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Company Information

Board of Directors

Towfiq Habib Chinoy
(Chairman)
(Non-Executive Director)

Syed Hyder Ali
(Chief Executive & Managing Director)
(Executive Director)

Syed Aslam Mehdi
(Executive Director)

Imran Khalid Niazi
(Non-Executive Director)

Josef Meinrad Mueller
(Non-Executive Director)

Syed Shahid Ali
(Non-Executive Director)

Tariq Iqbal Khan
(Non-Executive Director)

Hasan Askari
(Independent Director)

Saba Kamal
(Independent Director)

Irfan Mustafa
(Independent Director)

Advisor

Syed Babar Ali

Chief Financial Officer

Khurram Raza Bakhtayari

Company Secretary

Ms. Arjumand Ahmed Shah

Rating Agency

PACRA

Company Credit Rating

Long-Term : AA

Short-Term : A1+

Auditors

A.F. Ferguson & Co.
Chartered Accountants

Legal Advisors

Hassan & Hassan - Lahore
Orr, Dignam & Co. – Karachi

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
PABX : (021) 34380101-5
: (021) 34384621-3
Fax : (021) 34380106
Email : info.shares@famco.com.pk

Bankers & Lenders

Askari Bank Limited
Bank Al-Habib Limited
Deutsche Bank A.G.
Habib Bank Limited
International Finance Corporation (IFC)
JS Bank Limited
MCB Bank Limited
Standard Chartered Bank (Pakistan) Limited

Head Office

Shahrah-e-Roomi
P.O. Amer Sidhu
Lahore - 54760, Pakistan
PABX : (042) 35811541-46
Fax : (042) 35811195

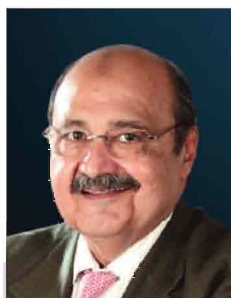
Registered Office

4th Floor, The Forum
Suite No. 416 - 422, G-20, Block 9
Khayaban-e-Jami, Clifton
Karachi - 75600, Pakistan
PABX : (021) 35874047-49
: (021) 35378650-51
: (021) 35831618, 35833011,
35831664
Fax : (021) 35860251

Web Presence

www.packages.com.pk

Board of Directors



**Mr. Towfiq
Habib Chinoy**

Mr. Towfiq Habib Chinoy, Non-Executive Director, has been associated with the Company as Chairman of the Board of Directors since 2008. He also holds Chairmanship at the board of International Steels Limited. He also holds the position of CEO of Yaqin Steels Limited. He holds directorship of National Foods Limited and Standard Chartered Bank (Pakistan) Limited and is also the Trustee of Babar Ali Foundation, Mohatta Palace Gallery Trust and Habib University Foundation. Currently he is board member of Board of Governors of Sustainable Development Policy Institute.



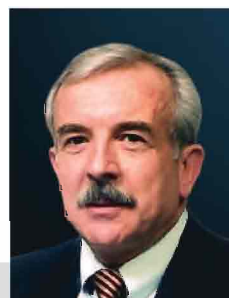
**Syed
Hyder Ali**

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 acting as CEO of Packages Convertors Limited and IGI Life Insurance 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. Imran
Khalid Niazi**

Mr. Imran Khalid Niazi is associated with the Company as a Non-Executive Director. He is a seasoned leader having provided professional, technical leadership at multinational companies across the globe. His professional journey has taken him from fertilizer, food, dairy and pharmaceutical multinational companies to Coca-Cola Company. He holds a Masters' degree in Chemical Engineering from the University of Arizona, USA. Currently, he also holds directorship of Bulleh Shah Packaging (Private) Limited, Packages Real Estate (Private) Limited, Ala-ud-Din Academy Girls High School and Damen Support Program (a Microfinance Institution), Lahore. He is also a Trustee of Zarina Shamim Trust. He is also a board member of Executive-in-Residence, Lahore University of Management Sciences (LUMS).



**Mr. Josef
Meinrad Mueller**

Mr. Josef Meinrad Mueller is associated with the Company as a Non-Executive Director. He was born in Switzerland where he obtained his education including MBA from IMD (formerly IMEDE) in Lausanne where he also served as an Executive-in-Residence. He has over 40 years of senior international management experience at the Nestle Group in developed and emerging markets. He is familiar with Pakistan where he served as Managing Director of Nestle Pakistan Limited during 1992-1995. Throughout his international career, he was entrusted with several senior leadership positions in different countries, including his important role as CEO and Chairman of Nestle in the Greater China Region. Following his retirement from the Nestle Group, Mr. Mueller continues to remain very active in the international business world as an independent business advisor.



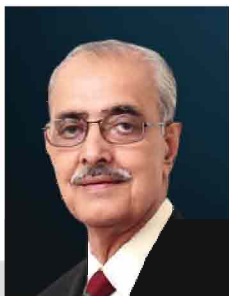
**Syed
Aslam Mehdi**

Syed Aslam Mehdi, Executive Director, has a Masters degree in Business Administration from Institute of Business Administration, Karachi and has been associated with different companies of the Packages Group in various capacities over the years. He also served as the General Manager of Packages Limited from September 2008 to September 2014. Currently, he holds directorships of Bulleh Shah Packaging (Private) Limited, DIC Pakistan Limited, Packages Real Estate (Private) Limited, Tri-Pack Films Limited, Packages Lanka (Private) Limited and Printcare PLC, Sri Lanka. He is also the member of the Board of Governors of the National Management Foundation and Babar Ali Foundation. He is also serving on the Board of Trustees of Packages Foundation.



**Syed
Shahid Ali**

Syed Shahid Ali is currently associated with the company as Non-Executive Director. He also holds directorship of several other companies including Treet Corporation Limited, Treet Assets (Private) Limited, Treet Power Limited, Loads Limited, IGI Holdings Limited, Ali Automobiles Limited, First Treet Manufacturing Modaraba, Global Econo Trade (Private) Limited, Multiple Auto Parts Industries (Private) Limited, Specialized Autoparts Industries (Private) Limited and Specialized Motorcycles (Private) Limited. He is also actively involved in social and cultural activities and holds senior positions on the governing boards of several hospitals and philanthropic organizations, including Presidentship of Liaquat National Hospital.



**Mr. Tariq
Iqbal Khan**

Mr. Tariq Iqbal Khan is associated with the Company as a Non-Executive Director. He is a Fellow member of the Institute of Chartered Accountants of Pakistan, with diversified experience of more than 45 years. He has held leading policy-making positions in various associations and institutions in the country, including being a Founding Director and President of Islamabad Stock Exchange, Commissioner and Acting Chairman Securities and Exchange Commission of Pakistan and Managing Director/Chairman at Investment Corporation of Pakistan/National Investment Trust. He also holds Chairmanship in Packages Convertors Limited. Currently, he holds directorship of National Refinery Limited, Silk Bank Limited, Pakistan Oilfields Limited, AWT Investments Limited and Interloop Limited.



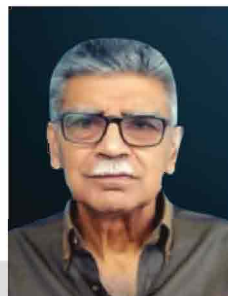
**Mr. Hasan
Askari**

Mr. Hasan Askari's background is in investment banking, principally on the advisory side, though he has had some experience of debt capital markets. He is a Certified Director from the Pakistan Institute of Corporate Governance (PICG). He holds directorship of Aberdeen New India plc (listed on the London Stock Exchange) where he is acting as chairman. He has also held directorship of Aqua Resources Fund Limited (listed on the London Stock Exchange in 2008, now delisted), Old Mutual (US) Holdings Inc, Boston (now listed on the New York Stock Exchange as Bright sphere Investment Group), Old Mutual Financial Services plc., Old Mutual Asset Managers Ltd., (now Merian Global Investors Ltd) and Lloyd George Indian Ocean Fund, Hong Kong 2017-20. At Old Mutual, his last executive position, he ran the Group's business in the UK, Europe and Asia. He was one of five executives who ran the Group world-wide



**Mrs. Saba
Kamal**

Mrs. Saba Kamal has extensive experience working in IBM Corporation in Pakistan and internationally including 20 years in leadership roles. She started her career as a Systems Engineer and rose to client facing and leadership positions such as Banking, Finance & Securities leader, South Territory Manager, Products Manager and established and led IBM Software Group in Pakistan. From 2010 to 2019, Mrs. Saba Kamal held regional roles and was promoted to Executive in IBM Middle East & Africa. She led the Web Sphere and Middleware teams in the region comprising Middle East, Pakistan, all of Africa and Turkey. She was also Executive, Strategic Projects and responsible for key projects, geographical expansion of operations and special initiatives. Mrs. Saba Kamal is an MBA from IBA Karachi and has done various courses within IBM's education centers as well as in Instead, Boston University and China Europe International Business School. She is also a Certified Director from PICG, Pakistan. Currently she holds directorship in Jubilee Life Insurance Company Limited and Jubilee General Insurance Company Limited.



**Mr. Irfan
Mustafa**

An entrepreneur, social activist, senior global executive and an ambassador of Pakistan with a distinguished career spanning over 4 decades across 4 continents and 4 multinationals. He had early schooling in missionary Convents leading to two MBAs at leading business schools Karachi, IBA Pakistan, followed by post graduate in Business Administration – from IMD Lausanne, Switzerland. He joined the elite group of Pakistanis in 2013 by being nominated for "100 Most Powerful Pakistanis Worldwide". He is actively involved with several notable charitable, social and philanthropic efforts – in particular focusing on development of youth, promoting Naya and Sehatmand Pakistan. He holds board membership of Shaikat Khanum Cancer Hospital Pakistan, founder member, Dun & Bradstreet International South Asia & Middle East, Dubai, U.A.E, OPF (Overseas Pakistanis Foundation), KFC Pakistan, Kaya Middle East, Taskeen Health Initiative Pakistan. He is enrolled in the databank of independent directors as maintained by the Pakistan Institute of Corporate Governance (PICG).

Management Committees

Executive Committee

Syed Hyder Ali *Chairman*
(Executive Director)

Syed Aslam Mehdi *Member*
(Executive Director)

Executive Committee is involved in day to day operations of the Company and is authorized to conduct every business except the businesses to be carried out by the Board as required by section 183 of the Companies Act, 2017. The Executive Committee meets periodically to review operating performance of the Company against pre-defined objectives, commercial business decisions and investment and funding requirements. The Executive Committee is also responsible for formulation of business strategy, review of risks and their mitigation plan.

Audit Committee

Mr. Hasan Askari *Chairman*
(Independent Director)

Mr. Imran Khalid Niazi *Member*
(Non-Executive Director)

Syed Aslam Mehdi *Member*
(Executive Director)

Syed Shahid Ali *Member*
(Non-Executive Director)

Mr. Tariq Iqbal Khan *Member*
(Non-Executive Director)

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 characterized 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 system 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
- 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 Boards 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.

Human Resource and Remuneration (HR&R) Committee

Mrs. Saba Kamal (Independent Director)	Chairman
Mr. Towfiq Habib Chinoy (Non-Executive Director)	Member
Syed Hyder Ali (Chief Executive & Managing Director)	Member
Mr. Josef Meinrad Mueller (Non-Executive Director)	Member
Mr. Tariq Iqbal Khan (Non-Executive Director)	Member
Mr. Irfan Mustafa (Independent Director)	Member
Mr. Imran Khalid Niazi (Non-Executive Director)	Member

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

Policies

Integrated Management System (IMS) Policy

We intend to be a world class Company that not only delivers quality goods & services but also takes care of its employees' health, safety & environment as a whole.

We are committed to achieving this by:

1. Complying with all applicable laws and regulatory requirements;
2. Setting objectives and targets for reviewing and improving management systems;
3. Developing an effective IMS to prevent incidents/accidents, ill health, pollution, waste reduction, hazards and environmental impacts;
4. Ensuring that all food related packaging material is produced, stored and delivered in safe and hygienic condition as per relevant requirements;
5. Continually improving our Environment, Health & Safety (EHS) and food safety management system effectiveness;
6. Creating a safe and work friendly environment for all stakeholders; and
7. Implementing individual accountability to comply with IMS requirements

This policy is applicable to each individual whether employee, contractor / sub-contractor, supplier, visitor and all other stakeholders of Company.

Quality Policy

Packages Limited is strongly committed to produce quality products that conform to consumer's requirements at a competitive price.

We shall continually improve our Quality Management System (QMS) and quality performance of all business processes.

We shall set quality objectives at all levels and allocate appropriate resources to achieve them.

We shall ensure all employees are well aware of company quality policy and are motivated to apply it in their areas of responsibility.

Total Productive Maintenance (TPM) Policy

We believe that TPM provides the life cycle approach of improving the overall performance of the machine / equipment through:

- Improving productivity by highly motivated staff / workers; and
- Satisfying the customer needs by delivering the right quantity at right time with desired quality.

We are committed to follow the TPM principles to enhance our competitive position in the market and hence financial position by achieving:

- Zero accidents;
- Zero breakdowns; and
- Zero defects

Whistle-blowing Policy

In line with our commitment towards highest standards of ethical, moral and legal business conduct and to ensure safeguarding of company's assets, reputation and business relationships, we have an established whistle blowing policy which encourages and enables all employees, contractors, suppliers, customers and other stakeholders of Packages to openly raise any concerns related to unethical behavior, corruption and fraudulent activities that may cause damage to the Company's assets and / or reputation.

All concerns raised are assessed in an objective and independent manner, with protection from retaliation or victimization, to improve the company's policies, controls and working environment.

Risk Management Policy

The Company has an effective and robust mechanism for identification, assessment and reporting of all types of risk arising out of the business operations. These risks includes strategic, operational, financial or compliance risks which may compromise the achievement of overall business objectives.

Through this policy, all the departments ensure that:

- Existing and potential material risks that could impact the achievement of strategic objectives are identified, managed or mitigated;
- Risk management methods are applied appropriately;
- Appropriate resources & controls are allocated to risk areas;
- Non-controllable risks are identified, monitored, understood and mitigated where possible.

Core Values

Underlying everything we do and everything we believe in is a set of core values. Values are reasons which we regard as higher than our self-interest. These guide us to deal with every aspect of any issue we might encounter in our personal and professional lives. These values help us grow inside & outside, personally and as an organization.



Values to us:

They are:

- 1) Fundamental beliefs of our organization;
- 2) Not to be compromised by any individual at Packages;
- 3) Principles that direct our relationship with our customers and stakeholders;
- 4) Basic elements of how we go on about our work;
- 5) Operating philosophies that guide our internal conduct; and
- 6) Helpful in distinguishing wrong behaviors from the right ones.

They are not:

- 1) Description of the work we do
- 2) Strategies we employ
- 3) Just to be hung on the walls; and
- 4) Cosmetic

Core Values are:



Care

- a) We provide care through empathy, fairness, trust and openness;
- b) We care for the communities in which we exist; we are conscious of the impact of our activities on our environment;
- c) We strive to improve our lives and the lives of others; we care for and grow people; and
- d) We care for all our customers; we succeed when our customer succeeds.



Respect

- a) We treat others the way we want to be treated ourselves;
- b) We value legitimate relationships based on mutual trust and respect;
- c) We are humble in all our dealings; and
- d) We respect our organization.



Lead

- a) We believe in possibilities; nothing is impossible;
- b) We take leadership position in all our markets;
- c) We aspire to build authentic leaders who say what they mean and mean what they say;
- d) We live by our values and, appreciate and recognise the same in others; and
- e) We add value daily and look for future opportunities. We are committed to making a great organization.



Honesty

- a) Our actions are ethical and credible. We ensure transparency and fairness in all our dealings;
- b) We are respectful in our interactions with others and maintain the highest moral standards even in the most difficult situations;
- c) Our commitment to honesty is evident in our appreciation and welcoming attitude towards candid feedback; and
- d) We remain thankful with ourselves, our people, our organization, our customers and our community in all of our dealings.



Courage

- a) We are passionate and courageous in pursuing our dreams;
- b) The other side of fear is freedom; we value freedom;
- c) We have the audacity to look at new challenges and adjust our sails accordingly ; and
- d) We stress upon suspending self-interest for the greater good.

Six Years at a Glance

(Rupees in Million)	2020	2019	2018
Assets Employed:			
Fixed Assets at Cost	2,175	14,736	13,184
Accumulated Depreciation/Amortization	586	6,835	6,459
Net Fixed Assets	1,589	7,902	6,726
Other Non-Current Assets	46,454	47,722	51,334
Current Assets	5,125	11,203	10,116
Current Liabilities	2,194	9,811	9,492
Net Current and Other Non Current Assets	49,385	49,114	51,958
Net Assets Employed	50,974	57,015	58,683
Financed By:			
Paid up Capital	894	894	894
Reserves	48,191	51,422	54,934
Preference Shares / Convertible stock reserve	606	606	606
Shareholder's Equity	49,691	52,922	56,434
Deferred Liabilities	342	1,261	1,229
Lease liabilities	-	41	-
Long Term Finances	933	2,733	933
Long term advances	8	59	87
Total Non Current Liabilities	1,283	4,093	2,249
Total Funds Invested	50,974	57,015	58,683
Invoiced Sales-Gross	15,420	27,548	24,822
Materials Consumed	5,619	13,899	12,913
Cost of Goods Sold	9,941	18,543	17,419
Gross Profit	2,889	4,373	3,280
Employees Remuneration	1,594	2,699	2,520
Profit from Operations	1,701	1,287	941
Profit before Tax	2,836	2,166	3,445
Profit After Tax	2,820	1,346	2,736
EBITDA (from operations)	1,890	2,720	1,769
Key Ratios:			
Profitability			
Gross Profit Ratio (%)	22.52	19.08	15.85
Profit before Tax (%)	22.10	9.45	16.64
EBITDA Margin to Sales (%)	14.73	11.87	8.55
Total Assets Turnover Ratio	0.24	0.34	0.30
Fixed Assets Turnover Ratio	8.11	3.33	3.67
Liquidity			
Current Ratio	2.34	1.14	1.07
Quick Ratio	2.33	0.72	0.67
Gearing			
Debt : Equity Ratio	3:97	6:94	5:95
Return on Equity (%)	5.67	2.54	4.85
Investment			
Basic EPS (Rs.)	31.55	15.06	29.69
Diluted EPS (Rs.)	30.48	14.93	29.18
Price - Earning Ratio	18.92	23.64	13.03
Interest Cover Ratio	4.72	3.08	7.87
Dividend Yield (%)	3.77	3.37	3.88
Dividend Cover Ratio	1.40	1.26	2.04
Cash dividend %	225.00	120.00	150.00
Break-up value per Ordinary share (Rs.)	549.17	585.32	624.62
Market Value per Ordinary Share - Year End (Rs.)	596.92	356.00	386.82
Cash Dividend per share	22.50	12.00	15.00

	2017	2016	2015
	11,514	10,068	10,036
	6,190	5,665	6,055
	5,324	4,403	3,981
	60,185	50,104	45,037
	8,380	7,641	7,918
	4,863	5,025	4,904
	63,702	52,719	48,051
	69,026	57,122	52,031
	894	894	884
	64,166	51,284	45,593
	606	606	1,310
	65,666	52,784	47,786
	1,027	736	488
	-	-	-
	2,267	3,602	3,757
	66	-	-
	3,360	4,338	4,245
	69,026	57,122	52,031
	21,389	19,794	18,711
	10,226	9,313	9,005
	14,370	13,221	12,664
	3,524	3,618	3,361
	2,331	2,209	1,732
	1,328	1,797	1,828
	7,156	6,961	3,803
	6,216	5,596	3,295
	2,277	2,427	2,497
	19.70	21.49	20.98
	39.99	41.34	23.73
	12.72	14.41	15.58
	0.24	0.27	0.28
	4.07	3.92	4.27
	1.71	1.52	1.61
	1.20	1.07	1.15
	5:95	7:93	8:92
	9.47	10.60	6.90
	69.05	62.61	37.42
	65.02	58.45	33.62
	7.38	13.58	15.56
	17.96	6.43	7.08
	5.88	2.94	2.58
	2.32	2.50	2.46
	300.00	250.00	151.70
	727.90	583.78	519.99
	509.83	850.05	582.11
	30.00	25.00	15.00

Horizontal & Vertical Analysis

Balance Sheet

Horizontal Analysis

(Rupees in Million)

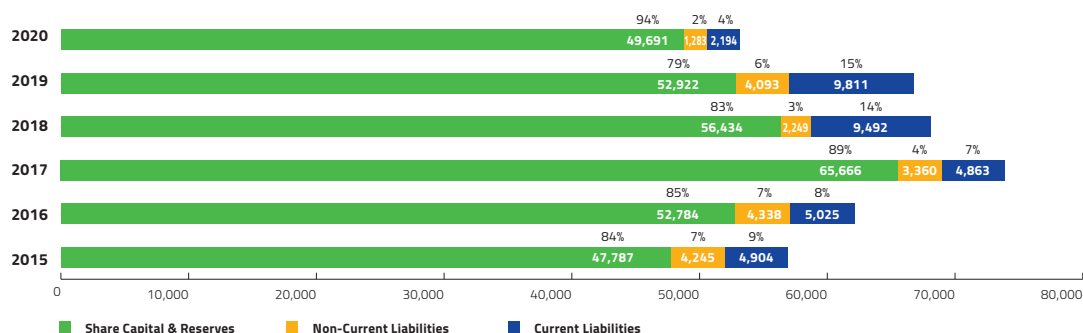
Equity & Liabilities	2020 Rs.	20 vs 19 %	2019 Rs.	19 vs 18 %	2018 Rs.	18 vs 17 %	2017 Rs.	17 vs 16 %	2016 Rs.	16 vs 15 %	2015 Rs.
SHARE CAPITAL & RESERVES											
Issued, subscribed and paid up capital	894	-	894	-	894	-	894	-	894	1.11	884
Preference shares /convertible stock of Rs 190 each	606	-	606	-	606	-	606	-	606	(53.72)	1,310
Reserves	45,029	(8.26)	49,084	(4.79)	51,550	(10.62)	57,673	16.39	49,550	18.32	41,878
Un-appropriated profit / (loss)	3,162	35.21	2,338	(30.90)	3,384	(47.88)	6,492	274.40	1,734	(53.32)	3,715
NON CURRENT LIABILITIES											
Long term finances	933	(65.87)	2,733	193.00	933	(58.62)	2,254	(36.96)	3,576	(4.12)	3,729
Liabilities against assets subject to finance lease	-	-	-	-	-	-	13	(49.36)	26	(5.77)	28
Lease liabilities	-	-	41	-	-	-	-	-	-	-	-
Long term advances	8	(86.14)	59	(32.51)	87	32.68	66	-	-	-	-
Deferred taxation	-	-	462	27.76	362	5.22	344	(0.12)	344	39.80	246
Retirement benefits	303	(51.22)	621	21.30	512	42.80	358	310.36	87	115.97	40
Deferred liabilities	39	(77.93)	178	(49.89)	356	9.50	325	6.62	305	51.31	202
CURRENT LIABILITIES											
Current portion of long-term finances	2	(99.02)	221	(83.34)	1,329	(1.02)	1,342	131.94	579	47.53	392
Finances under mark up arrangements - secured	453	(92.07)	5,713	29.43	4,414	1,373.32	300	(78.24)	1,377	55.69	884
Trade and other payables	1,511	(56.65)	3,486	1.39	3,438	14.92	2,992	5.06	2,848	(13.12)	3,278
Unclaimed dividend	55	(0.82)	55	(11.01)	62	57.81	39	-	-	-	-
Accrued Finance Cost	173	(48.51)	335	34.43	249	31.40	190	(14.42)	222	(36.52)	349
TOTAL	53,168	(20.44)	66,827	(1.98)	68,176	(7.73)	73,889	18.89	62,148	9.15	56,936

Vertical Analysis

(Rupees in Million)

Equity & Liabilities	2020 Rs.	%	2019 Rs.	%	2018 Rs.	%	2017 Rs.	%	2016 Rs.	%	2015 Rs.	%
SHARE CAPITAL & RESERVES												
Issued, subscribed and paid up capital	894	1.68	894	1.34	894	1.31	894	1.21	894	1.44	884	1.55
Preference shares / convertible stock of Rs. 190 each	606	1.14	606	0.91	606	0.89	606	0.82	606	0.98	1,310	2.30
Reserves	45,029	84.69	49,084	73.45	51,550	75.61	57,673	78.05	49,550	79.73	41,878	73.55
Un-appropriated profit / (loss)	3,162	5.95	2,338	3.50	3,384	4.96	6,492	8.79	1,734	2.79	3,715	6.52
NON-CURRENT LIABILITIES												
Long term finances	933	1.75	2,733	4.09	933	1.37	2,254	3.05	3,576	5.75	3,729	6.55
Liabilities against assets subject to finance lease	-	-	-	-	-	-	13	0.02	26	0.04	28	0.05
Lease liabilities	-	-	41	0.06	-	-	-	-	-	-	-	-
Long term advances	8	0.02	59	0.09	87	0.13	66	0.09	-	-	-	-
Deferred taxation	-	-	462	0.69	362	0.53	344	0.47	344	0.55	246	0.43
Retirement benefits	303	0.57	621	0.93	512	0.75	358	0.48	87	0.14	40	0.07
Deferred liabilities	39	0.07	178	0.27	356	0.52	325	0.44	305	0.49	202	0.35
CURRENT LIABILITIES												
Current portion of long-term finances	2	0.00	221	0.33	1,329	1.95	1,342	1.82	579	0.93	392	0.69
Finances under mark up arrangements - secured	453	0.85	5,713	8.55	4,414	6.47	300	0.41	1,377	2.22	884	1.55
Trade and other payables	1,511	2.84	3,486	5.22	3,438	5.04	2,992	4.05	2,848	4.58	3,278	5.76
Unclaimed dividend	55	0.10	55	0.08	62	0.09	39	0.05	-	-	-	-
Accrued Finance Cost	173	0.32	335	0.50	249	0.37	190	0.26	222	0.36	349	0.61
TOTAL	53,168	100	66,827	100	68,176	100	73,889	100	62,148	100	56,936	100

Equity and Liabilities (Rupees In Million)



Horizontal Analysis

(Rupees in Million)

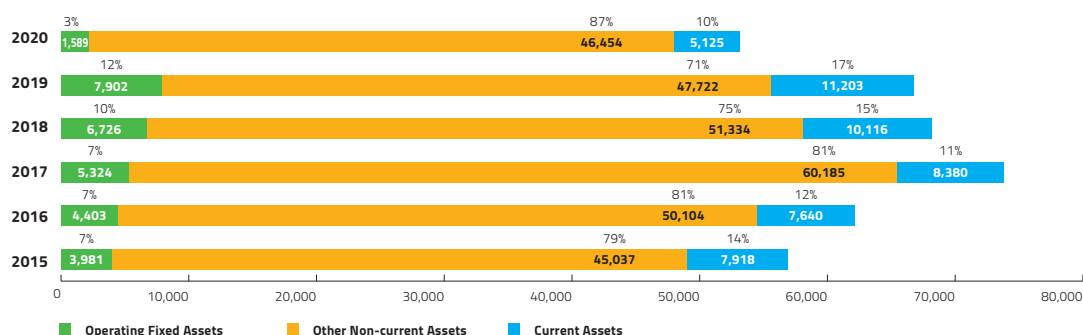
Assets	2020 Rs.	20 vs 19 %	2019 Rs.	19 vs 18 %	2018 Rs.	18 vs 17 %	2017 Rs.	17 vs 16 %	2016 Rs.	16 vs 15 %	2015 Rs.
NON-CURRENT ASSETS											
Property, plant and equipment	165	(97.74)	7,286	11.30	6,546	26.26	5,185	21.71	4,260	11.97	3,804
Right-of-use assets	-	-	63	-	-	-	-	-	-	-	-
Investment property	1,422	191.66	487	336.73	112	(17.14)	135	1.14	133	(14.31)	155
Intangible assets	3	(95.99)	65	(3.42)	67	1,338.46	5	(52.48)	10	(52.40)	21
Investments	46,186	(3.20)	47,714	(7.03)	51,323	(14.70)	60,166	20.15	50,078	11.29	44,998
Long term security deposits	5	(31.23)	8	(8.94)	9	(42.66)	15	(42.66)	26	(33.86)	39
Long term loans	-	-	0.3	(88.09)	2	(27.14)	3	-	-	-	-
Deferred taxation	262.5	-	-	-	-	-	-	-	-	-	-
CURRENT ASSETS											
Stores and spares	-	-	658	32.12	498	17.99	422	5.03	402	(17.63)	488
Stock-in-trade	-	-	3,439	10.04	3,125	59.87	1,955	10.51	1,769	(0.64)	1,780
Current portion of long term investment	-	-	-	-	10	-	-	-	-	-	-
Short term investments	-	-	80	-	-	-	-	-	-	-	-
Trade debts	74	(97.56)	3,045	18.54	2,569	7.38	2,392	10.14	2,172	21.95	1,781
Loans, advances, deposits, prepayments and other receivables	1,927	124.60	858	2.77	835	14.53	729	(32.57)	1,081	(19.69)	1,346
Income Tax Receivable	2,997	3.76	2,888	(4.28)	3,017	11.75	2,700	27.00	2,126	(12.19)	2,421
Cash and bank balances	127	(46.12)	235	276.11	63	(65.69)	182	101.08	91	(10.94)	102
TOTAL	53,168	(20.44)	66,827	(1.98)	68,176	(7.73)	73,889	18.89	62,148	9.16	56,936

Vertical Analysis

(Rupees in Million)

Assets	2020 Rs.	2020 %	2019 Rs.	2019 %	2018 Rs.	2018 %	2017 Rs.	2017 %	2016 Rs.	2016 %	2015 Rs.	2015 %
NON-CURRENT ASSETS												
Property, plant and equipment	165	0.31	7,286	10.90	6,546	9.60	5,185	7.02	4,260	6.85	3,804	6.68
Right-of-use assets	-	-	63	0.09	-	-	-	-	-	-	-	-
Investment property	1,422	2.67	487	0.73	112	0.16	135	0.18	133	0.21	155	0.27
Intangible assets	3	0.00	65	0.10	67	0.10	5	0.01	10	0.02	21	0.04
Investments	46,186	86.87	47,714	71.40	51,323	75.28	60,166	81.43	50,078	80.58	44,998	79.03
Long term security deposits	5	0.01	8	0.01	9	0.01	15	0.02	26	0.04	39	0.07
Long term loans	-	-	0.3	0.00	2	0.00	3	0.00	-	-	-	-
Deferred taxation	262.5	0.49	-	-	-	-	-	-	-	-	-	-
CURRENT ASSETS												
Stores and spares	-	-	658	0.98	498	0.73	422	0.57	402	0.65	488	0.86
Stock-in-trade	-	-	3,439	5.15	3,125	4.58	1,955	2.65	1,769	2.85	1,780	3.13
Current portion of long term investment	-	-	-	-	10	0.01	-	-	-	-	-	-
Short term investments	-	-	80	0.12	-	-	-	-	-	-	-	-
Trade debts	74	0.14	3,045	4.56	2,569	3.77	2,392	3.24	2,172	3.49	1,781	3.13
Loans, advances, deposits, prepayments and other receivables	1,927	3.62	858	1.28	835	1.22	729	0.99	1,081	1.74	1,346	2.36
Income Tax Receivable	2,997	5.64	2,888	4.32	3,017	4.43	2,700	3.65	2,126	3.42	2,421	4.25
Cash and bank balances	127	0.24	235	0.35	63	0.09	182	0.25	91	0.15	102	0.18
TOTAL	53,168	100	66,827	100	68,176	100	73,889	100	62,148	100	56,936	100

Assets (Rupees In Million)



Horizontal & Vertical Analysis

Profit or Loss Account

Horizontal Analysis

(Rupees in Million)

	2020	20 vs 19	2019	19 vs 18	2018	18 vs 17	2017	17 vs 16	2016	16 vs 15	2015
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.
Local sales	15,307	(44.05)	27,356	10.39	24,781	16.02	21,359	8.05	19,766	5.80	18,683
Export sales	113	(40.98)	192	369.67	41	34.49	30	12.41	27	(4.44)	28
Gross sales	15,420	(44.02)	27,548	10.98	24,822	16.05	21,389	8.06	19,794	5.78	18,711
Sales tax	(2,375)	(44.43)	(4,274)	12.05	(3,814)	16.15	(3,284)	11.92	(2,934)	10.41	(2,657)
Commission	-	-	-	-	-	-	-	-	(20)	(29.82)	(29)
Trade Discount	(215)	(40.03)	(358)	16.11	(308)	45.89	(211)	-	-	-	-
Net sales	12,830	(44.01)	22,916	10.71	20,699	15.68	17,894	6.26	16,839	5.08	16,025
Cost of sales	(9,941)	(46.39)	(18,543)	6.45	(17,419)	21.22	(14,370)	8.68	(13,221)	4.40	(12,664)
Gross profit	2,889	(33.93)	4,373	33.31	3,280	(6.92)	3,524	(2.59)	3,618	7.63	3,361
Administrative expenses	(795)	(31.37)	(1,159)	5.53	(1,098)	8.73	(1,010)	12.54	(897)	19.22	(753)
Distribution and marketing costs	(752)	(40.06)	(1,254)	7.41	(1,168)	27.22	(918)	(0.39)	(922)	35.93	(678)
Net impairment losses on financial assets	69	(199.13)	(70)	-	-	-	-	-	-	-	-
Other operating expenses	(116)	(87.47)	(930)	169.59	(345)	(30.44)	(496)	26.36	(392)	13.04	(347)
Other operating income	406	24.27	327	20.30	272	19.67	227	(41.81)	390	59.94	244
Profit from operations	1,701	32.15	1,287	36.75	941	(29.10)	1,328	(26.11)	1,797	(1.68)	1,828
Finance costs	(782)	(25.92)	(1,056)	101.19	(525)	17.81	(445)	(65.93)	(1,308)	103.33	(643)
Investment income	1,917	(0.90)	1,934	(36.14)	3,029	(51.72)	6,274	(3.06)	6,472	147.22	2,618
Profit before tax	2,836	30.95	2,166	(37.14)	3,445	(51.85)	7,156	2.80	6,961	83.08	3,803
Taxation	(16)	(98.01)	(819)	15.52	(709)	(24.54)	(940)	(31.18)	(1,366)	169.33	(507)
Profit for the year	2,820	109.43	1,346	(50.79)	2,736	(55.98)	6,216	11.09	5,596	69.80	3,295
Basic earnings per share	31.55		15.06		29.69		69.05		62.61		37.42
Diluted earnings per share	30.48		14.93		29.18		65.02		58.45		33.62

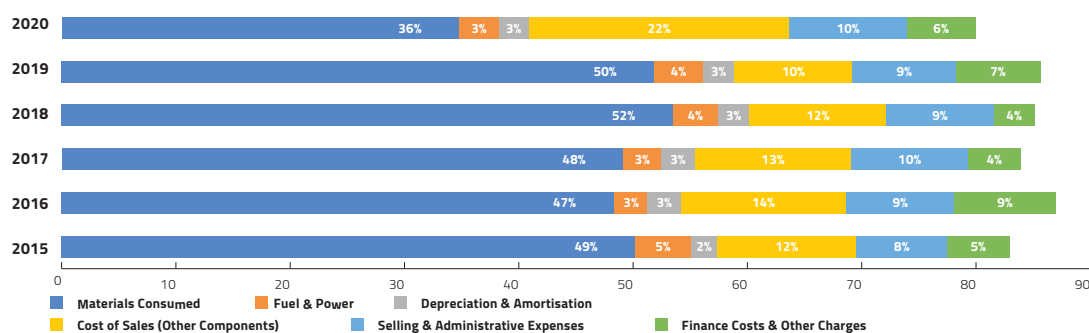
The financial information is based upon audited financial results of the company of respective periods unless represented in accordance with applicable financial reporting framework.

Vertical Analysis

(Rupees in Million)

	2020		2019		2018		2017		2016		2015	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
Local sales	15,307	99.26	27,356	99.30	24,781	99.84	21,359	99.86	19,766	99.86	18,683	99.85
Export sales	113	0.74	192	0.70	41	0.16	30	0.14	27	0.14	28	0.15
Gross sales	15,420	100.00	27,548	100.00	24,822	100.00	21,389	100.00	19,794	100.00	18,711	100.00
Sales tax	(2,375)	(15.40)	(4,274)	(15.51)	(3,814)	(15.37)	(3,284)	(15.35)	(2,934)	(14.82)	(2,657)	(14.20)
Commission	-	-	-	-	-	-	-	-	(20)	(0.10)	(29)	(0.16)
Trade Discount	(215)	(1.39)	(358)	(1.30)	(308)	(1.24)	(211)	(0.99)	-	-	-	-
Net sales	12,830	83.20	22,916	83.19	20,699	83.39	17,894	83.66	16,839	85.07	16,025	85.64
Cost of sales	(9,941)	(64.47)	(18,543)	(67.31)	(17,419)	(70.18)	(14,370)	(67.18)	(13,221)	(66.80)	(12,664)	(67.68)
Gross profit	2,889	18.74	4,373	15.87	3,280	13.22	3,524	16.48	3,618	18.28	3,361	17.96
Administrative expenses	(795)	(5.16)	(1,159)	(4.21)	(1,098)	(4.42)	(1,010)	(4.72)	(897)	(4.53)	(753)	(4.02)
Distribution and marketing costs	(752)	(4.88)	(1,254)	(4.55)	(1,168)	(4.70)	(918)	(4.29)	(922)	(4.66)	(678)	(3.62)
Net impairment losses on financial assets	69	0.45	(70)	(0.25)	-	-	-	-	-	-	-	-
Other operating expenses	(116)	(0.76)	(930)	(3.37)	(345)	(1.39)	(496)	(2.32)	(392)	(1.98)	(347)	(1.86)
Other operating income	406	2.64	327	1.19	272	1.09	227	1.06	390	1.97	244	1.30
Profit from operations	1,701	11.03	1,287	4.67	941	3.79	1,328	6.21	1,797	9.08	1,828	9.77
Finance costs	(782)	(5.07)	(1,056)	(3.83)	(525)	(2.11)	(445)	(2.08)	(1,308)	(6.61)	(643)	(3.44)
Investment income	1,917	12.43	1,934	7.02	3,029	12.20	6,274	29.33	6,472	32.70	2,618	13.99
Profit before tax	2,836	18.39	2,166	7.86	3,445	13.88	7,156	33.46	6,961	35.17	3,803	20.32
Taxation	(16)	(0.11)	(819)	(2.97)	(709)	(2.86)	(940)	(4.39)	(1,366)	(6.90)	(507)	(2.71)
Profit for the year	2,820	18.28	1,346	4.89	2,736	11.02	6,216	29.06	5,596	28.27	3,295	17.61
Basic earnings / (loss) per share	31.55		15.06		29.69		69.05		62.61		37.42	
Diluted earnings / (loss) per share	30.48		14.93		29.18		65.02		58.45		33.62	

Profit or Loss - Breakup of Major Expenses As % of Sales

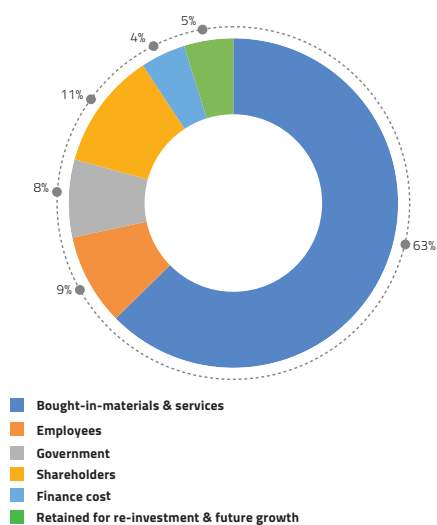


Value Added and its Distribution

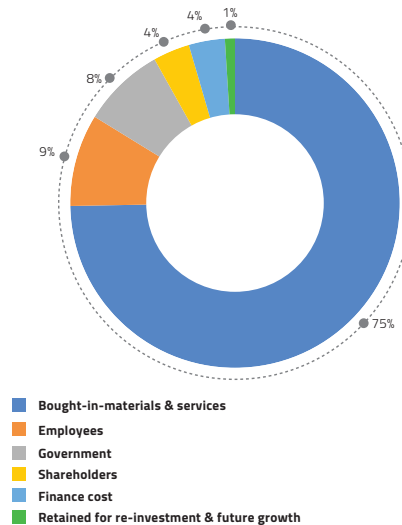
The statement below shows value added by the operations of the Company and its distribution to the stakeholders

(Rupees in thousand)	2020		2019		2018	
WEALTH GENERATED						
Sales	15,420,119		27,547,722		24,821,998	
Dividend Income	1,916,898		1,934,288		3,028,883	
Other Income	406,333		326,972		271,793	
	17,743,350	100%	29,808,982	100%	28,122,674	100%
Wealth Distributed						
Bought-In-materials & services	11,116,799	63%	22,272,152	75%	20,091,658	71%
To Employees Remuneration, benefits and facilities	1,593,791	9%	2,698,754	9%	2,519,992	9%
To Government Income Tax, Sales Tax, Custom & Excise Duties, Workers' Funds, EOBI & Social Security Contribution, Professional & Local Taxes	1,354,541	8%	2,417,011	8%	2,169,421	8%
To Providers of Capital Cash dividend to the ordinary shareholders	2,011,039	11%	1,072,554	5%	1,340,693	4%
Participating dividend to preference shareholders	26,250	0.1%	-	0%	-	0%
Finance costs	782,263	4%	1,055,940	4%	524,852	2%
Retained for Reinvestment & Future Growth / (Utilized from reserves)	858,667	5%	292,571	1%	1,476,058	5%
	17,743,350	100%	29,808,982	100%	28,122,674	100%

Wealth Generated & Distributed - 2020 (Percentage)



Wealth Generated & Distributed - 2019 (Percentage)

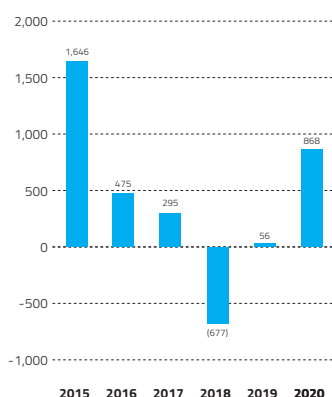


Sources & Application of Funds

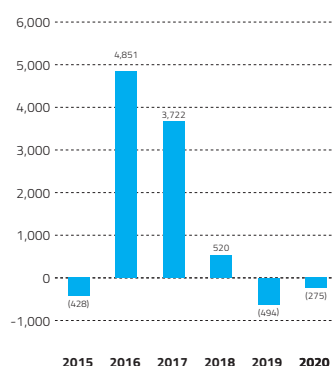
Over the last six years

(Rupees in thousand)	2020	2019	2018	2017	2016	2015
Cash flow from operating activities						
Cash generated from operations	2,312,377	1,844,199	825,675	2,252,114	2,323,393	3,182,034
Finance cost paid	(913,524)	(963,463)	(465,034)	(477,465)	(525,475)	(811,384)
Taxes paid & refund - net	(456,940)	(575,521)	(975,744)	(1,437,792)	(1,278,772)	(686,226)
Long term loans - net	379	2,563	1,190	2,864	-	-
Long term security deposits - net	2,288	763	(6,230)	(1,471)	-	-
Payments for accumulating compensated absences	(4,130)	(226,947)	(33,490)	(21,595)	(26,046)	(23,533)
Retirement benefits paid	(72,287)	(25,679)	(23,739)	(21,339)	(17,917)	(15,329)
Net cash inflow / (outflow) from operating activities	868,163	55,915	(677,372)	295,316	475,183	1,645,562
Cash flow from investing activities						
Fixed capital expenditure	(699,639)	(1,995,235)	(2,215,130)	(1,663,202)	(1,026,871)	(713,480)
Investments made in equity securities	(443,811)	(614,538)	(289,614)	(958,526)	(701,167)	(2,437,175)
Long term advances - net	663	3,336	20,680	(2,476)	13,289	13,311
Investments made in government securities	-	-	-	(1,599,994)	-	-
Proceeds from disposal of government securities	-	-	-	1,603,171	-	-
Proceeds from disposal of property, plant and equipment	42,396	77,281	60,846	69,455	93,797	91,023
Proceeds from disposal of investments	-	10,000	-	-	-	-
Dividends received	825,024	2,025,215	2,942,799	6,273,905	6,472,005	2,617,891
Net cash (used in) / generated from investing activities	(275,367)	(493,941)	519,581	3,722,333	4,851,053	(428,430)
Cash flow from financing activities						
Repayment of long term finances	-	(1,321,450)	(1,321,420)	(571,420)	(1,885,710)	(200,000)
Proceeds from long-term finances	2,243,333	2,000,000	-	-	3,000,000	-
Repayment of liabilities against assets subject to finance lease - net	-	-	(13,730)	(10,617)	(7,438)	(7,038)
Redemption of preference shares	-	-	-	-	(5,601,500)	-
Repayment of lease liabilities	(11,588)	(19,519)	-	-	-	-
Participating dividend on preference shares paid	-	-	(82,499)	(45,000)	-	-
Dividend paid	(1,073,007)	(1,347,518)	(2,658,674)	(2,221,580)	(1,335,268)	(782,731)
Net cash generated / (used in) from financing activities	1,158,738	(688,487)	(4,076,323)	(2,848,617)	(5,829,916)	(989,769)
Net increase / (decrease) in cash and cash equivalents	1,751,534	(1,126,513)	(4,234,114)	1,169,032	(503,680)	227,363
Cash and cash equivalents transferred to Packages Convertors Limited	(5,478,016)	(4,351,503)	(117,389)	(1,286,421)	(782,741)	(1,010,104)
Cash and cash equivalents at the beginning of the year	3,400,000	-	-	-	-	-
Cash and cash equivalents at the end of the year	(326,482)	(5,478,016)	(4,351,503)	(117,389)	(1,286,421)	(782,741)

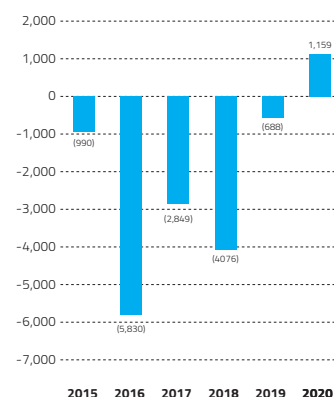
Operating Activities
(Rupees In Million)



Investing Activities
(Rupees In Million)



Financing Activities
(Rupees In Million)



Corporate Social Responsibility & Sustainability

Packages Limited continues to be the signatory of United Nation's Sustainable Development Goals (SDGs) and ensures to align all its activities in accord with the SDGs and is willing to do the same in future as well.

SUSTAINABLE DEVELOPMENT GOALS



COVID-19 Management

As Covid-19 pandemic spread throughout the world, it was important to ensure smooth business operations without any compromise on the health and wellbeing of all our employees. Protection of lives and livelihood remained our topmost goal and all the employees geared up to work as a team in these challenging times.

Following initiatives were taken in the factory as precautionary measures against Covid-19:

1. Formulation and Activation of **Crisis Management Teams**.
2. **Disinfection** as per Govt advised chemicals is being done daily at the start of every shift on production floor and once every day in Offices – before start of the day.
3. **Hand sanitizers** are available in all departments and a dedicated resource was appointed to refill the hand sanitizer dispensers on daily basis. Disinfectant chemical was also made available to all employees.
4. **Awareness Posters** displayed in all hand washing facilities throughout the factory and trainings are also being provided to the staff on proper hand washing method.
5. **Hand wash Basins** have been installed at the Company's entrance. All persons entering the Company's premises are asked to wash their hands prior to entry.
6. **Company's Doctor** is available in the Company daily as per the scheduled hours. Paramedic staff is available 24/7 within the Company.
7. **Awareness Pamphlets** in Urdu have also been distributed throughout the Company.
8. **Disposable Cutlery** such as disposable cups, glasses, plates

and spoons are being used in canteen. Corrugated partitions at Canteen tables have also been introduced to ensure social distancing.

9. **Covid-19 Marshalls** are present in all shifts to ensure compliance through inspections and awareness. Regular Toolbox Talks on importance of Social distancing and avoidance of gatherings inside and outside workplace are also being conducted.
10. **All vehicles are disinfected** first before entering the factory premises (Including material).
11. **Temperature** of all persons entering the factory premises is checked.
12. **Social Distancing** is encouraged and ensured in all offices, production floors, canteen, mosque, and ATM etc. Social distancing marks have also been made on all floors and walkways to remind employees to maintain safe distance.
13. **Companywide Employees Bulletin** is circulated and also uploaded on intranet encouraging good respiratory practices along with other precautionary measures related to Covid-19. Also, awareness is being done through sessions by EHS Team.
14. **Face Masks** have been provided to all the employees and have been made mandatory to wear within the factory premises.
15. **Work from Home** is encouraged to reduce Human load on site and ultimately less human to human interaction.
16. **Teleconferencing** is encouraged i.e. virtual meetings instead of face to face sessions.
17. **Social Distancing** being ensured in company transport as well.
18. **Sports Hall, Gym and Day Care** facilities have been closed.
19. **Shifts** are being called staggered to avoid overcrowding of incoming and outgoing working staff especially during shift change

over.

20. **Sliding Doors** have been installed at common use locations to minimize touching of surfaces.
21. Hand scan **attendance system** has been replaced with face recognition system
22. **Manual on COVID-19 Guidelines** has been formulated and shared with all group companies so that standardized protocols are being followed for uniformity in dealing with the crisis situation.
23. **COVID test Sampling Facilitation** has been made available for all Group Colleagues off and on site.
24. **Color coding/ tagging done** "On all frequently touched surfaces to spread awareness regarding hand hygiene and disinfection and to alert staff of these frequently touched spots.
25. **Micro Teams – Zoning** has been introduced on floor to minimize physical interaction & contact tracing – whereby any unwanted movement is controlled and restricted – to curtail the spread of virus.

Responsible Sourcing

Packages Limited is certified on FSC CoC which ensures the buying and consumption of pulp and paper board from responsible sources and sets us in line with the global efforts being done to prevent deforestation and maintaining ecological balance. In 2020, Packages Limited got its FSC CoC Re-certification successfully through SGS.

Not only this, Packages Limited has also maintained Halal Certification with its successful re-certification audit in 2020. Halal Certification has been a source of substantial support to our Food Manufacturing Customers who needed to claim their Packaging coming from 100% Halal sources.

Packages Limited was also successful in Unilever Responsible Sourcing Audit (URSA) and SEDEX and Supplier Workplace Accountability (SWA), KFC/YUMS, Loreal Audit which are key customer audits conducted every year to gauge our performance on Responsible Sourcing and Social Compliance.



Energy & Environment

Packages Limited was invited by WWF at the 10 Years celebrations of their Green Office program and was given an "Award of Appreciation" for its initiative towards Renewable Energy i.e. installation of 502 kW capacity of Solar Energy.



Also, Transition of Energy Management System ISO 50001 from version 2011 to the latest version 2018 was successfully done by Packages Limited enabling better energy management.

Energy Championship and Water Stewardship Celebrations continued in 2020 as well in which team efforts in energy saving and water saving initiatives were rewarded and recognized by the

top management and just like in previous years, it proved to be a milestone in establishing a responsible behavior and a conservation mindset in 2020 as well.

Regular Energy Audits were conducted throughout the Company in which findings related to Electricity, Compressed Air, Steam and Water were highlighted and successfully identified and rectified. Energy Incident Reporting proved to be an effective tool in energy auditing which promoted an active reporting culture within the factory.

Health Awareness & Stake Holder Engagement, Development & Capacity Building

Health and Wellbeing of our employees has always remained one of our chief concerns. Packages Limited believes that education and awareness play a vital role in changing the mindset and attitude of the employees and directing it towards a healthy lifestyle.

- Hepatitis Awareness Session
- Awareness Session on Healthy Dietary Habits

Corporate Social Responsibility & Sustainability

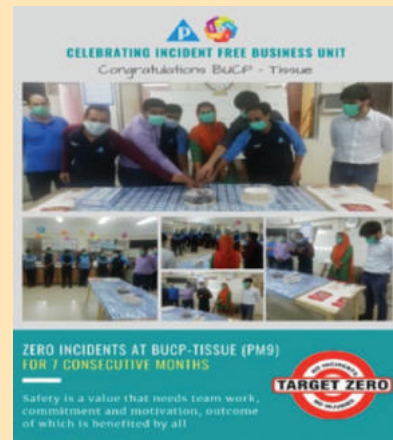
- Dengue Awareness Session
- Awareness Session on Water Borne Diseases and Street Food
- International Day for Food Loss and Food Waste Awareness
- Awareness Session on World Heart Day
- Awareness Session on Osteoporosis
- World Pneumonia Day - Awareness Session
- World Hand Hygiene Day - Awareness Session

Food Safety & Occupational Safety

Along with that, Packages Limited is certified on FSSC 22000 and Food Safety System has been fully implemented on all its production floors. Catering the needs of all our Food Manufacturing Customers and to synchronize our efforts with the global Food Safety and Hygiene Standards. Packages Limited leaves no stone unturned to exercise the best hygiene practices on floor and for this very reason, Packages has been again awarded BRC Certification with 'AA' Grade.



Through continuous efforts and behavior-based safety trainings and focused approach, BUCP Tissue Manufacturing recorded zero incidents for 7 consecutive months i.e. 275,000 safe man-hours. This achievement is indeed a result of team effort and commitment from BUCP Management and the respective EHS Team. This accomplishment called for celebrations which was done with the entire BUCP Tissue Manufacturing Team which pledged to continue making efforts in carrying out their work with safety as their topmost priority in future as well.



Fully equipped ambulance with paramedic staff available 24/7 at site, well maintained dedicated smoking areas, robust fire hydrant system as per NFPA Guidelines is there to protect our people and assets.

As a part of our Road Safety Program, a hazard indication light has been installed by forklifts. The light functions during reverse operation of forklifts giving a projection on floor up to the range of 10-12 ft distance ensuring an additional caution along with the alarm for anyone passing by.

A walkway campaign has also been initiated factory wide to emphasize the importance of using walkways on roads and within departments along with keeping the walkways clean and clear for pedestrian safety.

Society

We firmly believe that for an organization to be successful and for it to create value for its shareholders, it must also create value for its society. We consider it our responsibility to make sustainable positive impact on the communities in which we operate. Whether it's through the grants we provide to various organizations that share our mission or through the inspiring volunteer efforts, we are passionate about helping people live better.

We strive to contribute to societal welfare through providing educational opportunities, employment, sponsoring various events, promoting culture, arts and awareness campaigns.

Community Welfare Schemes

As a corporate citizen, we have consistently and consciously tried to make a difference in the society by our corporate giving, assistance in community development and supporting groups; aiming for a progressive social change and the up-lift of the community at large.

Ladies & Children Area

To provide a liberating environment to our female employees and to improve the gender ratio, Packages Limited has established a state of the art "Ladies & Children Area" which includes Daycare, Ladies gym, Ladies common room, children playing area, ladies praying area & a self-service kitchen. This is the first of its kind facility in Pakistan Corporate Sector and we hope that our female employees will benefit from it.

Gender Diversity and Equal Opportunities for Women

Packages Limited has a firm conviction that gender diversity is vital for any organization to grow. Our Company has always been inclined towards creating a conducive and friendly work environment for both women and men which allows them to have equal opportunities to grow and enables them to participate in decision making at all levels, thus transcending all gender barriers and discrimination. May it be Production, Marketing, HR, Sales, Supply Chain, EHS or any other field, women in Packages Limited have always proved themselves to be capable and beneficial for the organization and their number are increasing significantly every year.

Fair Price Shop

We have established a fair price shop for our employees to facilitate them in the purchase of their grocery items. We provide subsidy on purchase of pulses for the workers. Fair Price shop is also offering other general stores and clothing items on no profit no loss basis to employees.

Scholarships

We offer merit scholarships to the children of our employees to appreciate their talent and promote healthy competition in the form of monetary re-imbursements that vary with the level of education.

Hajj Facility

Every year, Packages Limited has the privilege to send 10 of its employees for Hajj through ballot. This includes 7 employees from non-executive staff and 3 from executive and management staff. We bear all expenses of these employees pertaining to this religious offering.

Long Service Awards

Every year, as a token of appreciation for the continued association with us, we give awards to our employees who achieve a significant milestone of service years.

Corporate Calendar



2020
Mar

12, 13

Audit Committee and BOD meeting to consider annual accounts of the Company for the year ended December 31, 2019.

2020
Apr

22, 23

Audit Committee and BOD meeting to consider quarterly accounts of the Company for the quarter ended March 31, 2020.

2020
May

29

Annual General Meeting of shareholders to consider and approve annual accounts of the Company for the year ended December 31, 2019 and dividend announcement.

2020
May

29

Corporate Briefing Session

2020
Jun

01

BOD meeting pursuant to election and reconstitution of committees

2020
Jul

01

Transfer of Converting Business from Packages Limited to Packages Convertors Limited

2020
Aug

20, 21

Audit Committee and BOD meeting to consider half yearly accounts of the Company for the period ended June 30, 2020.

2020
Oct

19, 20

Audit Committee and BOD meeting to consider quarterly accounts of the Company for the period ended September 30, 2020.

Notice of Annual General Meeting

Notice is hereby given that the 66th Annual General Meeting of Packages Limited will be held via Video Conferencing on Friday, April 30, 2021 at 10:30 a.m. 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:

A. ORDINARY BUSINESS

1. To confirm the Minutes of the Annual General Meeting of the Company held on May 29, 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 the payment of cash dividend for the year ended December 31, 2020 as recommended by the Board of Directors -
 - a) to the preference share/convertible stock holder (International Finance Corporation) at the rate of Rs. 22.206 (11.687%) per preference share/convertible stock of Rs. 190 proposed by the Board in terms of and as adjusted under the Subscription Agreement between Packages Limited and International Finance Corporation, totaling Rs.181,799,578; and
 - b) to the ordinary shareholders at the rate of Rs. 22.50 (225%) per ordinary share of Rs. 10.
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.

B. SPECIAL BUSINESS

1. To consider enhancement of Licensed/Leased area to 51.19 Acres from 76.15 Kanals to Packages Mall by amending License agreement between Packages and Mall.
(A Statement of Material Facts covering the above-mentioned special business, as required under Section 134(3) of the Companies Act, 2017 is being sent to the shareholders along with this Notice).

By Order of the Board



Arjumand Ahmed Shah
Company Secretary

Karachi
March 19, 2021

Notes:

1. The Share Transfer Books of the Company will remain closed from April 17, 2021 to April 30, 2021 (both days inclusive). Transfers received in order at the office of the 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 by close of business on April 15, 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/her 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 Packages' 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 accordance with the SECP's notification S.R.O 421 (I)/2018 dated April 2, 2018, Shareholders are requested to provide their International Bank Account Number (IBAN) in order to receive dividend directly into their bank account, by filling the Electronic Mode Dividend Form available at Company's website (www.packages.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.

Section 72 of the Companies Act, 2017 requires all listed companies to replace the shares held in physical form with the shares to be issued in Book-Entry Form within four (4) years from the date of the promulgation of the Act.

All shareholders who still hold shares in physical form are therefore requested to convert their shares in the Book-Entry Form in order to comply with the provisions of Section 72 of the Companies Act, 2017.

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.

Notice of Annual General Meeting

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 non-filers 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 Share	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 16, 2021, each shareholder will be assumed to have equal proportion of shares and the tax will be deducted accordingly.

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, 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.packages.com.pk) in addition to annual and quarterly financial statements for the prior years.
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.packages.com.pk).

Statement of Material Facts under Section 134 (3) of the Companies Act, 2017

This statement is being furnished in terms of the requirement under Section 134(3) of the Companies Act, 2017, setting out material facts concerning the Special Business to be transacted at the Annual General Meeting of Packages Limited (the "Company") to be held on 30th April, 2021 at 10:30 A.M via Video Conferencing.

Item No. 5 of Agenda: License/Lease of Company's land measuring 51.19 Acres equivalent to 409.52 Kanals [of which 76.15 Kanals already licensed] including the utility service area, access roads and parking situated at Mouza Amer Sidhu, Lahore (the "Project Land") to Packages Real Estate (Private) Limited ("PREPL")

The Board of Directors had earlier approved License/ Lease of 76.15 Kanals of land for the establishment of a real estate development project under the name and style "Packages Mall" (the "Mall") pursuant to Board Resolutions dated 25 February 2015 as approved by the Shareholders dated 16 April 2015

PREPL has requested to enhance the Licensed/ Leased area to 51.19 Acres to pursue further development projects in line with the expansion objectives of the Company.

In the Board meeting of the Company held on March 19, 2021, the Directors resolved to further license and/or lease the Project Land to PREPL, subject to all necessary corporate and regulatory approvals. Approval of the shareholders is being sought under Section 196 (3) (a) of the Companies Act.

Particulars of the Project Land are as follows:

Description : Land measuring 51.19 Acres including the utility service area, access roads and parking, situated at Mouza Amer Sidhu, Lahore

Cost as at December 31, 2020 : Rs. 647.42 million

Book value as at December 31, 2020 : Rs. 647.42 million

Current market / fair price value as at December 31, 2020 : Rs. 14,333.20 million

Proposed Rent/Fee : 2% of license/ rental income excluding taxes per annum commencing from the date of commercial operations of the respective projects

The aforementioned transaction would allow the Company to continue to focus on its main business activities while at the same time diversifying its business exposure through its subsidiary. The Company is expected to benefit from the revenue generated from the rent / fee for the Project Land as well as dividend income from its shareholding in PREPL.

For the purposes of the above, it is proposed to consider and if thought fit, pass the following Special Resolution, with or without modification:-

RESOLVED that the Board of Directors are hereby authorized under Section 134 (3) of the Companies Act, 2017 to approve enhancement of Licensed/Leased area to 51.19 Acres from 76.15 Kanals including the utility service area, access roads and parking, situated at Mouza Amer Sidhu, Lahore (the "Project Land") to Packages Real Estate (Private) Limited ("PREPL"), on the following terms:

- (i) PREPL shall have the right to develop, construct and own the Real Estate Projects on the Project Land, and to further sub-license and/or sub-lease the shops, retail outlets, offices, apartments, condominiums and other commercial spaces in the Project to the proposed tenants/licensees;
- (ii) The Project shall be transferred to the Company on the final expiry of the license and/or lease of the Project Land if not renewed at a value determined by an independent valuator/s.
- (iii) PREPL shall pay a fee/rent of 2% as a percentage of its license/ rental income excluding taxes per annum commencing from the date of commercial operations of the Project.

Chairman's Review Report on Board Performance

I am pleased by the performance of Packages Limited for the year ended December 31, 2020. The core manufacturing operations of the Company have now become part of Packages Convertors Limited effective July 1, 2020.

Packages Limited is now operating as a holding company, and from July onwards, its performance would be determined by the financial performance of its subsidiaries, which in turn, would be influenced by the general economic environment.

The Board is responsible for overall management of the Company and carry out its fiduciary duties with a sense of objective judgement in the best interest of the Company and its stakeholders.

The Board has ten (10) directors including five (5) non-executive, three (3) independent and one (1) female director. The Directors have rich and varied experience in the fields of business, finance, banking and regulations.

The Board evaluated its own performance and its committees in order to facilitate and enable the Board members to play an effective role as a coordinated team for the ongoing success of the Company.

During the year, five (5) board meetings were held in which the Board fulfilled all of their responsibilities including:

- Reviewing the operating results and approving the quarterly and annual financial statements of the Company;
- Approving related party transactions;
- Approving budgets including capital expenditure;
- Reviewing and approving revised terms of reference of Audit and Human Resource & Remuneration Committee which have been brought in line with Code of Corporate Governance, 2019;
- Approving investments in subsidiaries and joint ventures;
- Reviewing and approving bank borrowings; and
- Recommending appointment of external auditors.

The Board ensured that all the legal and regulatory requirements have been complied with by the management of the Company.

I pray to Allah that the Company continues to maintain its momentum of growth in the future.



Towfiq Habib Chinoy

Chairman

Lahore, March 19, 2021

Directors' Report to the Shareholders

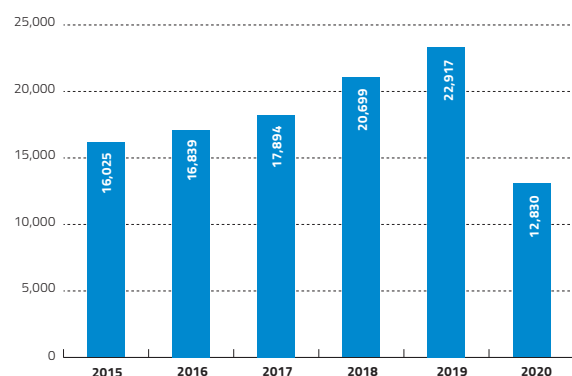
The Directors of the Company take pleasure in presenting the Annual Report of your Company, together with the financial statements for the year ended December 31, 2020.

Financial Performance

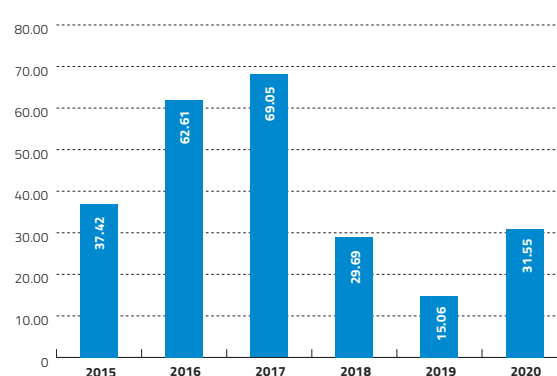
Summarized financial performance is as follows:

	2020	2019
	(Rupees in million)	
Sales from Operations	13,045	23,274
Trade Discounts	(215)	(358)
Net Sales from Operations	12,830	22,916
EBITDA - Operations	1,890	2,720
Depreciation & amortization	(479)	(830)
EBIT – Operations	1,411	1,890
Finance Costs	(782)	(1,056)
Other Operating Income / (Expenses) – net	289	73
Investment Income	1,917	1,934
Impairment charged on investment	-	(676)
Earnings before Tax	2,835	2,165
Taxation	(16)	(819)
Earnings after Tax	2,819	1,346
Basic Earnings per Share – Rupees	31.55	15.06

Invoiced Sales - Net
(Rupees in Million)



Earnings Per Share
(Rupees)



Directors' Report to the Shareholders

Internal restructuring & Future Outlook

In 2019, the Board of Directors and Shareholders of your Company approved the internal restructuring of the Company including transfer of its manufacturing businesses including folding cartons, flexible packaging, consumer products and mechanical fabrication & roll covers along with all relevant assets, operations and corresponding liabilities (Converting Business) to a newly formed wholly owned subsidiary i.e. Packages Convertors Limited (PCL) subject to applicable regulatory approvals. On January 22, 2020, PCL received in-principle approval of Securities and Exchange Commission of Pakistan (SECP) subject to certain conditions being met against its application under regulation 7 of the Companies (Further Issue of Shares) Regulations, 2018 read with section 83(1) of the Companies Act, 2017. The Company transferred its Converting Business at carrying value of Rs 3,083 million as of July 01, 2020 upon completion of formalities. Subsequent to the year end on January 14, 2021, SECP granted the approval for the proposed issuance of 30,829,021 ordinary shares (of Rs 100 each) at par value, for a consideration other than cash i.e. against transfer of net assets of Packages Limited based on net carrying values as at July 1, 2020.

As a result, the operations of Converting Business have now become part of PCL effective July 1, 2020. The Converting Business has generated net sales of Rs. 11,931 million and profit after tax of Rs. 598 million during the 6-month ended December 31, 2020 and these financial results are not part of the stand-alone financial statements of the Company as reported above instead these form part of the consolidated financial statements of the Company (PCL being 100% subsidiary of the Company) for the year ended December 31, 2020.

Packages Limited is now operating as a holding company, and from July onwards, its performance would be determined by the financial performance of its group companies located within & outside Pakistan, which in turn, would be influenced by the general economic environment.

Dividend income shall constitute major source of income of Packages Limited. As a result, its income pattern will follow dividend distribution pattern of the subsidiaries. It is envisioned that the operating performance of the subsidiaries will result in better dividend payout to the holding company. The management believes that the new corporate structure shall be conducive to focused management of the subsidiaries and leading to better operating performance.

Finance Costs

Finance cost of the Company has decreased by Rs. 274 million during 2020 over 2019 mainly due to transfer of major portion of finances under mark-up arrangements to Packages Convertors Limited as a result of demerger and decrease in KIBOR during the year.

Investments in Group Companies

Your Company contributed Rs 443.811 million (equivalent to USD 2.635 million) as equity in Anemone Holdings Limited, Mauritius ("AHL"). AHL is a special purpose vehicle established in 2015 for the acquisition of operations of a flexible packaging company in South Africa.

Rent of Land on Lease from Government of Punjab (GoPb)

A portion of the land on which the Company's buildings are situated, measuring 231 kanals and 19 marlas, was leased out to the Company by GoPb from December 1955 till November 2015 after which the lease has not been renewed. During the year 2015, the Company approached the Board of Revenue ('BoR'), GoPb to renew the lease; however, no adequate response was received. On January 5, 2019, the Supreme Court of Pakistan ('Court'), summoned BoR, to which the BoR stated that the new policy of the GoPb is not to lease state land but to sell it through open auction. Consequently, the Company was directed to deposit Rs 500 million with the BoR as security to the payment of outstanding amount of rent to be determined, with such amount being adjustable against final amount of rent. The Company deposited such amount in compliance with the direction on January 10, 2019. The Court has further directed Additional Advocate General, Punjab on January 16, 2019 that subject to the Court's approval, two surveyors be appointed for determination of rent based on industrial usage of the land for the period from December 2015 till date. The surveyors were appointed, who have submitted their independent valuation reports to BoR and the Court. The matter is pending for further action as of the date of the authorization for issue of unconsolidated financial statements. Moreover, the Court has further decided that the land shall be sold through an open auction with the Company getting the first right of refusal.

The management has, on the basis of assessment of fair value of the said portion of land by independent valuers, as appointed by the Court, and its understanding of the prevalent market terms relating to rent of such properties in the vicinity of the said portion of land, recognised an expense of Rs 41.675 million (2019: Rs 174 million) in respect of rent for the year from January 2020 to December 2020. The management is confident that the final amount of rent will be in congruence with the provision made in these unconsolidated financial statements, inter alia based on the fair value determined by the independent valuers and the relevant facts and circumstances.

Furthermore, the management also intends to acquire the title of the said portion of land when the open auction takes place.

Financial Management

Sound business strategies, operating efficiencies and cost savings across the organization, helped generate positive cash flows.

The Company has an effective cash flow management system in place whereby cash inflows and outflows are projected on regular basis and rigorously monitored.

Capital expenditure is managed carefully through evaluation of profitability and risk. Large capital expenditure is further backed by long term contracts so as to minimize cash flow risk to the business. Capital expenditure during 2020 was at Rs 699 million.

The investment portfolio of the Company is fairly diversified, as reflected by equity participation in Nestle Pakistan Limited, Packages Convertors Limited, Tri-Pack Films Limited, Bulleh Shah Packaging (Private) Limited, DIC Pakistan Limited, Packages Real Estate (Private) Limited, Packages Lanka (Private) Limited, Packages Power (Private) Limited and Anemone Holdings (Private) Limited.

The Board is satisfied that there are no short-term or long-term financial constraints including access to credit and a strong balance sheet with net debt: equity ratio at 2:98 in Dec 2020.

Risk Mitigation

The Board of Directors and the Audit Committee of the Board regularly review risk matrix in terms of impact and probability of occurrence. The senior management team, led by the Chief Executive Officer is responsible for risk mitigation measures. The Company's ability to continuously assess market conditions and its timely response enables the Company to manage risks effectively.

Credit Risk

All financial assets of the Company, except cash in hand, are subject to credit risk. The Company believes that it is not exposed to major concentration of credit risk and continues to evaluate the impact on financial assets through 'Expected Credit Losses' (ECL) approach.

Exposure is also managed through diversification of its investment portfolio, placed with 'A' ranked banks and financial institutions.

Liquidity Risk

Prudent liquidity risk management ensures availability of sufficient funds for meeting contractual commitments. The Company's fund management strategy aims at managing liquidity risk through internal cash generation and committed credit line from a financial institution.

Interest Rate Risk

Variable rate long-term financing is hedged against interest rate risk by holding "prepayment option", which can be exercised upon any adverse movement in the underlying interest rates.

Foreign Exchange Risk

Foreign currency risk arises mainly where receivables and payables exist due to transaction in foreign currencies. The Company was mainly exposed to short term USD/PKR and Euro/PKR parity on its import of raw materials and plant and machinery.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. There were no changes in the Company's approach to capital management during the year.

Contribution to National Exchequer

Your Company is a significant contributor to the national economy and has paid Rs. 1,355 million during the year 2020 to the national exchequer on account of sales tax, income tax, import duties and statutory levies.

Retirement Funds

There are three retirement funds currently being operated by the Company namely Provident Fund, Gratuity Fund and Pension Fund. The value of investment of these funds based on their audited accounts as on December 31, 2020 were as follows:

Provident Fund	Rs. 2,935.667 million
Gratuity Fund	Rs. 483.866 million
Pension Fund	Rs. 1,994.914 million

Appropriation

In view of the financial results of the Company for the year 2020, the Board of Directors of the Company has recommended cash dividend of 225 percent (i.e. Rs. 22.5 per share). Accordingly, the following appropriations have been made:

Directors' Report to the Shareholders

	Rupees in thousand
Total Comprehensive Income for the year 2020 after appropriation of preference dividend / return	2,895,956
Un-appropriated profit brought forward	265,795
Available for appropriation	3,161,751
Transferred to General Reserve	(750,000)
Cash dividend	(2,011,039)
To be carried forward to 2021	400,712

Auditors

The present auditor's M/s A.F Ferguson & Co., Chartered Accountants retire and have offered themselves for reappointment. They have confirmed having achieved satisfactory rating by the Institute of Chartered Accountants of Pakistan (ICAP) as well as compliance with the Guidelines on the Code of Ethics of the International Federation of Accountants (IFAC) as adopted by ICAP.

As suggested by the Audit Committee, the Board of Directors has recommended their reappointment as Auditors of the Company for the year ending December 31, 2021, at a fee to be mutually agreed.

Compliance with the Code of Corporate Governance

The Listed Companies (Code of Corporate Governance) Regulations, 2019 have been adopted by the Company and have been duly complied with. A Statement to this effect is annexed to the Report, please refer page No. 62

Impact of Company's Business on Environment and Corporate Social Responsibility

Steps taken by your Company with respect to Company's business impact on environment and towards corporate social responsibility are mentioned on page NO. 21 in the annual report.

Material Changes

There have been no material changes since December 31, 2020 and the Company has not entered into any commitment, which would affect its financial position at the date except for those mentioned in the audited financial statements of the Company for the year ended December 31, 2020.

Number of Directors

- (a) Male 9
(b) Female 1

Composition of the Board

	Number
Independent Directors	3
Non-Executive Directors	5
Executive Directors	2
Female (included in Independent Directors)	1

	Percentage
Independent Directors	30%
Non-Executive Directors	50%
Executive Directors	20%

Changes in the Composition of the Board

During the year, Mr. Atif Aslam Bajwa resigned on March 14, 2020. Furthermore Mr. Asghar Abbas and Mr. Shamim Ahmed Khan retired and Mr. Hasan Askari, Mrs. Saba Kamal and Mr. Irfan Mustafa were appointed in their places on May 29, 2020.

The Directors wish to place on record the valuable services rendered by Mr. Atif Aslam Bajwa, Mr. Asghar Abbas and Mr. Shamim Ahmed Khan during their tenure as Directors and welcomes Mr. Hasan Askari, Mrs. Saba Kamal and Mr. Irfan Mustafa on the Board of the Company.

Meetings of the Board of Directors

During the year 2020, five (5) Board meetings were held and the number of meetings attended by each Director is given here under:-

Name of Director	No. of meetings attended
1. Mr. Towfiq Habib Chinoy (Chairman)	5
2. Syed Hyder Ali (Chief Executive & Managing Director)	5
3. Mr. Asghar Abbas (Retired as on May 29, 2020)	2
4. Mr. Atif Aslam Bajwa (Resigned on March 14, 2020)	1
5. Mr. Imran Khalid Niazi	5
6. Mr. Josef Meinrad Mueller	2
7. Mr. Shamim Ahmad Khan (Retired as on May 29, 2020)	1
8. Syed Aslam Mehdi	5
9. Syed Shahid Ali	1
10. Mr. Tariq Iqbal Khan	5
11. Mr. Hasan Askari (Appointed on May 29, 2020)	3
12. Mrs. Saba Kamal (Appointed on May 29, 2020)	3
13. Mr. Irfan Mustafa (Appointed on May 29, 2020)	3

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, one (1) Executive Director and a Chairman who is an Independent Director.

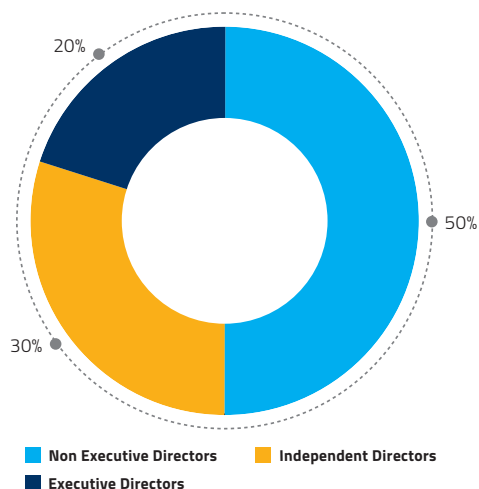
Four (4) meetings of the Audit Committee were held during the year. Attendance of each Member is given hereunder: -

Name of Member	No. of meetings attended
Mr. Atif Aslam Bajwa (Chairman - Resigned as on March 14, 2020)	1
Mr. Hasan Askari (Chairman - Appointed on May 29, 2020)	2
Mr. Imran Khalid Niazi (Non-Executive Director)	4
Mr. Shamim Ahmad Khan (Retired as on May 29, 2020)	1
Syed Aslam Mehdi (Executive Director)	4
Syed Shahid Ali (Non-Executive Director)	2
Mr. Tariq Iqbal Khan (Non-Executive Director)	4

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 (Annexure 'B').

percentage)



Human Resource and Remuneration Committee

The Human Resource and Remuneration Committee comprises of six (6) members, which includes three (3) Non-Executive Directors, one (1) Executive Director and two (2) Independent Directors including Chairman. Two (2) meetings of the Human Resource and Remuneration Committee were held during the year. Attendance of each Member is given hereunder –

Name of Member	No. of meetings attended
Mr. Atif Aslam Bajwa (Chairman - Resigned as on March 14, 2020)	1
Mrs. Saba Kamal (Chairman - Appointed on May 29, 2020)	1
Mr. Towfiq Habib Chinoy (Non-Executive Director)	2
Syed Hyder Ali (Chief Executive & Managing Director)	2
Mr. Josef Meinrad Mueller (Non-Executive Director)	1
Mr. Tariq Iqbal Khan (Resigned from the Committee as on August 19, 2020)	1
Mr. Imran Khalid Niazi (Non-Executive Director)	2
Mr. Irfan Mustafa (Appointed on May 29, 2020)	1

Leave of absence was granted to the Members who could not attend the meetings of the Human Resource and Remuneration Committee.

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

Related Party Transactions

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 –

- 1) established a policy of related party transactions which has been duly approved by the Board.
- 2) set up conditions for transactions with related parties to be characterized as "arm's length transactions."
- 3) circulated and disclosed to the Directors in the Board papers minimum information required for approval of related party transactions.

Directors' Report to the Shareholders

Directors' Remuneration

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.

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.

Nominee directors of Packages Limited from other group companies shall not be entitled to receive board/committee meeting fees. 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.

Corporate and Financial Reporting Framework

The Directors of your Company state that:

- (a) The financial statements, prepared by the management of the Company fairly presents the state of affairs, the result of its operations, cash flows and changes in equity;
- (b) Proper books of accounts of the Company have been maintained;
- (c) Appropriate accounting policies have been applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- (d) The financial statements have been prepared in conformity with the Companies Act, 2017 and International Financial Reporting Standards, as applicable in Pakistan. Any departures therefrom have been adequately disclosed and explained;
- (e) Internal control system including financial and operational controls, accounting system for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure is sound in design and has been effectively implemented and monitored;
- (f) There are no doubts about the Company's ability to continue as a going concern;
- (g) There has been no material departure from the best practices of the Corporate Governance as detailed in the Listing regulations;
- (h) Significant deviations from last year's operating results of the Company has been highlighted and reasons have been explained in the Directors report;

- (i) Key operating and financial data of last six years is annexed on page No. 19;
- (j) Where any statutory payment on account of taxes, duties, levies and charges is outstanding, the amount together with a brief description and reasons for the same is disclosed in the financial statements;
- (k) Significant plans and decisions, such as corporate restructuring, business expansion and discontinuance of operations, has been outlined along with future prospects, risks and uncertainties, if any;
- (l) The number of board and committees' meetings held during the year and attendance by each director is annexed;
- (m) The details of training programs attended by directors is annexed on page No. 62;
- (n) The pattern of shareholding is annexed on page No.59; and
- (o) All trades in the shares of the Company, carried out by its directors, executives and their spouses and minor children is annexed.

Details of trading of shares by Chief Executive, Directors, Chief Financial Officer, Company Secretary, Head of Internal Audit, their spouses and minor children are given below:

Purchase of Shares:	No. of shares
Chief Executive Officer	72,200
Directors	95,800
Chief Financial Officer	NIL
Company Secretary	NIL
Head of Internal Audit	NIL
Other Executives	1,293,570
Spouse	187,600
Minor Children	NIL
Donation of shares by Executive	1,193,470

Pattern of Shareholding

A statement of the pattern of shareholding of certain class of shareholders as at December 31, 2020, whose disclosure is required under the reporting framework, is annexed in the Report, please refer page No 59.

The Directors, CEO, CFO, Company Secretary, Head of Internal Audit and their spouses or minor children did not carry out any trade in the shares of the Company during the year, except as noted above.

Company's Staff and Customers

The management is thankful to the Company's stakeholders especially its customers for their continuing confidence in its products and services.

The management also wishes to express its gratitude to all the Company's employees who have worked tirelessly. We appreciate their hard work, loyalty and dedication.



Towfiq Habib Chinoy
Chairman
Lahore, March 19, 2021



Syed Hyder Ali
Chief Executive & Managing Director
Lahore, March 19, 2021

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

Packages Limited equity shares are listed on 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 Packages Limited at the Stock Exchange is PKGS.

Shares Registrar

Packages' shares department is operated by FAMCO Associates (Pvt.) Ltd and serves around 4,153 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

Service Standards

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

	For requests received through post	Over the counter
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.

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.

Dematerialisation of Shares

The equity shares of the company are under the dematerialization category. As of date 68.91% of the equity shares of the Company have been dematerialized by the shareholders.

Dividend Announcement

The Board of Directors of the Company has recommended for the financial year ended December 31, 2020 payment of cash dividend as follows -

- a) to the preference share/convertible stock holder (International Finance Corporation) at the rate of Rs. 22.206 (11.687%) per preference share/convertible stock of Rs. 190 proposed by the Board in terms of and as adjusted under the Subscription Agreement between Packages Limited and International Finance Corporation (2019: 10% or Rs.19.00 per preference share/convertible stock of Rs. 190.00).
- b) to the ordinary shareholders at the rate of 225% (Rs. 22.5% per ordinary share of Rs. 10.00) subject

to approval by the ordinary shareholders of the Company at the Annual General Meeting (2019: cash dividend at the rate of 120% or Rs.12.00 per ordinary share).

Book Closure Dates

The Register of Members and Share Transfer Books of the Company will remain closed from April 17, 2021 to April 30, 2021 both days inclusive.

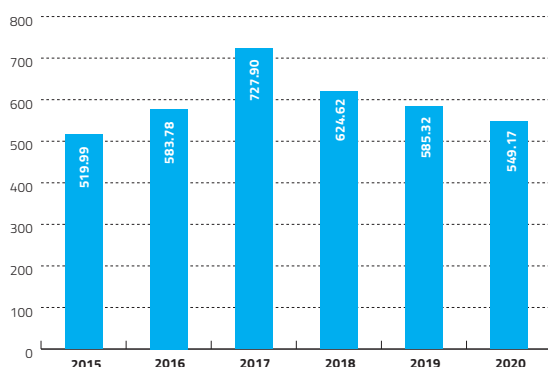
Dividend Remittance

Preference dividend/return will be paid to the preference/convertible stockholder prior to payment of ordinary dividend to the ordinary shareholders.

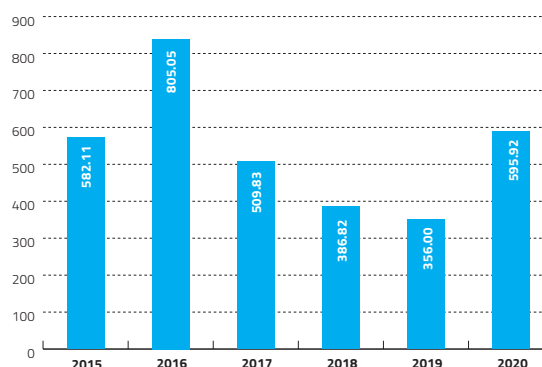
Ordinary dividend declared and approved at the Annual General Meeting shall be paid in terms of Section 242 of the Companies Act, 2017/Companies (Distribution of Dividends) Regulations, 2017:

- (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.

Break-up Value Per Ordinary Share (Rupees)



Market Value Per Share (Rupees)



Shareholders' Information

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 15.0% for filers of income tax returns, wherever applicable, and at the rate of 30.0% for non-filers of income tax returns.

Zakat is also deductible at source from the ordinary 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 has filed any letter of complaint 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, Packages 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 ordinary 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. A proxy 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.

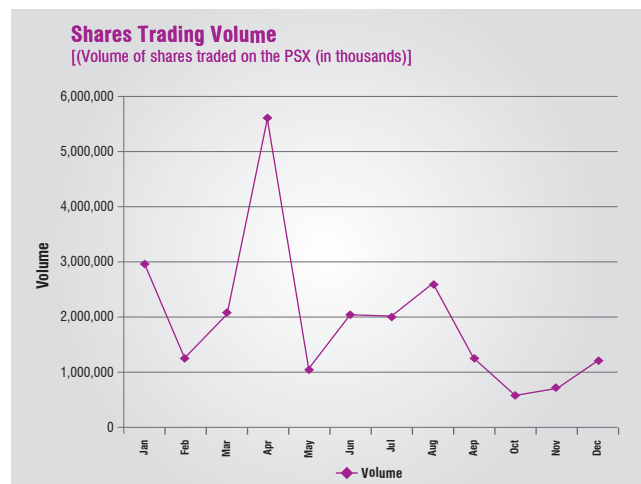
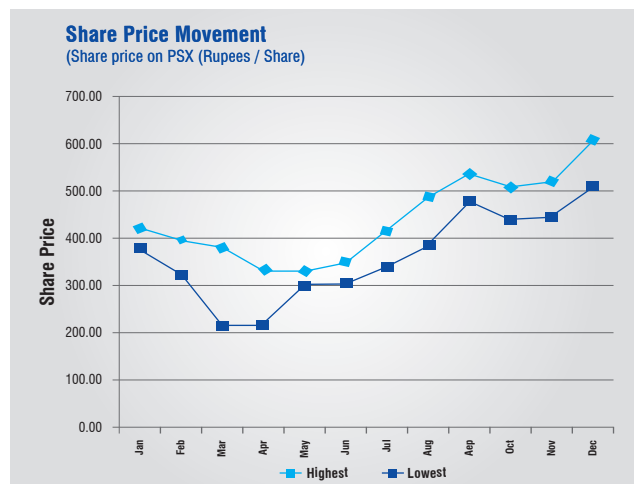
Web Presence

Updated information regarding the Company can be accessed at Packages Limited website, www.packages.com.pk. The website contains the latest financial results of the Company together with Company's profile, the corporate philosophy and major products.

Share Price / Volume

The monthly high and low prices and the volume of shares traded on the Pakistan Stock Exchange during the financial year 2020 are as under:

Month	Share price on the KSE (Rs.)		Volume of shares traded
	Highest	Lowest	
January	423.90	380.00	2,961,300
February	397.88	323.11	1,260,800
March	379.79	215.00	2,072,100
April	333.25	218.00	5,573,300
May	331.00	301.00	1,062,800
June	349.90	307.00	2,045,800
July	416.00	342.00	2,006,800
August	488.00	387.00	2,598,300
September	540.00	480.10	1,248,600
October	509.00	440.99	589,300
November	517.55	446.00	715,800
December	610.00	512.00	1,222,700



Pattern of Shareholding

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

From	Shareholding To	Number of shareholders	Total shares held	From	Shareholding To	Number of shareholders	Total shares held
1	100	1,908	49,307	270,001	275,000	2	548,390
101	500	828	242,674	280,001	285,000	2	566,420
501	1,000	380	307,923	285,001	290,000	1	287,290
1,001	5,000	597	1,404,376	300,001	305,000	1	304,718
5,001	10,000	148	1,077,235	305,001	310,000	1	307,820
10,001	15,000	55	683,538	315,001	320,000	1	318,098
15,001	20,000	32	570,395	340,001	345,000	1	341,000
20,001	25,000	29	662,566	360,001	365,000	1	360,951
25,001	30,000	27	753,459	395,001	400,000	1	400,000
30,001	35,000	19	626,795	400,001	405,000	1	403,055
35,001	40,000	9	340,581	415,001	420,000	1	415,800
40,001	45,000	10	425,724	420,001	425,000	1	421,300
45,001	50,000	7	329,227	465,001	470,000	1	467,000
50,001	55,000	7	364,231	530,001	535,000	1	531,100
55,001	60,000	6	343,529	565,001	570,000	1	567,900
60,001	65,000	5	313,312	595,001	600,000	1	600,000
65,001	70,000	6	400,373	660,001	665,000	1	660,036
70,001	75,000	1	71,379	755,001	760,000	1	757,482
75,001	80,000	3	232,549	820,001	825,000	1	821,714
80,001	85,000	2	161,680	830,001	835,000	1	832,479
85,001	90,000	4	348,349	845,001	850,000	1	849,107
90,001	95,000	2	185,540	860,001	865,000	1	861,000
95,001	100,000	2	200,000	975,001	980,000	1	975,237
100,001	105,000	2	208,438	990,001	995,000	1	990,641
105,001	110,000	2	218,278	1,195,001	1,200,000	1	1,198,668
110,001	115,000	1	114,568	1,495,001	1,500,000	1	1,498,553
120,001	125,000	2	244,150	1,520,001	1,525,000	1	1,523,200
130,001	135,000	1	133,050	2,065,001	2,070,000	1	2,067,893
135,001	140,000	2	272,782	2,285,001	2,290,000	1	2,287,175
145,001	150,000	1	147,300	2,530,001	2,535,000	1	2,533,529
150,001	155,000	4	609,995	2,845,001	2,850,000	1	2,849,591
155,001	160,000	1	157,806	3,500,001	3,505,000	1	3,504,115
165,001	170,000	1	168,498	3,740,001	3,745,000	1	3,744,428
180,001	185,000	1	185,000	3,915,001	3,920,000	1	3,917,505
190,001	195,000	1	193,484	4,065,001	4,070,000	1	4,067,820
195,001	200,000	2	395,578	5,395,001	5,400,000	1	5,396,650
210,001	215,000	1	213,500	26,705,001	26,710,000	1	26,707,201
220,001	225,000	4	887,639				
245,001	250,000	1	249,830			4,153	89,379,504

Information

As Required Under The Code Of Corporate Governance

Shareholders' category	Number of shareholders	Number of shares held
i. Associated Companies, Undertakings and Related Parties (name wise details)		
M/S. BABAR ALI FOUNDATION	3	7,890,033
IGI INVESTMENTS (PVT.) LIMITED	1	26,707,201
M/S. GURMANI FOUNDATION	1	1,198,668
TRUSTEES PACKAGES LTD EMPLOYEES P.F.	1	2,067,893
TRUSTEES PACKAGES LTD.EMP.GRATUITY.FUND	1	104,494
TRUSTEES PACKAGES LTD.MGT.STAFF PEN.FUND	1	660,036
Total :	8	38,628,325
ii. Mutual Funds (name wise details)		
CDC - TRUSTEE ABL STOCK FUND	1	100
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	5,289
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	1	221,928
CDC - TRUSTEE ALFALAH GHP ISLAMIC DEDICATED EQUITY FUND	1	32
CDC - TRUSTEE ALHAMRA ISLAMIC STOCK FUND	1	222,800
CDC - TRUSTEE APF-EQUITY SUB FUND	1	12,500
CDC - TRUSTEE APIF - EQUITY SUB FUND	1	16,000
CDC - TRUSTEE ATLAS ISLAMIC DEDICATED STOCK FUND	1	10,000
CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	1	86,700
CDC - TRUSTEE ATLAS STOCK MARKET FUND	1	213,500
CDC - TRUSTEE AWT ISLAMIC STOCK FUND	1	12,200
CDC - TRUSTEE JS ISLAMIC DEDICATED EQUITY FUND (JSIDEF)	1	3,775
CDC - TRUSTEE JS ISLAMIC FUND	1	34,200
CDC - TRUSTEE JS ISLAMIC PENSION SAVINGS FUND-EQUITY ACCOUNT	1	10,500
CDC - TRUSTEE JS LARGE CAP. FUND	1	34,200
CDC - TRUSTEE JS PENSION SAVINGS FUND - EQUITY ACCOUNT	1	13,600
CDC - TRUSTEE KSE MEEZAN INDEX FUND	1	67,500
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	1	415,800
CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND	1	56,150
CDC - TRUSTEE MEEZAN BALANCED FUND	1	94,023
CDC - TRUSTEE MEEZAN ISLAMIC FUND	1	1,498,553
CDC - TRUSTEE MEEZAN TAHAFUZ PENSION FUND - EQUITY SUB FUND	1	221,701
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	3,744,428
CDC - TRUSTEE NBP BALANCED FUND	1	11,700
CDC - TRUSTEE NBP ISLAMIC ACTIVE ALLOCATION EQUITY FUND	1	5,400
CDC - TRUSTEE NBP ISLAMIC STOCK FUND	1	33,600
CDC - TRUSTEE NBP SARMAYA IZAFAT FUND	1	7,600
CDC - TRUSTEE NIT ASSET ALLOCATION FUND	1	13,700
CDC - TRUSTEE NIT ISLAMIC EQUITY FUND	1	147,300
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	136,882
CDC - TRUSTEE UNIT TRUST OF PAKISTAN	1	37,000
CDC TRUSTEE - MEEZAN DEDICATED EQUITY FUND	1	46,650
CDC-TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND-EQUITY SUB FUND	1	1,000
CDC-TRUSTEE ALHAMRA ISLAMIC ASSET ALLOCATION FUND	1	103,944
CDC-TRUSTEE FIRST HABIB ISLAMIC STOCK FUND	1	1,500
MC FSL - TRUSTEE JS GROWTH FUND	1	86,000
MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	1	30,800
MCBFSL - TRUSTEE JS VALUE FUND	1	46,700
MCBFSL TRUSTEE ABL ISLAMIC DEDICATED STOCK FUND	1	8,050
Total:	39	7,713,305

Information

AS REQUIRED UNDER THE CODE OF CORPORATE GOVERNANCE

Shareholders' category		Number of shareholders	Number of shares held	
iii. Directors and their spouse(s) and minor children (name wise details)				
	SYED HYDER ALI	2	2,628,175	
	HASAN ASKARI	1	100	
	SYED ASLAM MEHDI	1	10,081	
	TOWFIQ H. CHINOY	1	100,000	
	TARIQ IQBAL KHAN	1	6,000	
	SYED SHAHID ALI SHAH	1	153,145	
	AZRA TARIQ W/O MR. TARIQ IQBAL KHAN	1	4,100	
	SABA KAMAL	1	300	
	IMRAN KHALID NIAZI	1	200	
	IRFAN MUSTAFA	1	100	
Total :		11	2,902,201	
iv. Executives				
Total :		2	5,383,120	
v. Public Sector Companies and Corporations		3	4,739,419	
Total :		3	4,739,419	
vi. Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds				
Total :		42	4,154,437	
vii. Shareholders Holding five percent or more Voting Rights in the Listed Company (name wise details)				
	IGI INVESTMENTS (PVT.) LIMITED	1	26,707,201	
	STORA ENSO AB	1	5,396,650	
	M/S. BABAR ALI FOUNDATION	3	7,890,033	
		5	39,993,884	
S. No	Shareholders' category	No. of shareholders	No. of shares	Percentage
1	Directors, Chief Executive Officer, and their spouses and minor children	11	2,902,201	3.25
2	Associated Companies, undertakings and related parties	8	38,628,325	43.22
3	Banks Development Financial Institutions, Non Banking Financial Institutions	17	2,952,974	3.30
4	Insurance Companies	14	5,430,804	6.08
5	Modarabas and Mutual Funds	40	7,713,564	8.63
6	Shareholder holding 10%	1	26,707,201	29.88
7	General Public:			
	a. Local	3,904	20,027,359	22.41
	b. Foreign	4	6,690,241	7.49
8	Others	155	5,034,036	5.63
Total (excluding: shareholder holding 10%)		4,153	89,379,504	100.00

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 10 as per the following:

a. Male:	9
b. Female:	1

2. The composition of the Board is as follows:

a) Independent Director	3
b) Non-executive Directors	5
c) Executive Directors	2
d) Female Director	1

(included in Independent Director)

During the year, there were changes in the composition of the Board. Mr. Atif Aslam Bajwa resigned, and Mr. Asghar Abbas and Mr. Shamim Ahmed Khan retired from the Board of the Company. Mr. Hasan Askari, Mrs. Saba Kamal and Mr. Irfan Mustafa were appointed to the Board of the Company. The Board wishes to place on record the valuable services rendered by Mr. Atif Aslam Bajwa, Mr. Asghar Abbas and Mr. Shamim Ahmed Khan during their tenure as Directors and welcomes Mr. Hasan Askari, Mrs. Saba Kamal and Mr. Irfan Mustafa on the Board of the Company.

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. 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. During the year the Board has arranged Directors' Training Program for the following director:-

1. Mr. Hasan Askari *(Independent Director)*

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. Hasan Askari	-	Chairman
<i>(Independent Director)</i>		
Mr. Imran Khalid Niazi	-	Member
<i>(Non-Executive Director)</i>		
Syed Aslam Mehdi	-	Member
<i>(Executive Director)</i>		
Syed Shahid Ali	-	Member
<i>(Non-Executive Director)</i>		
Mr. Tariq Iqbal Khan	-	Member
<i>(Non-Executive Director)</i>		

During the year, Mr. Hasan Askari joined the Audit Committee in place of Mr. Atif Aslam Bajwa who resigned from the Board of the Company effective March 14, 2020.

Statement of Compliance

With Listed Companies (Code Of Corporate Governance) Regulations, 2019
For The Year Ended December 31, 2020

Furthermore Mr. Shamim Ahmad Khan also retired as a director and resultant was no longer a member of the Audit Committee effective May 29, 2020.

b) Human Resource and Remuneration Committee:

Mrs. Saba Kamal (Independent Director)	-	Chairman
Mr. Towfiq Habib Chinoy (Non-Executive Director)	-	Member
Syed Hyder Ali (Chief Executive & Managing Director)	-	Member
Mr. Josef Meinrad Mueller (Non-Executive Director)	-	Member
Mr. Irfan Mustafa (Independent Director)	-	Member
Mr. Imran Khalid Niazi (Non-Executive Director)	-	Member

During the year, Mrs. Saba Kamal joined the Human Resource and Remuneration Committee in place of Mr. Atif Aslam Bajwa who resigned from the Board of the Company effective March 14, 2020. Furthermore, Mr. Tariq Iqbal Khan resigned from the committee effective August 19, 2020 and was replaced by Mr. Irfan Mustafa.

The terms of reference of the Nomination Committee are included in the Human Resource and Remuneration Committee and that of the Risk Management Committee are included in the terms of reference of the Audit Committee.

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 | Semi annual meetings |

15. The Board has set up an effective internal audit function which is considered suitably qualified, 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.

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

Sr. No.	Requirement	Explanation for Non-Compliance	Reg. No.
1	Representation of Minority shareholders: The minority members as a class shall be facilitated by the Board to contest election of directors by proxy solicitation.	No member has intended to contest election as director representing minority shareholders.	5
2	Responsibilities of the Board and its members: Adoption of the corporate governance practices (CCG).	Non-mandatory provisions of the CCG Regulations are partially complied.	10 (1)
3	Nomination Committee: The Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors, as it may deem appropriate in its circumstances.	Currently, the Board has not constituted a separate Nomination Committee and the functions are being performed by the Human Resource and Remuneration Committee.	19 (1)
4	Risk Management Committee (RMC) : 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.	Currently, the Board has not constituted a RMC and the Company's Audit Committee performs the requisite functions and apprises the board accordingly.	30 (1)



TOWFIQ HABIB CHINOI
Chairman
Lahore, March 19, 2021

Independent Auditor's Review Report

To the members of Packages 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 Packages 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.



A.F. Ferguson & Co.

Chartered Accountants

Place: Lahore

Date: March 19, 2021

Name of engagement partner: Muhammad Masood

Independent Auditor's Report

To the members of Packages Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of Packages Limited (the Company), which comprise the unconsolidated statement of financial position as at December 31, 2020, and the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated 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 unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated 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 loss, 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 Unconsolidated 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 unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
1.	<p>Transfer of manufacturing business to Subsidiary</p> <p>(Refer note 2 to the annexed unconsolidated financial statements)</p> <p>During the year, a Scheme of arrangement was approved between the Company and its subsidiary company, Packages Convertors Limited ("PCL") dated June 26, 2020 wherein the "Manufacturing Business" has been transferred to PCL with effect from July 01, 2020.</p> <p>Accounting treatment is provided by the management for transferring of assets and liabilities of the Manufacturing Business at their carrying values to PCL and accordingly, the impact is given in the unconsolidated financial statements for the year ended December 31, 2020.</p> <p>Due to this being a significant event which has happened during the year and it required compliance of the Scheme and applicable accounting and reporting standards, we consider this to be a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none">- Obtained an understanding of the transaction. We have read the approved scheme of arrangement related to demerger and identified pertinent terms relevant to the accounting for the transaction. We assessed the Company's conclusion as regard to business combination accounting in the books of the Company using the 'predecessor method' as it was a business combination of entities under common control and therefore, scoped out of International Financial Reporting Standard 3 'Business Combinations' with respect to the demerger Scheme;- Obtained the Converting Business Transfer Agreement (BTA) executed between both the Company and PCL and ensured its compliance;

Independent Auditor's Report

To the members of Packages Limited

Report on the Audit of the Financial Statements

S. No.	Key audit matters	How the matter was addressed in our audit
		<ul style="list-style-type: none"> - Obtained a detail of assets and related liabilities transferred to PCL as at July 1, 2020 and also matched them with the underlying records and books of account of the Company; - Tested the arithmetic accuracy of management's calculations for giving effect of the Scheme in unconsolidated financial statements; - Inspected all the approvals of the Boards of Directors and members of both the Company and PCL; - Checked all the regulatory approvals that were required for this transaction including shares to be issued against the net assets transferred; and <p>Checked the adequacy of the disclosures made by the Company with regard to applicable accounting and reporting standards.</p>
2.	<p>Deferred taxation</p> <p>(Refer notes 5.1 and 11 to the annexed unconsolidated financial statements)</p> <p>The Company has recognized deferred tax in respect of unused minimum tax credits. Deferred tax asset on such item has been recognized as it is probable that sufficient taxable profits will be available in future, before their expiry, for their utilization on the basis of the Group's approved business plan.</p> <p>Due to the significant level of judgement and estimation required in preparing the business plan for determining recoverability of deferred tax assets and the significance of the amounts involved, we consider it to be a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> - Obtained an understanding of the Company's process of preparing the deferred tax working and tested internal controls over management's valuation of deferred tax assets; - Obtained an understanding regarding the relevant tax laws with respect to availability of tax credits; - Recalculated the amount of tax credits in accordance with the provisions of Income Tax Ordinance, 2001; - Involved internal tax specialists to check the income tax computation for the year and assessed the management's conclusion on carry forward of the tax credits; - Obtained the Group's approved business plan and evaluated the management's assumptions used in the preparation of business plan; - Assessed the reasonableness of computation of taxable income derived from the Group's approved business plan; and <p>Assessed the appropriateness of accounting policy in respect of recognition of deferred tax assets on unused tax credits and the adequacy of the disclosures made by the Company in this area with regard to the applicable accounting and reporting standards.</p>

Information Other than the Unconsolidated and Consolidated Financial Statements and Auditor's Reports Thereon

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

Our opinion on the unconsolidated 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 unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated 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 Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated 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 unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated 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 Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated 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 unconsolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement 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 unconsolidated 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 unconsolidated financial statements, including the disclosures, and whether the unconsolidated 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 unconsolidated 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 unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated 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 Muhammad Masood.



A.F. Ferguson & Co.
Chartered Accountants
Lahore
Date: March 31, 2021

PACKAGES LIMITED

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2020

	Note	2020 (Rupees in thousand)	2019 (Rupees in thousand)
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized share capital			
- 150,000,000 (2019: 150,000,000) ordinary shares of Rs 10 each		1,500,000	1,500,000
- 22,000,000 (2019: 22,000,000) 10% non-voting preference shares / convertible stock of Rs 190 each		4,180,000	4,180,000
		<u>5,680,000</u>	<u>5,680,000</u>
Issued, subscribed and paid up share capital			
- 89,379,504 (2019: 89,379,504) ordinary shares of Rs 10 each	6	893,795	893,795
- 8,186,842 (2019: 8,186,842) 10% non-voting preference shares / convertible stock of Rs 190 each	8	606,222	606,222
Other reserves	7	45,029,439	49,083,612
Revenue reserve: Un-appropriated profits		3,161,751	2,338,349
		<u>49,691,207</u>	<u>52,921,978</u>
NON-CURRENT LIABILITIES			
Long term finances	8	932,650	2,732,650
Lease liabilities	9	-	40,774
Long term advances	10	8,163	58,907
Deferred taxation	11	-	461,990
Employee retirement benefits	12	302,697	620,559
Deferred liabilities	13	39,381	178,448
		<u>1,282,891</u>	<u>4,093,328</u>
CURRENT LIABILITIES			
Current portion of non-current liabilities	14	2,173	221,348
Short term borrowings - secured	15	453,159	5,713,146
Trade and other payables	16	1,511,168	3,486,302
Unclaimed dividend		54,750	55,203
Accrued finance cost	17	172,603	335,208
		<u>2,193,853</u>	<u>9,811,207</u>
CONTINGENCIES AND COMMITMENTS			
	18	<u>53,167,951</u>	<u>66,826,513</u>

ASSETS

NON-CURRENT ASSETS

Property, plant and equipment	19	164,705	7,286,430
Right-of-use assets	20	-	62,592
Investment properties	21	1,421,693	487,443
Intangible assets	22	2,611	65,129
Investments	23	46,186,402	47,713,862
Long term security deposits		5,344	7,771
Long term loans	24	-	288
Deferred taxation	11	262,476	-
		<u>48,043,231</u>	<u>55,623,515</u>

CURRENT ASSETS

Stores and spares	25	-	658,159
Stock-in-trade	26	-	3,438,686
Short term investments		-	80,000
Trade debts	27	74,418	3,045,048
Loans, advances, deposits, prepayments and other receivables	28	1,926,840	857,917
Income tax receivable	29	2,996,785	2,888,058
Cash and bank balances	30	126,677	235,130
		<u>5,124,720</u>	<u>11,202,998</u>
		<u>53,167,951</u>	<u>66,826,513</u>

The annexed notes 1 to 51 form an integral part of these unconsolidated financial statements.


Chief Executive


Director

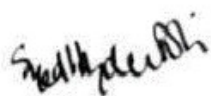

Chief Financial Officer

PACKAGES LIMITED

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020 (Rupees in thousand)	2019
Local sales		15,306,699	27,355,555
Export sales		113,420	192,167
		15,420,119	27,547,722
Less: Sales tax		2,375,115	4,273,761
Trade discounts		214,796	358,196
		2,589,911	4,631,957
Net sales		12,830,208	22,915,765
Cost of sales	31	(9,940,900)	(18,542,940)
Gross profit		2,889,308	4,372,825
Administrative expenses	32	(795,281)	(1,158,716)
Distribution and marketing costs	33	(751,824)	(1,254,341)
Reversal of impairment losses / (Net impairment losses) on financial assets	34	69,159	(69,768)
Other expenses	35	(116,470)	(929,648)
Other income	36	406,333	326,972
Finance cost	37	(782,263)	(1,055,940)
Investment income	38	1,916,898	1,934,288
Profit before taxation		2,835,860	2,165,672
Taxation	39	(16,336)	(819,369)
Profit for the year		2,819,524	1,346,303
Earnings per share		Rupees	Rupees
- Basic	47.1	31.55	15.06
- Diluted	47.2	30.48	14.79

The annexed notes 1 to 51 form an integral part of these unconsolidated financial statements.



Chief Executive



Director



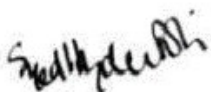
Chief Financial Officer

PACKAGES LIMITED

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020 (Rupees in thousand)	2019
Profit for the year		2,819,524	1,346,303
Other comprehensive loss for the year - net of tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Change in fair value of investments at fair value through other comprehensive income (FVOCI)	23.3	(5,054,173)	(3,466,785)
Remeasurements of retirement benefits		107,650	(26,510)
Tax effect of remeasurements of retirement benefits		(31,218)	7,688
		(4,977,741)	(3,485,607)
Other comprehensive loss for the year		(4,977,741)	(3,485,607)
Total comprehensive loss for the year		(2,158,217)	(2,139,304)

The annexed notes 1 to 51 form an integral part of these unconsolidated financial statements.



Chief Executive



Director



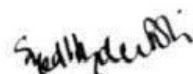
Chief Financial Officer

PACKAGES LIMITED

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2020

	Issued, subscribed and paid up share capital			Reserves				Capital and reserves
	Ordinary share capital	Preference shares / convertible stock	Share premium	Capital reserves		Revenue reserves		Total
				FVOCI reserve	Capital redemption reserve	General reserve	Un-appropriated profits	
(Rupees in thousand)								
Balance as on January 1, 2019	893,795	606,222	3,766,738	28,858,326	1,615,000	17,310,333	3,351,559	56,401,973
Appropriation of reserves								
Transfer to general reserve	-	-	-	-	-	1,000,000	(1,000,000)	-
Transaction with owners in their capacity as owners, recognised directly in equity								
Final dividend for the year ended December 31, 2018 of Rs 15.00 per share	-	-	-	-	-	-	(1,340,691)	(1,340,691)
Total comprehensive loss for the year								
Profit for the year	-	-	-	-	-	-	1,346,303	1,346,303
Other comprehensive loss for the year	-	-	-	(3,466,785)	-	-	(18,822)	(3,485,607)
	-	-	-	(3,466,785)	-	-	1,327,481	(2,139,304)
Balance as on December 31, 2019	893,795	606,222	3,766,738	25,391,541	1,615,000	18,310,333	2,338,349	52,921,978
Appropriation of reserves								
Transfer to general reserve	-	-	-	-	-	1,000,000	(1,000,000)	-
Transaction with owners in their capacity as owners, recognized directly in equity								
Final dividend for the year ended December 31, 2019 of Rs 12.00 per share	-	-	-	-	-	-	(1,072,554)	(1,072,554)
Total comprehensive income / (loss) for the year								
Profit for the year	-	-	-	-	-	-	2,819,524	2,819,524
Other comprehensive (loss) / income for the year	-	-	-	(5,054,173)	-	-	76,432	(4,977,741)
	-	-	-	(5,054,173)	-	-	2,895,956	(2,158,217)
Balance as on December 31, 2020	893,795	606,222	3,766,738	20,337,368	1,615,000	19,310,333	3,161,751	49,691,207

The annexed notes 1 to 51 form an integral part of these unconsolidated financial statements.



Chief Executive



Director



Chief Financial Officer

PACKAGES LIMITED

UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020 (Rupees in thousand)	2019
Cash flows from operating activities			
Cash generated from operations	44.1	2,312,377	1,844,199
Finance cost paid		(913,524)	(963,463)
Income tax paid		(456,940)	(625,554)
Income tax refunded		-	50,033
Long term loans - net		379	2,563
Long term security deposits - net		2,288	763
Payments for accumulating compensated absences		(4,130)	(226,947)
Employee retirement benefits paid		(72,287)	(25,679)
Net cash inflow from operating activities		868,163	55,915
Cash flows from investing activities			
Fixed capital expenditure		(699,639)	(1,995,235)
Investments in equity securities		(443,811)	(614,538)
Long term advances -net		663	3,336
Proceeds from disposal of investments		-	10,000
Proceeds from disposal of property, plant and equipment		42,396	77,281
Dividends received		825,024	2,025,215
Net cash outflow from investing activities		(275,367)	(493,941)
Cash flows from financing activities			
Repayment of long term finances		-	(1,321,450)
Proceeds from long term finances		2,243,333	2,000,000
Repayment of lease liabilities		(11,588)	(19,519)
Dividend paid		(1,073,007)	(1,347,518)
Net cash inflow / (outflow) from financing activities		1,158,738	(688,487)
Net increase / (decrease) in cash and cash equivalents		1,751,534	(1,126,513)
Short term borrowings transferred to Packages Convertors Limited	2	3,400,000	-
Cash and cash equivalents at the beginning of the year		(5,478,016)	(4,351,503)
Cash and cash equivalents at the end of the year	44.2	(326,482)	(5,478,016)

Refer notes 8 and 9 for reconciliation of liabilities arising from financing activities.

The annexed notes 1 to 51 form an integral part of these unconsolidated financial statements.


Chief Executive


Director


Chief Financial Officer

PACKAGES LIMITED

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

1. The Company and its activities

Packages Limited (the 'Company') is a public company limited by shares incorporated in Pakistan. The Company's ordinary shares are listed on the Pakistan Stock Exchange Limited. The registered office of the Company is situated at 4th floor, the Forum, Suite No. 416 - 422, G-20, Block 9, Khayaban-e-Jami, Clifton, Karachi, Pakistan. Head office and factory is located at Shahrah-e-Roomi, P.O. Amer Sidhu, Lahore, Pakistan.

The Company was principally engaged in the manufacture and sale of packaging materials and tissue and consumer products till the date of transfer of manufacturing business as mentioned in note 2.

The Company is now an investment holding company having investments in companies engaged in various businesses including packaging materials and tissue and consumer products, industrial inks, paper, paperboard products and corrugated boxes, biaxially oriented polypropylene ('BOPP') and cast polypropylene ('CPP') films, ground calcium carbonate products, insurance, power generation and real estate.

These unconsolidated financial statements are the separate financial statements of the Company in which investment in subsidiaries, associates and joint venture have been accounted for at cost less accumulated impairment losses, if any. Consolidated financial statements are prepared separately.

2. Internal restructuring - Transfer of manufacturing operations to wholly owned subsidiary

The Board of Directors ('Board') of the Company in its meeting held on April 24, 2019, evaluated and approved the internal restructuring of the Company subject to procuring all applicable regulatory, corporate and third party approvals and execution of relevant documents / agreements between the Company and its relevant subsidiaries. The purpose of this arrangement was to develop operating synergies across businesses, managing operations in a focused manner and streamlining the ownership structure. The restructuring does not affect the rights of the members of the Company.

In this regard, the Company's Board decided to transfer its manufacturing businesses including folding cartons, flexible packaging, tissue and consumer products and mechanical fabrication and roll covers along with all the relevant assets and related liabilities to its wholly owned subsidiary ('Packages Convertors Limited') for a consideration in the form of ordinary shares of Packages Convertors Limited in accordance with the Converting Business Transfer Agreement dated July 23, 2019 executed between Packages Limited and Packages Convertors Limited.

The above transaction was approved by the members of both the Company and Packages Convertors Limited in their Extra Ordinary General Meetings (EOGMs) held on May 30, 2019 and July 17, 2019 respectively. Furthermore, on July 29, 2019, Packages Convertors Limited filed an application with the Securities and Exchange Commission of Pakistan ('SECP') for affecting the above-mentioned transfers of assets and related liabilities. On January 22, 2020, SECP approved the above mentioned application filed, subject to fulfilment of certain conditions. Accordingly, the Board of the Company, in its meeting held on March 13, 2020, resolved to consummate the transfer of converting Business.

The Board of Packages Convertors Limited, in its meeting held on June 26, 2020 consented to accept the Company's proposal to consider July 1, 2020 as the Effective Date for transfer of Converting Business to Packages Convertors Limited from the Company for consideration in the form of shares of the Packages Convertors Limited.

Consequently, the Company has transferred the assets and corresponding liabilities of the manufacturing business at carrying values as at July 1, 2020 and recognised investment in subsidiary at the carrying value of the net assets transferred and no gain or loss has been recognised by the Company on this transfer.

As stated above, in consideration for the transfer of the following assets and liabilities to Packages Convertors Limited at respective carrying values on July 1, 2020, the Company has been issued ordinary shares of Packages Convertors Limited as on February 17, 2021 as referred to in note 23.1.2.

	Carrying amounts as at July 1, 2020 (Rupees in thousand)
Non-current assets	
Property, plant and equipment	6,385,957
Right-of-use assets	70,820
Intangible assets	56,637
Long term security deposits	139
Long term loans	248
	<u>6,513,801</u>
Current assets	
Stores and spares	768,414
Stock-in-trade	4,891,004
Loans, advances, deposits, prepayments and other receivables	58,718
	<u>5,718,136</u>
Total assets	<u><u>12,231,937</u></u>
Liabilities	
Long term finances	4,243,333
Lease liabilities	70,402
Long term advances	66,166
Deferred income	148,255
Deferred taxation	453,675
Retirement benefits	220,057
Deferred liabilities	165,101
Finances under mark up arrangements - secured	3,400,000
Other payables	367,142
Accrued finance costs	14,904
	<u>9,149,035</u>
Total liabilities	<u>9,149,035</u>
Net assets	<u><u>3,082,902</u></u>

3. Basis of preparation

3.1 Statement of compliance

These unconsolidated 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; and
- Provisions of and directives issued under the Companies Act, 2017 ('Act').

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.2 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the Company's unconsolidated financial statements covering annual periods, beginning on or after the following dates:

3.2.1 Standards, amendments to published standards and interpretations that are effective in the current year

Certain standards, amendments and interpretations to IFRS are effective for accounting period beginning on January 1, 2020 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these unconsolidated financial statements.

3.2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

There are certain standards, amendments to the accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2021 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these unconsolidated financial statements, except for the following :

a) Classification of liabilities - Amendment to IAS 1: (effective for period beginning on January 01, 2021)

The IASB issued a narrow-scope amendment to IAS 1, 'Presentation of Financial Statements', to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

In particular, the amendment clarify that:

- liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendment no longer refers to unconditional rights.
- the assessment determines whether a right exists, but it does not consider whether the entity will exercise the right. So, management's expectations do not affect the classification.
- the right to defer only exists if the entity complies with any relevant conditions at the reporting date. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date.
- 'Settlement' is defined as the extinguishment of a liability with cash, other economic resources or an entity's own equity instruments.

The Company does not expect any significant impact of this amendment on its unconsolidated financial statements.

4. Basis of measurement

4.1 These unconsolidated financial statements have been prepared under the historical cost convention except for remeasurement of certain financial instruments at fair value and recognition of certain employee benefit obligations, lease liabilities and long term advances at present value.

4.2 Critical accounting estimates and judgements

The preparation of unconsolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to the estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the unconsolidated financial statements.

- i) Useful lives and residual values of property, plant and equipment and investment properties - notes 5.2, 5.4, 19 and 21
- ii) Employee benefits - notes 5.11, 12 and 13
- iii) Provision for taxation and deferred tax asset on tax credits and losses - notes 5.1, 11, 29 and 39
- iv) Impairment of financial assets (other than investments in equity instruments) - notes 5.8, 27, 28 and 34
- v) Lease term and discount rate for leases - notes 5.6, 9 and 20
- vi) Impairment testing of investment in subsidiaries, associates and joint ventures - notes 5.7 and 23
- vii) Provision for obsolescence of stores, spare parts and stock in trade - notes 5.12, 5.13, 25 and 26.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.

5. Significant accounting policies

The significant accounting policies adopted in the preparation of these unconsolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

5.1 Taxation

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

SECP vide its certificate dated July 30, 2019, has registered the Company, Bulleh Shah Packaging (Private) Limited ('BSPPL'), Packages Investments Limited and Packages Convertors Limited (together the 'Group') as a Group and has also, vide its certificate dated November 6 2019, designated the Group for the purpose of group taxation under Section 59AA of the Income Tax Ordinance, 2001. Consequent to the filing of declaration for group taxation for the tax year 2021 by the Company, the Group will be taxed as one fiscal unit for the tax year 2021.

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of the taxable profit. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction neither affects accounting nor taxable profit or loss. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on the tax rates (and tax laws) that have been enacted or substantively enacted by the statement of reporting date. Deferred tax is charged or credited to the statement of profit or loss, except in the case of items charged or credited directly to other comprehensive income or equity in which case it is included in the statement of other comprehensive income or changes in equity.

Group taxation adjustments

Current and deferred taxes based on the consolidated results of the Group are allocated within the Group on the basis of separate return method, modified for determining realizability of tax credits and tax losses which are assessed at Group level. Any adjustments in the current and deferred taxes of the Company on account of group taxation are credited or charged to statement of profit or loss in the year in which they arise.

5.2 Property, plant and equipment

5.2.1 Operating fixed assets

Operating fixed assets, except freehold land and leasehold land, are stated at cost less accumulated depreciation and any identified impairment loss. Leasehold land is stated at cost less accumulated amortisation and freehold land is stated at cost less any identified impairment loss. Cost of leasehold land is amortised using the straight line method over the period of lease term. Cost in relation to certain plant and machinery signifies historical cost, gains and losses transferred from equity on qualifying cash flow hedges as referred to in note 5.19 and borrowing costs as referred to in note 5.22. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation on all operating fixed assets is charged to unconsolidated statement of profit or loss on straight-line method so as to write off the depreciable amount of an asset over its estimated useful life at the following annual rates:

	Rates per annum
- Leasehold land	1.01% to 2.05%
- Buildings	4% to 20.00%
- Plant and machinery	6.67% to 20.00%
- Other equipment	6.67% to 50.00%
- Furniture and fixtures	10.00% to 33.33%
- Vehicles	14.29% to 20.00%

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Company's estimate of the residual values and useful lives of its owned assets as at December 31, 2020 has not required any adjustment as its impact is considered insignificant.

Depreciation on additions to operating fixed assets is charged from the month in which an asset is available for use while no depreciation is charged for the month in which the asset is derecognized or retired from active use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount as fully explained in note 5.3 to these unconsolidated financial statements.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to statement of profit or loss during the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

5.2.2 Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss. All expenditure including borrowing costs connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating fixed assets as and when these are available for use.

5.2.3 Major spare parts and stand-by equipment

Major spare parts and stand-by equipment qualify as property, plant and equipment when an entity expects to use them for more than one year. Transfers are made to operating fixed assets category as and when such items are available for use.

5.3 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

5.4 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property. Investment properties are leased to tenants with rentals payable monthly. The investment properties of the Company comprise land and buildings. The investment properties, except freehold land, are stated at cost less accumulated depreciation and any identified impairment losses. Freehold land is stated at cost less any identified impairment loss.

Depreciation on buildings is charged to unconsolidated statement of profit or loss on straight-line method so as to write off the depreciable amount of buildings over its estimated useful life at the rates ranging from 2.50% to 14.29% per annum. Depreciation on additions to investment properties is charged from the month in which an asset is available for use while no depreciation is charged for the month in which the asset is derecognized or retired from active use.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Company's estimate of the residual values and useful lives of its investment properties as at December 31, 2020 has not required any adjustment as its impact is considered insignificant.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount as fully explained in note 5.3 to these unconsolidated financial statements.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its carrying value at the date of reclassification becomes its cost for subsequent accounting at the date of change in use.

Land held for an undetermined future use is also classified as investment property.

5.5 Intangible assets

Expenditure incurred to acquire computer software, SAP Enterprise Resource Planning ('ERP') System and develop websites are capitalised as intangible assets and stated at cost less accumulated amortisation and any identified impairment loss. Intangible assets are amortised using the straight-line method over their estimated useful lives at the rates ranging from 10.00% to 33.00% per annum.

Costs associated with maintaining intangible assets are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Useful lives of intangible assets are reviewed, at each reporting date and adjusted if the impact of on amortisation is significant. The Company's estimate of the useful lives of its intangible assets as at December 31, 2020 has not required any adjustment as its impact is considered insignificant.

Amortisation on additions to intangible assets is charged from the month in which an asset is acquired or capitalised while no amortisation is charged for the month in which the asset is derecognized or retired from active use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount as fully explained in note 5.3 to these unconsolidated financial statements.

5.6 Leases

(1) The Company is the lessee:

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 terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments include fixed payments, variable lease payments that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. 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. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. 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 if the carrying amount of right-of-use asset has been reduced to zero.

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

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

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.

(2) The Company is the lessor:

Operating leases

Properties leased out under operating leases are included in investment property in the statement of financial position (note 21). Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

5.7 Investments

Investments intended to be held for less than twelve months from the reporting date or to be sold to raise operating capital, are included in current assets. All other investments are classified as non-current. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

5.7.1 Investments in equity instruments of subsidiaries, associates and joint ventures

Investments in equity instrument of subsidiaries, associates and joint ventures are measured at cost as per the requirements of IAS-27 "Separate Financial Statements". However, at subsequent reporting dates, the Company reviews the carrying amount of the investment and its recoverability to determine whether there is an indication that such investment has suffered an impairment loss. If any such indication exists, the carrying amount of the investment is adjusted to the extent of impairment loss. Impairment losses are recognised as an expense in the statement of profit or loss. Cost in relation to investments made in foreign currency is determined by translating the consideration paid in foreign currency into Pak Rupees at exchange rate prevailing on the date of transaction. In case of an increase in the investment in a subsidiary, associate or joint venture, the accumulated cost represents the carrying value of the investment. This is also applicable if the additional investment results in an associate or joint venture becoming a subsidiary.

The Company assesses at the end of each reporting period whether there is any indication that a previously recognised impairment loss may no longer exist or may have decreased. It assesses whether there have been favourable events or changes in circumstances, since impairment loss was recognised. If any such indication exists, the Company estimates the recoverable amount of that investment and reverses the impairment loss. The amount of any reversal recognised is restricted to increasing the carrying value of investment to the carrying value that would have been recognised if the original impairment had not occurred.

The Company is required to issue consolidated financial statements along with its separate financial statements in accordance with the requirements of IFRS 10, 'Consolidated financial statements' and IAS 27, 'Separate financial statements'.

5.8 Financial assets

5.8.1 Classification

The Company classifies its financial assets other than investments in subsidiaries in the following measurement categories:

- those to be measured subsequently at fair value [either through other comprehensive income ('OCI') or through profit or loss]; and
- those to be measured at amortised cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

5.8.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

5.8.3 Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

i) Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as a separate line item in the statement of profit or loss.

ii) FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in other income using the effective interest rate method. Impairment expenses are presented as a separate line item in the statement of profit or loss.

iii) FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments except for investments in subsidiaries, associates and joint ventures at fair value through other comprehensive income. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in the statement of profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

5.8.4 Impairment of financial assets other than investment in equity instruments

The Company assesses on a forward-looking basis the expected credit losses (ECL) associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade debts, the Company applies IFRS 9 simplified approach to measure the expected credit losses (loss allowance) which uses a life time expected loss allowance to be recognised from initial recognition of the receivables while general 3-stage approach for loans, deposits, other receivables and bank balances i.e. to measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition.

Following are the financial assets that are subject to the ECL model:

- Trade debts;
- Loans, deposits and other receivables;
- Long term security deposits and loans;
- Bank balances; and
- Short term investments.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information (adjusted for factors that are specific to the counterparty, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate). As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date. Loss allowances are forward looking, based on 12 month expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected losses.

Expected credit losses are a probability weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. In the absence of a change in credit rating, allowances are recognised when there is reduction in the net present value of expected cash flows. On a significant increase in credit risk, allowances are recognised without a change in the expected cash flows, although typically expected cash flows do also change; and expected credit losses are rebased from 12 month to lifetime expectations.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the instrument as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are considered while assessing credit risk:

-actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;

- actual or expected significant changes in the operating results of the debtor;
- significant increase in credit risk on other financial instruments of the same debtor; and
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees, if applicable.

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collaterals held by the Company).

Irrespective of the above analysis, in case of trade debts, the Company considers that default has occurred when a debt is more than 360 days past due, unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

The Company recognises life time ECL on trade debts, using the simplified approach. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Trade debts with individually significant balance are separately assessed for ECL measurement. All other receivables are grouped and assessed collectively based on shared credit risk characteristics and the days past due. The expected credit losses on these financial assets are estimated using a provision matrix approach based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- external credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Company recognizes an impairment gain or loss in the statement of profit or loss for financial assets with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Company may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

5.9 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised cost are initially measured at fair value less transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed on profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective yield method.

A financial liability is derecognized 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 derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the statement of profit or loss.

5.10 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the unconsolidated financial statements only when there is a legally enforceable right to set off the recognised amount and the Company intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

5.11 Employee benefits

5.11.1 Short term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating annual leaves that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

5.11.2 Post employment benefits

Retirement benefits are payable to staff on completion of prescribed qualifying period of service. The main features of the schemes operated by the Company for its employees are as follows:

(i) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than the defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the Projected Unit Credit method.

(a) Gratuity plan

There is an approved funded defined benefit gratuity plan for all permanent employees subject to attainment of service of prescribed minimum period. Monthly contributions are made to this fund on the basis of actuarial recommendations at the rate of 4.50% 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 during the year was Rs 20.797 million (2019: Rs 38.424 million). The employees of the Company are entitled to gratuity payments on the basis of their service with the Company and in accordance with the Company policy.

The actual return on plan assets represents the difference between the fair value of plan assets at the beginning of the year and as at the end of the year after adjustments for contributions made by the Company as reduced by benefits paid during the year.

The amount recognized in statement of financial position represents the present value of the defined benefit obligation as reduced by the fair value of the plan assets.

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 year in which they arise. Past service costs are recognized immediately in the statement of profit or loss.

The future contribution rate of the plan includes allowances for deficit and surplus. Projected Unit Credit Method, using the following significant assumptions, is used for valuation of this scheme:

	2020	2019
Discount rate per annum	9.75%	11.25%
Expected rate of increase in salary level per annum	9.75%	11.25%
Expected mortality rate	SLIC (2001-2005) mortality table	SLIC (2001-2005) mortality table
Expected rate of return per annum	9.75%	11.25%

Plan assets include long term government bonds, equity instruments of listed companies, units of mutual funds, izafa certificates, treasury bills, sukuk certificates and term deposits with banks.

The Company is expected to contribute Rs 14.758 million to the gratuity fund in the next financial year.

(b) Pension plan

Management and executive staff hired before January 1, 2016 participate in the pension fund of the Company. On December 26, 2012, the Board of Trustees of the pension fund, decided to convert the defined benefit plan to defined contribution plan for all its active employees with effect from January 1, 2013 with no impact on the pensioners appearing on the pensioners' list as of that date. The proposed scheme was approved for implementation by the Commissioner Inland Revenue on February 22, 2013 and employees' consent to the proposed scheme was sought and obtained.

Consequently, the pension fund currently operates two different plans for its members:

- Defined contribution plan for active employees hired before January 1, 2016; and
- Defined benefit plan for pensioners who have retired on or before December 31, 2012.

In respect of the defined contribution plan, the Company contributes 20.00% of members' monthly basic salary to the scheme; whereas, an employee may or may not opt to contribute 6.00% of his monthly basic salary to the scheme.

The obligation in respect of the defined benefit plan is determined by the Company's actuary at each year end. Any funding gap identified by the Company's actuary is paid by the Company from time to time. The last actuarial valuation was carried out as at December 31, 2020.

	2020	2019
Discount rate per annum	9.75%	11.25%
Expected rate of increase in pension level per annum	5.00%	3.50%
Expected mortality rate	SLIC (2001-2005) mortality table	SLIC (2001-2005) mortality table
Expected rate of return per annum	9.75%	11.25%
Average duration of liability (years)	7	7

Plan assets include long term government bonds, equity instruments of listed companies, units of mutual funds, term finance certificates, izafa certificates, treasury bills, sukuk certificates and term deposits with banks.

The actual return on plan assets represents the difference between the fair value of plan assets at the beginning of the year and as at the end of the year after adjustments for contributions made by the Company as reduced by benefits paid during the year.

The amount recognized in statement of financial position represents the present value of the defined benefit obligation as reduced by the fair value of the plan assets.

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 recognised immediately in unconsolidated statement of profit or loss.

Pension fund is a multi-employer plan formed by the Company in collaboration with Tri-Pack Films Limited ('TPFL'). The Company reports its proportionate share of the plan's commitments, managed assets and costs, after deducting share of TPFL, in accordance with guidance provided by IAS 19 'Employee Benefits', regarding defined benefit plans.

(ii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in unconsolidated statement of profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Company operates a recognised / approved contributory provident fund for its permanent employees. Equal monthly contributions at the rate of 10.00% per annum of basic salaries plus dearness allowance and cost of living allowance are made by the Company and the employees to the fund. The Company has no further payment obligations once the contributions have been paid. Obligation for contributions to defined contribution plan is recognised as an expense in the statement of profit or loss as and when incurred. The nature of contributory pension fund has been explained in note 5.11.2(i)(b) above.

5.11.3 Accumulating compensated absences

The Company provides for accumulating compensated absences when the employees render services that increase their entitlement to future compensated absences. The annual leaves can be encashed at the time the employee leaves the Company on the basis of the gross salary while no encashment is available for medical leaves. The employees of the Company are entitled to earned annual and medical leaves on the basis of their service with the Company and in accordance with the Company policy.

As per the Company's leaves policy, employees are entitled to following earned leaves along with their maximum accumulation.

	Earned leaves entitlement per year (days)	Maximum accumulation of compensated leaves (days)
Service up to 14 years	15	30
Service from 15 to 21 years	21	42
Service of 22 years or more	21	42

Provisions are made annually to cover the obligation for accumulating compensated absences based on actuarial valuation and are charged to unconsolidated statement of profit or loss. The most recent valuation was carried out as at December 31, 2020 using the "Projected Unit Credit Method".

The amount recognised in the statement of financial position represents the present value of the defined benefit obligations. Actuarial gains and losses are charged to the statement of profit or loss immediately in the period when these occur.

Projected unit credit method, using the following significant assumptions, has been used for valuation of accumulating compensated absences:

	2020	2019
Discount rate per annum	9.75%	11.25%
Expected rate of increase in salary level per annum	9.75%	11.25%
Expected mortality rate	SLIC (2001-2005) mortality table	SLIC (2001-2005) mortality table
Duration of the plan (years)	8	8

5.12 Stores and spares

These are valued at weighted average cost except for items in transit which are stated at invoice value plus other charges paid thereon till the reporting date. For items which are slow-moving and/or identified as obsolete, adequate provision is made for any excess book value over estimated realisable value on a regular basis. The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence.

5.13 Stock-in-trade

Stock of raw materials (except for those in transit), work-in-process and finished goods are valued principally at the lower of weighted average cost and net realisable value ('NRV'). Stock of packing material is valued principally at moving average cost. Cost of work-in-process and finished goods comprises cost of direct materials, labour and related production overheads. It excludes borrowing cost.

Materials in transit are stated at cost comprising invoice value plus other charges paid thereon.

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

If the expected net realisable value is lower than the carrying amount, a write-down is recognised for the amount by which the carrying amount exceeds its net realisable value. Provision is made in the unconsolidated financial statements for obsolete and slow moving stock-in-trade based on management estimate.

5.14 Trade debts and other receivables

Trade debts and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing component in which case such are recognised at fair value. The Company holds the trade debts with the objective of collecting the contractual cash flows and therefore measures the trade debts subsequently at amortised cost using the effective interest rate method less loss allowance.

5.15 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, short term borrowings and bank overdrafts. Bank overdrafts and short term borrowings are shown within borrowings in current liabilities in the statement of financial position. Bank overdrafts are shown within trade and other payables in current liabilities.

5.16 Non-current assets / disposal group held-for-sale

Non-current assets are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less cost to sell.

5.17 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

5.18 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. These are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

5.19 Derivative financial instruments

These are initially recorded at cost on the date a derivative contract is entered into and are remeasured to fair value at subsequent reporting dates. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as cash flow hedges.

The Company documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flow of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in unconsolidated statement of other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the unconsolidated statement of profit or loss.

Amounts accumulated in equity are recognised in unconsolidated statement of profit or loss in the periods when the hedged item shall effect profit or loss. However, when the forecast hedged transaction results in the recognition of a non-financial asset or liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

5.20 Revenue recognition

Revenue is recognised when or as performance obligations are satisfied by transferring control of a promised good or service to a customer, and control either transfers over time or at a point in time. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, commissions and government levies. Revenue is recognised upon satisfaction of performance obligations.

5.21 Foreign currency transactions and translation

a) Functional and presentation currency

Items included in the unconsolidated financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss.

All foreign exchange gains and losses including foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss on a net basis within exchange gains/(losses). Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

5.22 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 in the period in which they are incurred.

5.23 Dividend

Dividend distribution to the Company's members is recognised as a liability in the period in which dividends are approved.

5.24 Compound financial instruments

Compound financial instruments issued by the Company represent preference shares / convertible stock that can be converted into ordinary shares or can be settled in cash.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

5.25 Provisions

Provisions for legal claims and make good obligations are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

5.26 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, if any.

5.27 Earnings per share

The Company presents basic and diluted earnings per share ('EPS') data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

5.28 Contingent liabilities

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company; or
- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

5.29 Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand Rupees unless otherwise stated.

6. Issued, subscribed and paid up share capital - ordinary share capital

2020 (Number of shares)	2019 (Number of shares)		2020 (Rupees in thousand)	2019 (Rupees in thousand)
33,603,295	33,603,295	- Ordinary shares of Rs 10 each fully paid in cash	336,033	336,033
148,780	148,780	- Ordinary shares of Rs 10 each issued for consideration other than cash (property, plant and equipment)	1,488	1,488
5,000,000	5,000,000	- Ordinary shares of Rs 10 issued against conversion of preference shares / convertible stock	50,000	50,000
50,627,429	50,627,429	- Ordinary shares of Rs 10 each issued as fully paid bonus shares	506,274	506,274
89,379,504	89,379,504		893,795	893,795

6.1 26,707,201 (2019: 26,707,201) ordinary shares of the Company are held by the Company's associate, IGI Investments (Private) Limited.

7. Other reserves

Movement in and composition of other reserves is as follows:

Capital reserves

- Share premium	- note 7.1	3,766,738	3,766,738
- FVOCI reserve	- note 7.2	20,337,368	25,391,541
- Capital redemption reserve	- note 7.3	1,615,000	1,615,000
		25,719,106	30,773,279

Revenue reserve

- General reserve		19,310,333	18,310,333
		45,029,439	49,083,612

7.1 This reserve can be utilised by the Company only for the purposes specified in section 81 of the Act.

7.2 This represents the unrealised gain on remeasurement of equity investments at FVOCI and is not available for distribution.

7.3 This reserve was created on account of redemption of 8.5 million preference shares / convertible stock of Rs 190 each in 2016 as per the requirements of section 85 of the repealed Companies Ordinance, 1984.

8. Long term finances

Long term loans - secured	- note 8.1	-	2,000,000
Preference shares / convertible stock - unsecured	- note 8.3	932,650	932,650
		932,650	2,932,650
Current portion shown under current liabilities	- note 14	-	(200,000)
		932,650	2,732,650

8.1 Long term loans - secured

Long term finance facility I	- note 8.1.1	-	2,000,000
Long term finance facility II	- note 8.1.2	-	-
Long term finance facility III	- note 8.1.3	-	-
		-	2,000,000

8.1.1 Long term finance facility I

This represented a Term Finance Facility (the 'Facility') of Rs 2,000 million was obtained from Habib Bank Limited to finance the fixed capital expenditure requirements of the Company. The Facility was secured against pledge of Nestle Pakistan Limited's shares owned by the Company under a "Share Pledge Agreement". The loan carried mark-up at the rate of six-month Karachi Inter-Bank Offered Rate ('KIBOR') plus 0.10% per annum. The effective mark-up rate charged during the year ranged from 7.34% to 13.59% per annum. The loan has been transferred to Packages Convertors Limited during the year as referred to in note 2.

8.1.2 Long term finance facility II

This represented a Term Finance Facility (the 'Facility') of Rs 2,000 million obtained from Habib Bank Limited to finance the fixed capital expenditure requirements of the Company. The Facility was secured against pledge of Nestle Pakistan Limited's shares owned by the Company under a "Share Pledge Agreement". The loan carried mark-up at the rate of six month KIBOR plus 0.10% per annum. The effective mark-up rate charged during the year ranged from 7.45% to 8.00% per annum. The loan has been transferred to Packages Convertors Limited during the year as referred to in note 2.

8.1.3 Long term finance facility III

This represented long term loan amounting to Rs 703.84 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 (SBP). The Facility was secured against pledge of Nestle Pakistan Limited's shares owned by the Company under a "Share Pledge Agreement". The loan carried mark-up at the rate of 0.5% per annum. The loan has been transferred to Packages Convertors Limited during the year as referred to in note 2.

8.2 The Company signed a loan agreement with International Finance Corporation ('IFC') on June 12, 2020 for a five-year loan of USD 25 million for future fundings. No disbursement has been made from the said facility till the date of authorization of these unconsolidated financial statements.

8.3 Preference shares / convertible stock - unsecured

During the year 2009, the Company issued 10.00% local currency non-voting preference shares / convertible stock at the rate of Rs 190 per share amounting to USD 50 million equivalent to Rs 4,120.50 million under "Subscription Agreement" dated March 25, 2009 with International Finance Corporation ('IFC').

Terms of redemption / conversion

Each holder of preference shares / convertible stock shall have a right to settle at any time, at the option of holder, either in the form of fixed number of ordinary shares, one ordinary share for one preference share / convertible stock, or cash. The Company may, on its discretion, refuse to purchase the preference shares / convertible stock offered to it for purchase in cash. In case of refusal by the Company, preference shareholders shall have the right to either retain the preference shares / convertible stock or to convert them into ordinary shares. The preference shares / convertible stock can be held till perpetuity if preference shareholders do not opt for the conversion or cash settlement.

Rate of return

The preference share / convertible stock holders have a preferred right of return at the rate of 10.00% per annum on a non-cumulative basis till the date of settlement of preference shares / convertible stock either in cash or ordinary shares. In case the amount of dividend paid to an ordinary shareholder exceeds that paid to a preference shareholder, the preference shareholders have the right to share the excess amount with the ordinary shareholders on an as-converted basis.

Preference shares / convertible stock are recognised in the unconsolidated statement of financial position as follows:

		2020 (Rupees in thousand)	2019 (Rupees in thousand)
Face value of preference shares / convertible stock [8,186,842 (2019: 8,186,842) shares of Rs 190 each]		1,555,500	1,555,500
Transaction costs		(16,628)	(16,628)
		1,538,872	1,538,872
Equity component - classified under capital and reserves		(606,222)	(606,222)
Liability component - classified under long term finances	- note 8	932,650	932,650
Accrued return on preference shares / convertible stock - classified under accrued finance cost	- note 17	155,550	155,550

The fair value of the liability component of the preference shares / convertible stock is calculated by discounting cash flows at a rate of approximately 16.50% till perpetuity which represents the rate of similar instrument with no associated equity component. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity as preference shares / convertible stock.

		2020 (Rupees in thousand)	2019 (Rupees in thousand)
8.4 The reconciliation of the carrying amount is as follows:			
Opening balance		2,932,650	932,650
Disbursements during the year		2,243,333	2,000,000
Transferred to Packages Convertors Limited	- note 2	(4,243,333)	-
		932,650	2,932,650
Current portion shown under current liabilities	- note 14	-	(200,000)
Closing balance		932,650	2,732,650

9. Lease liabilities

The Company has obtained rest houses and sales office buildings on lease from different parties. Reconciliation of the carrying amount is as follows:

		2020 (Rupees in thousand)	2019 (Rupees in thousand)
Opening balance		58,363	71,261
Interest on lease liability	- note 37	3,267	6,621
Payments made during the year		(11,588)	(19,519)
Lease liability recognised during the year		20,360	-
		70,402	58,363
Transferred to Packages Convertors Limited	- note 2	(70,402)	-
Current portion shown under current liabilities	- note 14	-	(17,589)
Closing balance		-	40,774

10. Long term advances

This represents contributions made by employees for purchase of the Company vehicles. The vehicles are transferred to employees at the end of six years as per the Company policy. The interest free long term advances have been carried at amortized cost using market interest rate of 7.05% to 12.28% per annum for a similar instrument. The reconciliation of the carrying amount is as follows:

		2020 (Rupees in thousand)	2019 (Rupees in thousand)
Opening balance		62,666	94,475
Additions during the year		13,995	18,996
Deletions during the year		(13,332)	(15,660)
Discounting adjustment	- note 36	-	(35,145)
Unwinding of finance cost of present value - net	- note 37	13,173	-
Transferred to Packages convertors Limited	- note 2	(66,166)	-
		10,336	62,666
Current portion shown under current liabilities	- note 14	(2,173)	(3,759)
Closing balance		8,163	58,907

11. Deferred taxation

(Asset)/ liability for deferred taxation comprises taxable/(deductible) temporary differences relating to:

Deferred tax liability

Accelerated tax depreciation	134,142	591,670
Others	2,923	-

Deferred tax asset

Minimum tax available for carry forward	- note 11.1	(363,647)	-
Provision for accumulating compensated absences		(11,422)	(51,750)
Provision for impairment loss on trade debts		(24,032)	(44,088)
Provision for slow moving stores and stock in trade		-	(27,780)
Others		(440)	(6,062)

Deferred tax (asset) / liability		(262,476)	461,990
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11.1 Deferred tax asset on tax credits representing minimum tax available for carry forward under section 113 of the Income Tax Ordinance, 2001 is recognised to the extent that the realisation of related tax benefits through future taxable profits of the Group is probable.

Deferred tax asset has not been recognised on minimum tax credit prior to the formation of the Group amounting to Rs 96.690 million (2019: Rs 96.690 million) as the same can not be realised against the taxable profits of the Group. Presently, the Company does not intend to opt out of the Group in foreseeable future.

11.2 The gross movement in net deferred tax (asset) / liability during the year is as follows:

		2020 (Rupees in thousand)	2019 (Rupees in thousand)
Opening balance		461,990	361,603
(Credited) / charged to statement of profit or loss	- note 39	(270,791)	114,685
Credited to other comprehensive income ('OCI')		-	(7,688)
Directly credited to equity- impact of adoption of IFRS 9 and 16		-	(6,610)
Transferred to Packages Convertors Limited	- note 2	(453,675)	-
Deferred tax (asset) / liability		(262,476)	461,990

		2020 (Rupees in thousand)	2019 (Rupees in thousand)
12.	Employee retirement benefits		
Pension fund	- note 12.1	225,878	316,374
Gratuity fund	- note 12.1	76,819	304,185
		<u>302,697</u>	<u>620,559</u>

12.1 Amounts recognised in unconsolidated statement of financial position

	Pension fund		Gratuity fund	
	2020	2019	2020	2019
(Rupees in thousand)				
The amounts recognised in the unconsolidated statement of financial position are as follows:				
Fair value of plan assets	537,814	393,530	94,746	406,368
Present value of defined benefit obligation	(763,692)	(709,904)	(171,565)	(710,553)
Liability as at December 31	<u>(225,878)</u>	<u>(316,374)</u>	<u>(76,819)</u>	<u>(304,185)</u>

12.1.1 Movement in net liability for employee retirement benefits

Net liability at beginning of the year	(316,374)	(244,596)	(304,185)	(267,006)
Charged to unconsolidated statement of profit or loss	(35,592)	(32,408)	(46,540)	(75,718)
Net remeasurement for the year recorded in OCI	126,088	(39,370)	(18,438)	12,860
Contribution made by the Company during the year	-	-	72,286	25,679
Net liability transferred to Packages Convertors Limited	-	-	220,058	-
Net liability at end of the year	<u>(225,878)</u>	<u>(316,374)</u>	<u>(76,819)</u>	<u>(304,185)</u>

12.1.2 Movement in present value of defined benefit obligation

Present value of defined benefit obligation at beginning of the year	709,904	690,694	710,553	634,726
Current service cost	-	-	26,682	42,066
Interest cost	75,351	86,376	45,895	82,404
Benefits paid during the year	(80,233)	(77,591)	(29,158)	(25,038)
Benefits due but not paid	-	-	(4,625)	(415)
Actuarial (gains)/ losses from change in financial assumptions	48,834	(826)	(1,476)	(1,006)
Experience adjustments	9,836	11,251	14,674	(22,184)
Liability transferred to Packages Convertors Limited	-	-	(466,301)	-
Liability discharged related to other group companies	-	-	(124,679)	-
Present value of defined benefit obligation at end of the year	<u>763,692</u>	<u>709,904</u>	<u>171,565</u>	<u>710,553</u>

12.1.3 Movement in fair value of plan assets

Fair value as at beginning of the year	393,530	446,098	406,368	367,720
Interest income on plan assets	39,759	53,968	26,037	48,752
Company contributions	-	-	13,448	25,679
Benefits paid during the year	(80,233)	(77,591)	(29,158)	(25,038)
Benefits due but not paid	-	-	(4,625)	(415)
Return on plan assets, excluding interest income	184,758	(28,945)	(5,240)	(10,330)
Assets transferred to Packages Convertors Limited	-	-	(246,243)	-
Liability discharged related to other group companies	-	-	(65,841)	-
Fair value as at end of the year	<u>537,814</u>	<u>393,530</u>	<u>94,746</u>	<u>406,368</u>

12.1.4 Risks faced by the Company on account of gratuity and pension funds

(i) **Final salary risk (linked to inflation risk)** - the risk that the Final salary at the time of cessation of service is greater than the assumed salary. Since the benefit is calculated on the Final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

(ii) **Asset volatility** - Most assets are invested in risk free investments of 3,5 or 10 year Small Saver Certificate's, Regular Income Certificate's, Defence Savings Certificate's or Government Bonds. However, investments in equity instruments is subject to adverse fluctuations as a result of change in the market price.

(iii) **Discount rate fluctuation** - The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plans' bond holdings.

(iv) **Investment risks** - The risk of the investment underperforming and not being sufficient to meet the liabilities. This risk is mitigated by closely monitoring the performance of investments.

(v) **Risk of insufficiency of assets** - This is managed by making regular contribution to the fund as advised by the actuary.

(vi) Demographic risks:

- **Mortality risk** - the risk that the actual Mortality Experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

- **Withdrawal risk** - the risk of actual withdrawals Experience is different from assumed Withdrawal probability. The significance of the Withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

12.1.5 Amounts recognised in the unconsolidated statement of profit or loss

	Pension fund		Gratuity fund	
	2020	2019	2020	2019
	(Rupees in thousand)			
Current service cost	-	-	26,682	42,066
Interest cost	75,351	86,376	45,895	82,404
Interest income on plan assets	(39,759)	(53,968)	(26,037)	(48,752)
Net expense for the year charged to unconsolidated statement of profit or loss	35,592	32,408	46,540	75,718

12.1.6 Total remeasurements (credited) / charged to OCI

Actuarial (gains)/ losses from change in financial assumptions	48,834	(826)	(1,476)	(1,006)
Experience adjustments	9,836	11,251	14,674	(22,184)
Remeasurement in plan assets, excluding interest income	(184,758)	28,945	5,240	10,330
Total remeasurements charged to OCI	(126,088)	39,370	18,438	(12,860)

12.1.7 Plan assets

Plan assets are comprised as follows:				
Debt instruments	321,074	258,155	66,039	271,860
Equity investments	216,740	130,653	27,096	126,787
Cash at banks	-	4,722	1,611	7,721
	537,814	393,530	94,746	406,368

12.1.8 Sensitivity analyses

Year end sensitivity analyses on defined benefit obligations are as follows:

	2020 Pension fund (Rupees in thousand)	Gratuity fund (Rupees in thousand)
Discount rate + 100 bps	714,675	165,898
Discount rate - 100 bps	819,355	178,037
Salary increases/ indexation + 100 bps	819,104	178,026
Salary increases/ indexation - 100 bps	714,298	165,803

13. Deferred liabilities

This represents provision made to cover the obligation for accumulating compensated absences

	2020 (Rupees in thousand)	2019 (Rupees in thousand)
Opening liability	178,448	356,088
Charged to consolidated statement of profit or loss	30,164	49,307
	208,612	405,395
Payments made during the year	(4,130)	(226,947)
Transferred to Packages Convertors Limited	(165,101)	-
Liability as at year end	39,381	178,448

13.1 Movement in liability for accumulating compensated absences

Present value as at beginning of the year	178,448	356,088
Current service cost	4,412	15,239
Interest cost	11,628	33,241
Benefits paid during the year	(4,130)	(226,947)
Remeasurement in respect of experience adjustments	14,124	827
Transferred to Packages Convertors Limited	(165,101)	-
Present value of accumulating compensated absences	39,381	178,448

13.2 Charge for the year

Current service cost	4,412	15,239
Interest cost	11,628	33,241
Remeasurement during the year	14,124	827
Total expense for the year	30,164	49,307

13.3 Sensitivity analysis

Year end sensitivity analysis (+/- 100 bps) on defined benefit obligation:

	2020 Accumulating compensated absences (Rupees in thousand)
Discount rate + 100 bps	37,591
Discount rate - 100 bps	41,435
Salary increases + 100 bps	41,482
Salary increases - 100 bps	37,515

13.4 The Company faces the following risks on account of accumulating compensated absences:

- **Final salary risk (linked to inflation risk)** – the risk that the final salary at the time of cessation of service is greater than the assumed salary. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

- **Mortality risk** – the risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

- **Withdrawal risk** – the risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

		2020	2019
		(Rupees in thousand)	
14.	Current portion of non-current liabilities		
Current portion of long term finances	- note 8	-	200,000
Current portion of lease liabilities	- note 9	-	17,589
Current portion of long term advances	- note 10	2,173	3,759
		<u>2,173</u>	<u>221,348</u>
15.	Short term borrowings - secured		
Short term running finances - secured	- note 15.1	453,159	4,513,146
Short term finances - secured	- note 15.2	-	1,200,000
		<u>453,159</u>	<u>5,713,146</u>

15.1 Running finances - secured

Short term running finances available from commercial bank under mark-up arrangements aggregate to Rs 2,000 million (2019: Rs 8,385 million) per annum. The rates of mark-up are based on KIBOR plus spread of 0.25% per annum and range from 7.57% to 13.93% (2019: 10.42% to 15.10%) per annum or part thereof on the balances outstanding. In the event the Company fails to pay the balances on the expiry of the quarter, year or earlier demand, mark-up is to be computed at the rate 20% (2019: 10.67% to 15.03%) per annum or part thereof on the balances unpaid. The aggregate running finances are secured against pledge of Nestle Pakistan Limited's share owned by the Company under a 'Share Pledge Agreement'.

15.2 Short term finances - secured

Facilities for obtaining short term finances of Rs 2,000 million (2019: Rs 8,385 million) per annum are available to the Company as a sub-limit of the running finance facilities referred to in note 15.1. The rates of mark-up are based on KIBOR plus spread of 0.25% per annum and was 13.64% (2019: 10.40% to 13.85%) per annum or part thereof on the balances outstanding. The aggregate short term finances are secured against pledge of Nestle Pakistan Limited's share owned by the Company under a 'Share Pledge Agreement'.

15.3 Letters of credit and bank guarantees

Of the aggregate facilities of Rs 650 million (2019: Rs 2,600 million) for opening letters of credit (a sublimit of running finance facilities) and Rs 300 million (2019: Rs 950 million) for guarantees, the amounts utilised at December 31, 2020 was Nil (2019: Rs 61.315 million) and Rs 96.114 million (2019: Rs 603.475 million) respectively.

		2020 (Rupees in thousand)	2019
16.	Trade and other payables		
Trade creditors	- note 16.1	183,593	1,295,474
	- notes 16.2 and 16.3		
Accrued liabilities		308,244	687,313
Bills payable		27,005	75,107
Sales tax payable		1,345	-
Withholding sales tax payable		2,533	9,878
Withholding income tax payable		5,953	9,377
Advances from customers	- note 16.4	-	379,792
Payable to retirement funds	- note 16.5	4,398	17,784
Deposits - interest free and repayable on demand	- note 16.6	8,693	9,247
Profit payable on Term Finance Certificates ('TFCs')		1,332	1,332
Workers' profit participation fund	- note 16.7	929,419	946,429
Workers' welfare fund	- note 16.8	-	17,079
Others		30,676	37,490
Book overdraft	- note 16.9	7,977	-
		<u>1,511,168</u>	<u>3,486,302</u>

16.1 Trade creditors include amounts due to following related parties :

DIC Pakistan Limited	80	93,270
Bulleh Shah Packaging (Private) Limited	643	389,447
Packages Convertors Limited	9,086	-
Tri-Pack Films Limited	2,539	99,347
IGI Holdings Limited	50	2,717
Packages Lanka (Private) Limited	327	-
Omya Pack (Private) Limited	-	792
	<u>12,725</u>	<u>585,573</u>

16.2 Accrued liabilities include amounts due to following related parties :

Packages Real Estate (Private) Limited	-	853
IGI Life Insurance Limited	1,619	4,435
	<u>1,619</u>	<u>5,288</u>

16.3 Included in accrued liabilities is a provision amounting to Rs 73.31 million (2019: Rs 31.63 million) in respect of rent of land on lease from the Government of the Punjab ('GoPb') for the period from December 2015 to December 2020.

A portion of the land on which the Company's buildings are situated (note 21), measuring 231 kanals and 19 marlas, was leased out to the Company by GoPb from December 1955 till November 2015 after which the lease has not been renewed. During the year 2015, the Company approached the Board of Revenue ('BoR'), GoPb to renew the lease; however, no adequate response was received. On January 5, 2019, the Supreme Court of Pakistan ('Court'), summoned BoR, to which the BoR stated that the new policy of the GoPb is not to lease state land but to sell it through open auction. Consequently, the Company was directed to deposit Rs 500 million with the BoR as security to the payment of outstanding amount of rent to be determined, with such amount being adjustable against final amount of rent. The Company deposited such amount in compliance with the direction on January 10, 2019. The Court has further directed Additional Advocate General, Punjab on January 16, 2019 that subject to the Court's approval, two surveyors be appointed for determination of rent based on industrial usage of the land for the period from December 2015 till date. The surveyors were appointed, who have submitted their independent valuation reports to BoR and the Court. The matter is pending for further action as of the date of the authorization for issue of unconsolidated financial statements. Moreover, the Court has further decided that the land shall be sold through an open auction with the Company getting the first right of refusal.

The management has, on the basis of assessment of fair value of the said portion of land by independent valuers, as appointed by the Court, and its understanding of the prevalent market terms relating to rent of such properties in the vicinity of the said portion of land, recognised an expense of Rs 41.675 million (2019: Rs 174 million) in respect of rent for the year from January 2020 to December 2020. The management is confident that the final amount of rent will be in congruence with the provision made in these unconsolidated financial statements, inter alia based on the fair value determined by the independent valuers and the relevant facts and circumstances.

Furthermore, the management also intends to acquire the tile of the said portion of land when the open auction takes place and is confident that it will be able to meet the highest bid.

16.4 Advances from customers includes an amount of Nil (2019: Rs 314.723 million) received from a customer for purchasing and installation of certain plant and machinery at its Lahore premises.

		2020 (Rupees in thousand)	2019
16.5	Payable to retirement funds		
Employees' provident fund	- note 16.5.1	1,998	9,912
Employees' gratuity fund		407	1,762
Management staff pension fund	- note 16.5.1	1,993	6,110
		<u>4,398</u>	<u>17,784</u>

16.5.1 Employees' provident and management staff pension fund related disclosure

All investments in collective investment schemes, listed equity, and listed debt securities out of provident fund and management staff pension fund have been made in accordance with the provisions of Section 218 of the Act and the conditions specified thereunder and subject to the regulations formulated for this purpose in terms of SRO 856(I)/2019 issued by SECP on July 25, 2019.

16.6 This represents amounts received from suppliers and truckers as per the respective agreements and kept in separate bank account maintained for that purpose as required under Section 217(2) of the Act. These deposits have not been utilized by the Company.

		2020 (Rupees in thousand)	2019
16.7	Workers' profit participation fund		
Opening balance		946,429	896,439
Provision for the year	- note 16.7.1	-	114,882
		<u>946,429</u>	<u>1,011,321</u>
Payments made during the year		(17,010)	(64,892)
Closing balance	- note 16.7.2	<u>929,419</u>	<u>946,429</u>

16.7.1 On July 01, 2020, the Company transferred its manufacturing operations to Packages Convertors Limited as mentioned in note 2 and accordingly ceased to exist as an industrial undertaking liable to pay Workers' profit participation fund. However, since the Company operated as an industrial undertaking for part of the financial year, the Company has paid an amount of Rs 40 million during the year to Packages Convertors Limited for onward distribution to the erstwhile workers as ex-gratia in good faith.

16.7.2 The Company has not discharged the amount of workers' profit participation fund charge to the Workers' Profit Participation Fund in view of certain calculation mechanism of the charge. However, the total amount accrued is sufficient to cover the Company's obligation in case of settlement.

		2020 (Rupees in thousand)	2019
16.8	Workers' welfare fund		
Opening balance		17,079	-
Provision for the year	- note 16.8.1	12,790	17,079
		29,869	17,079
Payments made during the year		(29,869)	-
Closing balance		-	17,079

16.8.1 This represents the prior year charge of workers' welfare fund (WWF) recognised during the year on finalisation of previous year income tax return. However, WWF has not been provided for the current year in these unconsolidated financial statements based on the advice of the Company's legal consultant as referred to in note 16.7.1.

16.9 This represents book overdraft balances due to unpresented cheques in respect of current bank account.

		2020 (Rupees in thousand)	2019
17.	Accrued finance cost		
Accrued mark-up / interest on:			
- Preference shares / convertible stock - unsecured	- note 8.3	155,550	155,550
- Short term borrowings - secured		17,053	179,658
		172,603	335,208

18. Contingencies and commitments

18.1 Contingencies, other than those disclosed elsewhere, in respect of:

- (i) Claims against the Company by ex-employees not acknowledged as debts amounting to Rs 17.427 million (2019: Rs 26.631 million).
- (ii) Standby letter of credit issued by Habib Bank Limited - Pakistan ('HBL Pakistan') in favour of Habib Bank Limited - Bahrain ('HBL Bahrain') on behalf of the Company amounting to USD 4.000 million equivalent to Rs 639.338 million (2019: USD 7.803 million equivalent to Rs 1,208.287 million) to secure long term finance facility provided by HBL Bahrain to Anemone Holdings Limited ('AHL'), wholly-owned subsidiary of the Company. The standby letter of credit is secured against pledge of Nestle Pakistan Limited's shares owned by the Company as referred to in note 23.2.2.
- (iii) For contingencies relating to sales tax and income tax refer notes 28.4 and 29 respectively.

18.2 Commitments in respect of:

- (i) Letters of credit and contracts for capital expenditure is Nil (2019: Rs 339.834 million).
- (ii) Letters of credit and contracts for other than for capital expenditure is Nil (2019: Rs. 679.325 million).

		2020 (Rupees in thousand)	2019
19.	Property, plant and equipment		
Operating fixed assets	- note 19.1	160,895	6,205,128
Capital work-in-progress	- note 19.2	3,810	1,027,623
Major spare parts and stand-by equipment	- note 19.3	-	53,679
		164,705	7,286,430

19.1 Operating fixed assets

2020										
(Rupees in thousand)										
Cost as at January 1, 2020	Additions / (deletions)	Transfers to Packages Convertors Limited (Note 2)	Transfer out to investment properties (Note 21)	Cost as at December 31, 2020	Accumulated depreciation as at January 1, 2020	Depreciation charge / (deletions) for the year	Transfers to Packages Convertors Limited (Note 2)	Transfer out to investment properties (Note 21)	Accumulated depreciation as at December 31, 2020	Book value as at December 31, 2020
476,119	37	-	- (476,156)	-	-	- -	-	-	- -	-
89,958	118	-	- -	90,076	24,233	1,843 -	-	- -	26,076	64,000
667,218	38,279 -	-	- (677,325)	28,172	249,666	17,964 -	-	- (263,429)	4,201	23,971
221,354	-	-	- (217,200)	4,154	158,558	4,743 -	-	- (159,147)	4,154	-
9,786,149	462,783 (24,242)	(10,224,690)	- -	-	5,258,131	321,275 (24,019)	(5,555,387)	- -	-	-
1,025,926	140,933 (522)	(1,150,908)	- -	15,429	694,480	61,769 (446)	(749,034)	- -	6,769	8,660
19,888	51	(19,913)	- -	26	13,433	699 -	(14,132)	- -	-	26
456,979	62,221 (52,949)	(369,657)	- -	96,594	139,962	26,412 (20,588)	(113,430)	- -	32,356	64,238
12,743,591	704,422 (77,713)	(11,765,168) -	- (1,370,681)	234,451	6,538,463	434,705 (45,053)	(6,431,983)	- (422,576)	73,556	160,895

2019										
(Rupees in thousand)										
Cost as at January 1, 2019	Additions / (deletions)	Transfers to Packages Convertors Limited (Note 2)	Transfer out to investment properties	Cost as at December 31, 2019	Accumulated depreciation as at January 1, 2019	Depreciation charge / (deletions) for the year	Transfers to Packages Convertors Limited (Note 2)	Transfer out to investment properties	Accumulated depreciation as at December 31, 2019	Book value as at December 31, 2019
Freehold land	250,555	225,564	-	476,119	-	-	-	-	-	476,119
Leasehold land - note 19.1.2	89,958	-	-	89,958	22,391	1,842	-	-	24,233	65,725
Buildings on freehold land	660,338	22,585 (15,705)	-	667,218	228,342	32,174 (10,850)	-	-	249,666	417,552
Buildings on leasehold land	221,828	- (474)	-	221,354	149,514	9,497 (453)	-	-	158,558	62,796
Plant and machinery	9,082,236	1,135,966 (432,053)	-	9,786,149	5,085,368	590,808 (418,045)	-	-	5,258,131	4,528,018
Other equipments (computers, lab equipments and other office equipments)	858,925	171,316 (4,315)	-	1,025,926	589,529	109,228 (4,277)	-	-	694,480	331,446
Furniture and fixtures	18,547	1,341	-	19,888	12,205	1,228	-	-	13,433	6,455
Vehicles	424,979	93,612 (61,612)	-	456,979	114,516	45,700 (20,254)	-	-	139,962	317,017
	11,607,366	1,650,384 (514,159)	-	12,743,591	6,201,865	790,477 (453,879)	-	-	6,538,463	6,205,128

19.1.1 The cost of fully depreciated assets which are not in use as at December 31, 2020 is Rs 8.839 million (2019: Rs 3,315.67 million).

19.1.2 Leasehold land comprises of lands situated in Karachi and Haripur which were obtained by the Company on lease and are being amortized over the term of 49 years and 99 years respectively. The title of lands remains with the lessor at end of the lease term. However, leasehold lands have been included in property, plant and equipment in accordance with clarification issued by Institute of Chartered Accountants of Pakistan through selected opinion issued on IAS 17, 'Leases'.

19.1.3 The depreciation charge for the year has been allocated as follows:

	Note	2020 (Rupees in thousand)	2019 (Rupees in thousand)
Cost of sales	- note 31	398,752	725,976
Administrative expenses	- note 32	26,146	47,163
Distribution and marketing costs	- note 33	9,807	17,338
		434,705	790,477

19.1.4 Disposals of operating fixed assets

Detail of operating fixed assets sold of during the years 2020 and 2019 is as follows:

		2020				
Particulars of assets	Sold to	Cost	Book value	Sale proceeds	Gain / (loss) on sale	Mode of disposal
(Rupees in thousand)						
Vehicles	Employees					
	Nayab Baig	2,353	1,694	1,694	-	As per Company policy
	Attiq ur Rehman	2,333	1,680	1,750	70	- do -
	Muhammad Afzal	2,353	1,577	2,163	586	- do -
	Adnan Tufail	1,603	1,133	1,083	(50)	- do -
	Hadi Ahmad	1,340	1,072	1,069	(3)	- do -
	Waqar Malik	1,375	1,059	1,019	(40)	- do -
	Khizer Kokab	1,184	1,006	974	(32)	- do -
	Mohammad Tariq	1,194	979	942	(37)	- do -
	Zeenia Ather	1,375	962	879	(83)	- do -
	Mashkoor Hussain	2,216	931	1,261	330	- do -
	Adeel Waheed	1,578	805	989	184	- do -
	Waleed Zakria	1,069	802	840	38	- do -
	Muhammad Faizan	871	740	763	23	- do -
	Adeel Yousaf	1,527	737	873	136	- do -
	Uzair Rabbani	840	731	658	(73)	- do -
	Ahmed Butt	950	722	724	2	- do -
	Muhammad Zubair	1,771	709	991	282	- do -
	Hamza Irfan	1,475	664	970	306	- do -
	Sajawal Khan	795	636	574	(62)	- do -
	Iftikhar Alam	1,049	619	666	47	- do -
	Muhammad Ali Farooqi	1,425	570	859	289	- do -
	Muhammad Anas	742	564	536	(28)	- do -
	Hassan Waqar	732	534	450	(84)	- do -
	Ammar Farooq	732	527	450	(77)	- do -
	Related parties					
	Packages Real Estate (Private) Limited	2,553	1,991	3,000	1,009	Negotiation
	Omya Pack(Private) Limited	2,353	1,341	2,250	909	- do -
	DIC Pakistan Limited	1,729	1,120	1,600	480	- do -
	Packages Real Estate (Private) Limited	2,321	1,078	2,200	1,122	- do -
	Packages Real Estate (Private) Limited	1,578	900	1,775	875	- do -
	Packages Real Estate (Private) Limited	1,653	706	1,700	994	- do -
	Outside party					
	Ch. Riaz Ahmed	1,270	1,067	1,250	183	- do -

		2019				
Particulars of assets	Sold to	Cost	Book value	Sale proceeds	Gain / (loss) on sale	Mode of disposal
		(Rupees in thousand)				
Vehicles	Employees					
	Abdul Wajid	1,537	1,151	1,277	126	As per Company policy
	Ahmad Ali Riaz	1,703	1,533	1,497	(36)	- do -
	Bilal Naeem	1,527	977	938	(39)	- do -
	Bilal Umar	1,475	1,386	1,319	(67)	- do -
	Naheed Malik	1,552	621	1,022	401	- do -
	Sahil Zaheer	2,321	1,346	1,647	301	- do -
	Syed Ghani Shah	1,068	854	772	(82)	- do -
	Mian Javed Iqbal	2,336	1,986	2,165	179	- do -
	Moiz Ahmad Khan	1,250	1,100	1,122	22	- do -
	Haris Riaz	795	700	735	35	- do -
	Fahad Ali	1,270	1,219	1,270	51	- do -
	Fahad Hamid	1,250	987	903	(84)	- do -
	Farhan Ul Haq Usmani	1,510	1,374	1,332	(42)	- do -
	Hadi Nawaz	762	625	648	23	- do -
	Hamid Jamil	1,512	650	991	341	- do -
	Mobin Javed	1,703	1,533	1,571	38	- do -
	Muhammad Qasim	708	545	513	(32)	- do -
	Nayab Baig	1,678	1,359	1,376	17	- do -
	Rahim Danish	1,350	540	856	316	- do -
	Saad Imran Butt	1,297	856	852	(4)	- do -
	Saba Majeed	732	615	622	7	- do -
	Sikandar Abbas	2,044	1,860	2,044	184	- do -
	Syed Awais Haider	1,054	748	744	(4)	- do -
	Syed Kousar Mehdi	840	756	714	(42)	- do -
	Tairq Hussain	1,250	512	770	258	- do -
	Usman Sabir	2,397	2,109	2,158	49	- do -
	Uzair Hashmi	1,533	1,042	1,189	147	- do -
	Yasir Shahid	1,786	1,123	1,400	277	- do -
	Zakriya Rehman	1,300	1,196	1,148	(48)	- do -
	Related party					
	IGI General Insurance Limited	2,162	865	1,850	985	Insurance Claim
	IGI General Insurance Limited	1,578	1,042	1,578	536	- do -
	IGI General Insurance Limited	860	808	795	(13)	- do -
	Outside parties					
	Adnan Qureshi	1,585	634	1,400	766	Negotiation
	Asim Mumtaz	1,039	592	880	288	- do -
	Nouman Yousaf	1,504	602	1,260	658	- do -
	Rashid Saleemi	2,162	865	1,600	735	- do -
	Saad	732	630	695	65	- do -
	Rizwan Muhammad Khan	708	573	655	82	- do -
Plant and machinery	BBR Graphics Sales Limited	18,252	7,388	12,113	4,725	Negotiation
	BBR Graphics Sales Limited	176,507	3,682	6,036	2,354	- do -
	BBR Graphics Sales Limited	2,890	1,734	2,843	1,109	- do -
	BBR Graphics Sales Limited	1,995	1,047	1,718	671	- do -

Capital work-in-progress

	2020 (Rupees in thousand)									
	Balance as at January 1, 2020	Capital expenditure incurred during the year	Advances given during the year	Transfers within capital- work-in progress	Charged off during the year	Transfer to operating fixed assets	Transfer to other assets	Transfer to Packages Convertors Limited (Note 2)	Transfer to investment properties	Balance as at December 31, 2020
Civil works and other equipments	26,701	21,226	-	24,000	-	(34,373)	-	(37,554)	-	-
Plant and machinery	676,359	573,092	-	294,083	(1,578)	(598,878)	-	(940,690)	(2,388)	-
Advances to suppliers	324,563	-	35,164	(318,083)	-	(2,631)	-	(27,411)	(7,792)	3,810
	1,027,623	594,318	35,164	-	(1,578)	(635,882)	-	(1,005,655)	(10,180)	3,810

	2019									
	(Rupees in thousand)									
	Balance as at January 1, 2019	Capital expenditure incurred during the year	Advances given during the year	Transfers within capital- work-in progress	Charged off during the year	Transfer to operating fixed assets	Transfer to other assets	Transfer to Packages Convertors Limited (Note 2)	Transfer to investment properties	Balance as at December 31, 2019
Civil works	44,549	117,147	-	1,966	(1,805)	(135,156)	-	-	-	26,701
Plant and machinery	1,029,990	839,308	-	-	(8,789)	(1,184,471)	-	-	-	676,038
Advances to Suppliers	7,216	-	929,065	(1,966)	-	(230,295)	-	-	(379,136)	324,884
	1,081,755	956,455	929,065	-	(10,594)	(1,549,922)	-	-	(379,136)	1,027,623

19.3 Major spare parts and stand-by equipment

	2020	2019
	(Rupees in thousand)	
Balance at the beginning of the year	53,679	59,205
Additions during the year	5,771	1,703
Issuances during the year	(12,340)	(7,229)
Transferred to Packages Convertors Limited - note 2	(47,110)	-
Balance at the end of the year	-	53,679

20. Right-of-use assets

This represents right-of-use assets obtained on lease from the lessors as referred to in note 9. These are being depreciated over their lease term. Reconciliation of the carrying amount is as follows:

	2020	2019
	(Rupees in thousand)	
Cost		
Opening balance	87,344	-
Derecognized during the year	(8,784)	-
Additions during the year	20,360	87,345
Transferred to Packages Convertors Limited - note 2	(98,920)	-
Closing balance	-	87,345

Accumulated depreciation

Opening balance	24,754	-
Depreciation relating to disposals	(8,783)	-
Charge for the year	12,129	24,753
Transferred to Packages Convertors Limited - note 2	(28,100)	-
Closing balance	-	24,753

Book value as at year end

20.1 The depreciation for the year has been allocated as follows:

Administrative expenses - note 32	3,652	17,449
Distribution and marketing costs - note 33	8,477	7,304
	12,129	24,753

21. Investment properties

Investment properties
Capital work in progress

- note 21.1
- note 21.2

2020 (Rupees in thousand)	2019 (Rupees in thousand)
1,419,305	487,443
2,388	-
<u>1,421,693</u>	<u>487,443</u>

21.1 Investment properties

2020 (Rupees in thousand)								
Cost as at January 1, 2020	Additions / (deletions)	Transfer in from operating fixed assets (note 19.1)	Cost as at December 31, 2020	Accumulated depreciation as at January 1, 2020	Depreciation charge for the year	Transfer in from operating fixed assets (note 19.1)	Accumulated depreciation as at December 31, 2020	Book value as at December 31, 2020
Land - notes 21.1.2 and 21.1.3	456,279	- -	476,156 -	932,435	-	-	-	932,435
Buildings on freehold land	54,205	9,409 -	894,525 -	958,139	41,243	23,777	422,576 -	470,543
Buildings on leasehold land - note 16.3	39,575	- -	- -	39,575	21,373	1,875	- 23,248	16,327
	<u>550,059</u>	<u>9,409</u> -	<u>1,370,681</u> -	<u>1,930,149</u>	<u>62,616</u>	<u>25,652</u>	<u>422,576</u> 510,844	<u>1,419,305</u>

2019 (Rupees in thousand)								
Cost as at January 1, 2019	Additions / (deletions)	Transfer in from operating fixed assets (note 18.1)	Cost as at December 31, 2019	Accumulated depreciation as at January 1, 2019	Depreciation charge for the year	Transfer in from operating fixed assets (note 18.1)	Accumulated depreciation as at December 31, 2019	Book value as at December 31, 2019
Land - notes 21.1.2 and 21.1.3	77,143	379,136 -	- -	456,279	-	-	-	456,279
Buildings on freehold land	54,205	- -	- -	54,205	39,812	1,431	- 41,243	12,962
Buildings on leasehold land - note 16.3	39,575	- -	- -	39,575	19,498	1,875	- 21,373	18,202
	<u>170,923</u>	<u>379,136</u> -	<u>-</u> -	<u>550,059</u>	<u>59,310</u>	<u>3,306</u>	<u>-</u> 62,616	<u>487,443</u>

21.1.1 Depreciation charge for the year has been allocated to administrative expenses (note 32).

21.1.2 Land of the Company measuring 119 kanals, 15 marlas and 62.25 sq.fts situated at Lahore with a book value of Rs 6.149 million (2019: Rs 6.149 million) and all present and future moveable fixed assets and buildings of Packages Real Estate (Private) Limited ('PREPL') in aggregate (the 'Mortgaged Security'), have been mortgaged under a first exclusive equitable charge of Rs 7,800 million (2019: Rs 7,333 million) in favour of MCB Bank Limited against a term finance facility of up to Rs 4,500 million (2019: Rs 4,500 million) and a running finance facility of up to Rs 2,000 million (2019: Rs 2,000 million) provided to PREPL by MCB Bank Limited under a tri-partite agreement between the Company, MCB Bank Limited and PREPL. The Mortgaged Security has also been mortgaged under a first pari passu charge in favour of Allied Bank Limited against a term finance facility of up to Rs 3,500 million (2019: Rs 3,500 million) provided to PREPL by Allied Bank Limited under a tri-partite agreement between the Company, Allied Bank Limited and PREPL.

21.1.3 Following are the particulars of the Company's immovable investment properties:

Location	Usage of immovable property	Total area (in Acres)
Shahrah-e-Roomi, Lahore, Punjab	Rented out	78.41
Lakho Baryar, Kasur, Punjab	Rented out	65.63
Herdo Sehari, Kasur, Punjab	Rented out	34.84
Depalpur, Punjab	Rented out	17.38
Pakpattan, Punjab	Rented out	21.00
Dullu Kalan, Lahore, Punjab	Kept for capital appreciation	16.48
Faizabad, Punjab	Kept for capital appreciation	8.80
Hunjra, Punjab	Rented out	10.00
Korangi Industrial Area, Karachi, Sindh	Rented out	4.05
		<u>256.59</u>

21.1.4 Fair value of the investment properties, based on the valuation carried out by an independent valuer, as at December 31, 2020 is Rs 15,096.263 million (2019: Rs 13,322.276 million). The valuation is considered to be level 2 in the fair value hierarchy due to significant observable inputs used in the valuation. The different levels have been defined in note 48.5.

Valuation techniques used to derive level 2 fair values

Level 2 fair value of investment property has been derived using a sales comparison approach. Sale prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as location and size of the property. The most significant input into this valuation approach is price per square foot.

21.2 Capital work in progress - investment properties

Advance against purchase of land
Buildings on freehold land

2020 (Rupees in thousand)	2019
1,300	-
1,088	-
<u>2,388</u>	<u>-</u>

		2020 (Rupees in thousand)	2019
22.	Intangible assets		
This represents computer software, website development costs and ERP system.			
Cost			
As at January 1		274,143	264,890
Additions / transfers during the year		-	9,253
Transfer to Packages Convertors Limited	- note 2	(270,020)	-
As at December 31		4,123	274,143
Accumulated amortization			
As at January 1		(209,014)	(197,455)
Amortization for the year	- note 22.1	(5,881)	(11,559)
Transfer to Packages Convertors Limited	- note 2	213,383	-
As at December 31		(1,512)	(209,014)
Book value as at year end		2,611	65,129
22.1	The amortization charge for the year has been allocated as follows:		
Cost of sales	- note 31	2,740	5,828
Administrative expenses	- note 32	2,129	3,706
Distribution and marketing expenses	- note 33	1,012	2,025
		5,881	11,559
23.	Investments		
These represent the long term investments in:			
- Related parties - at cost	- note 23.1	21,859,103	18,332,391
- Others	- note 23.2	24,327,299	29,381,471
		46,186,402	47,713,862
23.1	Related parties - at cost		
Subsidiaries - unquoted			
DIC Pakistan Limited, Pakistan			
3,377,248 (2019: 3,377,248) fully paid ordinary shares of Rs 10 each			
Equity held 54.98% (2019: 54.98%)		15,010	15,010
Packages Real Estate (Private) Limited, Pakistan			
302,500,000 (2019: 302,500,000) fully paid ordinary shares of			
Rs 10 each Equity held 75.16% (2019: 75.16%)		3,019,090	3,019,090
Packages Lanka (Private) Limited, Sri Lanka			
44,698,120 (2019: 44,698,120) shares of Sri Lankan Rupees 10 each			
Equity held 79.07% (2019: 79.07%)		442,938	442,938
Anemone Holdings Limited, Mauritius			
8,867,129 (2019: 5,045,148) shares of US Dollars 1 each			
Equity held 100.00% (2019: 100.00%)		- note 23.1.1	1,242,587
			798,777
Packages Power (Private) Limited, Pakistan			
2,500,000 (2019: 2,500,000) fully paid ordinary shares of Rs 10 each			
Equity held 100.00% (2019: 100.00%)		25,000	25,000

		2020 (Rupees in thousand)	2019
Packages Convertors Limited			
10,000 (2019: 10,000) fully paid ordinary shares of Rs 100 each			
Equity held 100.00% (2019: 100.00%)		1,000	1,000
Advance against purchase of shares	note - 23.1.2	3,082,902	-
		3,083,902	1,000
Packages Investments Limited			
10,000 (2019: 10,000) fully paid ordinary shares of Rs 100 each			
Equity held 100.00% (2019: 100%)		1,000	1,000
Bulleh Shah Packaging (Private) Limited, Pakistan			
1,091,873,871 (2019: 1,091,873,871) fully paid ordinary shares of Rs 10 each			
Equity held 100.00% (2019: 100%)		10,807,230	10,807,230
Joint venture - unquoted			
OmyaPack (Private) Limited, Pakistan			
49,500,000 (2019: 49,500,000) fully paid ordinary shares of Rs 10 each			
Equity held 50.00% (2019: 50.00%)		495,000	495,000
Associates - quoted			
IGI Holdings Limited, Pakistan			
15,033,041 (2019: 15,033,041) fully paid ordinary shares of Rs 10 each			
Equity held 10.54% (2019: 10.54%)			
Market value - Rs 3,058.322 million (2019: Rs 3,066.740 million)	- note 23.1.3	896,310	896,310
Tri-Pack Films Limited, Pakistan			
12,933,333 (2019: 12,933,333) fully paid ordinary shares of Rs 10 each			
Equity held 33.33% (2019: 33.33%)			
Market value - Rs 2,105.029 million (2019: Rs 1,088.728 million)	- note 23.1.4	1,831,036	1,831,036
Cumulative impairment loss - Rs 676.864 million (2019: 676.864 million)			
		2,727,346	2,727,346
		21,859,103	18,332,391

23.1.1 During the year, the Company contributed USD 2.635 million equivalent to Rs 443.810 million (2019: USD 2.154 million equivalent to Rs 347.539 million) as equity in AHL by remitting the loan payment due by AHL to HBL Bahrain under the finance facility agreement as referred to in note 18.1 (ii).

23.1.2 This represents the investment made in pursuance to the internal restructuring as mentioned in note 2. Subsequent to the year end, on January 14, 2021, SECP granted the approval for the proposed issuance of 30,829,021 ordinary shares (of Rs 100 each) at par value, for a consideration against transfer of net assets of the Company. These shares have been issued in the name of the Company on February 17, 2021.

23.1.3 The Company's investment in IGIHL is less than 20.00% but it is considered to be an associate as per the requirement of IAS 28, 'Investments in Associates' because the Company has significant influence over the financial and operating policies through representation on the board of directors of IGIHL. Consequently, following subsidiaries of IGIHL have also been considered as associates of the Company:

- IGI General Insurance Limited
- IGI Life Insurance Limited
- IGI Investments (Private) Limited
- IGI Finex Securities Limited

23.1.4 In the previous year, the Company reviewed the carrying amount of its investment in equity instruments of Tri-Pack Films Limited and its recoverability to determine whether there is an indication that such investment has suffered an impairment loss. The recoverable amount of investment in Tri-Pack Films Limited was determined based on 'fair value less costs of disposal'. The 'fair value less costs of disposal' was worked out by the management using income approach. As the recoverable amount of the investment worked out was lower than its carrying value, therefore, impairment loss was recognized in these unconsolidated financial statements in the previous year. The recoverable amount of the investment was determined to be lower than its carrying amount by Rs 52.33 per share and the carrying amount was accordingly reduced by Rs 676.864 million which was recognized as an expense and included in 'Other expenses'.

		2020 (Rupees in thousand)	2019
23.2 Others - FVOCI			
Quoted			
Nestle Pakistan Limited			
3,649,248 (2019: 3,649,248) fully paid ordinary shares of Rs 10 each			
Equity held 8.05% (2019: 8.05%)			
Cost - Rs 5,778.896 million (2019: Rs 5,778.896 million)	- note 23.2.2	24,322,274	29,376,446
Unquoted			
Coca-Cola Beverages Pakistan Limited			
500,000 (2019: 500,000) fully paid ordinary shares of Rs 10 each			
Equity held 0.0185% (2019: 0.0185%)	- note 23.2.3	5,000	5,000
Pakistan Tourism Development Corporation Limited			
2,500 (2019: 2,500) fully paid ordinary shares of Rs 10 each		25	25
		5,025	5,025
		<u>24,327,299</u>	<u>29,381,471</u>

23.2.1 Nestle Pakistan Limited is an associated undertaking of the Company as per the Act. However, for the purpose of measurement, investments in others have been classified as held at FVOCI as referred to in note 5.7.

23.2.2 As of December 31, 2020, an aggregate of 1,600,000 (2019: 1,195,000) shares of Nestle Pakistan Limited having market value of Rs 1,0664.016 million (2019: 9,619.750 million) have been pledged in favour of HBL Pakistan. Out of aggregate shares pledged, 182,000 (2019: 775,000) shares are pledged against issuance of standby letter of credit in favour of HBL Bahrain as referred to in note 18.1 (ii) and the remaining 1,418,000 shares (2019: 420,000) are pledged against the short term borrowings of the Company from HBL as referred to in note 15 and long term loans from HBL of the subsidiary company, Packages Convertors Limited.

23.2.3 This represents investment in the ordinary shares of Coca-Cola Beverages Pakistan Limited (CCBPL) that is principally engaged in the production, distribution and sale of sparkling and still beverages. CCBPL is currently classified as a Level 3 financial asset and is measured at fair value on the reporting date using income approach. Fair value of investment in the ordinary shares of CCBPL has been determined at the reporting date however it was not recorded in these unconsolidated financial statements as the impact was immaterial.

		2020 (Rupees in thousand)	2019
23.3 Reconciliation of carrying amount			
Balance as at beginning of the year		47,713,862	51,322,973
Investments made during the year	- notes 23.1.1 and 23.1.2	3,526,713	534,538
Fair value loss recognized in other comprehensive income		(5,054,173)	(3,466,785)
Impairment loss on equity instruments of associate	- note 23.1.3	-	(676,864)
Balance as at end of the year		<u>46,186,402</u>	<u>47,713,862</u>

		2020 (Rupees in thousand)	2019 (Rupees in thousand)
24.	Long term loans		
	Loans to employees - considered good	-	627
	Current portion shown under current assets	-	(339)
	- note 24.1	-	288

24.1 Long term loans were transferred to Packages Convertors Limited during the year as referred to in note 2.

		2020 (Rupees in thousand)	2019 (Rupees in thousand)
25.	Stores and spares		
	Stores [including in transit Nil (2019: Rs 6.142 million)]	-	366,828
	Spares [including in transit Nil (2019: Rs 1.507 million)]	-	307,213
	- note 25.1	-	674,041
	Provision for obsolete / slow-moving stores and spares	-	(15,882)
	- note 25.3	-	
	- note 25.2	-	658,159

25.1 Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

25.2 Stores and spares have been transferred to Packages Convertors Limited during the year as referred to in note 2.

		2020 (Rupees in thousand)	2019 (Rupees in thousand)
25.3	The movement in provision for obsolete / slow-moving stores and spares during the year is as follows:		
	Opening balance	15,882	19,830
	Reversal of provision for the year	(15,407)	(3,948)
	Transferred to Packages Convertors Limited	(475)	-
	- note 2	-	
	Closing balance	-	15,882

26.	Stock-in-trade		
	Raw materials [including in transit Nil (2019: Rs 214.557 million)]	-	1,849,754
	Work-in-process	-	924,658
	Finished goods	-	744,186
	- note 26.1	-	3,518,598
	Provision for obsolete / slow-moving stock-in-trade	-	(79,912)
	- note 26.3	-	
	- note 26.2	-	3,438,686

26.1 Finished goods costing Nil (2019: Rs 365.410 million) are being valued at net realizable value of Nil (2019: Rs 260.698 million).

26.2 Stock-in-trade have been transferred to Packages Convertors Limited during the year as referred to in note 2.

		2020 (Rupees in thousand)	2019 (Rupees in thousand)
26.3	The movement in provision for obsolete / slow-moving stock-in-trade during the year is as follows:		
	Opening balance	79,912	48,069
	Provision for the year	43,989	31,843
	Transferred to Packages Convertors Limited	(123,901)	-
	- note 31		
	- note 2		
	Closing balance	-	79,912

		2020 (Rupees in thousand)	2019 (Rupees in thousand)
27. Trade debts			
Considered good			
- Related parties - unsecured	- note 27.1	61,865	189,441
- Others	- note 27.2	75,407	3,007,634
		137,272	3,197,075
Loss allowance	- note 27.3	(62,854)	(152,027)
		74,418	3,045,048

27.1 Related parties - unsecured

DIC Pakistan Limited		5,228	5,740
Packages Real Estate (Private) Limited		317	276
Bulleh Shah Packaging (Private) Limited		10,486	48,831
Packages Convertors Limited		5,880	-
Chantler Packages Inc.	- note 27.1.2	39,831	111,883
Flexible Packages Convertors (Pty) Limited	- note 27.1.2	123	17,602
Packages Lanka (Private) Limited	- note 27.1.2	-	765
OmyaPack (Private) Limited		-	905
Tri-Pack Films Limited		-	3,439
		61,865	189,441

27.1.1 The maximum aggregate amount due from these related parties at the end of any month during the year was Rs 943.008 million (2019: Rs 204.356 million).

The aging analysis of trade debts from related parties as at reporting date is as follows:

	2020 (Rupees in thousand)	2019 (Rupees in thousand)
Neither past due nor impaired	-	37,682
Past due but not impaired:		
Up to 90 days	299	90,882
90 to 180 days	713	55,212
181 to 365 days	3,014	5,665
Greater than 365 days	57,839	-
	61,865	151,759
	61,865	189,441

27.1.2 This represents receivable against export sales made to these related parties.

27.2 Others include trade debts of Nil (2019: Rs 200.282 million) which are secured by way of inland letters of credit.

	2020 (Rupees in thousand)	2019 (Rupees in thousand)
27.3 The reconciliation of loss allowance during the year is as follows:		
Opening balance	152,027	82,259
Impairment loss (reversed)/ recognized during the year	(89,173)	69,768
Balance as at end of the year	62,854	152,027

		2020	2019
		(Rupees in thousand)	
28.	Loans, advances, deposits, prepayments and other receivables		
Current portion of loans to employees	- note 24	-	339
Advances			
- To employees		1,117	3,284
- To suppliers		2,050	10,782
		3,167	14,066
Due from related parties - unsecured	- note 28.1	286,891	162,563
Profit receivable on deposits		2,005	2,398
Deposits with bank	- note 28.2	90,000	-
Trade deposits		22,395	26,229
Prepayments	- note 28.3	19,272	34,613
Dividend receivable from BSPL - related party		1,091,874	-
Balances with statutory authorities			
- Customs duty paid in advance		2,102	88,063
- Sales tax receivable		72,878	33,019
- Sales tax recoverable	- note 28.4	345,838	345,775
		420,818	466,857
Other receivables		10,432	150,852
Loss allowance on due from related parties	- note 28.5	(20,014)	-
		1,926,840	857,917
28.1	Due from related parties - unsecured		
DIC Pakistan Limited		4,535	3,550
Packages Lanka (Private) Limited		72,699	44,951
Packages Real Estate (Private) Limited		38,189	42,835
Flexible Packages Convertors (Proprietary) Limited		83,221	38,493
Packages Power (Private) Limited		7	7
Bulleh Shah Packaging (Private) Limited		9,106	11,209
Chantler Packages Inc.		266	266
Packages Convertors Limited		49,393	256
Packages Investments Limited		4	256
OmyaPack (Private) Limited		351	2,204
Tri-Pack Films Limited		2,688	3,415
IGI Holdings Limited		2,453	2,770
IGI General Insurance Limited		2,809	3,912
IGI Investments (Private) Limited		4,906	701
IGI Finex Securities Limited		-	198
IGI Life Insurance Limited		16,264	7,465
Packages Foundation		-	75
		286,891	162,563

These are in the normal course of business and are interest free.

28.1.1 The maximum aggregate amount due from these related parties at the end of any month during the year was Rs 802.399 million (2019: Rs 219.959 million).

28.2 This represents amount held as 100% cash margin against letter of guarantee facility from a commercial bank being availed by the Company.

28.3 Prepayments include Rs 3.322 million (2019: Rs 19.772 million) made to IGI Life Insurance Limited, a related party.

28.4 Sales tax recoverable

(a) The Deputy Commissioner Inland Revenue ('DCIR') through order dated June 24, 2015 alleged that in respect of tax periods from 2008 to 2012, the Company had incorrectly adjusted input sales tax credit amounting to Rs 146.107 million on purchases of raw materials from certain suppliers who were subsequently blacklisted / suspended and disallowed the same along with levy of default surcharge and penalty thereon with the total demand aggregating to Rs 292.214 million. In 2016, the taxation authorities adjusted an amount of Rs 292.214 million from income tax refunds of the Company against the said demand.

However, the Appellate Tribunal Inland Revenue ('ATIR'), through order dated August 28, 2017, has decided the case in favor of the Company. The Company has filed an application before the respective authorities to give effect to the order, the outcome of which is still pending. The tax authorities have filed an appeal in High Court of Sindh in the year 2018 against the decision of the ATIR and the case is pending adjudication. Since the case has been decided in the Company's favour on merits by ATIR, no provision for the above amount of Rs 292.214 has been made in these unconsolidated financial statements.

(b) The sales tax authorities have raised various demands aggregating to Rs 50.841 million against the Company for the tax periods from 2011 to 2016 that primarily pertain to disallowance of input sales tax on certain payments and alleged default on charging of output sales tax on certain goods delivered and services rendered by the Company. During the previous years, the Company made aggregate advance payments amounting to Rs 43.561 million against such demands. While the Company's appeals in this respect are presently pending adjudication at the CIR(A), ATIR and High Court of Sindh, the Company has not made any provision against the above demands nor the advance payments as the management is confident that the ultimate outcome of the appeals would be in favor of the Company, inter alia on the basis of the advice of the tax consultant and legal counsel and the relevant law and facts.

(c) In respect of tax periods from 2014 to 2016, the Additional Commissioner, Punjab Revenue Authority, through his order dated August 8, 2018 has created a demand of Rs 757.841 million in respect of alleged default on withholding of Punjab Sales Tax on various heads of accounts along with penalty thereon. The Company filed an appeal against the above order with the Commissioner (Appeals) on December 13, 2018. The appeal against the impugned order has been filed on the basis of following major grounds:

- the relevant section of the Punjab Sales Tax on Services Act, 2012 has been wrongly applied retrospectively to the alleged period of default;
- the heads of accounts include multiple line items on which Punjab Sales Tax is not applicable; and
- it has been wrongly assumed that all the expenses disclosed in the unconsolidated financial statements under the identified heads have actually been paid during the said tax periods.

During the previous year, Commissioner (Appeals) ordered an inquiry under section 64(5) of The Punjab Sales Tax on Services Act, 2012 which was conducted by Additional Commissioner Enforcement-III and the inquiry report was submitted to Commissioner (Appeals) on May 27, 2019 whereby the demand was reduced to Rs 457.570 million upon verification of the documents provided by the Company. The final outcome of the appeal is still awaited.

The Company has not made any provision against the above demand as the management is confident that the ultimate outcome of the appeal would be in favour of the Company, inter alia on the basis of the advice of the tax consultant and the relevant law and facts.

(d) In respect of tax period from January 2016 to December 2016, the Deputy Commissioner Inland Revenue, Federal Board of Revenue, through his order dated December 28, 2018 has created a demand of Rs 493.391 million in respect of disallowance of input tax claimed by the Company, alleged default on charging of output sales tax and default on withholding of General Sales Tax along with penalty thereon. The Company appealed against the assessment order in the office of CIR(A) dated January 26, 2019 and the appeal was decided partially in favour of the Company dated September 18, 2019 and an amount of Rs 311 million was waived off and therefore reducing the demand to Rs 182 million. The Company has decided to file an appeal in ATIR against the decision of CIR (A).

The Company has not made any provision against the above demand as the management is confident that the ultimate outcome of the appeal would be in favor of the Company, inter alia on the basis of the advice of the tax consultant and the relevant law and facts.

		2020	2019
		(Rupees in thousand)	
28.5	The reconciliation of loss allowance during the year is as follows:		
Opening balance		-	-
Impairment loss during the year	- note 34	20,014	-
Balance as at end of the year		20,014	-

28.5.1 This represents loss allowance recognised in relation to due from related parties during the year. No loss allowance was recognised in expense in 2019 against the related parties.

		2020	2019
		(Rupees in thousand)	
29.	Income tax receivable		
Income tax refundable		2,960,772	2,852,045
Income tax recoverable	- note 29.1	36,013	36,013
		2,996,785	2,888,058

29.1 In 1987, the then Income Tax Officer ('ITO') re-opened the Company's assessments for the accounting years ended December 31, 1983 and 1984 disallowing primarily tax credit given to the Company under section 107 of the repealed Income Tax Ordinance, 1979. The tax credit amounting to Rs 36.013 million on its capital expenditure for these years was refused on the grounds that such expenditure represented an extension of the Company's undertaking which did not qualify for tax credit under this section in view of the Company's location. The assessments for these years were revised by the ITO on these grounds and taxes reassessed were adjusted against certain sales tax refunds and the tax credits previously determined by the ITO and set off against the assessments framed for these years.

The Company filed an appeal against the revised orders of the ITO before the then Commissioner of Income Tax (Appeals) ['CIT(A)'], Karachi. CIT(A) in his order issued in 1988, held the assessments reframed by the ITO for the years 1983 and 1984 presently to be void and of no legal effect. The ITO filed an appeal against the CIT(A)'s order with the then Income Tax Appellate Tribunal ('ITAT'). The ITAT has, in its order issued in 1996, maintained the order of CIT(A). The assessing officer, after the receipt of the appellate order passed by CIT(A), issued notices under section 65 of the repealed Income Tax Ordinance, 1979 for reopening of the assessments for said tax years. The Company filed a writ petition for setting aside the aforesaid notices with the High Court of Sindh in 2011, the outcome of which is still pending.

The amount recoverable of Rs 36.013 million represents the additional taxes paid as a result of the disallowance of the tax credits on reframing of the assessments. The Company has not made any provision against the above recoverable as the management is confident that the ultimate outcome of the writ petition would be in favor of the Company, inter alia on the basis of the advice of the tax consultant and the relevant law and facts.

29.2 In respect of tax year 2007 the department rejected the Company's claim for interest / additional payment for delayed refunds for the tax years from 1983-84 to 2003 amounting to Rs 64.616 million and adjusted the Company's tax liability for the said year accordingly. The Company being aggrieved of the said order filed an appeal with Commissioner Inland Revenue (Appeals) ['CIR(A)']. CIR(A) through his order dated January 26, 2009 maintained the rejection. An appeal against the said order was filed by the Company with ATIR. ATIR through its order dated February 23, 2010 maintained the rejection. The Company has now filed an appeal in the High Court of Sindh against ATIR's order on June 28, 2010, the outcome of which is still pending. However, the Company has not made any provision against the above recoverable as the management is confident that the ultimate outcome of the appeal would be in favor of the Company, inter alia on the basis of the advices of the tax consultant and legal counsel, the relevant law and facts.

29.3 In respect of tax year 2014, the department amended the deemed order for the year raising a tax demand of Rs 606.328 million. In this order, among other issues, the income tax department did not accept the Company's contention for non-taxation of the transfer of paper and paperboard and corrugated business segments to BSPPL under section 97 of the Income Tax Ordinance, 2001. Such transfer has been taxed as capital gain on the value of assets transferred.

Further, certain other disallowances inter alia including on account of allocation of various expenses towards dividend and other incomes, effectively reducing the available tax losses by approximately Rs 1,200 million, were also made by the department in respect of previous tax years.

The Company being aggrieved of the above order filed an appeal before the CIR(A), who through order dated March 2, 2018, has accepted all the contentions of the Company except non-taxation of the transfer of paper and paperboard and corrugated business segments to BSPPL and taxation of provision for retirement benefits on accrual basis thereby reducing the tax refundable claimed by the Company from Rs 352.953 million to Rs 273.986 million and also reducing the original demand to Rs 78.967 million. The Company has filed an appeal against the above order before ATIR on May 4, 2018, the outcome of which is still pending. The Company has not made any provision against the above demand and disallowance as the management is confident that the ultimate outcome of the appeal would be in favour of the Company, inter alia on the basis of the advice of the tax consultant and the relevant law and facts.

29.4 In respect of tax year 2016, the department amended the deemed order for the year raising a tax demand of Rs 464.187 million. The Company being aggrieved of the said order filed the appeal before CIR(A), who through order dated December 11, 2017, has accepted all the contentions of the Company except the allowability of provision for workers' profit participation fund on payment rather than accrual basis and remanded back credit for minimum tax thereby reducing the tax demand to Rs 86.864 million. The Company has filed an appeal against the above order before ATIR on January 9, 2018, the outcome of which is still pending. The Company has not made any provision against the above disallowance as the management is confident that the ultimate outcome of the appeal would be in favour of the Company, inter alia on the basis of the advice of the tax consultant and the relevant law and facts.

30. Cash and bank balances

At banks:

		2020 (Rupees in thousand)	2019
- Savings accounts	- notes 30.1 and 30.2	64,411	50,913
- Current accounts	- note 30.3	57,896	179,582
		<u>122,307</u>	<u>230,495</u>
In hand [including USD 2,602 (2019: USD 5.925), Euro 11,035 (2019: Nil), AED Nil (2019: 500) and QAR Nil (2019: 114)]		4,370	4,635
		<u>126,677</u>	<u>235,130</u>

30.1 The balances in savings accounts bear mark-up at 5.5% to 11.25% (2019: 8.73% to 11.25%) per annum.

30.2 Included in these are restricted funds of Rs 8.693 million (2019: 9.247 million) in respect of deposits that are repayable on demand as referred to in note 16.6.

30.3 Included in these are restricted funds of Rs 1.332 million (2019: Rs 1.332 million) held as payable to TFC holders as referred to in note 16.

31. Cost of sales		2020 (Rupees in thousand)	2019 (Rupees in thousand)
Raw materials consumed		5,619,061	13,898,574
Salaries, wages and amenities	- notes 31.1 and 31.2	869,708	1,640,481
Travelling and conveyance		6,282	28,598
Fuel and power		508,224	1,140,247
Production supplies consumed		265,571	530,082
Rent, rates and taxes		16,008	88,256
Insurance		23,372	49,027
Provision for obsolete / slow-moving stock-in-trade	- note 26.3	43,988	31,843
Repairs and maintenance		166,463	293,034
Packing material expenses		200,334	363,680
Depreciation on operating fixed assets	- note 19.1.3	398,752	725,976
Amortization of intangible assets	- note 22.1	2,740	5,828
Technical fees		37,506	64,289
Others	- note 31.3	156,603	260,129
		<u>8,314,612</u>	<u>19,120,044</u>
Opening work-in-process	- note 26	916,954	708,937
Closing work-in-process	- note 26	-	(916,954)
Cost of goods manufactured		<u>9,231,566</u>	<u>18,912,027</u>
Opening stock of finished goods	- note 31.4	709,334	340,247
	- note 26	<u>9,940,900</u>	<u>19,252,274</u>
Closing stock of finished goods	- note 26	-	(709,334)
		<u>9,940,900</u>	<u>18,542,940</u>

		2020 (Rupees in thousand)	2019 (Rupees in thousand)
31.1 Salaries, wages and amenities include following in respect of retirement benefits:			
Defined benefit plan			
- Gratuity fund		20,336	35,952
Defined contribution plans			
- Provident fund		16,913	27,522
- Pension fund		21,813	34,743
Other benefit plan			
- Accumulating compensated absences		12,154	23,411
		<u>71,216</u>	<u>121,628</u>

31.2 Salaries, wages and amenities include Rs 162.828 million (2019: Rs 313.686 million) in respect of services rendered by manpower contractors during the year.

31.3 This amount is net off reversal of provision for slow moving stores and spares amounting to Rs 15.407 million.

31.4 Cost of goods manufactured includes an amount of Rs 1,112.843 million (2019: Rs 1,991.216 million) for stores and spares consumed. It also include amounts of Rs 65.247 million (2019: Rs 86.298 million), Rs 15.466 million (2019: Rs 5.811 million) and Rs 19.043 million (2019: Rs 35.703 million) for raw materials, stores and spares and finished goods written off respectively.

		2020	2019
		(Rupees in thousand)	
32. Administrative expenses			
	- notes 32.1 and 32.2		
Salaries, wages and amenities		461,080	607,075
Travelling and conveyance		15,288	31,479
Rent, rates and taxes		57,234	118,236
Insurance		9,998	14,251
Printing, stationery and periodicals		4,233	24,516
Postage, telephone and telex		10,058	18,222
Motor vehicles running		8,285	12,504
Computer charges		29,968	44,789
Professional services	- note 32.3	44,251	105,239
Repairs and maintenance		25,771	20,470
Depreciation on operating fixed assets	- note 19.1.3	26,146	47,163
Depreciation on right-of-use assets	- note 20.1	8,477	17,449
Amortization of intangible assets	- note 22.1	2,129	3,706
Depreciation on investment properties	- note 21.1	25,652	3,306
Others		66,711	90,311
	- note 32.4	<u>795,281</u>	<u>1,158,716</u>

32.1 Salaries, wages and amenities include following in respect of retirement benefits:

Defined benefit plans

- Gratuity fund	16,357	22,850
- Pension fund	35,592	32,408

Defined contribution plans

- Provident fund	9,002	10,185
- Pension fund	11,611	12,856

Other benefit plan

- Accumulating compensated absences	11,469	14,880
	<u>84,031</u>	<u>93,179</u>

32.2 Salaries, wages and amenities include Rs 42.658 million (2019: 73.026 million) in respect of services rendered by manpower contractors during the year.

		2020	2019
		(Rupees in thousand)	
32.3 Professional services			
The charges for professional services include the following in respect of auditors' remuneration (excluding sales tax) for:			
- Statutory audit		1,550	3,754
- Half-yearly review		1,040	968
- Tax services		2,356	4,089
- Advisory services		16,201	30,000
- Special assignment		-	1,263
- Workers' profit participation fund audit, management staff pension and employees' gratuity funds audits, audit of consolidated financial statements and certifications required under various regulations		900	1,064
Out of pocket expenses		763	2,175
		<u>22,810</u>	<u>43,313</u>

32.4 Administrative expenses include Rs 30.415 million (2019: Rs 49.009 million) for stores and spares consumed.

		2020	2019
		(Rupees in thousand)	
33.	Distribution and marketing costs		
	- notes 33.1 and 33.2		
Salaries, wages and amenities		263,003	451,198
Travelling and conveyance		24,335	47,398
Rent, rates and taxes		488	766
Freight and distribution		173,389	303,403
Insurance		23,091	35,477
Advertisement and sales promotion		198,577	346,560
Depreciation on owned assets	- note 19.1.3	9,807	17,338
Depreciation on right-of-use assets	- note 20.1	3,652	7,304
Amortisation of intangible assets	- note 22.1	1,012	2,025
Bad debts written off		-	3,353
Others		54,470	39,519
	- note 33.3	751,824	1,254,341

33.1 Salaries, wages and amenities include following in respect of retirement benefits:

Defined benefit plan

- Gratuity fund

9,847 16,916

Defined contribution plans

- Provident fund

5,135 7,570

- Pension fund

6,623 9,555

Other benefit plan

- Accumulating compensated absences

6,541 11,016

28,146 45,057

33.2 Salaries, wages and amenities include Rs 15.007 million (2019: Rs 27.244 million) in respect of labour contractors for services rendered during the year.

33.3 Distribution and marketing costs include Rs 2.970 million (2019: Rs 4.903 million) for stores and spares consumed.

		2020	2019
		(Rupees in thousand)	
34.	(Reversal of impairment losses) / Net impairment losses		
(Reversal) / loss allowance on trade debtors	- note 27.3	(89,173)	69,768
Loss allowance on advances, deposits and other receivables	- note 28.5	20,014	-
		(69,159)	69,768

35. Other expenses

Worker's profit participation fund	- note 16.7.1	-	114,882
Workers' welfare fund	- note 16.8.1	12,790	17,079
Exchange loss - net		81,678	64,746
Impairment on investments in associate	- note 23.1.3	-	676,864
Donations	- note 35.1	22,002	56,077
		116,470	929,648

35.1 The Company made a donation of Rs 22.001 million (2019: Rs 56.077 million) to its related party on the basis of common directorship / governorship, Packages Foundation. Following is the interest of the Directors of the Company in the done during the year:

Name of donee	Directors of the Company	Interest in donee
Packages Foundation	Syed Hyder Ali (Chief Executive)	Trustee
	Syed Aslam Mehdi	Trustee

No other directors or their spouses had any interest in any of the donees during the year.

	2020 (Rupees in thousand)	2019 (Rupees in thousand)
36. Other income		
Income on bank deposits	10,452	6,390
Rental income from investment properties [including Rs 251.298 million (2019: Rs 145.004 million) from related parties]	261,110	151,394
Profit on disposal of operating fixed assets	10,117	17,001
Management and technical fee from related parties	88,284	68,624
Insurance commission from related party	-	694
Liabilities no longer payable written back	15,574	29,346
Discounting adjustment on long term advances - note 10	-	35,145
Others [including Rs 4.841 million (2019: Rs 13.160 million) from related parties]	20,796	18,378
	<u>406,333</u>	<u>326,972</u>

37. Finance cost		
Interest and mark-up including commitment charges on:		
- Long term finances - note 37.1	212,702	285,517
- Short term borrowings - secured	390,466	594,977
- Lease liabilities - note 9	3,267	6,621
Return on preference shares / convertible stock - note 8.3	155,550	155,550
Commission on bank guarantees	847	10,457
Bank charges	6,258	2,818
Unwinding of finance cost on long term advances - note 10	13,173	-
	<u>782,263</u>	<u>1,055,940</u>

37.1 This includes an amount of Rs 62.267 million as annual commitment fee on the undisbursed amount of facility availed from IFC as referred to in note 8.2.

	2020 (Rupees in thousand)	2019 (Rupees in thousand)
38. Investment income		
Dividend income from related parties - note 38.1	1,277,865	206,930
Dividend income from others	639,033	1,727,358
	<u>1,916,898</u>	<u>1,934,288</u>

38.1 Dividend income from related parties

	2020	2019
	(Rupees in thousand)	
DIC Pakistan Limited	118,204	110,098
Packages Real Estate (Private) Limited	22,688	-
Bulleh Shah Packaging (Private) Limited	1,091,874	-
IGI Holdings Limited	45,099	45,099
Tri-Pack Films Limited	-	51,733
	<u>1,277,865</u>	<u>206,930</u>

39. Taxation

Current		
- For the year	287,127	623,480
- Prior years	-	81,204
	<u>287,127</u>	<u>704,684</u>
Deferred	- note 11.2	(270,791)
	- note 39.1	<u>16,336</u>
		<u>819,369</u>

39.1 As explained in note 5.1, the Company's provision for taxation (current and deferred) is based on the consolidated results of the Group. The Group taxation has resulted in a reduction of Rs 190.490 million (2019: Rs 42.876 million) in the tax expense of the Company for the year.

39.2 Tax charge reconciliation

	2020	2019
	% age	
Numerical reconciliation between the average effective tax rate and the applicable tax rate		
Applicable tax rate	29.00	29.00
Tax effect of:		
- Amounts that are not deductible for tax purposes	0.25	10.01
- Amounts that are exempt for tax purposes	(0.89)	(0.92)
- Effect of change in tax rate	-	2.77
- Amounts that are chargeable to tax at different rates	(5.21)	(14.03)
- Group taxation as explained in note 5.1	(5.75)	(1.98)
- Change in prior years' tax	-	3.75
- Deferred tax on initial application of IFRS 16 directly recognised in equity	-	(0.74)
- Deferred tax asset not recognised on minimum tax available for carry forward	-	12.31
- Tax credits utilized	(16.82)	(2.34)
	<u>(28.42)</u>	<u>8.83</u>
Average effective tax rate charged to unconsolidated statement of profit or loss	<u>0.58</u>	<u>37.83</u>

40. Remuneration of Chief Executive, Directors and Executives

40.1 The aggregate amount charged in the unconsolidated financial statements for the year for remuneration, including certain benefits, to the Chief Executive, Executive and Non-Executive Directors and Executives of the Company are as follows:

	Chief Executive		Executive Directors		Non-Executive Directors		Executives	
	2020	2019	2020	2019	2020	2019	2020	2019
	(Rupees in thousand)							
Short term employee benefits								
Managerial remuneration	5,191	5,682	4,196	9,775	-	-	118,135	161,911
Housing	19,735	16,663	5,681	3,396	-	-	67,650	81,148
Utilities	4,673	4,295	1,262	755	-	-	13,913	16,653
Bonus and Incentives	20,107	23,548	9,966	2,929	-	-	154,957	133,186
Leave passage	3,148	2,859	637	637	-	-	5,694	7,405
Reimbursement of medical expenses	9,836	8,702	111	57	-	-	5,071	6,219
Directors' meeting fees	-	-	-	-	6,396	5,175	-	-
Technical fees	-	-	-	-	855	1,934	-	-
Other allowances and expenses	81	3,133	-	-	-	-	-	-
	62,771	64,882	21,853	17,549	7,251	7,109	365,420	406,522
Post employment benefits								
Contribution to provident, gratuity and pension funds	8,650	11,837	1,452	2,639	-	-	28,642	33,343
	71,421	76,719	23,305	20,188	7,251	7,109	394,062	439,865
Number of persons	1	1	1	1	8	8	61	60

40. 2 The Company also provides the Chief Executive and some of the directors and executives with Company maintained cars, household equipments, free transport and utilities.

40.3 Premium charged in the unconsolidated financial statements in respect of directors' indemnity insurance policy, purchased by the Company during the year, amounted to Rs 0.753 million (2019: Rs 0.753 million).

41. Transactions with related parties

The related parties comprise of subsidiaries, joint ventures, associates, related parties on the basis of common directorship, group companies, key management personnel including directors and post-employment staff retirement plans. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any director (whether executive or otherwise) of that Company. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables, amounts due from directors and key management personnel are shown under receivables and remuneration of directors is disclosed in note 40. Significant related party transactions have been disclosed in respective notes in these unconsolidated financial statements, other than the following:

		2020 (Rupees in thousand)	2019
Relationship with the Company	Nature of transactions		
i. Subsidiary companies	Purchase of goods and services	2,984,382	5,703,711
	Sale of goods and services	1,501,932	312,083
	Sale of owned assets	17,373	-
	Dividend income	1,232,765	110,098
	Rental and other income	244,123	142,886
	Management and technical fee	79,534	68,625
ii. Joint ventures	Purchase of goods and services	1,042	695
	Sale of goods and services	2,595	1,687
	Rental and other income	379	346
iii. Associates	Purchase of goods and services	1,141,210	1,757,474
	Sale of goods and services	2,917	15,258
	Insurance premium	148,512	216,468
	Commission earned	-	694
	Insurance claims received	3,752	5,332
	Rental and other income	10,970	13,267
	Dividend income	45,099	96,832
	Dividend paid	320,486	400,608
iv. Retirement obligations	Expense charged in respect of retirement plans	152,170	206,242
	Dividend paid	33,989	42,486
v. Key management personnel	Salaries and other employee benefits - note 41.1	154,738	193,829
	Dividend paid	30,832	34,309

41.1 This represents remuneration of the Chief Executive, executive director and some of the executives that are included in the remuneration disclosed in note 40 to these unconsolidated financial statements.

All transactions with related parties have been carried out on mutually agreed terms and conditions.

41.2 The related parties with whom the company had entered into transactions or had arrangements/agreements in place during the year have been disclosed below along with their basis of relationship:

Name	Relationship	%age of shareholding in the Company
Packages Lanka (Private) Limited	Subsidiary	N/A
Bulleh Shah Packaging (Private) Limited	Subsidiary	N/A
Tri-Pack Films Limited	Associate	N/A
Packages Real Estate (Private) Limited	Subsidiary	N/A
Flexible Packaging Converters	Subsidiary	N/A
Chantler Packages Inc.	Subsidiary	N/A
IGI Life Insurance Limited	Associate	N/A
Packages Construction (Private) Limited	Subsidiary	N/A
IGI Insurance Limited	Associate	N/A
Packages Convertors Limited	Subsidiary	N/A
Packages Investments Limited	Subsidiary	N/A
Omya Pack(Private) Limited	Joint Venture	N/A
Packages Power (Private) Limited	Subsidiary	N/A
Anemone Holdings Limited	Subsidiary	N/A
DIC Pakistan Limited	Subsidiary	N/A
IGI Holding (Private) Limited	Associate	N/A
IGI Finex Securities Limited	Associate	0.00%
Packages Foundation	Common Directorship	N/A
IGI General Insurance Limited	Associate	N/A
IGI Investment (Private) Limited	Associate	29.88%
Packages Limited Employees Gratuity Fund	Post Employment Benefit Plan	0.12%
Packages Limited Management Staff Pension Fund	Post Employment Benefit Plan	0.74%
Packages Limited Employees Provident Fund	Post Employment Contribution Plan	2.31%
Babar Ali Foundation	Common directorship	7.49%
Syed Maratib Ali trust	Common directorship	N/A
Syed Hyder Ali	Chief Executive Officer	2.94%
Towfiq Habib Chinoy	Director	0.11%
Tariq Iqbal Khan	Director	0.01%
Asghar Abbas	Ex- Director	N/A
Syed Aslam Mehdi	Executive Director	0.01%
Syed Shahid Ali	Director	0.17%
Josef Meinred Moeller	Director	0.00%
Imran Khalid Niazi	Director	0.00%
Hasan Askari	Director	0.00%
Saba Kamal	Director	0.00%
Irfan Mustafa	Director	0.00%
Atif Bajwa	Ex- Director	N/A
Shamim Ahmad Khan	Ex- Director	N/A
Syed Asim Shamim	Key Management Personnel	N/A
Numan Noor	Key Management Personnel	N/A
Aftab Ahmad Khan	Key Management Personnel	N/A
Khurram Raza Bakhtayari	Key Management Personnel	N/A
Shaheen Sadiq	Key Management Personnel	N/A
Muhammad Afzal (Ex-employee)	Key Management Personnel	N/A
Hassan Tariq	Key Management Personnel	N/A
Waqas Munir	Key Management Personnel	N/A
Syed Zeeshan Ali	Key Management Personnel	N/A

42. Subsidiaries incorporated outside Pakistan

	Anemone Holdings Limited	Flexible Packages Convertors (Proprietary) Limited	Packages Lanka (Private) Limited	Chantler Packages Inc.
Basis of association	Subsidiary	Subsidiary	Subsidiary	Subsidiary
Country of incorporation / jurisdiction	Republic of Mauritius	South Africa	Sri Lanka	Canada
Registered address	2nd floor, The AXIS, 26 Cyber city, Ebene, Republic of Mauritius	316 Marks Street, Watloo 0184, Pretoria South, Gauteng, RSA	148, Minuwandoga Road, Ekala, Ja-Ela	880 Lakeshore Road East, Mississauga, Ontario
Effective percentage of shareholding	100.00%	55.00%	79.07%	63.26%
Company's shareholding	Direct	Through Anemone Holdings Limited	Direct	Through Packages Lanka (Private) Limited
Amount of investment - foreign currency	USD 8.634 million	No direct investment	SL Rupees 451.417 million	No direct investment
Amount of investment - local currency	Rs 1,242.587 million	No direct investment	Rs 442.938 million	No direct investment
Terms and conditions for which investment has been made	Unconditional equity investment	No direct investment	Unconditional equity investment	No direct investment
Litigations against the investee	None	None	None	None
Default / breach relating to foreign investment	None	None	None	None

42.1 For amount of returns received on these investments, refer note 38.

43. Capacity and production

	Capacity		Actual production	
	2020	2019	2020	2019
Paper and paperboard produced - metric tonnes	20,700	41,400	7,659	14,698
Paper and paperboard converted - metric tonnes	28,380	59,107	20,326	39,670
Plastics all sorts converted - metric tonnes	16,100	32,000	11,085	21,189

The variance of actual production from capacity is primarily on account of production planned as per market demand.

43.1 The capacity and actual production for the current year represents the figures for first six months only as manufacturing operations of the Company were transferred to Packages Convertors Limited as disclosed in note 2.

44. Cash flow information

44.1 Cash generated from operations

		2020 (Rupees in thousand)	2019
Profit before tax		2,835,860	2,165,672
Adjustments for:			
- Depreciation on operating fixed assets	- note 18.1.5	434,705	790,477
- Depreciation on right-of-use assets	- note 20	12,129	24,753
- Depreciation on investment properties	- note 21.1	25,652	3,306
- Discounting adjustment on long term advances	- note 10	-	(35,145)
- Impairment loss on investment in associate	- note 23.1.3	-	676,864
- Liabilities no longer payable written back	- note 36	(15,574)	(29,346)
- Amortisation of intangible assets	- note 22.1	5,881	11,559
- Provision for accumulating compensated absences	- note 13.2	30,164	49,307
- Provision for retirement benefits	- note 12.1.1	82,132	108,126
- Exchange loss - net	- note 35	81,678	64,746
- Net impairment losses on financial assets	- note 34	(69,159)	69,768
- Bad debts written off	- note 33	-	3,353
- Provision for obsolete / slow-moving stock-in-trade	- note 26.3	43,988	31,843
- Reversal of provision for obsolete / slow-moving stores and spares		-	(3,948)
- Stores and spares written off		15,466	5,811
- Stock-in-trade written off		84,290	122,631
- Capital work-in-progress charged to unconsolidated statement of profit or loss		1,578	10,594
- Profit on disposal of operating fixed assets	- note 36	(10,117)	(17,001)
- Finance cost	- note 37	782,263	1,055,940
- Dividend income	- note 38	(1,916,898)	(1,934,288)
Profit before working capital changes		2,424,038	3,175,022
Effect on cash flow due to working capital changes:			
- Increase in stores and spares		(119,159)	(156,338)
- Increase in stock-in-trade		(1,580,596)	(468,162)
- Decrease / (increase) in trade debts		3,059,803	(588,320)
- Decrease/ (increase) in loans, advances, deposits, prepayments and other receivables		23,880	(129,364)
- (Decrease) / increase in trade and other payables		(1,495,589)	11,361
		(111,661)	(1,330,823)
		2,312,377	1,844,199

			2020 (Rupees in thousand)	2019
44.2	Cash and cash equivalents			
Cash and bank balances	- note 30		126,677	235,130
Short term borrowings - secured	- note 15		(453,159)	(5,713,146)
			<u>(326,482)</u>	<u>(5,478,016)</u>

			2020	2019
45.	Number of employees			
Total number of employees as at December 31	- note 45.1		67	1,504
Average number of employees during the year			<u>786</u>	<u>1,513</u>

45.1 The employees relating to the manufacturing business were transferred during the year to Packages Convertors Limited as disclosed in note 2.

46. Rates of exchange

Liabilities in foreign currencies have been translated into Pak Rupees at USD 0.6246 (2019:USD 0.6437), Euro 0.5059 (2019: Euro 0.5745), CHF 0.5496 (2019: 0.6229), GBP 0.4559 (2019: 0.4902), CNY 4.0847 (2019: 4.4918), SGD 0.8244 (2019: 0.8712) equal to Rs 100. Assets in foreign currencies have been translated into Pak Rupees at USD 0.6231 (2019: USD 0.6458) equal to Rs 100.

			2020	2019
47.	Earnings per share			
47.1	Basic earnings per share			
Profit for the year	Rupees in thousand		2,819,524	1,346,303
Weighted average number of ordinary shares	Number		89,379,504	89,379,504
Basic earnings per share	Rupees		<u>31.55</u>	<u>15.06</u>
47.2	Diluted earnings per share			
Profit for the year	Rupees in thousand		2,819,524	1,346,303
Return on preference shares / convertible stock - net of tax	Rupees in thousand		154,656	97,187
			<u>2,974,180</u>	<u>1,443,490</u>
Weighted average number of ordinary shares	Number		89,379,504	89,379,504
Weighted average number of notionally converted preference shares / convertible stock	Number		8,186,842	8,186,842
			<u>97,566,346</u>	<u>97,566,346</u>
Diluted earnings per share	Rupees		<u>30.48</u>	<u>14.79</u>

48. Financial risk management

48.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management Programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the Company's finance department under policies approved by the BOD. The Company's finance department evaluates and hedges financial risks. The BOD provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Company's overall risk management procedures to minimize the potential adverse effects of financial market on the Company's performance are as follows:

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument shall fluctuate because of changes in foreign exchange rates.

The Company operates internationally and is exposed to currency risk arising from various currency exposures, primarily with respect to the USD and the Euro. Currency risk arises from future commercial transactions and recognised assets and liabilities. Currency risk arises when future commercial transactions or recognised assets or liabilities or net investments in foreign operations that are denominated in a currency that is not the Company's functional currency. Currently, the Company's currency risk is restricted to cash in hand, amounts receivable and amounts payable to foreign entities.

At December 31, 2020, if the Pak Rupee had strengthened / weakened by 10% against the USD with all other variables held constant, post-tax profit for the year would have been Rs 3.164 million lower / higher (2019: Rs 1.489 million lower / higher), mainly as a result of foreign exchange losses / gains on translation of US dollar-denominated financial assets and liabilities.

At December 31, 2020, if the Pak Rupee had strengthened / weakened by 10% against the Euro with all other variables held constant, post-tax profit for the year would have been Rs 2.136 million higher / lower (2019: Rs 7.700 million higher / lower), mainly as a result of foreign exchange gains / losses on translation of Euro-denominated financial assets and liabilities.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of 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 is exposed to equity securities price risk because of investments held by the Company and classified as fair value through other comprehensive income. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board. The primary goal of the Company's investment strategy is to maximise investment returns.

The Company's certain investments in equity instruments of other entities are publicly traded on the Pakistan Stock Exchange Limited.

The table below summarises the impact of increases / decreases of the KSE-100 index on the Company's pre-tax profit for the year and on equity. The analysis is based on the assumption that the KSE-100 index had increased / decreased by 10% with all other variables held constant and all the Company's equity investments moved according to the historical correlation with the index:

	Impact on post-tax profit		Impact on other components of equity	
	2020	2019	2020	2019
	(Rupees in thousand)			
Pakistan Stock Exchange Limited	-	-	477,361	2,185,386

Post-tax profit for the year would decrease / increase as a result of losses / gains on equity securities classified as at fair value through profit or loss. Other components of equity would decrease / increase as a result of losses / gains on equity securities classified as at fair value through other comprehensive income. As at December 31, 2020 the Company has no investment classified at fair value through profit or loss.

(iii) Cash flow and fair value interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As the Company has no significant floating interest rate assets, the Company's income is substantially independent of changes in market interest rates.

The Company's interest rate risk arises mainly from short term and long-term borrowings. These borrowings issued at variable rates expose the Company to cash flow interest rate risk.

The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

	2020 (Rupees in thousand)	2019 (Rupees in thousand)
Fixed rate instruments:		
Financial assets		
Bank balances - savings accounts	64,411	50,913
Financial liabilities		
Preference shares / convertible stock - unsecured	(932,650)	(932,650)
Lease liabilities	-	(40,774)
	(932,650)	(973,424)
Net exposure	<u>(868,239)</u>	<u>(922,511)</u>
Floating rate instruments:		
Financial liabilities		
Long term finances	-	(2,000,000)
Short term borrowings	(453,159)	(5,713,146)
	(453,159)	(7,713,146)
Net exposure	<u>(453,159)</u>	<u>(7,713,146)</u>

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit or loss of the Company.

At December 31, 2020, if interest rates on floating rate borrowings had been 1% higher / lower with all other variables held constant, post-tax profit for the year would have been Rs 9.880 million (2019: Rs 23.942 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk represents the risk of financial loss being caused if counter party fails to discharge an obligation.

Credit risk of the Company arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to distributors and customers, including outstanding receivables and committed transactions. The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the BOD. The utilisation of credit limits is regularly monitored. For banks and financial institutions, only independently rated parties with a strong credit rating are accepted.

(i) Exposure to credit risk

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets exposed to credit risk are as under:

	2020 (Rupees in thousand)	2019 (Rupees in thousand)
Long term loans	-	627
Long term security deposits	5,344	7,771
Trade debts	74,418	3,045,048
Short term investments	-	80,000
Loans, advances, deposits and other receivables	1,485,633	352,824
Balances with banks	122,307	230,495
	<u>1,687,702</u>	<u>3,716,765</u>

(ii) Impairment of financial assets

The Company's trade debts against local and export sales of inventory are subject to the expected credit loss model. While bank balances, deposits and other receivables are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade debts

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debts.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before December 31, 2020 or 18 months before January 01, 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the Gross Domestic Product and the Consumer Price Index of the country in which it majorly sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at December 31, 2020 and December 31, 2019 was determined as follows:

	(Rupees in thousand)					
December 31, 2020	Current balances	Up to 90 days	91 to 180 days	181 to 365 days	365 days or more	Total
Expected loss rate	7.93%	30.88%	53.28%	85.69%	100.00%	
Gross carrying amount of trade debts	2,238	1,073	19,677	-	51,862	74,850
Loss allowance	177	331	10,484	-	51,862	62,854

December 31, 2019	(Rupees in thousand)					Total
	Current balances	Up to 90 days	91 to 180 days	181 to 365 days	365 days or more	
Expected loss rate	0.16%	3.76%	31.00%	59.00%	100.00%	
Gross carrying amount of trade debts	2,330,890	592,062	141,303	79,886	35,102	3,179,243
Loss allowance	3,729	22,262	43,804	47,130	35,102	152,027

(iii) Credit quality of financial assets

The credit quality of Company's financial assets that are neither past due nor impaired (mainly bank balances) can be assessed with reference to external credit ratings(if available) or to historical information about counterparty default rate:

	Rating		Rating Agency	(Rupees in thousand)	
	Short term	Long term		2020	2019
Askari Bank Limited	A1+	AA+	PACRA	259	5,511
Bank Al-Habib Limited	A1+	AA+	PACRA	49,780	7,743
Citibank N.A.	A	F1	Moody's	-	61
Dubai Islamic Bank (Pakistan) Limited	A1+	AA	JCR-VIS	-	22
Habib Bank Limited	A1+	AAA	JCR-VIS	2,698	18,632
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	54,750	9,104
Industrial and Commercial Bank of China Limited	P1+	A1	Moody's	-	3
JS Bank Limited	A1+	AA-	PACRA	645	1,161
MCB Bank Limited	A1+	AAA	PACRA	2,933	2,309
Meezan Bank Limited	A1+	AA+	JCR-VIS	-	235
National Bank of Pakistan	A1+	AAA	PACRA	9	18
Samba Bank Limited	A1	AA	JCR-VIS	1,332	1,332
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	9,725	122,154
Deutsche Bank AG	BBB	F2	Moody's	176	62,210
United Bank Limited	A1+	AAA	JCR-VIS	-	-
				122,307	230,495

(c) Liquidity risk

Liquidity risk represents the risk that the Company shall encounter difficulties in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the Company's businesses, the Company's finance department maintains flexibility in funding by maintaining availability under committed credit lines. At December 31, 2020, the Company had Rs 453.159 million available borrowing limits from financial institutions under mark up arrangements and Rs 126.677 million in cash and bank balances.

Management monitors the forecasts of the Company's cash and cash equivalents (note 44.2) on the basis of expected cash flow. This is generally carried out in accordance with practice and limits set by the Company. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Company's liquidity management policy involves projecting cash flows in each quarter and considering the level of liquid assets necessary to meet its liabilities, monitoring statement of financial position liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date.

	(Rupees in thousand)				
	Carrying value	Less than 1 year	Between 1 and 2 years	2 to 5 years	Over 5 years
At December 31, 2020					
Long term finances	932,650	-	-	-	932,650
Short term borrowings - secured	453,159	453,159	-	-	-
Long term advances	10,336	2,416	5,851	2,069	-
Trade and other payables	1,507,290	1,507,290	-	-	-
Unclaimed dividend	54,750	54,750	-	-	-
Accrued finance cost	172,603	172,603	-	-	-
	3,130,788	2,190,218	5,851	2,069	932,650

At December 31, 2019

Long term finances	2,932,650	200,000	800,000	1,000,000	932,650
Short term borrowings - secured	5,713,146	5,713,146	-	-	-
Long term advances	62,666	3,758	15,958	42,950	-
Lease liabilities	58,363	23,266	35,097	-	-
Trade and other payables	3,096,632	3,096,632	-	-	-
Unclaimed dividend	55,203	55,203	-	-	-
Accrued finance cost	335,208	335,208	-	-	-
	<u>12,253,868</u>	<u>9,427,213</u>	<u>851,055</u>	<u>1,042,950</u>	<u>932,650</u>

The carrying values of following financial assets and liabilities reflected in the unconsolidated financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at reporting date.

	At fair value through other comprehensive income		
	At fair value through other comprehensive income	At amortised cost	Total
(Rupees in thousand)			
Assets as per Unconsolidated Statement of Financial Position as at December 31, 2020			
Long term loans	-	-	-
Long term security deposits	-	5,344	5,344
Trade debts	-	74,418	74,418
Loans, advances, deposits and other receivables	-	1,485,633	1,485,633
Investments	24,327,299	-	24,327,299
Cash and bank balances	-	126,677	126,677
	<u>24,327,299</u>	<u>1,692,072</u>	<u>26,019,371</u>

At fair value through other comprehen- sive income	At amortised cost	Total
(Rupees in thousand)		

**Assets as per Unconsolidated Statement of Financial Position
as at December 31, 2019**

Long term loans	-	288	288
Long term security deposits	-	7,771	7,771
Trade debts	-	3,045,048	3,045,048
Loans, advances, deposits and other receivables	-	352,824	352,824
Investments	29,381,471	-	29,381,471
Short term investments	-	80,000	80,000
Cash and bank balances	-	235,130	235,130
	<u>29,381,471</u>	<u>3,721,061</u>	<u>33,102,532</u>

**Financial liabilities at
at amortised cost**

2020	2019
(Rupees in thousand)	

Liabilities as per Unconsolidated Statement of Financial Position

Long term finances	932,650	2,932,650
Lease liabilities	-	58,363
Long term advances	10,336	62,666
Short term borrowings - secured	453,159	5,713,146
Trade and other payables	1,507,290	3,096,632
Unclaimed dividend	54,750	55,203
Accrued finance cost	172,603	335,208
	<u>3,130,788</u>	<u>12,253,868</u>

48.3 Offsetting financial assets and financial liabilities

There are no significant financial assets and financial liabilities that are subject to offsetting, enforceable master netting arrangements and similar agreements.

48.4 Capital 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.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total equity (as shown in the statement of financial position). Net debt is calculated as total borrowings (including current and non-current borrowings) including bank overdraft less cash and bank balances and liquid investments.

The gearing ratios as at Dec 31, 2020 and 2019 were as follows:

		2020 (Rupees in thousand)	2019
	- notes 8, 15 and 16.9		
Borrowings		1,393,786	8,645,796
Less : Cash and bank balances	- note 30	(126,677)	(235,130)
Net debt		<u>1,267,109</u>	<u>8,410,666</u>
Total equity		49,691,207	52,921,978
Gearing ratio	Percentage	2.49%	13.71%

In accordance with the terms of agreements for long term finances, (as disclosed in note 8.1 to these unconsolidated financial statements), the Company has complied with all the covenants throughout the year.

In accordance with the terms of agreement for preference shares with IFC, (as disclosed in note 8.3 to these unconsolidated financial statements), the Company is required to comply with the following financial covenants:

- the debt service coverage ratio, calculated according to the terms of the above mentioned agreement shall not be less than 1.30.
- the current ratio shall not be less than 1:1. Current assets for the purpose of computing current ratio, as per the terms of the above mentioned agreement, do not include prepayments.
- the debt to equity ratio, as calculated under the terms of the said agreement, must be not more than 60%.

The Company has complied with these covenants throughout the reporting period. As at December 31, 2020, the debt service coverage ratio was 18.06 (2019: 10.74), the current ratio was 1.51:1 (2019: 1.14:1) and the debt to equity ratio was 2.49% (2019: 13.71%).

48.5 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The table below analyses the financial instruments carried at fair value, by valuation method. The different levels have been defined 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 (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Company's assets that are measured at fair value:

	(Rupees in thousand)			
	Level 1	Level 2	Level 3	Total
At December 31, 2020				
Recurring fair value measurements				
Assets				
Investments - FVOCI	24,322,274	-	5,000	24,327,274
At December 31, 2019				
Recurring fair value measurements				
Assets				
Investments - FVOCI	29,376,446	-	5,000	29,381,446

Movement in the above mentioned assets has been disclosed in note 23 to these unconsolidated financial statements and movement in fair value reserve has been disclosed in the statement of changes in equity. There were no transfers between Levels 1 and 2 & Levels 2 and 3 during the year and there were no changes in valuation techniques during the years. Since the ordinary shares of Coca-Cola Beverages Pakistan Limited are not listed, therefore these are included in Level 3. The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. Changes in level 2 and 3 fair values are analysed at the end of each reporting period during the annual valuation discussion between the Chief Financial Officer and the investment advisor. As part of this discussion, the investment advisor presents a report that explains the reason for the fair value movements.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

49. Date of authorisation for issue

These unconsolidated financial statements were authorised for issue on March 19, 2021 by the Board of Directors, of the Company.

50. Events after the reporting date

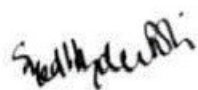
50.1 Subsequent to year-end, Mitsubishi Corporation (the "MC") indicated its intention of selling its entire 19.33% shareholding of Tri-Pack Films Limited ('TPFL'). As per the Joint Venture agreement between MC and the Company, the Company has the first right of refusal to purchase the entire shareholding of MC.

Accordingly, on February 18, 2021, the Company has submitted a Public Announcement of Intention ("Public Offer") to acquire up to 7.5 million ordinary shares representing 19.33% shareholding of TPFL subject to regulatory approvals.

50.2 The BOD has proposed a final cash dividend for the year ended December 31, 2020 of Rs 22.5 per share (2019: Rs 12.00 per share), amounting to Rs 2,011,039 million (2019: Rs 1,072.554 million) at their meeting held on March 19, 2021 for approval of the members at the Annual General Meeting to be held on April 30, 2021.

51. Corresponding figures

Corresponding figures have been re-arranged and reclassified wherever necessary, for the purpose of comparison and better presentation. The corresponding figures are not comparable as the assets and related liabilities of manufacturing business were transferred to Packages Convertors Limited with effect from July 1, 2020 as disclosed in note 2.



Chief Executive



Director



Chief Financial Officer

Consolidated Financial Statements

For the year ended December 31, 2020

Directors' Report

On The Consolidated Financial Statements

For The Year Ended December 31, 2020

The Directors of the Parent Company take pleasure in presenting the consolidated financial statements of the Group for the year ended December 31, 2020. Comparison of consolidated results for the year 2020 as against year 2019 is as follows:

(Rupees in million)	2020	2019
Invoiced Sales – net	64,981	60,906
Profit from Operations	7,561	4,167
Share of Profit in Associates and Joint Venture	340	5
Investment Income	639	1,742
Profit after tax	4,536	278

We are pleased to report that the core manufacturing operations of the group have shown significantly improved performance in a challenging and competitive environment. During the year 2020, the Group achieved net sales of Rs 64,981 million against net sales of Rs 60,906 million achieved during last year representing sales growth of 7% with an operating profit of Rs 7,561 million as compared to 4,167 million generated during last year representing growth of 81%, mainly on account of revenue growth and cost controls.

The Group's finance cost has decreased by Rs 519 million which is mainly attributable to decreased interest rates in current year.

A brief review of the operational performance of the Group subsidiaries is as follows:

Packages Convertors Limited

In 2019, the Board of Directors and Shareholders of Parent Company approved the internal restructuring of the Parent Company including transfer of its manufacturing businesses including folding cartons, flexible packaging, consumer products and mechanical fabrication & roll covers along with all relevant assets, operations and corresponding liabilities (Converting Business) to a newly formed wholly owned subsidiary i.e. Packages Convertors Limited (PCL) subject to applicable regulatory approvals. On January 22, 2020, PCL received in-principle approval of Securities and Exchange Commission of Pakistan (SECP) subject to certain conditions being met against its application under regulation 7 of the Companies (Further Issue of Shares) Regulations, 2018 read with section 83(1) of the Companies Act, 2017. The Parent Company transferred its Converting Business at carrying value of Rs 3,083 million as of July 01, 2020 upon completion of formalities. Subsequent to the year end on January 14,

2021, SECP granted the approval for the proposed issuance of 30,829,021 ordinary shares (of Rs 100 each) at par value, for a consideration other than cash i.e. against transfer of net assets of Packages Limited based on net carrying values as at July 1, 2020.

As a result, the operations of Converting Business have now become part of PCL effective July 1, 2020. The Converting Business, as a whole, has generated net sales of Rs. 25,178 million and profit before tax of Rs. 1,620 million in financial year ended December 31, 2020.

DIC Pakistan Limited

DIC Pakistan Limited is an un-listed public limited subsidiary of Packages Limited. It is mainly engaged in manufacturing, processing and selling of industrial inks. The Company achieved net sales of Rs. 5,576 million during the year 2020 as compared to Rs. 5,228 million last year, representing sales growth of 7%. The Company has generated profit before tax of Rs. 616 million during the year 2020 as against Rs. 448 million in 2019, representing growth of 37.5%, mainly on account of higher sales and tighter control over fixed costs. Moving forward, the Company will continue its focus on improving operating results through volume growth, tighter cost control and price rationalization.

Packages Lanka (Private) Limited

Packages Lanka (Private) Limited is a Sri Lanka based subsidiary of Packages Limited. It is primarily engaged in production of flexible packaging. The Company has achieved sales of SLR 2,152 million during the year 2020 as compared to SLR 2,338 million in 2019, representing 4% decrease. The Company has generated loss before tax of SLR 60 million in the year 2020 as compared to profit before tax of SLR 27 million of 2019. This decrease

in profit is due to COVID-19 lockdown and slowed economy activity in Sri-Lanka as explained in detail in COVID-19 note below. Moving forward, the Company will focus on improving operating results through volume growth, product diversification and price rationalisation.

Bulleh Shah Packaging (Private) Limited

Bulleh Shah Packaging (Private) Limited is principally engaged in the manufacturing and conversion of paper and paperboard products. The Company has achieved sales of Rs. 28,813 million during the year ended December 31, 2020 as compared to Rs 26,414 million during 2019, representing sales growth of 9%. The Company has recorded operating profit of Rs 3,934 million during the year 2020 as compared to operating profit of Rs 1,529 million in 2019, primarily due to revenue growth and tighter control over fixed costs. The Company is focusing on further improving operating results through increased sales volumes, product diversification and better product mix.

Flexible Packages Convertors (Proprietary) Limited

Flexible Packages Convertors (Pty) Limited is private limited company based in South Africa. It is principally engaged in the manufacture of flexible packaging material. The Company achieved net sales revenue of ZAR 576 million during the year ended December 31, 2020 as compared to ZAR 542 million during 2019. The Company has recorded loss before tax of ZAR 31 million in current year as compared to profit before tax of ZAR 9 million in 2019. This is primarily on account of COVID-19 lockdown in South Africa as explained under COVID-19 note below.

Packages Real Estate (Private) Limited

Packages Real Estate (Private) Limited is a subsidiary of Packages Limited. It is primarily engaged in business of all types of construction activities and development of real estate. It is currently operating "Packages Mall". The Company has achieved net revenue of Rs. 2,660 million during the year ended December 31, 2020 as compared to Rs 3,479 million during 2019. The Company has recorded operating profit of Rs 604 million during the year 2020 as compared to Rs 1,216 million in 2019. The impacts of COVID-19 lockdown on operations and the Company are explained in COVID-19 paragraph below.

Investments in Group Companies

The Group contributed Rs 443.811 million (equivalent to USD 2.635 million) as equity in Anemone Holdings Limited, Mauritius ("AHL"). AHL is a special purpose vehicle established in 2015 for the acquisition of operations of a flexible packaging company in South Africa.

Rent of land on lease from Government of Punjab (GoPb)

A portion of the land on which the Parent Company's buildings are situated, measuring 231 kanals and 19 marlas, was leased out to the Parent Company by GoPb from December 1955 till November 2015 after which the lease has not been renewed. During the year 2015, the Parent Company approached the Board of Revenue ('BoR'), GoPb to renew the lease; however, no adequate response was received. On January 5, 2019, the Supreme Court of Pakistan ('Court'), summoned BoR, to which the BoR stated that the new policy of the GoPb is not to lease state land but to sell it through open auction. Consequently, the Parent Company was directed to deposit Rs 500 million with the BoR as security to the payment of outstanding amount of rent to be determined, with such amount being adjustable against final amount of rent. The Parent Company deposited such amount in

compliance with the direction on January 10, 2019. The Court has further directed Additional Advocate General, Punjab on January 16, 2019 that subject to the Court's approval, two surveyors be appointed for determination of rent based on industrial usage of the land for the period from December 2015 till date. The surveyors were appointed, who have submitted their independent valuation reports to BoR and the Court. The matter is pending for further action as of the date of the authorization for issue of consolidated financial statements of Parent Company. Moreover, the Court has further decided that the land shall be sold through an open auction with the Parent Company getting the first right of refusal.

The management of Parent Company has, on the basis of assessment of fair value of the said portion of land by independent valuers, as appointed by the Court, and its understanding of the prevalent market terms relating to rent of such properties in the vicinity of the said portion of land, recognised an expense of Rs 41.675 million (2019: Rs 174 million) in respect of rent for the year from January 2020 to December 2020. The management of Parent Company is confident that the final amount of rent will be in congruence with the provision made in the unconsolidated financial statements of Parent Company, inter alia based on the fair value determined by the independent valuers and the relevant facts and circumstances. Furthermore, the management also intends to acquire the title of the said portion of land when the open auction takes place.

COVID-19

The pandemic of COVID-19 that has rapidly spread across the world has not only endangered human lives but has also adversely impacted the global economy. In Pakistan, the Government announced a temporary lock down as a measure to reduce the spread of the COVID-19. Packages Limited and its local subsidiaries except Packages Real Estate (Private) Limited (the 'PREPL'), being engaged in provision of essential

services comes under the exemption given by the Government and are operational even in difficult circumstances without compromising the health and well-being of employees. After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, Packages Limited and its local subsidiaries except PREL continued to carry out its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business. Complying with the lockdown, operations of PREPL were closed except for certain tenants. PREPL introduced safety measures and allowed tenants to continue or resume their trade in accordance with the guidelines and lockdown relaxations issued by the Government. To support its tenants, PREPL announced a rent-free period along with reduction in service and maintenance charges effective March 22, 2020. During May 2020 and June 2020, due to the restrictions imposed by the Government on mall operating days in a week and daily operating hours, PREPL provided rent/ license fee waivers and service charges waivers to both the operational and non-operational tenants on varying scales.

The pandemic has affected the operations of Flexible Packages Convertors (Pty) Limited and Packages Lanka (Private) Limited which yielded lower profitability as extensive lockdown measures were implemented in Sri Lanka as well as in South Africa. They were able to obtain permission to run a limited operation for production and distribution of essential items, ensuring compliance to health and hygiene requirements for prevention of COVID – 19 virus during the lockdown period, which increased the costs as well.

The Group management established a crisis management team which analysis the situation on daily basis and taking prompt actions to implement all possible preventive measures to counter coronavirus and to ensure continuity of business operations.



(Towfiq Habib Chinoy)
Chairman
Lahore, March 19, 2021



(Syed Hyder Ali)
Chief Executive & Managing Director
Lahore, March 19, 2021

Independent Auditor's Report

To the members of Packages Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the annexed consolidated financial statements of Packages Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated 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.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

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 Consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

S. No.	Key audit matters	Key audit matters
(i)	<p>Deferred taxation</p> <p>(Refer note 14 to the annexed consolidated financial statements)</p> <p>The Group has recognized deferred tax asset in respect of unused minimum tax credits. Deferred tax asset on such item has been recognized as it is probable that</p> <p>Sufficient taxable profits will be available in future, before their expiry, for their utilization on the basis of the Group's approved business plan.</p> <p>Due to the significant level of judgement and estimation required in preparing the business plan for determining recoverability of deferred tax assets and the significance of the amounts involved, we consider it to be a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> Obtained an understanding of the Group's process of preparing the deferred tax working and tested internal controls over management's valuation of deferred tax assets; Obtained an understanding regarding the relevant tax laws with respect to availability of tax credits; Recalculated the amount of tax credits in accordance with the provisions of Income Tax Ordinance, 2001; Involved internal tax specialists to check the income tax computation for the year and assessed the management's conclusion on carry forward of the tax credits; Obtained the Group's approved business plan and evaluated the management's assumptions used in the preparation of business plan; Assessed the reasonableness of computation of taxable income derived from the Group's approved business plan; and Assessed the appropriateness of accounting policy in respect of recognition of deferred tax assets on unused tax credits and the adequacy of the disclosures made by the Group in this area with regard to the applicable accounting and reporting standards.

Independent Auditor's Report

S. No.	Key audit matters	Key audit matters
(ii)	<p>Change in accounting estimate - revision in useful lives of operating fixed assets</p> <p>(Refer note 4.3.2 to the annexed consolidated financial statements)</p> <p>During the year, as a result of annual assessment of the review of remaining useful lives of the operating fixed assets, management identified that certain items of plant and machinery require an upward revision in their useful lives. The revision in useful lives during the year was necessitated mainly as a result of internal assessment carried out by the relevant personnel of the Company and is in agreement with the discussions and relevant confirmations from the lead consultants and manufacturers of the items of property, plant and equipment. This annual assessment by the Group involves a number of estimation techniques and judgement to determine the remaining expected useful lives of such assets.</p> <p>The above represents a significant event during the year and a high level of judgment and estimation is required to determine the remaining useful lives of the aforementioned plant and machinery, therefore, we consider it to be a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of the work performed by the management's internal experts; • Examined the professional qualification of management's internal experts and assessed the independence, competence and experience of the management's internal experts in the field; • Checked relevant confirmations from the lead consultants and manufacturers of such items of plant and machinery; • Recalculated the depreciation expense on the basis of the revised useful lives of the specified items of plant and machinery; and • Reviewed the adequacy of the disclosures made by the Group in this area with regard to applicable accounting and reporting standards.

Information Other than the Unconsolidated and Consolidated Financial Statements and Auditor's Reports Thereon

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

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 the Board of Directors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated 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.

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



A.F. Ferguson & Co.
Chartered Accountants
Lahore
March 31, 2021

PACKAGES LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2020

	Note	2020 (Rupees in thousand)	2019 (Rupees in thousand)
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised share capital			
-150,000,000 (2019: 150,000,000) ordinary shares of Rs 10 each		1,500,000	1,500,000
- 22,000,000 (2019: 22,000,000) 10% non-voting preference shares / convertible stock of Rs 190 each		4,180,000	4,180,000
		<u>5,680,000</u>	<u>5,680,000</u>
Issued, subscribed and paid up share capital			
- 89,379,504 (2019: 89,379,504) ordinary shares of Rs 10 each	5	893,795	893,795
- 8,186,842 (2019: 8,186,842) 10% non-voting preference shares / convertible stock of Rs 190 each		606,222	606,222
Other reserves	6	47,604,899	52,146,015
Equity portion of loan from shareholder of the Parent Company	7	277,219	277,219
Revenue reserve: Un-appropriated profits		6,529,599	4,009,577
Attributable to owners of the Parent Company		55,911,734	57,932,828
Non-controlling interests		1,864,946	1,967,880
TOTAL EQUITY		<u>57,776,680</u>	<u>59,900,708</u>
NON-CURRENT LIABILITIES			
Long term finances	8	16,187,100	14,948,395
Loan from shareholder of the Parent Company - unsecured	9	260,107	224,230
Lease liabilities	10	435,510	619,563
Security deposits	11	371,797	345,950
Deferred income	12	284,229	55,368
Deferred government grant	13	19,459	-
Deferred taxation	14	1,612,241	2,237,205
Long term advances	15	84,071	69,339
Employee retirement benefits	16	807,523	847,464
Deferred liabilities	17	341,975	398,697
		<u>20,404,012</u>	<u>19,746,211</u>
CURRENT LIABILITIES			
Current portion of non-current liabilities	18	3,516,939	4,351,490
Short term borrowings - secured	19	9,959,308	11,386,824
Trade and other payables	20	9,488,819	8,299,420
Unclaimed dividend		54,955	68,809
Derivative financial instruments		-	3,505
Accrued finance cost	21	659,194	1,144,225
Provision for taxation		-	9,885
		<u>23,679,215</u>	<u>25,264,158</u>
CONTINGENCIES AND COMMITMENTS			
	22		
		<u>101,859,907</u>	<u>104,911,077</u>

The annexed notes 1 to 59 form an integral part of these consolidated financial statements.


Chief Executive


Director


Chief Financial Officer

ASSETS

NON-CURRENT ASSETS

Property, plant and equipment	23	27,396,134	27,925,607
Right-of-use assets	24	614,541	799,075
Investment properties	25	10,601,452	11,393,439
Intangible assets	26	372,521	405,617
Investments accounted for using the equity method	27	6,627,424	6,991,707
Other long term investments	28	24,327,298	29,381,471
Long term security deposits		138,822	139,342
Long term loans	29	657	869
		<u>70,078,849</u>	<u>77,037,127</u>

CURRENT ASSETS

Stores and spares	30	2,654,272	2,332,654
Stock-in-trade	31	13,416,931	11,031,511
Short term investments	32	1,450,000	80,000
Trade debts	33	7,586,305	7,578,383
Loans, advances, deposits, prepayments and other receivables	34	1,288,232	1,647,906
Income tax receivable	35	4,746,975	4,785,563
Cash and bank balances	36	638,343	417,933
		<u>31,781,058</u>	<u>27,873,950</u>
		<u>101,859,907</u>	<u>104,911,077</u>

PACKAGES LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020 (Rupees in thousand)	2019
Revenue	37	64,981,483	60,905,852
Cost of sales and services	38	(51,738,720)	(50,719,265)
Gross profit		13,242,763	10,186,587
Administrative expenses	39	(2,420,183)	(2,511,259)
Distribution and marketing costs	40	(2,690,770)	(2,587,000)
Reversal of impairment losses / (net impairment losses) on financial assets		7,372	(84,161)
Other expenses	41	(979,042)	(1,493,867)
Other income	42	400,718	656,340
Finance cost	43	(3,455,909)	(3,975,906)
Investment income	44	639,298	1,741,650
Share of net profit of associates and joint ventures accounted for using equity method	27.2	340,210	5,391
Profit before taxation		5,084,457	1,937,775
Taxation	45	(548,753)	(1,659,714)
Profit for the year		4,535,704	278,061
Profit is attributable to:			
Equity holders of the Parent Company		4,518,063	153,043
Non-controlling interests		17,640	125,018
		4,535,703	278,061
Earnings per share attributable to equity holders of the Parent Company during the year			
- Basic	Rupees 52.1	50.55	1.71
- Diluted	Rupees 52.2	47.44	1.71

The annexed notes 1 to 59 form an integral part of these consolidated financial statements.

Chief Executive

Director

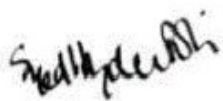
Chief Financial Officer

PACKAGES LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020 (Rupees in thousand)	2019
Profit for the year		4,535,704	278,061
Other comprehensive loss for the year-net of tax			
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Change in fair value of investments at fair value through other comprehensive income (FVOCI)		(5,054,173)	(3,466,785)
Remeasurements of retirement benefits		107,883	(36,422)
Tax effect of remeasurements of retirement benefits	14.5	(35,218)	10,558
		(4,981,508)	(3,492,649)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net exchange differences on translation of foreign operations		(25,122)	152,546
Share of other comprehensive loss of associates and joint venture accounted for using the equity method - net of tax	27.3	(476,263)	(407,838)
		(501,385)	(255,292)
Other comprehensive loss for the year		(5,482,893)	(3,747,941)
Total comprehensive loss for the year		(947,189)	(3,469,880)
Total comprehensive (loss) / income for the year attributable to:			
Owners of the Parent Company		(948,217)	(3,690,414)
Non-controlling interests		1,027	220,534
		(947,190)	(3,469,880)


The annexed notes 1 to 59 form an integral part of these consolidated financial statements.



Chief Executive



Director



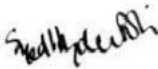
Chief Financial Officer

PACKAGES LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2020

	- Attributable to owners of the Parent Company													Non-controlling interests	Total equity
	Issued, subscribed and paid up share capital			Reserves								Capital and reserves			
				Capital reserves						Revenue reserves					
	Ordinary share capital	Preference shares / convertible stock reserve	Share premium	Exchange differences on translation of foreign operations	FVOCI reserve	Other reserves relating to associates and joint ventures	Transaction with non-controlling interests (Rupees in thousand)	Equity portion of loan from shareholder of the Parent Company	Capital redemption reserve	General reserve	Un-appropriated profits	Total			
Balance as on January 1, 2019	893,795	606,222	3,766,738	(194,715)	28,858,325	3,527,025	22,981	277,219	1,615,000	17,310,333	6,223,015	62,905,938	2,124,244	65,030,182	
Appropriation of reserves															
Transfer to general reserve	-	-	-	-	-	-	-	-	-	1,000,000	(1,000,000)	-	-	-	
Total transactions with owners in their capacity as owners, recognised directly in equity															
Final dividend for the year ended December 31, 2018 of Rs 15.00 per share	-	-	-	-	-	-	-	-	-	-	(1,340,691)	(1,340,691)	-	(1,340,691)	
Dividends relating to 2018 paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(99,443)	(99,443)	
Transaction with non-controlling interests - note 56.3	-	-	-	-	-	-	57,995	-	-	-	-	57,995	(277,455)	(219,460)	
	-	-	-	-	-	-	57,995	-	-	-	(1,340,691)	(1,282,696)	(376,898)	(1,659,594)	
Total comprehensive (loss) / income for the year															
Profit for the year	-	-	-	-	-	-	-	-	-	-	153,043	153,043	125,018	278,061	
Other comprehensive income/ (loss) for the year	-	-	-	50,947	(3,466,785)	(401,829)	-	-	-	-	(25,790)	(3,843,457)	95,516	(3,747,941)	
	-	-	-	50,947	(3,466,785)	(401,829)	-	-	-	-	127,253	(3,690,414)	220,534	(3,469,880)	
Balance as on December 31, 2019	893,795	606,222	3,766,738	(143,768)	25,391,540	3,125,196	80,976	277,219	1,615,000	18,310,333	4,009,577	57,932,828	1,967,880	59,900,708	
Transfer to general reserve	-	-	-	-	-	-	-	-	-	1,000,000	(1,000,000)	-	-	-	
Total transactions with owners in their capacity as owners, recognised directly in equity															
Final dividend for the year ended December 31, 2019 of Rs 12.00 per share	-	-	-	-	-	-	-	-	-	-	(1,072,554)	(1,072,554)	-	(1,072,554)	
Dividends relating to 2019 paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(104,284)	(104,284)	
Change in ownership interest	-	-	-	-	-	-	(323)	-	-	-	-	(323)	323	-	
	-	-	-	-	-	-	(323)	-	-	-	(1,072,554)	(1,072,877)	(103,961)	(1,176,838)	
Total comprehensive income / (loss) for the year															
Profit for the year	-	-	-	-	-	-	-	-	-	-	4,518,063	4,518,063	17,640	4,535,703	
Other comprehensive (loss) / income for the year	-	-	-	(10,357)	(5,054,173)	(476,263)	-	-	-	-	74,513	(5,466,280)	(16,613)	(5,482,893)	
	-	-	-	(10,357)	(5,054,173)	(476,263)	-	-	-	-	4,592,576	(948,217)	1,027	(947,190)	
Balance as on December 31, 2020	893,795	606,222	3,766,738	(154,125)	20,337,367	2,648,933	80,653	277,219	1,615,000	19,310,333	6,529,599	55,911,734	1,864,946	57,776,680	

The annexed notes 1 to 59 form an integral part of these consolidated financial statements.



Chief Executive



Director



Chief Financial Officer

PACKAGES LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020 (Rupees in thousand)	2019
Cash flows from operating activities			
Cash generated from operations	51.1	11,294,366	7,920,394
Finance cost paid		(3,796,819)	(3,300,492)
Income tax paid		(1,180,232)	(1,526,778)
Income tax refunded		-	50,033
Settlement of derivative financial instruments		(3,505)	(8,267)
Long term loans - net		490	2,719
Long term security deposits - net		520	2,949
Payments for accumulating compensated absences		(119,130)	(284,017)
Employee retirement benefits paid		(210,199)	(40,690)
Net cash inflow from operating activities		5,985,491	2,815,851
Cash flows from investing activities			
Fixed capital expenditure		(2,618,131)	(4,402,283)
Long term advances - net		14,861	4,024
Investments in equity securities		-	(185,000)
Proceeds from disposal of investments		-	10,000
Proceeds from disposal of property, plant and equipment		101,416	141,100
Dividends received		683,234	1,851,984
Net cash outflow from investing activities		(1,818,620)	(2,580,175)
Cash flows from financing activities			
Proceeds from long term finances		3,404,512	5,784,565
Repayment of long term finances		(3,040,569)	(3,817,513)
Repayment of loan from shareholder of the parent company		-	(50,000)
Transactions with non-controlling interests		-	(219,460)
Repayment of lease liabilities		(322,197)	(231,655)
Dividend paid to equity holders of the parent company		(1,073,007)	(1,347,518)
Dividend paid to non-controlling interests		(117,684)	(85,837)
Net cash (outflow) / inflow from financing activities		(1,148,945)	32,582
Net increase in cash and cash equivalents		3,017,926	268,258
Cash and cash equivalents at the beginning of the year		(10,888,891)	(11,157,149)
Cash and cash equivalents at the end of the year	51.2	(7,870,965)	(10,888,891)

Refer note 51.3 for reconciliation of liabilities arising from financing activities.

The annexed notes 1 to 59 form an integral part of these consolidated financial statements.


Chief Executive


Director


Chief Financial Officer

PACKAGES LIMITED AND ITS SUBSIDIARIES

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

1. The Group and its operations

Packages Limited (the 'Parent Company') and its subsidiaries, Packages Convertors Limited ('PCL'), Packages Investments Limited ('PIL'), DIC Pakistan Limited ('DIC'), Bulleh Shah Packaging (Private) Limited ('BSPPL'), Packages Lanka (Private) Limited ('PLL'), Linnaea Holdings Inc.('LHI'), Chantler Packages Inc.('CPI'), Packages Real Estate (Private) Limited ('PREPL'), Packages Power (Private) Limited ('PPPL'), Anemone Holdings Limited ('AHL') and Flexible Packages Convertors (Proprietary) Limited ('FPCL') (together, the 'Group') are engaged in the following businesses:

- Packaging: Representing manufacture and sale of packaging materials and tissue products.
- Inks: Representing manufacture and sale of finished and semi finished inks.
- Construction: Representing all types of construction activities and development of real estate.
- Power generation: Representing the development and management of hydropower project.
- Paper and paperboard: Representing manufacture and sale of paper and paperboard of all kinds.

The Group also holds investment in companies engaged in the manufacture and sale of biaxially oriented polypropylene ('BOPP') film and cast polypropylene ('CPP') film, plastic, insurance business and production and sale of ground calcium carbonate products.

The registered office of the Group is situated at 4th Floor, the Forum, Suite No. 416 - 422, G-20, Block 9, Khayaban-e-Jami, Clifton, Karachi, Pakistan. Head office and the factory is located at Shahrah-e-Roomi, P.O. Amer Sidhu, Lahore, Pakistan. For further details of addressess of all business units of the Group, refer note 55.

1.1 The Board of Directors ('Board') of the Group in its meeting held on April 24, 2019, evaluated and approved the internal restructuring of the Group subject to procuring all applicable regulatory, corporate and third party approvals and execution of relevant documents / agreements between the Parent Company and its relevant subsidiaries. The purpose of this arrangement was to develop operating synergies across businesses, managing operations in a focused manner and streamlining the ownership structure. The restructuring does not affect the rights of the members of the Parent Company.

In this regard, the Group's Board decided to transfer its manufacturing businesses including folding cartons, flexible packaging, tissue and consumer products and mechanical fabrication and roll covers along with all the relevant assets and related liabilities to its wholly owned subsidiary ('Packages Convertors Limited') for a consideration in the form of ordinary shares of Packages Convertors Limited in accordance with the Converting Business Transfer Agreement dated July 23, 2019 executed between Packages Limited and Packages Convertors Limited.

The above transaction was approved by the members of both the Parent Company and Packages Convertors Limited in their Extra Ordinary General Meetings (EOGMs) held on May 30, 2019 and July 17, 2019 respectively. Furthermore, on July 29, 2019, Packages Convertors Limited filed an application with the Securities and Exchange Commission of Pakistan ('SECP') for affecting the above-mentioned transfers of assets and related liabilities. On January 22, 2020, SECP approved the above mentioned application filed, subject to fulfilment of certain conditions. Accordingly, the Board of the Group, in its meeting held on March 13, 2020, resolved to consummate the transfer of converting Business.

The Board of Packages Convertors Limited, in its meeting held on June 26, 2020 consented to accept the Parent Company's proposal to consider July 1, 2020 as the Effective Date for transfer of Converting Business to Packages Convertors Limited from the Parent Company for consideration in the form of shares of the Packages Convertors Limited.

Consequently, the Parent Company has transferred the assets and corresponding liabilities of the manufacturing business at carrying values as at July 1, 2020 and no gain or loss has been recognised by the Group on this transfer.

2. Basis of preparation

2.1 Statement of compliance

These consolidated 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:

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

2.2 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the Group's consolidated financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Standards, amendments to published standards and interpretations that are effective in the current year

Certain standards, amendments and interpretations to IFRS are effective for accounting periods beginning on January 1, 2020 but are considered not to be relevant or to have any significant effect on the Group's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these consolidated financial statements.

2.2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

There are certain standards, amendments to the accounting standards and interpretations that are mandatory for the Group's accounting periods beginning on or after January 1, 2021 but are considered not to be relevant or to have any significant effect on the Group's operations and are, therefore, not detailed in these consolidated financial statements, except for the following :

a) Classification of liabilities - Amendment to IAS 1: (effective for period beginning on January 01, 2021)

The IASB issued a narrow-scope amendment to IAS 1, 'Presentation of Financial Statements', to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

In particular, the amendment clarify that:

- liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendment no longer refers to unconditional rights.
- the assessment determines whether a right exists, but it does not consider whether the entity will exercise the right. So, management's expectations do not affect the classification.
- the right to defer only exists if the entity complies with any relevant conditions at the reporting date. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date.
- 'Settlement' is defined as the extinguishment of a liability with cash, other economic resources or an entity's own equity instruments.

The Group is yet to assess the impact of this amendment.

3. Basis of measurement

3.1 These consolidated financial statements have been prepared under the historical cost convention except for remeasurement of certain financial instruments at fair value and recognition of certain employee benefit obligations, lease liabilities and long term advances at present value.

3.2 Critical accounting estimates and judgements

The preparation of consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

This note provides an overview of the area that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to the estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the consolidated financial statements.

- i) Useful lives and residual values of property, plant and equipment and investment properties - notes 4.3, 4.4, 22 and 25
- ii) Employee benefits - notes 4.8.2, 16 and 17
- iii) Provision for taxation and deferred tax asset on tax credit and losses - notes 4.2, 14, 35 and 45
- iv) Impairment of financial assets (other than investments in equity instruments) - notes 4.12 and 33
- v) Lease term and discount rate for leases - notes 4.6 and 10
- vi) Provision for obsolescence of stores, spare parts and stock in trade - notes 4.9, 4.10, 30 and 31

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

4. Summary of significant accounting policies

The summary of significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Principles of consolidation and equity accounting

a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 4.7).

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests ('NCI') in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (refer to note 4.1 (d)), after initially being recognised at cost in the consolidated statement of financial position.

c) Joint arrangements

Under IFRS 11, Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has investments in joint ventures.

Joint ventures

Interests in joint ventures are accounted for using the equity method (refer to note 4.1 (d)), after initially being recognised at cost in the consolidated statement of financial position.

d) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in the consolidated statement of profit or loss, and the Group's share of movements in consolidated other comprehensive income of the investee in consolidated other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of profit or loss.

e) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the consolidated statement of profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated statement of profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the consolidated statement of profit or loss where appropriate.

4.2 Taxation

Income tax expense is recognized in the consolidated statement of profit or loss except to the extent that relates to items recognised directly in consolidated statement of changes in equity or consolidated statement of comprehensive income in which it is recognized directly in equity or in consolidated statements of comprehensive income. SECP vide its certificate dated July 30, 2019, has registered the Parent Company, BSPPL, PIL and PCL as a Taxation Group and has also, vide its certificate dated November 6 2019, designated the Taxation Group for the purpose of group taxation under Section 59AA of the Income Tax Ordinance, 2001. Consequent to the filing of declaration for group taxation for the tax year 2021 by the Parent Company, the taxation group will be taxed as one fiscal unit for the tax year 2021.

Current

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income.

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous years arising from assessments framed during the year for such years.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated statement of financial position and the corresponding tax bases used in the computation of the taxable profit. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction neither affects accounting nor taxable profit or loss. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the consolidated statement of profit or loss, except in the case of items credited or charged to other comprehensive income or equity in which case it is included in other comprehensive income or equity, in which case it is included in the consolidated statement of other comprehensive income or consolidated statement of changes in equity.

Deferred tax liability is not recognized in respect of taxable temporary differences associated with undistributed reserves and exchange translation reserves of subsidiaries, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax liability is recognised in respect of taxable temporary differences associated with undistributed reserves of associates and joint ventures.

Group taxation adjustments

Current and deferred taxes based on the consolidated results of the Taxation Group are allocated within the Taxation Group on the basis of separate return method, modified for determining realizability of tax credits and tax losses which are assessed at Group level. Any adjustments in the current and deferred taxes of the Taxation Group on account of group taxation are credited or charged to consolidated statement of profit or loss in the year in which they arise.

4.3 Property, plant and equipment

4.3.1 Operating fixed assets

Operating fixed assets, except freehold land, are stated at cost less accumulated depreciation and any identified impairment loss except for leasehold land which is stated at cost less accumulated amortisation. Freehold land is stated at cost less any identified impairment loss. Cost of leasehold land is amortised using the straight line method over the period of lease term. Cost in relation to certain plant and machinery signifies historical cost, gains and losses transferred from equity on qualifying cash flow hedges as referred to in note 4.18 and borrowing costs as referred to in note 4.24. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation on all owned assets is charged to consolidated statement of profit or loss on straight-line method so as to write off the depreciable amount of an asset over its estimated useful life at the following annual rates:

- Leasehold land	1.01% to 10%
- Buildings	3.33% to 20.00%
- Plant and machinery	3.33% to 50.00%
- Other equipments	3.33% to 50.00%
- Furniture and fixtures	10.00% to 33.33%
- Major spare parts and stand-by equipment's	3.33% to 33.33%
- Vehicles	14.29% to 33.33%

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Group's estimate of the residual values and useful lives of its owned assets as at December 31, 2020 has not required any adjustment as its impact is considered insignificant.

Depreciation on additions to owned assets is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is derecognized or retired from active use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount as fully explained in note 4.3.5 to these consolidated financial statements.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item shall flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to consolidated statement of profit or loss during the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

4.3.2 Revision of useful lives of plant and machinery

During the year the estimated total useful lives of certain items of plant and machinery used in the manufacture of paper and paper board and corrugated boxes were revised. Such a change in useful lives has been accounted for as a change in accounting estimate in accordance with IAS 8 'Accounting Policies, Change in Accounting Estimates and Errors'. The net effect of the changes in the current financial year was a decrease in depreciation expense of Rs 437.824 million and increase in profit before tax for the year ended December 31, 2020 and the carrying amount of operating fixed assets at that date by the same amount.

Assuming the assets are held until the end of their estimated useful lives, depreciation in future years in relation to these assets will be (decreased) / increased by the following amounts :

Year ending 31 December	Rupees in thousands
2021 to 2022 (Rs 437.824 million per year)	(875,648)
2023	(248,549)
2024	(75,300)
2025	77,211
2026	143,199
2027	73,923
2028	(22,643)
2029	(108,005)
2030	(147,364)
2031	226,588
2032 to 2035 (Rs 304.235 million per year)	1,216,938
2036	177,474
Total	<u>437,824</u>

4.3.3 Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to owned assets as and when these are available for use.

4.3.4 Major spare parts and stand-by equipment

Major spare parts and stand-by equipment qualify as property, plant and equipment when the Group expects to use them for more than one year. Transfers are made to relevant owned assets category as and when such items are available for use.

4.3.5 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

4.4 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property. Some of the investment properties are leased to tenants under long term operating leases with rentals, payable monthly. The investment properties of the Group comprise land, buildings and other equipment. The investment properties, except freehold land, are stated at cost less accumulated depreciation and any identified impairment losses. Freehold land is stated at cost less any identified impairment loss.

Depreciation on investment property is charged to consolidated statement of profit or loss on straight-line method so as to write off the depreciable amount of investment property over its estimated useful life at the rates ranging from 2.50% to 20.00% per annum. Depreciation on additions to investment properties is charged from the month in which an asset is available for use while no depreciation is charged for the month in which the asset is derecognized or retired from active use.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Group's estimate of the residual values and useful lives of its investment properties as at December 31, 2020 has not required any adjustment as its impact is considered insignificant.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount as fully explained in note 4.3.5 to these consolidated financial statements.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its carrying value at the date of reclassification becomes its cost for subsequent accounting at the date of change in use.

4.5 Intangible assets

4.5.1 Goodwill

Goodwill arises through acquisitions of subsidiaries and represents the excess of the consideration transferred over the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interests in the acquiree. Goodwill on acquisition of subsidiaries is included in 'intangible assets'. Goodwill on acquisitions of associates and joint ventures is included in 'investments in associates' and 'investments in joint ventures' respectively and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit.

4.5.2 Software

Expenditure incurred to acquire computer software's and SAP Enterprise Resource Planning ('ERP') System and develop websites are capitalised as intangible assets and stated at cost less accumulated amortisation and any identified impairment loss.

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

4.5.3 Research and development

Research expenditure and development expenditure that do not meet the criteria in 4.5.2 above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

4.5.4 Amortisation methods and periods

Intangible assets are amortised using the straight line method over the estimated useful lives at the rates ranging from 10.00% to 20.00%. Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Useful lives of intangible assets are reviewed, at each statement of financial position date and adjusted if the impact of on amortisation is significant. The Group's estimate of the useful lives of its intangible assets as at December 31, 2020 has not required any adjustment as its impact is considered insignificant.

Amortisation on additions to intangible assets is charged from the month in which an asset is acquired or capitalised while no amortisation is charged for the month in which the asset is derecognized or retired from active use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount as fully explained in note 4.3.5 to these consolidated financial statements.

4.6 Leases

(1) The Group is the lessee:

At inception of a contract, the Group 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 terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate.

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

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. 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 if the carrying amount of right-of-use asset has been reduced to zero.

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

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

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.

(2) The Group is the lessor:

Operating leases

Properties leased / licensed out under operating leases are included in investment property in the statement of financial position as referred to in note 25 . See note 4.22 for the recognition of rental income.

4.7 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the following:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interests in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the consolidated statement of profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the consolidated statement of profit or loss.

4.8 Employee benefits

4.8.1 Short term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating annual leaves that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

4.8.2 Post employment benefits

Retirement benefits are payable to staff on completion of prescribed qualifying period of service. The main features of the schemes operated by the Group for its employees are as follows:

(i) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than the defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the Projected Unit Credit method.

(a) Gratuity plan

There are approved funded defined benefit gratuity plans for all permanent employees of the Parent Company, BSPPL, DIC, PCL, PREL subject to attainment of service of prescribed minimum period. Monthly contributions are made to the funds on the basis of actuarial recommendations at the rate of 4.50 percent 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 during the year was Rs 50.584 million (2019: Rs 41.196 million). The eligible employees are entitled to gratuity payments on the basis of their service with the Group and in accordance with the Group policy.

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:

	2020	2019
Discount rate per annum	9.75% - 11.25%	11.25% - 11.75%
Expected rate per annum of increase in salary level	9.50% - 9.75%	9.50% - 11.25%
Expected mortality rate	SLIC (2001-2005) mortality table	SLIC (2001-2005) mortality table
Expected rate of return per annum	11.25% - 10.25%	11.25% - 11.75%

Plan assets include long term government bonds, equity instruments of listed companies, units of mutual funds, izafa certificates, treasury bills, sukuk and term deposits with banks.

The Group is expected to contribute Rs 27.345 million to the gratuity funds in the next financial year.

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 recognised immediately in consolidated statement of profit or loss.

(b)

Pension plan

Management and executive staff hired before January 1, 2016 participate in the pension fund of the Parent Company. On December 26, 2012, the Board of Trustees of the pension fund, decided to convert the defined benefit plan to defined contribution plan for all its active employees with effect from January 1, 2013 with no impact on the pensioners appearing on the pensioners' list as of that date. The proposed scheme was approved for implementation by the Commissioner Inland Revenue on February 22, 2013 and employees' consent to the proposed scheme was sought and obtained.

Consequently, the pension fund currently operates two different plans for its members:

- Defined contribution plan for active employees hired before January 1, 2016; and
- Defined benefit plan for pensioners who have retired on or before December 31, 2012.

In respect of the defined contribution plan, the Group contributes 20.00% of members' monthly basic salary to the scheme; whereas, an employee may or may not opt to contribute 6.00% of his monthly basic salary to the scheme.

The obligation in respect of the defined benefit plans are determined by the funds' actuary at each year end. Any funding gap identified by the funds' actuary is paid by the Group from time to time. The last actuarial valuation was carried out as at December 31, 2020.

	2020	2019
Discount rate per annum	9.75%	11.25%
Expected rate of increase in pension level per annum	5.00%	3.50%
Expected mortality rate	SLIC (2001-2005) mortality table	SLIC (2001-2005) mortality table
Expected rate of return per annum	9.75%	11.25%

Plan assets include long term government bonds, equity instruments of listed companies, units of mutual funds, term finance certificates, izafa certificates, treasury bills, sukuk and term deposits with banks.

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 recognised immediately in consolidated statement of profit or loss.

Pension fund (Defined benefit plan) is a multi-employer plan formed by the Parent Company in collaboration with Tri-Pack Films Limited, an associate of the Group. The Parent Company reports its proportionate share of the plan's commitments, managed assets and costs, after deducting share of Tri-Pack Films Limited, in accordance with guidance provided by IAS 19, 'Employee Benefits', regarding defined benefit plans.

(ii)

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in consolidated statement of profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Parent Company, BSPL, DIC, PCL, PREL operates a recognised / approved contributory provident fund for its permanent employees. Equal monthly contributions at the rate of 10.00% per annum of basic salaries plus dearness allowance and cost of living allowance are made by the Parent Company and the employees to the fund. The nature of contributory pension fund has been explained in note 4.8.2 (b) above.

Employees of Packages Lanka (Private) Limited, a subsidiary incorporated in Sri Lanka, are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The contributions are made at the rate of 12.00% and 3.00% per annum of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund, respectively.

4.8.3 Accumulating compensated absences

The Group provides for accumulating compensated absences when the employees render services that increase their entitlement to future compensated absences. The annual leaves can be encashed at the time the employee leaves the Group on the basis of gross salary while no encashment is available for medical leaves. The employees of the Group are entitled to earned annual and medical leaves on basis of their service with the Group and in accordance with the Group policy.

As per the Group's leaves policy, employees are entitled to following earned leaves along with their maximum accumulation.

	Earned leaves entitlement per year (days)	accumulation of compensated leaves (days)
Service up to 14 years	15	30
Service from 15 to 21 years	21	42
Service of 22 years or more	21	42

Provisions are made annually to cover the obligation for accumulating compensated absences based on actuarial valuation and are charged to consolidated statement of profit or loss. The most recent valuation was carried out as at December 31, 2020 using the Projected Unit Credit Method.

The amount recognised in the consolidated statement of financial position represents the present value of the defined benefit obligations. Actuarial gains and losses are charged to the consolidated statement of profit or loss immediately in the period when these occur.

Projected Unit Credit method, using the following significant assumptions, has been used for valuation of accumulating compensated absences:

	2020	2019
Discount rate per annum	9.75%	11.25% - 11.75%
Expected rate of increase in salary level per annum	9.50% - 9.75%	9.50% - 11.25%
Expected mortality rate	SLIC (2001-2005) mortality table	SLIC (2001-2005) mortality table

4.9 Stores and spares

Stores and spares are valued at moving weighted average cost except for items in transit which are stated at invoice value plus other charges paid thereon till the reporting date. For items which are slow-moving and / or identified as obsolete, adequate provision is made for any excess book value over estimated realisable value on a regular basis. The Group reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence.

4.10 Stock-in-trade

Stock of raw materials (except for those in transit), work-in-process and finished goods are valued principally at the lower of weighted average cost and net realisable value ('NRV'). Stock of packing material is valued principally at moving average cost. Cost of work-in-process and finished goods comprises cost of direct materials, labour and related production overheads (based on normal operating capacity). It excludes borrowing cost.

Materials in transit are stated at cost comprising invoice value plus other charges paid thereon.

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

If the expected net realisable value is lower than the carrying amount, a write-down is recognised for the amount by which the carrying amount exceeds its net realisable value. Provision is made in the consolidated financial statements for obsolete and slow moving stock-in-trade based on management estimate.

4.11 Investments

Investments intended to be held for less than twelve months from the statement of financial position date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non-current. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

4.11.1 Investments in equity instruments of associates and joint ventures

Investments in equity instruments of associates and joint ventures are accounted for using the equity method of accounting as referred to in note 4.1 (d).

4.12 Financial assets

4.12.1 Classification

The Group classifies its financial assets other than investments in subsidiaries in the following measurement categories:

- those to be measured subsequently at fair value [either through other comprehensive income ('OCI') or through profit or loss]; and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

4.12.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

4.12.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

i) **Amortised cost:** Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as a separate line item in the consolidated statement of profit or loss.

ii) **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in other income using the effective interest rate method. Impairment expenses are presented as a separate line item in the consolidated statement of profit or loss.

iii) **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value other than investments in associates and joint ventures. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in the consolidated statement of profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

4.12.4 Impairment of financial assets other than investment in equity instruments

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade debts, the Company applies IFRS 9 simplified approach to measure the expected credit losses (loss allowance) which uses a life time expected loss allowance to be recognised from initial recognition of the receivables while general 3-stage approach for loans, deposits, other receivables and bank balances i.e. to measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition.

Following are the financial assets that are subject to the ECL model:

- Trade debts;
- Loans, deposits and other receivables;
- Long term security deposits and loans;
- Bank balances; and
- Short term investments.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information (adjusted for factors that are specific to the counterparty, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate). As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date. Loss allowances are forward looking, based on 12 month expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected losses.

Expected credit losses are a probability weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. In the absence of a change in credit rating, allowances are recognised when there is reduction in the net present value of expected cash flows. On a significant increase in credit risk, allowances are recognised without a change in the expected cash flows, although typically expected cash flows do also change; and expected credit losses are rebased from 12 month to lifetime expectations.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the instrument as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are considered while assessing credit risk:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increase in credit risk on other financial instruments of the same debtor; and
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees, if applicable.

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, in case of trade debts, the Group considers that default has occurred when a debt is more than 360 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

The Group recognises life time ECL on trade debts, using the simplified approach. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Trade debts with individually significant balance are separately assessed for ECL measurement. All other receivables are grouped and assessed collectively based on shared credit risk characteristics and the days past due. The expected credit losses on these financial assets are estimated using a provision matrix approach based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- external credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group recognizes an impairment gain or loss in the consolidated statement of profit or loss for financial assets with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

4.14 Financial liabilities

All financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised cost are initially measured at fair value less transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed on profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective yield method.

A financial liability is derecognized 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 derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the consolidated statement of profit or loss.

4.15 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the consolidated financial statements only when there is a legally enforceable right to set off the recognised amount and the Group intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

4.16 Trade debts and other receivables

Trade debts and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing component in which case such are recognised at fair value. The Group holds the trade debts with the objective of collecting the contractual cash flows and therefore measures the trade debts subsequently at amortised cost using the effective interest rate method, less loss allowance.

4.17 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, short term borrowings and bank overdrafts. Bank overdrafts and short term borrowings are shown within borrowings in current liabilities in the statement of financial position. Bank overdrafts are shown within trade and other payables in current liabilities.

4.18 Non-current assets / disposal group held-for-sale

Non-current assets are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less cost to sell.

4.19 Borrowings

Borrowings are recognised initially at fair value (proceeds received), net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in consolidated statement of profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

4.20 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

4.21 Derivative financial instruments

These are initially recorded at cost on the date a derivative contract is entered into and are remeasured to fair value at subsequent reporting dates. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as cash flow hedges.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flow of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in statement of other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of profit or loss.

Amounts accumulated in equity are recognised in consolidated statement of profit or loss in the periods when the hedged item shall effect profit or loss. However, when the forecast hedged transaction results in the recognition of a non-financial asset or liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

4.22 Revenue recognition

Revenue is recognised when or as performance obligations are satisfied by transferring control of a promised good or service to a customer, and control either transfers over time or at a point in time. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, commissions and government levies. Revenue is recognised upon satisfaction of performance obligations and specific criteria has been met for each of the Group's activities as described below :

- (i) Sales revenue is recognised when or as performance obligations are satisfied by transferring control of a promised good or service to a customer, and control either transfers over time or at a point in time;
- (ii) License fee from operating leases / license is recognized on a straight-line basis over the lease / license term. When the Group provides incentives to its tenants, the cost of incentives is recognized over the lease / license term, on a straight-line basis, as a reduction of rental income.
- (iii) Service and management charges are recognized in the accounting period in which the services are rendered. When the Group is acting as an agent, the commission rather than gross income is recorded as revenue.
- (iv) Ancillary and marketing income is recognized when the event is performed.
- (v) Returns on bank deposits are accrued on a time proportion basis by reference to the principal outstanding amount and the applicable rate of return; and
- (vi) Dividend income is recognised when right to receive such dividend is established.

4.23 Foreign currency transactions and translation

a) Functional and presentation currency

Items included in the consolidated financial statements of the each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency.

b) Transactions and balances

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the reporting date. Transactions in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are charged or credited to consolidated statement of profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Pak Rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into Pak Rupees at exchange rates prevailing at the date when fair values are determined. Foreign exchange gains and losses are recognised in the consolidated statement of profit or loss except in case of items recognised in other comprehensive income or equity in which case it is included in other comprehensive income or equity respectively.

c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each consolidated statement of financial position item presented are translated at the closing rate at the date of that consolidated statement of financial position;
- (ii) income and expenses for each item of consolidated statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in consolidated other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in consolidated other comprehensive income.

4.24 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get 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 / finance costs are recognised in consolidated statement profit or loss in the period in which they are incurred.

4.25 Dividend

Dividend distribution to the Group's members is recognised as a liability in the period in which the dividends are approved.

4.26 Compound financial instruments

Compound financial instruments issued by the Group represent preference shares / convertible stock that can be converted into ordinary shares or can be settled in cash.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

4.27 Segment reporting

Segment reporting is based on the operating (business) segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Chief Operating Decision Makers (the CODMs) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Parent Company.

Segment results that are reported to the CODMs include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, income tax assets, liabilities and related income and expenses. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

The business segments are engaged in providing products or services which are subject to risks and rewards which differ from the risk and rewards of other segments.

The Group's strategic steering committee, consisting of the Board of Directors of the Parent Company, examines the Group's performance both from a product and geographic perspective and has identified the following reportable segments of its business:

Types of Segments	Nature of business
Packaging	Manufacture and market packing products
Consumer Products Division	Manufacture and market consumer / tissue products
Ink	Manufacture and market industrial and commercial ink products
Real Estate	Construction and development of real estate
Paper and Board	Manufacture and market paper and board products
Unallocated	Workshop and other general business

4.28 Provisions

Provisions for legal claims and make good obligations are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

4.29 Share capital

Ordinary shares are classified as equity and recognised at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, if any.

4.30 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4.31 Contingent liabilities

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

4.32 Contract asset and contract liability

A contract asset is recognised for the Group's right to consideration in exchange for goods or services that it has transferred to a customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the Group presents the amount as a contract asset, excluding any amounts presented as a receivable.

A contract liability is recognised for the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional (i.e. a receivable), before the Group transfers a good or service to the customer, the entity shall present the contract as a contract liability when the payment is made or the payment is due (whichever is earlier).

4.33 Rounding of amounts

All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand Rupees unless otherwise stated.

5. Issued, subscribed and paid up share capital - ordinary share capital

2020 (Number of shares)	2019 (Number of shares)		2020 (Rupees in thousand)	2019 (Rupees in thousand)
33,603,295	33,603,295	- Ordinary shares of Rs 10 each fully paid in cash	336,033	336,033
148,780	148,780	- Ordinary shares of Rs 10 each issued for consideration other than cash (property, plant and equipment)	1,488	1,488
5,000,000	5,000,000	- Ordinary shares of Rs 10 each issued against convertible stock	50,000	50,000
50,627,429	50,627,429	- Ordinary shares of Rs 10 each issued as bonus shares	506,274	506,274
89,379,504	89,379,504		893,795	893,795

5.1 26,707,201 (2019: 26,707,201) ordinary shares of the Parent Company are held by the Group's associate, IGI Investments (Private) Limited.

6. Other reserves

Composition of other reserves is as follows:

Capital reserves

- Share premium	- note 6.1	3,766,738	3,766,738
- Exchange differences on translation of foreign operations	- note 6.2	(154,125)	(143,768)
- FVOCI reserve	- note 6.3	20,337,367	25,391,540
- Other reserves relating to associates and joint ventures	- note 6.4	2,648,933	3,125,196
- Transaction with non-controlling interests	- note 6.5	80,653	80,976
- Capital redemption reserve	- note 6.6	1,615,000	1,615,000
		28,294,566	33,835,682

Revenue reserve

- General reserve		19,310,333	18,310,333
		47,604,899	52,146,015

6.1 This reserve can be utilised by the Group only for the purposes specified in section 81 of the Companies Act.

6.2 This represents exchange differences arising on translation of the foreign controlled entities that are recognised in other comprehensive income as described in note 4.23 (c). The cumulative amount is reclassified to consolidated statement of profit or loss when the net investment is disposed off.

6.3 This represents the unrealized gain on remeasurement of investments at FVOCI and is not available for distribution.

6.4 This represents Group's share of net other comprehensive income of the associates and joint ventures. The amount shall be transferred to consolidated statement of profit or loss on subsequent reclassification.

6.5 This reserve is used to record the differences described in note 4.1 (e) which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

6.6 This reserve was created on account of redemption of 8.5 million preference `shares / convertible stock of Rs 190 each in 2016 as per the requirements of section 85 of the repealed Companies Ordinance, 1984.

7. Equity portion of loan from shareholder of the Parent Company

This represents equity portion of interest free loan from shareholder of the Parent Company as referred to in note 9.

8. Long term finances

These are composed of:

- Local currency loans - secured

- Long term finance facility I	- note 8.1	3,566,858	3,952,904
- Long term finance facility II	- note 8.2	2,845,254	2,844,755
- Long term finance facility III	- note 8.3	-	1,645,000
- Long term finance facility IV	- note 8.4	833,333	916,666
- Long term finance facility V	- note 8.5	2,000,000	2,000,000
- Long term finance facility VI	- note 8.6	2,000,000	2,000,000
- Long term finance facility VII	- note 8.7	1,000,000	1,000,000
- Long term finance facility VIII	- note 8.8	2,000,000	2,000,000
- Long term finance facility IX	- note 8.9	1,800,000	-
- Long term finance facility X	- note 8.10	695,577	-
- Long term finance facility XI	- note 8.11	531,540	-
- Long term finance facility XII	- note 8.12	111,236	-
		17,383,798	16,359,325

- Foreign currency loans - secured

- Term finance loan I	- note 8.14	- note 8.13	243,185	409,187
- Term finance loan II	- note 8.15	- note 8.14	565,727	909,538
- Term finance loan III		- note 8.15	149,211	208,678
- Term finance loan IV		- note 8.16	172,745	238,283
- Term finance loan V		- note 8.17	30,153	37,420
			1,161,021	1,803,106

- Preference shares / convertible stock - unsecured

- note 8.18	932,650	932,650
	19,477,469	19,095,081

Deferred government grant	- note 13	(78,806)	-
Current portion shown under current liabilities	- note 18	(3,211,563)	(4,146,686)
		16,187,100	14,948,395

8.1 Long term finance facility I

This represents term finance facility of Rs 4,500 million from MCB Bank Limited. The Group obtained first disbursement in September 2015. As at December 31, 2020 the amount outstanding is Rs 3,500 million (2019: Rs 3,850 million) against term finance. The loan carries markup at annual rate of 6 months Karachi Inter Bank Offer Rate ('KIBOR') plus 0.14% and 0.30% during first and last three and half years respectively during the tenure of the loan. Markup is payable half yearly in arrears. The tenure of the loan is seven years and it is repayable after a grace period of three and half years from first disbursement date in seven semi-annual installments commencing from September 30, 2019. However, the Group made early repayments aggregating to Rs 850 million in prior year and Rs 350 million during the current year.

- First exclusive charge over all present and future movable fixed assets of the Group's subsidiary, namely PREPL including but not limited to plant, machinery, equipment, fixtures and other installations and such movables of whatsoever nature installed or to be installed at the premises of PREPL located anywhere in Pakistan.

- First exclusive equitable mortgage charge on all that piece and parcel of property owned by the Parent Company, measuring 119 kanals 15 marlas and 62.25 Sq. fts in aggregate, situated at Moza Amar Saddhu, Tehsil/District Lahore together with all present and future construction thereon, and present & future fixtures and fittings attached thereto, that are presently and/or in future the property of the Parent Company.

8.2 Long term finance facility II

This represents term finance facility of Rs 3,500 million from Allied Bank Limited. The Group obtained first disbursement in February 2016. As at December 31, 2019 the amount outstanding is Rs 2,850 million (2019: Rs 2,850 million) against term finance. The loan carries markup at annual rate of six months KIBOR plus 0.17%. Markup is payable half yearly in arrears. The tenure of the loan is seven years and it is repayable after a grace period of three and half years from first disbursement date in seven semi-annual installments commencing from February 10, 2020. However, the Group made an early repayment of 650 million in prior years.

- First pari passu charge over all present and future movable fixed assets of the Group's subsidiary, namely PREPL including but not limited to plant, machinery, equipment, machinery in transit, tools, spares, fittings and fixtures and other installations installed or to be installed, stored and kept at the premises of customer located anywhere in Pakistan.

- First pari passu charge on all that piece and parcel of property owned by the Parent Company, measuring 119 kanals 15 marlas and 62.25 Sq. fts in aggregate, situated at Moza Amar Saddhu, Tehsil/District Lahore together with all present and future construction thereon, and present & future fixtures and fittings attached thereto, that are presently and/or in future the property of the Parent Company.

8.3 Long term finance facility III

This loan was obtained from a consortium of commercial banks comprising of MCB Bank Limited ('MCB'), Allied Bank Limited and United Bank Limited (together 'the consortium members') led by MCB to fund the capital expenditure costs of the Group. Under the terms of the agreement, MCB was also acting as the agent bank and the security trustee. The aggregate loan amount was Rs 7,000 million.

It carried mark-up at six month KIBOR plus 0.15 % per annum (2019: KIBOR plus 0.15 % per annum). The effective mark-up charged during the year ranges from 13.19% to 14.19% per annum (2019: 8.25% to 14.19 % per annum). Mark-up was payable semi-annually in arrears.

This loan was fully repaid in September 2020.

8.4 Long term finance facility IV

This loan has been obtained from MCB Islamic Bank Limited against diminishing musharaka agreement to meet the capital expenditure requirements already incurred by the Group from own sources. The aggregate loan amount is Rs 1,000 million.

- It is secured by an aggregate sum of Rs 1,334 million by a joint pari passu hypothecation charge on plant and machinery of Group's subsidiary namely BSPPL.

This loan was originally repayable in 4 year including a grace period of 1 year. However as per the State Bank of Pakistan's Banking Policy and Regulations Department's Circular letter No. 14 of 2020, the repayment of this loan has been deferred by 1 year. The balance is repayable in 10 equal quarterly installments ending August 2023.

8.5 Long term finance facility V

This loan has been obtained from HBL Islamic Bank Limited against diminishing musharaka agreement to meet the capital expenditure requirements already incurred by the Group from own sources. The aggregate loan amount is Rs 2,000 million.

It carries mark-up at three month KIBOR plus 0.10% per annum (2019: three month KIBOR plus 0.10% per annum). The effective mark-up charged during the year is 7.35% to 14.18% per annum (2019: 10.94% to 14.18% per annum). Mark-up is payable semi-annually in arrears.

This loan is repayable in 5 years including a grace period of 2 years. The balance is repayable in 6 equal half yearly instalments ending in March 2024.

It is secured by an aggregate sum of Rs 2,667 million by a joint pari passu hypothecation charge on plant and machinery of Groups Subsidiary namely BSPPL.

8.6 Long term finance facility VI

This loan has been obtained from Allied Bank Limited for the purpose of re-profiling of statement of financial position and meeting capital expenditure requirements of the Group. The aggregate loan amount is Rs 2,000 million. It carries mark-up at six month KIBOR plus 0.10% per annum (2019: six month KIBOR plus 0.10% per annum). The effective mark-up charged during the year ranges from 7.38% to 14.14% per annum (2019: 8.19% to 14.14% per annum). Mark-up is payable semi-annually in arrears.

This loan was originally repayable in 7 years including a grace period of 2 years. However, as per the State Bank of Pakistan's Banking Policy and Regulations Department's Circular Letter No.14 of 2020, the repayment of this loan has been deferred by 1 year. The balance is repayable in 10 equal semi-annual instalments ending in September 2026.

- It is secured by an aggregate sum of Rs 2,667 million by a joint pari passu hypothecation charge on plant and machinery of Group's subsidiary namely BSPPL.

8.7 Long term finance facility VII

This loan has been obtained from Allied Bank Limited for the purpose of re-profiling of statement of financial position and meeting capital expenditure requirements of the Group. The aggregate loan amount is Rs 1,000 million. It carries mark-up at six month KIBOR plus 0.20% per annum (2019: six month KIBOR plus 0.20% per annum). The effective mark-up charged during the year ranges from 7.50% to 14.11% per annum (2019: 14.11% to 14.11% per annum). Mark-up is payable semi-annually in arrears. This loan is repayable in 5 years including a grace period of 2 years. The balance is repayable in 6 equal semi-annual instalments ending in September 2024.

It is secured by an aggregate sum of Rs 1,334 million by a ranking charge over all the present and future fixed assets i.e land, building and plant and machinery.

8.8 Long term finance facility VIII

This represents a Term Finance Facility (the 'Facility') of Rs 2,000 million obtained from Habib Bank Limited to finance the fixed capital expenditure requirements of the Group. The Facility is secured against pledge of Nestle Pakistan Limited's shares owned by the Parent Company under a "Share Pledge Agreement". The loan carries mark-up at the rate of six month KIBOR plus 0.10% per annum. The balance is repayable in eight equal semi-annual instalments ending on May 01, 2026. The effective mark-up rate charged during the year ranges from 7.45% to 8.00% per annum (2019: 7.34% to 13.59% per annum).

8.9 Long term finance facility IX

This represents a Term Finance Facility (the 'Facility') of Rs 2,000 million obtained from Habib Bank Limited to finance the fixed capital expenditure requirements of the Group. The Facility is secured against pledge of Nestle Pakistan Limited's shares owned by the Parent Company under a "Share Pledge Agreement". The loan carries mark-up at the rate of six-month Karachi Inter-Bank Offered Rate ('KIBOR') plus 0.10% per annum. The balance is repayable in nine equal semi-annual instalments ending on March 06, 2025. The effective mark-up rate charged during the year ranges from 7.34% to 13.59% per annum.

8.10 Long term finance facility X

This represents long term loan amounting to Rs 703.84 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 (SBP). The unavailed facility as at year end was Rs 8.263 million. The Facility is secured against pledge of Nestle Pakistan Limited's shares owned by the Parent Company under a "Share Pledge Agreement". The loan carries mark-up at the rate of 0.5% per annum. The balance is repayable in eight equal semi-annual instalments ending on October 01, 2022.

8.11 Long term finance facility XI

This loan has been obtained from Allied Bank Limited 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 aggregate amount of loan obtained is Rs 531.504 million. It carries markup at 1% per annum with effect from the date it is approved by the State Bank of Pakistan. The effective mark-up charged during the year ranges from 1% to 7.64% per annum. Markup is payable quarterly in arrears. This loan is repayable in eight quarterly installments ending in November, 2022.

8.12 Long term finance facility XII

This represents long term financing facility availed from Allied Bank Limited under State Bank of Pakistan's Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns ('Refinance Scheme'). The total facility available amounts to Rs 120 million. The base rate applicable during the period is SBP rate which is 1% per annum.

8.13 Term finance loan I

This represents loan obtained from Habib Bank Limited, Offshore Banking Unit, Bahrain ('HBL Bahrain') of USD 9.5 million to finance the acquisition of Group subsidiary, namely, FPC. This facility is secured against the Group's shareholding in FPC and has been provided against a guarantee in the form of a Standby Letter of Credit ('SBLC') issued by Habib Bank Limited Pakistan ('HBL Pakistan') in favour of HBL Bahrain as referred to in note 22.1.(iv). SBLC is secured against pledge of Nestle Pakistan Limited shares owned by the Parent Company. It carries mark-up at the rate of London Inter Bank Offer Rate ('LIBOR') plus 5.25% per annum and the balance USD 8.8 million is payable in 10 equal semi-annual instalments starting from November 2017 and ending in May 2022.

8.14 Term finance loan II

This represents a term loan from First National Bank South Africa at a prime rate with a sixty month fixed repayment period, against the security of a portion of plant and machinery of the Group. Refer note 23.1.2.

8.15 Term finance loan III

This term loan has been obtained from MCB Bank Limited, Sri Lanka and is repayable in bi-annual installments within two years. The loan carries markup at Average Weighted Prime Lending Rate ('AWPLR') and is secured against plant and machinery and land and buildings of Group's Subsidiary namely PLL as referred to in note 23.1.3.

8.16 Term finance loan IV

The Group's subsidiary namely FPCL has obtained long term loan amounting to USD 1.5 million from Wesbank under the Asset Finance Facility for financing the acquisition of a new 5 Layer Extrusion machine at a rate of AWPLR minus 0.3% with a 60 months fixed repayment period ending on 01 November 2024, against the security of the 5 Layer Extrusion Machine included in plant and machinery. Refer note 23.1.2.

8.17 Term finance loan V

The Group's subsidiary namely FPCL has obtained long term loan amounting to USD 0.2 million from Wesbank under the Asset Finance Facility for financing the acquisition of a new Wicketed Bag machine at the prime rate with a 48 months fixed repayment period ending on 01 March 2023, against the security of the Wicketed Bag Machine included in plant and machinery. Refer note 23.1.3.

8.18 The Company signed a loan agreement with International Finance Corporation ('IFC') on June 12, 2020 for a five-year loan of USD 25 million for future fundings. No disbursement has been made from the said facility till the date of authorization of these unconsolidated financial statements.

8.19 Preference shares / convertible stock - unsecured

During the year 2009, the Parent Company issued 10.00% local currency non-voting preference shares / convertible stock at the rate of Rs 190 per share amounting to USD 50 million equivalent to Rs 4,120.50 million under "Subscription Agreement" dated March 25, 2009 with IFC.

Terms of redemption / conversion

Each holder of preference shares / convertible stock shall have a right to settle at any time, at the option of holder, either in the form of fixed number of ordinary shares, one ordinary share for one preference share / convertible stock, or cash. The Parent Company may, on its discretion, refuse to purchase the preference shares / convertible stock offered to it for purchase in cash. In case of refusal by the Group, preference shareholders shall have the right to either retain the preference shares / convertible stock or to convert them into ordinary shares. The preference shares / convertible stock can be held till perpetuity if preference shareholders do not opt for the conversion or cash settlement.

Rate of return

The preference share / convertible stock holders have a preferred right of return at the rate of 10.00% per annum on a non-cumulative basis till the date of settlement of preference shares / convertible stock either in cash or ordinary shares. In case the amount of dividend paid to an ordinary shareholder exceeds that paid to a preference shareholder, the preference shareholders have the right to share the excess amount with the ordinary shareholders on an as-converted basis.

Preference shares / convertible stock are recognised in the consolidated statement of financial position as follows:

		2020	2019
		(Rupees in thousand)	
Face value of preference shares / convertible stock			
[8,186,842 (2019: 8,186,842) shares of Rs 190 each]		1,555,500	1,555,500
Transaction costs		(16,628)	(16,628)
		1,538,872	1,538,872
Equity component - classified under capital and reserves		(606,222)	(606,222)
Liability component - classified under long term finances	- note 8	932,650	932,650
Accrued return on preference shares / convertible stock			
- classified under accrued finance cost	- note 21	155,550	155,550

The fair value of the liability component of the preference shares / convertible stock is calculated by discounting cash flows at a rate of approximately 16.50% till perpetuity which represents the rate of similar instrument with no associated equity component. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity as preference shares / convertible stock.

9. Loan from shareholder of the Parent Company - unsecured

This represents loan repayable to Babar Ali Foundation and is interest free. It is being carried at amortized cost using market rate of 16% for a similar instrument.

	2020 (Rupees in thousand)	2019 (Rupees in thousand)
Opening balance	224,230	220,916
Repayment during the year	-	(50,000)
Interest accrued during the year - note 43	35,877	53,314
	<u>260,107</u>	<u>224,230</u>

10. Lease liabilities

The Group has obtained vehicles, plant and machinery, equipments, land and buildings on lease from different parties. Reconciliation of the carrying amount is as follows:

	2020 (Rupees in thousand)	2019 (Rupees in thousand)
Opening balance	784,002	42,656
Initial application of IFRS 16 on January 1, 2020	-	788,515
Adjusted balance	<u>784,002</u>	<u>831,171</u>
Liability recognized during the year	74,846	23,122
Interest on lease liability - note 43	61,452	144,530
Exchange rate effect	591	16,834
Payments made during the year	(322,197)	(231,655)
	<u>598,694</u>	<u>784,002</u>
Current portion shown under current liabilities - note 18	<u>(163,184)</u>	<u>(164,439)</u>
Closing balance	<u>435,510</u>	<u>619,563</u>

10.1 Maturity analysis as at December 31, 2020

Gross lease liabilities - minimum lease payments:

Not later than 1 year	229,057
Later than 1 year but not later than 5 years	463,105
	<u>692,162</u>
Future finance charge	(93,468)
Present value of finance lease liabilities	<u>598,694</u>

11. Security deposits

These represent interest free security deposits from tenants and are repayable on cancellation / withdrawal of the license / lease agreement or on cessation of business with the Group. Gross value received from tenants as at year end is Rs 437 million (2019: Rs 444 million). These have been carried at amortized cost using a market interest rate of 10% - 14% (2019: 10%-14%) per annum for a similar instrument. The gain on initial recognition is recognized as deferred income and would spread over the license lease term. These are not kept in a separate bank account as the Group can utilize the amount for any purpose in accordance with the agreements with tenants.

	2020 (Rupees in thousand)	2019 (Rupees in thousand)
Cumulative security deposits from tenants	436,915	444,000
Less: cumulative income arising on initial recognition deferred over the lease term	(154,142)	(153,239)
Security deposits recognized	282,773	290,761
Add: Interest on security deposits		
- Prior years	55,189	24,590
- During the year	33,835	30,599
	89,024	55,189
	371,797	345,950

12. Deferred income

Opening balance	91,203	119,077
Add: income recognised during the year on receipt of security deposits	149,158	5,196
Add: Income recognised during the year	160,023	-
Less: transferred to consolidated statement of profit or loss	(49,130)	(33,070)
Deferred income recognised	351,254	91,203
Income to be recognised in the following year classified under current liabilities	(67,025)	(35,835)
	284,229	55,368

13. Deferred government grant

This represents deferred government grant recognised in respect of the benefit of below-market interest rate on the facilities availed as explained in notes 8.10, 8.11 and 8.12.

	2020 (Rupees in thousand)	2019 (Rupees in thousand)
Opening balance	-	-
Deferred grant recognised during the year	104,962	-
Credited to consolidated profit or loss	(26,156)	-
	78,806	-
Current portion shown under current liabilities	(59,347)	-
Closing balance	19,459	-

There are no unfulfilled conditions or other contingencies attached to these grants.

		2020 (Rupees in thousand)	2019
14.	Deferred taxation		
The liability for deferred taxation comprises taxable/(deductible) temporary differences relating to:			
Deferred tax liability			
Accelerated tax depreciation		2,924,331	2,914,376
Fair value gain on acquisition of subsidiary		478,918	558,301
Investments in associates and joint ventures		395,000	358,000
Right-of-use assets		53,613	56,624
Deferred tax asset			
Minimum tax available for carry forward	- note 14.1	(789,409)	-
Unused tax losses	- note 14.2	(1,045,021)	(1,188,164)
Intangible assets		(2,853)	(4,058)
Provision for slow moving stock and stores		(56,944)	(55,781)
Lease liabilities		(170,372)	(221,695)
Provision for unfunded defined benefit plan		(13,100)	(8,908)
Provision for accumulating compensated absences		(108,833)	(112,062)
Provision for impairment loss on trade debts		(49,879)	(53,366)
Others		(3,210)	(6,062)
		<u>1,612,241</u>	<u>2,237,205</u>

14.1 Deferred tax asset on tax credits representing minimum tax available for carry forward under section 113 of the Income Tax Ordinance, 2001 is recognised to the extent that the realisation of related tax benefits through future taxable profits of the Group is probable. The Group has not recognised deferred tax asset of Nil (2019: Rs 531.941 million) in respect of minimum tax available for carry forward arisen after the formation of the Taxation Group as referred to in note 4.1, as it was estimated in the previous year that sufficient taxable profits would not be available to the Group to utilise these in the foreseeable future. Deferred tax asset has also not been recognised on minimum tax credit prior to the formation of the Taxation Group amounting to Rs 259.588 million (2019: Rs 417.265 million) as the same can not be realized against the taxable profits of the Group. Presently, the Group does not intend to opt out of the Taxation Group in foreseeable future.

14.2 The unabsorbed depreciation loss of Rs 3,218.255 million (2019: Rs 3,218.255 million) is available for set off against income of BSPPL under separate return for indefinite period, but not available under the group taxation model.

14.3 For the purpose of current taxation, unused tax losses available for carry forward to PREPL are Rs 1,469.891 million (2019: Rs 1,449.196 million). PREPL has not recognized any related deferred tax asset based on prudence principle as sufficient tax profits would not be available to set these off in the foreseeable future.

14.4 As at December 31, 2020, AHL had accumulated tax losses of Rs 239.454 million (2019: Rs 293.337 million) which are available for set off against taxable profit of AHL up to the year ending December 31, 2025. No deferred tax assets has been recognised against the tax loss carried forward due to the unpredictability of future profit streams of the AHL.

14.5 The gross movement in net deferred tax liability during the year is as follows:

	2020 (Rupees in thousand)	2019 (Rupees in thousand)
Opening balance	2,237,205	2,030,711
(Credited) / charged to consolidated statement of profit or loss - note 45	(602,617)	58,454
Charged/ (credited) to consolidated other comprehensive income	35,218	(10,558)
Directly credited to equity- impact of adoption of IFRS 9 and 16	-	(6,610)
Exchange (gain) / loss	(57,565)	165,208
Closing balance	1,612,241	2,237,205

15. Long term advances

This represents contributions made by employees for purchase of the Group vehicles. The vehicles are transferred to employees at the end of six years as per Group policy. The interest free long term advances have been discounted at a rate of 7.05% to 12.28% (2019: 12.28%) per annum to arrive at the present value. The reconciliation of the carrying amount is as follows:

	2020 (Rupees in thousand)	2019 (Rupees in thousand)
Opening balance	73,869	104,990
Additions during the year	33,109	19,491
Deletions during the year	(18,248)	(15,467)
Discounting adjustment - note 42	(5,032)	(35,145)
Unwinding of finance cost of present value - net - note 43	16,193	-
	99,891	73,869
Current portion shown under current liabilities - note 18	(15,820)	(4,530)
Closing balance	84,071	69,339

16. Retirement benefits

Classified under non-current liabilities

Funded

- Pension funds	- note 16.1	225,877	316,373
- Gratuity funds	- note 16.1	536,792	499,276
		762,669	815,649

Unfunded

- Staff gratuity	- note 16.2	44,854	31,815
		807,523	847,464

16.1 Amounts recognised in consolidated statement of financial position

	Pension funds		Gratuity funds	
	2020	2019	2020	2019
	(Rupees in thousand)			
The amounts recognised in the consolidated statement of financial position are as				
Fair value of plan assets	537,815	393,531	489,085	516,770
Present value of defined benefit obligation	(763,692)	(709,904)	(1,025,877)	(1,016,046)
Liability as at December 31	(225,877)	(316,373)	(536,792)	(499,276)

16.1.1 Movement in net liability for retirement benefits

	Pension funds		Gratuity funds	
	2020	2019	2020	2019
	(Rupees in thousand)			
Net liability as at January 1	(316,373)	(244,596)	(499,276)	(425,234)
Charged to consolidated statement of profit or loss	(35,592)	(32,408)	(127,026)	(117,704)
Net remeasurement for the year recorded in consolidated other comprehensive income ('OCI')	126,088	(39,369)	(11,307)	3,440
Contribution by the Group	-	-	41,979	40,222
	-	-	58,838	-
Net liability as at December 31	<u>(225,877)</u>	<u>(316,373)</u>	<u>(536,792)</u>	<u>(499,276)</u>

16.1.2 Movement in present value of defined benefit obligation

	Pension funds		Gratuity funds	
	2020	2019	2020	2019
	(Rupees in thousand)			
Present value of defined benefit obligation as at January 1	709,904	690,694	1,016,046	901,170
Service cost	-	-	76,057	63,296
Interest cost	75,351	86,376	104,643	117,366
Benefits paid	(80,233)	(77,591)	(63,205)	(49,557)
Benefits due but not paid	-	-	(4,625)	(415)
Actuarial (gains) / losses from change in financial assumptions	48,834	(826)	3,513	8,720
Experience adjustments	9,836	11,251	18,127	(24,534)
Liability discharged related to other group companies	-	-	(124,679)	-
Present value of defined benefit obligation as at December 31	<u>763,692</u>	<u>709,904</u>	<u>1,025,877</u>	<u>1,016,046</u>

16.1.3 Movement in fair value of plan assets

Fair value as at January 1	393,531	446,098	516,770	475,936
Interest income on plan assets	39,759	53,968	53,674	62,958
Group contributions	-	-	41,979	40,222
Benefits paid	(80,233)	(77,590)	(63,206)	(49,557)
Benefits due but not paid	-	-	(4,625)	(415)
Return on plan assets, excluding interest income	184,758	(28,945)	10,334	(12,374)
	-	-	(65,841)	-
Fair value as at December 31	<u>537,815</u>	<u>393,531</u>	<u>489,085</u>	<u>516,770</u>

16.1.4 Risks faced by the Group on account of gratuity and pension funds

(i) **Final salary risk (linked to inflation risk)** - the risk that the Final salary at the time of cessation of service is greater than the assumed salary. Since the benefit is calculated on the Final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

(ii) **Asset volatility** - Most assets are invested in risk free investments of 3,5 or 10 year Small Saver Certificate's, Regular Income Certificate's, Defence Savings Certificate's or Government Bonds. However, investments in equity instruments is subject to adverse fluctuations as a result of change in the market price.

(iii) **Discount rate fluctuation** - The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plans' bond holdings.

(iv) **Investment risks** - The risk of the investment underperforming and not being sufficient to meet the liabilities. This risk is mitigated by closely monitoring the performance of investments.

(v) **Risk of insufficiency of assets** - This is managed by making regular contribution to the fund as advised by the actuary.

(vi) Demographic risks:

- **Mortality risk** - the risk that the actual Mortality Experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

- **Withdrawal risk** - the risk of actual withdrawals Experience is different from assumed Withdrawal probability. The significance of the Withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

16.1.5 Amounts recognised in the consolidated statement of profit or loss

	Pension fund		Gratuity funds	
	2020	2019	2020	2019
	(Rupees in thousand)			
Current service cost	-	-	76,057	63,296
Interest cost for the year	75,351	86,375	104,643	117,366
Interest income on plan asset	(39,759)	(53,968)	(53,674)	(62,958)
Net expense charged to consolidated statement of profit or loss	35,592	32,407	127,026	117,704

16.1.6 Remeasurements charged to consolidated OCI

Actuarial (gains) / losses from change in financial assumptions	48,834	(826)	3,513	8,720
Experience adjustments	9,836	11,251	18,127	(24,534)
Return on plan assets, excluding interest income	(184,758)	28,945	(10,334)	12,374
Total remeasurements charged to consolidated OCI	(126,088)	39,370	11,306	(3,440)

16.1.7 Plan assets

Plan assets are comprised as follows:

Debt instruments	321,074	258,155	264,359	293,940
Shares and units of mutual funds	216,740	130,653	183,887	205,614
Cash at banks	-	4,723	31,878	17,216
	537,814	393,531	480,124	516,770

	2020 (Rupees in thousand)	2019
16.2 Unfunded retirement benefits - staff gratuity		
As at the beginning of the year	31,815	22,937
Interest cost	3,252	3,039
Charge for the year	4,388	3,146
Payments made during the year	(1,654)	(466)
Actuarial loss	6,899	492
Exchange adjustment	154	2,667
As at the end of the year	44,854	31,815

16.3 Sensitivity analysis

	2020 (Rupees in thousand)	
	Pension fund	Gratuity funds
Year end sensitivity analysis on defined benefit obligation:		
Discount rate + 100 bps	714,675	936,014
Discount rate - 100 bps	819,355	1,117,434
Salary increases / indexation + 100 bps	819,104	1,117,369
Salary increases / indexation - 100 bps	714,298	934,523

	2020 (Rupees in thousand)	2019
17. Deferred liabilities		
This represents provision made to cover the obligation for accumulating compensated absences.		
Opening balance	398,697	579,478
Charged to consolidated statement of profit or loss - note 17.2	62,408	103,236
	461,105	682,714
Payments made during the year	(119,130)	(284,017)
Closing balance - note 17.1	341,975	398,697

17.1 Movement in liability for accumulating compensated absences

Present value of obligation as at January 1	398,697	579,478
Current service cost	26,329	44,596
Interest cost on defined benefit obligation	36,336	58,548
Benefits paid during the year	(119,130)	(284,017)
Remeasurement during the year	(1,667)	11,992
Experience losses	1,410	(11,900)
Present value of obligation as at December 31	341,975	398,697

17.2 Charges during the year

Current service cost	26,329	44,596
Interest cost	36,336	58,548
Experience losses	1,410	(11,900)
Remeasurement during the year	(1,667)	11,992
Expense charged to the consolidated statement of profit or loss	62,408	103,236

17.3 Sensitivity analysis

Year end sensitivity analyses on defined benefit obligation are as follows:

	2020 Accumulating compensated absences (Rupees in thousand)
Discount rate + 100 bps	304,652
Discount rate - 100 bps	361,143
Salary increases + 100 bps	361,478
Salary increases - 100 bps	303,851

18. Current portion of non-current liabilities

		2020 (Rupees in thousand)	2019
Current portion of long term finances	- note 8	3,211,563	4,146,686
Current portion of lease liabilities	- note 10	163,184	164,439
Current portion of long term advances	- note 15	15,820	4,530
Current portion of deferred income	- note 12	67,025	35,835
Current portion of deferred government grant	- note 13	59,347	-
		<u>3,516,939</u>	<u>4,351,490</u>

19. Short term borrowings - secured

Running finances - secured	- note 19.1	7,959,808	9,736,503
Short term finances - secured	- note 19.2	1,999,500	1,650,321
		<u>9,959,308</u>	<u>11,386,824</u>

19.1 Running finances - secured

Short term running finances available from a consortium of commercial banks under mark-up arrangements amount to Rs 23,040 million (2019: Rs 21,276 million). The rates of mark-up are based on KIBOR plus spread and range from 7.40% to 14.95% (2019: 10.42% to 15.10%) per annum or part thereof on the balances outstanding. In the event the Group fails to pay the balances on the expiry of the quarter, year or earlier demand, mark-up is to be computed at the rate 20% (2019: 10.67% to 22.00%) per annum or part thereof on the balances unpaid. The aggregate running finances are secured by hypothecation of stores, spares, stock-in-trade, trade debts and also pledge of Nestle Pakistan Limited's shares owned by the Parent Company under a "Share Pledge Agreement".

19.2 Short term finances - secured

Facilities for obtaining short term finances of Rs 11,980 million (2019: Rs 15,380 million) are available to the Group as a sub-limit of the running finance facilities referred to in note 19.1. The rates of mark-up are based on KIBOR plus spread ranging from 7.05% to 15.17% (2018: 9.00% to 13.85%) per annum or part thereof on the balances outstanding. The aggregate short term finances are secured by hypothecation of current assets of the Group including stores, spares, stock-in-trade and trade debts, and also pledge of Nestle Pakistan Limited's shares owned by the Parent Company under a "Share Pledge Agreement".

19.3 Letters of credit and bank guarantees

Of the aggregate facilities of Rs 14,000 million (2019: Rs 14,120 million) for opening letters of credit (including Rs 4,400 million available to Group as sub-limit of the running finance facilities referred to in note 17.1) and Rs 1,455 million (2019: Rs 2,100 million) for guarantees, the amounts utilised at December 31, 2020 were Rs 3,426 million (2019: Rs 2,115 million) and Rs 1,212 million (2019: Rs 1,730 million) respectively. The facilities for guarantee are secured by second hypothecation charge over stores, spares, stock-in-trade and trade debts.

19.4 Bills discounted - secured

Facilities for discounting of export / inland bills of Nil (2019: Rs 10 million) are available to the Company as a sub-limit of the running finance facilities referred to in note 14.1. Mark-up is fixed as per mutual agreement at the time of transaction. The outstanding balance of bills discounted is secured, in addition to the securities referred to in note 14.1, on the specific bills discounted. The facility has not been availed in the current year.

		2020	2019
		(Rupees in thousand)	
20.	Trade and other payables		
Trade creditors	- note 20.1	5,431,788	4,391,399
	- notes 20.2, 20.3		
Accrued liabilities	and 20.4	2,406,012	2,126,553
Bills payable		43,124	75,107
Retention money payable		2,945	1,600
Sales tax withholding payable		10,122	9,878
Withholding income tax payable		7,795	618
Contract liabilities	- note 20.5	249,615	510,939
Payable to retirement funds	- note 20.6	37,691	34,370
Deposits - interest free repayable on demand	- note 20.7	22,015	18,829
Profit payable on term finance certificate ('TFC')	- note 35.3	1,332	1,332
Workers' profit participation fund	- note 20.8	870,846	946,012
Workers' welfare fund	- note 20.9	102,028	32,231
Bank overdraft	- note 20.10	103,249	-
Others		200,257	150,552
		9,488,819	8,299,420

	2020 (Rupees in thousand)	2019 (Rupees in thousand)
20.1 Trade creditors include amount due to related parties as follows:		
Omya Pack (Private) Limited	39,080	28,541
Anemone Holdings Limited	8,867	-
Tri-Pack Films Limited	194,333	99,871
IGI Holdings Limited	-	2,717
IGI Life Insurance Limited	763	-
IGI General Insurance Limited	12,700	7,361
S.C. Johnson & Son of Pakistan (Private) Limited	4,018	-
DIC Asia Pacific Pte Limited	62,472	36,239
DIC Corporation Japan	15,609	1,579
DIC India Limited	132	132
DIC Malaysia SDN. BHD	12,175	5,141
PT DIC Graphics	25,800	50,090
DIC Graphics Corporation	11,344	20,932
DIC Performance Resins GmbH	-	18,761
DIC Philippines, Inc.	2,069	-
PT Pardic Jaya Chemicals	62,000	61,046
Nantong DIC Color Company Limited	20,587	23,886
DIC Graphics (Thailand) Company Limited	12,242	6,725
Benda Lutz	563	-
DIC Australia Pty Limited	51	-
Sun Chemical S.P.A	934	-
Sun Chemical N.V/S.A	1,477	-
Sun Chemical SA	3,239	-
Sun Chemical AG	48	-
Sun Chemical AB	7,570	-
Michael Hoffman	-	20,468
	498,073	383,489

20.2 Accrued liabilities include amounts in respect of related parties (Group Companies) as follows:

	2020 (Rupees in thousand)	2019 (Rupees in thousand)
IGI Life Insurance Limited	4,782	8,172
IGI General Insurance Limited	7,306	-
Tetra Pak Pakistan Limited	-	13,081
DIC Corporation Japan	30,507	30,693
DIC Asia Pacific Pte Limited	335	4,795
Josef Meinrad Muller (Ex-director)	1,934	1,934
	44,864	58,675

20.3 On August 13, 2020, the Honorable Supreme Court announced the order relating to the levy imposed under Gas Infrastructure Development Cess Act, 2015 whereby all arrears of Gas Infrastructure Development Cess ('GIDC') that have become due up to July 31, 2020 and have not been recovered so far shall be recovered from the gas consumers in twenty-four equal monthly installments starting from August 01, 2020 without the component of late payment surcharge ('LPS') on the outstanding balance of GIDC. The LPS shall only become payable for the delays that may occur in the payment of any of the twenty-four installments. Accrued liabilities include an amount of Rs 86.865 million (2019: Rs 86.865 million) in respect of GIDC prior to the promulgation date of GIDC Act, 2015.

However, on September 18, 2020, BSPPL obtained a stay order from Honourable Lahore High Court against payment of this GIDC to Sui Northern Gas Pipelines Limited ('SNGPL') on the premise that the matter of BSPPL is still unresolved at the end of High Level Committee of SNGPL formed under court order number WP No. 31491 of 2016, therefore, till the time High Level Committee of SNGPL resolves the exact liability of BSPPL, SNGPL cannot recover the same from BSPPL.

Lahore High Court has instructed the Federal Government to make rules for resolution of disputes and manner of recovery of GIDC arrears prior to the promulgation date, under section 6 of the GIDC Act, 2015. Therefore, the amount of unpaid GIDC has not been discounted, since the timing of payment is unknown at the date of financial position.

Moreover, keeping in view the order of Honorable Supreme Court dated August 13, 2020, the LPS of Rs 63.605 million previously included in accrued liabilities has been written back in other income as referred in note 42.

20.4 Included in accrued liabilities is a provision amounting to Rs 73.31 million (2019: Rs 31.63 million) in respect of rent of land on lease from the Government of the Punjab ('GoPb') for the period from December 2015 to December 2020.

A portion of the land on which the Parent Company's buildings are situated (note 23), measuring 231 kanals and 19 marlas, was leased out to the Company by GoPb from December 1955 till November 2015 after which the lease has not been renewed. During the year 2015, the Company approached the Board of Revenue ('BoR'), GoPb to renew the lease; however, no adequate response was received. On January 5, 2019, the Supreme Court of Pakistan ('Court'), summoned BoR, to which the BoR stated that the new policy of the GoPb is not to lease state land but to sell it through open auction. Consequently, the Parent Company was directed to deposit Rs 500 million with the BoR as security to the payment of outstanding amount of rent to be determined, with such amount being adjustable against final amount of rent. The Parent Company deposited such amount in compliance with the direction on January 10, 2019. The Court has further directed Additional Advocate General, Punjab on January 16, 2019 that subject to the Court's approval, two surveyors be appointed for determination of rent based on industrial usage of the land for the period from December 2015 till date. The surveyors were appointed, who have submitted their independent valuation reports to BoR and the Court. The matter is pending for further action as of the date of the authorization for issue of unconsolidated financial statements. Moreover, the Court has further decided that the land shall be sold through an open auction with the Parent Company getting the first right of refusal.

The management of the Parent Company has, on the basis of assessment of fair value of the said portion of land by independent valuers, as appointed by the Court, and its understanding of the prevalent market terms relating to rent of such properties in the vicinity of the said portion of land, recognised an expense of Rs 41.675 million (2019: Rs 174 million) in respect of rent for the year from January 2020 to December 2020. The management of the Parent Company is confident that the final amount of rent will be in congruence with the provision made in these consolidated financial statements, inter alia based on the fair value determined by the independent valuers and the relevant facts and

Furthermore, the management of the Parent Company also intends to acquire the title of the said portion of land when the open auction takes place and is confident that it will be able to meet the highest bid.

20.5 Contract liabilities includes an amount of Nil (2019: Rs 314.723 million) received from a customer for purchasing and installation of certain plant and machinery at its Lahore premises.

		2020	2019
		(Rupees in thousand)	
20.6	Payable to retirement funds		
Employees' provident funds	- note 20.6.1	20,645	18,192
Employees' gratuity funds		3,517	3,187
Management staff pension funds	- note 20.6.1	13,529	12,991
		37,691	34,370

20.6.1 Employees' provident and management staff pension fund related disclosure

All investments in collective investment schemes, listed equity, and listed debt securities out of provident fund and management staff pension fund have been made in accordance with the provisions of Section 218 of the Act and the conditions specified thereunder and subject to the regulations formulated for this purpose in terms of SRO 856(I)/2019 issued by SECP on July 25, 2019.

20.7 This represents amounts received from suppliers and truckers as per the respective agreements and kept in separate bank account maintained for that purpose as required under Section 217(2) of the Act. These deposits have not been utilized by the Group Company.

20.8 Workers' profit participation fund

	2020 (Rupees in thousand)	2019 (Rupees in thousand)
Opening balance	946,012	895,385
Refund claimed	1,953	-
Provision for the year - note 41	226,147	140,465
	1,174,112	1,035,850
Payments made during the year	(303,266)	(89,838)
Closing balance	870,846	946,012

20.8.1 The Parent Company has not discharged the amount of workers' profit participation fund charge to the Workers' Profit Participation Fund in view of certain calculation mechanism of the charge. However, the total amount accrued is sufficient to cover the Parent Company's obligation in case of settlement.

On July 01, 2020, the Parent Company transferred its manufacturing operations to PCL as mentioned in note 1.1 and accordingly ceased to exist as an industrial undertaking liable to pay Workers' profit participation fund. However, since the Parent Company operated as an industrial undertaking for part of the financial year, the Parent Company has paid an amount of Rs 40 million during the year to PCL for onward distribution to the erstwhile workers as ex-gratia in good faith.

20.9 Workers' welfare fund

	2020 (Rupees in thousand)	2019 (Rupees in thousand)
Opening balance	32,231	9,043
Provision for the year - note 41	99,667	35,572
	131,898	44,615
Payments made during the year	(29,870)	(12,384)
Closing balance	102,028	32,231

20.10 This represents book overdraft balances due to unpresented cheques in respect of current bank accounts.

21. Accrued finance cost

Accrued mark-up / interest on:		
- Long term local currency loans	361,472	616,705
- Preference shares / convertible stock - note 43	155,550	155,550
- Short term borrowings	142,172	371,970
	659,194	1,144,225

22. Contingencies and commitments

22.1 Contingencies other than disclosed elsewhere, in respect of :

- (i) Claims against the Group by ex-employees not acknowledged as debts amounting to Rs 17.427 million (2019: Rs 26.631 million).
- (ii) Guarantees issued in favour of Office of Excise and Taxation, Lahore; Director Taxes, Excise and Taxation Department, Sindh and Total Parco Pakistan Limited aggregating to Rs 30.924 million (2019: 19.624 million).
- (iii) Letters of guarantees issued to various parties aggregating to Rs 1084.560 million (2019: Rs 1057.720 million).
- (iv) Standby letter of credit issued by Habib Bank Limited - Pakistan ('HBL Pakistan') in favour of Habib Bank Limited - Bahrain ('HBL Bahrain') on behalf of the Group amounting to USD 4.000 million equivalent to Rs 639.338 million (2019: USD 7.803 million equivalent to Rs 1,208.287 million) to secure long term finance facility provided by HBL Bahrain to AHL. The standby letter of credit is secured against pledge of Nestle Pakistan Limited's shares owned by the Parent Company as referred to in note 28.2.
- (v) Parent Company's share in contingencies of associates and joint venture accounted for under equity method is Rs 392.41 million (2019: Rs 375.41 million).
- (vi) For contingencies relating to sales tax and income tax, refer to notes 34 and 35 respectively.

22.2 Commitments

- (i) Letters of credit and contracts for capital expenditure Rs 953.026 million (2019: Rs 585.062 million).
- (ii) Letters of credit and contracts other than for capital expenditure Rs 2,836.527 million (2019: Rs 2,534.799 million).

There are no commitments with related parties.

23. Property, plant and equipment

		2020	2019
		(Rupees in thousand)	
Operating fixed assets	- note 23.1	24,346,801	25,183,824
Capital work-in-progress	- note 23.2	2,914,827	2,582,814
Major spare parts and stand-by equipment	- note 23.3	134,506	158,969
		<u>27,396,134</u>	<u>27,925,607</u>

23.1 Operating fixed assets

2020										
(Rupees in thousand)										
Cost as at January 1, 2020	Exchange differences	Additions / (deletions)	Transfer in	Cost as at December 31, 2020	Accumulated depreciation as at January 1, 2020	Exchange differences	Depreciation charge / (deletions) for the year	Transfer in	Accumulated depreciation as at December 31, 2020	Book value as at December 31, 2020
1,008,488	5,514	-	-	1,014,002	-	-	-	-	-	1,014,002
142,999	-	118	-	143,117	26,038	-	3,238	-	29,276	113,841
3,672,763	1,198	111,315	-	3,785,276	758,457	(17)	224,119	-	982,559	2,802,717
423,964	7	-	-	423,971	219,458	627	22,925	-	243,010	180,961
30,975,572	40,293	1,515,787 (108,470)	-	32,423,182	11,261,490	59,829	2,331,324 (107,906)	-	13,544,737	18,878,445
1,750,810	9,299	327,233 (3,985)	-	2,083,357	1,158,163	10,336	266,278 (3,039)	-	1,431,738	651,619
204,246	755	18,091 (3,008)	-	220,084	109,029	671	24,699 (2,381)	-	132,018	88,066
751,781	2,357	240,189 (131,038)	18,915	882,204	214,164	2,630	89,395 (56,644)	15,509	265,054	617,150
38,930,623	59,423	2,212,733 (246,501)	18,915 -	40,975,193	13,746,799	74,076	2,961,978 (169,970)	15,509 -	16,628,392	24,346,801

	2019										
	(Rupees in thousand)										
	Cost as at January 1, 2019	Exchange differences	Additions / (deletions)	Transfer in	Cost as at December 31, 2019	Accumulated depreciation as at January 1, 2019	Exchange differences	Depreciation charge / (deletions) for the year	Transfer in	Accumulated depreciation as at December 31, 2019	Book value as at December 31, 2019
Freehold land	715,371	44,298	248,819	-	1,008,488	-	-	-	-	-	1,008,488
			-	-				-	-		
Leasehold land - note 23.1.1	142,955	44	-	-	142,999	22,739	-	3,299	-	26,038	116,961
			-	-				-	-		
Buildings on freehold land	3,650,686	12,401	25,381	-	3,672,763	551,394	54	217,859	-	758,457	2,914,306
			(15,705)	-				(10,850)	-		
Buildings on leasehold land	416,412	6,265	1,761	-	423,964	192,019	2,479	25,413	-	219,458	204,506
			(474)	-				(453)	-		
Plant and machinery	28,573,144	414,630	2,578,697	-	30,975,572	9,032,656	93,166	2,704,975	-	11,261,490	19,714,082
			(590,899)	-				(569,307)	-		
Other equipment's (computers, lab equipment's and other office equipment's)	1,545,557	42,999	321,661	-	1,750,810	1,028,635	33,231	254,829	-	1,158,163	592,647
			(159,407)	-				(158,532)	-		
Furniture and fixtures	178,038	7,230	20,006	-	204,246	81,791	2,809	25,281	-	109,029	95,217
			(1,028)	-				(852)	-		
Vehicles	683,692	2,273	165,040	16,704	751,781	167,377	1,003	83,634	10,143	214,164	537,617
			(115,928)	-				(47,993)	-		
	35,905,855	530,140	3,361,365	16,704	38,930,623	11,076,611	132,742	3,315,290	10,143	13,746,799	25,183,824
			(883,441)	-				(787,987)	-		

23.1.1 Leasehold land comprises of lands situated in Karachi and Haripur which were obtained by the Group on lease and are being amortized over the term of 49 years and 99 years respectively. The title of lands remains with the lessor at end of the lease term. However, leasehold lands have been included in property, plant and equipment in accordance with clarification issued by Institute of Chartered Accountants of Pakistan through selected opinion issued on IAS 17, 'Leases' on the basis that requirements of the Companies Act, 2017 override the requirements of IFRS.

23.1.2 Plant and machinery of Group's subsidiary namely FPCL amounting to Rs 1,392.315 million (2019: Rs 1,423.907 million) has been encumbered as security against long term borrowings and lease liabilities as disclosed in note 8 and note 10.

23.1.3 Plant and machinery and Land and Buildings of Group's subsidiary namely PLL amounting to Rs 1,214 million (2019: Rs 1,054 million) has been encumbered as security against long term borrowings as disclosed in note 8.

23.1.4 The cost of fully depreciated assets as at December 31, 2020 is Rs 4,129.335 million (2019: Rs 4,383.091 million).

23.1.5 The depreciation / impairment charge for the year has been allocated as follows:

	Note	2020 (Rupees in thousand)	2019
Cost of sales and services	38	2,764,933	3,120,550
Administrative expenses	39	117,673	134,799
Distribution and marketing costs	40	72,402	59,941
Other expenses	41	6,970	-
		<u>2,961,978</u>	<u>3,315,290</u>

23.1.6 Following are the particulars of the Group's immovable fixed assets:

Location	Usage of immovable property	Total area (in Acres)
Kot Radha Kishan Road, District Kasur	Factory site and offices	231.6
Depalpur, Pakpattan Road, District Okara	Purchase center for biomass fuel	13
Shahrah-e-Roomi, Lahore, Punjab	Plant site and administrative offices	50.61
Herdo Sehari, Kasur, Punjab	Administrative offices	34.84
Lakho Baryar, Kasur, Punjab	Administrative offices	65.63
No. 148 Minuwangoda Road Ekala, Ja-Ela, Sri Lanka	Freehold land	7.65

23.1.7 Disposal of operating fixed assets

Detail of operating fixed assets sold off during the years 2020 and 2019 is as follows:

Particulars of assets	Sold to	2020		Sale proceeds	Gain / (loss) on disposal	Mode of disposal
		Cost	Book value			
		(Rupees in thousand)				
Vehicles	Key management personnel					
	Nayab Baig	2,353	1,694	1,694	-	As per Company policy
	Employees					
	Attiq ur Rehman	2,333	1,680	1,750	70	- do -
	Muhammad Afzal	2,353	1,577	2,163	586	- do -
	Adnan Tufail	1,603	1,133	1,083	(50)	- do -
	Hadi Ahmad	1,340	1,072	1,069	(3)	- do -
	Waqar Malik	1,375	1,059	1,019	(40)	- do -
	Khizer Kokab	1,184	1,006	974	(32)	- do -
	Mohammad Tariq	1,194	979	942	(37)	- do -
	Zeenia Ather	1,375	962	879	(83)	- do -
	Mashkoor Hussain	2,216	931	1,261	330	- do -
	Adeel Waheed	1,578	805	989	184	- do -
	Waleed Zakria	1,069	802	840	38	- do -
	Muhammad Faizan	871	740	763	23	- do -
	Adeel Yousaf	1,527	737	873	136	- do -
	Uzair Rabbani	840	731	658	(73)	- do -
	Ahmed Butt	950	722	724	2	- do -
	Muhammad Zubair	1,771	709	991	282	- do -
	Hamza Irfan	1,475	664	970	306	- do -
	Sajawal Khan	795	636	574	(62)	- do -
	Iftikhar Alam	1,049	619	666	47	- do -
	Muhammad Ali Farooqi	1,425	570	859	289	- do -
	Muhammad Anas	742	564	536	(28)	- do -
	Hassan Waqar	732	534	450	(84)	- do -
	Ammar Farooq	732	527	450	(77)	- do -
	Asad Javed	1,527	758	945	187	- do -
	Humayun Munir	1,054	580	670	90	- do -
	Dilshad Ali	1,704	801	1,951	1,150	- do -
	Omer Javed	2,162	865	1,865	1,000	- do -
	Muhammad Rizwan	1,733	1,352	1,447	95	- do -
	Sardar Muhammad Aurangzeb	1,933	1,372	1,636	264	- do -
	Iqbal Rabbani	795	596	574	(22)	- do -
	Khawar Ali	795	620	574	(46)	- do -
	Subayyal Najeeb	1,537	1,045	1,024	(21)	- do -
	Saad Tariq Siddique	1,238	1,127	1,052	(75)	- do -
	Adnan Yousaf	1,518	607	778	171	-do-
	Amir Said	1,770	708	776	68	-do-
	Asma Javed	2,925	2,135	3,734	1,599	-do-
	Hawaisa Waheed	1,537	1,061	1,181	120	-do-
	Hiba Amjad	1,418	567	918	351	-do-
	Mohammad Akram	1,700	680	922	242	-do-
	Muhammad Haroon Saleem	1,270	902	1,020	118	-do-
	Muhammad Sohail Iftikhar	1,277	511	573	62	-do-
	Mustafa Ahmad	1,704	682	929	247	-do-
	Shahid Hafeez	2,922	2,454	2,455	1	-do-
	Syed Atif Tanseer	1,054	538	670	132	-do-
	Yasir Javed	1,390	556	667	111	-do-
	Zunair Shahzad	762	617	560	(57)	-do-
	Sonia Rashid	1,461	1,096	1,181	85	-do-
	Sohail Afzal	1,440	576	715	139	-do-
	Others					
	Omya Pack(Private) Limited - related party (Joint Venture)	2,353	1,341	2,250	909	Negotiation
	Ch. Riaz Ahmed	1,270	1,067	1,250	183	- do -
	Nadeem Sharif	1,678	1,158	2,220	1,062	- do -
	Asif Umar	1,308	1,230	1,308	78	- do -
	Khurram Motors	4,169	1,668	3,813	2,145	- do -

Particulars of assets	Sold to	2019		Sale proceeds	Gain / (loss) on disposal	Mode of disposal
		Cost	Book value			
		(Rupees in thousand)				
Vehicles	Key management personnel					
	Nayab Baig	1,678	1,359	1,376	17	As per Group policy
	Employees					
	Abdul Wajid	1,537	1,151	1,277	126	As per Group policy
	Ahmad Ali Riaz	1,703	1,533	1,497	(36)	- do -
	Bilal Naeem	1,527	977	938	(39)	- do -
	Bilal Umar	1,475	1,386	1,319	(67)	- do -
	Naheed Malik	1,552	621	1,022	401	- do -
	Sahil Zaheer	2,321	1,346	1,647	301	- do -
	Syed Ghani Shah	1,068	854	772	(82)	- do -
	Mian Javed Iqbal	2,336	1,986	2,165	179	- do -
	Moiz Ahmad Khan	1,250	1,100	1,122	22	- do -
	Haris Riaz	795	700	735	35	- do -
	Fahad Ali	1,270	1,219	1,270	51	- do -
	Fahad Hamid	1,250	987	903	(84)	- do -
	Farhan Ul Haq Usmani	1,510	1,374	1,332	(42)	- do -
	Hadi Nawaz	762	625	648	23	- do -
	Hamid Jamil	1,512	650	991	341	- do -
	Mobin Javed	1,703	1,533	1,571	38	- do -
	Muhammad Qasim	708	545	513	(32)	- do -
	Rahim Danish	1,350	540	856	316	- do -
	Saad Imran Butt	1,297	856	852	(4)	- do -
	Saba Majeed	732	615	622	7	- do -
	Sikandar Abbas	2,044	1,860	2,044	184	- do -
	Syed Awais Haider	1,054	748	744	(4)	- do -
	Syed Kousar Mehdi	840	756	714	(42)	- do -
	Tairq Hussain	1,250	512	770	258	- do -
	Usman Sabir	2,397	2,109	2,158	49	- do -
	Uzair Hashmi	1,533	1,042	1,189	147	- do -
	Yasir Shahid	1,786	1,123	1,400	277	- do -
	Zakriya Rehman	1,300	1,196	1,148	(48)	- do -
	Hussain Raza	2,172	1,607	1,752	145	- do -
	Muhammad Shahid Ullah Butt	1,845	1,716	1,752	36	- do -
	Abrar Saeed	1,924	1,789	1,644	(145)	- do -
	Muhammad Waseem	1,733	1,525	1,619	94	- do -
	Javaid Iqbal	1,881	1,392	1,406	14	- do -
	Qaiser Safdar Ali	2,095	859	1,336	477	- do -
	Muhammad Ali Murtaza	1,487	970	1,054	84	- do -
	Muhammad Wasim Bhutta	1,282	667	873	206	- do -
	Muhammad Latif	1,512	620	851	231	- do -
	Aamir Rana	1,512	620	851	231	- do -
	Saqib Arif	1,074	838	850	12	- do -
	Salik Masood Khan	1,094	656	785	129	- do -
	Usman Khalid	1,282	679	753	74	- do -
	Asif Ali	785	573	583	10	- do -
	Muhammad Ayub	708	545	512	(33)	- do -
	Others					
	IGI General Insurance Limited - related party (associate)	2,162	865	1,850	985	Insurance Claim
	IGI General Insurance Limited - related party (associate)	1,578	1,042	1,578	536	- do -
	IGI General Insurance Limited - related party (associate)	860	808	795	(13)	- do -
	Hyundai Automotive South Africa	42,616	8,343	25,410	17,067	Negotiation
	Tiger Truck Sales and Spares (Pty) Ltd	94,096	18,347	3,624	(14,723)	- do -
	Adnan Qureshi	1,585	634	1,400	766	- do -
	Asim Mumtaz	1,039	592	880	288	- do -
	Nouman Yousaf	1,504	602	1,260	658	- do -
	Rashid Saleemi	2,162	865	1,600	735	- do -
	Muhammad Saad	732	630	695	65	- do -
	Rizwan Muhammad Khan	708	573	655	82	- do -
	Khurram Motors	1,977	791	1,750	959	- do -
	Mr Naveed Akhtar	2,158	863	1,676	813	- do -
Plant and machinery	BBR Graphic Sales Limited	18,252	7,388	12,113	4,725	Negotiation
	BBR Graphic Sales Limited	176,507	3,682	6,036	2,354	- do -
	BBR Graphic Sales Limited	2,890	1,734	2,843	1,109	- do -
	BBR Graphic Sales Limited	1,995	1,047	1,718	671	- do -
	The Hudson Sharp Machine Company	431,609	64,989	185,193	120,204	- do -
	Mactec Machinery CC	45,380	45,380	115,500	70,120	- do -

23.2 Capital work-in-progress

23.2 Capital work-in-progress

		2020 (Rupees in thousand)								
		Cost as at January 1, 2020	Exchange differences	Capital expenditure incurred during the year	Advances given during the year	Transfers within capital work- in-progress	Charged off during the year	Transfers to operating fixed assets	Transfer to investment properties	Balance December as at 31, 2020
Civil works		55,486	-	192,347	-	24,000	(6,437)	(108,304)	-	157,092
Plant and machinery		2,101,406	111	1,756,300	-	304,523	(6,962)	(1,650,528)	(2,388)	2,502,462
Advances to suppliers		424,997	-	122,602	62,059	(328,523)	(3,841)	(15,154)	(7,792)	254,348
Other	- note 23.2.1	925	-	-	-	-	-	-	-	925
		2,582,814	111	2,071,249	62,059	-	(17,240)	(1,773,986)	(10,180)	2,914,827

		2019 (Rupees in thousand)								
		Cost as at January 1, 2019	Exchange differences	Capital expenditure incurred during the year	Advances given during the year	Transfers within capital work- in-progress	Charged off during the year	Transfers to operating fixed assets	Transfer to investment properties	Balance December as at 31, 2019
Civil works		60,224	-	137,110	-	1,966	(1,805)	(142,009)	-	55,486
Plant and machinery		1,893,158	495	2,320,795	-	-	(9,837)	(2,103,205)	-	2,101,406
Advances to suppliers		100,412	-	-	935,982	(1,966)	-	(230,295)	(379,136)	424,997
Other	- note 23.2.1	925	-	-	-	-	-	-	-	925
		2,054,719	495	2,457,905	935,982	-	(11,642)	(2,475,509)	(379,136)	2,582,814

23.2.1 This represents capital expenditure incurred on application filing and pursuance of generation license with National Electric Power Regulatory Authority ('NEPRA') for the 2.45 MW Hydropower project of the Group.

23.3 Major spare parts and stand-by equipment

		2020 (Rupees in thousand)	2019 (Rupees in thousand)
Balance at the beginning of the year		158,969	125,077
Additions during the year		56,381	49,611
Depreciation charged		(11,507)	(8,490)
Transfers made during the year		(36,628)	(7,229)
Issuance to production during the year		(32,709)	-
Balance at the end of the year		<u>134,506</u>	<u>158,969</u>

- note 23.3.1

23.3.1 The depreciation charge for the year has been allocated to cost of sales and services.

24. Right-of-use assets

	2020 (Rupees in thousand)								
	Cost as at January 1, 2020	Exchange differences	Additions / (deletions)	Cost as at December 31, 2020	Accumulated depreciation as at January 1, 2020	Exchange differences	Depreciation charge / (deletions) for the year	Accumulated depreciation as at December 31, 2020	Book value as at December 31, 2020
Vehicles	303,659	(2,298)	- (18,915)	282,446	82,459	1,553	38,812 (15,510)	107,314	175,132
Plant and equipment	88,096	1,762	- -	89,858	26,904	635	5,282	32,821	57,037
Land and buildings	605,580	(9,423)	145,229 (184,262)	557,124	101,157	7,313	112,468 (36,883)	184,055	373,069
Equipments	14,217	(3)	- -	14,214	1,956	319	2,636	4,911	9,303
	1,011,552	(9,962)	145,229 (203,177)	943,642 -	212,476 -	9,820	159,198 (52,393)	329,101 -	614,541 -

	2019 (Rupees in thousand)										
	Cost as at January 1, 2019	Initial application of IFRS 16 on January 1, 2019	Exchange differences	Additions / (deletions)	Cost as at December 31, 2019	Accumulated depreciation as at January 1, 2019	Initial application of IFRS 16 on January 1, 2019	Exchange differences	Depreciation charge / (deletions) for the year	Accumulated depreciation as at December 31, 2019	Book value as at December 31, 2019
Vehicles	-	302,270	1,389	-	303,659	-	15,619	1,055	65,785	82,459	221,200
Plant and equipment	-	57,898	7,076	23,122	88,096	-	16,975	1,557	8,372	26,904	61,192
Land and buildings	-	572,982	32,598	-	605,580	-	-	5,445	95,712	101,157	504,423
Equipments	-	13,452	765	-	14,217	-	-	105	1,851	1,956	12,261
	-	946,602	41,828	23,122	1,011,552	-	32,594	8,162	171,720	212,476	799,076

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

Cost of sales and services
Administrative expenses
Distribution and marketing costs

- note 38
- note 39
- note 40

2020 (Rupees in thousand)		2019
76,255		80,563
69,787		74,579
13,156		16,578
159,198		171,720

25. Investment properties

Developed
Under Construction

- note 25.1

10,588,051		11,386,317
13,401		7,122
10,601,452		11,393,439

25.1 Investment property - developed

		2020 (Rupees in thousand)								
		Cost as at January 1, 2020	Additions	Transfer (out) / in	Cost as at December 31, 2020	Accumulated depreciation as at January 1, 2020	Depreciation charge for the year	Transfer out	Accumulated depreciation as at December 31, 2020	Book value as at December 31, 2020
Land	- notes 25.1.2 and 25.1.3	383,364	-	-	383,364	-	-	-	-	383,364
Buildings on freehold land		7,936,517	21,855	-	7,958,372	783,835	294,624	-	1,078,459	6,879,913
Buildings on leasehold land		910	-	-	910	3,833	1,726	-	5,559	(4,649)
Mall equipment		40,209	-	-	40,209	21,235	8,042	-	29,277	10,932
External development		1,187,730	159	-	1,187,889	105,146	39,615	-	144,761	1,043,128
HVAC system		1,385,635	6,782	-	1,392,417	488,137	185,156	-	673,293	719,124
Electrical system		2,678,713	17,516	-	2,696,229	824,575	315,415	-	1,139,990	1,556,239
		13,613,078	46,312	-	13,659,390	2,226,761	844,578	-	3,071,339	10,588,051

		2019 (Rupees in thousand)								
		Cost as at January 1, 2019	Additions	Transfer out	Cost as at December 31, 2019	Accumulated depreciation as at January 1, 2019	Depreciation charge for the year	Transfers	Accumulated depreciation as at December 31, 2019	Book value as at December 31, 2019
Land	- notes 25.1.2 and 25.1.3	25,340	379,136	(21,112)	383,364	-	-	-	-	383,364
Buildings on freehold land		7,889,924	46,593	-	7,936,517	489,431	294,404	-	783,835	7,152,682
Buildings on leasehold land		910	-	-	910	2,126	1,707	-	3,833	(2,923)
Mall equipment		40,209	-	-	40,209	13,193	8,042	-	21,235	18,974
External development		1,187,730	-	-	1,187,730	65,534	39,612	-	105,146	1,082,584
HVAC system		1,385,232	403	-	1,385,635	303,971	184,166	-	488,137	897,498
Electrical system		2,683,536	-	(4,823)	2,678,713	516,572	308,003	-	824,575	1,854,138
		13,212,881	426,132	(25,935)	13,613,078	1,390,827	835,934	-	2,226,761	11,386,317

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

	Note	2020 (Rupees in thousand)	2019 (Rupees in thousand)
Cost of sales and services	- note 38.3	844,578	834,763
Administrative expenses	- note 39	-	1,293
		844,578	836,056

25.1.2 Land of the Company measuring 119 kanals, 15 marlas and 62.25 sq.fts situated at Lahore with a book value of Rs 6.149 million (2019: Rs 6.149 million) and all present and future moveable fixed assets and buildings of PREPL in aggregate (th 'Mortgaged Security'), have been mortgaged under a first exclusive equitable charge of Rs 7,800 million (2019: Rs 7,333 million) in favour of MCB Bank Limited against a term finance facility of up to Rs 4,500 million (2019: Rs 4,500 million) and a running financ facility of up to Rs 2,000 million (2019: Rs 2,000 million) provided to PREPL by MCB Bank Limited under a tri-partite agreement between the Company, MCB Bank Limited and PREPL. The Mortgaged Security has also been mortgaged under a first pari pass charge in favour of Allied Bank Limited against a term finance facility of up to Rs 3,500 million (2019: Rs 3,500 million) provided to PREPL by Allied Bank Limited under a tri-partite agreement between the Company, Allied Bank Limited and PREPL.

25.1.3 Following are the particulars of the Groups immovable fixed assets:

Location	Usage of immovable property	Total area (in Acres)
Dullu Kalan, Lahore, Punjab	Rented out	16.48
Depalpur, Punjab	Kept for capital appreciation	17.38
Pakpattan, Punjab	Kept for capital appreciation	21
Faizabad, Punjab	Kept for capital appreciation	8.8
Hujra, Punjab	Kept for capital appreciation	10
Korangi Industrial Area, Karachi, Sindh	Rented out	3.33

25.1.4 Fair value of investment properties

Level 2 fair values

Fair value of certain investment properties, based on the valuation carried out by an independent valuer, as at December 31, 2020 is Rs 1,309.922 million (2019: Rs 1,202.700 million). The valuation is considered to be level 2 in the fair value hierarchy due to significant observable inputs used in the valuation. The different levels have been defined in note 53.4.

Valuation techniques used to derive level 2 fair values

Level 2 fair value of investment property has been derived using a sales comparison approach. Sale prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as location and size of the property. The most significant input into this valuation approach is price per square foot.

Level 3 fair values

In the absence of current prices in an active market, the fair value is determined by considering the aggregate of the estimated cash flows expected to be received from licensing / leasing out the property less the costs to complete and the estimated operating expenses. The valuation is considered to be level 3 in the fair value hierarchy due to significant unobservable inputs used in the valuation. The different levels have been defined in note 53.4. Fair value of such investment properties has been determined to be Rs 17,029 million (2019 : Rs 17,736 million).

Valuation techniques used to derive level 3 fair values

The Group has determined the fair value as on December 31, 2020 by internally generated valuation model instead of involving independent, professionally qualified valuer. The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation. The major assumptions used in valuation model and valuation result at consolidated statement of financial position date are as follows:

	2020	2019
Gross rentable area (sq ft)	591,030	589,542
Rent rates assumed per sq ft (Rs)	50 - 1,250	80 - 1,210
Inflation in rent and operating costs	6% - 10%	1.9% - 8%
Discount rate (%)	14.25%	15.00%
Fair value (Rs in million)	17,029	17,736

26. Intangible assets

Year ended December 31, 2020

Cost

As at January 1, 2020
Additions during the year
Deletions during the year
Exchange differences
As at December 31, 2020

Accumulated amortisation

As at January 1, 2020
Amortisation for the year - note 26.2
Amortisation on deletions for the year
As at December 31, 2020

Book value as at December 31, 2020

Goodwill	Computer software's and ERP Systems	Total
(Rupees in thousand)		
219,770	464,699	684,469
-	99	99
-	-	-
(53)	-	(53)
219,717	464,798	684,515
-	(278,852)	(278,852)
-	(33,142)	(33,142)
-	-	-
-	(311,994)	(311,994)
219,717	152,804	372,521

Year ended December 31, 2019

Cost

As at January 1, 2019
Additions during the year
Deletions during the year
Exchange differences
As at December 31, 2019

Accumulated amortisation

As at January 1, 2019
Amortisation for the year - note 26.2
Amortisation on deletions for the year
As at December 31, 2019

Book value as at December 31, 2019

178,880	437,130	616,010
-	39,250	39,250
-	(11,681)	(11,681)
40,890	-	40,890
219,770	464,699	684,469
-	(245,587)	(245,587)
-	(33,265)	(33,265)
-	-	-
-	(278,852)	(278,852)
219,770	185,847	405,617

26.1 Impairment test for Goodwill

For the purpose of annual impairment testing, goodwill is allocated to the operating segments expected to benefit from the synergies of the business combination in which the goodwill arises, as follows:

Flexible Packages Convertors (Proprietary) Limited ('FPCL'), South African project

The recoverable amount of the subsidiary is determined on the discounted cash-flow basis.

FPC as a whole is determined to be a segment due to the fact that there are no distinguishable segments.

These calculations use cash flow projections based on financial budgets approved by management covering a five year period. The present value of the expected cash flows of the above segments is determined by applying a suitable internal rate of return.

As the goodwill arose as a result of an acquisition of business during the financial period ended December 31, 2015 an impairment test is performed annually.

FPCL tests whether goodwill has suffered any impairment on an annual basis. For the 2020 and 2019 reporting period, the recoverable amount of the cash generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond the five year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

	2020	2019
The key assumptions used for the discounted cash flow calculation are as follows:		
Internal rate of return (IRR)	24.00%	25.34%
Discount rate (pre-tax)	15.50%	17.00%
Growth rate	3.50%	4.25%

Sensitivity analysis

Management has performed a sensitivity analysis over the goodwill balance relating to the CGU. The goodwill sensitivity tests performed for a 0.5% change in growth rate and discount rate do have an impact on the net present value of the future cash flows. However, these do not result in a change in the carrying value of the goodwill balance for the Group.

A reasonable possible change in any of the key assumptions would not result in any impairment. Set out below is the change in the discounted cash flows of applying a 0.5% change in the key assumptions:

Key assumption	Change %	Impact on recoverable amount (Rupees in thousand)
Growth rate	0.50%	125,752
Discount rate	0.50%	210,492

The change in assumption disclosed above will not result in any impairment.

Key assumptions

The calculation of value-in-use is most sensitive to growth rates, terminal gross profit margin, discount rates. Gross margins and profit before tax are based on the forecasted margin. These are increased over the budget period for anticipated efficiency improvement and therefore based on financial forecasts. Discount rates reflect management's estimate of the risks specific to the CGU. The change in assumptions disclosed above will not result in any impairment.

		2020 (Rupees in thousand)	2019 (Rupees in thousand)
26.2	The amortisation charge for the year has been allocated as follows:		
Cost of sales and services	- note 38	15,548	13,501
Administrative expenses	- note 39	15,660	17,739
Distribution and marketing costs	- note 40	1,934	2,025
		<u>33,142</u>	<u>33,265</u>

27. Investments accounted for using the equity method

27.1 Amounts recognised in consolidated statement of financial position

Investments in associates	- note 27.4	6,133,933	6,535,947
Investment in joint ventures	- note 27.5	493,491	455,760
		<u>6,627,424</u>	<u>6,991,707</u>

		2020 (Rupees in thousand)	2019
27.2	Amounts recognised in consolidated statement of profit or loss		
Investments in associates	- note 27.4	303,973	18,805
Investment in joint ventures	- note 27.5	37,400	(13,414)
		<u>341,373</u>	<u>5,391</u>
27.3	Amounts recognised in consolidated other comprehensive income		
Investments in associates	- note 27.4	(476,594)	(401,829)
Investment in joint ventures	- note 27.5	331	(6,009)
		<u>(476,263)</u>	<u>(407,838)</u>
27.4	Investments in associates		
Cost		3,386,278	3,386,278
Post acquisition share of profits and reserves net of impairment losses			
Opening balance		3,149,669	4,622,874
Share of profit from associates - net of tax		303,973	18,805
Share of other comprehensive loss - net of tax		(476,594)	(401,829)
Effect of change in accounting policy		-	5,490
Impairment loss		(184,294)	(998,839)
Dividends received during the year		(45,099)	(96,832)
Closing balance		<u>2,747,655</u>	<u>3,149,669</u>
Balance as on December 31		<u>6,133,933</u>	<u>6,535,947</u>
27.4.1	Investments in equity instruments of associates - Quoted		
Tri-Pack Films Limited, Pakistan			
12,933,333 (2019: 12,933,333) fully paid ordinary shares of Rs 10 each			
Equity held 33.33% (2019: 33.33%)			
Market value - Rs 2,105.029 million (2019: Rs 1,088.728 million)			
Cumulative impairment loss- Rs 1,183.133 million (2019: 998.839 million)	- note 27.4.1.1	1,831,036	1,831,036
IGI Holdings Limited, Pakistan			
15,033,041 (2019: 15,033,041) fully paid ordinary shares of Rs 10 each			
Equity held 10.54% (2019: 10.54%)			
Market value - Rs 3,006.908 million (2019: Rs 3,066.740 million)		4,302,897	4,704,911
		<u>6,133,933</u>	<u>6,535,947</u>

27.4.1.1 The Group's investment in IGIHL is less than 20.00% but it is considered to be an associate as per the requirement of IAS 28, 'Investments in Associates' because the Group has significant influence over the financial and operating policies through representation on the board of directors of IGIHL. Consequently, following subsidiaries of IGIHL have also been considered as associates of the Group:

- IGI General Insurance Limited
- IGI Life Insurance Limited
- IGI Investments (Private) Limited
- IGI Finex Securities Limited

		2020 (Rupees in thousand)	2019
27.5	Investment in joint ventures		
Cost			
Opening balance		1,531,670	1,346,670
Right issue during the year		-	185,000
Closing balance		1,531,670	1,531,670
Post acquisition share of loss and reserves			
Opening balance		(1,075,910)	(1,042,985)
Share of profit / (loss) from joint ventures - net of tax		37,400	(13,414)
Share of other comprehensive income / (loss) from joint ventures - net of tax		331	(6,009)
Dividends received during the year		-	(13,502)
Closing balance		(1,038,179)	(1,075,910)
Balance as on December 31	- note 27.5.1	493,491	455,760

27.5.1 Investments in equity instruments of joint ventures - Unquoted

Plastic Extrusions (Proprietary) Limited, South Africa			
500 (2019: 500) fully paid ordinary shares of ZAR 1 each	- note 27.5.1.1		
Equity held 50.00% (2019: 50.00%)		24,437	13,638
OmyaPack (Private) Limited, Pakistan			
49,500,000 (2019: 49,500,000) fully paid ordinary shares of Rs 10 each			
Equity held 50.00% (2019: 50.00%)		469,054	442,122
		493,491	455,760

27.5.1.1 Joint venture incorporated outside Pakistan

Plastic Extrusions Proprietary Limited

Basis of association	Joint Venture
Country of incorporation / jurisdiction	South Africa
Effective percentage of shareholding	31.75%
Company's shareholding	Through Flexible Packages Convertors (Proprietary) Limited
Amount of investment - foreign currency	USD 1.37 million
Amount of investment - local currency	Rs 10.799 million
Terms and conditions for which investment has been made	Unconditional equity investment
Litigations against the investee	None
Default / breach relating to foreign investment	None

		2020 (Rupees in thousand)	2019
28.	Other long term investments		
	Quoted		
	Nestle Pakistan Limited		
	3,649,248 (2019: 3,649,248) fully paid ordinary shares of Rs 10 each		
	Equity held 8.05% (2019: 8.05%)	- notes 28.1 and 28.2	
	Cost - Rs 5,778.896 million (2019: Rs 5,778.896 million)	24,322,274	29,376,446
	Unquoted		
	Coca-Cola Beverages Pakistan Limited		
	500,000 (2019: 500,000) fully paid ordinary shares of Rs 10 each		
	Equity held 0.0185% (2019: 0.0185%)	- note 28.3	
		5,000	5,000
	Pakistan Tourism Development Corporation Limited		
	2,500 (2019: 2,500) fully paid ordinary shares of Rs 10 each	25	25
	Orient Match Company (Private) Limited		
	1,900 (2010: 1,900) fully paid ordinary shares of Rs 100 each	-	-
		5,025	5,025
		<u>24,327,299</u>	<u>29,381,471</u>

28.1 Nestle Pakistan Limited is an associated undertaking of the Group as per the Act. However, for the purpose of measurement, investments in others have been classified as held at FVOCI as referred to in note 4.12.3. Investments in associated companies have been made in accordance with the requirements under the Act.

28.2 As of December 31, 2020, an aggregate of 1,600,000 (2019: 1,195,000) shares of Nestle Pakistan Limited having market value of Rs 1,0664.016 million (2019: 9,619.750 million) have been pledged in favour of HBL Pakistan. Out of aggregate shares pledged, 182,000 (2019: 775,000) shares are pledged against issuance of standby letter of credit in favour of HBL Bahrain as referred to in note 22.1 (iv) and the remaining 1,418,000 shares (2019: 420,000) are pledged against the short term borrowings of the Group from HBL as referred to in note 19 and long term loans from HBL as referred to in note 8.

28.3 This represents investment in the ordinary shares of Coca-Cola Beverages Pakistan Limited (CCBPL) that is principally engaged in the production, distribution and sale of sparkling and still beverages. CCBPL is currently classified as a Level 3 financial asset and is measured at fair value on the reporting date using income approach. Fair value of investment in the ordinary shares of CCBPL has been determined at the reporting date however it was not recorded in these consolidated financial statements as the impact was immaterial.

		2020 (Rupees in thousand)	2019
28.4	Cumulative fair value gain on FVOCI financial assets		
	Balance as at beginning of the year	25,391,540	28,858,325
	Changes in FVOCI	(5,054,173)	(3,466,785)
	Balance as at end of the year	<u>20,337,367</u>	<u>25,391,540</u>

		2020	2019
		(Rupees in thousand)	
29.	Long term loans		
Loans to employees - considered good	- note 29.1	992	1,482
Current portion shown under current assets	- note 34	(335)	(613)
		<u>657</u>	<u>869</u>

29.1 These represent interest free loans to employees for purchase of motor cycles and cycles and are repayable in monthly instalments over a period of 60 to 260 months. These long term loans have not been carried at amortised cost since the effect of discounting is immaterial in the context of these consolidated financial statements.

Loans to employees aggregating Nil (2019: Rs 0.349 million) are secured by joint registration of motor cycles in the name of employees and the Parent Company. The remaining loans are unsecured.

		2020	2019
		(Rupees in thousand)	
30.	Stores and spares		
Stores [including in transit Rs 41.994 million (2019: Rs 58.443 million)]		1,107,764	1,021,266
Spares [including in transit Rs 25.303 million (2019: Rs 29.559 million)]		1,546,983	1,327,270
	- note 30.1	<u>2,654,747</u>	<u>2,348,536</u>
Provision for obsolete / slow-moving stores and spares	- note 30.2	(475)	(15,882)
		<u>2,654,272</u>	<u>2,332,654</u>

30.1 Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

30.2 The movement in provision for obsolete / slow- moving stores and spares during the year is as follows:

	2020	2019
	(Rupees in thousand)	
Balance as at January 1	15,882	19,830
Provision for the year	(15,407)	(3,948)
Balance as at December 31	<u>475</u>	<u>15,882</u>

31. Stock-in-trade

Raw materials [including in transit Rs 1,2433.797 million (2019: Rs 1,235.764 million)]	- note 31.1	7,423,866	5,317,735
Work-in-process	- note 31.2	1,212,575	1,205,571
Finished goods	- notes 31.3 and 31.4	4,685,109	4,471,346
Goods purchased for resale	- note 31.5	173,497	131,442
		<u>13,495,047</u>	<u>11,126,094</u>
Provision for obsolete / slow-moving stock-in-trade	- note 31.6	(78,116)	(94,583)
		<u>13,416,931</u>	<u>11,031,511</u>

31.1 Raw materials amounting to Rs 153.375 million (2019: Rs 140.470 million) are in the possession of various vendors of the Group for further processing into semi-finished and finished goods to be supplied to the Group.

31.2 Work-in-process amounting to Rs 16.898 million (2019: Rs 12.516 million) is in the possession of various vendors of the Group for further processing into other semi-finished and finished goods to be supplied to the Group.

31.3 Finished goods amounting to Rs 0.899 million (2019: Rs 0.223 million) are in the possession of various customers of the company that are yet to be sold by the company to these customers. Furthermore, finished goods costing Rs 27.577 million (2019: Rs 13.053) have been written down to their Net Realizable Value ('NRV') amounting to Rs 26.364 million (2019: Rs 12.441 million) and the resulting NRV write down expense amounting to Rs 1.212 million (2019: Rs 0.594 million) has been charged to cost of sales.

31.4 Finished goods with a cost of Rs 1,254.755 million (2019: Rs 1,573.976 million) are being valued at net realizable value ('NRV') of Rs 1,110.110 million (2019: 1,388.804 million).

31.5 Goods purchased for resale amounting to Rs 100.862 million (2019: Rs 53.915) are in the possession of third parties. Furthermore, goods purchased for resale costing Rs 3.648 million (2019: Rs 5.122 million) are carried at their NRV amounting to Rs 0.299 million (2019: Rs 4.073 million) and the resulting NRV write down expense amounting to Rs 3.349 million (2019: Rs 0.419 million) has been charged to cost of sales.

31.6 The movement in provision for obsolete / slow-moving stock-in-trade during the year is as follows:

		2020 (Rupees in thousand)	2019 (Rupees in thousand)
Opening balance		94,583	58,675
Provision for the year	- note 38.1	40,309	37,155
Stocks written off against provision		(56,776)	(1,247)
Closing balance		78,116	94,583

32. Short term investments

These represent the investment in following Term Deposit Receipts (TDRs) of different financial institutions:

	2020 (Rupees in thousand)	Profit rate	Maturity Date
- TDR 1	500,000	7.42%	15-Jan-21
- TDR 2	900,000	7.42%	17-Jan-21
- TDR 3	50,000	6.45%	4-Feb-21
	<u>1,450,000</u>		

		2020 (Rupees in thousand)	2019 (Rupees in thousand)
33. Trade debts			
Considered good			
- Related parties - unsecured	- notes 33.1 and 33.4	42,601	34,507
- Others	- note 33.2	7,785,098	7,793,631
		<u>7,827,699</u>	<u>7,828,138</u>
Loss allowance	- note 33.3	(241,394)	(249,755)
		<u>7,586,305</u>	<u>7,578,383</u>

33.1 Related parties - unsecured

	2020 (Rupees in thousand)	2019 (Rupees in thousand)
Plastic Extrusions (Proprietary) Limited	21,555	20,932
Omya Pack (Private) Limited	-	905
Tri-Pack Films Limited	11,758	3,455
DIC Lanka (Private) Limited	-	1,577
Ceylon Tea Services Limited	3,276	7,638
SC Jhonson & Son Pakistan (Pvt) Limited	6,012	-
	<u>42,601</u>	<u>34,507</u>

33.1.1 The maximum aggregate amount due from these related parties at the end of any month during the year was Rs 94.031 million (2019: Rs 400.010 million).

33.2 Includes trade debts of Rs 247.711 million (2019: Rs 200.282 million) which are secured by way of inland letters of credit.

33.3 The reconciliation of loss allowance during the year is as follows:

	2020 (Rupees in thousand)	2019 (Rupees in thousand)
Opening balance	249,755	169,590
Impairment loss (reversed) / recognised during the year	(8,312)	84,161
Bad debts written off	(49)	(946)
Exchange gain	-	(3,050)
Closing balance	<u>241,394</u>	<u>249,755</u>

33.4 The aging analysis of trade receivables from related parties as at statement of financial position date is as follows:

	2020 (Rupees in thousand)	2019 (Rupees in thousand)
Neither past due nor impaired	29,870	19,031
Past due but not impaired:		
Up to 90 days	10,339	7,653
90 to 180 days	2,392	5,467
181 to 365 days	-	2,356
	<u>12,731</u>	<u>15,476</u>
	<u>42,601</u>	<u>34,507</u>

34. Loans, advances, deposits, prepayments and other receivables

Current portion of loans to employees	- note 29	335	613
Advances			
- To employees	- note 34.1	3,548	4,849
- To suppliers		108,995	420,828
		<u>112,543</u>	<u>425,677</u>
	- notes 34.2 and 34.3	43,893	50,652
Deposits with bank	- note 34.4	90,000	-
Trade deposits		78,534	96,971
Profit receivable on deposits		10,924	2,398
Security deposits		22,701	26,425
Prepayments	- note 34.5	144,707	137,851
Balances with statutory authorities			
- Customs duty		82,729	92,946
	- notes 34.6 and 34.7	378,635	410,986
		<u>461,364</u>	<u>503,932</u>
- Sales tax recoverable			
Other receivables	- note 34.10	323,231	403,387
		<u>1,288,232</u>	<u>1,647,906</u>

34.1 Included in advances to employees are amounts due from executives of Rs 0.321 million (2019: Rs 0.327 million).

34.2 Due from related parties - unsecured

	2020 (Rupees in thousand)	2019
Omya Pack (Private) Limited	9,689	15,329
IGI Finex Securities Limited	-	198
IGI Holdings Limited	2,945	2,770
IGI General Insurance Limited	3,379	13,936
IGI Investments (Private) Limited	4,906	701
IGI Life Insurance Limited	18,436	12,694
Tri-Pack Films Limited	4,086	3,652
DIC Asia Pacific Pte Limited	-	294
PT DIC Graphics	-	331
Packages Foundation	452	747
	<u>43,893</u>	<u>50,652</u>

These are in the normal course of business and are interest free.

34.3 The maximum aggregate amount due from these related parties at the end of any month during the year was Rs 69.004 million (2019: Rs 114.962 million).

34.4 This represents amount held as 100% cash margin against letter of guarantee facility from a commercial bank being availed by the Group.

34.5 Prepayments include Rs 3.322 million (2019: Rs 19.772 million) made to IGI Life Insurance Limited (associates).

34.6 The Deputy Commissioner Inland Revenue ('DCIR') through order dated June 24, 2015 alleged that in respect of tax periods from 2008 to 2012, the Group had incorrectly adjusted input sales tax credit amounting to Rs 146.107 million on purchases of raw materials from certain suppliers who were subsequently blacklisted / suspended and disallowed the same along with levy of default surcharge and penalty thereon with the total demand aggregating to Rs 292.214 million. In 2016, the taxation authorities adjusted an amount of Rs 292.214 million from income tax refunds of the Group against the said demand.

However, the Appellate Tribunal Inland Revenue ('ATIR'), through order dated August 28, 2017, has decided the case in favor of the Group. The Group has filed an application before the respective authorities to give effect to the order, the outcome of which is still pending. The tax authorities have filed an appeal in High Court of Sindh in the year 2018 against the decision of the ATIR and the case is pending adjudication. Since the case has been decided in the Group's favour on merits by ATIR, no provision for the above amount of Rs 292.214 has been made in these consolidated financial statements.

34.7 The sales tax authorities have raised various demands aggregating to Rs 50.841 million against the Group for the tax periods from 2011 to 2016 that primarily pertain to disallowance of input sales tax on certain payments and alleged default on charging of output sales tax on certain goods delivered and services rendered by the Group. During the previous years, the Group made aggregate advance payments amounting to Rs 43.561 million against such demands. While the Group's appeals in this respect are presently pending adjudication at the CIR(A), ATIR and High Court of Sindh, the Group has not made any provision against the above demands nor the advance payments as the management is confident that the ultimate outcome of the appeals would be in favor of the Group, inter alia on the basis of the advice of the tax consultant and legal counsel and the relevant law and facts.

34.8 In respect of tax periods from 2014 to 2016, the Additional Commissioner, Punjab Revenue Authority, through his order dated August 8, 2018 has created a demand of Rs 757.841 million against the Group in respect of alleged default on withholding of Punjab Sales Tax on various heads of accounts along with penalty thereon. The Group has filed an appeal against the above order with the Commissioner (Appeals) on December 13, 2018, the outcome of which is still pending. The appeal against the impugned order has been filed on the basis of following major grounds:

- the relevant section of the Punjab Sales Tax on Services Act, 2012 has been wrongly applied retrospectively to the alleged period of default;
- the heads of accounts include multiple line items on which Punjab Sales Tax is not applicable; and
- it has been wrongly assumed that all the expenses disclosed in the consolidated financial statements under the identified heads have actually been paid during the said tax periods.

During the year, Commissioner (Appeals) ordered an inquiry under section 64(5) of The Punjab Sales Tax on Services Act, 2012 which was conducted by Additional Commissioner Enforcement-III and the inquiry report was submitted to Commissioner (Appeals) on May 27, 2019 whereby the demand was reduced to Rs 457.570 million upon verification of the documents provided by the Group. The final outcome of the appeal is still awaited.

The Group has not made any provision against the above demand as the management is confident that the ultimate outcome of the appeal would be in favour of the Group, inter alia on the basis of the advice of the tax consultant and the relevant law and facts.

34.9 In respect of tax period from January 2016 to December 2016, the Deputy Commissioner Inland Revenue, Federal Board of Revenue, through his order dated December 28, 2018 has created a demand of Rs 493.391 million in respect of disallowance of input tax claimed by the Group, alleged default on charging of output sales tax and default on withholding of General Sales Tax along with penalty thereon. The Group appealed against the assessment order in the office of CIR(A) and the CIR(A) remanded back the case to DCIR. The Group has not made any provision against the above demand as the management is confident that the ultimate outcome of the order would be in favour of the Group, inter alia on the basis of the advice of the tax consultant and the relevant law and facts.

34.10 The Group received, vide order PRA/18/14 dated November 20, 2018, a tax demand of Rs 614.817 million including penalty of Rs 29.277 from Additional Commissioner, Enforcement - I, Punjab Revenue Authority ('AC') under section 52 of Punjab Sales Tax on Services Act, 2012, read with Punjab Sales Tax on Services (Withholding Rules, 212 /2015) against short payment of withholding tax on various mall construction related services during 2014 to 2016.

The Group being aggrieved filed an appeal before Commissioner Appeals which was decided in the favour of the Group. The department filed an appeal before the Appellate Tribunal, Punjab Revenue Authority which is pending adjudication. The management based on opinion of legal counsel is hopeful of a favorable outcome of this case accordingly, no provision has been made in these consolidated financial statements.

34.11 Other receivables include Rs 1.9 million (2019: Rs 14.6 million) in respect of claim receivable for shredder machinery destroyed in fire from IGI General Insurance Limited, an associate of the Group. It is neither past due, nor impaired.

		2020 (Rupees in thousand)	2019
35.	Income tax receivable		
Income tax refundable	- note 35.1	4,710,962	4,749,550
Income tax recoverable	- note 35.2	36,013	36,013
		<u>4,746,975</u>	<u>4,785,563</u>

35.1 In 1987, the then Income Tax Officer ('ITO') re-opened the Parent Company's assessments for the accounting years ended December 31, 1983 and 1984 disallowing primarily tax credit given to the Parent Company under section 107 of the repealed Income Tax Ordinance, 1979. The tax credit amounting to Rs 36.013 million on its capital expenditure for these years was refused on the grounds that such expenditure represented an extension of the Parent Company's undertaking which did not qualify for tax credit under this section in view of the Parent Company's location. The assessments for these years were revised by the ITO on these grounds and taxes reassessed were adjusted against certain sales tax refunds and the tax credits previously determined by the ITO and set off against the assessments framed for these years.

The Parent Company filed an appeal against the revised orders of the ITO before the then Commissioner of Income Tax (Appeals) [CIT(A)], Karachi. CIT(A) in his order issued in 1988, held the assessments reframed by the ITO for the years 1983 and 1984 presently to be void and of no legal effect. The ITO filed an appeal against the CIT(A)'s order with the then Income Tax Appellate Tribunal ('ITAT'). The ITAT has, in its order issued in 1996, maintained the order of CIT(A). The assessing officer, after the receipt of the appellate order passed by CIT(A), issued notices under section 65 of the repealed Income Tax Ordinance, 1979 for reopening of the assessments for said tax years. The Parent Company filed a writ petition for setting aside the aforesaid notices with the High Court of Sindh in 2011, the outcome of which is still pending.

The amount recoverable of Rs 36.013 million represents the additional taxes paid as a result of the disallowance of the tax credits on reframing of the assessments. The Parent Company has not made any provision against the above recoverable as the management is confident that the ultimate outcome of the writ petition would be in favour of the Parent Company, inter alia on the basis of the advice of the tax consultant and the relevant law and facts.

35.2 In respect of tax year 2007 the department rejected the Parent Company's claim for interest / additional payment for delayed refunds for the tax years from 1983-84 to 2003 amounting to Rs 64.616 million and adjusted the Parent Company's tax liability for the said year accordingly. The Group being aggrieved of the said order filed an appeal with CIR(A). CIR(A) through his order dated January 26, 2009 maintained the rejection. An appeal against the said order was filed by the Group with ATIR. ATIR through its order dated February 23, 2010 maintained the rejection. The Group has now filed an appeal in the High Court of Sindh against ATIR's order on June 28, 2010, the outcome of which is still pending. However, the Group has not made any provision against the above recoverable as the management is confident that the ultimate outcome of the appeal would be in favour of the Group, inter alia on the basis of the advices of the tax consultant and legal counsel, the relevant law and facts.

35.3 In respect of tax year 2014, the department, against taxable loss of Rs 706.039 million as per return filed by the Parent Company, assessed a taxable income of Rs 2,614.710 million and amended the deemed order for the year raising a tax demand of Rs 606.328 million. In this order, among other issues, the income tax department did not accept the Group's contention for non-taxation of the transfer of paper and paperboard and corrugated business segments to BSPPL under section 97 of the Income Tax Ordinance, 2001. Such transfer has been taxed as capital gain on the value of assets transferred.

Further, certain other disallowances inter alia including on account of allocation of various expenses towards dividend and other incomes, effectively reducing the available tax losses by approximately Rs 1,200 million, were also made by the department in respect of previous tax years.

The Group being aggrieved of this order filed an appeal before the CIR(A). CIR(A), through order dated March 2, 2018, has accepted all the contentions of the Group except non-taxation of the transfer of paper and paperboard and corrugated business segments to BSPPL and taxation of provision for retirement benefits on accrual basis thereby reducing the tax refundable claimed by the Parent Company from Rs 352.953 million to Rs 273.986 million. The Group has filed an appeal against the above order before ATIR on May 4, 2018, the outcome of which is still pending. The Group has not made any provision against the above demand and disallowance as the management is confident that the ultimate outcome of the appeal would be in favour of the Group, inter alia on the basis of the advice of the tax consultant and the relevant law and facts.

35.4 In respect of tax year 2016, the department, against taxable income of Rs 1,157.926 million as per return filed by the Parent Company, assessed a taxable income of Rs 2,437.836 million and amended the deemed order for the year raising a tax demand of Rs 464.187 million. The Group being aggrieved of the said order filed the appeal before CIR(A). CIR(A), through order dated December 11, 2017, has accepted all the contentions of the Group except the allowability of provision for workers' profit participation fund on payment rather than accrual basis and remanded back credit for minimum tax thereby reducing the tax demand to Rs 86.864 million. The Group has filed an appeal against the above order before ATIR on January 9, 2018, the outcome of which is still pending. The Group has not made any provision against the above disallowance as the management is confident that the ultimate outcome of the appeal would be in favour of the Group, inter alia on the basis of the advice of the tax consultant and the relevant law and facts.

35.5 In respect of tax year 2016, the Department of Inland Revenue Services (the 'department') has by an order dated April 30, 2018, against a taxable loss of Rs. 3,309.505 million as per return filed by the BSPPL, assessed a taxable income of Rs. 773.450 million and amended the deemed order for the year raising a tax demand of Rs 89.824 million. In this order, among other issues, the department disallowed the adjustment of tax loss carried forward of Rs. 3,507.631 million against the taxable income of the said year on the grounds that the contention of the Parent Company in respect of tax year 2014 for non-taxation of the transfer of paper and paperboard and corrugated business segments to BSPPL under section 97 of the Income Tax Ordinance, 2001 has been rejected in the assessment order dated May 28, 2016 passed by the department for the Parent Company, thereby taxing such transfer as capital gain on the value of assets transferred. The Group has filed an appeal against the above order before the ATIR on May 4, 2018, the outcome of which is still pending.

Further, certain other disallowances were made by the department inter alia including refund adjustment pertaining to tax year 2014 of Rs 141.323 million claimed by BSPPL, on the grounds that return of income for the tax year 2014 was amended by the department via an order dated February 28, 2017, thereby eliminating the amount of tax refundable claimed by BSPPL for the tax year 2014.

The Group being aggrieved of the order dated April 30, 2018 filed the appeal before CIR(A). CIR(A), through order dated July 6, 2018, has accepted some contentions of the Group, remanded back few contentions to the department, disallowed the adjustment of tax loss carried forward of Rs. 3,507.631 million and disallowed the refund adjustment pertaining to tax year 2014 of Rs 141.324 million. The Group has filed an appeal dated August 7, 2018 before Appellate Tribunal Inland Revenue against the CIR(A)'s disallowances and has not made any provision against the above disallowances as the management is confident that the ultimate outcome of the appeal would be in favor of the Group, inter alia on the basis of the advice of the tax consultants of the Group and the relevant law and the facts.

36. Cash and bank balances

At banks:

- On deposit accounts [including ZAR 318,264 (2019: ZAR 122,104)]

- note 36.1

783

783

- On savings accounts

- note 36.2

236,243

157,339

- On current accounts

- note 36.3

392,504

248,449

629,530

406,571

In hand [including USD 2,602 (2019: USD 5,925)

and Nil (2019: AED 500),

QAR Nil (2019: QAR 114), ZAR Nil (2019: 428,223) and

EURO 11,035 (2019: Nil)]

8,813

11,362

638,343

417,933

36.1 The balances in savings accounts bear mark-up which ranges from 5.5% to 11.25% (2019: 7.00% to 11.25%) per annum.

36.2 Included in these are restricted funds of Rs 8.693 million (2019: Rs 18.829 million) in respect of deposits that are repayable on demand.

36.3 Included in these are total restricted funds of Rs 1.332 million (2019: Rs 1.332 million) held as payable to TFC holders.

37. Revenue

The Group derives the following types of revenue:

Sale of goods

- note 37.1

62,321,192

57,426,295

Services

- note 37.2

2,660,291

3,479,557

64,981,483

60,905,852

		2020	2019
		(Rupees in thousand)	
37.1	Sale of goods		
Local sales			
	- Own manufactured	71,199,783	65,782,098
	- Purchased for resale	660,466	535,248
		71,860,249	66,317,346
Export sales		592,798	262,436
		72,453,047	66,579,782
	- Sales tax	(9,566,961)	(8,772,416)
	- Trade discounts	(554,087)	(358,196)
	- Commission	(10,807)	(22,875)
		(10,131,855)	(9,153,487)
		62,321,192	57,426,295

37.2 Services

License fee	- note 37.2.1	1,577,338	2,034,509
Service and management charges	- note 37.2.2	844,801	1,087,313
Advertisements and parking income	- note 37.2.3	238,152	357,735
		2,660,291	3,479,557

37.2.1 The future aggregate minimum rentals / license receivable under non-cancellable operating leases are as follows:

- Not later than one year	2,136,802	2,167,082
- Later than one year and not later than five years	3,100,771	4,099,861
	5,237,573	6,266,943

This is net of waivers of Rs 491.76 million to tenants due to COVID-19. Variable license fee recognized during the year as income was Rs 83.432 million (2019: Rs 83.816 million). License fee also includes Rs 33.394 million (2019: Rs 33.069 million) in respect of amortisation of deferred income.

37.2.2 It includes Rs 844.801 million (2019: Rs 1,087.313 million) chargeable to sales tax and it is exclusive of sales tax of Rs 143.616 million (2019: Rs 184.843 million).

37.2.3 This is net of waivers of Rs 19.19 million to tenants due to COVID-19. This includes Rs 235.628 million (2019: Rs 339.486 million) chargeable to sales tax and it is exclusive of sales tax of Rs 40.056 million (2019: Rs 57.712 million).

		2020	2019
		(Rupees in thousand)	
38.	Cost of sales and services		
Cost of sales - own manufactured	- note 38.1	49,589,897	48,470,207
Cost of sales - purchased for resale	- note 38.2	420,571	398,353
Cost of services	- note 38.3	1,728,252	1,850,705
		51,738,720	50,719,265

		2020 (Rupees in thousand)	2019
38.1	Cost of sales - own manufactured		
Materials consumed		32,815,585	32,117,225
Salaries, wages and amenities	- notes 38.1.1 and 38.1.2	4,325,225	4,273,676
Travelling and conveyance		79,666	113,982
Fuel and power	- note 38.1.3	4,979,876	5,065,874
Production supplies consumed		1,408,497	1,242,192
Rent, rates and taxes		119,271	125,000
Insurance		195,765	194,591
Repairs and maintenance		1,134,774	1,012,539
Packing expenses		946,076	947,837
Depreciation on operating fixed assets	- note 23.1.5	2,764,933	3,120,550
Depreciation on right-of-use assets	- note 24.1	38,153	42,461
Amortisation of intangible assets	- note 26.2	15,548	13,501
Safety equipment		28,268	22,750
Technical fee and royalty	- note 38.1.4	119,143	134,567
Provision for obsolete / slow-moving stock-in-trade	- note 31.6	40,309	37,155
Material handling charges		189,919	198,428
Medical expenses		41,732	49,070
Other expenses		625,197	557,281
		<u>49,867,937</u>	<u>49,268,679</u>
Opening work-in-process		1,197,511	973,939
Closing work-in-process		(1,212,575)	(1,197,511)
Cost of goods manufactured	- note 38.1.5	<u>49,852,873</u>	<u>49,045,107</u>
Opening stock of finished goods		4,414,668	3,839,768
		<u>54,267,541</u>	<u>52,884,875</u>
Closing stock of finished goods		<u>(4,677,644)</u>	<u>(4,414,668)</u>
		<u>49,589,897</u>	<u>48,470,207</u>

38.1.1 Salaries, wages and amenities

Salaries, wages and amenities include following in respect of retirement benefits:

Defined benefit plan

- Gratuity fund

63,628 71,452

Defined contribution plans

- Provident fund

49,108 57,417

- Pension fund

70,721 84,461

Other benefit plan

- Accumulating compensated absences

41,121 55,817

224,578 269,147

38.1.2 Salaries, wages and amenities include Rs 162.828 million (2019: Rs 355.511 million) in respect of services rendered by manpower contractors during the year.

38.1.3 This is net off refund received from Sui Northern Gas Pipelines Limited (SNGPL) amounting to Nil (2019: 437.264 million) for excess GIDC paid by the Group from May 2015 to April 2018 on account of difference in industrial and captive power rate.

38.1.4 This represents royalty charged by a related party, DIC Corporation, Japan (having its registered office at DIC Building, 7-20, Nihonbashi 3-chome, Chuo-ku, Tokyo 103-8233, Japan).

38.1.5 Cost of goods manufactured includes an amount of Rs 2550.653 million (2019: Rs 3,245.470 million) for stores and spares consumed. It also include amounts of Rs 156.541 million (2019: Rs 94.519 million), Rs 33.742 million (2019: Rs 23.384 million) and Rs 46.047 million (2019: Rs 44.856 million) for raw material, stores and spares and finished goods written off respectively.

	2020 (Rupees in thousand)	2019
38.2 Cost of sales - purchased for resale		
Purchases	462,626	444,692
Opening stock of goods purchased for resale	131,442	85,103
Closing stock of goods purchased for resale	(173,497)	(131,442)
	<u>420,571</u>	<u>398,353</u>
38.3 Cost of services		
Salaries, wages and benefits	119,941	134,747
Depreciation on investment properties - note 24.1.1	844,578	834,763
Depreciation on right-of-use assets	38,102	38,102
Fuel and power	347,320	501,823
Insurance	35,342	32,271
Consultancy	2,085	8,908
Mall operating expenses	201,024	300,091
Rent, rates and taxes	139,860	-
	<u>1,728,252</u>	<u>1,850,705</u>
38.3.1 Salaries, wages and amenities		
Salaries, wages and amenities include following in respect of retirement benefits:		
Defined benefit plan		
- Gratuity fund	484	591
Defined contribution plans		
- Provident fund	2,291	115
- Pension fund	2,733	223
Other benefit plan		
- Accumulating compensated absences	1,808	12,134
	<u>7,316</u>	<u>13,063</u>

		2020	2019
		(Rupees in thousand)	
39.	Administrative expenses		
Salaries, wages and amenities	- notes 39.1 and 39.2	1,314,091	1,333,516
Travelling and conveyance		41,519	103,513
Rent, rates and taxes		86,933	112,392
Insurance		44,033	41,943
Printing, stationery and periodicals		28,513	39,044
Postage, telephone and telex		37,898	40,916
Medical expenses		6,049	6,599
Entertainment expenses		3,710	2,284
Motor vehicles running		19,214	28,927
Computer charges		81,037	63,611
Training expenses		306	1,319
Professional services	- note 39.3	240,068	260,849
Consultancy and transaction advisory fee		45	334
Repairs and maintenance		54,748	36,468
Depreciation on operating fixed assets	- note 23.1.5	117,673	134,799
Depreciation on right-of-use assets	- note 24.1	69,787	74,579
Amortisation of intangible assets	- note 26.2	15,660	17,739
Depreciation on investment properties	- note 25.1.1	-	1,293
Security services		5,582	5,023
Other expenses		253,317	206,111
		<u>2,420,183</u>	<u>2,511,259</u>

39.1 Salaries, wages and amenities include following:

Defined benefit plans			
- Gratuity funds		30,110	30,098
- Pension funds		37,069	32,407
Defined contribution plans			
- Provident funds		21,610	17,263
- Pension funds		25,962	24,488
Other benefit plan			
- Accumulating compensated absences		18,263	22,419
		<u>133,014</u>	<u>126,675</u>

39.2 Salaries, wages and amenities include Rs 84.66 million (2019: 73.026 million) in respect of services rendered by manpower contractors during the year.

39.3 Professional services

The charges for professional services include the following in respect of auditors' services (excluding sales tax) for:

	2020	2019
	(Rupees in thousand)	
Statutory audit	14,009	13,142
Statutory report certification	-	200
Half yearly review	3,731	3,503
Tax services	16,776	12,864
Advisory services	16,201	30,000
Special assignment	-	1,263
Workers' profit participation fund audit, management staff pension and gratuity fund audit, audit of consolidated financial statements and other certification charges	1,663	2,581
Out of pocket expenses	2,489	3,157
	54,869	66,710

39.4 Administrative expenses include Rs 113.9 million (2019: Rs 74.079 million) for stores and spares consumed.

40. Distribution and marketing costs

		2020	2019
		(Rupees in thousand)	
Salaries, wages and amenities	- notes 40.1 and 40.2	874,442	773,846
Travelling and conveyance		67,846	87,928
Rent, rates and taxes		12,848	12,868
Freight and distribution		859,646	796,074
Insurance		52,989	44,330
Electricity		1,073	1,136
Postage, telephone and telex		369	558
Advertisement and sales promotion		496,732	630,383
Depreciation on operating fixed assets	- note 23.1.5	72,402	59,941
Amortisation on intangible assets	- note 26.2	1,934	2,025
Depreciation on right-of-use assets	- note 24.1	13,156	16,578
Repairs and maintenance		94	56
Consultancy		100	988
Bad debts written off		-	3,765
Other expenses		237,139	156,524
		2,690,770	2,587,000

	2020 (Rupees in thousand)	2019
40.1 Salaries, wages and amenities		
Salaries, wages and amenities include following in respect of retirement benefits:		
Defined benefit plan		
- Gratuity funds	20,037	19,249
Defined contribution plans		
- Provident funds	13,083	10,326
- Pension funds	15,536	13,523
Other benefit plan		
- Accumulating compensated absences	6,516	12,866
	55,172	55,964

40.2 Salaries, wages and amenities include Rs 30.47 million (2019: Rs 27.244 million) in respect of labour contractors for services rendered during the year.

40.3 Distribution and marketing costs include Rs 12.3 million (2019: Rs 6.777 million) for stores and spares consumed.

		2020 (Rupees in thousand)	2019
41. Other expenses			
Worker's profit participation fund	- note 20.8	226,147	140,465
Workers' welfare fund	- note 20.9	99,667	35,572
Impairment on investments	- note 27.4.1	184,294	998,839
Loss on derivative financial instruments		-	11,772
Capital expenditure written off		41,805	-
Exchange loss - net		301,108	251,142
Impairment of property, plant and equipment	- note 23.1.5	6,970	-
Donations	- note 41.2	119,051	56,077
		979,042	1,493,867

41.1 The Parent Company made a donation of Rs 22.001 million (2019: Rs 56.077 million) to its related party, Packages Foundation. Following is the interest of Directors of the Parent Company in the donees during the year:

Name of donee	Director of the Parent Company	Interest in donee
Packages Foundation	Syed Hyder Ali (Chief Executive Officer)	Trustee
	Syed Aslam Mehdi	Trustee

No other directors and their spouses had any interest in any of the donees during the year.

		2020	2019
		(Rupees in thousand)	
42.	Other income		
	Income on bank deposits	22,781	21,385
	Rental income from investment properties	88,199	18,206
	Profit on disposal of operating fixed assets	24,885	45,646
	Service fees	7,339	6,126
	Scrap sales	28,697	23,588
	Insurance commission from related party	-	738
	Liabilities no longer payable written back - note 42.2	105,810	463,813
	Management and technical fee	18,429	-
	Amortization of deferred government grant - note 13	26,156	-
	Amortization of deferred income - note 12	15,736	-
	Reversal of provision for doubtful debts	-	15,613
	Discounting adjustment on long term advances - note 15	5,032	35,145
	Rebate income - note 42.1	8,680	3,324
	Others	48,974	22,756
		<u>400,718</u>	<u>656,340</u>

42.1 This includes indent commission income aggregating Rs 0.481 million (2019: Rs 0.334 million) charged to PT DIC Graphics, DIC Asia Pacific Pte Limited and DIC Compounds (Malaysia), related parties of the Group.

42.2 This includes Nil (2019: Rs 387.935 million) in respect of differential of industrial and captive power users in applicable tariff rate, GIDC and related LPS as disclosed in note 20.3.

		2020	2019
		(Rupees in thousand)	
43.	Finance cost		
	Interest and mark-up including commitment charges on		
	- Long term finances		
	- Local currency - note 43.1	1,846,204	1,992,178
	- Foreign currency	123,330	75,473
	- Short term borrowings - secured	1,106,782	1,482,051
	- Loan from shareholder of Parent Company - note 9	35,877	53,314
	- Lease liabilities - note 10	61,452	144,530
	Return on preference shares / convertible stock - note 8.18	155,550	155,550
	Interest on security deposits - note 11	33,835	30,599
	Unwinding of finance cost on long term advances - note 15	16,193	-
	Commission on guarantees	13,575	10,457
	Bank charges	63,111	31,754
		<u>3,455,909</u>	<u>3,975,906</u>

43.1 This includes an amount of Rs 62.267 million as annual commitment fee on the undisbursed amount of facility availed from IFC as referred to in note 8.18.

44. This represents dividend income from other long term investments as referred to in note 28.

		2020	2019
		(Rupees in thousand)	
45. Taxation			
Current			
- Current year	- note 45.1	1,165,224	1,427,853
- Prior years		(13,854)	173,407
		1,151,370	1,601,260
Deferred			
	- note 12.5	(602,617)	58,454
		548,753	1,659,714

45.1 As explained in note 4.2, the Group's provision for taxation (current and deferred) includes the provision made on the consolidated results of the Taxation Group. The Group taxation has resulted in a reduction of Rs 190.490 million (2019: Rs 42.876 million) in the tax expense of the Group for the year

45.3 Tax charge reconciliation

		2020	2019
		% age	
Numerical reconciliation between the average effective tax rate and the applicable tax rate			
Applicable tax rate		29.00	29.00
Tax effect of amounts that are:			
- Associates and joint ventures results reported net of tax		10.50	6.57
- Not deductible for tax purposes		-	21.07
- Deductible for tax purposes		2.84	(0.70)
- Exempt for tax purposes		(1.66)	(1.46)
- Chargeable to tax at different rates		(2.93)	(15.19)
Effect of change in prior years' tax		(0.25)	8.95
Group taxation as explained in note 4.2		(3.38)	(1.51)
Effect of changes in tax rate		-	7.36
Adjustments of brought forward losses		0.12	-
Deductible temporary differences in respect of which no deferred tax asset has been recognised		1.10	3.68
Deferred tax on initial application of IFRS 16 directly recognised in equity		-	(0.83)
Tax effect under presumptive tax regime and others		0.44	0.74
Tax credits and losses recognised during the year		(9.42)	(2.69)
Deferred tax asset not recognized		(0.43)	0.38
BMR tax credits		-	(0.60)
Impact of different statutory rates		-	0.08
Minimum tax		0.41	35.00
Effect of allowance against property income		(1.23)	(4.20)
Unrecognised minimum tax recognised during the year		(2.03)	-
Investment tax credit		(12.29)	-
		(18.21)	56.65
Average effective tax rate charged to consolidated statement of profit or loss		10.79	85.65

46. Remuneration of Chief Executive, Directors and Executives

46.1 The aggregate amount charged in the consolidated financial statements for the year for remuneration, including certain benefits, to the Chief Executive, Executive and Non-Executive Directors and Executives of the Group are as follows:

	Chief Executive		Executive Directors		Non-Executive Directors		Executives	
	2020	2019	2020	2019	2020	2019	2020	2019
	(Rupees in thousand)							
Short term employee benefits								
Managerial remuneration	38,451	35,426	17,350	9,775	-	-	649,423	456,110
Housing	19,735	16,663	5,681	3,396	-	-	175,319	168,043
Utilities	4,673	4,295	1,262	755	-	-	37,782	36,253
Bonus and incentives	36,206	23,548	9,966	2,929	-	-	384,412	306,519
Leave passage	3,148	2,859	637	637	-	-	16,125	14,795
Reimbursement of medical expenses	9,836	8,702	111	57	-	-	16,677	13,010
Directors' meeting fees	-	-	-	-	6,396	5,175	-	-
Technical fees	-	-	-	-	855	1,934	-	-
Other allowances and expenses	81	3,111	-	-	-	-	42,498	45,021
	112,130	94,604	35,007	17,549	7,251	7,109	1,322,236	1,039,751
Post employment benefits								
Contribution to provident, gratuity and pension funds	12,995	11,837	1,452	2,639	-	-	91,184	80,979
	125,125	106,441	36,459	20,188	7,251	7,109	1,413,420	1,120,730
Number of persons	1	1	1	1	8	8	199	108

46.2 The Group also provides the Chief Executive and some of the directors and executives with Group maintained cars, free transport and utilities.

46.3 Premium charged in the consolidated financial statements in respect of directors' indemnity insurance policy, purchased by the Group during the year, amounted to Rs 0.753 million (2019: Rs 0.753 million).

47. Transactions with related parties

The related parties includes the joint ventures, investor, group companies, associates, directors, key management personnel, staff retirement plans and other related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of that Group. The Group in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables, amounts due from directors and key management personnel are shown under receivables and remuneration of directors and key management personnel is disclosed in note 46. Significant related party transactions have been disclosed in respective notes in these consolidated financial statements, other than the following:

		2020	2019
		(Rupees in thousand)	
Relationship with the Group	Nature of transactions		
i. Joint ventures	Purchase of goods and services	359,317	244,884
	Sale of goods and services	283,586	221,885
	Rental income	4,338	3,496
	Dividend income	-	13,502
ii. Associates	Purchase of goods and services	2,224,460	1,759,071
	Sale of goods and services	20,316	21,364
	Dividend income	45,099	96,832
	Rental and other income	25,896	28,813
	Insurance claims	116,828	28,929
	Commission earned	-	738
	Insurance Premium	523,138	489,218
	Dividend paid	327,986	400,608
iii. Other related parties	Purchase of goods and services	949,870	745,666
	Sale of goods and services	176,388	242,708
	Commission earned	994	334
	Repayment of loan	-	50,000
	Commission expense	1,680	13,872
	Royalty and technical fee - expense	68,993	57,495
	Dividend paid	96,784	76,543
	Donations	22,002	56,077
	Rental and other income	2,480	710
iv. Retirement funds	Expense charged in respect of retirement plans	185,967	361,073
	Dividend paid	33,989	42,486
v. Key management personnel	Salaries and other employee benefits- note 47.1	271,779	246,461
	Dividend paid	30,832	34,309

47.1 This represents remuneration of the Chief Executive, executive director and some of the executives that are included in the remuneration disclosed in note 46 to these consolidated financial statements.

All transactions with related parties have been carried out on mutually agreed terms and conditions.

There are no transactions with key management personnel other than under the term of employment.

47.2 The related parties with whom the Group had entered into transactions or had arrangements/agreements in place during the year have been disclosed below along with their basis of relationship:

Name	Basis of relationship	Aggregate % of shareholding in the Parent Company
DIC Asia Pacific Pte Limited	Group company	N/A
DIC Corporation Japan	Group company	N/A
Tetra Pak Pakistan Limited	Group company	N/A
PT Pardic Jaya Chemicals, Indonesia	Group company	N/A
DIC Malaysia SDN. BHD	Group company	N/A
DIC India Limited	Group company	N/A
DIC Graphics (Thailand) Company Limited	Group company	N/A
DIC Australia Pty Limited	Group company	N/A
PT DIC Graphics	Group company	N/A
DIC Lanka (Private) Limited	Group company	N/A
Tri-Pack Films Limited	Associate	N/A
IGI Life Insurance Limited	Associate	N/A
IGI Insurance Limited	Associate	N/A
Omya Pack(Private) Limited	Joint venture	N/A
IGI Holding (Private) Limited	Associate	N/A
IGI Finex Securities Limited	Associate	0.00%
IGI General Insurance Limited	Associate	N/A
IGI Investment (Private) Limited	Investor	29.88%
Packages Limited Employees Gratuity Fund	Post Employment Benefit Plan	0.12%
Packages Limited Management Staff Pension Fund	Post Employment Benefit Plan	0.74%
Packages Limited Employees Provident Fund	Post Employment Benefit Plan	2.31%
Packages Foundation	Common directorship	N/A
Babar Ali Foundation	Common directorship	7.49%
Syed Maratib Ali trust	Common directorship	N/A
S.C. Johnson & Son of Pakistan (Private) Limited	Group company	N/A
Benda Lutz	Group company	N/A
Ceylon Tea Services Limited	Group company	N/A
DIC Graphics Corporation	Group company	N/A
DIC Performance Resins Gmbh	Group company	N/A
DIC Philippines, Inc.	Group company	N/A
Sun Chemical AB	Group company	N/A
Sun Chemical AG	Group company	N/A
Sun Chemical N.V/S.A	Group company	N/A
Sun Chemical S.P.A	Group company	N/A
Sun Chemical SA	Group company	N/A
Syed Hyder Ali	Chief Executive Officer	2.94%
Towfiq Habib Chinoy	Director	0.11%
Tariq Iqbal Khan	Director	0.01%
Asghar Abbas	Ex- Director	N/A
Syed Aslam Mehdi	Executive Director	0.01%
Syed Shahid Ali	Director	0.17%
Josef Meinred Moeller	Director	0.00%
Imran Khalid Niazi	Director	0.00%
Hasan Askari	Director	0.00%
Saba Kamal	Director	0.00%
Irfan Mustafa	Director	0.00%
Atif Bajwa	Ex- Director	N/A
Shamim Ahmad Khan	Ex- Director	N/A
Syed Asim Shamim	Key Management Personnel	N/A
Numan Noor	Key Management Personnel	N/A
Aftab Ahmad Khan	Key Management Personnel	N/A
Khurram Raza Bakhtayari	Key Management Personnel	N/A
Shaheen Sadiq	Key Management Personnel	N/A
Muhammad Afzal (Ex-employee)	Key Management Personnel	N/A
Hassan Tariq	Key Management Personnel	N/A
Waqas Munir	Key Management Personnel	N/A
Syed Zeeshan Ali	Key Management Personnel	N/A

48. Capacity and production - tones

	Capacity		Actual production	
	2020	2019	2020	2019
Paper and paperboard produced	281,400	281,400	231,039	233,816
Paper and paperboard converted	56,760	59,107	20,326	39,670
Plastics all sorts converted	32,200	32,000	11,085	21,189
Inks produced - tones	13,275	13,275	9,650	10,307
Flexible packaging material - meters '000'	139,684	139,684	69,535	72,124
Corrugator	96,000	96,000	91,069	89,762

The variance of actual production from capacity is primarily on account of production planned as per market demand.

49. Number of employees

Total number of employees as at December 31

Average number of employees during the year

2020	2019
3,228	3,402
3,315	3,421

50. Rates of exchange

Liabilities in foreign currencies have been translated into PKR at USD 0.6219 (2019: USD 0.6437), EURO 0.5059 (2019: EURO 0.5745), CHF 0.5484 (2019: CHF 0.6229), SEK 5.0710 (2019: SEK 5.9952), GBP 0.4567 (2019: GBP 0.4567), SGD 0.8221 (2019: SGD 0.8666), YEN 64.1519 (2019: YEN 69.9447), LKR 116.2791 (2019: 118.7310) and ZAR 9.1205 (2019: 9.1205) equal to Rs 100. Assets in foreign currencies have been translated into PKR at USD 0.6458 (2019: USD 0.6238), LKR 117.6471 (2019: 115.7635) and ZAR 9.5329 (2019: 9.0445) equal to Rs 100.

51. Cash flow information**51.1 Cash generated from operations**

	2020 (Rupees in thousand)	2019
Profit before tax	5,084,457	1,937,775
Adjustments for:		
- Depreciation on operating fixed assets - note 23.1.5	2,955,008	3,315,290
- Depreciation on right of use assets - note 24.1	159,198	171,720
- Depreciation on investment properties - note 24.1	844,578	836,056
- Discounting adjustment on long term advances - note 15	(5,032)	(35,145)
- Impairment loss on investments - note 27.4.1	184,294	998,839
- Impairment of property, plant and equipment - note 23.1.5	6,970	-
- Loss on derivative financial instruments - note 41	-	11,772
- Amortisation on intangible assets - note 26.2	33,142	33,265
- Amortisation of deferred income - note 12	(15,736)	(33,070)
- Amortisation of deferred government grant - note 13	(26,156)	-
- Provision for accumulating compensated absences - note 17.2	62,408	103,236
- Provision for retirement benefits - note 16.1.5	170,258	156,297
- (Reversal of) / net impairment losses on financial assets	(7,372)	84,161
- Exchange adjustments - net - note 41	301,108	36,941
- Profit on disposal of operating fixed assets - note 42	(24,885)	(45,646)
- Liabilities no longer payable written back - note 42.2	(105,810)	(463,813)
- Capital work-in-progress charged to consolidated statement of profit or loss - note 41	41,805	11,642
- Reversal of provision for obsolete / slow-moving stores and spares - note 30.2	(15,407)	(3,948)
- Provision for obsolete / slow-moving stock-in-trade - note 31.6	40,309	41,103
- Finance cost - note 43	3,455,909	3,975,906
- Dividend income - note 44	(639,298)	(1,741,650)
- Share of profit of investments accounted for under equity method - net of tax - note 27	(340,210)	(5,391)
Profit before working capital changes	12,159,538	9,385,340
Effect on cash flow due to working capital changes:		
- Increase in stores and spares	(306,211)	(375,546)
- (Increase)/ decrease in stock-in-trade	(2,425,729)	764,378
- Increase in trade debts	(550)	(1,038,152)
- Decrease/ (increase) in loans, advances, deposits, prepayments and other receivables	359,717	(345,173)
- Increase in rental security deposits	271,035	4,645
- Increase/ (decrease) in trade and other payables	1,236,566	(475,098)
	(865,172)	(1,464,946)
	11,294,366	7,920,394

51.2 Cash and cash equivalents

Cash and bank balances	- note 36	638,343	417,933
Short term borrowings - secured	- note 19	(9,959,308)	(11,386,824)
Short term investments	- note 32	1,450,000	80,000
		(7,870,965)	(10,888,891)

51.3 Reconciliation of liabilities arising from financing activities

	Opening balance as at January 1, 2020	Cash flows (Rupees)	Other changes *	Closing balance as at December 31, 2020
Long term finances	19,095,081	363,943	18,445	19,477,469
Loan from shareholder of Parent Company	224,230	-	35,877	260,107
Lease liabilities	784,002	(322,197)	136,889	598,694
	20,103,313	41,746	191,211	20,336,270

* Other changes represent non-cash movements.

		2020	2019
52.	Earnings per share		
52.1	Basic earnings per share		
Profit for the year	Rupees in thousand	4,518,063	153,043
Weighted average number of ordinary shares	Numbers	89,379,504	89,379,504
Basic earnings per share	Rupees	50.55	1.71
52.2	Diluted earnings per share		
Profit for the year	Rupees in thousand	4,518,063	153,043
Return on preference shares / convertible stock - net of tax	Rupees in thousand	110,833	110,815
	Rupees in thousand	4,628,896	263,858
Weighted average number of ordinary shares	Numbers	89,379,504	89,379,504
Weighted average number of notionally converted preference shares / convertible stock	Numbers	8,186,842	8,186,842
		97,566,346	97,566,346
Diluted earnings per share	Rupees	47.44	1.71

53. Segment Information

A business segment is a group of assets and operations engaged in providing products that are subject to risk and returns that are different from those of other business segments. The Group's operation comprises of following main business segment types:

Types of segments	Nature of business
Packaging	Manufacture and market packing products
Consumer Products Division	Manufacture and market consumer / tissue products
Ink	Manufacture and market industrial and commercial ink products
Real Estate	Construction and development of real estate
Paper and Board	Manufacture and market paper and board products
Unallocated	Workshop and other general business

	(Rupees in thousand)													
	Packaging Division		Consumer Products Division		Ink Division		Real Estate		Paper and Board		Unallocated		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Total revenue	36,216,298	33,705,947	5,666,529	5,282,887	5,576,475	5,228,292	2,626,898	3,479,557	19,758,757	18,357,411	137,219	171,693	69,982,176	66,225,787
Intersegment revenue	(712,671)	(1,197,184)	(86,145)	(566,701)	(1,039,118)	(869,146)	(638)	-	(3,195,514)	(2,686,903)	-	-	(5,034,086)	(5,319,934)
Revenue from external customers	35,503,627	32,508,763	5,580,384	4,716,186	4,537,357	4,359,146	2,626,260	3,479,557	16,563,243	15,670,508	137,219	171,693	64,948,090	60,905,853
%age of revenue	55%	53%	9%	8%	7%	7%	4%	6%	26%	26%	0%	0%	100%	100%
Interest revenue	-	-	-	-	-	-	9,639	13,512	-	-	13,142	7,873	22,781	21,385
Interest expense	(794,115)	(1,212,059)	(135,661)	(155,871)	(132,732)	(153,236)	(807,202)	(946,552)	(1,128,354)	(1,358,733)	(516,862)	(149,455)	(3,514,926)	(3,975,906)
Depreciation and amortisation	(1,429,315)	(1,212,626)	(199,254)	(147,984)	(56,692)	(32,302)	(913,872)	(906,555)	(1,456,756)	(1,880,151)	(131,118)	(176,713)	(4,187,007)	(4,356,331)
Segment profit / (loss) before tax	2,122,116	915,951	819,707	604,533	616,223	448,326	(203,166)	269,103	1,553,065	(209,694)	1,222,449	413,736	6,130,394	2,441,955
Segment taxation	75,486	(811,677)	-	(181,445)	(189,697)	(147,621)	(105,127)	(227,366)	(99,769)	(312,121)	(223,325)	(6,730)	(542,432)	(1,686,960)
Segment profit/ (loss) after tax	2,197,602	104,274	819,707	423,088	426,526	300,705	(308,293)	41,737	1,453,296	(521,815)	999,124	407,007	5,587,962	754,996
%age of profit / (loss) after tax	39%	14%	15%	56%	8%	40%	-6%	6%	26%	-69%	18%	54%	100%	100%
Segment assets	20,387,100	20,420,098	2,756,080	2,518,464	2,988,716	3,037,227	12,773,266	12,018,713	25,772,238	24,695,234	38,160,819	40,020,567	102,838,219	102,710,303
Segment liabilities	5,909,525	3,166,975	466,407	283,555	1,722,426	711,602	9,517,434	400,931	3,362,561	3,075,814	26,702,682	38,292,513	47,681,035	45,931,390

	2020 (Rupees in thousand)	2019
53.1 Reconciliation of segment profit before tax		
Total profit for reportable segments	6,130,394	2,441,955
Net income from associates and joint ventures	9,636	13,185
Inter-company adjustments	(1,055,574)	(517,366)
Profit before tax as per consolidated statement of profit or loss	<u>5,084,456</u>	<u>1,937,774</u>

53.2 Reconciliation of segment assets

Total assets for reportable segments	102,838,219	102,710,303
Intersegment assets	(19,474,013)	(12,909,270)
Other corporate assets	18,495,701	15,110,044
Total assets as per consolidated statement of financial position	<u>101,859,907</u>	<u>104,911,077</u>

Segment assets are measured in the same way as in the consolidated financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset. Investment in shares (classified as FVOCI, amortised cost or financial assets at fair value through profit or loss) held by the Group are not considered to be segment assets, but are managed by the treasury function.

	2020 (Rupees in thousand)	2019
53.3 Reconciliation of reportable segment liabilities		
Total liabilities for reportable segments	20,978,353	7,638,877
Intersegment liabilities	(3,637,809)	(921,021)
Unallocated liabilities	26,742,682	38,292,513
Total liabilities as per consolidated statement of financial position	<u>44,083,226</u>	<u>45,010,369</u>

Segment liabilities are measured in the same way as in the consolidated financial statements. These liabilities are allocated based on the operations of the segment. The Group's borrowings are not considered to be segment liabilities, but are managed by the treasury function.

	2020 (Rupees in thousand)	2019
53.4 Reconciliation of segment taxation		
Total tax expense for reportable segments	(542,432)	(1,686,960)
Intercompany adjustment	(6,321)	27,246
Tax as per consolidated statement of profit or loss	<u>(548,753)</u>	<u>(1,659,714)</u>

	2020 (Rupees in thousand)	2019
53.5 Reconciliation of segment profit after tax		
Total profit after tax for reportable segments	5,587,962	754,996
Intercompany adjustment for loss before tax	(1,045,938)	(504,182)
Intercompany adjustment for taxation	(6,321)	27,246
Profit as per consolidated statement of profit or loss	<u>4,535,703</u>	<u>278,060</u>

53.6 Information by geographical area

	Revenue		Non-current assets	
	2020	2019	2020	2019
	(Rupees in thousand)			
Afghanistan	37,486	24,891	-	-
Bahrain	1,764	157,417	-	-
Bangladesh	4,875	14,149	-	-
UAE	14,299	9,086	-	-
Pakistan	64,609,669	52,751,306	66,124,338	72,597,730
Kenya	12,992	32,030	-	-
Swaziland	10,884	-	-	-
Mauritius	3,369	-	-	-
Zimbabwe	16,295	465	-	-
Botswana	265	-	-	-
Mozambique	14,065	-	-	-
South Africa	545	5,625,171	2,966,717	3,412,163
Qatar	65,283	4,297	-	-
Oman	9,799	15,802	-	-
Canada	107,752	20,529	74,612	77,664
USA	8,002	24,132	-	-
Tanzania	-	5,417	-	-
Sri Lanka	10,293	2,221,160	913,181	949,570
Australia	16,549	-	-	-
Nigeria	26,292	-	-	-
Namibia	589	-	-	-
Angola	1,075	-	-	-
Saudi Arabia	9,341	-	-	-
	<u>64,981,483</u>	<u>60,905,852</u>	<u>70,078,848</u>	<u>77,037,127</u>

Sales are allocated to geographical areas according to the country of receiving the goods or providing services.

53.7 Information about major customers

Included in the total revenue is revenue from six (2019: six) customers of the Group from the packaging (2019: packaging) segment which represents approximately Rs 20,152.126 million (2019: Rs 14,959.583 million) of the Group's total revenue. The Group's revenue from other segments is earned from a large mix of customers.

54. Financial risk management

54.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and Other price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Group's finance department under policies approved by the Board of Directors (The 'Board'). The Group's finance department evaluates and hedges financial risks. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Group's overall risk management procedures to minimize the potential adverse effects of financial market on the Group's performance are as follows:

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument shall fluctuate because of changes in foreign exchange rates.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, the Euro, Swiss franc, South African Rand and the Sri Lankan rupee. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities or net investments in foreign operations that are denominated in a currency that is not the Group's functional currency.

At December 31, 2020, if the Rupee had strengthened / weakened by 10% against the US dollar with all other variables held constant, profit for the year would have been Rs 1,560.652 million lower / higher (2019: Rs 2,764.333 million) higher / lower, mainly as a result of foreign exchange losses / gains on translation of US dollar-denominated financial assets and liabilities.

At December 31, 2020, if the Rupee had strengthened / weakened by 10% against the Euro with all other variables held constant, profit for the year would have been Rs 16.269 million lower / higher (2019: Rs 112.472 million) lower / higher, mainly as a result of foreign exchange losses / gains on translation of Euro-denominated financial assets and liabilities.

At December 31, 2020, if the Pak Rupee had strengthened / weakened by 10% against the CHF with all other variables held constant, profit for the year would have been Rs 51.193 million higher / lower (2019: Rs 26.548 million higher / lower), mainly as a result of foreign exchange gains / losses on translation of Euro-denominated financial assets and liabilities.

At December 31, 2020, if the Rupee had strengthened / weakened by 10% against the Sri Lankan rupee with all other variables held constant, other component of equity would have been Rs 55.860 million higher/ lower (2019: Rs 63.726 million) higher / lower, mainly as a result of foreign exchange gains / losses on translation of net assets of Packages Lanka (Private) Limited, denominated in Sri Lankan Rupee.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of 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 Group is exposed to equity securities price risk because of investments held by the Group and classified as fair value through other comprehensive income. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board. The primary goal of the Group's investment strategy is to maximize investment returns.

The Group's certain investments in equity instruments of other entities are publicly traded on the Pakistan Stock Exchange Limited.

The table below summarizes the impact of increases / decreases of the KSE-100 index on the Group's post-tax profit for the year and on equity. The analysis is based on the assumption that the KSE had increased / decreased by 10% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index:

	Impact on post-tax profit		Impact on other components of equity	
	2020	2019	2020	2019
	(Rupees in thousand)			
Pakistan Stock Exchange	-	-	477,361	2,185,386

Post-tax profit for the year would decrease / increase as a result of losses / gains on equity securities classified as at fair value through profit or loss. Other components of equity would decrease / increase as a result of losses / gains on equity securities classified as at fair value through other comprehensive income. As at December 31, 2020 the Company has no investment classified at fair value through profit or loss.

(iii) Cash flow and fair value interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As the Group has no significant floating interest rate assets, the Group's income is substantially independent of changes in market interest rates.

The Group's interest rate risk arises from short term and long-term borrowings. These borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Fixed rate instruments:	2020	2019
	(Rupees in thousand)	
Financial assets		
Bank balances - savings accounts	236,243	157,339
Financial liabilities		
Preference shares / convertible stock - unsecured	(932,650)	(932,650)
Lease liabilities	(598,694)	(784,002)
	(1,531,344)	(1,716,652)
Net exposure	<u>(1,295,101)</u>	<u>(1,559,313)</u>

	2020 (Rupees in thousand)	2019
Floating rate instruments:		
Financial liabilities		
Long term finances	(18,544,819)	(18,162,431)
Short term borrowings	(9,959,308)	(11,386,824)
	(28,504,127)	(29,549,255)
Net exposure	<u>(28,504,127)</u>	<u>(29,549,255)</u>

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit or loss of the Group.

At December 31, 2020, if interest rates on floating rate borrowings had been 1% higher / lower with all other variables held constant, profit for the year would have been Rs 629.320 million (2019: Rs 636.82 million) higher / lower, mainly as a result of higher / lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk represents the risk of financial loss being caused if counter party fails to discharge an obligation.

Credit risk of the Group arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to distributors and customers, including outstanding receivables and committed transactions. The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the BOD. The utilization of credit limits is regularly monitored. For banks and financial institutions, only independently rated parties with a strong credit rating are accepted.

(i) Exposure to credit risk

The Group monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets exposed to credit risk are as under:

	2020 (Rupees in thousand)	2019
Long term loans	657	869
Long term security deposits	138,822	139,342
Trade debts	7,586,305	7,578,383
Short term investments	1,450,000	80,000
Loans, advances, deposits and other receivables	569,618	580,446
Balances with banks	629,530	406,571
	<u>10,374,932</u>	<u>8,785,611</u>

(ii) Impairment of financial assets

The Group's trade debts against local and export sales of inventory are subject to the expected credit loss model. While bank balances and debt investments carried at amortised cost are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade debts

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debts.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before December 31, 2020 or 18 months before January 01, 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product and the Consumer Price Index of the country in which it majorly sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at December 31, 2020 and December 31, 2019 was determined as follows:

(Rupees in thousand)						
December 31, 2020	Current balances	Up to 90 days	91 to 180 days	181 to 365 days	365 days or more	Total
Expected loss rate	0.10%	2.27%	18.15%	47.90%	100.00%	
Gross carrying amount of trade debts	5,527,120	1,931,770	166,272	78,131	124,406	7,827,699
Loss allowance	5,527	43,858	30,178	37,425	124,406	241,394

(Rupees in thousand)						
December 31, 2019	Current balances	Up to 90 days	91 to 180 days	181 to 365 days	365 days or more	Total
Expected loss rate	0.10%	2.27%	18.15%	47.90%	100.00%	
Gross carrying amount of trade debts	5,957,503	2,423,439	175,937	161,053	79,701	8,797,633
Loss allowance	5,958	55,012	31,933	77,144	79,701	249,748

(iii) **Credit quality of financial assets**

The credit quality of Group's financial assets that are neither past due nor impaired (mainly bank balances) can be assessed with reference to external credit ratings(if available) or to historical information about counterparty default rate:

	Rating Short term	Long term	Rating Agency	2020 (Rupees in thousand)	2019
Allied Bank Limited	A1+	AAA	PACRA	499	1,572
Askari Bank Limited	A1+	AA+	PACRA	435	5,511
Bank Al-Habib Limited	A1+	AA+	PACRA	64,564	7,743
Bank of Punjab	A1+	AAA	PACRA	10	-
Citibank N.A.	A	F1	Moody's	-	61
Commercial Bank of Ceylon Limited, Sri Lanka	-	AA-	Fitch	7	7
Deutsche Bank AG	BBB	F2	Moody's	492	63,793
Dubai Islamic Bank (Pakistan) Limited	A1+	AA	JCR-VIS	-	22
Faysal Bank Limited	A-1+	AA	PACRA	52,628	-
First National Bank, South Africa	NP	BA1	JCR-VIS	-	16,996
Habib Bank Limited	A1+	AAA	JCR-VIS	268,969	35,374
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	54,756	9,104
Hatton Bank Limited Sri Lanka	-	AA-	Fitch	13,602	-
Industrial and Commercial Bank of China Limited	P1+	A1	Moody's	82	3
JS Bank Limited	A1+	AA-	PACRA	645	1,161
MCB Bank Limited	A1+	AAA	PACRA	126,153	126,859
MCB Bank Limited, South Africa	-	Baa3	Moody's	-	1,018
MCB Islamic Bank Limited	A1	A	PACRA	-	38
Meezan Bank Limited	A1+	AA+	JCR-VIS	52	301
National Bank of Pakistan	A1+	AAA	PACRA	17,842	9,052
National Development Bank, Sri Lanka	-	A+	Fitch	13,890	-
Samba Bank Limited	A1	AA	JCR-VIS	1,333	1,333
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	13,264	123,955
The Bank of Tokyo Mitsubishi Toronto-Dominion Bank	P-1	A2	Moody's	-	2,617
United Bank Limited	A1+	AAA	JCR-VIS	162	51
Nedbank Limited	-	Ba1	Moody's	11	-
Bidvest Bank Limited	-	Ba1	Moody's	134	-
				629,530	406,571

(c) Liquidity risk

Liquidity risk represents the risk that the Group shall encounter difficulties in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the Group's businesses, the Group's finance department maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors the forecasts of the Group's cash and cash equivalents (note 50.2) on the basis of expected cash flow. This is generally carried out in accordance with practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in each quarter and considering the level of liquid assets necessary to meet its liabilities, monitoring statement of financial position liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows as the impact of discounting is not significant.

At December 31, 2020	(Rupees in thousand)				
	Carrying value	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term finances	19,477,469	2,282,721	2,083,452	13,128,646	1,982,650
Security deposits	371,797	-	-	371,797	-
Long term loan from shareholder of the parent company - unsecured	260,107	-	-	260,107	-
Short term borrowings	9,959,308	9,959,308	-	-	-
Trade and other payables	9,229,082	9,229,082	-	-	-
Unclaimed dividend	54,955	54,955	-	-	-
Accrued finance cost	659,194	659,194	-	-	-
	40,011,912	22,185,260	2,083,452	13,760,550	1,982,650

At December 31, 2019	(Rupees in thousand)				
	Carrying value	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term finances	19,095,081	4,146,685	4,697,601	8,918,145	1,332,650
Derivative financial instruments	3,505	3,505	-	-	-
Security deposits	345,950	-	-	345,950	-
Long term loan from shareholder of the parent company - unsecured	224,230	-	-	224,230	-
Short term borrowings	11,386,824	11,386,824	-	-	-
Trade and other payables	7,778,603	7,778,603	-	-	-
Unclaimed dividend	68,809	68,809	-	-	-
Accrued finance cost	1,144,225	1,144,225	-	-	-
	40,047,227	24,528,651	4,697,601	9,488,325	1,332,650

54.2

Financial instruments by categories

The carrying values of following financial assets and liabilities reflected in the consolidated financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at reporting date.

Financial assets as at December 31, 2020

Long term loans	-	992	992
Long term deposits		138,822	138,822
Trade debts	-	7,586,305	7,586,305
Loans, advances, deposits and other receivables	-	569,618	569,618
Investments	24,327,298	-	24,327,298
Short term investments	-	1,450,000	1,450,000
Cash and bank balances	-	638,343	638,343
	<u>24,327,298</u>	<u>10,384,080</u>	<u>34,711,378</u>

At fair value through other comprehensive income	At amortised cost	Total
(Rupees in thousand)		
-	992	992
	138,822	138,822
-	7,586,305	7,586,305
-	569,618	569,618
24,327,298	-	24,327,298
-	1,450,000	1,450,000
-	638,343	638,343
<u>24,327,298</u>	<u>10,384,080</u>	<u>34,711,378</u>

Financial assets as at December 31, 2019

Long term loans	-	1,482	1,482
Long term deposits	-	139,342	139,342
Trade debts	-	7,578,383	7,578,383
Loans, advances, deposits and other receivables	-	580,446	580,446
Investments	29,381,471	-	29,381,471
Short term investments	-	80,000	80,000
Cash and bank balances	-	417,933	417,933
	<u>29,381,471</u>	<u>8,797,586</u>	<u>38,179,057</u>

At fair value through other comprehensive income	At amortised cost	Total
(Rupees in thousand)		
-	1,482	1,482
-	139,342	139,342
-	7,578,383	7,578,383
-	580,446	580,446
29,381,471	-	29,381,471
-	80,000	80,000
-	417,933	417,933
<u>29,381,471</u>	<u>8,797,586</u>	<u>38,179,057</u>

Financial liabilities as at December 31, 2020

Long term finances	-	19,477,469	19,477,469
Lease Liabilities	-	435,510	435,510
Security deposits	-	371,797	371,797
Long term loan from shareholder of the parent company - unsecured	-	260,107	260,107
Short term borrowings - secured	-	9,959,308	9,959,308
Trade and other payables	-	9,229,082	9,229,082
Unclaimed dividend	-	54,955	54,955
Accrued finance cost	-	659,194	659,194
	<u>-</u>	<u>40,447,422</u>	<u>40,447,422</u>

At fair value through profit or loss	At amortised cost	Total
(Rupees in thousand)		
-	19,477,469	19,477,469
-	435,510	435,510
-	371,797	371,797
-	260,107	260,107
-	9,959,308	9,959,308
-	9,229,082	9,229,082
-	54,955	54,955
-	659,194	659,194
<u>-</u>	<u>40,447,422</u>	<u>40,447,422</u>

	At fair value through profit or loss	At amortised cost	Total
	(Rupees in thousand)		
Financial liabilities as at December 31, 2019			
Long term finances	-	19,095,081	19,095,081
Liabilities against assets subject to finance lease	-	619,563	619,563
Security deposits	-	345,950	345,950
Long term loan from shareholder of the parent company - unsecured	-	224,230	224,230
Short term borrowings - secured	-	11,386,824	11,386,824
Trade and other payables	-	7,778,603	7,778,603
Unclaimed dividend	-	68,809	68,809
Accrued finance cost	-	1,144,225	1,144,225
Derivative financial instruments	3,505	-	-
	<u>3,505</u>	<u>40,663,285</u>	<u>40,663,285</u>

54.3 Offsetting financial assets and financial liabilities

There are no significant financial assets and financial liabilities that are subject to offsetting, enforceable master netting arrangements and similar agreements.

54.4 Capital management

The Group's objectives when managing capital are to safeguard the Group'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

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total equity (as shown in the statement of financial position). Net debt is calculated as total borrowings (including current and non-current borrowings) including bank overdraft less cash and bank balances and liquid investments.

The gearing ratios as at Dec 31, 2020 and 2019 were as follows:

		2020 (Rupees in thousand)	2019 (Rupees in thousand)
Borrowings	- notes 8,15 and 20.10	29,540,026	30,481,905
Less : Cash and bank balances	- note 36	(638,343)	(417,933)
Net debt		28,901,683	30,063,972
Total equity		55,911,734	57,932,828
Total capital		<u>84,813,417</u>	<u>87,996,800</u>
Gearing ratio	Percentage	34%	34%

In accordance with the terms of agreement with the lender of long term finance facilities (as disclosed in note 8 to these financial statements), the Group is required to comply with financial covenants. The Group has complied with these covenants throughout the reporting period except for the following covenants:

BSPL has complied with all the covenants during the year except for the covenant related to 'minimum debt service coverage ratio' as defined in the Common Terms and Accounts Agreement between BSPL and the consortium members at the end of financial year. BSPL cannot declare and pay dividends, unless at the time of declaration and payment of such dividends, it is in compliance with the financial covenants.

PREPL has complied with all the covenants throughout the reporting period except for that required to maintain current ratio criteria. However, this is not considered a material adverse event under the terms of the loan and consequently does not trigger an event of default.

54.4 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The table below analyses the financial instruments carried at fair value, by valuation method. The different levels have been defined 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 (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value:

	(Rupees in thousand)			
	Level 1	Level 2	Level 3	Total
At December 31, 2020				
Recurring fair value measurements				
Assets				
Investments - FVOCI	24,322,274	-	5,000	24,327,274
At December 31, 2019				
Recurring fair value measurements				
Assets				
Investments - Available-for-sale	29,376,446	-	5,000	29,381,446

Valuation techniques used to measure fair values

Fair valuation of investment properties for disclosure purposes has been disclosed in note 24.1.3 to these consolidated financial statements and movement in fair value reserve has been disclosed in the consolidated statement of changes in equity. There were no transfers between Levels 1 and 2 & Levels 2 and 3 during the year and there were no changes in valuation techniques during the years. Since the ordinary shares of Coca-Cola Beverages Pakistan Limited are not listed, therefore these are included in Level 3. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. Changes in level 2 and 3 fair values are analysed at the end of each reporting period during the annual valuation discussion between the Chief Financial Officer and the investment advisor. As part of this discussion, the investment advisor presents a report that explains the reason for the fair value movements.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The carrying values of all financial assets and liabilities reflected in the consolidated financial statements approximate their fair values.

55. Interests in other entities

55.1 Subsidiaries

The Group's principal subsidiaries at December 31, 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of Entity	Place of business / country of incorporation	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities	Registered address	Principle place of business	Manufacturing units and offices
		2020	2019	2020	2019				
		%	%	%	%				
Bulleh Shah Packaging (Private) Limited	Pakistan	100.00%	100.00%	0.00%	0.00%	Manufacturing and sale of paper, paperboard and corrugated boxes.	4th floor, the Forum, Suite No. 416-422, G-20, Block 9, Khayaban-e-Jami, Clifton, Karachi, Pakistan	416-422, G-20, The Forum, Block - 9, Khayaban -e- Jami, Clifton Karachi and G.D. Arcade, 2nd Floor, 73-E, Fazal-ul-Haq Road, Blue Area, Islamabad – 44000, Pakistan	7 km, Kot Radha Kishan Road, Off 4 km Kasur-Raiwind Road, District Kasur & Main Korangi Road, Sector 28, Landhi Town, Karachi
Anemone Holdings Limited	Mauritius	100.00%	100.00%	0.00%	0.00%	Intermediate holding company of FPC	2nd floor, The AXIS, 26 Cyber city, Ebene, Republic of Mauritius	2nd floor, The AXIS, 26 Cyber city, Ebene, Republic of Mauritius	None
DIC Pakistan Limited	Pakistan	54.98%	54.98%	45.02%	45.02%	Manufacturing and sale of inks	G-20, Block 9, Khyaban-e-Jami, Clifton, Karachi	Shahrah-e-Roomi, P.O. Amer Sidhu, Lahore and Plot No. 6, Sector No. 28, Korangi Industrial Area, Karachi	Shahrah-e-Roomi, P.O. Amer Sidhu, Lahore and Plot No. 6, Sector No. 28, Korangi Industrial Area, Karachi
Flexible Packages Convertors (Proprietary) Limited	South Africa	63.50%	63.50%	36.50%	36.50%	Manufacturing and sale of flexible packaging	316 Marks Street, Watloo 0184, Pretoria South, Gauteng, RSA	316 Marks Street, Watloo 0184, Pretoria South, Gauteng, RSA	316 Marks Street, Watloo 0184, Pretoria South, Gauteng, RSA
Packages Lanka (Private) Limited	Sri Lanka	79.07%	79.07%	20.93%	20.93%	Manufacturing and sale of flexible packaging	148, Minuwandoga Road, Ekala, Ja-Ela	148, Minuwandoga Road, Ekala, Ja-Ela	148, Minuwandoga Road, Ekala, Ja-Ela
Linnaea Holdings Inc.	Canada	79.07%	79.07%	20.93%	20.93%	Intermediate holding company of CPI	880 Lakeshore Road East, Mississauga, Ontario	880 Lakeshore Road East, Mississauga, Ontario	None
Chantler Packages Inc. ('CPI')	Canada	72.07%	72.07%	27.93%	27.93%	Manufacturing and sale of flexible packaging	880 Lakeshore Road East, Mississauga, Ontario	880 Lakeshore Road East, Mississauga, Ontario	880 Lakeshore Road East, Mississauga, Ontario

Name of Entity	Place of business / country of incorporation	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities	Registered address	Principle place of business	Manufacturing units and offices
		2020 %	2019 %	2020 %	2019 %				
Packages Real Estate (Private) Limited	Pakistan	75.16%	75.16%	24.84%	24.84%	Development and construction of real estate	4th floor, the Forum, Suite No. 416-422, G-20, Block 9, Khayaban-e-Jami, Clifton, Karachi, Pakistan	Shahrah-e-Roomi, P.O. Amer Sidhu, Lahore	Shahrah-e-Roomi, P.O. Amer Sidhu, Lahore
Packages Power (Private) Limited	Pakistan	100.00%	100.00%	0.00%	0.00%	Generation and sale of electricity	4th floor, the Forum, Suite No. 416-422, G-20, Block 9, Khayaban-e-Jami, Clifton, Karachi, Pakistan	Shahrah-e-Roomi, P.O. Amer Sidhu, Lahore	None
Packages Convertors Limited	Pakistan	100.00%	0.00%	0.00%	0.00%	Manufacturing and sale of packaging material and tissue products	4th floor, the Forum, Suite No. 416-422, G-20, Block 9, Khayaban-e-Jami, Clifton, Karachi, Pakistan	Shahrah-e-Roomi, P.O. Amer Sidhu, Lahore	Shahrah-e-Roomi, P.O. Amer Sidhu, Lahore
Packages Investments Limited	Pakistan	100.00%	0.00%	0.00%	0.00%	Holding of investments in various companies	4th floor, the Forum, Suite No. 416-422, G-20, Block 9, Khayaban-e-Jami, Clifton, Karachi, Pakistan	Shahrah-e-Roomi, P.O. Amer Sidhu, Lahore	None

55.1.1 In addition to the sales offices mentioned above, the Group has following sales offices :
- 2nd Floor, G.D. Arcade, 73-E, Fazal-ul-Haq Road, Blue Area, Islamabad, Pakistan; and
- C-2, Hassan Arcade Nusrat Road, Multan Cantt., Pakistan.

55.2 Non-controlling interests ('NCI')

Set out below is summarized financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

Summarized statement of financial position

	DIC Pakistan Limited		Flexible Packages Convertors (Proprietary) Limited		Packages Lanka (Private) Limited and its subsidiaries		Packages Real Estate (Private) Limited	
	2020	2019	2020	2019	2020	2019	2020	2019
	(Rupees in thousand)							
Current assets	2,686,288	2,785,249	2,119,798	1,733,526	1,218,110	1,091,681	2,376,070	765,586
Current liabilities	1,585,193	1,927,070	2,644,743	1,987,036	1,327,934	1,106,792	3,288,646	2,127,730
Current net assets / (liabilities)	1,101,095	858,179	(524,945)	(253,510)	(109,824)	(15,111)	(912,576)	(1,362,144)
Non-current assets	302,428	251,978	2,965,868	3,412,163	987,793	1,027,234	10,397,195	11,253,127
Non-current liabilities	137,234	57,637	822,240	1,315,519	319,374	374,860	6,228,789	6,297,511
Non-current net assets	165,194	194,341	2,143,628	2,096,644	668,419	652,374	4,168,406	4,955,616
Net assets	1,266,289	1,052,520	1,618,683	1,843,134	558,595	637,263	3,255,830	3,593,472
Accumulated NCI	566,124	471,867	387,115	477,094	107,527	126,301	808,749	892,618

Summarized statement of comprehensive income

	DIC Pakistan Limited		Flexible Packages Convertors (Proprietary) Limited		Packages Lanka (Private) Limited and its subsidiaries		Packages Real Estate (Private) Limited	
	2020	2019	2020	2019	2020	2019	2020	2019
	(Rupees in thousand)							
Revenue	5,576,476	5,228,292	5,634,239	5,626,297	2,569,275	2,562,900	2,660,291	3,479,557
Profit / (loss) for the year	426,526	300,705	(208,983)	68,078	(76,837)	(172,427)	(308,293)	41,737
Other comprehensive income / (loss)	2,232	-	(96,331)	31,981	25,080	47,328	841	-
Total comprehensive income / (loss)	428,758	300,705	(305,314)	100,059	(51,757)	(125,099)	(307,452)	41,737
Total comprehensive income / (loss) allocated to NCI	188,062	133,108	(76,289)	31,068	(17,553)	(17,361)	(76,580)	10,367
Dividends paid to NCI	96,784	90,147	-	9,297	-	-	7,500	-

Summarized cash flows

	DIC Pakistan Limited		Flexible Packages Convertors (Proprietary) Limited		Packages Lanka (Private) Limited and its subsidiaries		Packages Real Estate (Private) Limited [formerly Packages Construction]	
	2020	2019	2020	2019	2020	2019	2020	2019
	(Rupees in thousand)							
Cash flows from operating activities	744,621	124,380	455,602	327,013	(74,302)	(227,359)	254,077	511,429
Cash flows from investing activities	(65,072)	(27,526)	(137,217)	(649,067)	(16,847)	52,457	(48,098)	(363,925)
Cash flows from financing activities	(135,414)	(205,346)	(333,542)	33,928	41,544	42,222	(436,715)	(421,953)
Net (decrease) / increase in cash and cash equivalents	544,135	(108,492)	(15,157)	(288,126)	(49,605)	(132,680)	(230,736)	(274,449)

55.4 Interests in associates and joint ventures

Set out below are the associates and joint ventures of the Group as at December 31, 2020 which, in the opinion of the directors, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of Entity	Place of business / country of incorporation	% of ownership interest		Nature of relationship	Measurement method	Quoted fair value		Carrying amount	
		2020	2019			2020	2019	2020	2019
		%	%					Rupees in thousand	
Tri-Pack Films Limited	Pakistan	33.33%	33.33%	Associate	Equity method	2,105,029	1,088,728	1,831,036	1,831,036
IGI Holdings Limited	Pakistan	10.54%	10.54%	Associate	Equity method	3,006,908	3,066,740	4,302,897	4,704,911
Plastic Extrusions (Proprietary) Limited	South Africa	50.00%	50.00%	Joint venture	Equity method	(*)	(*)	24,437	13,638
OmyaPack (Private) Limited	Pakistan	50.00%	50.00%	Joint venture	Equity method	(*)	(*)	469,054	442,122
Total equity accounted investments								6,627,424	6,991,707

Tri-Pack Films Limited is in the business of manufacture and sale of biaxially oriented polypropylene (BoPP) film and cast polypropylene (CPP) films.

IGI Holdings Limited (formerly IGI Insurance Limited) is engaged in insurance business.

Plastic Extrusions (Proprietary) Limited is engaged in the manufacture and sale of plastics.

OmyaPack (Private) Limited is engaged in manufacture and sale of high quality ground calcium carbonate products.

(*) These are privately held entities for which no quoted price is available.

55.4.1 There are no commitments and contingent liabilities of the Group in respect of associates and joint ventures.

56. Impact of COVID-19 (Corona virus)

The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. A temporary lock down was implemented almost across the globe as a measure to reduce the spread of the COVID-19 and the Group's operations were also affected by the lockdown. Due to this, the management has assessed the accounting implications of these developments on these consolidated financial statements, and, according to management's assessment, there is no significant accounting impact of the effects of COVID-19 on these consolidated financial statements except for the following;

- Complying with the lockdown, Group's subsidiary PREPL closed its Mall Operations except for certain tenants. To support its tenants, the Group announced a rent free period along with reduction in service and maintenance charges effective March 22, 2020 till April 30, 2020 to its tenants. During the period from May 2020 to August 2020, due to the restrictions imposed by the Government of Punjab on mall operating days in a week and daily operating hours the Company has provided rent/ license fee waivers and service charges waivers to both the operational and non-operational tenants on varying scales. Accordingly, the Group's net revenues relating to its mall operations have declined as compared to the budget for the period from and the financial position has also been affected as disclosed in note 37 to these consolidated financial statements;

- the deferment in repayment of long term finances and reduction of rates by the lenders as disclosed in note 8.6 to these consolidated financial statements;

- the Group's subsidiary, FPC was successful in registering an increase of 6% in the sales revenue despite some of the customers being forced to close as a result of the lockdown regulations. However, the Group fell short of its budgeted sales by approximately 15% due to inability of sales force to mature development pipeline projects as suppliers were risk averse in switching their vendors. Trials of new products at customers' premises were also severely delayed due to travel restrictions; and

- the Group has availed long term finance facilities under SBP's Refinance Scheme for Payment of Wages and Salaries to the Workers as disclosed in notes 8.10, 8.11 and 8.12 to these consolidated financial statements.

The Group will continue to monitor the impact of the pandemic on its operations and will take measures proactively in order to ensure the Group's sustainability.

57. Date of authorization for issue

These consolidated financial statements were authorized for issue on March 19, 2021 by the Board of Directors.

58. Events after the reporting date

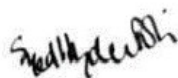
58.1 The Board of Directors has proposed a final cash dividend for the year ended December 31, 2020 of 22.5 per share (2019: Rs 12 per share), amounting to Rs 2,011,039 million (2019: Rs 1,072.544 million) at their meeting held on March 19, 2021 for approval of the members at the Annual General Meeting to be held on April 30, 2021.

58.2 Subsequent to year-end, Mitsubishi Corporation (the "MC") indicated its intention of selling its entire 19.33% shareholding of Tri-Pack Films Limited ('TPFL'). As per the Joint Venture agreement between MC and the Parent Company, the Parent Company has the first right of refusal to purchase the entire shareholding of MC.

Accordingly, on February 18, 2021, the Parent Company has submitted a Public Announcement of Intention ("Public Offer") to acquire up to 7.5 million ordinary shares representing 19.33% shareholding of TPFL subject to regulatory approvals.

59. Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, for the purposes of comparison and better presentation. However, no significant rearrangements have been made.



Chief Executive



Director



Chief Financial Officer