, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company;
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the Company.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with; and

19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

S.No.	Requirement	Explanation	Reg. No
1	The Board may constitute a separate committee, designed as the nomination committee, of such number and class of Directors, as it may deem appropriate in its circumstances.	Since there is no Nomination Committee in place, the terms of reference of it enumerated in the Listed Companies (Code of Corporate Governance) Regulations, 2019 have been incorporated in the terms of reference of Human Resource and Remuneration Committee respectively.	29
2	The Board may constitute the risk management committee, of such number and class of Directors, as it may deem appropriate in its circumstances, to carry out a review of effectiveness of risk management procedures and present a report to the Board.	Since there is no Risk Management Committee in place, the terms of reference enumerated in the Listed Companies (Code of Corporate Governance) Regulations, 2019 have been incorporated in the terms of reference of the Audit Committee respectively.	30

Karachi:
Date: January 29, 2021



(Syed Babar Ali)
Chairman

Independent Auditor's Review Report



A.F.FERGUSON & CO.

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Tri-Pack Films Limited

**Review Report on the Statement of Compliance Contained in Listed Companies
(Code of Corporate Governance) Regulations, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Tri-Pack Films Limited for the year ended December 31, 2020 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended December 31, 2020.

Chartered Accountants

Karachi

Dated: 22 February 2021

*A.F.FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
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■ KARACHI ■ LAHORE ■ ISLAMABAD

Role of the Chairman

- To preside over the Directors' and General Meetings ("Meetings") of the Company;
- To ensure that requirements of the Articles of Association and of the laws and other applicable regulations are appropriately addressed and complied with by the Company in connection with the Meetings, including the Code of Corporate Governance;
- To ensure that the Meetings are duly convened and properly constituted. It is the responsibility of the Chairman to ensure, on the advice of the Company Secretary, that the Meetings are held after due notice has been given and that all those who are present in the Meetings have a right to be there and that the necessary quorum is present;
- To sign the minutes of the last Meetings after such minutes have been prepared, approved as corrected, if required, by the persons attending immediately next Meeting, or earlier if so required or is necessary, and after such minutes have been entered in the minutes books;
- To ensure that the business of every Meeting is conducted in the order set down in the previously circulated agenda, subject to the Chairman's right to change this order;
- To ensure, to the extent possible, that order is maintained in the Meetings so that the business of the Meetings may be smoothly conducted. If any members present at a General Meeting behave in a disorderly manner, the Chairman may instruct them to behave properly. If, in spite of due warning, such members continue to behave in a disorderly manner, if any members use un-parliamentary or abusive language, the Chairman may require them to leave the Meeting, or the Chairman may adjourn the Meeting;
- To decide whether the resolutions moved at a Meeting, or the amendments suggested in such resolutions are in order and within the scope of the Meeting;
- To ensure, to the extent possible, that no discussion is allowed in a General Meeting except on a specific motion before the Meeting;
- To ensure that the views of the minority shareholders are properly heard at General Meetings;
- To ensure voting by raising of hands, or where demanded, by poll and declare the results of the voting and to declare as to whether a resolution is adopted or passed by a Meeting;
- To ensure that voting at an election of Directors is conducted in accordance with the Articles of Association and the law and to declare the names of the Directors elected;
- The Chairman shall have the authority to decide all incidental questions of procedure which arise and require decision at any time during the Meetings. The Chairman's decisions will be final and so recorded in the minutes books;
- To exercise in a proper and business like manner all the powers which are entrusted to the Chairman in the law or the Articles of Association or which are otherwise delegated by the Board to the Chairman;
- In exercising his powers at any Meeting, the Chairman may seek advice of the Company Secretary and/or the Chief Executive and/or any consultants, including the auditors and legal advisors, present in the Meeting.

Role of Chief Executive

The Chief Executive/Managing Director is the chief executive of the Company, and subject to the control and supervision/direction of and any limitations imposed by the Board:

- is entrusted with substantially the whole of the power of management of the business and affairs of the Company;
- has full power (other than the powers required to be exercised at meetings of the Board or the powers which are not delegated by the Board to the Chief Executive) to do all acts, matters and things, deemed necessary, proper or expedient for carrying on the business and concerns of the Company;
- is empowered to undertake the engagement and dismissal of managers, officers, engineers, assistants, clerks and labourers;
- is empowered to make and sign all contracts and to draw, sign, accept, endorse and negotiate, on behalf of the Company, all bills of exchange, promissory notes, cheques, drafts and other instruments; and
- is empowered to delegate all or some of his powers to such other directors, managers or other persons as the Chief Executive/Managing Director may think fit and shall have power to grant to any such persons such powers of attorney as he may deem expedient and to revoke any such powers of attorney;
- is responsible to comply with all such directions and instructions as the Board may from time to time issue and to implement and give effect to all such decisions and resolutions as the Board or the Company in General Meeting may from time to time take, pass or adopt; and
- is responsible to ensure that the Company and its officers and employees comply with all applicable laws and regulations, the Articles of Association of the Company, the agreements and documents signed or adhered to by the Company and regulations of the regulatory bodies, such as (without limitations) the listing and other regulations of the Stock Exchanges on which the Company

Statement of Management's Responsibility towards the Preparation and Presentation of Financial Statements

The Company's management ensures that financial statements are prepared in accordance with the accounting and reporting standards as applicable in Pakistan.

Date of Authorization of Financial Statements

The Financial Statement of Tri-Pack Films Limited for the year ended December 31, 2020 were authorized for issue on January 29, 2021 by the Board of Directors of the Company.

Chairman's Significant Commitments and any Changes Thereto

Syed Baber Ali is serving Tri-Pack Films Limited as the Chairman of the Board. Details of his commitments are mentioned in the Directors' profile.

Shareholders' Information

Registered Office

4th Floor, The Forum, Suite # 416-422, G-20, Block 9,
Khayaban-e-Jami, Clifton, Karachi-75600,
Tel. # 92 21 35831618 / 35831664 / 35833011 / 35874047 - 49
Fax # 92 21 35860251

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. # 92 21 34380101-2 Fax # 92 21 34380106

Listing on Stock Exchange

Tri-Pack's equity shares are listed on the Pakistan Stock Exchange.

Listing Fees

The annual listing fee for the financial year 2020-21 has been paid to the stock exchange within the prescribed time limit.

Stock Code

The stock code for dealing in equity shares of Tri-Pack Films at the Stock Exchange is TRIPF.

Service Standards

Tri-Pack has always endeavored to provide investors with prompt services. Listed below are various investor services and the maximum time limits set for their execution:

	<u>For requests received through post</u>	<u>Over the counter</u>
Transfer of shares	15 days after receipt	15 days after receipt
Transmission of shares	15 days after receipt	15 days after receipt
Issue of duplicate share certificates	30 days after receipt	30 days after receipt
Issue of duplicate dividend warrants	5 days after receipt	5 days after receipt
Issue of revalidated dividend warrants	5 days after receipt	5 days after receipt
Change of address	2 days after receipt	2 days after receipt

Well qualified personnel of the Shares Registrar have been entrusted with the responsibility of ensuring that services are rendered within the set time limits.

Shares Registrar

Tri-Pack's shares department is operated by FAMCO Associates (Pvt.) Ltd and services about 2,050 shareholders. It is managed by a well-experienced team of professionals and is equipped with the necessary infrastructure in terms of computer facilities and comprehensive set of systems and procedures for conducting the Registration function.

The Shares Registrar has online connectivity with Central Depository Company of Pakistan Limited. It undertakes activities pertaining to dematerialization of shares, share transfers, transmissions, issue of duplicate/re-validated dividend warrants, issue of duplicate/ replaced share certificates, change of address and other related matters.

For assistance, shareholders may contact either the Registered Office or the Shares Registrar.

Contact Persons

Mr. Sifat Ahmed Khan

Tel. # 92 21 35831618 / 35831664 / 35833011 Fax # 92 21 35860251
Email: sifat.ahmad@packages.com.pk

Mr. Ovais Khan

Tel. # 92 21 34380101-2 Fax # 92 21 34380106
Email: ceo@famco.com.pk

Statutory Compliance

During the year, the company has complied with all applicable provisions, filed all returns/ forms and furnished all the relevant particulars as required under the Companies Act, 2017 and allied rules, Notifications/Circulars issued by the Securities and Exchange Commission of Pakistan (SECP) from time to time and the Listing requirements.

Dematerialization of Shares

The equity shares of the company are under the compulsory dematerialization category. As of date 42.44% of the equity shares of the company have been dematerialized by the shareholders.

Dividend

The board of directors of the company has proposed a final dividend of 50% (Rs. 5.00 per share of Rs.10) for the financial year ended December 31, 2020. The aforesaid final cash dividend is subject to approval by the shareholders of the company at the Annual General Meeting (2019: NIL cash dividend).

Book Closure Dates

The Register of Members and Share Transfer Books of the company will remain closed from April 07, 2021 to April 14, 2021 both days inclusive.

Dividend Remittance

Dividend declared and approved at an Annual General Meeting is paid in terms of Section 242 of the Companies Act, 2017/Companies (Distribution of Dividends) Regulations, 2017:

- (i) **For shares held in physical form:** to shareholders whose names appear in the Register of Members of the company after entertaining all requests for transfer of shares lodged with the company on or before the book closure date.
- (ii) **For shares held in electronic form:** to shareholders whose names appear in the statement of beneficial ownership furnished by CDC as at end of business on book closure date.

Withholding of Tax & Zakat on Dividend

As per the provisions of Section 150 of the Income Tax Ordinance, 2001, Income Tax is deductible at source on dividend payable by the company at the rate of 15% for filers of income tax returns, wherever applicable, and at the rate of 30% for non-filers of income tax returns.

Zakat is also deductible at source from the dividend at the rate of 2.5% of the face value of the share, other than corporate holders or individuals who have provided an undertaking for non-deduction.

Investors' Grievances

To date none of the investors or shareholders have filed any letter of complaints against any service provided by the company to its shareholders.

Legal Proceedings

No case has ever been filed by shareholders against the company for non-receipt of shares/refund.

General Meetings & Voting Rights

Pursuant to Section 132 of the Companies Act, 2017, Tri-Pack Films Limited holds a General Meeting of shareholders at least once a year. Every shareholder has a right to attend the General Meeting. The notice of such meeting is sent to all the shareholders at least 21 days before the meeting and also advertised in at least one English and one Urdu newspaper having circulation in Karachi, Lahore and Islamabad.

Shareholders having holding of at least 10% of voting rights may also apply to the board of directors to call for meeting of shareholders, and if board does not take action on such application within 21 days, the shareholders may themselves call the meeting.

All shares issued by the company carry equal voting rights. Generally, matters at the general meetings are decided by a show of hands in the first instance. Voting by show of hands operates on the principle of "One Member-One Vote". If majority of shareholders raise their hands in favor of a particular resolution, it is taken as passed, unless a poll is demanded.

Since the fundamental voting principle in a company is “One Share-One Vote”, voting takes place by a poll, if demanded. On a poll being taken, the decision arrived by poll is final, overruling any decision taken on a show of hands.

Proxies

Pursuant to Section 137 of the Companies Act, 2017 and according to the Memorandum and Articles of Association of the Company, every shareholder of the company who is entitled to attend and vote at a general meeting of the company can appoint another person as his/her proxy to attend and vote instead of him/her. Every notice calling a general meeting of the company contains a statement that a shareholder entitled to attend and vote is entitled to appoint a proxy, who may not be a member of the company.

The instrument appointing a proxy (duly signed by the shareholder appointing that proxy) should be deposited at the office of the company not less than forty-eight hours before the meeting.

Web Presence

Updated information regarding the company can be accessed at Tri-Pack’s website, www.tripack.com.pk. The website contains the company’s profile, the corporate philosophy and major products.

Shareholding Pattern

The shareholding pattern of the equity share capital of the company as at December 31, 2020 is as follows:

Shareholding		Number of Shareholders	Total Shares Held
From	To		
1	100	429	15,275
101	500	665	290,061
501	1,000	256	222,923
1,001	5,000	439	1,132,069
5,001	10,000	99	779,148
10,001	15,000	45	575,293
15,001	20,000	30	548,560
20,001	25,000	10	226,561
25,001	30,000	10	279,475
30,001	35,000	8	261,147
35,001	40,000	5	193,598
40,001	45,000	5	217,586
45,001	50,000	7	336,969

Shareholding		Number of Shareholders	Total Shares Held
From	To		
50,001	55,000	3	158,831
55,001	60,000	1	56,500
60,001	65,000	3	186,986
65,001	70,000	2	131,525
70,001	75,000	3	217,097
75,001	80,000	3	231,812
80,001	85,000	1	84,800
90,001	95,000	1	92,400
105,001	110,000	1	106,400
115,001	120,000	2	233,892
125,001	130,000	1	125,400
140,001	145,000	2	283,466
165,001	170,000	1	166,500
175,001	180,000	1	177,186
180,001	185,000	1	184,497
215,001	220,000	1	216,736
295,001	300,000	1	300,000
320,001	325,000	1	320,924
395,001	400,000	1	400,000
400,001	405,000	1	403,879
420,001	425,000	1	421,228
475,001	480,000	1	478,375
535,001	540,000	1	536,975
595,001	600,000	1	599,516
675,001	680,000	1	678,000
680,001	685,000	1	682,260
685,001	690,000	1	687,000
1,375,001	1,380,000	1	1,376,400
3,750,001	3,755,000	1	3,750,417
7,495,001	7,500,000	1	7,499,000
12,930,001	12,935,000	1	12,933,333
		2,050	38,800,000

Information as required under the Listed Companies (Code of Corporate Governance) Regulations, 2019.

Shareholders' Category	Number of Shareholders	Total Shares Held
i. Associated Companies, Undertakings and Related Parties (name wise details)		
M/S. Babar Ali Foundation	2	253,897
IGI Investments (Pvt.) Limited	1	3,750,417
M/S. Mitsubishi Corp. - Japan	1	7,499,000
M/S. Packages Limited	1	12,933,333
Total:	5	24,436,647
ii. Mutual Funds (name wise details)		
CDC - Trustee JS Large Cap. Fund	1	1,000
CDC - Trustee MCB Pakistan Asset Allocation Fund	1	35,000
CDC - Trustee MCB Pakistan Stock Market Fund	1	687,000
CDC - Trustee National Investment (Unit) Trust	1	599,516
CDC - Trustee NBP Stock Fund	1	4
CDC - Trustee Pakistan Capital Market Fund	1	2,500
CDC - Trustee UBL Dedicated Equity Fund	1	2,000
Total :	7	1,327,020
iii. Directors and their Spouse(s) and Minor Children (name wise details)		
Syed Hyder Ali	2	337,324
Syed Babar Ali	1	536,975
Mr. Yukio Hayasawa	1	500
Mr. Atsushi Fujii	1	500
Ms. Nermeen Towfiq Chinoy	1	1,000
Mr. Asif Qadir	1	100
Total:	7	876,399
iv. Executives	NIL	NIL
Total:	NIL	NIL
v. Public Sector Companies and Corporations	1	682,260
Total:	1	682,260
vi. Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds	11	239,403
Total:	11	239,403
vii. Shareholders holding 5% or more voting rights in the Listed Company		
IGI Investments (Pvt.) Limited	1	3,750,417
Mitsubishi Corporation - Japan	1	7,499,000
Packages Limited	1	12,933,333
Total:	3	24,182,750

Information as required under the Listed Companies (Code of Corporate Governance) Regulations, 2019.

S.No.	Shareholders' Category	Number of Shareholders	Number of Shares	%
1	Directors, Chief Executive Officer, and their spouse and minor children	7	876,399	2.26
2	Associated Companies, Undertakings and related Parties	5	24,436,647	62.98
4	Banks, Development Financial Institutions, Non-Banking Financial Institutions	2	63	0.00
5	Insurance Companies	2	686,260	1.77
6	Modarabas and Mutual Funds	7	1,327,020	3.42
7	Shareholders holding 10%	2	20,432,333	52.66
8	General Public :			
	a. local	1,950	8,511,351	21.94
	b .Foreign	1	5,900	0.02
9	Others	76	2,956,360	7.62
Total (excluding: shareholders holding 10%)		2,050	38,800,000	100.00

Share Price / Volume

The monthly high and low prices and the volume of shares traded on the Pakistan Stock Exchange during the financial year 2019 are as under:

Month	Share price on the PSX (Rs.)		
	Highest	Lowest	Volume of shares traded
January	102.90	80.51	2,053,500
February	102.69	82.28	443,000
March	108.23	63.10	337,000
April	93.38	71.00	567,500
May	102.21	85.10	590,500
June	100.00	88.00	502,000
July	118.33	90.99	2,155,500
August	171.68	111.00	3,594,500
September	197.99	160.51	2,769,000
October	198.00	159.00	3,478,500
November	187.00	156.00	2,055,000
December	181.00	161.20	1,041,000

Principal Board Committees

Executive Committee

- Mr. Atsushi Fujii (Chairman)
- Syed Hyder Ali
- Mr. Khurram Raza Bakhtayari
- Mr. Asif Qadir

The Executive Committee ensures effective and efficient operations of the Company. They meet periodically to assess the progress of the Company against the set targets. The Committee is authorized to conduct every business except the business carried out by the Board of Directors as required by Section 183 of the Companies Act, 2017.

Audit Committee

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

Terms of Reference of Board Audit Committee

The terms of reference of the Audit Committee include the following:

- a) Determination of appropriate measures to safeguard the Company's assets;
- b) Review of annual and interim financial statements of the Company, prior to their approval by the Board of Directors, focusing on:
 - Major judgmental areas;
 - Significant adjustments resulting from the audit;
 - Going-concern assumption;
 - Any changes in accounting policies and practices;
 - Compliance with applicable accounting standards;
 - Compliance with regulations and other statutory and regulatory requirements; and
 - All related party transactions.
- c) Review of preliminary announcements of results prior to external communication and publication;
- d) Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
- e) Review of management letter issued by external auditors and management's response thereto;
- f) Ensuring coordination between the internal and external auditors of the Company;
- g) Review of the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;
- h) Consideration of major findings of internal investigations of activities characterised by fraud, corruption and abuse of power and management's response thereto;
- i) Ascertaining that the internal control system including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
- j) Review of the Company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;
- k) Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive Officer and to consider remittance of any matter to the external auditors or to any other external body;
- l) Determination of compliance with relevant statutory requirements;
- m) Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof;
- n) Review of arrangement for staff and management to report to Audit Committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;

- o) Recommend to the Board of Directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the Company by the external auditors in addition to audit of its financial statements, measures for redressal and rectification of non-compliances with the Code of Corporate Governance. The Board of Directors shall give due consideration to the recommendations of the Audit Committee and where it acts otherwise, it shall record the reasons thereof;
- p) Ensuring that risk mitigation measures are robust;
- q) Ensuring that appropriate extent of disclosure of company's risk framework and internal control system is given in the Directors Report; and
- r) Consideration of any other issue or matter as may be assigned by the Board of Directors.

Functional Responsibilities

The Committee shall have the following responsibilities:

Financial statements

- Review of preliminary announcements of the Company's results prior to publication and consider whether they are complete and consistent with the information known to Committee members.
- Review of the quarterly, half-yearly and annual financial statements of the Company prior to their approval by the Board of Directors. The review should focus on:
 - Major judgmental areas
 - Complex or unusual transactions or significant adjustments resulting from the audit
 - Going concern assumption
 - Changes in accounting policies and practices
 - Compliance with applicable accounting / reporting standards
 - Compliance with listing regulations and other statutory / regulatory requirements
- Review with management and the external auditors the results of the audit, including any difficulties encountered.

- If necessary and as determined by the Board Audit Committee, review with management, internal auditors and with Legal department, any litigation, claims or other contingency, including tax assessments that could have a material effect on the Company's financial position or operating results.

Compliance, risk & internal control

- Monitor compliance with best practices of corporate governance by the Company under its management control as well as identification and steps to correct significant violations thereof.
- Review reports on violations of business ethics and conflicts of interest issues at the Company under its management control and monitor compliance with the Company's relevant policies.
- Review and handle complaints according to the Company's whistle blowing Policy.
- Monitor compliance with relevant statutory requirements and review findings of any examinations by regulatory agencies
- Determine the effectiveness of measures to safeguard Company's assets.
- Review business contingency plans for managing high risk areas.
- Review management's policies and practices and ascertain the adequacy and effectiveness of the Company's system of internal control, including financial and operational controls, accounting system and reporting structure, and information technology security and control.
- Review Company's statement on internal control systems prior to endorsement by Board of Directors, and deviations from this system which may cause material affects on its financial position and operating results
- Perform any other overseeing functions as requested by the Board of Directors.

Internal audit

- Review the organizational structure, qualifications, skills set and experience of the Internal Audit function and ensure that it has adequate resources to effectively carry out its role.

- Review the overall internal audit scope and extent, the annual audit plans and all major changes thereto at the Company and monitor implementation.
- Review and concur in the appointment, remuneration and performance of Company's Head of Internal Audit.
- Review internal auditors' findings and recommendations including major findings of internal investigations and management's responses/corrective actions. Report matters of audit significance to the Company's Board.

External audit

- Facilitate the external audit and ensure external auditor's coordination with internal audit including review of internal audit reports by external auditors.
- Review the performance of the Company's external auditors and recommend to the Board on matters regarding their appointment, fees or discharge.
- Review and confirm the independence of the external auditors by obtaining written statements from them regarding any interests, other than auditing fees, that they may have in the Company and nature of their relationship with the Company, including non-audit services or employment of former employees of the external auditors.
- Examine external auditor's internal control memorandum / management letters on internal accounting controls and other audit findings and also review management's responses thereto.

Reporting responsibilities

- Annually report to the Board of Directors about committee activities, issues, and related recommendations.

Human Resource and Remuneration (HR&R) Committee

- Mr. Asif Qadir (Chairman)
- Mr. Atsushi Fujii
- Mr. Khurram Raza Bakhtayari
- Ms. Nermeen Towfiq Chinoy

Terms of Reference of Human Resource and Remuneration (HR&R) Committee

The terms of reference of the Human Resource and Remuneration (HR&R) Committee include the following:

- a) Recommendation to the Board for consideration and approval a policy framework for determining remuneration of Directors (both Executive and Non-Executive Directors and members of senior management). The definition of senior management will be determined by the Board which shall normally include the first layer of management below the Chief Executive Officer level;
- b) Undertaking annually a formal process of evaluation of performance of the Board as a whole and its Committees either directly or by engaging external independent consultant and if so appointed, a statement to that effect shall be made in the Directors' Report disclosing therein name and qualifications of such consultant and major terms of his/its appointment;
- c) Recommending Human Resource Management Policies to the Board;
- d) Recommending to the Board the selection, evaluation, development, compensation (including retirement benefits) of Chief Executive Officer, Chief Financial Officer, Company Secretary and Head of Internal Audit;
- e) Consideration and approval on recommendations of Chief Executive Officer on such matters for key management positions who report directly to Chief Executive Officer;
- f) Where human resource and remuneration consultants are appointed, they shall disclose to the Committee their credentials as to whether they have any other connection with the Company;
- g) Considering and making recommendations to the Board in respect of the Board's Committees and the chairmanship of the Board Committees; and
- h) Keeping the structure, size and composition of the Board under regular review and for making recommendations to the Board with regard to any changes necessary.

Pandemic Recovery Plan

As pandemic was announced by the World Health Organization, Tri-Pack has put measures into place to protect its employees to not only safeguard their well-being but also to ensure continuity of its business operations to facilitate essential packaging needs.

While developing COVID-19 response plan for Tri-Pack Films Limited, national and International advisories were explored to develop a well-rounded plan which catered requirements for the prevention of COVID -19 at workplace. Most common advisories referred were from Ministry of Health, WHO, Sindh Police, UNICEF, OSHA COVID-19 standard, Packages Group advisories etc.

Throughout 2020, maximum efforts have been put in place by SHE and all other departments to ensure that all COVID-19 protocols remain in place with maximum results. For this purpose, numerous tool box talks, training sessions, awareness campaign, and dedicated hand washing stations were deployed to ensure the wellbeing of all employees, 3rd party workers and contractors.

Tri-Pack Response Plan includes;

1. Employees and contractor awareness on the pandemic via training session and tool box talks (TBT) – 700 plus employees
2. Awareness poster in urdu and english for employee awareness
3. Temperature screening of employees in shift van and plant entrance
4. Personnel disinfection at plant entry
5. Social distancing in shift vans, at plant entry, within mess halls, meeting rooms and in offices
6. Disinfection of incoming vehicles including personal and commercial focusing on touch-points
7. Masks to be worn as a mandatory practice
8. Sanitizer points at various location. No Hand shake policy implemented

9. Disinfection activity of plant building including offices, commonly used equipment such as photo copies, railing, IT equipment, machine panels, door handles etc. 24 hours' drive divided in to 12 hourly shift, covering each areas two time a day.
10. Health declaration mechanism deployed for visitors or employees returning to work from leaves
11. Disposal of COVID-19 related waste via SEPA approved vendor
12. Disposable cutlery in mess and glasses at dispenser area.





Performance and Position

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Analysis of Financial and Non-financial Indicators

At Tri-Pack, we have a robust mechanism of determining financial and non-financial targets for all the departments. Companywide financial targets are set during the budgeting exercise after taking into consideration inputs from all different departments based on which a master budget is prepared. After review and endorsement by the Executive Management Team, the master budget is approved by the Board of Directors of the Company. These financial targets are cascaded down as the key performance indicators at departmental and individual level.

On the other hand, non-financial targets of the Company are closely linked with overall objectives and are set as part of the objective setting process of executives and management at the start of the year. These include employee engagement levels, development and enhancement of employee skills, safety, health and environmental benchmarks, quality benchmarks, training and development targets etc.

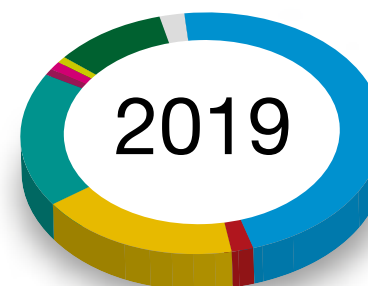


Statement of Financial Position Composition



Non-Current and Current Assets

Property, plant and equipment	52%	Advances and prepayments	1%
Intangibles	0%	Other receivables	2%
Right-of-use asset	1%	Refunds due from government - sales tax	2%
Long term deposits	0%	Income tax - refundable	9%
Inventories	19%	Cash and bank balances	1%
Trade receivables - net	13%		100%



Non-Current and Current Assets

Property, plant and equipment	47%	Advances and prepayments	1%
Intangibles	0%	Other receivables	1%
Right-of-use asset	2%	Refunds due from government - sales tax	1%
Long term deposits	0%	Income tax - refundable	10%
Inventories	18%	Cash and bank balances	2%
Trade receivables - net	18%		100%



Equities and Liabilities

Equity & Reserves	29%
Long-term Borrowing	16%
Other Non Current Liabilities	7%
Current Liabilities	48%
	100%



Equities and Liabilities

Equity & Reserves	27%
Long-term Borrowing	7%
Other Non Current Liabilities	3%
Current Liabilities	63%
	100%

Ratio Analysis

	Year to December 31 2020	Year to December 31 2019	Year to December 31 2018	Year to December 31 2017	Year to December 31 2016	Year to December 31 2015
Profitability Ratios						
Gross profit ratio	16.2	10.1	10.4	14.4	17.3	15.5
Net profit/Loss to sale%	4.1	(2.1)	1.2	4.7	6.4	4.2
EBITDA margin to sale%	14.4	9.1	10.1	14.6	16.7	15.3
Operating leverage ratio%	40.2	0.2	(5.2)	(3.7)	(8.6)	(12.6)
Return on equity%	15.8	(9.5)	4.2	14.5	19.9	23.6
Return on capital employed%	19.1	8.6	7.4	13.6	16.2	12.7
Cost to income ratio%	64.6	112.3	99.6	50.1	44.0	51.2
Liquidity Ratios						
Current ratio	1.0	0.8	0.9	0.9	1.1	0.8
Quick / Acid test ratio	0.6	0.5	0.5	0.6	0.7	0.5
Cash to Current Liabilities	(0.2)	(0.3)	(0.3)	0.0	0.0	(0.0)
Cash flow from Operations to Sales	0.2	0.2	0.0	0.0	0.2	0.2
Activity / Turnover Ratios						
Inventory turnover	6.7	7.6	5.5	7.2	7.1	7.8
No. of Days in Inventory	54.6	47.9	66.0	50.6	51.7	46.8
Debtor turnover ratio	10.4	7.5	6.7	8.7	9.2	11.3
No. of Days in Receivables	35.2	48.9	54.5	42.0	39.8	32.2
Payables turnover ratio	5.0	4.8	27.3	22.9	4.6	5.1
No. of Days in payables	72.6	75.7	13.4	15.9	78.8	71.6
Total Assets turnover ratio	1.1	1.2	1.0	1.1	1.1	1.1
Fixed Assets turnover ratio	2.1	2.4	2.2	2.0	1.9	1.8
Operating Cycle	17.2	21.1	107.2	76.7	12.7	7.4
Investment / Market Ratios						
Earnings per share (EPS)	15.8	(8.0)	4.1	14.8	20.1	14.9
Price earning ratio	10.3	(10.5)	26.4	9.5	14.6	16.6
Price to Book ratio	48.1	26.5	33.0	48.5	98.7	73.1
Dividend %	50	-	40	100	100	50
Dividend Yield ratio	3.1	-	3.7	7.1	3.4	2.0
Dividend Payout ratio	31.6	-	98.6	67.8	49.6	33.6
Dividend Cover ratio	3.2	-	1.0	1.5	2.0	3.0
Break-up Value per share	99.9	84.0	96.2	101.9	98.0	70.5
Highest Market value per share during the period	198.0	120.1	183.2	327.0	320.0	299.0
Lowest Market value per share during the period	63.1	47.5	99.9	130.0	169.0	159.0
Market value per share	162.8	84.2	107.1	140.0	294.0	247.0

	Year to December 31 2020	Year to December 31 2019	Year to December 31 2018	Year to December 31 2017	Year to December 31 2016	Year to December 31 2015
Capital Structure Ratios						
Net assets per share	99.9	84.0	96.2	101.9	101.5	63.0
Financial Leverage ratio	1.2	1.5	1.8	1.3	1.1	3.2
Weighted average cost of debt	13.0	15.6	7.1	5.8	10.7	10.0
Total debt to equity ratio	54 : 46	60 : 40	65 : 43	57 : 43	52 : 48	76 : 24
Long term debt to equity ratio	39 : 61	28 : 72	34 : 66	40 : 60	49 : 51	69 : 31
Interest coverage	2.0	1.0	1.5	3.4	3.2	1.6

Profitability Ratios

The Company performed well in terms of profitability. Year 2015 and 2016 were remarkable years in terms of profitability. In 2016, the Company managed to make a profit of Rs 754 million, highest after 2011 on account of significant reduction in finance cost due to better cash generation and equity injection of Rs 1.1 billion. Profitability declined in 2017 due to increase in raw material prices, inflationary pressure and supply overhang. Also, due to equity injection, return on Equity significantly decline from last year. Year 2018 and 2019 performance was under pressure due to competition leading to supply overhang in the market. Also, higher raw material and energy cost led to reducing profitability. This year the profitability of the Company significantly increased on account of re-organizing of product portfolio, better working capital management, reduction in finance cost due to lower policy rate as set by the State Bank of Pakistan to incentivize industries against the pandemic.

Liquidity Ratios

Management of working capital has been an important part of Company's operations. Despite operating on a mix of sight and usance raw material import terms, the Company was able to generate Rs 2.4 billion from operations with net cash inflow of Rs 684 million, highest in last six years. The liquidity position of the Company has improved from last year, however, focus shall remain on effective working capital management going forward.

Activity/Turnover Ratios

The increase in inventory turnover days coupled with declining inventory ratio shows that cost of inventory declined over the period mainly due to decline in raw material prices. Our focus remained on recoveries from customers amidst the pandemic, resulting in reduction in trade receivable i.e. from 48.9 days in 2019 to 35.2 days in 2020. This has been the second lowest since 2015. This lead to decline in operating cycle of the Company from 21.1 days in 2019 to 17.2 days in 2020.

Investment/Market Ratios

The investment and market ratios are directly proportionate to the profitability of the Company.

Capital Structure Ratio

The total debt to equity ratio in 2020 is 54:46 compared to 60:40 on account of increase in debt levels of the Company to finance the projects in 2020. The Company also acquired loan under Refinance scheme for payment of wages and salaries. However, equity and reserves of the Company also improved due to higher profitability in 2020.

Horizontal Analysis

	2020		2019		2018		2017		2016		2015	
	Rs '000	variance %	Rs '000	variance %	Rs '000	variance %	Rs '000	variance %	Rs '000	variance %	Rs '000	variance %
Statement of Financial Position												
Equity and Reserves	3,875,925	18.9	3,259,360	(12.7)	3,731,479	(5.6)	3,954,469	4.0	3,800,818	79.8	2,113,802	29.3
Long term borrowing facilities	2,123,085	144.0	870,002	(18.7)	1,070,001	(24.9)	1,424,024	(44.0)	2,544,408	(30.6)	3,664,793	(18.8)
Non Current Liability	889,329	135.7	377,377	38.6	272,307	(36.6)	429,350	96.9	218,021	144.5	89,158	(20.5)
Current Liabilities	6,264,771	(19.9)	7,822,735	3.9	7,531,001	39.8	5,386,771	17.6	4,581,833	(15.9)	5,447,172	(20.1)
	<u>13,153,110</u>	<u>6.7</u>	<u>12,329,474</u>	<u>(2.2)</u>	<u>12,604,788</u>	<u>12.6</u>	<u>11,194,614</u>	<u>0.4</u>	<u>11,145,080</u>	<u>(1.5)</u>	<u>11,314,925</u>	<u>(13.5)</u>
Property Plant and Equipment	6,825,355	17.0	5,835,974	(3.9)	6,073,755	(1.6)	6,174,706	(2.7)	6,346,761	(5.7)	6,731,234	(6.7)
Other Non-Current Assets	214,389	(5.1)	225,974	2,873.7	7,599	(11.9)	8,629	38.0	6,255	(38.0)	10,094	(20.7)
Current Assets	6,113,366	(2.5)	6,267,526	(3.9)	6,523,434	30.2	5,011,279	4.6	4,792,064	4.8	4,573,597	(21.8)
	<u>13,153,110</u>	<u>6.7</u>	<u>12,329,474</u>	<u>(2.2)</u>	<u>12,604,788</u>	<u>12.6</u>	<u>11,194,614</u>	<u>0.4</u>	<u>11,145,080</u>	<u>(1.5)</u>	<u>11,314,925</u>	<u>(13.5)</u>
Statement of Profit or Loss and Other Comprehensive Income												
Revenue from contracts with customers	15,089,802	2.8	14,683,267	11.0	13,224,068	7.9	12,255,793	4.1	11,778,067	(1.5)	11,954,171	(12.1)
Cost of sales	12,649,012	(4.1)	13,193,443	11.4	11,847,875	13.0	10,489,889	7.2	9,784,453	(3.1)	10,096,906	(18.4)
Gross profit	2,440,790	63.8	1,489,824	8.3	1,376,193	(22.1)	1,765,904	(11.4)	1,993,614	7.3	1,857,265	52.0
Administration and selling expenses	957,985	21.5	788,218	14.8	686,823	16.5	589,666	(3.2)	609,467	(3.1)	628,870	(14.4)
Operating profit	1,482,805	111.3	701,606	1.8	689,370	(41.4)	1,176,238	(15.0)	1,384,147	12.7	1,228,395	152.3
Other income	164,710	65.1	99,781	75.8	56,770	21.4	46,770	(24.2)	61,705	1.7	60,675	(42.5)
Finance cost	808,992	(1.3)	819,480	61.5	507,524	42.9	355,197	(21.9)	454,983	(41.8)	781,916	(15.3)
Other charges	65,011	6,242.5	1,025	(94.5)	18,547	(67.3)	56,795	(26.4)	77,211	120.8	34,976	100.0
Profit / (loss) before taxation	773,512	4,146.0	(19,118)	(108.7)	220,069	(72.9)	811,016	(11.2)	913,658	93.5	472,178	242.8
Provision for taxation	159,401	(45.2)	290,696	363.5	62,712	(73.7)	238,374	49.8	159,176	711.9	(26,013)	(80.2)
Profit / (loss) after taxation	<u>614,111</u>	<u>298.2</u>	<u>(309,814)</u>	<u>(296.9)</u>	<u>157,357</u>	<u>(72.5)</u>	<u>572,642</u>	<u>(24.1)</u>	<u>754,482</u>	<u>51.4</u>	<u>498,191</u>	<u>349.5</u>

Vertical Analysis

	2020		2019		2018		2017		2016		2015	
	Rs '000	%	Rs '000	%	Rs '000	%	Rs '000	%	Rs '000	%	Rs '000	%
Statement of Financial Position												
Equity and Reserves	3,875,925	29.5	3,259,360	26.4	3,731,479	29.60	3,954,469	35.3	3,800,818	34.1	2,113,802	18.7
Long term borrowing facilities	2,123,085	16.1	870,002	7.1	1,070,001	8.49	1,424,024	12.1	2,544,408	22.8	3,664,793	32.4
Non Current Liability	889,329	6.8	377,377	3.1	272,307	2.16	429,350	3.8	218,021	2.0	89,158	0.8
Current Liabilities	6,264,771	47.6	7,822,735	63.4	7,531,001	59.75	5,386,771	48.1	4,581,833	41.1	5,447,172	48.1
	<u>13,153,110</u>	<u>100.0</u>	<u>12,329,474</u>	<u>100.0</u>	<u>12,604,788</u>	<u>100.0</u>	<u>11,194,614</u>	<u>100</u>	<u>11,145,080</u>	<u>100.0</u>	<u>11,314,925</u>	<u>100.0</u>
Property Plant and Equipment	6,825,355	51.9	5,835,974	47.3	6,073,755	48.2	6,174,706	55.2	6,346,761	56.9	6,731,234	59.5
Other Non Current Assets	214,389	1.6	225,974	1.8	7,599	0.1	8,629	0.1	6,255	0.1	10,094	0.1
Current Assets	6,113,366	46.5	6,267,526	50.8	6,523,434	51.8	5,011,279	44.8	4,792,064	43.0	4,573,597	40.4
	<u>13,153,110</u>	<u>100.0</u>	<u>12,329,474</u>	<u>100.0</u>	<u>12,604,788</u>	<u>100.0</u>	<u>11,194,614.0</u>	<u>100.0</u>	<u>11,145,080</u>	<u>100.0</u>	<u>11,314,925</u>	<u>100.0</u>
Statement of Profit or Loss and Other Comprehensive Income												
Revenue from contracts with customers	15,089,802	100.0	14,683,267	100.0	13,224,068	100.0	12,255,793	100	11,778,067	100	11,954,171	100
Cost of sales	12,649,012	83.8	13,193,443	89.9	11,847,875	89.6	10,489,889	85.6	9,784,453	83.1	10,096,906	84.5
Gross profit	2,440,790	16.2	1,489,824	10.1	1,376,193	10.4	1,765,904	14.4	1,993,614	16.9	1,857,265	15.5
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Operating profit	1,482,805	9.8	701,606	4.8	689,370	5.2	1,176,238	9.6	1,384,147	11.8	1,228,395	10.3
Other income	164,710	1.1	99,781	0.7	56,770	0.4	46,770	0.4	61,705	0.5	60,675	0.5
Finance cost	808,992	5.4	819,480	5.6	507,524	3.8	355,197	2.9	454,983	3.9	781,916	6.5
Other charges	65,011	0.4	1,025	0.0	18,547	0.1	56,795	0.5	77,211	0.7	34,976	0.3
Profit / (loss) before taxation	773,512	5.1	(19,118)	(0.1)	220,069	1.7	811,016	6.6	913,658	7.8	472,178	3.9
Provision for taxation	159,401	1.1	290,696	2.0	62,712	0.5	238,374	1.9	159,176	1.4	(26,013)	(0.2)
Profit / (loss) after taxation	<u>614,111</u>	<u>4.1</u>	<u>(309,814)</u>	<u>(2.1)</u>	<u>157,357</u>	<u>1.2</u>	<u>572,642</u>	<u>4.7</u>	<u>754,482</u>	<u>6.4</u>	<u>498,191</u>	<u>4.2</u>

Combined Analysis of Horizontal and Vertical Analysis

Statement of Financial Position

Equity and Reserves

Equity and reserves increased over the last six years however, remained at the same level as 2016 when the right issue was made despite the declining profitability in 2018 and 2019. The Company was able to turn the tables around in 2020 and has managed to improve the wealth of the shareholders.

Long term Borrowings Facilities

Long term financing increased significantly compared to last year. The Company majorly operates on leveraged model. This year the Company incurred major capital expenditure which is also reflected in increased property, plant and equipment. The Company availed loan under the refinance scheme of payment of salaries and wages amounting to Rs 268.8 million.

Provision for Gas Infrastructure Development Cess (GIDC)

During the year the Honourable Supreme Court of Pakistan decided the matter against the industry regarding the payment of GIDC. The Company carries a provision to this effect. This has been separately presented on the statement of financial position and is part of other non-current liabilities. Over the last six years, this amount was part of accrued liabilities under the current liability heading.

Current Liability

The Current liability of the Company declined mainly on account of reduction in short term borrowings of the Company. This was due to effective working capital management specifically through trade debt recoveries and financing of capital expenditure through long term borrowings.

Property, Plant and Equipment

Significant change was witnessed in property, plant and equipment, being the highest in last six years. Major capital expenditures were incurred in order to achieve efficiencies. This included the new state of the art metallizer and slitter coupled with the K-electric connection as an alternate source of energy to cater the increasing energy requirements and risk of disruption in gas supply.

Trade Receivables

Considering the COVID-19 pandemic and the change in economic factor with inflation and exchange rate playing a critical role, managing the trade receivables at Rs 1,696 million was a great achievement.

Inventories

The Company has maintained inventory level in line with working capital management strategies.

Statement of Profit And Loss

Revenue from Contracts with Customers

Highest revenue was achieved in last six years mainly due to increased product price, change in economic factors like exchange rate and inflation, product innovation and development coupled with strategic decision making regarding our sales prices.

Gross Profit

Gross profit for the year 2020 was the highest compared to last six years and with a GP margin of 16.2%. Revenue increased by 2.8% compared to decline in cost of sales by 4.1%. GP margin showed significant improvement owing to timely recovery of increase in raw material price and exchange impacts.

Finance Cost

Finance cost for the Company has always been on the higher side due to the Company being highly geared as seen over the last six years. However, this year the Company was able to reduce its finance cost on back of reduce interest rate by SBP as an incentive to cope up with the COVID-19 pandemic. Despite this, on the other hand, company incurred an exchange loss of Rs 205 million due to depreciation of Pak Rupee against major currencies.

Profit Before Tax

The Company profitability declined in 2018 and 2019 due to uncertain micro and macro-economic conditions. However, in year 2020 company rose above all odds despite the COVID-19 challenges and managed to make a profit of Rs 774 million. This profitability included a one off notional income of Rs 107 million on remeasurement of provision for Gas Infrastructure Development Cess in accordance with relevant accounting framework. Net profit margin for the year was 5% compared to 4% in 2015.

Taxation

The Company got out of minimum tax regime during the year which led to normalization of tax charge resulting in a reduction in tax expense of Rs 131 million.

Sources and Application of Funds

	2020	2019	2018	2017	2016	2015
	(Rupees in thousand)					
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash generated from operations	2,689,190	3,908,112	60,171	333,674	2,209,093	2,921,863
Payment on account of accumulated compensated absences	(4,087)	(7,191)	(7,741)	(11,648)	(7,427)	(2,555)
Decrease / (Increase) in Long-term deposits	3,958	(4,999)	(948)	(941)	(243)	1,283
Staff retirement benefits paid	(69,273)	(64,477)	(145,752)	(96,798)	(69,158)	(58,422)
Income taxes (paid) / received	(201,151)	(255,018)	(266,141)	(114,152)	17,596	95,357
Net cash generated from / (used in) operating activities	2,418,637	3,576,427	(360,411)	110,135	2,149,861	2,957,526
CASH FLOWS FROM INVESTING ACTIVITIES						
Fixed capital expenditure	(1,673,645)	(562,228)	(544,461)	(448,553)	(207,770)	(119,589)
Acquisition of intangible	(4,365)	(16,217)	(348)	(4,337)	(495)	(3,662)
Profit on bank balances received	2,335	384	708	914	264	1,095
Sale proceeds on disposal of PP&E	2,135	8,219	6,475	6,183	15,002	8,550
Net cash outflow from investing activities	(1,673,540)	(569,842)	(537,626)	(445,793)	(192,999)	(113,606)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from rights issue - net of issuance cost	-	-	-	-	1,087,107	-
Long-term borrowings paid	(400,000)	(854,021)	(1,224,249)	(1,016,521)	(950,385)	(761,747)
Long-term borrowings acquired	1,296,012	200,000	500,000	-	-	-
Short term borrowings - net	(628,000)	(1,414,000)	420,000	1,742,000	(1,300,000)	(1,290,735)
Proceeds from salary refinancing	268,852	-	-	-	-	-
Finance cost & bank charges paid	(597,714)	(735,757)	(444,738)	(290,141)	(475,780)	(769,460)
Dividends paid	(243)	(154,765)	(385,232)	(386,484)	(148,124)	-
Net cash (outflow) / inflow from financing activities	(61,093)	(2,958,543)	(1,134,219)	48,854	(1,787,182)	(2,821,942)
Net cash inflow / (outflow)	684,004	48,042	(2,032,256)	(286,804)	169,680	21,978

Comments / Analysis

Cash Flows from Operating Activities

The Company witnessed growth from FY 2015 to FY 2017 mainly on account of improved profitability. The Company did witness significant decrease in Cash inflow in FY 2017 which was mainly as a result of discontinuation of supplier financing arrangement and conversion of usance LCs to sight terms to avoid foreign currency risk. This was further aggravated in 2018, due to increase in trade receivables and inventories, resulting in cash outflow of Rs 0.4 bn. In 2019, the Company managed to generate Rs 3.6 billion from operations mainly on account of change in foreign vendor strategy from sight to usance based on stable exchange rate from Q2 onwards. Further, improvement in working capital was witnessed as a result of effective inventory management and improved recoveries. In 2020, the Company was able to generate Rs 2.4 billion on account of better profitability despite significant decline in working capital. Despite focusing on reducing trade debt through improved recoveries, trade liability reduced by a significant portion on account of sight liability settled before the year end to maintain foreign currency exposure.

Cash Flows from Investing Activities

From 2015 onwards, fluctuation in cash flow from investment activities was in the normal course of business. In 2017, capital expenditure was incurred for sustenance and maintenance of machine and in 2018, due to upgrading of manufacturing line, capital expenditure has increased. Cash outflow from investing activities further increased in 2019 mainly on account of sustainability related capital expenditure. However, capital expenditure in year 2020 was the highest in last six years mainly due to acquisition of state of the art metallizer and slitter, KE connection to cater gas shortages coupled with sustainability expenditures as well.

Cash Flows from Financing Activities

Cash outflow from 2015 onwards due to repayment of short term and long term financing which was offset by cash inflows from operations. In 2016, with focus remaining on improving cash flows from operations, the Company generated Rs 1.1 billion from issuance of right issue shares. However, as a result of discontinuation of supplier financing arrangement, the Company acquired Rs 1.7 billion short-term financing facility resulting in net cash outflow of Rs 49 million impact of which was also witnessed in 2018. In 2019, improvement in working capital resulted in repayment of short term financing thus cash inflow of Rs 3.0 billion coupled with other factors mentioned in the table above. To finance the capital expenditure as mentioned above, the Company acquired long term loan of Rs 1.3 billion coupled with Rs 0.3 billion loan acquired under the Refinance Scheme for Payment of Wages and Salaries. This resulted in cash outflow of Rs 61 million from financing activities.

	2020	2019
	(Rupees in thousand)	
Cash and Cash Equ. - Closing	(2,206)	(2,254)
Loan Acquired/(Paid) - net	896	(654)
Short term financing - net	(628)	(1,414)
Finance Cost	(598)	(735)
Dividends	(0)	(155)
Proceeds from salary refinancing	269	-
Capital Expenditure	(1,674)	(570)
Cash inflow from Operations	2,419	3,576
Cash and Cash Equ. - Opening	(1,522)	(2,206)

Cash Flow - Direct Method

Cash Flows from Operating Activities

Cash received from customers
Cash paid to vendors
Net income tax paid
Net cash generated from operating activities

Cash Flows from Investing Activities

Purchase of property, plant and equipment
Purchase of intangibles
Profit received on bank balances
Sale proceeds on disposal of property, plant and equipment
Net cash used in investing activities

Cash Flows from Financing Activities

Dividend paid
Long term borrowings paid
Long term borrowings acquired
Proceeds from salary refinancing
Short term borrowings - net
Finance Cost Paid
Bank Charges Paid
Net cash used in financing activities

Net Increase in Cash and Cash Equivalents

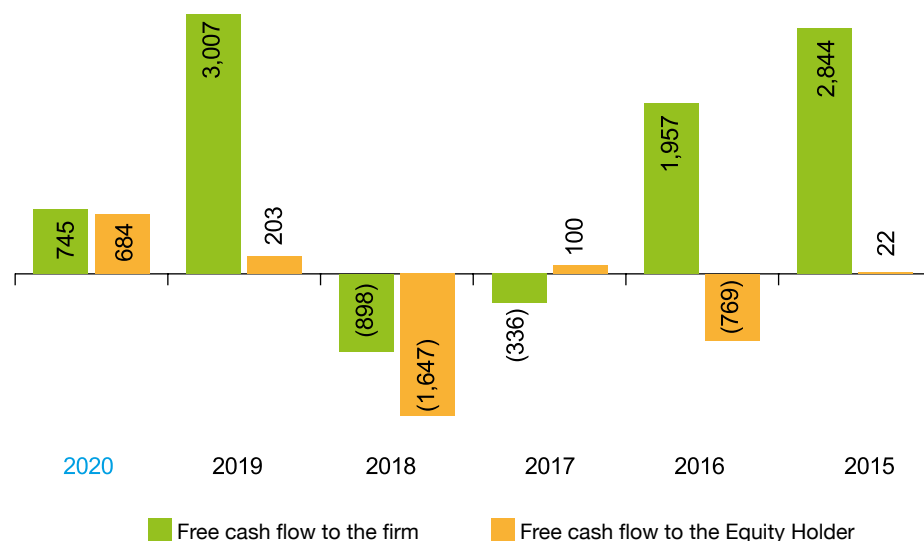
Cash and cash equivalents at beginning of the year

Cash and Cash Equivalents at End of the Year

2020	2019
Rupees in million	
16,757	16,128
(14,137)	(12,297)
(201)	(255)
2,419	3,576
(1,674)	(562)
(4)	(16)
2	0
2	8
(1,674)	(570)
(0)	(155)
(400)	(854)
1,296	200
269	-
(628)	(1,414)
(553)	(711)
(45)	(25)
(61)	(2,959)
684	48
(2,206)	(2,254)
(1,522)	(2,206)

Free Cash Flows

	2020	2019	2018	2017	2016	2015
	(Rupees in thousand)					
Cash generated from operations	2,689,190	3,908,112	60,171	333,674	2,209,093	2,921,863
Payment on account of accumulated compensated absences	(4,087)	(7,191)	(7,741)	(11,648)	(7,427)	(2,555)
Increase in long term deposits	3,958	(4,999)	(948)	(941)	(243)	1,283
Staff retirement benefits paid	(69,273)	(64,477)	(145,752)	(96,798)	(69,158)	(58,422)
Income taxes paid	(201,151)	(255,018)	(266,141)	(114,152)	17,596	95,357
	2,418,637	3,576,427	(360,411)	110,135	2,149,861	2,957,526
Capital expenditure	(1,678,010)	(578,445)	(544,809)	(452,890)	(208,265)	(123,251)
Other investing cash flows	4,470	8,603	7,183	7,097	15,266	9,645
Free Cash Flow to the Firm	745,097	3,006,585	(898,037)	(335,658)	1,956,862	2,843,920
Debt cash flows	(60,850)	(2,803,778)	(748,987)	435,338	(2,726,165)	(2,821,942)
Free Cash Flow to the Equity Holder	684,247	202,807	(1,647,024)	99,680	(769,303)	21,978



Comments

FCFF:

Free cash flow to the firm is the cash flow available for distribution among all the funding providers in the business.

This year the Company generated free cash flow to the firm of Rs 745 million compared to Rs 3,006 million in 2019 as a result increase in generation from operations which was offset against working capital change mainly due to shifting from Sight to usance LC terms in 2019. Also, the Company incurred significant capital expenditures to acquire state of the art equipment coupled with routine CAPEX to achieve operational efficiencies.

FCFE:

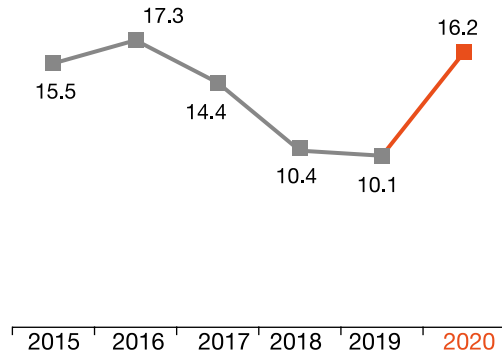
Free cash flow to the equity holder is the cash flow available to all the equity holders for distribution.

The Company generated Rs 684 million as cash flows to the equity holder compared to Rs 203 million last year on account major capital expenditure financed through long term debt coupled with lower debt servicing as a result of significant reduction in policy rates.

Ratio Analysis

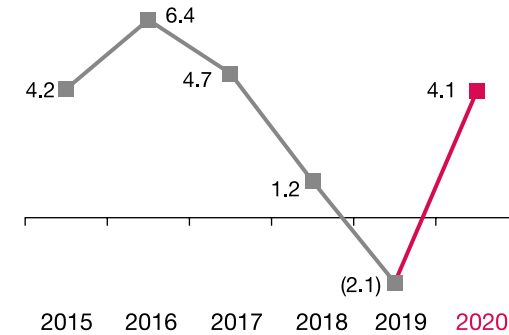
Gross Profit Margin

(In Percentage)



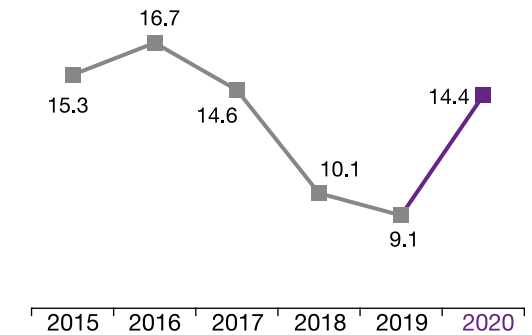
Net Profit / (Loss) Margin

(In Percentage)



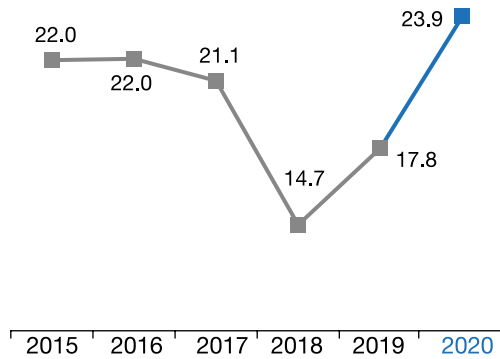
EBITDA Margin to Sales

(In Percentage)



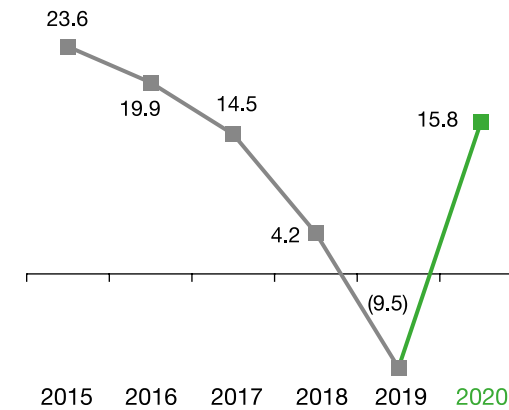
Return on Capital Employed

(In Percentage)



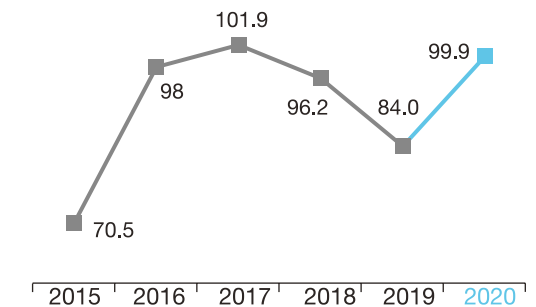
Return on Equity

(In Percentage)

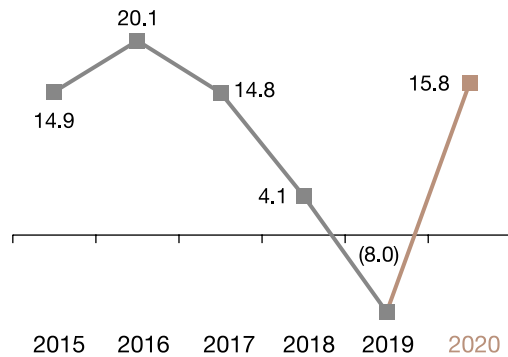


Breakup Value Per Share

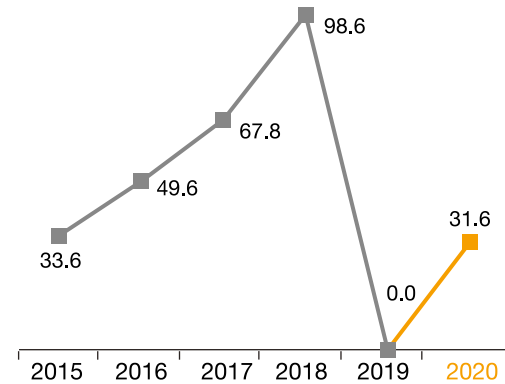
(Rupees)



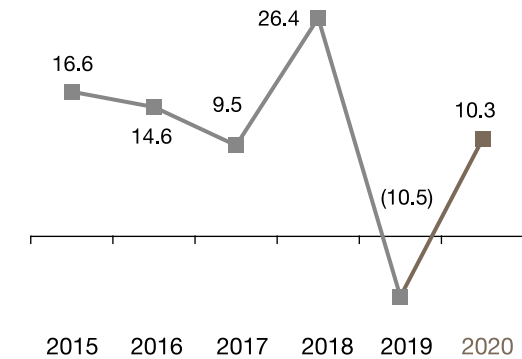
Earning / (Loss) Per Share
(Rupees)



Dividend Payout
(In Percentage)

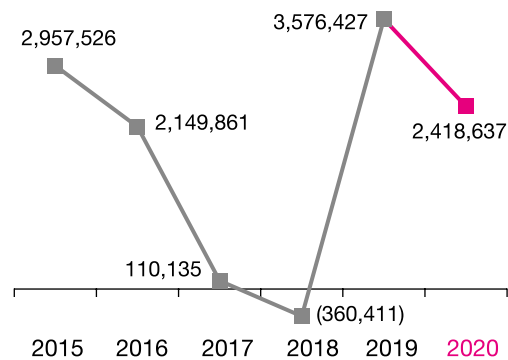


Price Earning Ratio
(In Times)

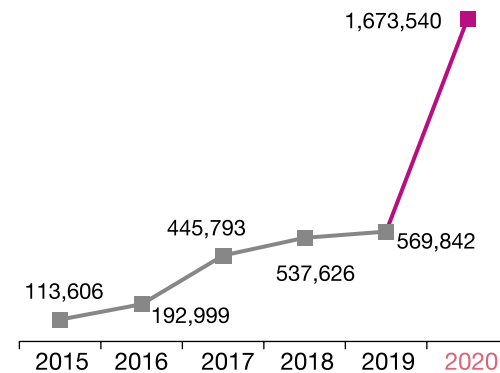


Statement of Cash Flows

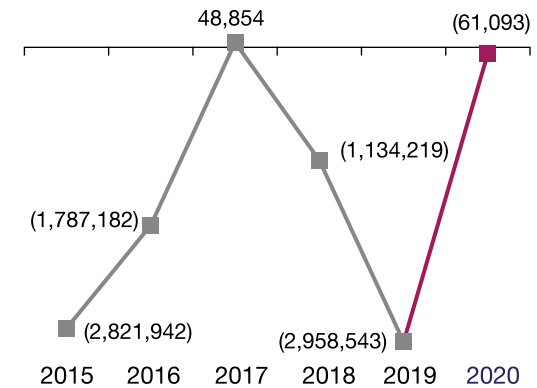
**Cash Inflows / (Outflows)
from Operating Activities**
(Rs in Thousands)



**Cash Outflows from
Investing Activities**
(Rs in Thousands)

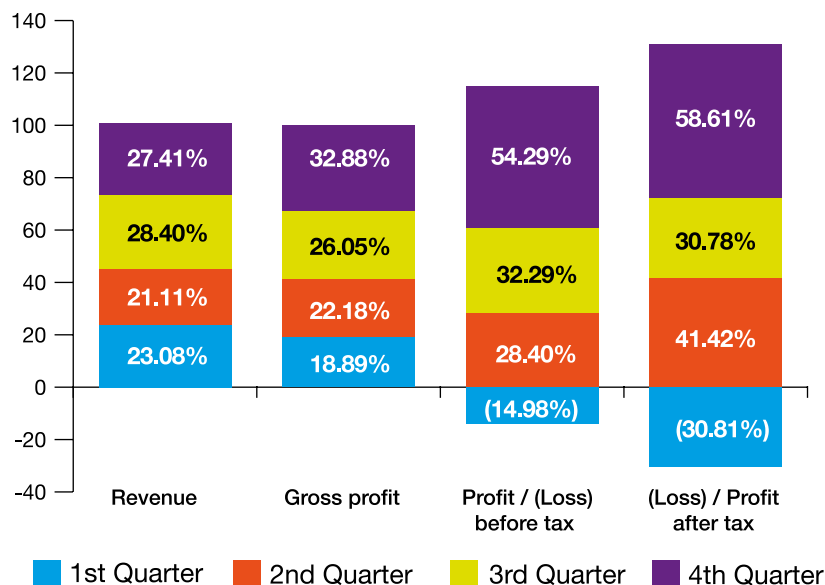


**Cash Inflows / (Outflows)
from Financing Activities**
(Rs in Thousands)



Quarterly Analysis

Particulars	2020				
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
	Rupees in '000				
Revenue from contracts with customers	3,482,782	3,185,649	4,285,342	4,136,029	15,089,802
Cost of sales	(3,021,835)	(2,644,241)	(3,649,420)	(3,333,516)	(12,649,012)
Cost of sales to sales ratio	87%	83%	85%	81%	84%
Gross profit	460,947	541,408	635,922	802,513	2,440,790
Gross profit margin	13%	17%	15%	19%	16%
Distribution costs	(124,622)	(105,139)	(119,886)	(123,936)	(473,583)
Administrative expenses	(94,402)	(93,531)	(98,883)	(197,586)	(484,402)
Operating Profit	241,923	342,738	417,153	480,991	1,482,805
Operating profit to sales	7%	11%	10%	12%	10%
Other income	10,482	14,360	9,984	129,884	164,710
Finance costs	(368,256)	(129,036)	(158,831)	(152,869)	(808,992)
Other expenses	0	(8,377)	(18,562)	(38,072)	(65,011)
Profit / (loss) before income tax	(115,851)	219,685	249,744	419,934	773,512
Less: Income tax - net	(73,372)	34,696	(60,731)	(59,994)	(159,401)
Profit / (loss) for the year	(189,223)	254,381	189,013	359,940	614,111
Net loss / profit to sales	(5%)	8%	5%	9%	4%



Comments / Analysis

Quarter 1:

Despite a sluggish start to the quarter with sales volume declining by 12% compared to Q4 2019, operating profit of the Company significantly improved on back of greater focus on operational efficiencies, margins and working capital management. Also, the outbreak of COVID-19 partially disrupted the business of the Company due to the lockdown imposed at the end of March 2020. The government also reduced the policy rate by 225 bps i.e. from 13.25% to 11.00% at the end of March 2020, impact of which was minimal.

Also, one of the major reason for loss in Q1 2020 was the adverse fluctuation of exchange rate resulting in exchange loss of Rs 207 million on foreign liabilities. The Company incurred a loss before tax of Rs 116 million which further worsened due to implication of minimum tax of 1.75% at import stage as full and final discharge of tax liability. This resulted in loss after of Rs 189 million.

Quarter 2:

Quarter 2 witnessed domestic and global slowdown in demand and overall economic activities, driven by market and business closures on account

of COVID-19 precautionary measures. The overall sales volume declined by 11% compared to Q1 2019. Gross margins significantly improved as exchange loss incurred in Q1 2020 was partially recovered through price increase coupled with re-organizing product portfolio and improvement in operational effectiveness.

Interest cost reduced by 17% on account of reduction in policy rate to 7% in Q2 2020. Partial exchange loss was recovered in Q2 2020 due to stability in Rupee Dollar parity. To mitigate exchange risk, the Company shifted from usance to sight LC terms on import of raw material to minimize its foreign currency exposure.

Despite incurring additional expenses on account of COVID-19, the Company managed to make profit before tax of Rs 220 million in Q2 2020. With the industry out of minimum tax regime at import stage leading to normalization of tax charge resulting in profit after tax of Rs 254 million.

Quarter 3:

Significant improvement in demand was witnessed in Q3 2020 with the opening of markets posted COVID related lockdown. Due to revival of business in various region of the Country, sales volume of Tri-Pack Films Limited increased by 35% compared to Q2 2020, resulting in overall volumes to be in line with same period last year.

Gross margins also improved taking into account the exchange loss incurred during the period resulting in normalization of margins.

Finance Cost for Q3 was at the same level as Q2, however Company incurred exchange loss in Q3 2020 due to adverse fluctuation of exchange rate.

Therefore, profit before tax for Q3 was Rs 250 million and profit after tax was of Rs 189 million.

Quarter 4:

Gross margin of the Company drastically improved compared to Q3 2020 mainly on account further improvement in product portfolio, operational effectiveness and better margins on export due to depreciation of PKR.

Other income for the year include Rs. 106m in respect of one off notional income on remeasurement of provision for Gas Infrastructure Development Cess in accordance with relevant financial reporting standard. The same will be amortized over the repayment terms as per accounting treatment.

Resultantly, profit before tax for Q4 2020 was Rs 420 million and full year 2020 was Rs 774 million compared to loss before tax of Rs 19 million in 2019.

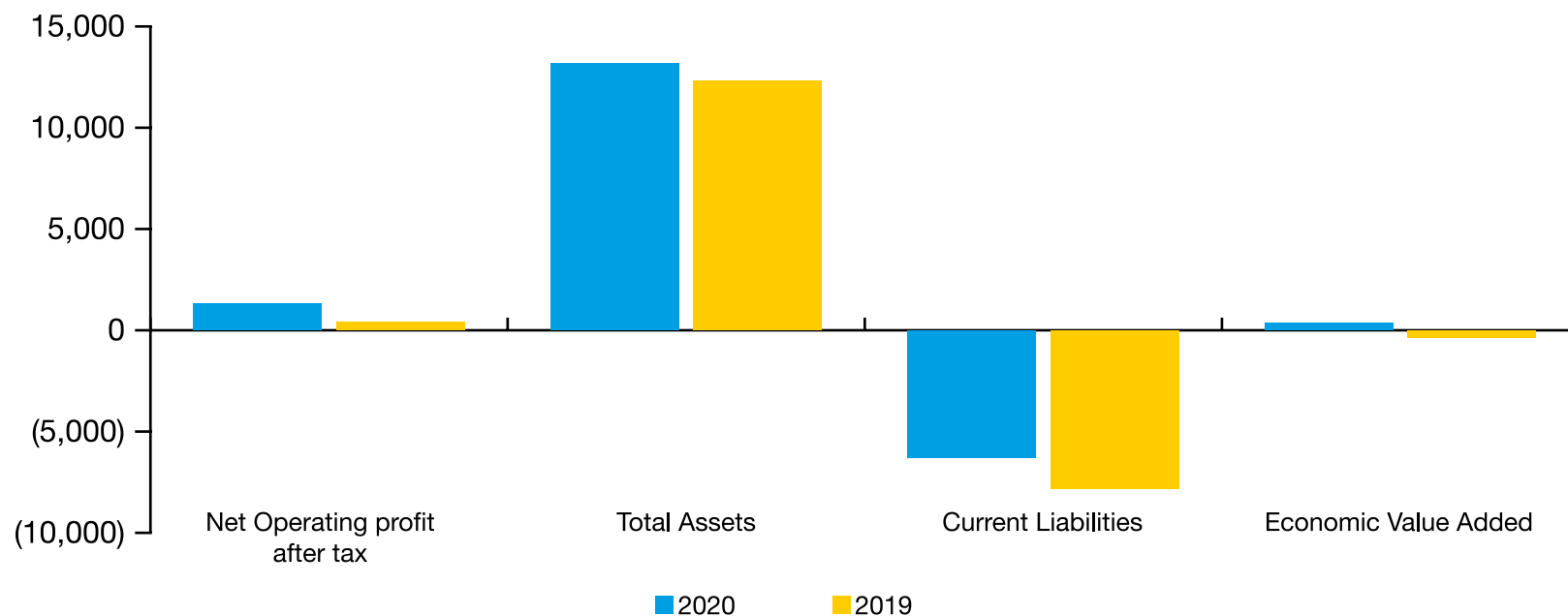
Economic Value Added

	2020	2019
	Rupees in million	
Net operating profit after tax	1,323,404	410,910
Cost of capital	(972,950)	(793,718)
Economic value added	350,454	(382,808)
Total assets	13,153,110	12,329,474
Current liabilities	(6,264,771)	(7,822,735)
Invested capital	6,888,339	4,506,739
WACC	14.1%	17.6%
Cost of capital	972,950	793,718

Comments

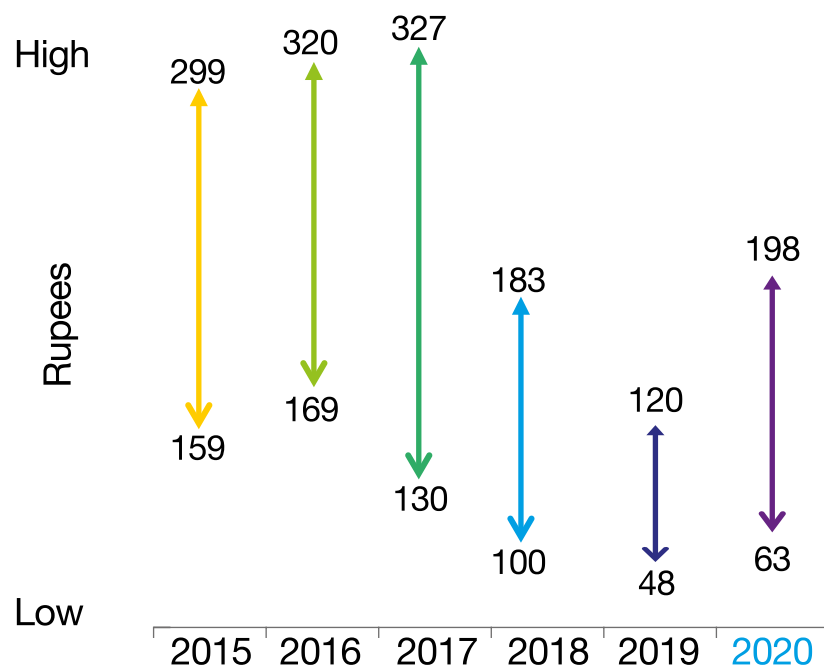
Economic value added is the incremental difference in the rate of return over the company's cost of capital. In essence, it is the value generated from funds invested in a business.

The economic value addition of the Company significantly improved compared to last year on back of high Net operating profit after tax as a result of improvement in margins. This was mainly due to operational effectiveness and re-organizing of product portfolio. Further, WACC of the Company also reduced mainly due to the significant reduction in SBP policy rates during the year.



Share Price Sensitivity Analysis

Market Value per Share



The share price of the Company is based on the financial position which may be affected by various internal and external factors. Following are some of the factor that influenced the performance of the Company as well as the share price.

Currency exchange rate

Being an import oriented company, fluctuation in exchange rate has a major impact on the cost of production and therefore directly affects the profitability of the Company. During the current year the Company was faced with the challenge of depreciation of Pak Rupee against major currencies with significant impact of exchange loss in March 2020 which was recovered in April 2020 due to normalize exchange rate.

Economic State of Affairs

Uncertainty in economic conditions has an adverse impact on the economy and the industries within. This year has been a tough one for the government with COVID-19 pandemic being a major challenge. This resulted in a series of lockdown and SMART lockdown imposed in the Country majorly affecting economic and business environment.

Fiscal Policy

Due to the collective effort of all the related Industry players, industry was out of minimum tax regime at import stage (Finance Act, 2020) leading to normalization of tax charge for the year 2020.

Monetary Policy

Being a highly geared company, the Company is exposed to interest rate risk. During the year, in response to pandemic crisis being faced by the Country, the government took necessary step to prevent the economy from plunging into a recession. These measures included timely reduction of policy rate from 13.25% to 7.00% and introduction of refinance scheme for payment of wages and salaries.

Inflation

Rising prices in the country adversely impacts the purchasing power of individuals thus affecting the demand of films and in turn the share price due to reduced profitability. However, inflation pace remained stable during the year.

Operational Efficiency

Achieving operational efficiencies directly affects the profitability of the Company which turn reflects in the share price of the Company. Tri-Pack has the state of the art production facility with the recent addition of a new metallizer and slitter machine.

Stock Market Performance

The unexpected macro adjustment such as deprecation of exchange rate, increased interest rates, and political and economic instability continued to influence the stock market throughout 2020. PSX 100 Index started from 40,735 points and ended at 43,755 points with the highest and lowest being 43,956 and 27,047 respectively.

Business Rationale of Major Capital Expenditure/Projects

Current

This year the Company made investment to acquire a state of the art metallizer to improve as part of our mission statement to develop new products, improve quality of the existing films and fulfil market requirement. Also, the company acquired a new slitting machine to achieve operational efficiencies. The Company also installed KE connection as a backup to gas shortages.

Planned Capital Expenditure

Tri-Pack Films Limited has announced to invest in a new state of the art Biaxially Oriented Poly Propylene (BOPP) Film manufacturing line to cater increased demand of BOPP Films in Pakistan and offer faster delivery, better quality, greater convenience and increase flexibility.



SWOT Analysis

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graph TD; A[SWOT Analysis] --- B[STRENGTHS]; A --- C[WEAKNESSES]; A --- D[OPPORTUNITIES]; A --- E[THREATS];
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STRENGTHS

- Market leader in Both BOPP and CPP markets in Pakistan.
- Diversified board consisting of members having vast experience in multiple sectors.
- Intergrated production facility capable of operating at high capacity utilization.
- High Quality products and customer service.
- Fully equipped inhouse R&D function responsible for production improvement and innovation.
- Strong brand reputation.
- State of the art technology.
- First mover advantage in product & prices.
- Capability to achieve excellence in production operations.

WEAKNESSES

- High dependency on imported raw material.
- Energy shortage may affect cost of production.

OPPORTUNITIES

- Growth of local demand.
- Potential market for specialized films.
- Available capacity to diversify products and cater large orders.
- Redcution in cost of production by adopting latest technology solution.

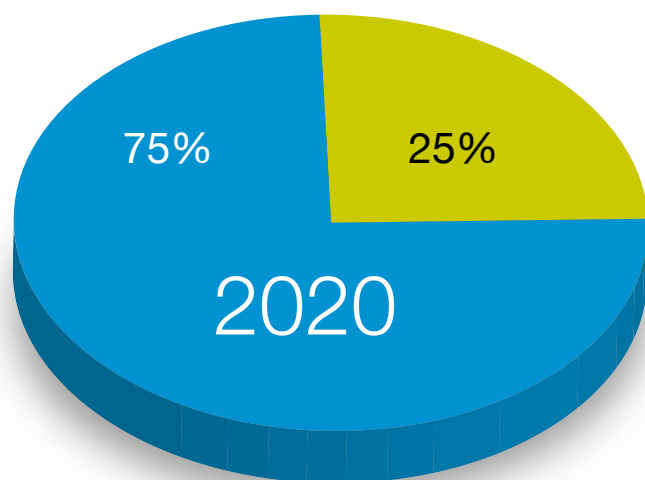
THREATS

- Currency exchange volatility
- Interest rate fluctuation due to economic instability.
- Political uncertainty
- Unfavourable law and order situation.

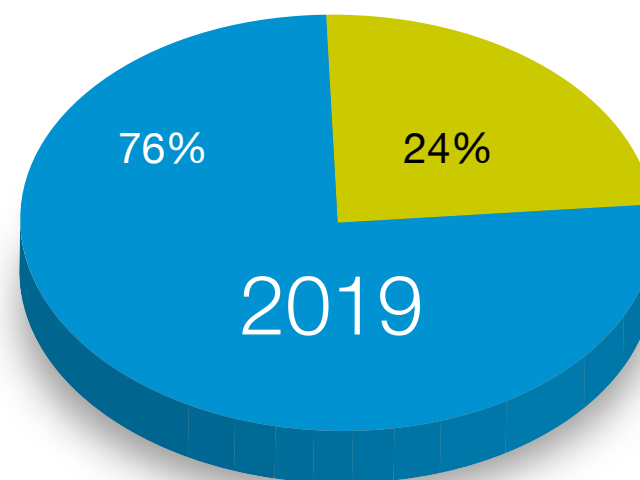
Segmental Review of Business Performance

Tri-Pack Films Limited is the leading manufacturer of Biaxially Oriented and Cast Polypropylene (BOPP & CPP) packaging films. Product innovation and catering to customer needs has been our hallmark. Our success lies in our continuous focus on providing the best quality products. We aim to remain steadfast in our belief and corporate mission strategy. It is our aim to spread our footprint in the global market with the same enthusiasm.

2020 has been a difficult year with the COVID-19 pandemic affecting all major businesses. As part of government measure in response to the pandemic, lockdown was imposed in March 2020 which led to major industries being closed for the period. However the essential market was still operational, this resulted in loss in volumes for both BOPP and CPP film market. This volume loss was covered through export with improved margins on account of disruption in global supply chain and Rupee depreciation. Both BOPP and CPP market volumes were later recovered as surge in demand was witnessed due to reduction in restrictions imposed by the government.



■ BOPP ■ CPP



■ BOPP ■ CPP

Debt Repayment

The total debt to equity ratio of the Company in 2020 is 54:46. The Company ensures that debt servicing is done on timely basis as per the respective repayment schedules. However, during the year the Company got deferred its term loan as part of the COVID-19 measures introduced by the Government.

Explanation of Negative Changes in Performance Over the Period

The performance of the Company has been extensively discussed in different sections of the annual report i.e. Horizontal and vertical analysis, quarterly analysis, Ratio analysis.

Dividend Declaration & Payment of Levies

As stated in Director's report, the directors have recommended a cash dividend of 50% i.e. Rs 5 per share (2019: Rs Nil per share).

Further, the Company has ensured that no payment on account of tax, duties, levies etc. is overdue or outstanding.



Forward Looking Statement

The Company has shown improved profitability in 2020 despite COVID-19 related restriction and market closure in the first half the year. This profitability was achieved on the back of operational efficiencies, reorganization of product portfolio, lower interest rates and timely price increases to offset the increase in raw material price and exchange impact.

This is expected to continue in 2021 along with market demand growth resulting in increased market share and improved bottom line. However, there are a few uncertainties that could affect the entity's resources, revenue and operations in 2021. These mainly include:

UNCERTAINTIES	DESCRIPTION OF UNCERTAINTY
Impact of COVID in 2021	Second wave of COVID and its impacts may prove more challenging as this could lead to market closure and loss in volumes.
Increase in interest rates	<p>Despite reducing the overall debt levels, any increase in policy rate by the Central Bank will directly affect the profitability of the Company.</p> <p>Financial impact of this risk is covered in detail in note 36 to the annexed financial statements.</p>
Exchange rate fluctuation	<p>Any unfavorable increase in exchange rate will result in exchange loss to the Company on its foreign currency import liabilities. However, the Company keeps the exchange risks under check and maintain an optimal mix.</p> <p>Financial impact of this risk is covered in detail in note 36 of the annexed financial statements.</p>
Increase in raw material prices	Increase in granule prices would increase the cost of production of the Company and would reduce the margins, despite the effort to pass on the cost to customers.
Operational breakdowns	Any major breakdown would result in production and profitability loss to the Company. However, the Company continuously monitors the performance of the machines and takes appropriate measures.

Impact of external environment that could be faced by the Company:

EXTERNAL FACTORS	DESCRIPTION AND IMPACT OF THE FACTORS
Political	The political environment of the country is expected to remain stable and business friendly specially after the COVID relief measures introduced by the Government.
Economic	Economic policies always play a vital part in the growth of industries. Any increase in the current benchmark policy rates by the Central Bank would affect the Company's profitability in the short term and long term.
Social	Companies are moving more and more towards fulfilling their social responsibilities. The Company also fulfils its Corporate Social Responsibility by actively contributing towards the welfare of the society. This is also a key objective of the Company.
Technological	<p>Technological advancement is a key factor that companies are focusing on to achieve operation efficiency and better quality. Tri-Pack has also remained committed to it and requisite capital expenditure is being incurred to ensure technological advancements are done timely.</p> <p>In line with this commitment, the Company has also announced investment in a state-of-the-art new BOPP film manufacturing line</p>
Environmental	There is a global drive to explore environment friendly packaging solutions. This means that a global shift is expected to be seen from other plastic packaging to BOPP film packaging since BOPP film can be easily recycled and at the same time meets the packaging needs of the consumers.
Legal	<p>The Government is taking measures for documentation of the economy and the Company has also realigned itself with it especially in case of sales to unregistered sector.</p> <p>Further, the Company will continue to remain steadfast in compliance with existing and new regulatory requirements</p>

Performance of the Entity as Compared to Last Year's Disclosures

COVID-19 pandemic remained a major issue across the world from the beginning of the year, the impacts of which were seen globally as well as locally in the form of market closures, demand slowdown and consumer spending limited to 'essential only' items. Despite this, overall sales volumes remained in line with last year.

Increased focus on operational effectiveness, re-organizing of product portfolio and better margins on exports due to depreciation of PKR, timely recovery to offset the increase in raw material price and exchange impact remained major reasons of the profitability. Further, policy rate was also slashed by SBP resulting in reduced interest cost.

Due to the collective effort of all the related Industry players, industry was out of minimum tax regime at import stage (Finance Act, 2020), leading to normalization of tax charge for the year.

Status of the Projects

During the year the Company installed state-of-the-art metallizing and slitting machines to achieve operational efficiencies and better quality. The order for these machines were placed back in 2019.

Further, the Company also installed a K-electric connection as an alternate energy source to cater to the increasing energy requirements and risk of disruption in gas supply.

During the year, the Company also announced state-of-the-art new BOPP film manufacturing line to cater to the increasing demand and better fulfil the needs of the customers.

Sources of Information/Assumption

Information/assumptions are based on the current economic and business environment surrounding the Company and internal risk assessment of the Company.

Various projections and feasibilities were prepared along with different options at the time of evaluation of new BOPP Line. A 10-year feasibility was prepared based on certain assumptions, market, macro-economic factors and internal SWOT analysis.

For technical consultancy regarding the new BOPP Line, we were continuously in touch with our existing OEMs and other consultants to evaluate the options available which best suited our business model.

Further, banks were engaged on various level to evaluate our assumptions regarding interest rate and exchange rate fluctuation.

Organization's Response to the Critical Challenges and Uncertainties

UNCERTAINTIES/CHALLENGES	ORGANIZATION'S RESPONSE
Impact of COVID in 2021	In case of closure of local market the Company will continue to explore the export market to make up for the volume loss although at lower margins.
Increase in interest rates	The Company continually monitors its debt levels and raw material import terms to ensure the impact of increase in interest rate is reduced.
Exchange rate fluctuation	<p>Unfavorable exchange impact is passed on to the customers through price adjustments. This was also successfully done in 2020.</p> <p>Further, the Company is also exploring forward contracts to minimize the forex exposure.</p>
Increase in raw material prices	Timely price adjustments are taken to ensure raw material price movements are passed on to the customers. This was also successfully done in 2020.
Operational breakdowns	The Company has proper preventive maintenance schedules in place which are strictly followed. Further, the Company also remains in touch with the OEMs to ensure there is no additional down time.

Stakeholders' Relationship and Engagement

Stakeholder Engagement

Our stakeholders extend valuable contributions towards growth and existence. Our strategy aims to identify emerging trends, possible threats and best available value propositions for all our stakeholders including our shareholders, employees, customers, suppliers, society and regulators. We want our stakeholders to be advocates of Tri-Pack, which is why we have always encouraged an open culture that focuses on trust, integrity, respect, mutuality, commitment and satisfaction.

1. Shareholders

We believe that regular communications with shareholders is an important part of creating an open and constructive dialogue. We respond to our shareholders' expectations through improvements in business operations, effective governance and corporate reporting framework. The Company encourages shareholders' participation at Annual General Meetings and endeavors to provide sound disclosures through its Quarterly and Annual Reports. For inclusion of financial and non-financial information we maintain a website (www.tripack.com.pk) which is updated on frequent basis to ensure all developments are communicated to our stakeholders on timely basis.

2. Customers

Constant engagement with customers is the essence of our customer service, which has always helped us in keeping ourselves ahead of the market. Tri-Pack has invested significantly over the years in customer relationship management going beyond extending credit facilities and trade discounts. It is for this reason that we have a team of dedicated individuals working in close coordination with customers, visiting them on a regular basis to ensure provision of impeccable goods and services that are aimed at improving their productivity and profitability.

3. Suppliers

Our continuous and sustainable growth is also attributable in engaging reputed and dependable suppliers as business partners. Tri-Pack has partnered with vendors from around the

world to ensure consistent quality of our products. Therefore, the relationships with our suppliers are an increasingly important factor in allowing us both to maintain high standards of product supply and to respond to anticipated future customer needs. We have a dedicated department which is constantly engaged with suppliers to maintain a healthy business relationship.

4. Banks

Our business relationship with our banks has been phenomenal. This is evident by the belief shown by banks in our commitments by providing significant finances to fund our projects. We maintain this relationship by actively engaging with our banks through frequent briefing sessions on Company's performance and site visits to keep them on board with our strategies and latest developments.

5. Regulators

Our commitment to compliance with laws and regulations is evident from our Corporate and Legal teams' continued efforts for efficient and effective legal and regulatory obedience. The engagement includes submission of periodic reports, responding to enquiries and meetings as and when required. Active engagement with regulators improves level of compliance.

6. Community

Tri-Pack we genuinely care about giving back to our community. We actively participate in various social initiatives as part of our corporate social responsibility. Being a conscientious member of the corporate community, the Company contributes to various social and charitable causes including health, education and social sectors.

7. Employees

We believe that the way to grow as a business is to grow our people, enabling personal development and ambitious business results. We take pride in our engagement initiatives including development through a detailed Training Needs Analysis, Annual

Get-togethers, Conferences and other engagement activities. For our strategy to work we need our employees to believe in us and therefore we assess ourselves through employee engagement survey which measures their overall satisfaction levels of being part of the Company. This helps us in comparing ourselves with other large companies and in identifying ways to improve how we do things.



Number of Employees

The total number of employees at the end of 2020 was 311 (average number employees during the year was 309) and total number of factory employees at the end of 2020 was 240 (average number of factory employees during the year was 237).

8. Corporate Briefing session

This year the Company conducted an online corporate briefing session to brief the shareholders and investors about the performance of the Company and market dynamics followed by an Q/A session.

Minority Shareholders

Tri-Pack Films Limited ensures equal treatment of all its shareholders including minority shareholders to attend, speak and vote at the General meetings. The Company conducted an online corporate briefing session in 2020 where all our shareholders were welcomed. Also, the notice of annual general meeting is circulated within the regulatory timeframe. We have also placed information about the Company's complaint handling cell and contact person on our website. The Company also has a 'Shareholder communication and Investors Relationship Policy' in place to provide shareholders and other investors with information about itself and its governance, and to outline the Company's investor relations program.

Investor Relations

In order to keep provide all the information to our shareholders and investor and ensure transparency of the utmost level, we have a separate 'Investor relation' section on our Company website www.tripack.com.pk. The Company website has been designed to provide shareholders and other investors with helpful information about the Company.

AGM Proceeding

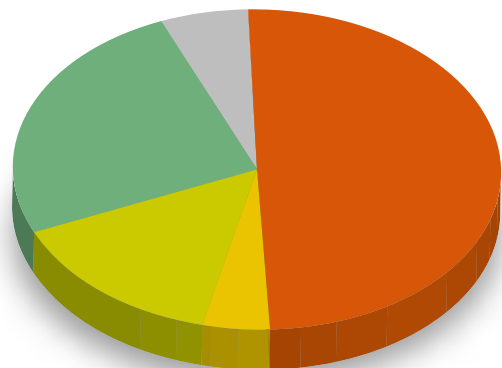
The last AGM of Tri-Pack Films Limited was held online through video link facility, on 14th April 2020 at 10:30 am. The meeting was well attended by the Shareholders. The Chairman of the Audit Committee, Mr Asif Qadir was present at the Annual General Meeting held on 14th April, 2020.

Despite the challenges of video link facility, shareholders raised different queries on the Financial Statements and future prospects, which were answered by the Chief Executive Officer to the satisfaction of those present after which the Financial Statements were approved by the Shareholders.

Wealth Generated & Distributed

The statement below shows value added by the operations of the Company and its distribution to the stakeholders.

	2020		2019	
	(Rs in '000)	%	(Rs in '000)	%
Wealth Generated				
Sales	17,580,249	99.1	17,122,886	99.4
Other Income	164,710	0.9	99,781	0.6
	<u>17,744,959</u>	<u>100.0</u>	<u>17,222,667</u>	<u>100.0</u>
Wealth Distributed				
Bought-in-material & services	11,161,370	62.9	12,033,581	70.0
To Employees				
Remuneration, benefits and facilities	1,088,748	6.1	869,667	5.0
To Government				
Income Tax, Sales Tax, Custom & Excise Duties, WPPF, WWF, EOBI, Social Security, Professional & Local Taxes	3,381,277	19.1	3,244,518	18.8
To Providers of Capital				
Cash dividend proposed	194,000	1.1	-	0.0
To Lenders				
Mark up & finance cost	599,154	3.4	754,975	4.4
To Society				
Donations	7,683	0.0	1,025	0.0
Retained for Reinvestment & Future Growth				
Unappropriated Profit, Depreciation & Amortization	1,312,727	7.4	318,901	1.8
	<u>17,744,959</u>	<u>100.0</u>	<u>17,222,667</u>	<u>100.0</u>

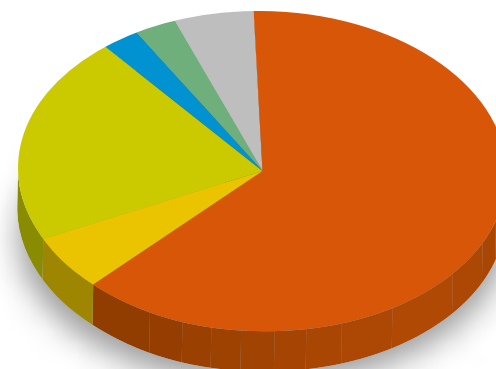


2019

	Amount (Rs in '000)	%
■ Bought-in-material & services	12,224,232	70.0
■ To Employees	869,667	5.0
■ To Government	3,244,518	18.8
■ To Shareholders	-	0
■ To Lenders	754,975	4.4
■ To Society	1,025	0.0
■ Retained for Reinvestment & Future Growth	318,901	1.8
Total	17,413,318	100.0

2020

	Amount (Rs in '000)	%
■ Bought-in-material & services	11,587,922	62.9
■ To Employees	1,088,748	6.1
■ To Government	3,381,277	19.1
■ To Shareholder	194,000	1.1
■ To Lenders	599,154	3.4
■ To Society	7,683	0.0
■ Retained for Reinvestment & Future Growth	1,312,727	7.4
Total	17,977,511	100.0



Safety, Health and Environment (SHE) Strategy & Developments

SHE department is established as a core value and key pillar of business operations. SGS Pakistan has re-validated effectiveness of Integrated Management System. The consistent drive toward excellence is reflected through migration from FSSC 22000 v4.1 to v5.0 with exceptional and satisfactory results. The year has closed without any serious incident and significant enhancement been driven during the year. At Tri-Pack, we believe in a pro-active culture, by inculcating leadership for SHE at all levels. Our focus has been to engage and train people and take their consultation through participation in objective setting. Our Policy is reflected in our business decisions and impacts our system, surrounding, habitat and the communities we live in. We ensured allocation of adequate resources and strategies, necessary for efficacious implementation of SHE. We directed all our activities in-compliance with the Company standards and applicable legal requirements. Regular audits were performed to ensure compliance. Performance monitoring against goals and objectives has served as a guidance path towards our continual improvement. Continuous monitoring of all emerging issues due to regulatory changes, technological advancements and stakeholder interests have been the guiding light to enhance our performance in every aspect. Collaboration with our Sponsors, Contractors, Suppliers and Customers has been the key to success. We are periodically reviewing the Company's performance in implementing SHE management system. Behavior Based Safety campaign was also organized to strengthen culture, engagement and capability of teams at all levels. Due to its commitment in areas of environment conservation, Tri-Pack Films Limited was the recipient of 17th Annual Environmental Excellence Awards 2020. The award showcases TPFL approach towards environmental sustainability. Similarly, with respect occupational health and safety, Employer Federation of Pakistan (EFP) awarded Tri-Pack Films Limited 1st Prize, recognizing us in the category of Processing and Allied Sector.

SHE Management System comprises of following integrated components:

- Leadership Culture
- Business Integration
- Resource Allocation
- Regulatory Compliance
- Performance Measurement & Continual Improvement
- Stakeholder Collaboration
- Audits & Review

Corporate Social Responsibility

Tri-Pack has made it its prerogative to not only uphold the tenets of Corporate Social Responsibility but also step up to the plate and be a champion / sponsor for those who are overlooked in our communities. To this end, we have built meaningful partnerships with many institutions and launched various programs each year in support of our communities and nation as a whole.

Fight against COVID-19

The Year 2020 has been strife with challenges due to the COVID-19 pandemic.

Our Company, operating under the ambit of 'Essential Services', powered through this tough time through its sheer will and commitment to serve its stakeholders while maintaining the sanctity of Health & Safety of its people and surrounding community.

As part of our business continuity plan, and to further reduce the transmission of the Covid-19 we have established comprehensive measures based on the Government Advisories, WHO, benchmark studies of other industries and Group level shared information.

Moreover, in an effort to combat the virus at a national level, the Company commenced distribution of Sanitizers "Sanidol" to front-line workers of our community to fight against the COVID-19.

UN's Sustainable Development Goals

The United Nations Sustainable Development Goals (SDG's) set out a vision to facilitate the challenges faced by humanity and we can proudly say that Tri-Pack fulfills environmental and social obligations, making a positive impact as an organization.



Our CSR & Sustainability initiatives are particularly geared towards contributing to the UN Sustainable Development Goals.

Social Campaigns

In 2020, the following campaigns were delivered in pursuance of the same:

- International Day of Awareness of Food Loss & Waste (SDG 03- Good Health & Well-being; SDG 12- Responsible Consumption & Production; SDG 13 - Climate Action; SDG 15- Life on Land)
- International Literacy Day (SDG 04 – Quality education; SDG 16 – Peace, Justice & Strong Institutions; SDG 17- Partnerships for the Goals)
- Global Handwashing Day (SDG 03- Good Health & Well-being)
- World Diabetes Day (SDG 03- Good Health & Well-being)

Environmental Campaign

Tri-Pack Films Limited was the recipient of 17th Annual Environmental Excellence Awards 2020 on 18th Sep. The award showcases TPFL approach towards environmental sustainability. TPFL will continue to play a part in its efforts to stop degradation of resources (SDG 13 – Climate Action, SDG 15 – Life on Land)

Occupational Health & Safety

Employer Foundation of Pakistan has awarded Tri-Pack Films Limited with recognition in the category of Processing and Allied Sector. This has been accorded post the evaluation by EFP's OSH Technical board comprising of renowned industry experts. This recognition is the testament towards the team effort performed by the entire team of Tri-Pack at each level of the organization (SDG - Good Health & Well-being)

The Green Initiative

Earth Day Tree Plantation (SDG 15: Life on Land)

This Earth Day, the Company launched its Tree Plantation Campaign as part of its Sustainability agenda under which over 300 plants will be planted in the Port Qasim Facility over the course of Yr-2020.

Energy Saving Measures

We strive to achieve operational excellence not only to save costs but to make a circular economy, to also emphasize on optimization of energy resources available to us in particular and to Community at large. We endeavour to conserve natural resources & energy by continuously improving our process and measuring performance. Since our inception we have moved from a diesel based power generation system to a more efficient gas based system. However, to cater gas shortages, the Company has taken another step and has installed K-Electric connection in 2020.

We remain cautious and play our role by reducing our energy consumption through better maintenance of our equipment to enhance fuel efficiency, frequent audits of our machinery and critically reviewing frequency of maintenance intervals.

Environmental Protection Measures

At Tri-Pack, the business strategies take full account of the impact of our operating decisions to ensure clean and green environment. Our engines, oil heaters and other utilities comply with the Sindh Environment & Quality Standards (SEQS).

We ensure that all of our effluent, waste, emissions, noise and ambient air parameters are within the limits of SEQS and our operational activities are governed by rules and regulations of legal and statutory requirements of Provisional and Federal government. In order to showcase its commitment, TPFL has been awarded 17th Annual Environmental Excellence Awards by NFEH (National Forum for Environment and Health) which further demonstrate that TPFL will continue to play a part in its efforts to stop degradation of resources.

Efforts to Mitigate the Adverse Impact of Industrial Effluents

We at Tri-Pack constantly monitor the waste water parameters against the limits defined in SEQS. We realize our responsibility to ensure safe handling of the chemicals and waste water and are further striving to reduce the level of TDS (Total Dissolved Solid).

Code of Conduct and Legal Compliance

Tri-Pack is committed to upholding the highest standards of business integrity, ethics and good corporate governance.

While pursuing our business objectives, we aim to be a responsible partner for our community, acting with integrity towards our employees, customers, partners, shareholders and other stakeholders.

Our Code of Conduct is the standard for the conduct of the Company, its employees and shareholders. It is the way we do business and conduct ourselves and its compliance is mandatory across the organization.

Our business is also subject to compliance with regulatory requirements in the markets we serve, as well as the specific requirements of local and national regulatory authorities.

Our goal is to ensure that we remain compliant and ethical in all our business ventures, to that end we have extensively carried Self-Assessments as part of our Compliance Assurance framework to bolster our legal compliance monitoring with actionable compliance data, thereby further improving our compliance controls.

Business Ethics and Anti-Corruption Measures

Business ethics is our fundamental value and lies at the heart of everything that we do at Tri-Pack Films Limited. The Board of Directors of the Company has univocally set down the acceptable business practices and code of conduct which is based on values and clarifies the ethics and compliance expectations for everyone who works at Tri-Pack Films Limited. In addition, thereto, multiple channels are available to our Stakeholders to speak-up and identify practices and behaviors that are unacceptable to our fundamental and core values.

Contribution to National Exchequer

Tri-Pack's contribution to the national exchequer in the form of sales tax, custom duties and income taxes etc. is approximately Rs. 3,381 million in 2020.

Business Continuity Plan

Tri-Pack Films Limited recognizes its responsibility to operate and ascertain protection of business operations from any sort of disruption. We have a comprehensive Business Continuity Plan in place. Formal trainings and drills are being conducted to impart and educate the people throughout the organization.

Safety Records of the Company

Tri-Pack always ensures that all records required for administrative, legal and operational use are retained and safeguarded for as long as possible. For this reason, the Company conducted an exercise through external vendor to scan all the information and safeguard it on virtual platform. This made the information readily available for use and reduce this risk of damage, destruction or loss of data.

Diversity & Inclusion (D&I)

We focus on creating a diverse, inclusive and equitable environment in which all our employees feel secure, supported and respected with a feeling of sense of belonging prevailing. We have embedded equity and inclusion into the Company processes including recruitment, retention and sponsorship advancement.

Over the past few years, we have strived to broaden our horizon with respect to D&I at the workplace. D&I remain our key priority, focusing on gender equity and inclusivity of LGBTQ+ and differently-abled individuals.

It is now more than just Equal Opportunity and Representation. We now aim to Empower (UN Women Empowerment Principles), Break Stereotypes, Sensitize our People & Fight Biasness.

Our most recent initiative was to provide employment to trans-people at TPFL (SDG 04: Gender Equality, SDG 10: Reduced Inequality). It has been a successful collaboration and 02 individuals from the trans community are now a part of our workforce.

Our success keeps us motivated to strive and do our part to support and develop them.

Women Empowerment

Our commitment to women's empowerment remains a top agenda driven by our Top Management (Executive Management Team), who are personally vested in improving and sustaining talented females in all job functions, helping them realize their potential and magnify their contributions to the organization.

Over the last two years, we have attained a rising trend of female representation at Tri-Pack.

Moreover, we have also reformed our workplace, to be a better-fit for women at work, by implementing female-friendly policies and other best practices inspired from the Global Diversity & Inclusion Benchmarks (GDIB).

It is our long-term ambition is to become a recognized employer in attracting and retaining a strong female talent pool.

Rewarding Performance

We value and develop our people, rewarding them based on their performance, potential and contribution to our values and success.

We believe, the better we perform, the more we grow, the more we explore new business opportunities, and the more value we add and deliver better results to our stakeholders.

Our performance management and reward processes are well rooted in our Company' strategy and culture. An integral part of our culture is to reward our people for sustainable results.

We look for opportunities to simplify and add value wherever possible. Every year we review our existing policies to ensure they are more present, purposeful and in alignment with the strategy and spirit of the Company. We propagate diversity, inclusion and equitability and therefore we benchmark and monitor our policies and practices in relation to the same, to ensure that we meet the market standards and take action where we fall short. Our policies look at both sides "what" we do, and "how" we do it.

Talent Development

Tri-Pack invests in multi-year developmental journeys focused on developing critical skills, required in the present and future, as identified by the business. Our Career / Talent Growth Model also facilitates in this aspect, by giving our employees the opportunity to gain relevant experiences to support our business strategy and strengthen their employability.

We understand that our businesses today, are driving demand in technology, automation, cloud, coding and analytics and this rapid development requires a shift in focus for the L&D programs today.

In 2020, we took experimental learning to a whole new level across our 70:20:10 approach, devising targeted learning programs, curated specifically to support our Talent Development strategy. We launched our E-Learning program via the LinkedIn Learning platform, with the aim to continuously develop our employees and make learning accessible whenever they need it

Moreover, we continually review the skills required in the organization to ensure relevant learning is available both through the targeted learning journeys and for employees to undertake as self-led learning.

We invest in our Company' Leaders, as they are the authors of change and transformation. We establish customized learning paths aimed to strengthen their leadership capabilities and support their team members to become future leaders to develop their skills and hence establishing a growth mind-set.

Research & Development

Our Research and Development team at Tri-pack Films, continuously strives for excellence, with innovation as a core source of motivation. We stay ahead of our times with modernizing and innovating at the heart of what we do, without compromising on quality and work diligently to stay ahead at all times.

Customer satisfaction is crucial to our success and we work at an accelerated pace, to deliver efficiently and achieve greater customer satisfaction levels. We also improved metal adhesion in CPP Films by optimizing the operating parameters which resulted in reduced delamination, weak bonding and metal missing complaints.

Every year we foster ideas into reality. This year we accomplished producing ultra high-barrier both side treated Film, with enhanced barrier properties.

We do not limit our success to innovation and efficiency but our efficacy is also contingent on delivering in cost effective ways, for which we have replaced High Barrier Film with Broad-Seal Films. Additionally, we have developed alternate cheaper source of white master to further facilitate cost reduction and enhanced production of new grade, low density pearls white Films increasing yield at convertor's end. Moreover, we have altered our production methods for tobacco films, without compromising on quality, in order to drive down costs.

Quality Control

Tri-pack's vision and mission revolve around one basic principal, 'No compromise on Quality'. Our quality control and quality assurance department, makes sure that we maintain and continually improve our standards to ensure product safety and reliability.

To ensure that all the quality checks are performed well enough, we are well-equipped quality control lab, with up-to-date testing equipment from world's best suppliers, assuring highly precise testing results.

This year, we digitalized our processes. We have also acquired new instruments to measure and monitor white-index and opacity of our Film.

Our R&D and Quality Control departments work passionately to keep Tri-pack par excellence.



Statement of Compliance with Integrated Reporting Framework

The annexed financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

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

Where provisions of and directives issued under the Act differ from the IFRS, the provisions of and directives issued under the Act have been followed.

Changes in accounting standards, interpretations and pronouncements

- a) Standards, interpretations and amendments to published approved accounting standards that are effective and relevant:

There are certain amendments and interpretations to the accounting and reporting standards which are mandatory for accounting periods which began on January 1, 2020. However, these do not have any significant impact on the Company's financial statement.

- b) Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant:

The certain amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2020 are considered not to be relevant for the Company's financial statements and hence have not been detailed here.

- c) Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The new standard, certain amendments and interpretation that are mandatory for accounting periods beginning on or after January 1, 2021 are considered not to be relevant for the Company's financial statements and hence have not been detailed here.

Integrated Reporting Framework

Tri-Pack Films limited always tries to ensure that its annual report covers the contents of the integrated reporting as much as possible. The aim of this is to ensure stake holders have access to the following:

- High quality information to providers of financial capital;
- Understanding of the factors that play an important part in Company's value creation; and
- Understanding of the different forms of capital and their interdependencies;

This financial and non-financial information will enable stakeholders to better understand the position of the Company and in turn will lead to better and more informed decision-making by them.

The contents of the integrated reporting framework covered in the annual report and their detail is illustrated below:

Content Elements	Description
Organization overview and external environment	<p>Tri-Pack Films Limited (Tri-Pack) is a joint venture between Mitsubishi Corporation of Japan and Packages Limited of Pakistan was incorporated as a Public Limited Company on April 29, 1993. Tri-Pack offers wide range of Biaxially Oriented and Cast Polypropylene (BOPP & CPP) packaging films, with the aim to best satisfy the needs of its customers. Further detailed overview of the organization is covered in the annual report.</p> <p>The Company continually assesses its external environment for factors affecting the Company and responds accordingly. Analysis of the current and expected environment and Company's responses have been made part of the annual report.</p>
Governance	The Company has a strong governance structure which gives direction to the Company to enable it to create value for its stake holders in the short, medium and long term. Further, the board also has approved policies for various process which guide the Company to achieve its objectives. Detailed role of the governance is covered in various parts of the annual report.
Business model	Mainly Company's customers comprise of converters who in turn covert our films into packaging material. Detail of the Companies inputs and how they helped achieve the desired outcome are made part of the annual report.
Risks and Opportunities	Risk assessment is an ongoing process that Company undertakes throughout the year. The Company' management assesses the risk and opportunities faced by the Company and takes actions to mitigate the risks and capitalize on the opportunities. The Company also has a risk management policy that is approved by the board. Detailed analysis of the risks and opportunities faced by the Company and the measures it has taken is covered in the annual report.
Strategy and resource allocation	<p>The Company has a clear corporate strategy and there is a robust goal setting and monitoring mechanism that is aligned with the corporate strategy. Further, the Company has also deployed its resources accordingly.</p> <p>The Company's strategy, objectives (long, medium and short term) and resource allocation plan is covered in detail in the annual report.</p>
Performance	The Company's performance is measured in terms of financial as well as non-financial indicators. Overall, during the current year the Company was able to achieves its objectives (financial and non-financial) despite difficult conditions due to COVID pandemic. Further, detailed analysis of the financial and non-financial performance is made part of the annual report.
Outlook	The Company has performed a forward looking risk assessment to identify factors that could affect the Company's future performance. These need to be continually assessed and appropriate and timely measures need to be taken. Detailed analysis is made part of the forward looking statement.
Basis of preparation and presentation	<p>The basis for the preparation and presentation of financial statements is explained in note 2.2 of the annexed financial statements.</p> <p>The annual report is based on the integrated reporting framework in order to provide quality financial and non-financial information to the stakeholders. Further, the board also has approved a materiality level for the Company which also assists in better decision making of the Company.</p>

Independent Auditors' Report



A.F.FERGUSON & CO.

INDEPENDENT AUDITOR'S REPORT

To the members of Tri-Pack Films Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Tri-Pack Films Limited (the Company), which comprise the statement of financial position as at December 31, 2020, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2020 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Following is the Key audit matter:

S.No.	Key audit matter	How the matter was addressed in our audit
i.	<p>Trade Receivables (Refer note 8 to the Financial Statements)</p> <p>The Company's trade receivables as at December 31, 2020 amounts to Rs 1,696 million. Customers of the Company comprise of registered entities under the Sales tax Act, 1990 and other unregistered parties. There are predefined system based credit limits and credit periods for various customer groups based on the credit evaluation. Credit limits are also extended on a case to case basis. Further, customers are given credit as agreed with them.</p> <p>Moreover, as at December 31, 2020 trade receivables of Rs. 628 million were past due but not impaired. The Company considers this amount to be fully recoverable as they are in regular contact with customers however due to current market conditions there is delay in customer repayment. Further, the Company has recorded a loss allowance for impairment of Rs. 70 million.</p> <p>The trade receivables' area in view of the significance of amount and estimate involved, we considered this a key audit matter.</p>	<p>Our audit procedures, amongst them, included the following:</p> <ul style="list-style-type: none"> • Tested the design, implementation and operating effectiveness of key controls over the receivable process, including the Company's review and approval of the credit terms and discounts. • Obtained system generated ageing report and checked its correctness involving our system and process assurance personnel. Also tested controls on trade receivables and it's clearing process. • Inspected customer confirmation obtained by company as part of their internal confirmation process. • Examined the terms of credit agreed with the customers. • Checked, on sample basis, trade receivables ageing report ensuring that due invoices are classified within the appropriate ageing buckets with underlying documentation. • Checked the credit limit and period on evaluation form of various customers groups. • Checked, on a sample basis, subsequent recoveries from customers relating to year end balances and their underlying documentation. • For sales orders breaching the credit limit, reviewed approvals from authorised personnel on sample basis. • Checked history of past payment trends and credit defaults of customers in the company and ensured compliance to receivables provisioning policy. • Confirmed customer balances on sample basis and performed alternate testing on those balances against which we have not received balance confirmation. • Checked adequacy of disclosures made by the Company in this area with regard to applicable accounting and reporting standards.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- (a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- (b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- (c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- (d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Syed Muhammad Hasnain.

A. F. Ferguson & Co.
Chartered Accountants
Karachi

Date: February 22, 2021

Statement of Financial Position

As at December 31, 2020

ASSETS

NON CURRENT ASSETS

Property, plant and equipment

Right-of-use asset

Intangibles

Long term deposits

CURRENT ASSETS

Inventories

Trade receivables

Advances and prepayments

Other receivables

Refunds due from government - sales tax

Income tax refundable

Cash and bank balances

TOTAL ASSETS

Note	2020	2019
	(Rupees in thousand)	
4	6,825,355	5,835,974
5	197,155	202,819
6	10,946	12,909
	6,288	10,246
	7,039,744	6,061,948
7	2,464,747	2,206,552
8	1,696,150	2,292,142
9	91,901	76,804
10	234,054	105,715
	240,160	127,209
	1,248,996	1,246,809
11	137,358	212,295
	6,113,366	6,267,526
	13,153,110	12,329,474

EQUITY AND LIABILITIES

SHARE CAPITAL AND RESERVES

Share capital
Share premium
General reserve
Unappropriated profit

LIABILITIES

NON CURRENT LIABILITIES

Long term borrowings
Deferred income - Government grant
Lease liability
Deferred taxation - net
Provision for Gas Infrastructure Development Cess
Staff retirement benefits
Accumulated compensated absences

CURRENT LIABILITIES

Trade and other payables
Unclaimed dividend
Accrued mark-up
Short term borrowings
Lease liability
Current portion of long term borrowings

TOTAL LIABILITIES

CONTINGENCIES AND COMMITMENTS

TOTAL EQUITY AND LIABILITIES

The annexed notes 1 to 41 form an integral part of these financial statements.



Nasir Jamal
Chief Executive Officer



Asif Qadir
Director



Muhammad Zuhair Damani
Chief Financial Officer

Note	2020	2019
	(Rupees in thousand)	
12	388,000	388,000
	999,107	999,107
	1,605,000	1,605,000
	883,818	267,253
	<u>3,875,925</u>	<u>3,259,360</u>
13	2,123,085	870,002
14	18,394	-
	31,569	30,185
15	219,301	258,864
16	529,844	-
17	58,417	56,956
18	31,804	31,372
	<u>3,012,414</u>	<u>1,247,379</u>
19	3,651,099	3,718,282
	16,732	16,975
20	122,467	117,957
21	2,179,556	3,566,497
	3,131	3,025
13	291,786	399,999
	<u>6,264,771</u>	<u>7,822,735</u>
	<u>9,277,185</u>	<u>9,070,114</u>
22	<u>13,153,110</u>	<u>12,329,474</u>

Statement of Profit or Loss and Other Comprehensive Income


For the year ended December 31, 2020

	Note	2020	2019
		(Rupees in thousand)	
Revenue from contracts with customers	23	15,089,802	14,683,267
Cost of sales	24	(12,649,012)	(13,193,443)
Gross profit		2,440,790	1,489,824
Distribution costs	25	(473,583)	(462,173)
Administrative expenses	26	(484,402)	(326,045)
		(957,985)	(788,218)
Operating profit		1,482,805	701,606
Other income	27	164,710	99,781
		1,647,515	801,387
Other expenses	28	(65,011)	(1,025)
Finance cost	29	(808,992)	(819,480)
		(874,003)	(820,505)
Profit / (loss) before income tax		773,512	(19,118)
Income tax - net	30	(159,401)	(290,696)
Profit / (loss) for the year		614,111	(309,814)
Other comprehensive income / (loss) for the year:			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of staff retirement benefits	17.3.6	2,454	(7,105)
Total comprehensive income / (loss) for the year		616,565	(316,919)
Earnings / (loss) per share - basic and diluted (Rupees)	31	15.83	(7.98)

The annexed notes 1 to 41 form an integral part of these financial statements.



Nasir Jamal
Chief Executive Officer



Asif Qadir
Director



Muhammad Zuhair Damani
Chief Financial Officer

Statement of Changes in Equity

For the year ended December 31, 2020

	Issued, subscribed and paid-up share capital	Reserves			Total	
		Capital	Revenue			
			Share premium	General reserve		Unappropriated profit
(Rupees in thousand)						
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 year ended December 31, 2019						
Loss for the year ended December 31, 2019	-	-	-	(309,814)	(309,814)	(309,814)
Other comprehensive loss	-	-	-	(7,105)	(7,105)	(7,105)
	-	-	-	(316,919)	(316,919)	(316,919)
Balance as at December 31, 2019	388,000	999,107	1,605,000	267,253	2,871,360	3,259,360
Final cash dividend for the year ended December 31, 2019 @ Rs Nil per share	-	-	-	-	-	-
Total comprehensive income for the year ended December 31, 2020						
Profit for the year ended December 31, 2020	-	-	-	614,111	614,111	614,111
Other comprehensive income	-	-	-	2,454	2,454	2,454
	-	-	-	616,565	616,565	616,565
Balance as at December 31, 2020	388,000	999,107	1,605,000	883,818	3,487,925	3,875,925

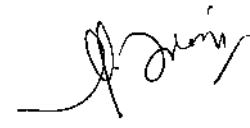
The annexed notes 1 to 41 form an integral part of these financial statements.



Nasir Jamal
Chief Executive Officer



Asif Qadir
Director



Muhammad Zuhair Damani
Chief Financial Officer

Statement of Cash Flows

For the year ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Cash generated from operations
Payment on account of accumulated compensated absences
Decrease / (increase) in long term deposits
Staff retirement benefits paid
Income taxes paid - net

Net cash generated from operating activities

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property, plant and equipment
Purchase of intangibles
Profit received on bank balances
Sale proceeds on disposal of property, plant and equipment

Net cash used in investing activities

CASH FLOWS FROM FINANCING ACTIVITIES

Dividend paid
Long term borrowings paid
Long term borrowing acquired
Proceeds from salary refinancing
Short term borrowings - net
Finance cost paid
Bank charges paid

Net cash used in financing activities

Net increase in cash and cash equivalents

Cash and cash equivalents at beginning of the year

Cash and cash equivalents at end of the year

The annexed notes 1 to 41 form an integral part of these financial statements.



Nasir Jamal
Chief Executive Officer



Asif Qadir
Director



Muhammad Zuhair Damani
Chief Financial Officer

Note	2020	2019
	(Rupees in thousand)	
33	2,689,190	3,908,112
	(4,087)	(7,191)
	3,958	(4,999)
	(69,273)	(64,477)
	(201,151)	(255,018)
	<u>2,418,637</u>	<u>3,576,427</u>
	(1,673,645)	(562,228)
	(4,365)	(16,217)
	2,335	384
	2,135	8,219
	<u>(1,673,540)</u>	<u>(569,842)</u>
	(243)	(154,765)
	(400,000)	(854,021)
	1,296,012	200,000
	268,852	-
	(628,000)	(1,414,000)
	(552,572)	(710,518)
	(45,142)	(25,239)
	<u>(61,093)</u>	<u>(2,958,543)</u>
	<u>684,004</u>	<u>48,042</u>
	<u>(2,206,202)</u>	<u>(2,254,244)</u>
34	<u>(1,522,198)</u>	<u>(2,206,202)</u>

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2020

1. THE COMPANY AND ITS OPERATIONS

Tri-Pack Films Limited (the Company) was incorporated in Pakistan on April 29, 1993 as a public limited company under the repealed Companies Ordinance, 1984 and is listed on Pakistan Stock Exchange (PSX). It is principally engaged in the manufacturing and sale of Biaxially Oriented Polypropylene (BOPP) film and Cast Polypropylene (CPP) film.

The geographical locations and addresses of the Company's business units, including plants are as under:

- 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.

Manufacturing plants are situated as under:

- Plot No. G-1 to G-4, D-9 to D-14, North Western Industrial Zone, Port Qasim Authority, Karachi; and
- Plot No. 78/1, Phase IV, Hattar Industrial Estate, Hattar, Khyber Pakhtunkhwa.

Regional offices are situated as under:

- House No. 18, Sir Abdullah Haroon Road, Near Marriott Hotel, Karachi; and
- Unit No 4, 17 Aziz Avenue, Canal Bank, Lahore.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These financial statements have been prepared under the historical cost convention or as otherwise stated below in the respective policy notes.

2.2 Statement of compliance

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

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

Where provisions of and directives issued under the Act differ from the IFRS, the provisions of and directives issued under the Act have been followed.

2.3 Changes in accounting standards, interpretations and pronouncements

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

There are certain amendments and interpretations to the accounting and reporting standards which are mandatory for accounting periods which began on January 1, 2020. However, these do not have any significant impact on the Company's financial statement.

- b) Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

The certain amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2020 are considered not to be relevant for the Company's financial statements and hence have not been detailed here.

- c) Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The new standard, certain amendments and interpretation that are mandatory for accounting periods beginning on or after January 1, 2021 are considered not to be relevant for the Company's financial statements and hence have not been detailed here.

2.4 Staff retirement benefits

The Company operates various post-employment schemes, including both defined benefit and defined contribution plans.

2.4.1 Defined contribution plan

The Company operates a recognised provident fund for all its permanent employees who have completed prescribed qualifying period of service. Equal monthly contributions are made, both by the Company and the employees, to the provident fund at the rate of ten percent of basic salary.

2.4.2 Defined benefit plan

Gratuity plan

There is an approved funded defined benefit gratuity plan for all permanent employees. Monthly contributions are made to this fund on the basis of actuarial recommendations at the rate of 8.33% per annum of basic salaries. The latest actuarial valuation for the gratuity scheme was carried out as at December 31, 2020. The actual return on plan assets represent the difference between the fair value of plan assets at the beginning and end of the year and adjusted for contributions and benefits paid.

The future contribution rates of these plans include allowances for deficit and surplus. Projected Unit Credit Method, using the following significant assumptions, is used for valuation of this scheme:

- Discount rate used for year end obligation - 10.25% (2019: 11.75%) per annum;
- Expected rate of increase in salary levels - 8.25% (2019: 9.75%) per annum;
- Expected mortality rate SLIC (2001 - 2005) mortality table with 1 year setback.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognized immediately in the statement of profit or loss and other comprehensive income.

Termination benefits

Termination benefits are payable when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

Pension plan

The defined benefit pension fund plan is managed by Packages Limited (associated undertaking) and it currently operates two different plans for its employees:

- Defined contribution plan for all permanent management employees whose date of employment is before March 15, 2018; and
- Defined benefit plan for pensioners who have retired before December 31, 2012.

Projected unit credit method, using the following significant assumptions, is used for valuation of this scheme:

- Discount rate used for year end obligation - 9.75% (2019: 11.25%) per annum;
- Expected rate of increase in pension level - 0% for first year and at 3% thenceforth (2019: 0% for first year and at 3.5% thenceforth) per annum; and
- Expected mortality rate SLIC (2001 - 2005) mortality table with 1 year setback.

In respect of the defined benefit plan, the Company contributes 20% of members' monthly basic salary to the scheme; whereas, an employee may or may not opt to contribute 6% of his/her monthly basic salary to the scheme.

The liability recognized in the statement of financial position in respect of defined benefit retirement plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefit will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions for the defined benefit plan are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognized immediately in statement of profit or loss and other comprehensive income.

2.4.3 Employee compensated absences

The Company also provides for compensated absences for all eligible employees in accordance with the rules of the Company. The provision is recognised on the basis of actuarial valuation. The valuation is based on the following significant assumptions:

- Discount rate used for year end obligation - 10.25% (2019: 11.75%) per annum;
- Expected rate of increase in salary levels - 8.25% (2019: 9.75%) per annum.

The Company accounts for the liability in respect of employees' compensated absences in the year in which these are earned. The unrecognised actuarial gains or losses at each valuation date are recognised in statement of profit or loss and other comprehensive income immediately.

2.5 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognised in statement of profit or loss and other comprehensive income except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

2.5.1 Current

The charge for current taxation is determined in accordance with the prevailing law for taxation on income, using prevailing tax rates after taking into account tax credits and rebates available, if any.

2.5.2 Deferred

Deferred tax is accounted for using the balance sheet liability method on all temporary differences arising between tax base of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liability is generally recognised for all taxable temporary differences and deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is charged to or credited in the statement of profit or loss and other comprehensive income.

Deferred income tax asset is determined using tax rates and prevailing law for taxation on income that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Investment tax credits are viewed as increase of the related asset's tax base. Accordingly, in such situation the deductible temporary difference that arises qualifies for the initial recognition exception as per IAS 12, 'Income taxes'. Therefore, no deferred tax asset is recognised instead the recognition of the total investment tax occurs as a reduction of current tax.

2.6 Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each statement of financial position date and adjusted to reflect current best estimate.

2.7 Dividend

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved by the shareholders / directors, as appropriate.

2.8 Property, plant and equipment

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for leasehold land and capital work in progress which are stated at cost. Cost of leasehold land is amortised using the straight line method over the period of lease term.

Operating fixed assets having cost exceeding the minimum threshold as determined by the management are capitalised. All other assets are charged to profit or loss and other comprehensive income in the year when acquired. Depreciation is charged to statement of profit or loss and other comprehensive income on straight line method at the following rates:

Nature of property, plant and equipment	Annual rate of depreciation (%)
- Leasehold land	1.03 to 2.22
- Buildings on leasehold land	5 to 33.33
- Plant and machinery and electrical installations	5 to 50
- Furniture and fittings	10 to 20
- Office and other equipment	5 to 50
- Vehicles	20

Depreciation on additions and deletions during the year is charged from the month when asset is put into use or up to the month immediately before the month in which the asset is disposed off, respectively.

No depreciation is charged if the asset's residual value exceeds its carrying amount.

Residual values and the useful lives are reviewed at each statement of financial position date and adjusted if expectations differ significantly from previous estimates.

Residual values are determined by the management as the amount it expects it would receive currently for an item of property, plant and equipment if it was already of the age and in the condition expected at the end of its useful life based on the prevailing market prices of similar assets already at the end of their useful lives.

Useful lives are determined by the management based on the expected usage of assets, physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors.

Maintenance and repairs are charged to statement of profit or loss and other comprehensive income as and when incurred. Major renewals and improvements are capitalised in accordance with IAS 16, 'Property, plant and equipment' and depreciated in a manner that represents the consumption pattern and useful lives. Minor repairs and renewals are charged to statement of profit or loss and other comprehensive income.

Profit or loss on disposal of operating fixed assets are included in statement of profit or loss and other comprehensive income in the year in which it is realised.

2.9 Capital work in progress

Capital work in progress is stated at cost less any identified impairment loss and represents expenditure incurred on property, plant and equipment during the construction and installation including applicable borrowing costs. Transfers are made to relevant property, plant and equipment category as and when assets are available for use.

2.10 Intangible assets

Intangible assets are recognised when it is probable that the expected future economic benefits will flow to the Company and the cost of the asset can be measured reliably. Cost of the intangible asset includes purchase cost and directly attributable expenses incidental to bring the asset for its intended use.

Costs associated with maintaining intangible assets are recognised as an expense as and when incurred.

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is charged over the estimated useful life of the asset on a systematic basis applying the straight line method at the rate of 33.33%.

Useful lives of intangible assets are reviewed, at each statement of financial position date and adjusted if the impact of amortisation is significant.

2.11 Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amount of property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the Company estimates the recoverable amount of the asset and when the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized in statement of profit or loss and other comprehensive income.

At the end of each reporting period, the Company also assesses whether there is an indication that an impairment loss recognized in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable amount of the asset and reverses the impairment loss recognized in previous period such that the increased carrying amount of the asset does not exceed the carrying amount that would have been determined (net of amortization and depreciation) had no impairment loss been recognized for the asset in prior years. Reversal of impairment loss is recognized in statement of profit or loss and other comprehensive income. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs and accordingly recognizes impairment loss or reverses the impairment loss recognized in prior periods.

Recoverable amount of an asset or cash-generating unit is the higher of its fair value less cost of disposal and its value in use.

Value in use is estimated as the present value of estimated future cash flows from the continuing use of an asset / cash generating unit and from its disposal at the end of its useful life. A pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset for which the estimates of future cash flows have not been adjusted.

2.12 Inventories

Stock in trade is valued at the lower of cost and estimated net realisable value. Cost is determined as follows:

Stages of stock in trade

Raw materials, work in process and finished goods

Raw materials in transit

Basis of valuation

Weighted average cost

Invoice value and other related charges as at statement of financial position date

Cost of work in process and finished goods comprises cost of direct materials, labour and appropriate manufacturing overheads.

Net realisable value is determined on the basis of the estimated selling price of the product in the ordinary course of business less estimated cost of completion and costs necessary to be incurred for its sale.

Raw Material and stores and spares are valued at weighted average cost less allowance for obsolete and slow moving items.

Stores and spares in transit are stated at cost comprising invoice value and other related charges incurred up to the statement of financial position date.

2.13 Government grants

Government grants relating to costs are deferred and recognised in the Statement of profit or loss and other comprehensive income over the period necessary to match these with the costs that they are intended to compensate.

2.14 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash and cash equivalents also include bank overdrafts / short term borrowings that are repayable on demand or within a period of 3 months from the reporting date. Further, contractual borrowings are not part of cash and cash equivalents and are part of financing activities.

2.15 Revenue recognition

Revenue from contracts with customers is recognised at the transaction price which the Company expects to be entitled to. Revenue from sale of goods is recognised when control of goods has been transferred to the customers.

No element of financing is deemed present as the sales are made with a credit term of up to 120 days, which is consistent with the market practice.

2.16 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in statement of profit or loss and other comprehensive income in the period in which they are incurred.

2.17 Leases

Lease liability and Right-of-use asset

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease term are negotiated on an individual basis and contain different terms and conditions.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease liability is initially measured at the present value of the lease payments over lease term and that are not paid at the commencement date, discounted using the Company's incremental borrowing rate.

Lease payments include fixed payments less any lease incentive receivable, variable lease payment that are based on an index or a rate which are initially measured using the index or rate as at the commencement date, amounts expected to be payable by the Company under residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option and payments of penalties for terminating the lease if the lease term reflects the lessee exercising that option. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payment.

The lease liability is remeasured when the Company reassesses the reasonable certainty of exercising the extension or termination option upon occurrence of either a significant event or a significant change in circumstances, or when there is a change in assessment of an option to purchase underlying asset, or when there is a change in amount expected to be payable under a residual value guarantee, or when there is a change in future lease payments resulting from a change in an index or rate used to determine those payment. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statement of profit or loss and other comprehensive income if the carrying amount of right-of-use asset has been reduced to zero.

When there is a change in scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease, it is accounted for as a lease modification. The lease modification is accounted for as a separate lease if modification increases the scope of lease by adding the right to use one or more underlying assets and the consideration for lease increases by an amount that is commensurate with the stand-alone price for the increase in scope adjusted to reflect the circumstances of the particular contracts, if any. When the lease modification is not accounted for as a separate lease, the lease liability is remeasured and corresponding adjustment is made to right-of-use asset.

The right-of-use asset is initially measured at an amount equal to the initial measurement of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which the asset is located.

The right-of-use asset is subsequently measured at cost model. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Company has also elected to apply the practical expedient of not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognised as an expense on a straight line basis over the lease term.

2.18 Foreign currency transactions and translation

Foreign currency transactions are recognised or accounted for into Pakistan Rupees using the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies are converted into Pakistan Rupees at the rates of exchange prevailing on the statement of financial position date. Exchange gain / loss on foreign currency translations are included in income / equity along with any related hedge effects.

2.19 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency.

2.20 Financial Instruments - Initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

2.20.1 Financial assets

Initial Recognition

Financial assets are classified at initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL). The measurement basis is determined by reference to both the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

- a) Amortised cost - A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as a FVTPL;
 - it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
 - the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding;

- b) Fair value through other comprehensive income (FVTOCI) - A financial asset is measured at FVTOCI if it meets both of the following conditions and is not designated as a FVTPL;
- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
 - the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding;
- c) Fair value through profit or loss (FVTPL) - Financial assets, that are not measured at amortised cost or at fair value through other comprehensive income on initial recognition, are classified as FVTPL.

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument.

Financial assets at amortised cost are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses, if any. Interest income and impairment losses are recognised in profit or loss.

Financial assets carried at FVTOCI are initially and subsequently measured at fair value, with gains and losses arising from changes in fair value recognised in other comprehensive income / (loss).

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of profit or loss and other comprehensive income. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of profit or loss and other comprehensive income in the period in which they arise.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset, in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in statement of profit or loss and other comprehensive income.

Impairment of financial asset

The Company recognises lifetime expected credit losses for trade receivables that do not constitute a financing transaction. Expected credit losses (ECLs) are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between cash flows due to the entity in accordance with the contract and cash flows that the Company expects to receive). Life time ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. For all other financial assets, expected credit losses are measured at an amount equal to 12 months' ECLs i.e. ECLs that result from default event that are possible within 12 months after the reporting date.

2.20.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortised cost using the effective interest rate method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

2.20.3 Offsetting

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position if the Company has a legally enforceable right to set-off the recognised amounts and intends either, to settle on a net basis or, to realise the asset and settle the liability simultaneously.

2.20.4 Transaction costs

When a financial asset or financial liability is not measured at FVTPL, transaction costs that are directly attributable to the acquisition or issue are added to or deducted from the initial fair value. For financial assets, such costs are added to the amount originally recognised. For financial liabilities, such costs are deducted from the amount originally recognised. This applies to all financial instruments not carried at FVTPL, including instruments carried at FVTOCI. For debt instruments, the transaction costs are recognised as part of interest income using the effective interest method.

For financial instruments that are measured at FVTPL, transaction costs are not added to or deducted from the initial fair value, but they are immediately recognised in profit or loss on initial recognition.

Transaction costs expected to be incurred on a financial instrument's transfer or disposal are not included in the financial instrument's measurement.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

- 3.1** The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historic experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. There were no significant judgements involved in the application of Company's accounting policies. The management has made the following estimates which are significant to the financial statements:

3.2 Current and deferred income taxes

In making the estimates for income taxes payable by the Company, management considers current income tax laws and the decisions of appellate authorities on certain cases issued in the past. Where the final outcome is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such final outcome is determined. Deferred taxes are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

3.3 Provision for retirement and other service benefit obligations

The present value of these obligations depends on a number of factors that are determined on actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of these obligations. The present values of these obligations and the underlying assumptions are disclosed in notes 2.4 and 17.

3.4 Property, plant and equipment and intangible assets

Estimates with respect to residual values and useful lives and pattern flow of economic benefit are based on the recommendation of technical teams of the Company. Further, the Company reviews the internal and external indicators for possible impairment of assets on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment (note 4) and intangible assets (note 6) with a corresponding effect on the depreciation charge, amortisation charge and impairment.

3.5 Provisions

Provisions are based on management's best estimate. Any change in the estimates in future years might affect the carrying amounts of the provision with a corresponding affect on the profit or loss of the Company.

4. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets
Capital work in progress
Major spare parts and stand-by equipments

Note	2020	2019
	(Rupees in thousand)	
4.1	6,267,982	5,558,154
4.2	507,878	252,192
4.3	49,495	25,628
	<u>6,825,355</u>	<u>5,835,974</u>

4.1 Operating fixed assets

4.1.1 The following is the statement of operating fixed assets.

	Leasehold land	Buildings on leasehold land	Plant and machinery	Electrical installations	Furniture and fittings	Office and other equipment	Vehicles	Total
(Rupees in thousand)								
Year ended December 31, 2020								
Opening net book value	-	730,353	4,576,156	140,301	36,995	65,897	8,452	5,558,154
Additions	-	40,737	1,312,511	1,858	9,489	29,446	51	1,394,092
Disposals - note 4.1.5	-	-	-	-	(48)	(46)	-	(94)
Depreciation charge	-	(67,034)	(575,961)	(10,739)	(11,044)	(18,929)	(463)	(684,170)
Closing net book value	-	704,056	5,312,706	131,420	35,392	76,368	8,040	6,267,982
At December 31, 2020								
Cost	-	1,383,726	12,324,980	322,310	113,143	184,589	28,273	14,357,021
Accumulated Depreciation	-	(679,670)	(7,012,274)	(190,890)	(77,751)	(108,221)	(20,233)	(8,089,039)
Net book value	-	704,056	5,312,706	131,420	35,392	76,368	8,040	6,267,982
Year ended December 31, 2019								
Opening net book value	175,377	788,971	4,720,612	145,784	38,045	17,273	9,025	5,895,087
Additions	-	6,751	382,377	4,999	8,987	59,826	136	463,076
Disposals	-	-	-	-	(84)	(52)	-	(136)
Transfer to Right-of-use asset - note 5	(175,377)	-	-	-	-	-	-	(175,377)
Depreciation charge	-	(65,369)	(526,833)	(10,482)	(9,953)	(11,150)	(709)	(624,496)
Closing net book value	-	730,353	4,576,156	140,301	36,995	65,897	8,452	5,558,154
At December 31, 2019								
Cost	-	1,342,989	11,012,469	320,452	103,759	155,303	28,222	12,963,194
Accumulated Depreciation	-	(612,636)	(6,436,313)	(180,151)	(66,764)	(89,406)	(19,770)	(7,405,040)
Net book value	-	730,353	4,576,156	140,301	36,995	65,897	8,452	5,558,154

4.1.2 Depreciation charge for the year has been allocated as follows:

	Note	2020	2019
		(Rupees in thousand)	
Cost of good manufactured	24.1	668,382	613,900
Distribution costs	25	1,008	861
Administrative expenses	26	14,780	9,735
		<u>684,170</u>	<u>624,496</u>

4.1.3 Operating fixed assets include assets having cost of Rs 4.14 billion (2019: Rs 4 billion) which were fully depreciated as at the year end.

4.1.4 Particulars of immovable property (i.e. land and building) in the name of the Company are as follows:

Location	Usage of immovable property	Total area (In acres)
Plot No. G-1 to G-4, D-9 to D-14, North Western Industrial Zone, Port Qasim Authority, Karachi	Production & operational facility	39
Plot No. 78/1, Phase IV, Hattar Industrial Estate, Hattar, Khyber Pakhtunkhwa	Production & operational facility	12

4.1.5 The aggregate book value of assets does not exceed five million rupees.

4.2 Capital Work in Progress

	2020				2019			
	Balance as at January 1, 2020	Additions during the year-note 4.2.1	Transfers / Adjustment	Balance as at December 31, 2020	Balance as at January 1, 2019	Additions during the year	Transfers / Adjustment	Balance as at December 31, 2019
	(Rupees in thousand)							
Plant and machinery	159,825	375,614	(165,899)	369,540	128,454	120,547	(89,176)	159,825
Building and civil works	16,056	13,253	(17,269)	12,040	15,989	8,258	(8,191)	16,056
Advances to suppliers and contractors	76,311	126,297	(76,310)	126,298	7,147	74,845	(5,681)	76,311
Total	<u>252,192</u>	<u>515,164</u>	<u>(259,478)</u>	<u>507,878</u>	<u>151,590</u>	<u>203,650</u>	<u>(103,048)</u>	<u>252,192</u>

4.2.1 This includes borrowing costs capitalised amounting to Rs. 7.42 million (2019: Rs. Nil) during the year.

4.3 Major spare parts and stand-by equipments

Balance at beginning of the year
Additions during the year
Transfers made during the year
Balance at end of the year

2020	2019
(Rupees in thousand)	
25,628	27,078
24,924	-
(1,057)	(1,450)
49,495	25,628

5. RIGHT-OF-USE ASSET

Right-of-use asset - Leasehold Land
Depreciation for the year
Net book value as at December 31

2020	2019
(Rupees in thousand)	
202,819	208,483
(5,664)	(5,664)
197,155	202,819

5.1 Depreciation charge for the year has been allocated to cost of sales.

6. INTANGIBLES

Computer software

At January 1

Cost
Accumulated amortisation
Net book value
Additions during the year
Amortisation for the year
Net book value as at December 31

2020	2019
(Rupees in thousand)	
69,636	53,419
(56,727)	(51,067)
12,909	2,352
4,365	16,217
(6,328)	(5,660)
10,946	12,909

At December 31

Cost
Accumulated amortisation
Net book value

74,001	69,636
(63,055)	(56,727)
10,946	12,909

6.1 Amortisation charge for the year has been allocated to administrative expenses

7. INVENTORIES

Stores and spares
Raw materials
 In hand
 In transit

Less: Provision for obsolescence

Packing materials
Work in process
Finished goods

7.1 Stores and spares

Stores
Spares
Stores and spares in transit

Note	2020	2019
	(Rupees in thousand)	
7.1	573,788	475,652
	851,372	904,742
	298,990	391,046
	1,150,362	1,295,788
	(64,484)	(21,000)
	1,659,666	1,750,440
	37,846	28,288
	350,386	205,104
	416,849	222,720
	2,464,747	2,206,552
	60,056	61,741
	503,397	394,147
	10,335	19,764
	573,788	475,652

8. TRADE RECEIVABLES

Unsecured

Considered good
 Due from related parties
 Others

Considered doubtful - others

Secured

Considered good

Less: Loss allowance on doubtful receivables

	2020	2019
	(Rupees in thousand)	
8.1	234,189	184,615
	1,270,320	2,007,115
	1,504,509	2,191,730
8.3	136,644	66,327
	191,641	100,412
	1,832,794	2,358,469
8.3	(136,644)	(66,327)
	1,696,150	2,292,142

8.1 Represents amounts due from following related parties in the normal course of business and are interest free:

	2020	2019
	(Rupees in thousand)	
Packages Converters Limited	217,112	179,366
Chantler Packages Inc.	5,902	5,249
Packages Lanka (Private) Limited	10,824	-
Bulleh Shah Packaging (Private) Limited	351	-
	<u>234,189</u>	<u>184,615</u>

8.2 The maximum amount receivable from any related party during the year was Rs 433.71 million (2019: Rs 334.29 million).

8.3 Loss allowance on doubtful receivables

	Note	2020	2019
		(Rupees in thousand)	
Balance at beginning of the year		66,327	61,943
Provision for the year	26	73,205	4,915
Reversal during the year		(2,888)	(531)
Balance at end of the year		<u>136,644</u>	<u>66,327</u>

8.4 The age analysis of trade receivables past due but not impaired is as follows:

	2020	2019
	(Rupees in thousand)	
Upto 2 months	417,227	733,738
Over 2 - 4 months	75,281	45,177
Over 4 - 6 months	52,676	57,114
More than 6 months	82,786	28,676
	<u>627,970</u>	<u>864,705</u>

8.5 The age analysis of trade receivables past due but not impaired from related parties is as follows:

	2020	2019
	(Rupees in thousand)	
Upto 2 months	31,413	11,048
Over 2 - 4 months	1,449	297
Over 4 - 6 months	-	5,623
More than 6 months	6,254	10,909
	<u>39,116</u>	<u>27,877</u>

9. ADVANCES AND PREPAYMENTS

Considered good

Due from employees
Advances to suppliers
Advances to clearing agents
Other prepayments

Note	2020	2019
	(Rupees in thousand)	
9.1	8,248	6,915
	43,472	28,127
	28,388	27,056
	11,793	14,706
	<u>91,901</u>	<u>76,804</u>

9.1 These advances primarily include advance against travelling and house rent given to executives as per terms of employment. The maximum amount due at the end of any month during the year from executives was Rs 2.49 million (2019: Rs 1.74 million).

10. OTHER RECEIVABLES

Rebate recoverable against exports
Rebate receivable against purchases
Car advances to employees
Workers' profits participation fund
Others

Note	2020	2019
	(Rupees in thousand)	
	35,145	40,756
	150,000	-
10.1	33,973	35,033
	-	12,177
	14,936	17,749
	<u>234,054</u>	<u>105,715</u>

10.1 These represent advance to employees against purchase of vehicles for a period of six years. During this tenure, the salvage value of the vehicle is recovered from an employee in equal monthly installments. In case an employee leaves earlier, the outstanding amount is recovered.

11. CASH AND BANK BALANCES

Cash with banks in
Current accounts
Local currency
Foreign currency
Mark-up bearing savings account
Cash in hand

Note	2020	2019
	(Rupees in thousand)	
11.1	68,716	37,799
11.1	68,531	43,797
11.2	-	130,566
	111	133
	<u>137,358</u>	<u>212,295</u>

11.1 These bank balances are maintained under current accounts and do not carry any interest.

11.2 The rates of mark-up on local currency savings accounts during the year ranged from 5.5% to 11.25% per annum (2019: 8% to 11.25% per annum).

12. SHARE CAPITAL

Number of shares

Authorised

100,000,000 Ordinary shares of Rs. 10 each

Issued, subscribed and paid-up

2020	2019
(Number of Shares)	

38,800,000 38,800,000 Ordinary shares of Rs. 10 each fully paid in cash

12.1 Packages Limited, Mitsubishi Corporation of Japan and IGI Insurance Limited held 12,933,333 (2019: 12,933,333), 7,499,000 (2019: 7,499,000) and 3,750,417 (2019: 3,750,417) ordinary shares of the Company respectively, as at December 31, 2020.

12.2 There is a shareholder agreement signed between Packages Limited and Mitsubishi Corporation which includes clauses related to voting rights, board selection, rights of first refusal and block voting.

13. LONG TERM BORROWINGS

Secured

Borrowing - 1

Borrowing - 2

Borrowing - 3

Borrowing - 4

Borrowing - 5

Borrowing - 6

Less: deferred government grant

Less: current portion of long term borrowings

Note

2020	2019
(Rupees in thousand)	
100,000	300,000
70,002	270,001
1,000,000	700,000
268,852	-
696,011	-
300,000	-
2,434,865	1,270,001
(19,994)	-
(291,786)	(399,999)
2,123,085	870,002

13.4

13.1 Following are the changes in the long term borrowings (i.e. for which cash flows have been classified as financing activities in the statement of cash flows):

Balance at beginning of the year

Acquisition during the year

Repayment during the year

Balance at end of the year

2020	2019
(Rupees in thousand)	
1,270,001	1,924,022
1,564,864	200,000
(400,000)	(854,021)
2,434,865	1,270,001

13.2

Facility	Loan Type	Repayment terms - Principal	Mark-up		Effective Rate (%)		Facility Amount (Rs In 000)	Date of drawdown	Last Repayment date
			Payable basis	Rate (per annum)	2020	2019			
Borrowing 1	Term-loan	10 Semi-annual (Grace period : 2 years)	Quarterly	3 month Kibor + 0.75%	11.36%	12.68%	1,000,000	April 2014	April 2021
Borrowing 2	Term-loan	20 Quarterly (Grace period : 2 years)	Quarterly	3 month Kibor + 0.30%	11.13%	12.27%	1,000,000	November 2013	June 2021
Borrowing 3	Term-loan	20 Quarterly (Grace period : 2 years)	Quarterly	3 month Kibor + 0.10%	9.42%	11.94%	1,000,000	November 2018	November 2024
Borrowing 4	Term-loan	8 Semi-annual (Grace period : 6 month)	Quarterly	SBP Rate + 1.00%	5.02%	-	268,853	June 2020	November 2022
Borrowing 5	Term-loan	20 Quarterly (Grace period : 2 years)	Quarterly	3 month Kibor + 0.15%	7.26%	-	696,011	July 2020	May 2025
Borrowing 6	Term-loan	12 Quarterly (Grace period : 2 years)	Quarterly	3 month Kibor + 0.75%	8.05%	-	1,000,000	December 2020	June 2027

13.3 The above facilities have been obtained from commercial and Islamic banks and are secured against first pari passu hypothecation / mortgage charges on the Company's present and future fixed assets including but not limited to land, building, plant and machinery, equipment, furniture and fixtures etc.

13.4 This represents long term loan amounting to Rs. 268.8 million under the Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns by the State Bank of Pakistan. The loan is repayable in 8 equal quarterly instalments, starting from February 2021.

14. DEFERRED INCOME - GOVERNMENT GRANT

Note	2020	2019
	(Rupees in thousand)	
Deferred grant	19,994	-
Government grant recognised in income	(1,600)	-
	<u>18,394</u>	<u>-</u>

14.1 This represents the value of benefit of below-market interest rate which has been accounted for as government grant under IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance.

15. DEFERRED TAXATION - NET

	Accelerated tax depreciation	Amortisation allowance	Provision for Obsolescence	Provision against Gas Infrastructure Development Cess	Provision for accumulated compensated absences	Provision for doubtful debts	Minimum Tax	ACT (Alternative corporate Tax) 17% of Acc income	Total
	(Rupees in thousand)								
January 1, 2020	731,760	(4,396)	-	-	(8,726)	(19,230)	(396,741)	(43,803)	258,864
Charge / (credit) to profit or loss for the year	(28,295)	(59)	(17,764)	(219,528)	(35)	(11,287)	237,405	-	(39,563)
December 31, 2020	<u>703,465</u>	<u>(4,455)</u>	<u>(17,764)</u>	<u>(219,528)</u>	<u>(8,761)</u>	<u>(30,517)</u>	<u>(159,336)</u>	<u>(43,803)</u>	<u>219,301</u>
January 1, 2019	644,952	(4,196)	-	-	(7,657)	(15,486)	(380,326)	(43,803)	193,484
Charge / (credit) to profit or loss for the year	86,808	(200)	-	-	(1,069)	(3,744)	(16,415)	-	65,380
December 31, 2019	<u>731,760</u>	<u>(4,396)</u>	<u>-</u>	<u>-</u>	<u>(8,726)</u>	<u>(19,230)</u>	<u>(396,741)</u>	<u>(43,803)</u>	<u>258,864</u>

- 15.1** The deferred tax asset on minimum tax will be recoverable based on the estimated future taxable income and approved business plans and budgets.
- 15.2** Under the Finance Act, 2020, corporate rate of tax has been fixed at 29% for tax year 2020 and onwards. Therefore, deferred tax assets and liabilities have been recognised accordingly using the expected applicable rate of 29%.

16. PROVISION FOR GAS INFRASTRUCTURE DEVELOPMENT CESS

During the year the Supreme Court of Pakistan has decided the Appeal against consumers upholding the vires of GIDC Act, 2015 through its judgement dated August 13, 2020. The Review Petition was filed against the Judgment, wherein the Honourable Court has provided some relief by increasing the time period for recovery of GIDC from 24 installments to 48 installments.

The Company has recorded the provision at present value by discounting the future cash flows at risk free rate and has booked income of Rs. 106.95 million which is recognised in other income.

17. STAFF RETIREMENT BENEFITS

- 17.1** As stated in note 2.4.2 the company operates approved funded defined benefit gratuity plan for all permanent employees, defined contribution plan for all active employees and defined benefit plan for pensioners who have retired before December 31, 2012 subject to minimum service of prescribed period as per the respective trust deeds. Actuarial valuation of these plans is carried out every year and the latest actuarial valuation was carried out as at December 31, 2020.
- 17.2** Plan assets held in trust are governed by local regulations which mainly include Trust Act, 1882; the Companies Act, 2017; Income Tax Rules, 2002 and the Rules under the respective trust deeds. Responsibility for governance of the Plans, including investment decisions and contribution schedules, lies with the respective Board of Trustees. The Company appoints the trustees among its employees.

17.3 The latest actuarial valuations of the Plans as at December 31, 2020 were carried out using the Projected Unit Credit Method. Details of the Funds as per the actuarial valuations are as follows:

Note	2020	2019	2020	2019
	Pension Fund		Gratuity Fund	
	(Rupees in thousand)			
17.3.1 The amounts recognised in the statement of financial position are as follows:				
Present value of defined benefit obligation	17.3.3 60,401	55,003	176,192	141,561
Fair value of plan assets	17.3.4 (49,471)	(33,852)	(129,729)	(108,725)
Payables to Employees	-	-	1,024	2,969
Net liability as at December 31	10,930	21,151	47,487	35,805
17.3.2 Net liability as at January 1	21,151	22,487	35,806	24,870
Charge to profit or loss	2,380	2,980	19,121	15,756
(Gain) / Loss charged to other comprehensive income	(12,601)	(4,316)	10,148	11,421
Contribution by the Company	-	-	(17,588)	(16,241)
Net liability as at December 31	10,930	21,151	47,487	35,806
17.3.3 The movement in the present value of defined benefit obligation is as follows:				
Present value of defined benefit obligation as at January 1	55,003	60,722	141,561	113,056
Current service cost	-	-	16,316	14,364
Interest cost on defined benefit obligation	5,844	7,613	16,252	14,891
Benefits due but not paid (payables)	-	-	(346)	(2,646)
Benefits paid	(6,115)	(6,531)	(6,149)	(6,872)
Actuarial gains from changes in financial assumptions	3,910	(72)	5,975	8,371
Experience adjustments	1,759	(6,729)	2,583	397
Present value of defined benefit obligation as at December 31	60,401	55,003	176,192	141,561
17.3.4 The movement in fair value of plan assets is as follows:				
Fair value as at January 1	33,852	38,235	108,725	93,492
Contributions made by employer	-	-	17,588	16,241
Income on plan assets	3,464	4,633	13,447	13,499
Return on plan assets excluding interest income	18,270	(2,485)	(1,590)	(2,653)
Benefits paid	(6,115)	(6,531)	(8,441)	(11,854)
Fair value as at December 31	49,471	33,852	129,729	108,725

17.3.5 The amounts recognized in the profit or loss are as follows:

Current service cost
Interest cost on defined benefit obligation
Interest income on plan assets

2020	2019	2020	2019
Pension Fund		Gratuity Fund	
(Rupees in thousand)			
-	-	16,316	14,364
5,844	7,613	16,252	14,891
(3,464)	(4,633)	(13,447)	(13,499)
2,380	2,980	19,121	15,756

17.3.6 The amounts recognized in the other comprehensive income are as follows:

Experience adjustments
Return on plan assets excluding interest income

5,669	(6,801)	8,558	8,768
(18,270)	2,485	1,590	2,653
(12,601)	(4,316)	10,148	11,421

17.3.7 Plan assets are comprised of as follows:

Debt
Equity
Cash

29,188	22,207	23,222	22,017
20,036	11,239	7,524	6,980
247	406	98,983	79,728
49,471	33,852	129,729	108,725

17.4 The Company ensures asset / liability matching by investing in government securities, bank deposits, mutual funds and does not use derivatives to manage its risk.

17.5 The expected return on respective plan assets has been determined by considering the expected returns available on the assets underlying the current investment policy.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption	Impact on defined benefit obligation	
		Pension	Gratuity
		(Rupees in thousand)	
Discount rate	+ 100 bps	56,473	159,442
Discount rate	- 100 bps	64,852	195,592
Salary increase	+ 100 bps	64,835	195,921
Salary increase	- 100 bps	56,440	158,875

- Average expected remaining working life time of gratuity management employees is 10 years.
- Average expected remaining life time of pension management employees is 7 years.

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied.

18. ACCUMULATED COMPENSATED ABSENCES

	Note	2020	2019
		(Rupees in thousand)	
Opening balance at the beginning of the year		31,372	31,466
Expense recognised during the year		4,519	7,097
Payments made during the year		(4,087)	(7,191)
Closing balance at the end of the year		31,804	31,372

19. TRADE AND OTHER PAYABLES

Creditors	19.1	61,711	21,494
Accrued liabilities	19.3	1,132,673	1,538,040
Liability for imported goods		1,905,537	2,086,324
Advances from customers		206,130	39,107
Retention money		194	655
Current portion of provision for Gas Infrastructure Development Cess	16	267,042	-
Workers' profits participation fund	19.4	29,365	-
Workers' welfare fund		48,447	32,662
		3,651,099	3,718,282

- 19.1** Creditors include Rs 4.51 million (2019: Rs 0.06 million) payable to associated undertakings.
- 19.2** The maximum amount due to any related party during the year was Rs 49.33 million (2019: Rs 50.57 million).
- 19.3** This includes Rs 263.36 million (2019: Rs. 198.98 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.

19.4 Workers' profits participation fund

	2020	2019
	(Rupees in thousand)	
Receivable at the beginning of the year	12,177	358
Allocation for the year	(41,542)	-
	(29,365)	358
Payments during the year	-	11,819
(Payable) / receivable at the end of the year	(29,365)	12,177

20. ACCRUED MARK-UP

	2020	2019
	(Rupees in thousand)	
On long term borrowings	31,575	17,815
On short term borrowings	90,892	100,142
	122,467	117,957

21. SHORT TERM BORROWINGS

	Note	2020	2019
		(Rupees in thousand)	
Secured			
Short term money market loans	21.2	520,000	1,000,000
Short term running finance	21.3	1,659,556	2,418,497
Export re-finance		-	148,000
		2,179,556	3,566,497

- 21.1** Following are the changes in the short term money market loans (i.e. for which cash flows have been classified as financing activities in the statement of cash flows):

	2020	2019
	(Rupees in thousand)	
Balance as at January 1	1,148,000	2,562,000
Utilisation during the year	7,570,000	17,426,000
Repayment	(8,198,000)	(18,840,000)
Balance as at December 31	520,000	1,148,000

- 21.2** 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 ranges between 7.61% to 14% (2019: 9.68% to 15.14%) per annum. The facilities are available for the maximum period of one year from the date of agreement with the latest facility expiring on July 31, 2021.
- 21.3** Short term running finances have been obtained under mark-up arrangements from commercial banks payable on various maturity dates up to August 31, 2021. These facilities are secured by joint hypothecation by way of first floating charge over current assets including but not limited to inventories and trade debts. Rate of mark-up applicable to these facilities ranges between 7.46% to 15.41% (2019: 10.65% to 15.56%) per annum.
- 21.4** Total short-term facilities available under mark-up arrangements aggregated Rs 6,260 million (2019: Rs 6,010 million) out of which the amount unavailed at the year end was Rs 4,080 million (2019: Rs 2,444 million).

22. CONTINGENCIES AND COMMITMENTS

Contingencies

Guarantees issued by banks on behalf of the Company

2020	2019
(Rupees in thousand)	
516,415	466,415

Commitments

- for purchase of raw materials and spares

- capital expenditure

741,918	421,119
175,660	848,761

- 22.1** Aggregate commitments in respect of ijarah arrangements of motor vehicles amounted to Rs 18.71 million (2019: Rs 21.56 million) payable as follows:

Not later than 1 year

Later than 1 year but not later than 5 years

More than 5 years

2020	2019
(Rupees in thousand)	
5,919	6,046
12,793	15,106
-	411
18,712	21,563

- 22.2** The facilities for opening of letter of credits and for guarantees as at December 31, 2020 amount to Rs 10,250 million (2019: Rs 10,370 million) and Rs 1,124 million (2019: Rs 1,074 million) respectively, of which the amount remaining unutilised was of Rs 7,918 million (2019: Rs 7,213 million) and Rs 608 million (2019: Rs 607.59 million) respectively.

- 22.3** In respect of tax year 2008 and 2011, the Commissioner Inland Revenue (Appeals) through appellate order dated April 30, 2015 and May 19, 2015 has disposed off the appeals of the company maintaining the disallowances on account of the taxation of tenderable gains amounting to Rs. 5.66 million and provisions for post retirement benefit funds amounting to Rs. 6.73 million (tax year 2008) and Rs. 21.27 million (tax year 2011). Further adjustment of minimum tax liability carried forward amounting to Rs. 42.93 million was disallowed. The Company has filed an appeal before the Appellate Tribunal Inland Revenue in respect of the matters maintained. The management of the Company, based on the advise of its consultants, is confident that the ultimate decision in respect of the aforementioned matter shall be made in its favour.
- 22.4** In respect of tax year 2009, the Commissioner Inland Revenue (Appeals) through appellate order dated May 19, 2015 has disposed off the appeal in favour of the Company except on maintaining the action of taxation officer on disallowance of finance cost capitalized as part of the cost of Plant and Machinery amounting to Rs. 8.47 million and interest on advance to executives and employees as loan amounting to Rs. 0.27 million. Company has filed an appeal before Appellate Tribunal Inland Revenue in respect of the issue maintained by the Commissioner (Appeals) and the management of the Company, based on the advise of its consultant, is confident that the ultimate decision in respect of the aforementioned matter shall be made in its favour.
- 22.5** In respect of tax year 2016, the Commissioner Inland Revenue (Appeals) through appellate order dated February 13, 2020 has disposed of the appeal of the Company maintaining the taxation of Rs. 5.58 million as gain on disposal of vehicles and disallowance of provision for Gas Infrastructure Development Cess (GIDC) amounting to Rs. 157 million out of which Rs. 19.73 million has already been offered in tax year 2018. Further, disallowance of exchange loss amounting to Rs. 29.28 million has been directed to be allowed on accrual basis whereas the addition of Rs. 150.48 million of various provisions has been remanded back. The matters of adjustments of tax credits for tax years 2014 and 2015 amounting to Rs. 119.62 and Rs. 68.86 million respectively, adjustment of brought forward losses of Rs. 1,683 million and calculation of levy of Workers' Welfare Fund have been directed to be rectified. The Company has filed an appeal before the Appellate Tribunal Inland Revenue in respect of the matters maintained. The management of the Company, based on the advise of its tax consultants, is confident that the ultimate decision in respect of the aforementioned matter shall be made in its favour.

23. REVENUE FROM CONTRACTS WITH CUSTOMERS

Note	2020	2019
	(Rupees in thousand)	
Sale of goods less returns:		
- Local	16,900,577	16,273,707
Less: Discounts	(232,552)	(190,651)
Sales tax	(2,490,447)	(2,439,619)
	<u>14,177,578</u>	<u>13,643,437</u>
- Export	912,224	1,039,830
	<u>15,089,802</u>	<u>14,683,267</u>

24. COST OF SALES

Opening stock of finished goods		222,720	303,198
Cost of goods manufactured	24.1	12,843,141	13,112,965
Less: Closing stock of finished goods		(416,849)	(222,720)
		<u>12,649,012</u>	<u>13,193,443</u>

24.1 Cost of goods manufactured

Note	2020	2019
	(Rupees in thousand)	
	205,104	304,655
24.2	9,648,570	10,004,332
24.3	376,328	373,536
24.4	405,313	336,652
24.5	755,459	611,300
	987,762	943,703
	52,488	41,020
24.6	44,881	35,048
	2,491	10,098
24.7	674,046	619,564
	1,981	7,566
	6,231	9,706
	32,873	20,889
	13,193,527	13,318,069
	(350,386)	(205,104)
	12,843,141	13,112,965

Less: Closing stock of work in process

24.2 Raw materials consumed

Opening stock	1,295,788	1,512,580
Purchases	9,503,144	9,787,540
Less: Closing stock	(1,150,362)	(1,295,788)
	9,648,570	10,004,332

24.3 Packing materials consumed

Opening stock	28,288	23,464
Purchases	385,886	378,360
Less: Closing stock	(37,846)	(28,288)
	376,328	373,536

24.4 These include stores and spares consumed amounting to Rs 163.18 million (2019: Rs 159.13 million).

24.5 These includes Rs 13.27 million (2019: Rs 12.14 million) in respect of contribution to provident fund, Rs 20.13 million (2019: Rs 15.62 million) in respect of gratuity fund, Rs 17.95 million (2019: Rs 16.72 million) in respect of pension fund, Rs 2.78 million (2019: Rs 4.37 million) in respect of compensated absences.

24.6 This includes Rs 0.43 million (2019: Rs 0.69 million) in respect of rentals under ijarah arrangements.

24.7 This includes depreciation amounting to Rs. 5.66 million in respect of right-of-use asset.

25. DISTRIBUTION COSTS

	Note	2020	2019
		(Rupees in thousand)	
Salaries, wages and other benefits	25.1	86,091	68,291
Outward freight		339,769	321,563
Travelling		1,834	10,041
Rent, rates and taxes		14,409	16,573
Repairs and maintenance		3,176	2,096
Vehicle running and maintenance	25.2	2,853	3,133
Insurance		2,628	1,211
Depreciation	4.1.2	1,008	861
Staff training and development		296	2,275
Legal and professional services		-	503
Commission on export sales		11,934	20,619
Other expenses		9,585	15,007
		<u>473,583</u>	<u>462,173</u>

25.1 These include Rs 1.98 million (2019: Rs 1.77 million) in respect of contribution to provident fund, Rs 1.87 million (2019: Rs 1.44 million) in respect of gratuity fund, Rs 4.68 million (2019: Rs 4.49 million) in respect of pension fund and Rs 0.51 million (2019: Rs 0.8 million) in respect of compensated absences.

25.2 This includes Rs 0.17 million (2019: Rs 0.29 million) in respect of rentals under ijarah arrangements.

26. ADMINISTRATIVE EXPENSES

	Note	2020	2019
		(Rupees in thousand)	
Salaries, wages and other benefits	26.1	247,198	190,076
Rent, rates and taxes		4,413	4,642
Printing, stationery and periodicals		7,738	6,086
Postage and telephone		3,313	4,031
Repairs and maintenance		11,733	10,911
Vehicle running and maintenance	26.2	17,369	15,634
Travelling and Entertainment		15,940	15,587
Insurance		4,779	3,801
Staff training and development		1,420	3,884
Provision for doubtful debts - net	8.3	70,317	4,384
Auditors' remuneration	26.3	7,549	6,886
Legal and professional expenses		62,699	36,100
Depreciation	4.1.2	14,780	9,735
Amortisation	6.1	6,328	5,660
Electricity, gas and water		8,181	7,178
Advertisement		645	1,450
		<u>484,402</u>	<u>326,045</u>

26.1 Staff retirement benefits include Rs 5.62 million (2019: Rs 5.28 million) in respect of contribution to provident fund, Rs 5.31 million (2019: Rs 4.3 million) in respect of gratuity fund, Rs 10.56 million (2019: Rs 10.82 million) in respect of pension fund and Rs 1.23 million (2019: Rs 1.93 million) in respect of compensated absences.

26.2 This includes Rs 5.62 million (2019: Rs 5.25 million) in respect of rentals under ijarah arrangements.

26.3 Auditors' remuneration

Note	2020	2019
	(Rupees in thousand)	
Audit fee	2,300	1,981
Review of half yearly accounts, review of statement of compliance on best corporate practices, audit of employees' retirement funds and other special reviews	1,388	1,297
Tax services	3,499	3,270
Out of pocket expenses	362	338
	<u>7,549</u>	<u>6,886</u>

27. OTHER INCOME

Income from financial assets

Profit on bank balances

2,335 384

Others

Profit on disposal of property, plant and equipment

Sale of scrap materials

Liabilities no longer considered payable written back

Government grant

Gain on remeasurement of provision for Gas Infrastructure Development Cess

Sale of raw water extracted

14

16

2,041	8,083
43,332	58,544
8,455	25,339
1,600	-
106,947	-
-	7,431
<u>162,375</u>	<u>99,397</u>
<u>164,710</u>	<u>99,781</u>

28. OTHER EXPENSES

Workers' profits participation fund

Workers' welfare fund

Donations

28.1

41,542	-
15,786	-
7,683	1,025
<u>65,011</u>	<u>1,025</u>

28.1 This include Rs. 6 million (2019: Nil) in respect of donation to Packages Foundation.

29. FINANCE COST

Amortisation of lease liability
Mark-up on long term borrowings
Mark-up on short term borrowings
Bank and other charges
Exchange loss

Note	2020	2019
	(Rupees in thousand)	
	4,560	4,358
	152,245	194,879
	401,767	534,857
	45,142	25,239
	205,278	60,147
	<u>808,992</u>	<u>819,480</u>

30. INCOME TAX - NET

Current
Deferred
Prior

30.2	79,399	197,090
	(39,563)	65,380
30.3	119,565	28,226
	<u>159,401</u>	<u>290,696</u>

30.1 Tax reconciliation

Profit / (loss) before income tax
Tax @ 29% (2019: 29%)
Effect of
- Final tax regime
- Tax credit under section 65B
- Rate change impact - deferred tax
- Prior year (reversal) / charge
- Others

	773,512	(19,118)
	<u>224,318</u>	<u>(5,544)</u>
	(7,039)	178,496
30.2	-	(19,119)
	-	98,818
30.3	(45,216)	28,226
	(12,662)	9,819
	<u>159,401</u>	<u>290,696</u>
	<u>20.61%</u>	<u>(1,520.5)%</u>

30.2 The investment tax credit amounting to Rs Nil (2019: Rs 19.1 million) available to the Company by virtue of investment in plant and machinery in accordance with section 65B of the Income Tax Ordinance, 2001 has been netted off against the current tax charge for the year.

30.3 This includes prior year charge amounting to Rs. 17.67 million in respect of order passed under section 4B of the Income Tax Ordinance, 2001.

31. EARNINGS / (LOSS) PER SHARE - basic and diluted

	2020	2019
	(Rupees in thousand)	
Profit / (loss) for the year attributable to ordinary shareholders	614,111	(309,814)
	Number of shares (in thousand)	
Weighted average number of ordinary shares outstanding during the year - note 31.1	38,800	38,800
	(Rupees)	
Basic and diluted earnings / (loss) per share	15.83	(7.98)

31.1 There were no convertible dilutive potential ordinary shares outstanding as at December 31, 2020 and 2019.

32. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Note	2020		2019	
		Chief Executive	Executives	Chief Executive	Executives
		(Rupees in thousand)			
Managerial remuneration		16,695	65,363	15,018	52,945
Bonus		14,862	80,310	-	-
Staff retirement benefits	32.1	6,399	23,114	5,757	18,987
Housing		8,348	52,216	7,509	33,565
Utilities		1,670	13,030	1,502	5,281
Leave fare assistance		1,391	5,447	1,252	4,401
Medical expenses		180	3,752	70	3,527
Other allowances and benefits		5,302	22,087	4,812	31,501
		54,847	265,319	35,920	150,207
Number of persons		1	33	1	25

32.1 Staff retirement benefits includes amount contributed towards various retirement benefit plans.

32.2 The Chief Executive and other executives are also provided with free use of Company's maintained cars or equivalent monetization, residential telephone reimbursement and other benefits.

32.3 Remuneration to non-executive director

Aggregate amount charged in these financial statements for meetings fee to Two (2019: Two) non-executive director was Rs 1.20 million (2019: Rs 0.55 million).

33. CASH GENERATED FROM OPERATIONS

Profit / (loss) before income tax

Adjustments for non-cash charges and other items:

Depreciation

Amortisation expense

Finance cost

Government grant recognised in income

Exchange loss / (gain) - unrealised

Profit on bank balances

Provision for accumulated compensated absences

Provision for staff retirement benefits

Gain on disposal of property, plant and equipment

Gain on remeasurement of provision for Gas Infrastructure Development Cess

Working capital changes

33.1 Working capital changes

Decrease / (increase) in current assets:

Inventories

Trade receivables

Advances and prepayments

Refunds due from government - sales tax

Other receivables

Increase in trade and other payables

34. CASH AND CASH EQUIVALENTS

Short term running finance

Cash and bank balances

Note	2020	2019
	(Rupees in thousand)	
	773,512	(19,118)
	689,834	630,160
	6,328	5,660
	603,714	759,333
	(1,600)	-
	30,072	(13,344)
	(2,335)	(384)
	4,519	7,097
	73,188	66,971
	(2,041)	(8,083)
	(106,947)	-
33.1	620,946	2,479,820
	1,915,678	3,927,230
	2,689,190	3,908,112
	(258,195)	368,576
	595,992	32,556
	(15,097)	(1,982)
	(112,951)	24,747
	(128,339)	30,138
	81,410	454,035
	539,536	2,025,785
	620,946	2,479,820
21	(1,659,556)	(2,418,497)
11	137,358	212,295
	(1,522,198)	(2,206,202)

35. FINANCIAL INSTRUMENTS BY CATEGORY

	Interest / Mark-up bearing			Non-interest / mark-up bearing			Total
	Maturity up to one year	Maturity after one year	Total	Maturity up to one year	Maturity after one year	Total	
(Rupees in thousand)							
FINANCIAL ASSETS							
Long term deposits	-	-	-	-	6,288	6,288	6,288
Trade receivables	-	-	-	1,696,150	-	1,696,150	1,696,150
Advances and prepayments	-	-	-	8,248	-	8,248	8,248
Other receivables	-	-	-	198,909	-	198,909	198,909
Cash and bank balances	-	-	-	137,358	-	137,358	137,358
2020	-	-	-	2,040,665	6,288	2,046,953	2,046,953
2019	130,566	-	130,566	2,433,568	10,246	2,443,814	2,574,380
FINANCIAL LIABILITIES							
Long term borrowings	291,786	2,123,085	2,414,871	-	-	-	2,414,871
Trade and other payables	-	-	-	3,099,921	-	3,099,921	3,099,921
Accrued mark-up	-	-	-	122,467	-	122,467	122,467
Short term borrowings	2,179,556	-	2,179,556	-	-	-	2,179,556
Unclaimed dividend	-	-	-	16,732	-	16,732	16,732
2020	2,471,342	2,123,085	4,594,427	3,239,120	-	3,239,120	7,833,547
2019	3,966,496	870,002	4,836,498	3,781,445	-	3,781,445	8,617,943

36. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk, currency risk and price risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risks managed and measured by the Company are explained below:

36.1 Market risk

36.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in market interest rates.

The Company's interest rate risk arises from borrowings which include long term borrowings (note 13), short term borrowings (note 21) and cash with bank in mark-up bearing savings account (note 11).

At December 31, 2020, if interest rates on borrowings had been 50 basis points higher / lower with all other variables held constant, profit after taxation for the year would have been as follows:

	2020		2019	
	At higher interest rate	At lower interest rate	At higher interest rate	At lower interest rate
	(Rupees in thousand)			
Finance cost	23,072	(23,072)	23,443	(23,443)
Taxation	(6,691)	6,691	(6,798)	6,798
Net impact on profit after taxation	<u>16,381</u>	<u>(16,381)</u>	<u>16,645</u>	<u>(16,645)</u>

36.1.2 Currency risk

Currency risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Company primarily has foreign currency exposures in EUR, GBP, USD and JPY cash and cash equivalents, deposits with banks (note 11), trade receivables (note 8) in respect of export sales and trade and other payables (note 19) in respect of import of raw materials, stores and spares and plant and machinery. Since the Company's pricing mechanism is mainly linked to cost of raw materials, therefore, the effects, if any, of any adverse movement in exchange rates in above currencies can be passed on to the customers to some extent through increase in prices of its finished goods.

At December 31, 2020, if the Company's functional currency had weakened / strengthened by 5% against above currencies with all other variables held constant, profit for the year would have been lower / higher by Rs 74.96 million (2019: Rs 78.36 million), mainly as a result of foreign exchange losses / gains on translation of financial assets and liabilities denominated in foreign currencies.

36.1.3 Price risk

Price risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company has no investments as at December 31, 2020 (2019: Nil).

36.2 Concentration of credit

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparties failed to perform as contracted. The maximum exposure to credit risk is equal to the carrying amount of financial assets amounting to Rs. 2,047 million (2019: Rs. 2,574 million).

The carrying amounts of financial assets which are neither past due nor impaired are as under:

	2020	2019
	(Rupees in thousand)	
Long term deposits	6,288	10,246
Trade receivables	1,068,180	1,427,437
Advances and prepayments	8,248	6,915
Other receivables	198,909	52,782
Cash and bank balances	137,358	212,295
	<u>1,418,983</u>	<u>1,709,675</u>

Total bank balance of Rs 137.25 million (2019: Rs 212.16 million) has been placed with banks which have a short term credit rating of at least A-1.

A significant component of the receivable balances of the Company relates to amounts due from the local customers. Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by those counter parties on their obligations to the Company. The management continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery.

The Company does not hold any collateral against these assets other than receivable from foreign customers which are secured by way of letter of credits.

36.3 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The management believes that it will be able to fulfill its financial obligations.

Financial liabilities in accordance with their contractual maturities are presented below:

	Contractual cash flows	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years
	(Rupees in thousand)			
Long term borrowings	2,414,871	291,786	583,762	1,539,323
Trade and other payables	3,100,115	3,100,115	-	-
Accrued mark-up	122,467	122,467	-	-
Short term borrowings	2,179,556	2,179,556	-	-
	<u>7,817,009</u>	<u>5,693,924</u>	<u>583,762</u>	<u>1,539,323</u>

36.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or obtain / repay long term financing from / to financial institutions.

Consistent with others in the industry, the Company monitors capital on the basis of the debt equity ratio. This ratio is calculated as under:

Debt equity ratio = Long term portion of debt plus current maturity divided by long term portion of debt (including current maturity) plus total equity.

The debt equity ratios as at December 31, 2020 and 2019 were as follows:

	Note	2020	2019
		(Rupees in thousand)	
Long term borrowing (including current maturity)	13	2,434,865	1,270,001
Total equity		3,875,925	3,259,360
Total		6,310,790	4,529,361
Debt equity ratio		39:61	28:72

The increase in the debt equity ratio is mainly due to the acquisition of new long term borrowings during the current year.

36.5 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between the carrying value and fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The estimated fair value of other financial assets and liabilities is considered not significantly different from carrying values as the items are either short term in nature or periodically repriced.

37. TRANSACTIONS WITH RELATED PARTIES

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

Transactions with related parties are as follows:

Nature of transaction	Nature of relationship	2020	2019
(Rupees in thousand)			
Purchase of goods and services	Associated undertaking	189,719	354,215
Sale of goods	Associated undertaking	2,192,685	1,845,870
Donations	Associated undertaking	6,000	-
Dividend paid	Associated undertaking and Directorship	-	103,480
Contributions to staff retirement benefit funds	Retirement benefit funds	69,273	64,476
Salaries and other employee benefits	Key management personnel*	146,395	96,648

*Key management personnel includes CEO, CFO and Head of the departments.

The amounts payable to and receivable from related parties have been disclosed in the relevant notes to these financial statements. These are settled in the ordinary course of business.

37.1 Following are the related parties including associated companies with whom the company had entered into transactions or have arrangement / agreement in place during the year:

S.No	Company Name	Basis of relationship	Aggregate % of Shareholding
1.	Babar Ali Foundation	Associated Company	0.65%
2.	Bulleh Shah Packaging (Private) Limited	Associated Company	N/A
3.	Chantler Packaging Inc.	Associated Company	N/A
4.	Allied Rental Modaraba	Associated Company	N/A
5.	IGI General Insurance Limited	Associated Company	9.67%
6.	IGI FSI (Private) Limited	Associated Company	N/A
7.	IGI Life Insurance Company Limited	Associated Company	N/A
8.	Mitsubishi Corporation	Associated Company	19.33%
9.	Packages Lanka (Private) Limited	Associated Company	N/A
10.	Packages Limited	Associated Company	33.33%
11.	Packages Converters Limited	Associated Company	N/A
12.	Packages Foundation	Associated Company	N/A
13.	Syed Maratib Ali Charitable Trust	Associated Company	N/A

37.2 Following are the countries of incorporation of the associated companies incorporated outside Pakistan:

S.No	Company Name	Country of Incorporation
1.	Mitsubishi Corporation	Japan
2.	Chantler Packaging Inc.	Canada
3.	Packages Lanka (Private) Limited	Sri Lanka
4.	Flexible Packaging Converter (Pty) Limited	South Africa

38. PLANT CAPACITY AND ACTUAL PRODUCTION

Operational capacity

Production

2020	2019
(Metric tons)	
83,800	83,800
48,957	48,004

38.1 Production of films during the year is based on market demand.

39. NUMBER OF EMPLOYEES

The total average number of employees during the year and as at December 31, 2020 and 2019 respectively are as follows:

Average number of employees during the year

Number of employees as at December 31

2020	2019
309	319
311	313

40. PROVIDENT FUND RELATED DISCLOSURE

All investment in collective investment schemes, listed equity, and listed debt securities out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the conditions specified thereunder.

41. GENERAL

41.1 Non-adjusting event after balance sheet

The Board of Directors of the Company in their meeting held on January 29, 2021 have proposed a final cash dividend of Rs. 5.00 per share for the year ended December 31, 2020 amounting to Rs. 194 million (2019: Nil) subject to the approval of the Company in the forthcoming annual general meeting.

41.2 Date of authorisation for issue

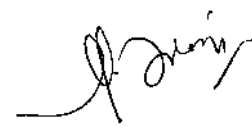
These financial statements were authorised for issue on January 29, 2021 by the Board of Directors of the Company.



Nasir Jamal
Chief Executive Officer



Asif Qadir
Director



Muhammad Zuhair Damani
Chief Financial Officer

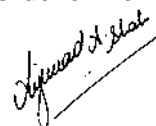
Notice of Annual General Meeting

Notice is hereby given that the 29th Annual General Meeting of Tri-Pack Films Limited will be held on Wednesday, April 14, 2021 at 10.30 A.M. via Video Conferencing to transact the following business:-

In the light of Covid-19 situation and keeping in view the safety and well-being of all, shareholders are requested to attend the meeting through video conference facility managed by the Company as per the instructions given in the notes section below.

1. To confirm the Minutes of the Annual General Meeting of the Company held on April 14, 2020.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended December 31, 2020 together with the Chairman's Review Report and Directors and Auditors Reports thereon.
3. To consider and approve payment of cash dividend at the rate of Rs. 5.00 per ordinary share of Rs.10.00 (50%) for the year ended December 31, 2020 as recommended by the Board of Directors [2019: Nil cash dividend].
4. To appoint Auditors for the year 2021 and to fix their remuneration. The current Auditors, M/s A.F. Ferguson & Co., Chartered Accountants have consented to be appointed as Auditors for the Financial Year 2021 and the Board of Directors has recommended their appointment.

By Order of the Board



Arjumand Ahmed Shah
Company Secretary

Karachi
March 10, 2021

Notes:

1. The Share Transfer Books of the Company will remain closed from April 07, 2021 to April 14, 2021 (both days inclusive). Transfers received in order at the office of the Company's Share Registrars, Messrs FAMCO ASSOCIATES (PVT.) LIMITED, 8-F, Next to

Hotel Faran, Nursery, Block 6, P.E.C.H.S., Shahrah-e-Faisal, Karachi-75400 by close of business on April 06, 2021 will be treated in time for determination of entitlement of shareholders to cash dividend and to attend and vote at the Meeting.

2. A Member entitled to attend and vote at the Meeting may appoint another person as his proxy to attend, vote and speak at the Meeting instead of him/her. A proxy need not be a member of the Company. The instrument appointing a proxy and the power of attorney or other authority / board resolution under which it is signed or a notarially attested copy of power of attorney must be deposited at the Registered Office of the Company at 4th Floor, The Forum, Suite # 416-422, G-20, Block 9, Khayaban-e-Jami, Clifton, Karachi-75600 at least forty-eight (48) hours before the time appointed for the Meeting.

Further, in accordance with the directives given by SECP and to ensure the health and safety of our Shareholders the Company intends to convene this AGM virtually while ensuring compliance with the quorum requirements and requests of the Members to consolidate their attendance and voting at the AGM through proxies.

Due to current COVID-19 situation, the AGM proceedings shall be held via video conference facility only. For this, Members are required to email their Name, Folio Number and Number of Shares held in their name with subject 'Registration for Tri-Pack' AGM at nisar.ahmed@packages.com.pk. Video-link and login credentials will be shared with only those Members whose emails, containing all the required particulars, are received at the given email address by or before 3:00 P.M. on April 7, 2021.

3. Members are requested to submit copies of their CNICs and promptly notify any change in address by writing to the office of the Shares Registrar (for shares held in physical form) and to the CDC (for shares held in electronic form).
4. Under the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed company to pay cash dividend to its shareholders only through electronic mode directly into bank account designated by the entitled shareholders.

In order to receive dividend directly into their bank account, shareholders are requested to provide their IBAN by filling the Electronic Mode Dividend Form available at Company's website (www.tripack.com.pk) containing prescribed details and send it duly signed along with a copy of CNIC to the Registrar of the Company, Messrs FAMCO ASSOCIATES (PVT.) LIMITED, 8-F, Next to Hotel Faran, Nursery, Block 6, P.E.C.H.S., Shahrah-e-Faisal, Karachi-75400, in case of physical shares. In case of book-entry securities, respective shareholders must get their respective records, including IBAN, updated as per the Electronic Mode Dividend Form with their Broker / Participant / CDC account services.

In the absence of a member's valid bank account details and/or IBAN, the Company will be constrained to withhold the payment of dividend to such members till provision of prescribed details.

5. Shareholders, who for any reason, could not claim their dividend are advised to contact our Shares Registrar, Messrs FAMCO ASSOCIATES (PVT.) LIMITED, 8-F, Next to Hotel Faran, Nursery, Block 6, P.E.C.H.S., Shahrah-e-Faisal, Karachi-75400, to collect/ inquire about their unclaimed dividend, if any.

Please note that in compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedure, all dividends unclaimed for a period of three years from the date due and payable shall be deposited with the Federal Government.

6. As per Finance Act, 2020 different rates are prescribed for deduction of withholding tax under section 150 of the Income Tax Ordinance, 2001 on the amount of dividend paid by companies. These rates are as under:

- (a) For persons appearing in Active Tax Payer List (ATL): 15%
- (b) For persons not appearing in Active Tax Payer List (ATL): 30%

Shareholders are advised to make sure that their names (and/or the name of their joint holders) are appearing in latest Active Taxpayers List (ATL) provided on the website of FBR, otherwise they (and/or joint holders) shall be treated as persons not appearing in Active

Tax Payer List (ATL) and tax on their cash dividend income will be deducted at the rate of 30% instead of 15%.

7. In order to enable the Company to follow the directives of the regulators to determine shareholding proportion in case of Joint account, all shareholders who hold shares with Joint shareholders, are requested to provide shareholding proportions of Principal shareholder and Joint Holder(s) in respect of shares held by them to our Share Registrar, in writing, as follows:

Folio/CDS Account #	Total Shares	Principal Shareholder		Joint Shareholder	
		Name and CNIC #	Shareholding Proportion (%)	Name and CNIC #	Shareholding Proportion (%)

NOTE: In the event of non-receipt of the information by April 06, 2021, each shareholder will be assumed to have equal proportion of shares.

For any query/problem/information, the investors may contact the Company and/or the Share Registrar at the following phone numbers or email addresses:-

Contact persons:

Mr. Sifat Ahmad Khan

Tel. # 92 21 35831618 / 35831664 / 35833011

Email: sifat.ahmad@packages.com.pk

Mr. Ovais Khan

Tel. # 92 21 34380101-2

Email: ceo@famco.com.pk

8. The Individual Members who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) to the Company / Share Registrar, are once again reminded to send the same at the earliest directly to Company's Share Registrar, Messrs

FAMCO ASSOCIATES (PVT.) LIMITED, 8-F, Next to Hotel Faran, Nursery, Block 6, P.E.C.H.S., Shahrah-e-Faisal, Karachi-75400. The Corporate Entities are requested to provide their National Tax Number (NTN). Please give Folio Number with the copy of CNIC / NTN details. Reference is also made to the Securities and Exchange Commission of Pakistan (SECP) Notifications SRO 779(I)/2011 dated August 18, 2011 and SRO 831(I)/2012 dated July 5, 2012, SRO 19(I)/2014 dated January 10, 2014 and SRO 275(I)/2016 dated March 31, 2016 which mandates that the dividend warrants should bear CNIC number of the registered member or the authorized person, except in case of minor(s) and corporate members.

In case of non-receipt of the copy of a valid CNIC, the Company would be unable to comply with aforementioned directives of SECP and therefore will be constrained under Section 243(2)(a) of the Companies Act, 2017 to withhold dispatch of dividend warrants of such shareholders.

Attention of corporate entities / legal persons is also invited towards SECP Circular Nos. 16 and 20 of 2018. Respective shareholders (corporate entities / legal persons) are advised to provide the information pertaining to ultimate beneficial owners and / or other information as prescribed in the subject SECP Circulars to the Share Registrar of the Company.

9. Section 473 of the Companies Act, 2017 requires that after a date notified by the Commission, the information, notices and accounts or any other document to be provided by the Company to its members under this Act, shall only be provided electronically on the email address provided by the members. Members are therefore requested to update their respective records pertaining to email address with their Broker/Participant/CDC account services. Physical shareholders are required to provide their email addresses to the Share Registrar of the Company.
10. Shareholders are advised to ensure that they have provided their Passport/NTN/CNIC/Tax Exemption Certificates (for tax exemption,

where applicable) and valid Zakat Declaration under Zakat & Ushr Ordinance, 1980 (for Zakat Exemption) to their respective Participant/CDC Investor Account Services/Company's Share Registrar.

11. Members can exercise their right to demand a poll subject to meeting requirements of Section 143 - 145 of Companies Act, 2017 and applicable clauses of Companies (Postal Ballot) Regulations, 2018.
12. The audited financial statements of the Company for the year ended December 31, 2020 have been made available on the Company's website (www.tripack.com.pk) in addition to annual and quarterly financial statements for the prior years.

Further, in accordance with SRO 470(I)/2016 dated May 31, 2016, through which SECP has allowed companies to circulate the annual audited accounts to its members through CD/DVD/USB instead of transmitting the hard copies at their registered addresses, subject to consent of shareholders and compliance with certain other conditions, the Company has obtained shareholders' approval in the Annual General Meeting held on April 20, 2018.

Accordingly, Annual Report of the Company for the year ended December 31, 2020 is dispatched to the shareholders through CD. However, if a shareholder, in addition, requests for hard copy of Annual Audited Financial Statements, the same shall be provided free of cost within seven days of receipt of such request.

For convenience of shareholders, a "Standard Request Form for provision of Annual Audited Accounts" have also been made available on the Company's website (www.tripack.com.pk).

13. The Form of Proxy in English and Urdu is attached in the Annual Report and should be witnessed by two persons whose names, addresses and CNIC Numbers should be mentioned on the Forms. The Form of Proxy is also available on the Company's website (www.tripack.com.pk).