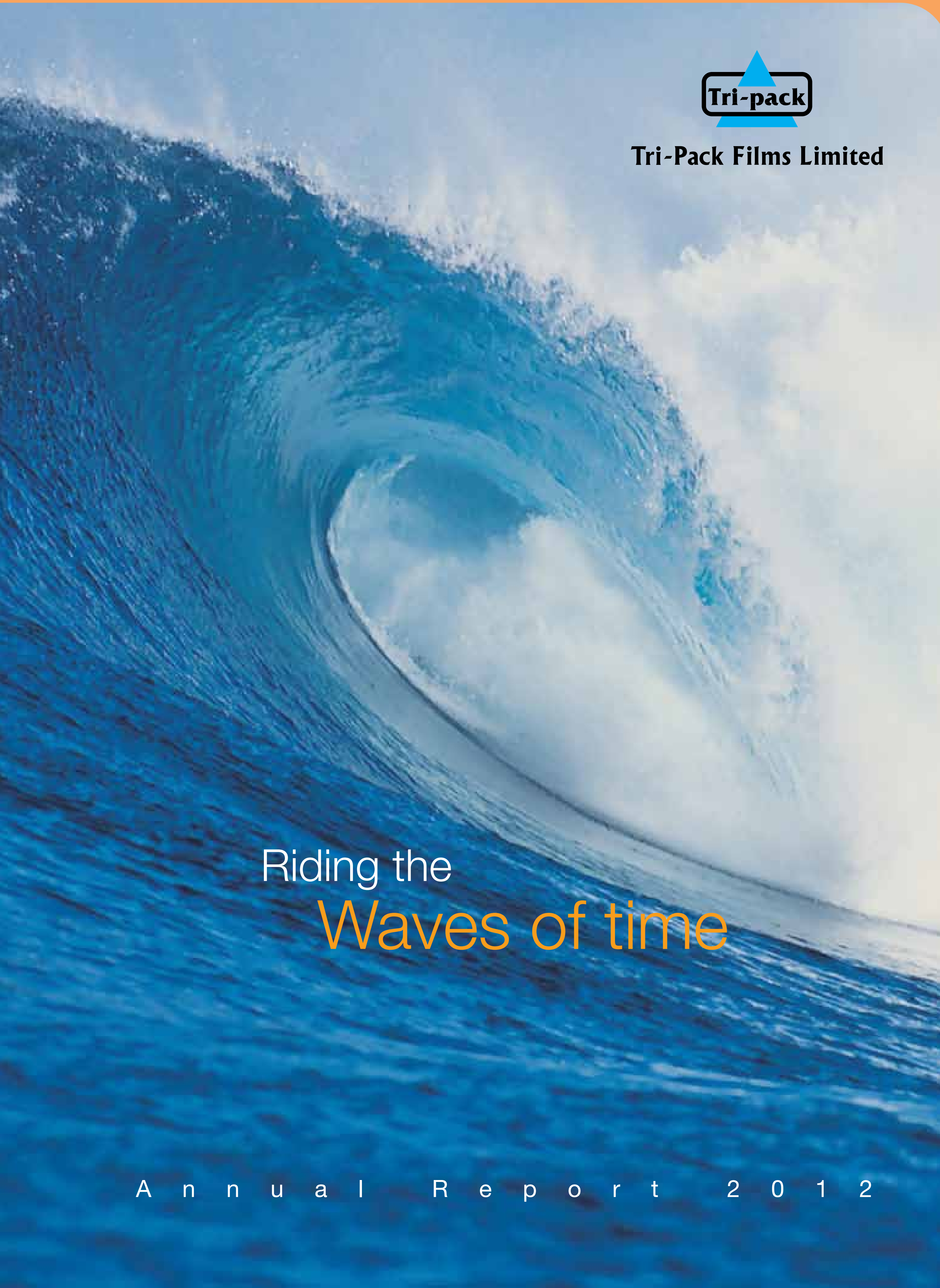


Tri-pack

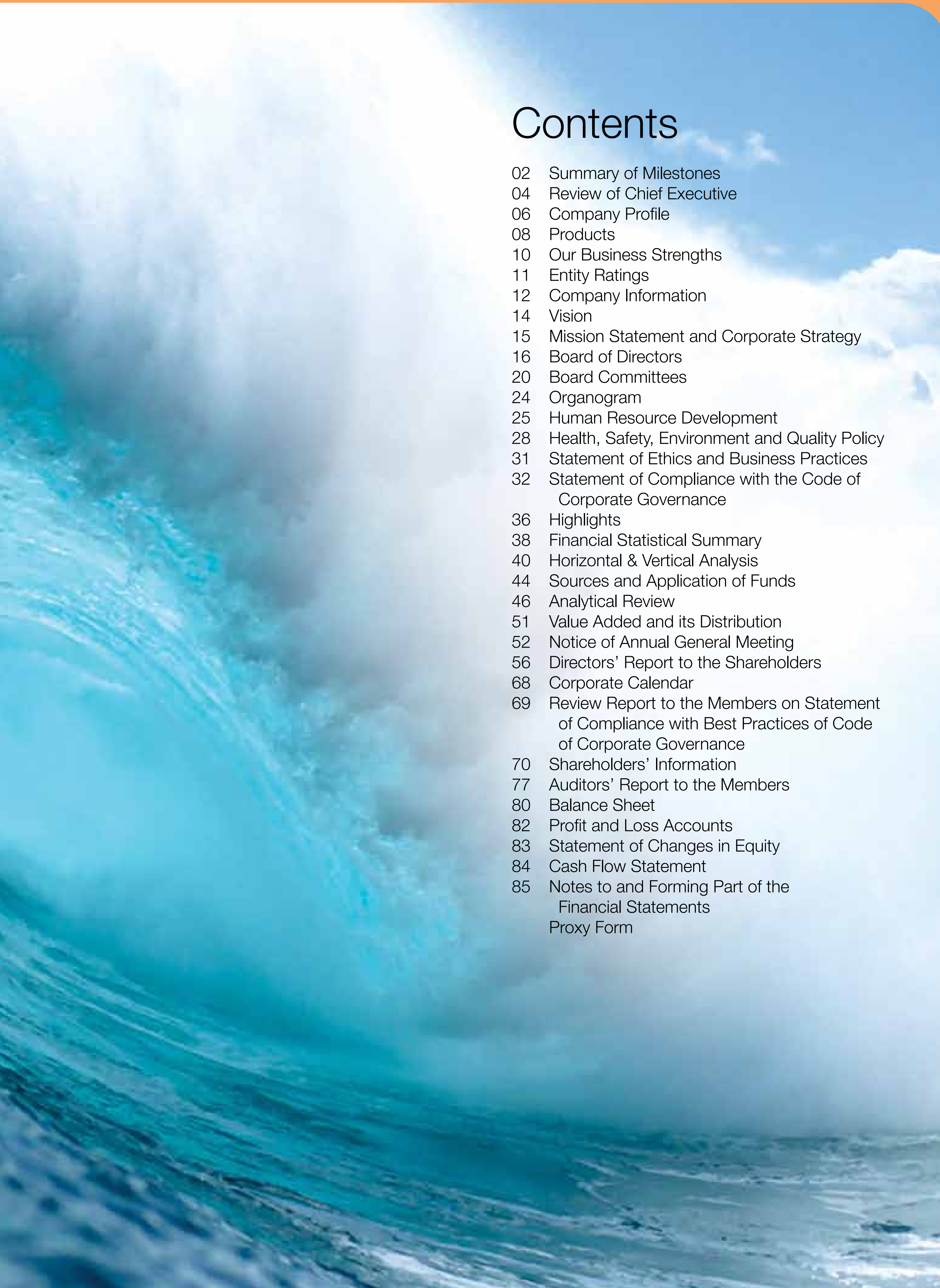
Tri-Pack Films Limited

Riding the Waves of time

Annual Report 2012

Riding the Waves of time.

Time keeps changing, bringing its new requirements and challenges. As they say, time and tides waits for none. We take our inspiration from the waves, as the theme of this year's annual report. Waves have the endless energy, the consistency, and the power to reach its shore. At Tripack, we are also, doing the same, be it expanding our production units to exploring and reaching out export markets. Riding the every changing waves of time.



Contents

Summary of Milestones

April 1993
Signing of Joint Venture

June 1995
Commencement of Production Line - 1

August 1998
ISO 9001 Certification

June 2000
Ground Breaking Line - 2

May 2001
Commercial Production Line - 2

February 2002
Commissioning of Metallizer - 1

October 2003
Ground Breaking Line - 3

March 2004
ISO 14001 Certification

October 2004
Trial Production Line - 3

November 2004
Commercial Production Line - 3

February 2006
Commissioning of Metallizer - 2

April 2007
OHSAS 18001

November 2008
B.E.S.T Certification from BAT

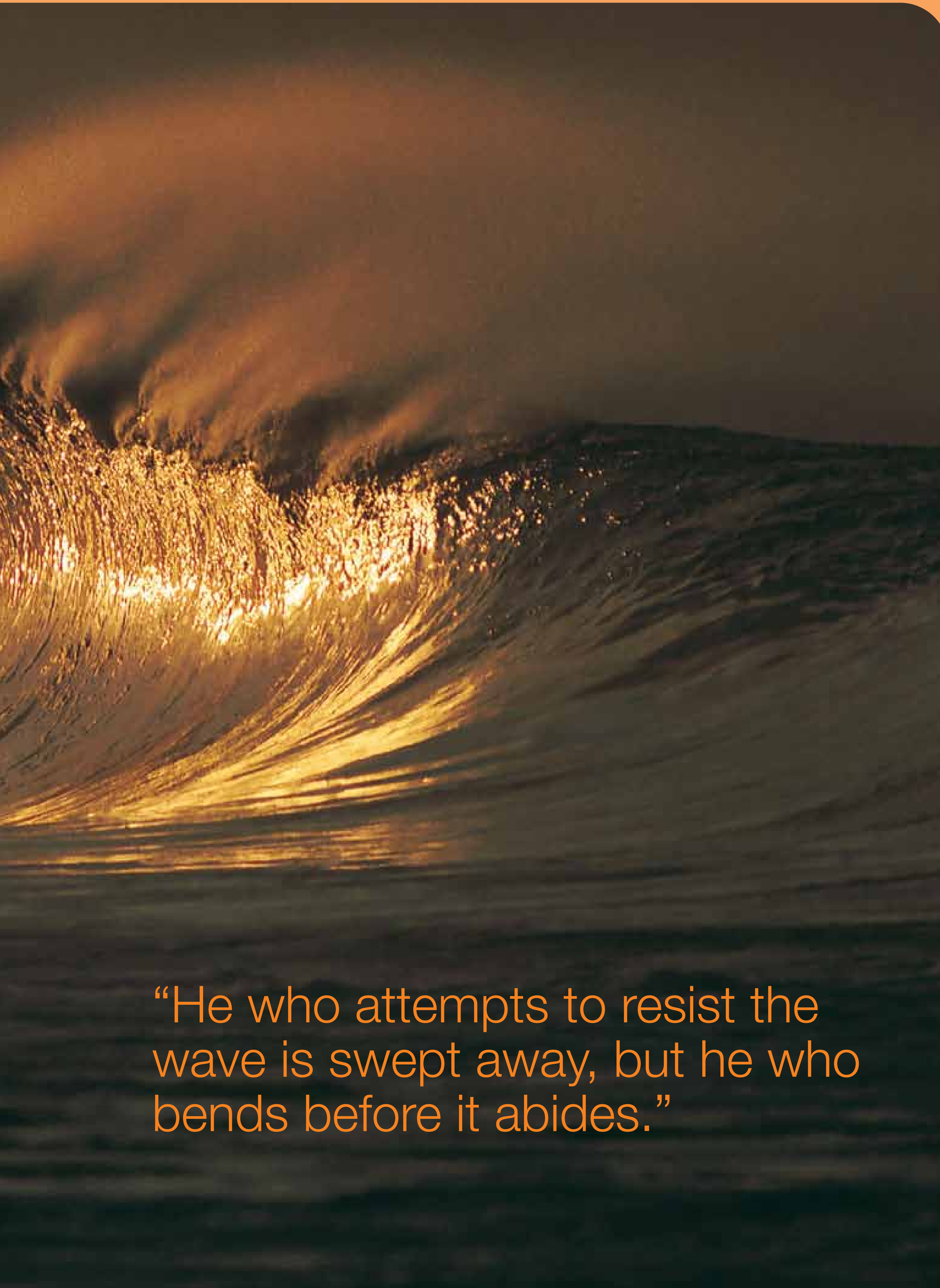
November 2008
Commissioning of CPP

October 2009
Commissioning of Metallizer - 3

September 2011
Ground Breaking of Line - 4

April 2012
Approval of CPP Line - 2

March 2013
Commissioning of BOPP Line - 4


"He who attempts to resist the wave is swept away, but he who bends before it abides."

Review of Chief Executive

Dear Stakeholders,

By the Grace of Almighty Allah, we have achieved another milestone by commissioning of BOPP Line-4 in March 2013. It is a step forward of introducing state-of-the-art technology by the Company. It will not only help us building strong portfolio leading towards a sustainable business but also mark our unique presence in the international market. This is a way forward towards the business modernization and meeting world class standards, which will help us serving our customers better in the future. Further, the project team will be looking forward to the commissioning of CPP Line-2 as it is not our philosophy to be saturated at any point of time.

In 2012, the management successfully maintained the sales levels despite challenging market conditions. During the year, we remained focused to reduce costs and various cost saving activities were initiated and successfully implemented.

We appreciate the action of National Tariff Commission (NTC) who imposed the final antidumping duties on the import of BOPP films.

Our people are the asset to the Company and since inception we have taken appropriate measures to develop this talent. During the year, we have developed certain committees to strongly monitor and control changing needs created as a result of expansion. I feel proud to lead a competitive team with good combination of fresh talent and diversified experience of our existing team and confident that my team can outperform in prevailing competition and achieve good results despite challenges in the operating environment.

I look forward to the next year for Tri-Pack to achieve further success.

Shahid Hussain
Chief Executive

By the Grace of Almighty Allah, we have achieved another milestone by commissioning of Biaxially Oriented Polypropylene (BOPP) Line-4 in March 2013.

Company Profile

Tri-Pack Films Limited (Tri-Pack) was established in 1993 through a joint venture agreement between Packages Limited and Mitsubishi Corporation of Japan for the production of Biaxially Oriented Polypropylene (BOPP) for the Pakistani Market.

With the aim to provide quality packaging material, Tri-Pack started its operations with one plant having a capacity to produce 5,400 Metric Tonnes (MT) finished BOPP film per annum in Hattar Industrial Estate in the Khyber Pakhtoonkhwa (previously N.W.F.P.). In order to meet the rising demand of the country and to cater customer needs in time, the Company decided to go into expansion and added another line of BOPP film in 2001, thus increasing the installed capacity to manufacture BOPP film from 5,400 MT to 10,800 MT annually.

In 2004, the Company installed its third BOPP plant of 16,000 MT per annum at Port Qasim Industrial Zone, Karachi. The debottlenecking of BOPP line 3 was done twice in 2007 and 2010 respectively. This increased in the production facility by 2,000 MT and the total installed capacity to 28,800 MT per annum.

In 2008, the Company installed its Cast Polypropylene Film manufacturing line with a capacity of 7,200 MT.

Now we are the largest BOPP film producers in Pakistan with the production facilities located in Hattar Industrial Estate in the Khyber Pakhtoonkhwa (previously N.W.F.P.) and North Western Industrial Zone, Port Qasim, Karachi.

Our Head Office and Registered Office are located in Karachi. Our Regional Sales Offices are in Karachi, Hattar and Lahore. We maintain high quality standards and are ISO 9001: 2000, ISO 14001 and ISO 18001 certified.

The Company is continuously growing since inception. By the grace of Almighty Allah we are going to touch the country's ever highest production of BOPP films through the commissioning of BOPP Line-4 in March 2013.

During the year, the investment in Cast Polypropylene (CPP) Line 2 Project with a capacity of 9,000 MT per annum was approved by the Board of Directors. The project has at a budgeted cost of PKR 1.5 billion. This shall increase the combined CPP production capacity of the company from the present 7,200 MT per annum to 16,200 MT per annum.

Products

Biaxially Oriented Polypropylene (BOPP) Film

Tri-Pack's BOPP films are the products of state-of-the-art technology. This packaging film is available in four different grades i.e. Plain, Composite, Pearlized and Metallized, and its thickness ranges between 10 to 60 microns.

The principal properties of our products are:

- Good barrier to moisture
- Excellent transparent gloss
- Good printability
- Good seal ability

Grades of BOPP Film

Plain Film

Excellent clarity, high tensile strength, good dimensional stability and flatness, low electrostatic charge, corona treatment on one or both sides & waterproof. The Plain film is used for laminating cardboard, general packaging, wrap for fresh flowers and adhesive tape.

Composite

This grade has the property of heat seal ability on both sides, dimensional stability and flatness, designed for high-speed workability, low-friction, high stiffness, elegant appearance, heat resistant and heat shrinking capabilities. The Composite film is used in packing of confectionery/biscuits, soap and processed food items.

Cigarette Grade

Cigarette grade both sides heat-sealable BOPP film is manufactured specially to suit high-speed cigarette wrapping machines having excellent antistatic and slip with high seal strength, clarity and moisture barrier properties. Tri-Pack has attained the competency to manufacture the said grade and currently it is being supplied to the tobacco industry of the country.

Pearlized

Pearlized BOPP film is a both sides heat-sealable one side corona treated film having uniform thickness, low transparency for minimum see through with good seal strength. It is suitable for high quality printing, over wrapping and flow pack machines for packaging. The Pearlized film is used as a packaging material for processed food, ice bars, candies, gift wrappers and tea.

CPP is an extrusion cast polypropylene film with treatment on one side. This film is available in different grades and its thickness ranges from 20-150 micron.

Metallized

This film is used as an alternate to al-foil in packaging requirements. It offers excellent oxygen and moisture barriers and can be printed, laminated or used as a single film to provide barrier in the food products.

Cast Polypropylene (CPP) Film

CPP is an extrusion cast polypropylene film with treatment on one side. This film is available in different grades and its thickness ranges from 20-150 micron. This film is particularly well suited for coating, lamination, form fill seal and side weld bag manufacture. It offers improved seal strength and excellent sheet flatness for superior performance on high speed sealing equipment either by itself or in laminated form. CPP offers high gloss, low haze and good barrier properties.

Grades of CPP Film

Transparent Lamination Grade

Both side heat sealable, one side treated CPP film for web lamination.

Metallizable Heat Sealable CPP Film

Both side heat sealable, one side treated CPP film specially designed for vacuum metallizing purpose. When metallized, it retains excellent metal adhesion.

Metallized Heat Sealable CPP Film

It is co-extruded CPP film. With one side heat sealable layer and one side metallized surface. For general packaging application, requiring barrier properties film (potato chips, cookies, snacks, coffee etc.)

White Opaque Heat Sealable CPP Film

Both sides heat sealable, one side treated white CPP film for web lamination.

Transparent Barrier Film

Transparent both sides heat sealable PA and EVOH based barrier film for packaging of products requiring high oxygen barrier such as fresh cheese and processed meat and poultry.

Our Business Strengths

Market Leadership

Tri-Pack is currently considered as market leader, capturing almost 70 percent of the BOPP market in Pakistan. We have successfully maintained sales level in 2012 despite volatile law and order situation and challenging market condition. In 2013, our target is to approach the international market through geographical expansion.

Customer Support

Tri-Pack besides producing high quality film also helps the customers in further processing and shares our professional knowledge to achieve the best results. We also manufacture the products in accordance with the customer requirement and our products meet the international quality standards.

Fully Automated Production Facility

BOPP and CPP film manufacturing is a high tech fully automated, PLC controlled process. In order to produce high quality of film, we are using the fully automated machineries obtained from world top suppliers such as Mitsubishi Corporation - Japan, Windmöller & Hölscher - Germany, General Vacuum - England and Galileo Vacuum - England, Bruckner - Germany and Bonfanti - Italy.

In addition, we are also privileged to have access to the latest research and development in the field of enhancing operational efficiencies carried out by our sponsors Packages Limited and Mitsubishi Corporation.

Advance Research and Development Facilities

Our in-house R&D department is equipped with contemporary and sophisticated accessories. Not only the equipment but also the R&D team is highly professional who work round the clock 24 hours to ensure the production of high quality film.

Product demand and development process is used to ensure that the developed product meets customer requirements by giving better run-ability. It not only cuts down the cost at the end customer but also enhances our profitability. With the core competency for developing any kind of BOPP and CPP films the target products are those which are rare in the market and difficult to produce like Plain 10, High Barrier Metalized films etc.

Entity Ratings of Tri-Pack Films Limited

Rating as on February 12, 2013

Rating Type	Rating
Long-term	**"A+"** (Single A plus)
Short-term	**"A1"** (A one)

The above ratings denote a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

Company Information

Board of Directors
Syed Babar Ali (Chairman)
Shahid Hussain (Chief Executive)
Kimihide Ando
Syed Hyder Ali
Tetsuo Obana
Khalid Yacob
Asif Qadir

Audit Committee
Asif Qadir (Chairman)
Kimihide Ando
Tetsuo Obana
Khalid Yacob

Executive Committee
Kimihide Ando (Chairman)
Shahid Hussain
Syed Hyder Ali
Khalid Yacob

Human Resource and Remuneration Committee
Mr. Asif Qadir (Chairman)
Mr. Khalid Yacob
Mr. Shahid Hussain

Company Secretary
Adi J. Cawasji

Chief Financial Officer
Amjad Ali

Auditors and Tax Advisor
A. F. Ferguson & Co.
Chartered Accountants

Legal Advisor
Sattar & Sattar
Khan & Paracha

Website
www.tripack.com.pk

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

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

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

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

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

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


BRÜCKNER

Vision

To increase the value for our customers, shareholders and employees by maintaining role of market leader in the country while at the same time operating internationally to mark our presence globally.

Mission Statement
& Corporate Strategy

We will:

- Satisfy our customers with timely supplies of products conforming to quality standards at competitive prices and follow-up services.
- Achieve sustained growth to meet the growing demand of our customers and also for the benefits of economies of scale to optimize return on investments.
- Continue developing new markets, products, applications and replacement of other structures in close collaboration with our customers and suppliers.
- Keep on enhancing cost-effective technological competence to retain our competitive edge.
- Nurture and inculcate an ethical corporate culture to fulfill our obligations towards society and the state.
- Attract competent staff, develop their professional skills and retain them through motivation, performance reward and growth opportunities.
- Care for health and safety of our employees and play our due role for a cleaner environment.

Board of Directors

Mr. Shahid Hussain | Syed Babar Ali | Mr. Kimihide Ando

Mr. Tetsuo Obana Mr. Asif Qadir Syed Hyder Ali Mr. Khalid Yacob

Directors' Profile

Syed Babar Ali

Mr. Ali is the founder of various industries and social welfare institutions. He is the chairman of board of directors since inception of the Company. Besides Tri-Pack, he is the chairman of Acumen Fund, Ali Institute of Education, Babar Ali Foundation, Coca Cola Beverages Pakistan Limited, Gurmani Foundation, IGI Insurance Limited, IGI Investment Bank Limited, Industrial Technical & Educational Institute, National Management Foundation, Syed Maratib Ali Religious & Charitable Trust Society and Tetra Pack Pakistan Limited.

Mr. Shahid Hussain

Mr. Hussain is currently serving as Managing Director at Tri-Pack Films Limited. He is associated with the Company since inception. He has a Degree in Mechanical Engineering. In addition, he is the member of the board of Pakistan Japan Business Forum and Pakistan Institute of Corporate Governance.

Mr. Kimihide Ando

Mr. Ando is associated with the Company as non-executive director, he is the General Manager for Mitsubishi Corporation's operations in Pakistan. He has a degree in liberal arts from the international Christian University, Tokyo, Japan and has been with Mitsubishi Corporation for 28 years. He has a diverse Experience in chemicals. He joined the Tri-Pack Board in 2010.

Syed Hyder Ali

Mr. Ali is the non-executive member of the board since inception. He has done his Masters in Sciences from Institute of Paper Chemistry. He holds directorship in several other companies including IGI Insurance Limited, Nestle Pakistan Limited, International Steels Limited, Packages Lanka (Private) Limited and Sanofi-Aventis Pakistan Limited. He is also serving on the Board of certain philanthropic, educational, charitable and business support organizations including Pakistan Centre for Philanthropy, World Wide Fund for Nature, National Management Foundation, Syed Maratib Ali Religious and Charitable Trust and Pakistan Business Council.

Mr. Tetsuo Obana

Mr. Obana is non-executive member of the board. He joined the Mitsubishi Corporation in 1985 and has worked with the group in different companies associated with the group. He has served as a General Manager at Mitsubishi Sheiji , Deputy General Manager of Commodity Plastic Unit at Mitsubishi Corporation. He Graduated in 1985 from Yokohama National University.

Mr. Khalid Yacob

Mr. Yacob is the director of the Company since inception. He is a fellow member of Institute of Chartered Accountants, England & Wales and Institute of Chartered Accountants, Pakistan and has been associated at senior management positions in A.F. Ferguson & Co, Chartered Accountants, Pakistan and Whinney Murray & Co, Chartered Accountants, Riyadh, Saudi Arabia. Mr. Yacob has vast experience in financial planning & budgeting, financial forecasting and analysis, asset investment, taxation, computer services, client development and staff management. He also holds directorship of Packages Limited, IGI Investment Bank Limited, IGI Funds Limited and Packages Lanka (Private) Limited.

Mr. Asif Qadir

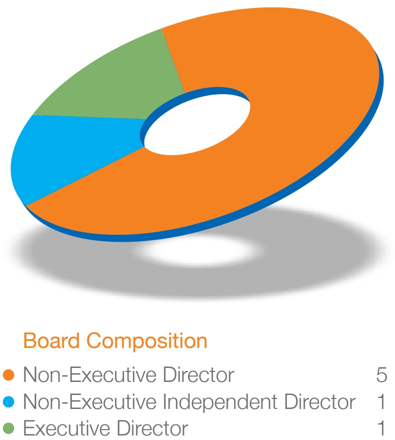
Mr. Qadir holds a Degree in Chemical Engineering from Columbia University, New York, USA. He was appointed as Non-Executive independent Director of the Company on October 03, 2012. He serves on the Board of Engro Corporation Limited, Engro Fertilizers Limited, Engro Polymer & Chemicals Limited, Engro PowerGen Limited, Engro PowerGen Qadirpur Limited, Sindh Engro Coal Mining Company Limited, Pakistan Poverty Alleviation Fund, Karachi Stock Exchange (Guarantee) Limited, and Jin Kwang JAZ (Pvt) Limited. He is Chairman of the Board for Inbox Business Technologies (Pvt) Ltd and Unicol Limited.

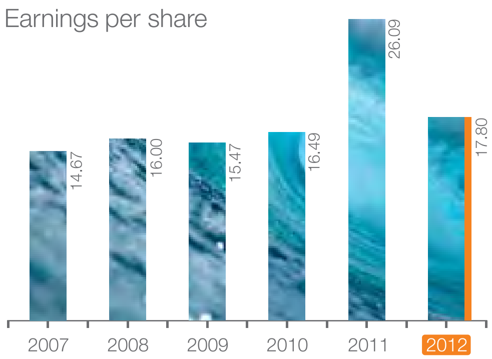
Board Committees

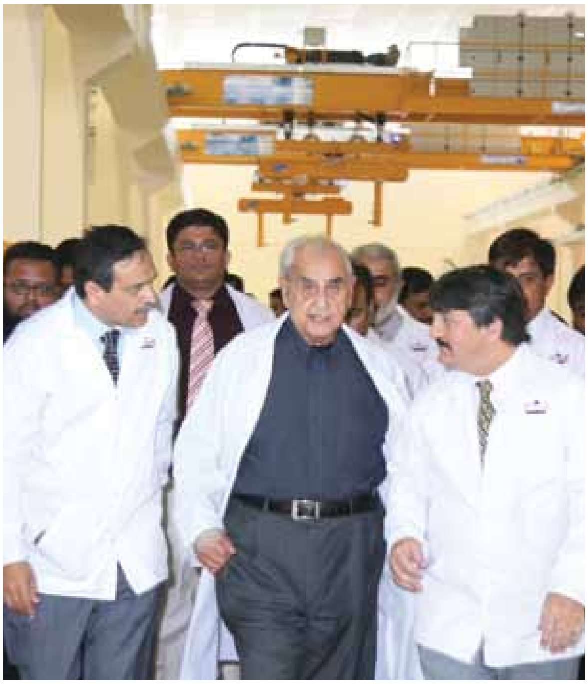
Executive Committee

Kimihide Ando (Chairman)
Shahid Hussain
Syed Hyder Ali
Khalid Yacob

The Executive Committee ensures effective and efficient operations of the Company. They meet periodically to assess the progress of the Company against the set targets. The committee is authorized to conduct every business except the business carried out by the board of directors as required by the section 196 of the Companies Ordinance 1984.







Audit Committee

Asif Qadir (Chairman)
Khalid Yacob
Kimihide Ando
Tetsuo Obana

Terms of Reference of the Audit Committee

The terms of reference of the Audit Committee have been derived from the Code of Corporate Governance applicable to listed companies. Thereby Audit Committee shall, among other things, be responsible for recommending to the Board of Directors the appointment of external auditors by the Company's shareholders and shall consider any questions of resignation or removal of external auditors, audit fees and provision by external auditors of any service to the Company in addition to audit of its financial statements. In the absence of strong grounds to proceed otherwise, the Board of Directors shall act in accordance with the recommendations of the Audit Committee in all these matters.

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

a. Determination of appropriate measures to safeguard the Company's assets;

b. Review of preliminary announcements of results prior to publication;

c. Review of quarterly, half-yearly and annual 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;
- The going-concern assumption;
- Any changes in accounting policies and practices;
- Compliance with applicable accounting standards; and
- Compliance with listing regulations and other statutory and regulatory requirements.

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 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 and management's response thereto;

i. Ascertaining that the internal control system including financial and operational controls, accounting system and 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;

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 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; and

n. Consideration of any other issue or matter as may be assigned by the Board of Directors.

The audit committee assists the board in fulfilling its oversight responsibilities as described in the Code of Corporate Governance.

Human Resource and Remuneration (HR & R) Committee

Mr. Asif Qadir (Chairman)
Mr. Khalid Yacob
Mr. Shahid Hussain

Keeping in view the requirement of the Clause (xxv) of the Code of Corporate Governance 2012 a Human Resource and Remuneration (HR&R) Committee was comprised in 2012. This committee consists of the above three members.

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

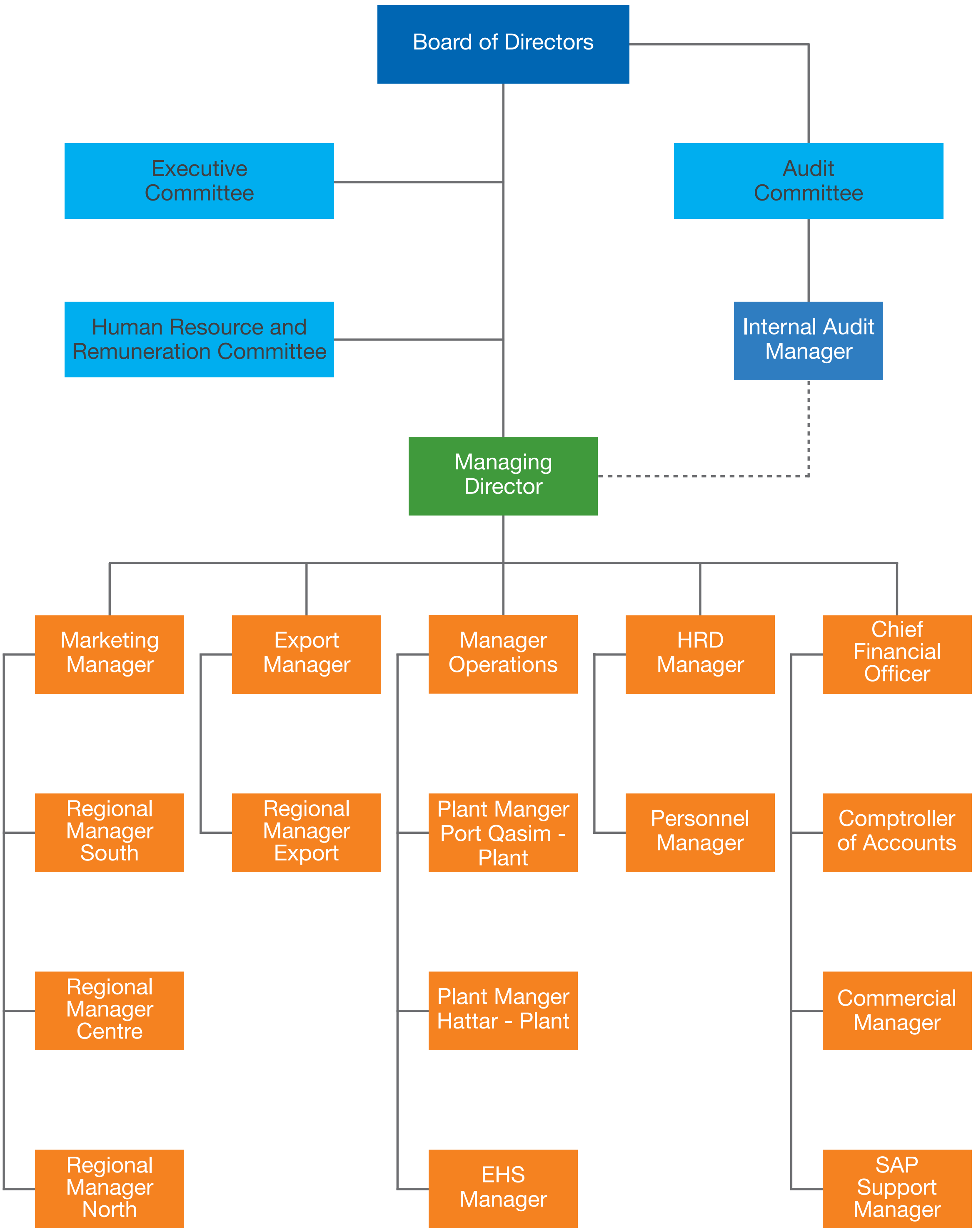
i) Recommending human resource management policies to the board;

ii) Recommending to the board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO;

iii) Recommending to the board the selection, evaluation, compensation (including retirement benefits) of COO, CFO, Company Secretary and Head of Internal Audit; and

iv) Consideration and approval on recommendations of the CEO on such matters for key management positions who report directly to CEO or COO.

Organogram


Board of Directors
Executive Committee
Audit Committee
Human Resource and Remuneration Committee
Internal Audit Manager
Managing Director
Marketing Manager
Export Manager
Manager Operations
HRD Manager
Chief Financial Officer
Regional Manager South
Regional Manager Export
Plant Manger Port Qasim - Plant
Personnel Manager
Comptroller of Accounts
Regional Manager Centre
Plant Manger Hattar - Plant
Commercial Manager
Regional Manager North
EHS Manager
SAP Support Manager

Human Resource Development

Developing our people is the way to grow our business for the long-term, making it more sustainable and more competitive. We aim to develop and train our people enabling them to excel. We harness their energies, cultivate their talent, manage their well-being and very importantly ensure that they have a work environment conducive for development and growth. Our human resource policies, employee development and engagement programs, recreational and motivational activities all revolve around building commendable team.

Recruitment and Selection

Recruitment at Tri-Pack is backed by a strong hiring policy. Graduates from LUMS, NUST, NED and Karachi University are regularly inducted under Management Trainee Programs in our different departments and we groom them to become future leaders ensuring balanced talent availability across the Company. We also induct apprentices through the Apprenticeship Training Program of the Government of Sindh to have a technical lot available at operational level.

Learning and Development

We aim to drive higher quality talent pool of employees by ensuring that opportunity for growth is provided to all employees. The year 2012 saw number of training programs conducted for our talent imperative for their career progression. Total number of training days imparted in the current year is 111, exclusively focused on improving managerial, personal and functional effectiveness. We designed and conducted a wide variety of training and development programs locally. Employees are also sent to overseas courses and workshops in different technical and non-technical disciplines. In addition, the Company has also conducted apprenticeship program which extended a great help to the industry in the form of trained manpower.

Similarly with the aim to improve the existing level of education of employee; a program on Employee Education has been launched in July 2012 with following objective:

- To enhance the existing level of education;

- To improve moral behavior;
- To increase employee's productivity and expand their professional and personal horizons; and
- To enhance self-esteem and confidence of an employee.

Employee Engagement

Employee engagement activities in the Company always keep the employees relaxed and refreshed. Having fun at work increases team building, relieve stress and make the employee emotionally attached to the work place and at the end of the day reduces attrition.

Work-Life Balance

Work-life balance is our commitment and appropriate actions have been taken to help our people maintaining balance career and family commitments. Further, we also ensure that an employee has justified work load so that they could balance their work-life.

Employee Communication

We continuously make an effort to stay in touch with employees and ensure that there is the right culture for performance improvement. Employees are always encouraged to voice their opinions and concerns. Feedback and suggestions from employees are valued for long-term improvement and overall progress of the organization.

Performance Appraisal System

Performance Appraisal is an ongoing critical business and people management process. At Tri-Pack appraisals are conducted twice a year and we endeavour to:

- Clearly connect individual's work objectives to Company objectives.
- Provide clear performance expectations.
- Provide timely, objective, behavioral feedback.
- Foster a culture for continuous performance improvement and personal development.
- Foster commitment to collaboration.
- Strengthen organization capability to live our values.

Succession Planning

Succession planning plays vital role in the success of any organization. Keeping in view the challenging and competitive environment, we adopted a conscious succession management strategies and its implementation across the board. We not only identify critical positions, their core competencies but also develop and evaluate its effectiveness. In short this process ensures the continued performance of the Company by establishing a procedure to identify and develop the key people for leadership role in the Company.

Reward And Recognition

Tri-Pack has never stayed behind in encouraging the employees and formally recognizes their contributions, exemplary performance, and continued service.

In 2012, total 23 employees were given recognition for 10 and 15 years of service with the Company. In addition CPP and Slitting departments received cash awards and Company sponsored Umrah on achieving zero overtime and cleaning audit respectively.

Environment, Health And Safety

The Company is always committed to ensure safe and healthy work environment for all its employees. There was no reportable occupational illness to our employees or supervised contractors in 2012. The Company pro-actively assessed and improved its processes and practices, identifying areas of reduction in energy consumption, waste and emissions by installing latest environment friendly equipments.

We also encourage our employees to participate in plantation activities. At present our plantation size has crossed 2,800 trees with plantation of more than 90 olive trees at Hattar Plant in 2012.

The Company provides extensive fire fighting, health and safety trainings to all the relevant employees, conducts safety audits, investigates incidents and communicates safety related matters regularly.

Quality Management Systems

During the year the Company successfully implemented all quality standards, and obtained ISO 14001, ISO 9001 and OHSAS 18001 certifications for its Port Qasim Plant and recertification of its Hattar Plant.

To further improve productivity through machine efficiency and reduce process wastages, the Company has also started the implementation of Total Productive Maintenance (TPM) across both the plants with the help of foreign consultants.

The Company is also holder of the B.E.S.T. certification from British American Tobacco Company (BAT) as approved regional supplier and also meets the tobacco film needs of Phillip Morris Pakistan Limited.

Future Outlook

At Tri-Pack, "people are our most important asset." In year 2012, HRD department has made exceptional contributions in strategic areas, including developing and retaining competitive people, learning and development, engagement, succession planning etc. This trend is likely to continue in future.

Training in Japan

Health, Safety, Environment & Quality Policy

The Health, Safety, Environment & Quality Policy of Tri-Pack Films Limited is based on:

- Ensure customer satisfaction through product of best quality, developments, modern technologies & by acquiring knowledge and skills.
- Establish, implement and review objectives & targets to ensure continual improvement in our HSEQ System.
- Comply with all legal and statutory requirements related to Environment, Health & Safety.
- Protect employees and community from health & safety hazards and to prevent environmental pollution.
- Use raw materials efficiently, manage waste effectively and economically and to conserve resources.
- Communicate to all stakeholders about our occupational health and safety, environment and quality policy & performance.
- Ensure that any new plant, equipment and processes installed will minimize hazards and impact to the environment.

"There's no secret to balance. You just have to feel the waves."

Fire Fighting and First Aid Trainings

Fires lead to assets loss, psychological distress, and sometimes loss of life. Tri-Pack believes to empower its employees to have understanding of fire fighting and first aid skills. Having knowledge of the proper procedures and practicing the drills of what to do in the case of a fire and emergency, is an essential part of our safety training implementation.

For number of years the HRD department at Tri-Pack has provided in-house trainings to employees aimed at helping them to build the relevant skills necessary for jobs. The HRD department organizes rigorous training sessions on Fire Fighting and First Aid. Internal and external training sessions from certified institutions had also been conducted. The main objective of these courses was to equip the employees with related skills and make them familiar with first aid techniques to cope with the medical emergencies in case of any unfortunate incident. The training not only covers theoretical knowledge but also supplemented with practical aspects. Fire fighting and first aid are the skill that every workplace and home environment needs. All these in-house sessions are well equipped with theoretical knowledge and practical demonstrations. These trainings shall improve the responsiveness time of employees in case of any fire and other emergencies.

Statement of Ethics & Business Practices

A. Tri-Pack Films Limited shall endeavour to promote fair business practices and conduct the business with the principles of integrity, objectivity and financial prudence.

B. It is the policy of Tri-Pack Films Limited to observe all applicable laws, rules and regulations of the Government. Accordingly every director and employee will obey the law of the land. Any director and employee guilty of violation will be liable to disciplinary consequences.

C. All employees are expected to adhere to all internal corporate rules and policies in the performance of their jobs.

D. Employees must avoid conflicts of interest between their private financial activities and conduct of Company business.

E. All managers and supervisors shall be responsible to see that there is no violation of laws within their area of responsibility which proper supervision could have prevented. The manager and supervisor shall still be responsible if he/she delegates particular tasks.

Statement of Compliance
with the Code of Corporate Governance

For the year ended December 31, 2012

This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the board includes:

Category	Names
Independent Director	1. Mr. Asif Qadir
Executive Director	1. Mr. Shahid Hussain
Non-Executive Directors	1. Syed Babar Ali 2. Syed Hyder Ali 3. Mr. Khalid Yacob 4. Mr. Kimihide Ando 5. Mr. Tetsuo Obana

   The independent director meets the criteria of independence under clause i(b) of the Code.

2. The directors of the Company have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking Company, a DFI or an NBFI or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred on the board in the year 2012.

5. 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.

6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.

8. 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 and the Board met at least once in every quarter. Written

notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Company arranged an orientation course for its directors during the year. Four directors of the Company viz., Syed Babar Ali, Syed Hyder Ali, Mr. Khalid Yacob and Mr. Asif Qadir are exempted from the directors training program as per clause (xi) of the Code of Corporate Governance, since apart from having a minimum of 14 years of education, their experience on the board of listed companies is 15 years or more. The Company will ensure that the remaining three directors acquire the certification under the directors training program within the time frame specified in the Code of Corporate Governance.

10. There were no new appointments of the Head of Internal Audit, CFO or Company Secretary during the year. However, all such appointments including their remuneration and terms and conditions of employment are approved by the Board.

11. The directors' report for this year has been prepared in compliance with the requirements of he Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an Audit Committee. It comprises of four members, all of whom are non-executive directors and the chairman of the committee is an independent director.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed a Human Resource and Remuneration Committee. It comprises of three members, of whom two are non-executive directors, including its chairman.

18. The Board has set-up an effective internal audit function. This function has been outsourced to KPMG Taseer Hadi & Co., Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

19. 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 (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to directors, employees and stock exchanges.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

23. We confirm that all other material principles enshrined in the Code have been complied with.

Shahid Hussain
Chief Executive

March 13, 2013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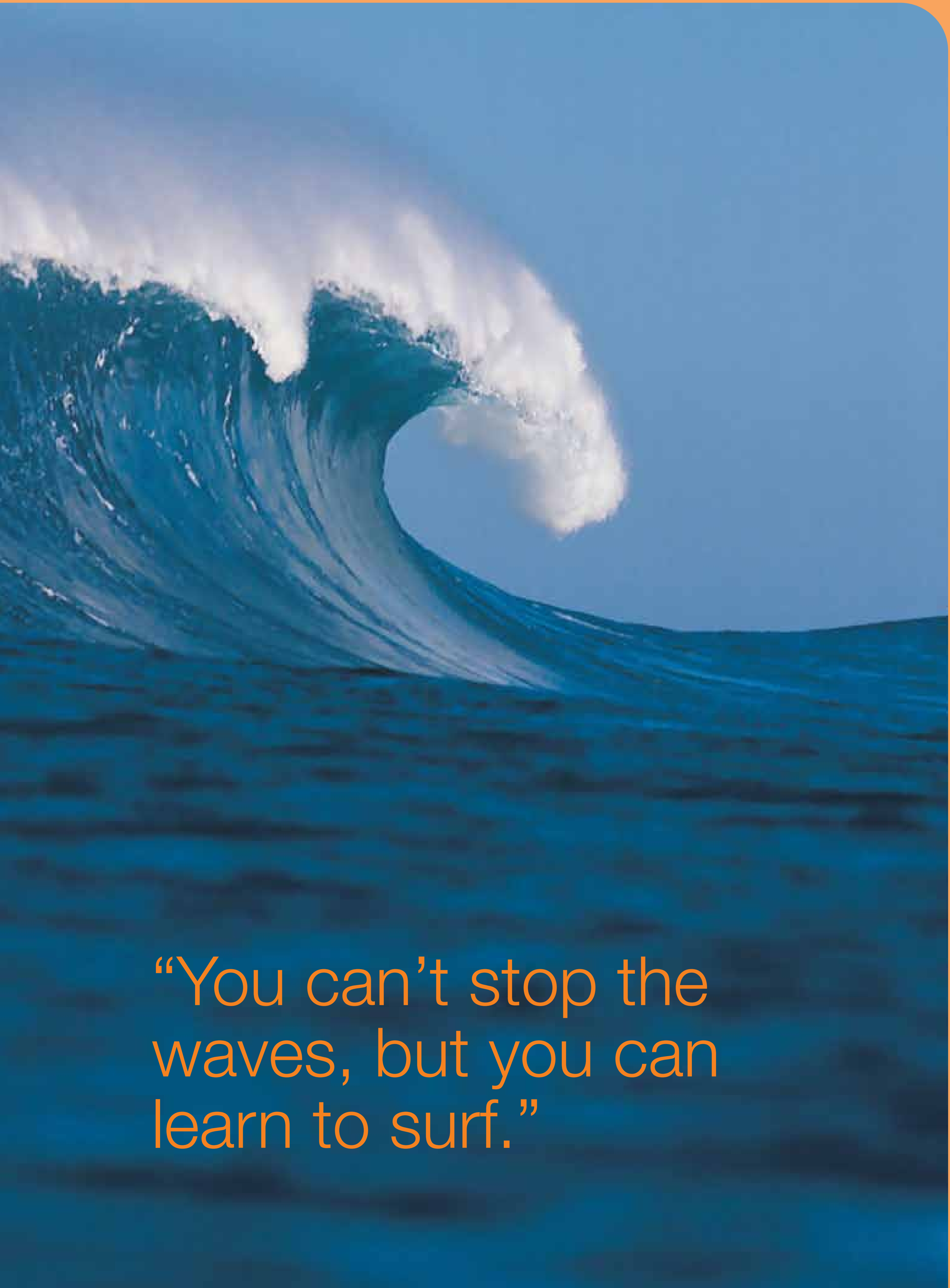
Highlights

	2012	2011
Gross sales - Rupees in million	12,093	12,246
Net profit - Rupees in million	534	783
Cash Dividend - % of paid-up capital	100	200
Earning per share - Rupees	17.80	26.09
Total Assets - Rupees in million	11,400	6,194
Finished BOPP & CPP film production - MT	35,770	34,925
Number of employees	382	385


"You can't stop the waves, but you can learn to surf."

Financial Statistical Summary

	Year to December 31, 2012	Year to December 31, 2011	Year to December 31, 2010	Year to December 31,2009
Balance Sheet Summary				
Paid-up-capital	300,000	300,000	300,000	300,000
General reserve	1,371,000	1,189,000	995,000	831,000
Unappropriated profit / (loss)	536,785	784,730	496,125	465,280
Share holders' funds	2,207,785	2,221,197	1,791,125	1,596,280
Long-term financing facilities	4,101,924	250,000	375,000	608,000
Fixed capital expenditure	6,475,284	2,449,481	1,871,819	2,095,567
Long-term deposits	2,303	2,195	1,763	1,178
Deferred asset / (liability) - net	(269,143)	(177,554)	(232,524)	(277,352)
Net current assets / (liabilities)	101,265	197,075	525,067	384,887
Profit & Loss Summary				
Sales (net of sales tax)	10,240,532	10,009,875	7,620,571	5,685,687
Cost of sales	8,761,569	8,252,920	6,400,820	4,695,035
Gross profit	1,478,963	1,756,955	1,219,751	990,652
Administration and selling expenses	468,221	397,505	263,681	211,723
Operating profit	1,010,742	1,359,450	956,070	778,929
Other income	32,816	52,298	27,282	43,046
Financial charges	171,374	122,429	205,346	221,723
Other charges	57,341	90,289	55,012	41,418
Profit / (loss) before taxation	814,843	1,199,030	722,994	558,834
Provision for taxation	280,788	416,425	228,149	94,759
Profit / (loss) after taxation	534,055	782,605	494,845	464,075
Dividend	300,000	600,000	300,000	300,000
Transfer to reserve	182,000	194,000	164,000	59,000
Key Financial Ratios				
Gross profit / sales	14.44%	17.55%	16.01%	17.42%
Profit before tax / sales	7.96%	11.98%	9.49%	9.83%
Return on capital employed	15.86%	53.30%	41.00%	33.12%
Interest coverage (times)	6.1	11.5	4.8	3.7
Inventory turnover (times)	3.19	4.43	4.96	3.91
Fixed assets turnover (times)	1.58	4.09	4.07	2.71
Debt : equity ratio	65:35	10:90	17:83	28:72
Current ratio	1.0	1.1	1.3	1.2
Shares & Earning				
Break-up value (Rs per share)	73.6	74.0	59.7	53.2
Price earning ratio (times)	11.4	6.9	6.8	6.6
Earnings per share (Rs)	17.80	26.09	16.49	15.47
Dividend	100%	200%	100%	100%
Market value per share	202	180	112	102
Taxes, duties and levies	2,787,579	3,166,097	2,311,352	1,715,277

Year to December 31, 2008	Year to December 31, 2007	Year to December 31, 2006	Year to December 31, 2005	Year to December 31, 2004	Year to December 31, 2003
300,000	300,000	300,000	300,000	300,000	300,000
772,000	632,000	614,000	604,500	534,500	424,500
240,205	320,219	168,064	84,682	115,736	200,298
1,312,205	1,252,608	1,082,064	989,182	950,236	924,798
824,000	540,000	756,000	972,000	1,000,000	137,500
2,111,285	1,608,744	1,703,966	1,879,300	1,890,571	820,232
1,218	1,104	858	1,048	1,183	793
(304,735)	(192,731)	(104,426)	(43,895)	(24,865)	22,648
328,437	375,491	237,666	124,729	83,347	218,625
5,865,487	4,555,172	3,825,643	2,998,386	1,754,302	1,485,811
4,855,356	3,627,470	3,316,875	2,648,729	1,472,810	1,088,927
1,010,131	927,702	508,768	349,657	281,492	396,884
163,890	135,913	127,804	117,910	94,618	96,658
846,241	791,789	380,964	231,747	186,874	300,226
29,570	25,729	11,989	12,114	7,611	6,460
108,844	93,167	130,595	117,064	20,349	24,573
43,310	49,981	18,103	6,340	8,405	18,402
723,657	674,370	244,255	120,457	165,731	263,711
243,671	234,215	76,373	36,511	50,293	63,606
479,986	440,155	167,882	83,946	115,438	200,105
420,000	300,000	150,000	75,000	45,000	90,000
140,000	18,000	9,500	70,000	110,000	158,000
17.22%	20.37%	13.30%	11.66%	16.05%	26.71%
12.34%	14.80%	6.38%	4.02%	9.45%	17.75%
35.88%	41.18%	20.23%	12.16%	9.85%	28.79%
8.0	8.8	3.0	2.1	9.6	12.5
4.30	4.63	8.18	6.46	2.81	4.36
2.78	2.7	2.2	1.6	0.9	1.8
39:61	30:70	41:59	50:50	51:49	13:87
1.2	1.3	1.3	1.2	1.1	2.0
43.7	41.7	36.1	33.0	31.7	30.8
7.8	14.7	9.7	16.1	20.3	12.0
16.00	14.67	5.60	2.80	3.85	6.67
140%	100%	50%	25%	15%	30%
125	215	54	52	78	80
1,727,355	1,161,337	713,209	523,813	572,110	511,711

Horizontal and Vertical Analysis

Horizontal Analysis

Balance Sheet	2012	12 vs 11	2011	11 vs 10
	Rs '000	%	Rs '000	%
Equity and Reserves	2,207,785	(0.60)	2,221,197	24.01
Long-term financing facilities	4,101,924	1,540.77	250,000	(33.33)
Deferred Liabilities	269,143	51.58	177,554	(23.64)
Current Liabilities	4,821,389	36.01	3,544,749	77.14
	11,400,241	84.07	6,193,500	40.77
Property Plant and Equipment	6,467,014	166.05	2,430,754	31.11
Intangibles	8,270	(55.84)	18,727	5.00
Long-term deposits	2,303	4.90	2,195	24.53
Current Assets				
Stores and spares	396,582	23.38	321,433	35.56
Stock-in-trade	2,344,940	52.06	1,542,125	46.54
Trade debts	1,204,616	21.44	991,922	29.28
Financial assets at fair value through profit or loss	-	-	262,884	-
Advances, prepayments and other receivables	213,819	132.86	91,824	133.57
Taxation	143,825	160.54	55,202	(30.94)
Cash and bank balances	618,872	29.90	476,434	36.04
	11,400,241	84.07	6,193,500	40.77

Vertical Analysis

Balance Sheet	2012		2011	
	Rs '000	%	Rs '000	%
Equity and Reserves	2,207,785	19.37	2,221,197	35.86
Long-term financing facilities	4,101,924	35.98	250,000	4.04
Deferred Liabilities	269,143	2.36	177,554	2.87
Current Liabilities	4,821,389	42.29	3,544,749	57.23
	11,400,241	100.00	6,193,500	100.00
Property Plant and Equipment	6,467,014	56.73	2,430,754	39.25
Intangibles	8,270	0.07	18,727	0.30
Long-term deposits	2,303	0.02	2,195	0.04
Current Assets				
Stores and spares	396,582	3.48	321,433	5.19
Stock-in-trade	2,344,940	20.57	1,542,125	24.90
Trade debts	1,204,616	10.57	991,922	16.02
Financial assets at fair value through profit or loss	-		262,884	4.24
Advances, prepayments and other receivables	213,819	1.88	91,824	1.48
Taxation	143,825	1.26	55,202	0.89
Cash and bank balances	618,872	5.43	476,434	7.69
	11,400,241	100.00	6,193,500	100.00

Horizontal Analysis

2010	10 vs 09	2009	09 vs 08	2008	08 vs 07	2007
Rs '000	%	Rs '000	%	Rs '000	%	Rs '000
1,791,125	12.21	1,596,280	21.65	1,312,205	4.76	1,252,608
375,000	(38.32)	608,000	(26.21)	824,000	52.59	540,000
232,524	(16.16)	277,352	(8.99)	304,735	58.11	192,731
2,001,096	(1.68)	2,035,195	8.70	1,872,256	38.04	1,356,316
4,399,745	(2.59)	4,516,827	4.72	4,313,196	29.07	3,341,655
1,853,983	(11.53)	2,095,567	(0.74)	2,111,285	31.24	1,608,744
17,836	(9.50)	19,708	100.00	-	100.00	-
1,763	49.66	1,178	(3.28)	1,218	10.33	1,104
237,119	19.28	198,796	11.64	178,069	24.83	142,651
1,052,338	4.96	1,002,595	5.49	950,426	48.33	640,772
767,252	(13.56)	887,659	30.19	681,822	27.63	534,197
-	-	-	-	-	-	50,389
39,313	5.13	37,393	(59.90)	93,259	142.21	38,503
79,931	25.14	63,873	100.00	-	100.00	-
350,210	52.42	229,766	(22.67)	297,117	(8.66)	325,295
4,399,745	(3.02)	4,536,535	5.18	4,313,196	29.07	3,341,655

Vertical Analysis

2010		2009		2008		2007	
Rs '000	%	Rs '000	%	Rs '000	%	Rs '000	%
1,791,125	40.71	1,596,280	35.34	1,312,205	30.42	1,252,608	37.48
375,000	8.52	608,000	13.46	824,000	19.10	540,000	16.16
232,524	5.28	277,352	6.14	304,735	7.07	192,731	5.77
2,001,096	45.48	2,035,195	45.06	1,872,256	43.41	1,356,316	40.59
4,399,745	100.00	4,516,827	100.00	4,313,196	100.00	3,341,655	100.00
1,853,983	42.14	2,095,567	46.19	2,111,285	48.95	1,608,744	48.14
17,836	0.41	19,708	0.43	-		-	
1,763	0.04	1,178	0.03	1,218	0.03	1,104	0.03
237,119	5.39	198,796	4.38	178,069	4.13	142,651	4.27
1,052,338	23.92	1,002,595	22.10	950,426	22.04	640,772	19.18
767,252	17.44	887,659	19.57	681,822	15.81	534,197	15.99
-		-		-		50,389	1.51
39,313	0.89	37,393	0.82	93,259	2.16	38,503	1.15
79,931	1.82	63,873	1.41	-		-	
350,210	7.96	229,766	5.06	297,117	6.89	325,295	9.73
4,399,745	100.00	4,536,535	100.00	4,313,196	100.00	3,341,655	100.00

Horizontal and Vertical Analysis

Horizontal Analysis

Profit and Loss Account	2012	12 vs 11	2011	11 vs 10
	Rs '000	%	Rs '000	%
Net Sales	10,240,532	2.30	10,009,875	31.35
Cost of sales	8,761,569	6.16	8,252,920	28.94
Gross profit	1,478,963	(15.82)	1,756,955	44.04
Administration and distribution expenses	468,221	17.79	397,505	50.75
Operating profit	1,010,742	(25.65)	1,359,450	42.19
Other income	32,816	(37.25)	52,298	91.69
Finance cost	171,374	39.98	122,429	(40.38)
Other expenses	57,341	(36.49)	90,289	64.13
Profit before taxation	814,843	(32.04)	1,199,030	65.84
Provision for taxation	280,788	(32.57)	416,425	82.52
Profit after taxation	534,055	(31.76)	782,605	58.15

Vertical Analysis

Profit and Loss Account	2012		2011	
	Rs '000	%	Rs '000	%
Net Sales	10,240,532	100	10,009,875	100.00
Cost of sales	8,761,569	85.56	8,252,920	82.45
Gross profit	1,478,963	14.44	1,756,955	17.55
Administration and distribution expenses	468,221	4.57	397,505	3.97
Operating profit	1,010,742	9.87	1,359,450	13.58
Other income	32,816	0.32	52,298	0.52
Finance cost	171,374	1.67	122,429	1.22
Other expenses	57,341	0.56	90,289	0.90
Profit before taxation	814,843	7.96	1,199,030	11.98
Provision for taxation	280,788	2.74	416,425	4.16
Profit after taxation	534,055	5.22	782,605	7.82

Horizontal Analysis

2010	10 vs 09	2009	09 vs 08	2008	08 vs 07	2007
Rs '000	%	Rs '000	%	Rs '000	%	Rs '000
7,620,571	34.03	5,685,687	(3.07)	5,865,487	28.77	4,555,172
6,400,820	36.33	4,695,035	(3.30)	4,855,356	33.85	3,627,470
1,219,751	23.13	990,652	(1.93)	1,010,131	8.89	927,702
263,681	24.54	211,723	29.19	163,890	20.58	135,913
956,070	22.74	778,929	(7.95)	846,241	6.88	791,789
27,282	(36.62)	43,046	45.57	29,570	14.93	25,729
205,346	(7.39)	221,723	103.71	108,844	16.83	93,167
55,012	32.82	41,418	(4.37)	43,310	(13.35)	49,981
722,994	29.38	558,834	(22.78)	723,657	7.31	674,370
228,149	140.77	94,759	(61.11)	243,671	4.04	234,215
494,845	6.63	464,075	(3.31)	479,986	9.05	440,155

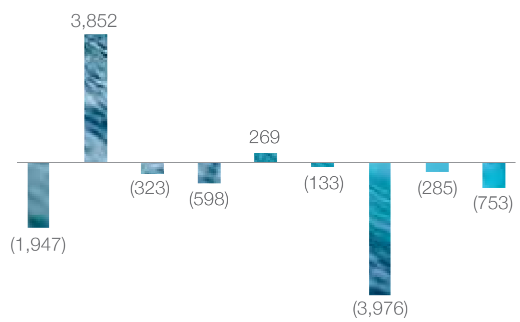
Vertical Analysis

2010		2009		2008		2007	
Rs '000	%	Rs '000	%	Rs '000	%	Rs '000	%
7,620,571	100.00	5,685,687	100.00	5,865,487	100.00	4,555,172	100.00
6,400,820	83.99	4,695,035	82.58	4,855,356	85.40	3,627,470	79.63
1,219,751	16.01	990,652	17.42	1,010,131	17.22	927,702	20.37
263,681	3.46	211,723	3.72	163,890	2.79	135,913	2.98
956,070	12.55	778,929	13.70	846,241	14.43	791,789	17.38
27,282	0.36	43,046	0.76	29,570	0.50	25,729	0.56
205,346	2.69	221,723	3.90	108,844	1.86	93,167	2.05
55,012	0.72	41,418	0.73	43,310	0.74	49,981	1.10
722,994	9.49	558,834	9.83	723,657	12.34	674,370	14.80
228,149	2.99	94,759	1.67	243,671	4.15	234,215	5.14
494,845	6.49	464,075	8.16	479,986	8.18	440,155	9.66

Sources and Application of Funds

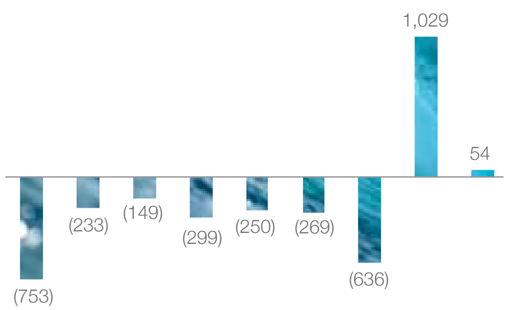
Over the last six years

	2012	2011	2010	2009	2008	2007
	Rupees in thousand					
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash generated from operations	81,496	1,495,885	1,627,161	1,119,745	481,868	944,321
Payment on account of accumulated compensated absences	(9,244)	(8,801)	(3,307)	(3,999)	(4,734)	(1,249)
Long-term deposits	(108)	(432)	(585)	40	(114)	(246)
Staff retirement benefits paid	(41,519)	(32,113)	(21,762)	(15,343)	(12,426)	(10,197)
Income taxes paid	(315,361)	(425,847)	(291,760)	(209,128)	(220,994)	(38,510)
Net cash inflow / (outflow) from operating activities	(284,736)	1,028,692	1,309,747	891,315	243,600	894,119
CASH FLOWS FROM INVESTING ACTIVITIES						
Fixed capital expenditure	(3,956,707)	(903,945)	(141,155)	(307,267)	(771,784)	(150,788)
Acquisition of intangible	-	(9,237)	(2,433)	(6,443)	-	-
Profit on bank balances received	222	407	708	565	807	3,994
Payment made for settlement of derivative	(158,925)	-	-	-	-	-
Purchase of held-for-trading financial assets	-	(450,000)	-		(120,000)	(120,000)
Redemption of held-for-trading financial assets	268,783	200,000	-	18,650	171,991	71,500
Sale proceeds on disposal of fixed assets	7,383	7,069	5,739	2,693	4,554	2,496
Net cash outflow from investing activities	(3,839,244)	(1,155,706)	(137,141)	(291,802)	(714,432)	(192,798)
CASH FLOWS FROM FINANCING ACTIVITIES						
Long-term finances paid	(125,000)	(233,000)	(216,000)	(216,000)	(216,000)	(216,000)
Long-term finances acquired	3,976,924	-	-	-	500,000	-
Finance cost paid	(323,914)	(148,676)	(226,519)	(227,765)	(73,416)	(100,068)
Dividends paid	(597,651)	(298,971)	(299,204)	(179,533)	(417,808)	(268,825)
Net cash inflow / (outflow) from financing activities	2,930,359	(680,647)	(741,723)	(623,298)	(207,224)	(584,893)
Net cash inflow / (outflow)	(1,193,621)	(807,661)	430,883	(23,785)	(678,056)	116,428



2012

Cash as on 31-12-2012	(1,947)
Loan Acquired/(Paid) - net	3,852
Finance Cost	(323)
Dividends	(598)
Investment in Mutual Funds	269
Capital Expenditure	(133)
Investment Line-4	(3,976)
Cash inflow from Operations	(285)
Cash 1-1-2012	(753)

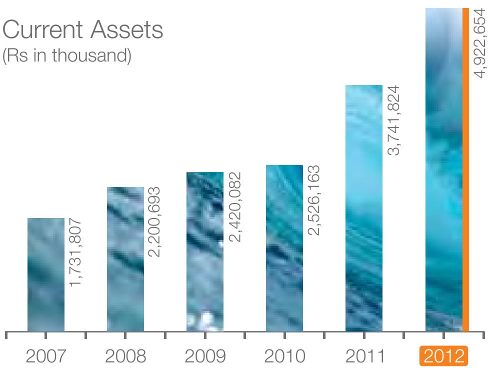


2011

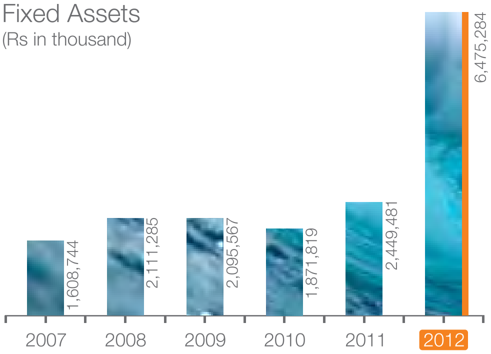
Cash as on 31-12-2011	(753)
Loan Acquired/(Paid) - net	(233)
Finance Cost	(149)
Dividends	(299)
Investment in Mutual Funds	(250)
Capital Expenditure	(269)
Investment Line-4	(636)
Cash inflow from Operations	1,029
Cash 1-1-2011	54

Analytical Review

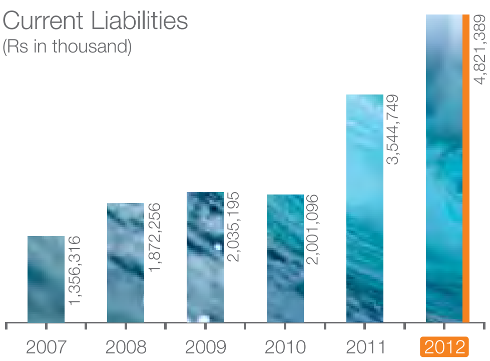
Current Assets
(Rs in thousand)



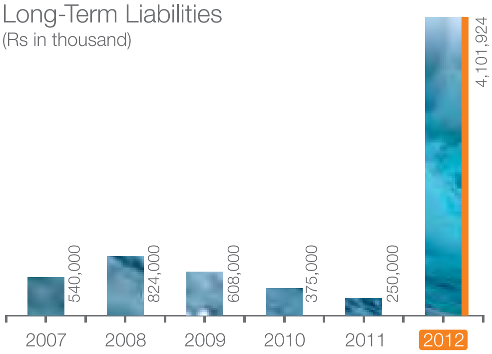
Fixed Assets
(Rs in thousand)



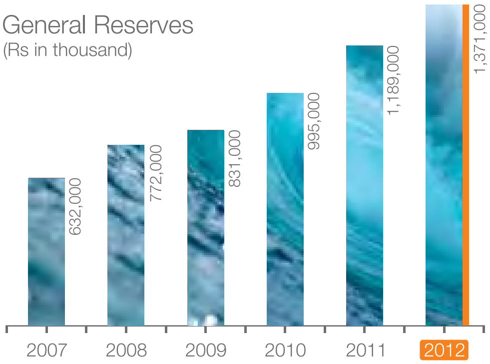
Current Liabilities
(Rs in thousand)



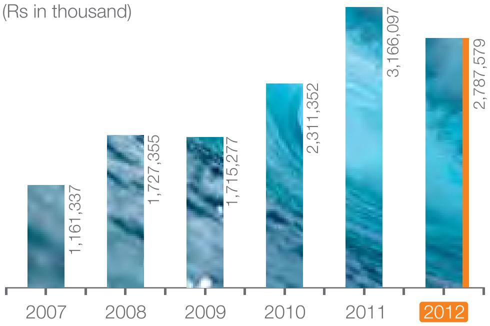
Long-Term Liabilities
(Rs in thousand)

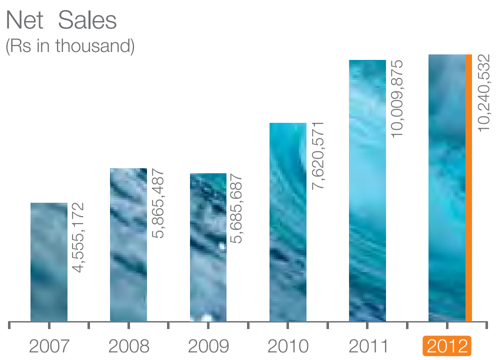


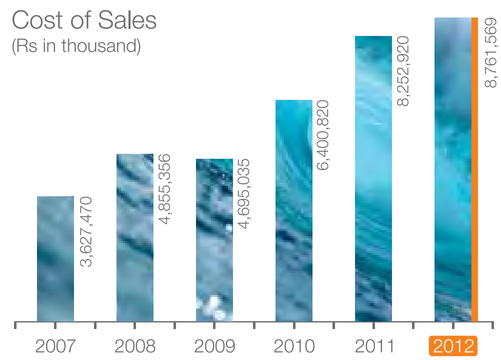
General Reserves
(Rs in thousand)

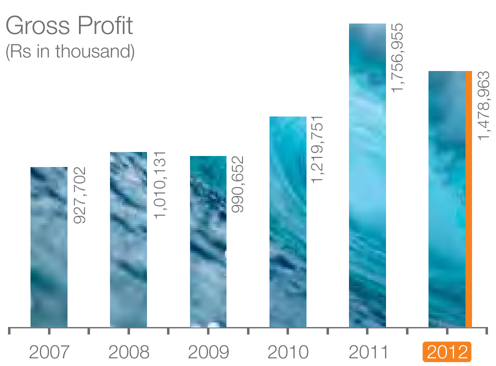


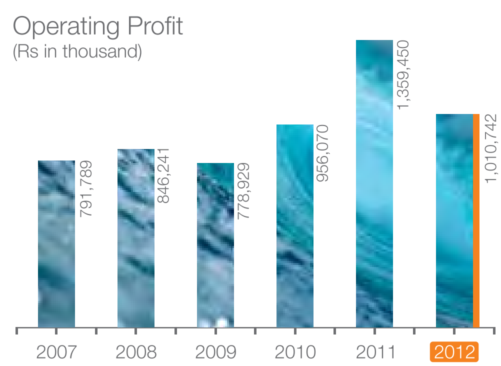
Contribution to National Exchequer
(Rs in thousand)

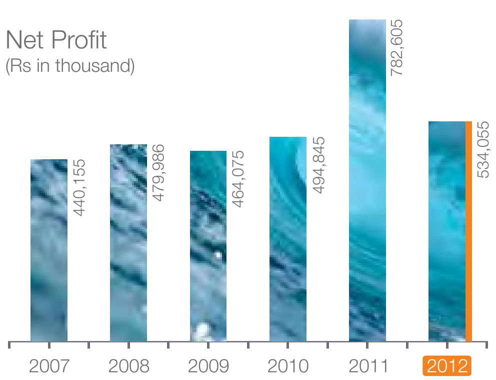


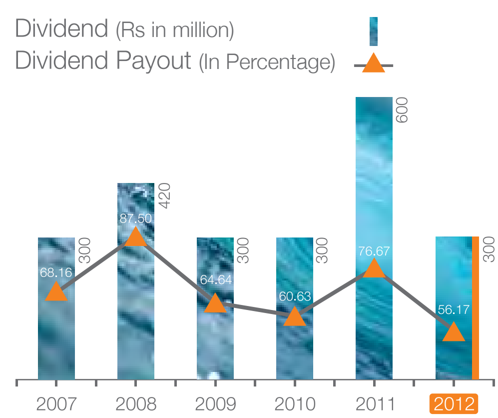

Net Sales
(Rs in thousand)
4,555,172
5,865,487
5,685,687
7,620,571
10,009,875
10,240,532
2007
2008
2009
2010
2011
2012


Cost of Sales
(Rs in thousand)
3,627,470
4,855,356
4,695,035
6,400,820
8,252,920
8,761,569
2007
2008
2009
2010
2011
2012

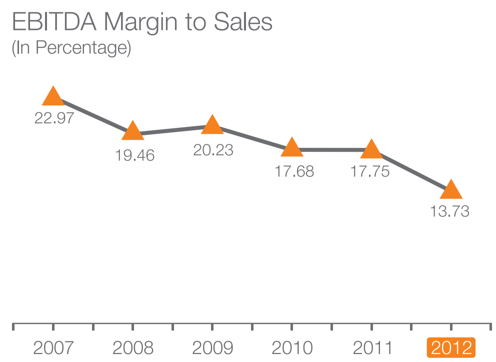

Gross Profit
(Rs in thousand)
927,702
1,010,131
990,652
1,219,751
1,756,955
1,478,963
2007
2008
2009
2010
2011
2012

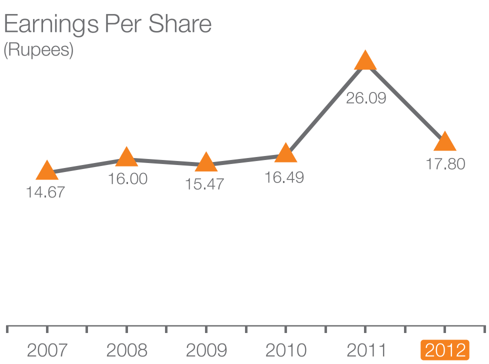

Operating Profit
(Rs in thousand)
791,789
846,241
778,929
956,070
1,359,450
1,010,742
2007
2008
2009
2010
2011
2012

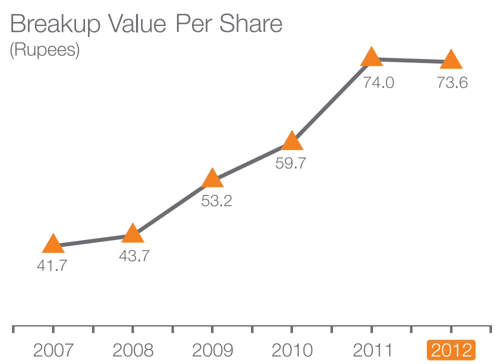

Net Profit
(Rs in thousand)
440,155
479,986
464,075
494,845
782,605
534,055
2007
2008
2009
2010
2011
2012

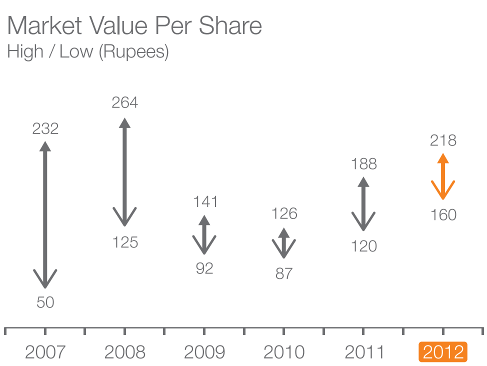

Dividend (Rs in million)
Dividend Payout (In Percentage)
300
420
300
300
600
300
68.16
87.50
64.64
60.63
76.67
56.17
2007
2008
2009
2010
2011
2012

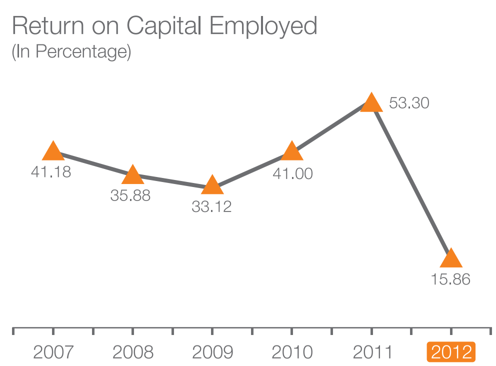
Analytical Review



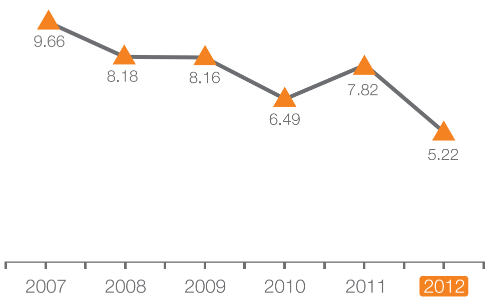




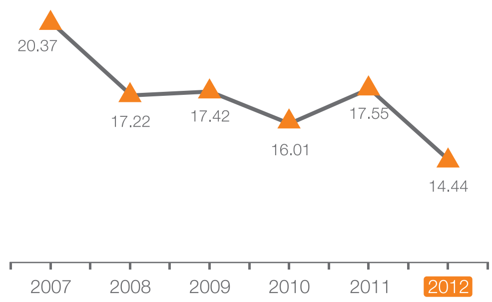




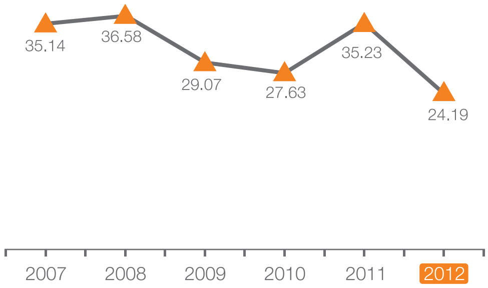
Net Profit Margin
(In Percentage)



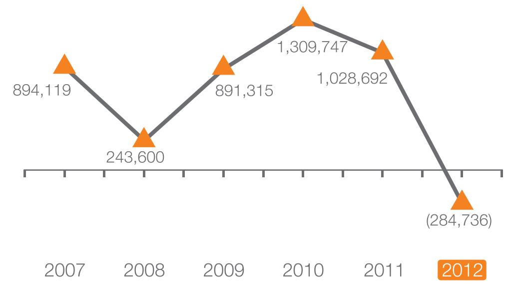
Gross Profit Margin
(In Percentage)



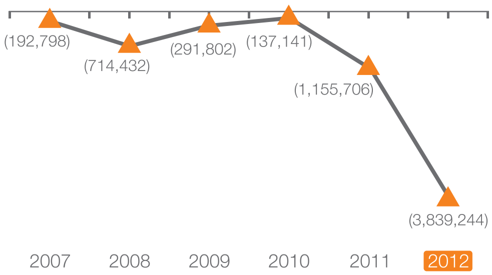
Return on Equity
(In Percentage)



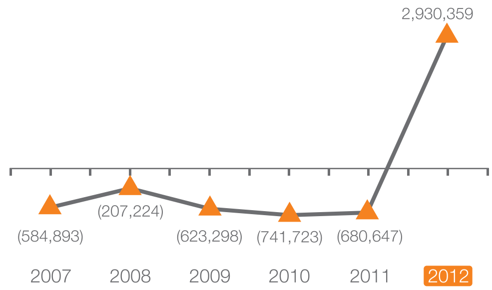
Cash Flows from Operating Activities
(Rs in Thousands)



Cash Flows from Investing Activities
(Rs in Thousands)

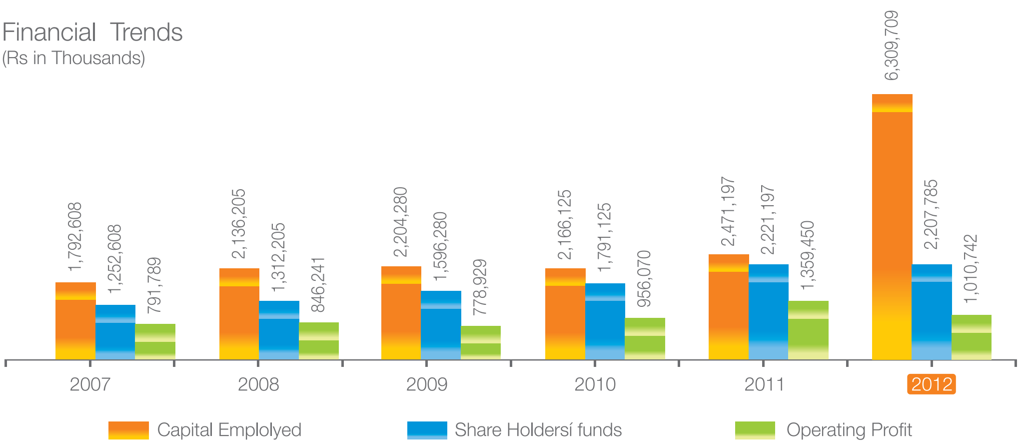


Cash Flows from Financing Activities
(Rs in Thousands)

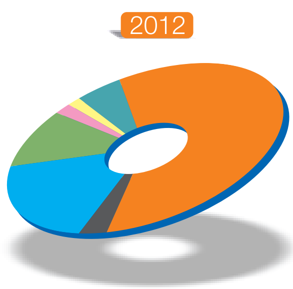


Analytical Review

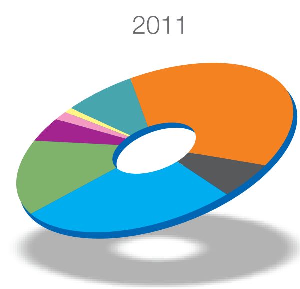
Financial Trends
(Rs in Thousands)



Fixed and Current Assets
(In Percentage)

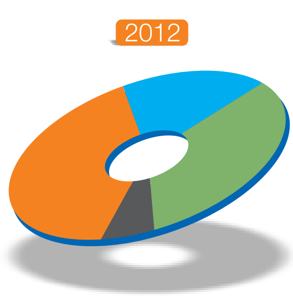


Property Plant and Equipment	56.73%
Intangibles	0.07%
Long term deposits	0.02%
Stores and spares	3.48%
Stock-in-trade	20.57%
Trade debts	10.57%
Financial assets at fair value through profit or loss	-
Advances, prepayments and other receivables	1.88%
Taxation	1.26%
Cash and bank balances	5.43%

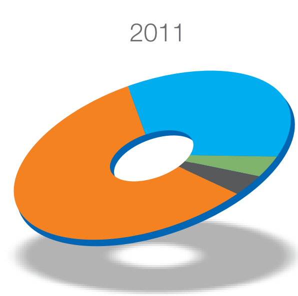


Property Plant and Equipment	39.25%
Intangibles	0.30%
Long term deposits	0.04%
Stores and spares	5.19%
Stock-in-trade	24.90%
Trade debts	16.02%
Financial assets at fair value through profit or loss	4.24%
Advances, prepayments and other receivables	1.48%
Taxation	0.89%
Cash and bank balances	7.69%

Equities and Liabilities
(In Percentage)



Equity and Reserves	20%
Long term financing facilities	36%
Deferred Liabilities	2%
Current Liabilities	42%



Equity and Reserves	36%
Long term financing facilities	4%
Deferred Liabilities	3%
Current Liabilities	57%

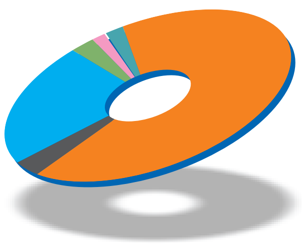
Value Added and its Distribution

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

	2012		2011	
	(Rs '000)	%	(Rs '000)	%
Wealth Generated				
Sales	12,092,584		12,245,966	
Other Income	32,816		52,298	
Bought-in-material & services	(8,108,586)		(7,783,743)	
	4,016,814	100.0	4,514,521	100.0
Wealth Distributed				
To Employees				
Remuneration, benefits and facilities	503,256	12.5	422,390	9.4
To Government				
Income Tax, Sales Tax, Custom & Excise Duties, WPPF, WWF, EOBI, Social Security, Professional & Local Taxes	2,787,579	69.4	3,166,097	70.1
To Providers of Capital				
Cash dividend	300,000	7.5	600,000	13.3
To Lenders				
Mark-up & finance cost	171,374	4.3	122,429	2.7
To Society				
Donations	20,550	0.5	21,000	0.5
Retained for Reinvestment & Future Growth				
For expansion program & operations	234,055	5.8	182,605	4.0
	4,016,814	100.0	4,514,521	100.0

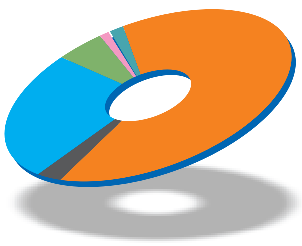
Distributed Value Added

2012



- Bought-in-material & services 66.9%
- To Employees 4.2%
- To Government 23.0%
- To Shareholder 2.5%
- To Lenders 1.4%
- To Society 0.2%
- Retained for Reinvestment & Future Growth 1.9%

2011



- Bought-in-material & services 63.3%
- To Employees 3.4%
- To Government 25.7%
- To Shareholder 4.9%
- To Lenders 1.0%
- To Society 0.2%
- Retained for Reinvestment & Future Growth 1.5%

Notice of Annual General Meeting

Notice is hereby given that the 21st Annual General Meeting of Tri-Pack Films Limited will be held on Thursday, April 17, 2013 at 10:30 a.m. at the Beach Luxury Hotel, Moulvi Tamizuddin Khan Road, Karachi to transact the following ordinary business :-

1. To confirm the Minutes of the Extraordinary General Meeting of the Company held on October 1, 2012.

2. To receive and adopt the Audited Financial Statements of the Company for the year ended December 31, 2012 together with the Directors' and Auditors' Reports thereon.

3. To consider and approve payment of cash dividend at the rate of Rs. 10.00 per ordinary share of Rs 10.00 (100%) for the year ended December 31, 2012 as recommended by the Board of Directors.

4. To appoint Auditors for the year 2013 and to fix their remuneration.

By Order of the Board

Adi J. Cawasji
Company Secretary

Karachi
March 22, 2013

Notes :

1. The Share Transfer Books of the Company will remain closed from April 10, 2013 to April 17, 2013 (both days inclusive) and the final dividend will be paid to the shareholders whose names will appear in the Register of Members on April 09, 2013.

2. A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on the member's behalf. A Proxy need not be a member of the Company.

3. Duly completed forms of proxy must be deposited with the Company Secretary 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 not later than 48 hours before the time appointed for the meeting.

4. Shareholders (Non-CDC) are requested to promptly notify the Company's Registrar of any change in their addresses and submit, if applicable to them, the non-deduction of Zakat Form CZ-50 with the Registrar of the Company M/s FAMCO Associates (Pvt.) Limited, 1st Floor, State Life Building No.1-A, I. I. Chundrigar Road, Karachi-74000. All the Shareholders holding their shares through the CDC are requested to please update their addresses and Zakat status with their Participants. This will assist in the prompt receipt of Dividend.

5. The Securities and Exchange Commission of Pakistan has directed vide SRO 779 (1) 2011 dated August 18, 2011 to issue dividend warrant only crossed as "A/c Payee only" and should bear the Computerized National Identity Card Number (CNIC) of the registered member. Members, who have

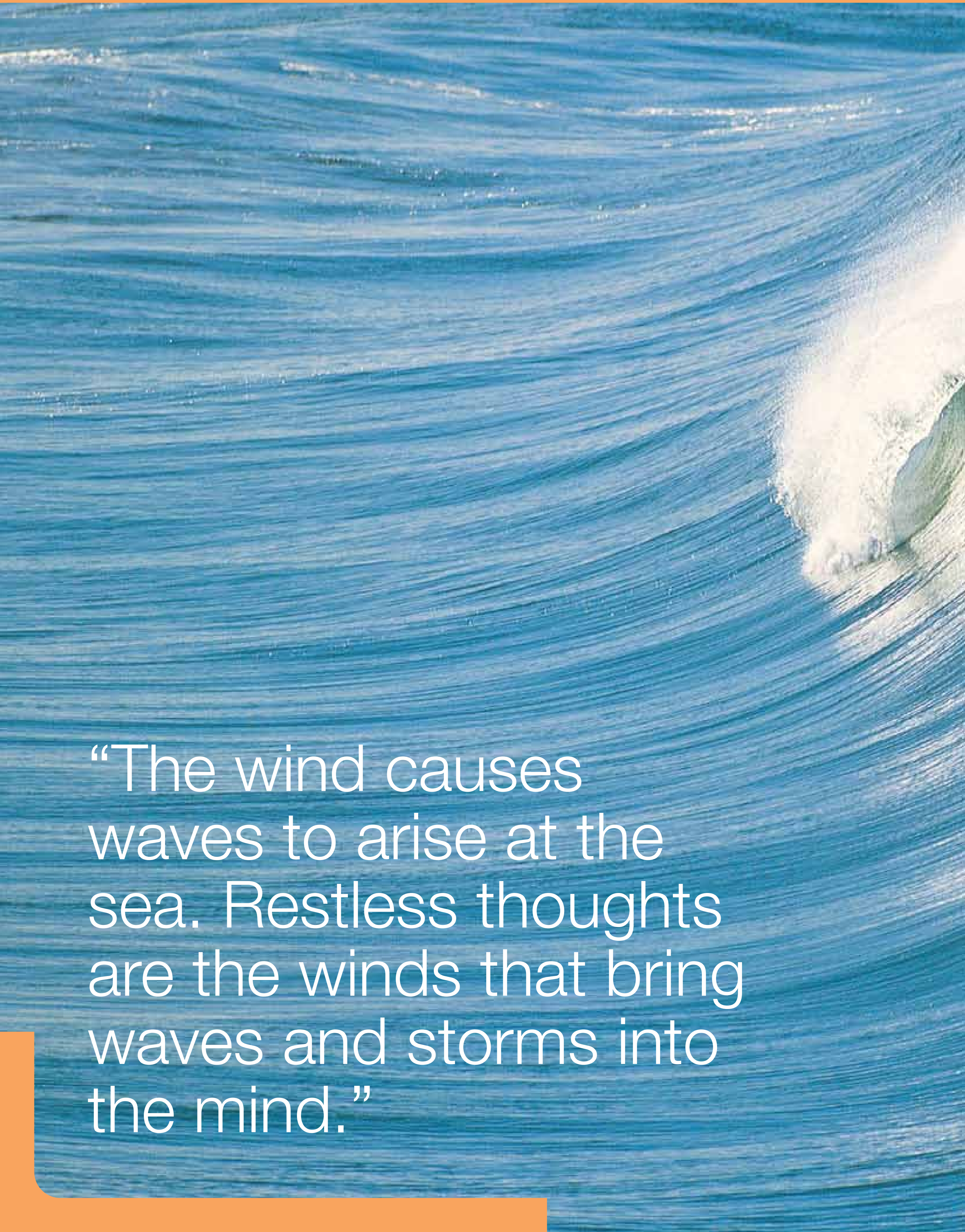
not yet submitted photocopy of their valid CNIC are requested to send the same at the earliest directly to the Company's Share Registrar M/s FAMCO Associates (Pvt.) Limited, 1st Floor, State Life Building No.1-A, I. I. Chundrigar Road, Karachi-74000.

6. As directed by the Securities and Exchange Commission of Pakistan vide Circular No. 18 of 2012 dated June 5, 2012, we give the shareholders the opportunity to authorize the Company to directly credit in their bank account the cash dividend, if any, declared by the Company in the future. If the shareholder wishes that the cash dividend, if declared by the Company, be directly credited into his / her / its bank account instead of issuing a dividend warrant, please provide the following details:

Title of Bank Account	
Bank Account Number	
Bank's Name	
Branch Name and Address	
Cell number of Shareholder	
Landline number of Shareholder	

7. Any individual beneficial owner of the Central Depository Company, entitled to vote at this meeting, must bring his / her Computerized National Identity Card ("CNIC") with him / her to prove his / her identity, and in case of proxy must enclose an attested copy of his/her CNIC. The representatives of corporate bodies should bring attested copy of board of directors' resolution / power of attorney and / or all such documents required under Circular No. 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan for the purpose.

8. Form of proxy is attached in the Annual Report.



"The wind causes waves to arise at the sea. Restless thoughts are the winds that bring waves and storms into the mind."

Directors' Report to the Shareholders

The directors take pleasure in presenting the Annual Report together with the Audited Financial Statements of the Company and the Auditor's Report for the year ended December 31, 2012.

Industry Overview

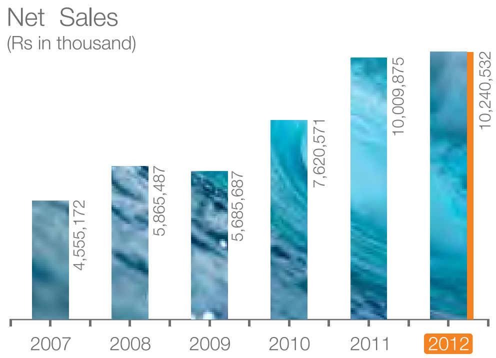
BOPP and CPP film, a part of the flexible packaging industry has emerged as the most popular film grades in the world. The growth in demand for both of the films has been substantial in developed as well as emerging markets on account of its recyclable nature and applications in a variety of non-food and food products and it is expected to continue to grow by an average of 6.6% per annum to reach 8.3 million tonnes by 2016.

In Pakistan, the current demand of BOPP film is around 45,000 MT per annum whereas the demand of CPP film is around 15,000 MT.

Sales And Margins

The current financial year was tough as far as business conditions are concerned mainly due to continued energy shortage, volatile law and order situation in the country and high devaluation rate of PKR against U. S. Dollar.

During the period under review, the Ministry of Industries has granted pioneer industry status to two new units of BOPET films producers in the country, due to which they will enjoy the incentives of corporate income tax holiday for five years, duty-free import of capital goods and support from the government to provide infrastructure and utilities on priority basis. BOPET film is a direct substitute of certain varieties of BOPP films. This has created an unfair competition directly hitting our domestic sales and margins. BOPET film manufacturing is not a novel technology and is similar to BOPP film manufacturing technology. We have taken up this issue with the concerned departments for review.



Additionally substantial increase in energy costs made the downstream industry price sensitive. Thus inspite of the increase in sales volume the average selling price of products was a little lower as compared to last year.

In quantitative terms the sales of the Company for the year under review were 40,145 MT as compared to 38,314 MT showing an increase of 4.8%.

The net profit of the Company remained lower during the period as a result of increase in cost of sales and financial cost coupled with excessive pressure on the sales price.


17
25

Financial performance

The net sales of the Company amounting to Rs. 10,241 million is increased by 2.3% as compared to the corresponding year. Decline in profit is due to the devaluation of Pak rupee, increase in raw material cost, fuel cost due to the shortage of natural gas and financial cost without any corresponding increase in selling prices because of the availability of smuggled BOPP films and BOPET films at cheaper rates.

Comparison of the financial results with the corresponding period last year is as under:

	2012	2011
Sales Volume - (M. Tonnes)	40,145	38,315
Net Sales Value - (Rs in Million)	10,241	10,010
Gross profit - (Rs in Million)	1,479	1,758
Net profit - (Rs in Million)	534	783
EPS - (Rs per share)	17.80	26.09

Operating results of the Company are summarized below:

	Rs '000
Profit before taxation	814,843
Less: Provision for taxation	280,788
Profit after taxation	534,055
Add: unappropriated profit brought forward	184,730
Amount available for appropriation	718,785

Status of new Investments

i) The new Biaxially Oriented Polypropylene Plant (BOPP) with a capacity of 40,000 MT per annum has now been commissioned and the commercial production has started from March 1, 2013.

The new plant shall increase the BOPP production capacity of the Company from 30,000 MT per annum to 70,000 MT per annum. This investment demonstrates commitment of the Company that it caters the increased demand of BOPP films in Pakistan and offer faster delivery, better quality, greater convenience and increased flexibility. Beside this the capacity in excess of the local demand

will be exported, which will generate foreign exchange for the country as well.

ii) In order to meet rapidly growing market demand of CPP films, your Company has ordered a state-of-the-art technology CPP Plant with a capacity of 9,000 MT per annum. This will be a step forward to provide value added products to its customers within the region. This shall increase CPP production capacity of the Company from the present 7,200 MT per annum to 16,200 MT per annum.

The project shall be financed with a mix of debt and internal cash generation. Commencement of commercial production is targeted during the last quarter of 2013.

Cash Flow Strategy

During the period under review, Rs 896 million was generated from operating activities of the Company which was utilized mainly towards the payment of dividends to shareholders and repayment of long-term finances.

The term loan of Rs. 3.98 billion is obtained from commercial banks to meet the requirement of capital expenditure of our new BOPP Film manufacturing Plant.

Your Company has made adequate short-term and long-term financing arrangements to meet the future requirement.

Production Facilities

All three BOPP film manufacturing lines, CPP film manufacturing line and metallizers are operating at full production capacity level. The management is fully aware of the technical requirements of production facilities and a proactive maintenance plan is in place to continue the operations efficiently without disruptions.

Election Of Directors

The election of directors was held on October 1, 2012 and Syed Babar Ali, Syed Hyder Ali, Mr. Tetsuo Obana, Mr. Kimihide Ando, Mr. Khalid Yacob, Mr. Shahid Hussain and Mr. Asif Qadir were appointed by the shareholders in an extraordinary general meeting of the Company for a term of three years commencing from October 3, 2012.

The Board of Directors wishes to record its appreciation for the valuable services rendered by Mr. Faisal Farid who retired as director of the Company on October 2, 2012.

Human Resource

Our people have always been our top priority and they are an integral part of the Company who play a key role in growing the business.

Moreover, our focus has always been on building excellence in our ways of working, where we are constantly striving to inculcate the concept of taking our teams to new heights and attracting the best talent, the market has to offer.

The Company is continuously growing therefore, quality resources have been hired from the market at various levels. Further, the leadership panel consists of dedicated individuals backed by competent teams who are targeted to achieve superior results on the basis of empowerment, innovation and delivering the best to our customers.

Human Resource and Remuneration (HR&R) Committee

Mr. Asif Qadir - Chairman
Mr. Khalid Yacob
Mr. Shahid Hussain

The HR&R Committee was formed on October 02, 2012 and its terms of reference have been approved by the Board and are in line with the guidelines provided in the Code of Corporate Governance.

Social Responsibility

We believe that the highest standards of corporate behavior in our society are essential to our long-term sustainability. Therefore, your Company actively meets the social responsibilities to the community by contributing towards educational, healthcare, Art & Cultural and social projects.

Environment, Health and Safety

Your Company is totally focused on Health, Safety and Environment (HSE) and therefore, proper actions are consistently taken to improve our HSE standards in all business segments.

The management of your Company is committed towards making workers' lives better not only at the workplace but also outside. We strictly adhere to the HSE guidelines as stipulated by the International Finance Corporation to ensure the well-being of our employees. To achieve these objectives, your Company is involved in various awareness programs and training activities:

- Safe driving programs
- Proper usage of fire-fighting equipment
- First aid usage in cases of various emergencies/ events
- Awareness sessions to make staff and workers familiar with workplace hazards and ways to minimize the risks to health, lives and environment.

Further, the system to note and address the weaknesses raised by risk analysis assessments of the work environment is effectively in place and working efficiently.

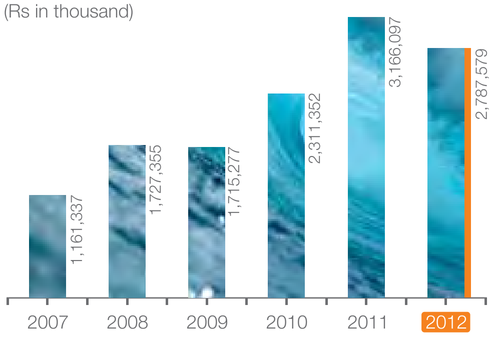
Quality Management

During the year your Company complied with the requirement of all applicable quality standards. To further improve productivity through machine efficiency and reduce process wastages, your Company has also started the implementation of Total Productive Maintenance (TPM) across both the plants which is expected to complete by the end of 2013 with the help of foreign consultants.

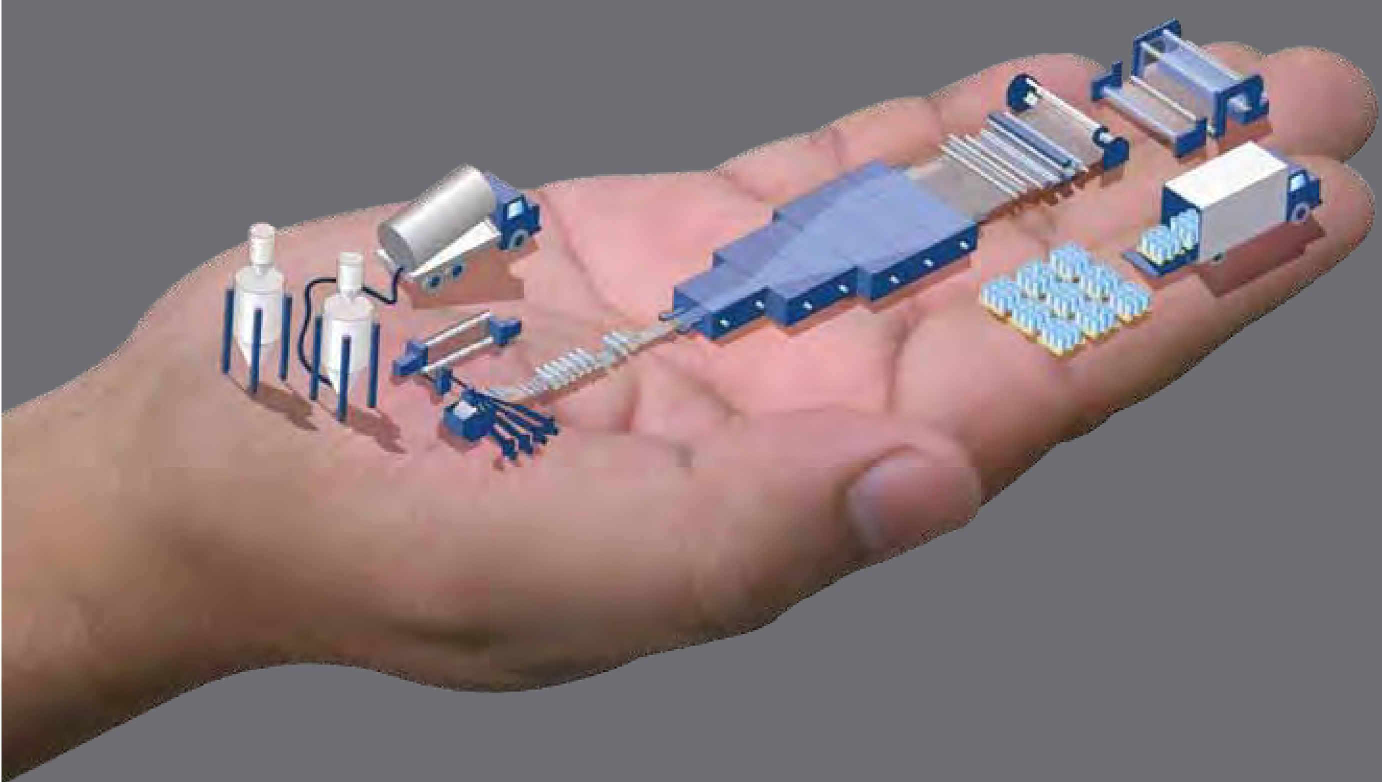
Contribution to the National Exchequer

Your Company's contribution to the exchequer in the form of Sales Tax, Custom Duties and Income Tax is Rs. 2,789 million in 2012.

Contribution to National Exchequer
(Rs in thousand)



The new Biaxially Oriented Polypropylene Plant (BOPP) with a capacity of 40,000 MT per annum has now been commissioned and the commercial production has started from March 1, 2013.



Future Outlook

With the enhanced capacity of BOPP films, improvement in economic activities and security situation in the country, your Company would be in a better position to improve financial results of the Company.

We appreciate the measures taken by the National Tariff Commission (NTC) who has imposed the final antidumping duties on the import of BOPP film.

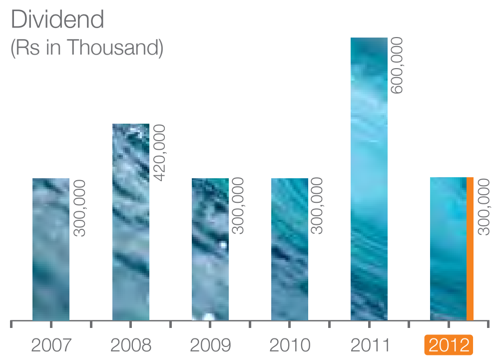
Despite challenges of security situation and power crises in the country, your Company shall strive to improve the financial result and further enhance the shareholder value in year 2013.

Related Parties

We maintain a complete and updated list of related parties. All transactions with related parties are carried out on an unbiased, arms length basis. A complete list of all related party transactions is compiled and submitted to the Audit Committee every quarter. After review by the Audit Committee the transactions are placed before the Board for their consideration and approval.

Dividend

The directors have recommended a cash dividend of 100 % i.e. Rs 10 per share (2011: 200% i.e. Rs 20 per share).



Code Of Corporate Governance

The Board of Directors have taken all the necessary steps to comply with the requirements of the Code of Corporate Governance included in the listing regulations of Stock Exchanges in Pakistan and are pleased to declare the following as required by the Code:

i) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

ii) Proper books of account of the Company have been maintained.

iii) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates. The accounting polices are based on reasonable and prudent judgment.

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

v) The system of internal control is sound in design and has been effectively implemented. The system is continuously monitored by Internal Audit and through other such monitoring procedures. The process of monitoring internal controls will continue as an ongoing process with the objective to further strengthen the controls.

vi) Details of significant changes in the Company's operations during the current year as compared to last year and significant plans and decisions for the future prospects of profits are stated in the Chief Executive's Review as endorsed by Board of Directors.

vii) Key operating and financial data for last six years in summarized form is annexed.

viii) Information about taxes and levies is given in the notes to the financial statements.

ix) There are no doubts upon the Company's ability to continue as a going concern.

x) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

xi) Key operating and financial data of last ten years is annexed.

xii) The value of investments of provident and gratuity funds, as at June 30, 2012 based on their un-audited accounts is as follows:

	Rs '000
Provident	79,601
Gratuity	42,047

The value of investment includes accrued interest.

xiii) A separate statement of compliance signed by the Chief Executive Officer is included in this Annual Report.

Board of Directors

During the year 2012, four meetings of the Board of Directors were held. The attendance of each Director is as follows:

Name of directors	No. of meetings attended
Syed Babar Ali - Chairman	4
Mr. Shahid Hussain - Managing Director	4
Mr. Asif Qadir (Independent Director) (elected w.e.f. October 3, 2012)	1
Mr. Faisal Farid (Independent Director) (retired w.e.f. October 3, 2012)	1
Syed Hyder Ali	4
Mr. Khalid Yacob	4
Mr. Kimihide Ando	4
Mr. Tetsuo Obana	NIL
Mr. Masahiko Takahashi (Alternate to Mr. Tetsuo Obana)	4

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

External Auditors

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

Audit Committee

An Audit Committee of the Board has been in existence since the enforcement of the Code of Corporate Governance. At present, the Audit Committee comprises of four Non-Executive Directors and chaired by independent Non-Executive Director.

Four meetings of the Audit Committee were held during the year 2012. The attendance of each member is given hereunder:

Name of member	No.of meetings attended
Mr. Asif Qadir - Chairman (Independent Director) (appointed w.e.f. October 3, 2012)	1
Mr. Khalid Yacob	4
Mr. Kimihide Ando	4
Mr. Tetsuo Obana	Nil
Mr. Faisal Farid (Independent Director) (retired w.e.f. October 3, 2012)	1
Mr. Masahiko Takahashi (Alternate to Mr. Tetsuo Obana)	4

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

The Audit Committee has its terms of reference which have been determined by the Board of Directors and are in line with the guidelines provided in the Code of Corporate Governance.

Chief Executive Officer, Chief Financial Officer,

Head of Internal Audit and External Auditors attend Audit Committee meetings by way of invitation. However, they are not the formal members of the Audit Committee. The Company Secretary is the Secretary of the Audit Committee.

Corporate And Financial Reporting Framework

Trading of Shares by Chief Executive, Directors, Chief Financial Officer, Company Secretary, their spouses and minor children:

Purchase of Shares:	No. of shares
Chief Executive Officer	Nil
Director – Mr. Asif Qadir	100
Chief Financial Officer	Nil
Company Secretary	Nil
Spouses	Nil
Sale of Shares:	Nil

A statement of the pattern of shareholding of certain class of shareholders as at December 31, 2012, whose disclosure is required under the reporting framework, is included in the annexed shareholders' information.

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

Material Changes

There have been no material changes since December 31, 2011 and the Company has not entered into any commitment, which would affect its position at that date.

Pattern Of Shareholding

A statement of the pattern of shareholding of certain class of shareholders as at December 31, 2012, whose disclosure is required under the reporting framework, is included in the shareholders' information.

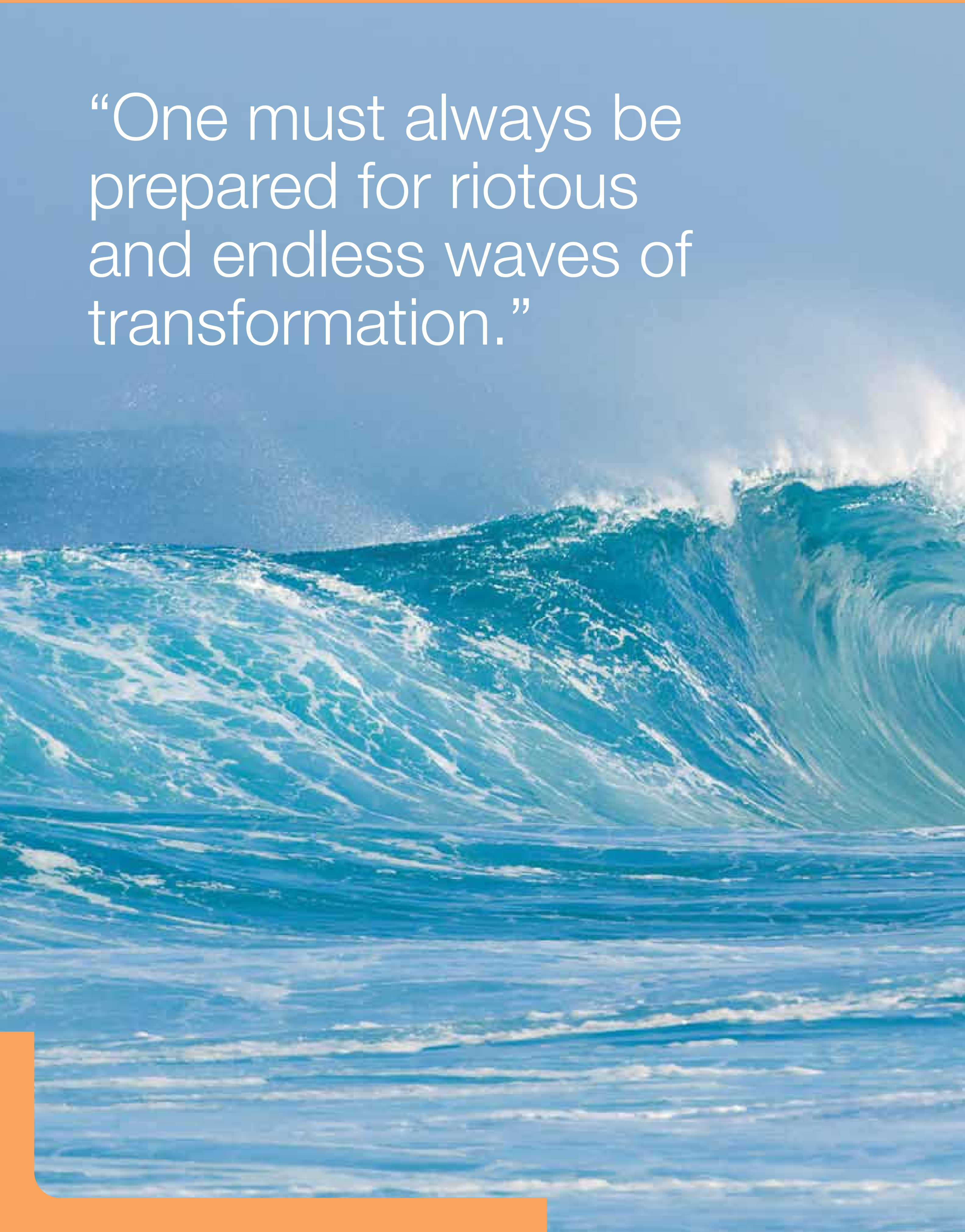
Acknowledgement

We are thankful to our valued stakeholder including customers, banks, suppliers, contractors, and shareholders, for their excellent support and confidence to achieve the result. We also thank our employees for their focused dedication and hard work throughout this period of volatility and transition.

For and on behalf of the Board.

Shahid Hussain
Chief Executive

March 13, 2013


"One must always be prepared for riotous and endless waves of transformation."

Corporate Calendar

9th February 2012
Annual Sales Conference of the Company was held in Islamabad to discuss the past results and future expectations of the Company.

15th February 2012
On 15th February 2012 a meeting of Board of Directors and its Committees were held to discuss the Annual Accounts for the year 2011.

22nd March 2012
On 22nd March the Annual General Meeting of shareholders was held to announce the Company's Annual Results 2011 and to approve the dividend

23rd April 2012
On this day Board of Directors and Audit Committee held its meeting to review the Results of 1st Quarter Ending 31st March 2012.

Tri-pack

Tri-Pack Films Limited

15th August 2012
The Board held its meeting to review the Half yearly results of the Company. Meeting of Audit Committee was also conducted in this day.

1st October 2012
The Extra Ordinary General Meeting of shareholders was held to appoint the Directors of the Company.

23rd October 2012.
On this day Board & Audit Committee conducted their meeting to discuss the results of 3rd Quarter Ending 30th September 2012.

Review Report to the Members
on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended December 31, 2012 prepared by the Board of Directors of Tri-Pack Films Limited to comply with the Listing Regulation No. 35 of Karachi, Lahore and Islamabad Stock Exchanges.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the company personnel and review of various documents prepared by the company to comply with the Code.

As part of our audit of 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (xiii a) of Listing Regulation 35 of Karachi, Lahore and Islamabad Stock Exchanges requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required to check the approval of the related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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 status of the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended December 31, 2012.

AFFerguson & Co

A. F. Ferguson & Co.
Chartered Accountants

Karachi, March 20, 2013

Audit Engagement Partner: Khurshid Hassan

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
1st Floor, State Life Building No.1-A
I. I. Chundrigar Road
Karachi-74000
Tel. # 92 21 32425467 / 32427012 /
32426597 / 32475604 / 32420755
Fax # 92 21 32426752

Listing on Stock Exchanges

Tri-Pack's equity shares are listed on Karachi, Lahore and Islamabad Stock Exchanges.

Listing Fees

The annual listing fee for the financial year 2012-13 has been paid to all the three stock exchanges within the prescribed time limit.

Stock Code

The stock code for dealing in equity shares of Tri-Pack Films at KSE, LSE and ISE is TRIPF.

Shares Registrar

Tri-Pack's shares department is operated by FAMCO Associates (Pvt.) Ltd and services about 1,610 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. Rafique Khatri
Tel. # 92 21 35831618 / 35831664 / 35833011
Fax # 92 21 35860251

Mr. Ovais Khan
Tel. # 92 21 32425467 / 32427012 / 32426597 / 32475604 / 32420755
Fax # 92 21 32426752

Service Standards

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

	For request received through post	Over the counter
Transfer of shares	30 days after receipt	30 days after receipt
Transmission of shares	30 days after receipt	30 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	15 minutes

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 Ordinance, 1984 and allied rules, the Securities and Exchange Commission of Pakistan (SECP) Regulations and the listing requirements.

Dematerialization of Shares

The equity shares of the Company are under the compulsory dematerialization category. As of date 37.45% of the equity shares of the Company have been dematerialized by the shareholders.

Dividend Announcement

The board of directors of the Company has proposed a final dividend of 100% (Rs 10 per share of Rs 10) for the financial year ended December 31, 2012. The aforesaid final cash dividend is subject to approval by the shareholders of the Company at the Annual General Meeting (2011: 200% cash dividend (Rs 20 per share of Rs 10).

Book Closure Dates

The Register of Members and Share Transfer Books of the Company will remain closed from April 10, 2013 to April 17, 2013 both days inclusive.

Dividend Remittance

Dividend declared and approved at the Annual General Meeting will be paid well before the statutory time limit of 30 days:
(i) For shares held in physical form: to shareholders whose names appear in the Register of Members of the Company after entertaining all requests for transfer of shares lodged with the Company on or before the book closure date.

(ii) For shares held in electronic form: to shareholders whose names appear in the statement of beneficial ownership furnished by CDC as at end of business on book closure date.

Withholding of Tax & Zakat on Dividend

As per the provisions of the Income Tax Ordinance, 2001, Income Tax is deductible at source by the Company at the rate of 10% wherever applicable.

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

Dividend Warrants

Cash dividends are paid through dividend warrants addressed to the shareholders whose names appear in the Register of Shareholders at the date of book closure. Shareholders are requested to deposit those warrants into their bank accounts, at their earliest, thus helping the Company to clear the unclaimed dividend account.

Investors' Grievances

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

Legal Proceedings

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

General Meetings & Voting Rights

Pursuant to section 158 of the Companies Ordinance, 1984, Tri-Pack Films Limited holds a General Meeting of shareholders at least once a year. Every shareholder has a right to attend the General Meeting. The notice of such meeting is sent to all the shareholders at least 21 days before the meeting and also advertised in at least one English and one Urdu newspaper having circulation in Karachi, Lahore and Islamabad.

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

All shares issued by the Company carry equal voting rights. Generally, matters at the general meetings are decided by a show of hands in the first instance. Voting by show of hands operates on the principle of "One Member-One Vote". If majority of shareholders raise their hands in favour 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 the bases of show of hands.

Proxies

Pursuant to Section 161 of the Companies Ordinance, 1984 and according to the Memorandum and Articles of Association of the Company, every shareholder of the Company who is entitled to attend and vote at a general meeting of the Company can appoint another person as his/her proxy to attend and vote instead of him/her. Every notice calling a general meeting of the Company contains a statement that a shareholder entitled to attend and vote is entitled to appoint a proxy, who may not be a member of the Company.

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

Web Presence

Updated information regarding the Company can be accessed at our website, www.tripack.com.pk. The website contains the Company's profile, the corporate philosophy and major products.

Shareholders' Information

Shareholding Pattern

The shareholding pattern of the equity share capital of the Company as at December 31, 2012 is as follows:

Shareholding From		Shareholding To	Number of shareholders	Total shares held
1	-	100	446	11,211
101	-	500	554	249,422
501	-	1,000	149	141,093
1,001	-	5,000	252	703,836
5,001	-	10,000	76	592,400
10,001	-	15,000	30	388,016
15,001	-	20,000	22	380,802
20,001	-	25,000	12	276,737
25,001	-	30,000	8	225,722
30,001	-	35,000	5	160,022
35,001	-	40,000	8	305,653
40,001	-	45,000	5	216,458
45,001	-	50,000	3	146,676
50,001	-	55,000	3	156,687
55,001	-	60,000	5	290,215
60,001	-	65,000	2	122,900
65,001	-	70,000	1	68,916
80,001	-	85,000	1	83,667
85,001	-	90,000	1	85,536
90,001	-	95,000	5	461,577
95,001	-	100,000	1	100,000
100,001	-	105,000	1	101,189
110,001	-	115,000	1	113,517
115,001	-	120,000	1	116,428
120,001	-	125,000	1	125,000
135,001	-	140,000	2	277,000
150,001	-	155,000	1	152,500
180,001	-	185,000	1	182,000
185,001	-	190,000	1	186,000
230,001	-	235,000	1	231,130
245,001	-	250,000	1	250,000
260,001	-	265,000	1	260,705
375,001	-	380,000	1	379,310
470,001	-	475,000	1	474,500
610,001	-	615,000	1	612,850
680,001	-	685,000	1	682,260
860,001	-	865,000	1	862,449
970,001	-	975,000	1	973,200
1,350,001	-	1,355,000	1	1,353,416
7,495,001	-	7,500,000	1	7,499,000
9,995,001	-	10,000,000	1	10,000,000
		TOTAL	1,610	30,000,000

Information as required under the Code of Corporate Governance

Shareholders' category		Number of shareholders	Number of Shares held
Associated Companies, Undertakings and Related Parties			
Babar Ali Foundation		1	137,000
IGI Insurance Limited		1	1,353,416
Mitsubishi Corporation - Japan		1	7,499,000
Packages Limited		1	10,000,000
	Total:	4	18,989,416
Mutual Funds			
CDC - Trustee Akd Index Tracker Fund		1	1,779
CDC - Trustee Al Meezan Mutual Fund		1	116,428
CDC - Trustee Askari Asset Allocation Fund		1	12,300
CDC - Trustee Askari Equity Fund		1	11,500
CDC - Trustee JS Islamic Pension Savings Fund-Equity Account		1	9,000
CDC - Trustee KSE Meezan Index Fund		1	6,992
CDC - Trustee Meezan Balanced Fund		1	93,400
CDC - Trustee Meezan Islamic Fund		1	379,310
CDC - Trustee Meezan Tahaffuz Pension Fund - Equity Sub Fund		1	51,187
CDC - Trustee Meezan Capital Protected Fund-II		1	5,000
MC FSL - Trustee Askari Islamic Asset Allocation Fund		1	15,200
National Bank of Pakistan-Trustee Department NI(U)T Fund		1	862,449
	Total:	12	1,564,545
Directors and their spouse(s) and minor children			
Mr. Khalid Yacob		1	1,000
Syed Hyder Ali		1	93,500
Syed Babar Ali		1	474,500
Mr. Shahid Hussain		1	500
Mr. Tetsuo Obana		1	500
Mr. Kimihide Ando		1	500
Mr. Asif Qadir		1	100
	Total:	7	570,600
Executives		NIL	NIL
	Total:	NIL	NIL
Public Sector Companies and Corporations		1	682,260
	Total:	1	682,260
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds		14	639,401
	Total:	14	639,401
Shareholders holding 5% or more voting rights			
Mitsubishi Corporation - Japan		1	7,499,000
Packages Limited		1	10,000,000
	Total:	2	17,499,000

Shareholders' Information

S. No.	Shareholders' category	No. of Shareholders	No. of Shares	%
1	Director, Chief Executive Officer, and their spouse and minor children	7	570,600	1.90
2	Associated Companies, undertakings and related parties	4	18,989,4166	3.30
3	NIT and ICP	1	862,449	2.88
4	Banks Development Financial Institutions, Non- Banking Financial Institutions	3	291,359	0.97
5	Insurance Companies	3	786,766	2.62
6	Modarabas and Mutual Funds	9	641,909	2.14
7	Shareholders Holding 10%	2	17,499,000	58.33
8	General Public: a. Local b. Foreign	1,502	4,655,227	15.52
9	Others	81	3,202,274	10.67

Share Price / Volume

The monthly high and low prices and the volume of shares traded on the Karachi Stock Exchange during the financial year 2012 are as under:

Month	Share price the KSE (Rs.)		
	Highest	Lowest	Volume of shares traded
January	181.33	160.30	218,714
February	196.00	178.99	489,920
March	214.83	187.00	107,389
April	207.99	195.66	127,897
May	218.40	201.00	314,653
June	215.00	201.82	58,126
July	207.00	200.74	81,831
August	200.00	190.13	87,800
September	190.84	184.50	76,900
October	197.46	177.62	190,500
November	198.25	178.10	104,300
December	201.90	192.00	49,800

Auditors' Report to the Members

We have audited the annexed balance sheet of Tri-Pack Films Limited as at December 31, 2012 and the related profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion-

   (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   (ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, 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, 2012 and of the profit, its changes in equity and cash flows for the year then ended; and

(d) in our opinion 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.

AFFerguson &Co

A. F. Ferguson & Co.
Chartered Accountants

Karachi, March 20, 2013

Audit Engagement Partner: Khurshid Hasan

Financial Statements

Balance Sheet

As at December 31, 2012

	Note	2012	2011
		(Rupees in thousand)	
SHARE CAPITAL AND RESERVES			
Authorised capital	4	1,000,000	1,000,000
Issued, subscribed and paid-up capital	4	300,000	300,000
Reserves	5	1,907,785	1,921,197
		2,207,785	2,221,197
NON-CURRENT LIABILITIES			
Long-term finances	6	4,101,924	250,000
DEFERRED LIABILITIES			
Deferred taxation	7	239,407	158,165
Accumulated compensated absences	8	29,736	19,389
CURRENT LIABILITIES AND PROVISIONS			
Trade and other payables	9	1,967,423	2,073,526
Accrued mark-up	10	163,149	36,740
Derivative financial instruments	11	-	79,725
Short-term borrowings	12	2,565,817	1,229,758
Current portion of long-term finances	6	125,000	125,000
		4,821,389	3,544,749
CONTINGENCIES AND COMMITMENTS	13		
		11,400,241	6,193,500

	Note	2012	2011
		(Rupees in thousand)	
PROPERTY, PLANT AND EQUIPMENT	14	6,467,014	2,430,754
INTANGIBLES	15	8,270	18,727
LONG-TERM DEPOSITS	16	2,303	2,195
CURRENT ASSETS			
Stores and spares	17	396,582	321,433
Stock-in-trade	18	2,344,940	1,542,125
Trade debts	19	1,204,616	991,922
Financial assets at fair value through profit or loss	20	-	262,884
Advances, prepayments and other receivables	21	213,819	91,824
Taxation		143,825	55,202
Cash and bank balances	22	618,872	476,434
		4,922,654	3,741,824
		11,400,241	6,193,500

The annexed notes 1 to 40 form an integral part of these financial statements.

Shahid Hussain
Chief Executive

Kimihide Ando
Director

Profit And Loss Account

For the year ended December 31, 2012

	Note	2012	2011
		(Rupees in thousand)	
Net sales	23	10,240,532	10,009,875
Cost of sales	24	8,761,569	8,252,920
Gross profit		1,478,963	1,756,955
Distribution cost	25	243,590	211,760
Administrative expenses	26	224,631	185,745
		468,221	397,505
Operating profit		1,010,742	1,359,450
Other income	27	32,816	52,298
		1,043,558	1,411,748
Finance cost	28	171,374	122,429
Other expenses	29	57,341	90,289
		228,715	212,718
Profit before taxation		814,843	1,199,030
Taxation	30	280,788	416,425
Profit after taxation		534,055	782,605
Other comprehensive income for the year			
Loss arising during the year on cash flow hedge		(79,200)	(79,725)
Add: Income tax relating to hedging reserve		27,720	27,192
		(51,480)	(52,533)
Total comprehensive income for the year		482,575	730,072
Earnings per share (Rupees)	32	17.80	26.09

The annexed notes 1 to 40 form an integral part of these financial statements.

Shahid Hussain
Chief Executive

Kimihide Ando
Director

Statement of Changes in Equity

For the year ended December 31, 2012

	Share capital	General reserve	Hedging reserve	Unappropriated profit	Total
			(Rupees in thousand)		
Balance as at January 1, 2011	300,000	995,000	-	496,125	1,791,125
Final cash dividend for the year ended December 31, 2010 (Rs 10 per ordinary share)	-	-	-	(300,000)	(300,000)
Transfer to general reserve	-	194,000	-	(194,000)	-
Total comprehensive income for the year ended December 31, 2011	-	-	(52,533)	782,605	730,072
Balance as at December 31, 2011	300,000	1,189,000	(52,533)	784,730	2,221,197
Final cash dividend for the year ended December 31, 2011 (Rs 20 per ordinary share)	-	-	-	(600,000)	(600,000)
Transfer to general reserve	-	182,000	-	(182,000)	-
Total comprehensive income for the year ended December 31, 2012	-	-	(51,480)	534,055	482,575
Transfer to capital work-in-progress - net of tax	-	-	104,013	-	104,013
Balance as at December 31, 2012	300,000	1,371,000	-	536,785	2,207,785

The annexed notes 1 to 40 form an integral part of these financial statements.

Shahid Hussain
Chief Executive

Kimihide Ando
Director

Cash Flow Statement

For the year ended December 31, 2012

	Note	2012	2011
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34	81,496	1,495,885
Payment on account of accumulated compensated absences		(9,244)	(8,801)
Long-term deposits		(108)	(432)
Staff retirement benefits paid		(41,519)	(32,113)
Income taxes paid		(315,361)	(425,847)
Net cash (outflow) / inflow from operating activities		(284,736)	1,028,692
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(3,956,707)	(903,945)
Acquisition of intangibles		-	(9,237)
Payment made on settlement of derivatives		(158,925)	-
Profit on bank balances received		222	407
Purchase of held-for-trading financial assets		-	(450,000)
Redemption of held-for-trading financial assets		268,783	200,000
Sale proceeds on disposal of fixed assets		7,383	7,069
Net cash outflow from investing activities		(3,839,244)	(1,155,706)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term finances paid		(125,000)	(233,000)
Long-term financing acquired		3,976,924	-
Finance cost paid		(323,914)	(148,676)
Dividends paid		(597,651)	(298,971)
Net cash inflow / (outflow) from financing activities		2,930,359	(680,647)
Net decrease in cash and cash equivalents		(1,193,621)	(807,661)
Cash and cash equivalents at the beginning of the year		(753,324)	54,337
Cash and cash equivalents at the end of the year	35	(1,946,945)	(753,324)

The annexed notes 1 to 40 form an integral part of these financial statements.

Shahid Hussain
Chief Executive

Kimihide Ando
Director

1. THE COMPANY AND ITS OPERATIONS

The Company is a public company incorporated in Pakistan on April 29, 1993 under the Companies Ordinance, 1984 and is listed on all the stock exchanges in Pakistan. It is principally engaged in the manufacture and sale of Biaxially Oriented Polypropylene (BOPP) film and Cast Polypropylene (CPP) film. The registered office of the Company is situated at 4th floor, the Forum, Suite # 416 to 422, G-20, Block-9, Khayaban-e-Jami, Clifton, Karachi.

2. SIGNIFICANT ACCOUNTING INFORMATION AND POLICIES

2.1 Accounting convention

These financial statements have been prepared under the historical cost convention, as modified by re-measurement of certain financial assets and financial liabilities (including derivative financial instruments) at fair value and recognition of certain staff retirement and other service benefits at present value.

2.2 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

Standards, amendments to published standards and new interpretations effective during the year ended December 31, 2012

There are no IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on January 1, 2012 that would be expected to have a material impact on the Company's financial statements.

Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after January 1, 2013 or later periods, and have not been early adopted by the Company:

IAS 1 (Amendment) 'Financial statement presentation' (effective for periods beginning on or after July 1, 2012). The main change resulting from these amendments is a requirement for entities to group items presented in 'Other comprehensive income' (OCI) on the basis of whether they can be potentially reclassified to profit or loss subsequently (reclassification adjustments). The amendment do not address which items are presented in OCI. The amendments will only affect the disclosures in the Company's financial statements.

IAS 19 (Amendment) 'Employee benefits' (effective for periods beginning on or after January 1, 2013). The amendment eliminates the corridor approach and recognizes all actuarial gains and losses in 'Other comprehensive income' (OCI) as they occur and replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset. The application of the amendment is likely to result in immediate recognition of all actuarial gain and losses in OCI and requires additional disclosures to present the characteristics of benefit plans, the amount recognized in the financial statements, and result in changes in benefit classification and presentation. The Company is in the process to assess the full impact of the amendment in detail.

There are number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Company and therefore, have not been presented here.

2.3 Staff retirement benefits

The main features of the schemes operated by the Company for its employees are as follows:

2.3.1 Defined contribution plan

Provident fund

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

2.3.2 Defined benefit plans and other service benefits

Pension fund

The Company was operating an approved defined benefit pension fund plan, upto December 31, 2012, for all its permanent employees who had completed the prescribed qualifying period of service and who had not opted to become members of the defined pension contribution plan. Monthly contributions were made to the fund on the basis of actuarial recommendation. The latest actuarial valuation of the fund was carried out as at December 31, 2012.

The 'projected unit credit method' was based on the following significant assumptions and was used for valuation of the aforementioned fund:

- Discount rate -11.00% (2011: 12.50%) per annum
- Expected rate of increase in salary levels - 9.00% (2011: 10.50%) per annum
- Expected rate of return on plan assets - 12.50% (2011: 14.25%) per annum

Cumulative unrecognised actuarial gains and losses at the end of the previous year which exceeded 10% of the greater of the present value of the Company's defined benefit obligations and the fair value of plan assets were amortised over the expected average remaining working lives of the employees.

With effect from January 1, 2013, the Company converted its defined benefit pension plan to a defined contribution pension plan. Members of the fund on the effective date, i.e. January 1, 2013 who are in active service have option to either:

- convert their accrued pension as at December 31, 2012 to initial balance of Own Contribution Account in the defined contribution pension plan; or
- convert their accrued pension to a non-commutable pension according to the rules existing as at December 31,2012 and payable from the normal retirement age.

  Whereas, there will be no change for the existing pensioners who will be paid as per the rules existing as at December 31, 2012.

Under the revised contribution plan, the Company and employees shall respectively contribute at the rate of 20% and 6% of monthly salaries of employees. The entity has accounted for this change as a curtailment as per the requirements of the International Accounting Standard (IAS) 19 'Employee Benefits' for which adjustment has been made in these financial statements.

Gratuity fund

The Company operates an approved defined benefit gratuity fund plan for all its permanent employees who have completed the prescribed qualifying period of service. Monthly contributions are made to the fund on the basis of actuarial recommendation. The latest actuarial valuation of the fund was carried out as at December 31, 2012.

The 'projected unit credit method' is based on the following significant assumptions and is used for valuation of the aforementioned fund:

- Discount rate - 11.00% (2011: 12.50%) per annum
- Expected rate of increase in salary levels - 10.00% (2011: 11.50%) per annum
- Expected rate of return on plan assets - 12.00% (2011: 12.50%) per annum

Cumulative unrecognised actuarial gains and losses at the end of the previous year which exceed 10% of the greater of the present value of the Company's defined benefit obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the employees.

Employee compensated absences

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

- Discount rate - 11% (2011: 12.5%) per annum
- Expected rate of increase in salary levels - 10% (2011: 11.5%) per annum

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

2.4 Taxation

Current

Provision for current tax is based on the taxable income for the year at the current rates of taxation or one percent of turnover, whichever is higher. The charge for current tax is calculated using prevailing tax rates after taking into account tax credits, rebates and exemptions available.

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 financial statements and the corresponding tax bases used in the computation of the taxable profit.

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 assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

2.5 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received.

2.6 Provisions

Provisions are recognised when the Company has a present obligation as a result of past events, it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimates can be made of the amount of obligation.

2.7 Dividend

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

2.8 Property, plant and equipment

Property, plant and equipment except leasehold land are stated at cost less accumulated depreciation and any identified impairment loss. Capital work-in-progress is stated at cost. Cost of the leasehold land is amortised using the straight line basis over the period of the lease.

Residual values and useful lives are reviewed, at each balance sheet date, and adjusted if impact on depreciation is significant.

Depreciation is charged to profit and loss account on straight line method except for vehicles which are depreciated under reducing balance method at the following rates. Depreciated rates are reviewed annually. However, in case of assets which are utilized in connection with capital work-in-progress, the related depreciation is charged to capital work-in-progress.

Nature of fixed asset	Annual rate of depreciation (%)
- Leasehold land	1.03 to 2.22
- Buildings on leasehold land	5.00 to 33.33
- Plant and machinery, electrical installations, tube well, pumps and tools	10.00
- Furniture and fittings	10.00 to 20.00
- Office equipment	20.00 to 33.33
- Laboratory equipment and vehicles	20.00

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

Maintenance and repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalised in accordance with IAS 16 and depreciated in a manner that represents the consumption pattern and useful lives. Minor repairs and renewals are charged to profit and loss account. Profit or loss on disposal of assets are included in profit and loss account in the year in which it is realized.

The Company assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment charge is recognised in profit and loss account currently.

2.9 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

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

Costs associated with maintaining computer software are recognised as an expense as and when incurred.

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

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

The carrying amount of the intangible assets is reviewed 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 in profit and loss account . Reversal of impairment losses are also recognised in profit and loss account, however, is restricted to the original cost of the asset.

2.10 Stores and spares

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

Stores and spares in transit are stated at cost comprising invoice value and other related charges incurred up to the balance sheet date.

2.11 Stock-in-trade

Stock of raw materials, work-in-process and finished goods are valued at the lower of weighted average cost and net realisable value.

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

Stocks-in-transit are stated at cost comprising invoice value and other related charges incurred thereon.

Net realisable value signifies the estimated selling price in the ordinary course of business less cost necessarily to be incurred in order to make a sale.

2.12 Trade debts

Trade debts are carried at original invoice amount less provision for doubtful debts estimated on the basis of review of all outstanding balances at the year end. Bad debts are written off when identified.

2.13 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash and cash equivalents also include bank overdrafts / short-term borrowings that are repayable on demand or within a period of 3 months from the reporting date.

2.14 Revenue recognition

Consistent with prior years, revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and specific criteria has been met for each of the Company's activities as described below:

i) Sales revenue is recognised at the time of dispatch of goods to customers.
ii) Returns on bank deposits are accrued on a time proportion basis by reference to the principal outstanding amount and the applicable rate of return.

2.15 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 profit and loss account in the period in which they are incurred.

2.16 Foreign currency transactions and translation

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

2.17 Functional and presentation currency

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

2.18 Financial instruments

2.18.1 The Company classifies its financial assets in the following categories:

(a) Investments at 'fair value through profit or loss'

- Held for trading.

  These include financial instruments acquired principally for the purpose of generating profit from short-term fluctuations in prices or dealers' margins or are securities included in portfolio in which a pattern of short-term profit taking exists. Derivatives are also categorised as held-for-trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, these are classified as non-current.

- Financial assets designated at 'fair value through profit or loss' upon initial recognition.

  These include investments that are designated as investments at 'fair value through profit or loss' upon initial recognition.

Gains / (losses) arising on sale of investments are included in the profit and loss account currently on the date when the transaction takes place.

Unrealised gains / (losses) arising on revaluation of securities classified as financial assets at 'fair value through profit or loss' are included in the profit and loss account in the period in which they arise.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. The Company's loans and receivables comprise 'long-term deposits', 'trade debts', 'advances, deposits and other receivables' and 'cash and cash equivalents' in the balance sheet.

(c) Held to maturity

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity with a positive intention to hold them up to maturity.

(d) Available-for-sale

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These are included in non-current assets unless the investment matures or management intends to dispose of the financial assets within 12 months of the balance sheet date.

2.18.2 Recognition

Regular way purchases and sales of financial assets are recognised on the trade date - the date on which the Company commits to purchase or sell the asset.

2.18.3 Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in case of a 'financial asset or financial liability other than those at fair value through profit or loss', transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on 'financial assets and financial liabilities at fair value through profit or loss' are charged to the profit and loss account immediately.

Subsequent to initial recognition, instruments classified as financial assets at 'fair value through profit or loss' and 'available for sale' are measured at fair value. Gains or losses arising from changes in the fair value of the financial assets at 'fair value through profit or loss' are recognised in the profit and loss account. Changes in the fair value of instruments classified as 'available for sale' are recognised in other comprehensive income until derecognised or impaired when the accumulated fair value adjustments recognised in other comprehensive income are transferred to the profit and loss account.

Financial assets classified as 'loans and receivables' and 'held to maturity' are carried at amortised cost using the effective yield method, less impairment losses, if any.

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

2.18.4 Fair value measurement principles

The fair value of units of mutual funds is based on the net asset value of the fund which are declared on daily basis without any deduction for estimated future selling costs. Financial assets and financial liabilities are priced at their fair market value.

2.18.5 Impairment

Impairment loss on investment other than 'available for sale' is recognised in the profit and loss account whenever the carrying amount of investment exceeds its recoverable amount. If in a subsequent period, the amount of an impairment loss recognised decreases the impairment is reversed through the profit and loss account.

In case of investment classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for 'available for sale' financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss account is removed from other comprehensive income and recognised in the profit and loss account. However, any decrease in impairment loss on securities classified as 'available for sale' is reversed through the profit and loss account and is recognised in the other comprehensive income.

2.18.6 Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39.

The Company uses the weighted average method to determine realised gains and losses on derecognition.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

2.19 Derivatives financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. 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 derivatives as either fair value hedge or cash flow hedge.

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in off-setting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 11. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(b) Cash flow hedge

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

Amounts accumulated in equity are reclassified to profit and loss account in the periods when the hedged item affects profit and loss account (for example, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit and loss account. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit and loss account.

2.20 Off-setting of financial assets and financial liabilities

A financial asset and a financial liability is set off and the net amount is reported in the balance sheet if the Company has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

3.1 Current and deferred income taxes

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

3.2 Provision for retirement and other service benefit obligations

The present value of these obligations depends on a number of factors that are determined on actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of these obligations. The present values of these obligations and the underlying assumptions are disclosed in notes 2.3, 8 and 31.

3.3 Property, plant and equipment and intangible assets

Estimates with respect to residual values and useful lives and pattern flow of economic benefit are based on the recommendation of technical teams of the Company. Further, the Company reviews the internal and external indicators for possible impairment of assets on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment (note 14) and intangible assets (note 15) with a corresponding affect on the depreciation charge, amortisation charge and impairment.

3.4 Stock-in-trade

Assumptions and estimates used in writing down items of stock-in-trade to their net realisable value (note 18). Net realisable value is determined on the basis of estimated selling price of the product in the ordinary course of business less estimated cost of completion and the estimated costs necessary to be incurred for its sale.

3.5 Derivative hedging financial instruments designated as cash flow hedges

The Company reviews the changes in fair values of the derivative hedging financial instruments at each reporting date based on the valuations done by the management on the basis of forward rates obtained from the bank. These valuations represent estimated fluctuations in the relevant currencies / interest rates over the reporting period and other relevant variables signifying currency and interest rate risks.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

3.6 Provisions

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

	2012	2011
	(Rupees in thousand)	
4. SHARE CAPITAL		
4.1 Authorised capital		
100,000,000 ordinary shares of Rs 10 each (2011: 100,000,000)	1,000,000	1,000,000
4.2 Issued, subscribed and paid-up capital		
30,000,000 ordinary shares of Rs 10 each (2011: 30,000,000) fully paid in cash	300,000	300,000

4.3 Packages Limited, Mitsubishi Corporation, Japan and IGI Insurance Limited held 10,000,000 (2011: 10,000,000), 7,499,000 (2011: 7,499,000) and 1,700,349 (2011: 1,309,285) ordinary shares of the Company respectively, as at December 31, 2012.

	2012	2011
	(Rupees in thousand)	
5. RESERVES		
General reserve	1,371,000	1,189,000
Hedging reserve	-	(52,533)
Unappropriated profit	536,785	784,730
	1,907,785	1,921,197
6. LONG-TERM FINANCES		
Secured		
Finance-1 – note 6.1	250,000	375,000
Finance-2 – note 6.2	1,000,000	-
Finance-3 – note 6.3	1,000,000	-
Finance-4 – note 6.4	1,976,924	-
	4,226,924	375,000
Less : Amounts payable within twelve months	125,000	125,000
	4,101,924	250,000

6.1 The Company has obtained a long-term finance facility of Rs 500 million (2011: Rs 500 million) from a commercial bank under mark-up arrangements. Mark-up is payable on a semi-annual basis at the rate of six months Karachi Inter Bank Offer Rate (KIBOR) plus 0.50% per annum. The effective rate of mark-up during the year was 12.45% (2011: 13.97%) per annum. The principal amount is repayable in 8 equal instalments commencing after six months with a grace period of two years from the date of first draw down. This facility is secured by first pari passu hypothecation / mortgage charges on all the Company's present and future fixed assets including but not limited to land, buildings, plant and machinery, equipment, furniture and fixtures etc.

6.2 The Company has obtained a long-term finance facility of Rs 1,000 million (2011: Rs 1,000 million) from a commercial bank under mark-up arrangements. Mark-up is payable on a semi-annual basis at the rate of six months Karachi Inter Bank Offer Rate (KIBOR) plus 0.75% per annum. The effective rate of mark-up during the year was 12.2% (2011: nil) per annum. The principal amount is repayable in 10 equal instalments commencing after six months with a grace period of two years from the date of first draw down. This facility is secured by first pari passu hypothecation / mortgage charges on all the Company's present and future fixed assets including but not limited to land, buildings, plant and machinery, equipment, furniture and fixtures etc.

6.3 The Company has obtained a long-term finance facility of Rs 1,000 million (2011: Rs 1,000 million) from a commercial bank under mark-up arrangements. Mark-up is payable on a semi-annual basis at the rate of six months Karachi Inter Bank Offer Rate (KIBOR) plus 0.75% per annum. The effective rate of mark-up during the year was 12.07% (2011: nil) per annum. The principal amount is repayable in 10 equal instalments commencing after six months with a grace period of two years from the date of first draw down. This facility is secured by first pari passu hypothecation / mortgage charges on all the Company's present and future fixed assets including but not limited to land, buildings, plant and machinery, equipment, furniture and fixtures etc.

6.4 The Company has obtained a long-term finance facility of Rs 2,000 million (2011: Rs 2000 million) from a commercial bank under mark-up arrangements, including an amount of Rs 1,500 million as Long Term Financing Facility (LTFF) provided by State Bank of Pakistan. Mark-up is payable on a semi-annual basis at the rate of six months Karachi Inter Bank Offer Rate (KIBOR) plus 0.75% per annum. The effective rate of mark-up during the year was 11.12% (2011: nil) per annum. The principal amount is repayable in 10 equal instalments commencing after six months with a grace period of two years from the date of first draw down. This facility is secured by first pari passu hypothecation / mortgage charges on all the Company's present and future fixed assets including but not limited to land, buildings, plant and machinery, equipment, furniture and fixtures etc.

	2012	2011
	(Rupees in thousand)	
7. DEFERRED TAXATION		
Debit / (credit) balances arising from:		
Accelerated tax depreciation allowance	148,063	193,111
Accelerated tax amortisation allowance	(4,831)	(1,028)
Borrowing cost	108,168	-
Fair value of hedging instrument	-	(27,192)
Provision for accumulated compensated absences	(10,259)	(6,613)
Provision for doubtful debts	(1,734)	(113)
	239,407	158,165
8. ACCUMULATED COMPENSATED ABSENCES		
Opening balance	19,389	13,016
Provision for the year	19,591	15,174
	38,980	28,190
Less: Payments during the year	9,244	8,801
Closing balance	29,736	19,389
9. TRADE AND OTHER PAYABLES		
Creditors – note 9.1	79,333	72,362
Accrued liabilities	73,499	58,696
Liability for imported goods	1,730,031	1,848,864
Advances from customers	14,324	30,706
Retention money	22,238	2,022
Unclaimed dividend	10,071	7,722
Sales tax payable	15,326	20,917
Payable to gratuity fund – note 31	1,569	1,455
Workers' profits participation fund – note 9.3	178	-
Workers' welfare fund	13,760	25,947
Other payables	7,094	4,835
	1,967,423	2,073,526

9.1 Creditors include Rs 17.473 million (2011: Rs 12.730 million) payable to associated undertakings.

9.2 The maximum amount due to any related party during the year is Rs 63.716 million (2011: Rs 33.236 million) due to IGI Insurance Limited.

	2012	2011
	(Rupees in thousand)	
9.3 Workers' profits participation fund		
Liability / (asset) at the beginning of the year	(6,571)	38,194
Allocation for the year	43,609	64,466
	37,038	102,660
Less: Payments during the year	(36,860)	(109,231)
Liability / (asset) at the end of the year	178	(6,571)
10. ACCRUED MARK-UP		
On long-term finances	122,571	15,796
On short-term finances	40,578	20,944
	163,149	36,740

11. DERIVATIVE FINANCIAL INSTRUMENTS

These represents forward currency contracts designated as cash flow hedges for the foreign currency risk of the firm commitment to purchase property, plant and equipment. There was no ineffectiveness to be recorded from forward foreign exchange contracts.

The notional principal amounts of the outstanding forward foreign exchange contracts as at December 31, 2012 aggregates Euro nil (2011: 14.097 million) and Pound Sterling nil (2011: 1.825 million).

	2012	2011
	(Rupees in thousand)	
12. SHORT-TERM BORROWINGS		
Secured		
Short-term loans – note 12.1	1,400,000	700,000
Short-term running finance – note 12.2	1,165,817	529,758
	2,565,817	1,229,758

12.1 Short-term loans have been arranged from commercial banks as a sub-limit of the running finance facility. These facilities are secured by joint hypothecation by way of first floating charge over current assets including but not limited to stores and spares, stock-in-trade and trade debts. Rate of mark-up applicable to these facilities ranges between 9.49% to 12.54% (2011: 12.18% to 12.87%) per annum.

12.2 Short-term running finances have been obtained under mark-up arrangement with banks payable on various maturity dates up to June 30, 2013. These facilities are secured by joint hypothecation by way of first floating charge over current assets including but not limited to stores and spares, stock-in-trade and trade debts. Rate of mark-up applicable to these facilities ranges between 10.19% to 13.14% (2011: 12.42% to 14.26%) per annum.

12.3 Total facilities available under mark-up arrangements aggregated Rs 5,350 million (2011: 5,350 million) out of which the amount unavailed at the year end was Rs 2,784 million (2011: Rs 4,120 million).

	2012	2011
	(Rupees in thousand)	
13. CONTINGENCIES AND COMMITMENTS		
Contingencies		
Guarantees issued by banks on behalf of the Company	134,334	58,650
Commitments		
Letters of credit for purchase of raw material and spares	294,393	552,767
Letters of credit for purchase of plant and machinery	753,606	2,124,305
Contracts for civil works	239,287	701,856

13.1 The facilities for opening of letter of credits and for guarantees as at December 31, 2012 amount to Rs 7,600 million (2011: Rs 7,600 million) and Rs 210 million (2011: Rs 210 million), of which the amount remaining unutilised was of Rs 4,822 million (2011: Rs 3,074 million) and Rs 75.666 million (2011: Rs 151.350 million) respectively.

13.2 During the year 2011, the Commissioner Inland Revenue (Appeals) [CIR (Appeals)] deleted the disallowances made in the amended order in respect of the tax year 2005 issued by the Deputy Commissioner Inland Revenue (DCIR). While framing the appeal affect order DCIR had given appeal effect to the deletions made by the CIR (Appeals). However, sales amounting to Rs 60.282 million during the trial production capitalised as the part of property, plant and equipment have been subjected to tax. The Company filed an appeal with CIR (Appeals) which was heard during the year, however, no appellate order has yet been received. Further, application of rectification under section 221 of the Income Tax Ordinance, 2001 (the Tax Ordinance) filed during the year is also pending disposal. The management of the Company, based on the advice of its tax consultant, is confident that the ultimate decision in respect of the aforementioned matters shall be made in its favour.

13.3 In respect of tax year 2009, appeal as well as rectification application was filed against the order under section 122(1) of the Tax Ordinance. However, rectified order has been issued by DCIR under section 221 of the Tax Ordinance. According to the rectified order, disallowances aggregating Rs 22.132 million have been maintained by DCIR with a resulting tax impact of Rs 7.746 million. The Company filed an appeal with CIR (Appeals) where the appellate order is still awaited with respect to the hearing on July 26, 2012. The management of the Company, based on the advice of its tax consultant, is confident that the ultimate decision in respect of the aforementioned matter shall be made in its favour.

	2012	2011
	(Rupees in thousand)	
14. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets – note 14.1	1,572,261	1,794,346
Capital work-in-progress – note 14.2	4,894,753	636,408
	6,467,014	2,430,754

14.1 Operating fixed assets

14.1.1 The following is a statement of operating fixed assets

	Leasehold land	Buildings on leasehold land	Plant and machinery	Electrical installations	Tube well and pumps	Furniture and fittings	Office equipment	Vehicles	Tools	Laboratory equipment	Total
						(Rupees in thousand)					
At January 1, 2011											
Cost	60,255	350,992	3,564,462	104,401	2,924	29,902	28,992	87,658	1,041	12,693	4,243,320
Accumulated depreciation	10,478	121,454	2,113,212	71,988	2,498	20,396	20,457	30,961	646	6,676	2,398,766
Net book value	49,777	229,538	1,451,250	32,413	426	9,506	8,535	56,697	395	6,017	1,844,554
Year ended December 31, 2011											
Additions	142,384	1,072	147,543	-	-	3,687	2,236	14,384	246	-	311,552
Disposals											
- Cost	-	-	-	-	-	-	-	12,216	-	-	12,216
- Depreciation	-	-	-	-	-	-	-	(7,124)	-	-	(7,124)
Depreciation charge	2,818	17,563	311,493	6,530	99	2,835	3,396	9,755	87	2,092	356,668
Net book value as at											
December 31, 2011	189,343	213,047	1,287,300	25,883	327	10,358	7,375	56,234	554	3,925	1,794,346
Year ended December 31, 2012											
Additions	391	25,406	52,551	463	-	11,781	4,129	28,692	1,115	-	124,528
Transfer from capital											
work-in-progress	-	14,138	-	-	-	-	194	-	-	-	14,332
Disposals											
- Cost	-	-	-	-	-	7	-	11,878	-	-	11,885
- Depreciation	-	-	-	-	-	(4)	-	(5,768)	-	-	(5,772)
Depreciation charge	4,409	21,628	301,230	6,202	93	3,493	3,960	11,556	168	2,093	354,832
Net book value as at											
December 31, 2012	185,325	230,963	1,038,621	20,144	234	18,643	7,738	67,260	1,501	1,832	1,572,261
At December 31, 2011											
Cost	202,639	352,064	3,712,005	104,401	2,924	33,589	31,228	89,826	1,287	12,693	4,542,656
Accumulated depreciation	13,296	139,017	2,424,705	78,518	2,597	23,231	23,853	33,592	733	8,768	2,748,310
Net book value	189,343	213,047	1,287,300	25,883	327	10,358	7,375	56,234	554	3,925	1,794,346
At December 31, 2012											
Cost	203,030	391,608	3,764,556	104,864	2,924	45,363	35,551	106,640	2,402	12,693	4,669,631
Accumulated depreciation	17,705	160,645	2,725,935	84,720	2,690	26,720	27,813	39,380	901	10,861	3,097,370
Net book value	185,325	230,963	1,038,621	20,144	234	18,643	7,738	67,260	1,501	1,832	1,572,261

14.1.2 Details of operating fixed assets disposed during the year ended December 31, 2012.

	Cost	Book value	Sale proceeds
		(Rupees in thousand)	
Items having aggregate book value of Rs 50,000 or more			
Vehicles			
By negotiation to outsiders			
Mr. Basit Shuja	1,061	348	500
Mr Shahid Ali	492	103	300
Mr Suleman	3,615	1,590	2,400
	5,168	2,041	3,200
According to the Company policy, to executives			
Mr Muhammad Ali	504	165	165
Mr Khalid Mehmood	504	165	165
Mr Kamil Zia	519	170	170
Mr Abu Bakar	524	172	172
Mr Sajid Mehmood	524	172	172
Mr Syed Tariq Ali	480	155	155
Mr Umar Saeed	519	170	231
	3,574	1,169	1,230
Insurance claims			
IGI Insurance - against damaged vehicles (note 14.1.3)	3,136	2,900	2,950
	11,878	6,110	7,380

14.1.3 The Company recovered a further amount of Rs 53,120 from employee against a damaged vehicle for which full amount of insurance claim was not received.

	2012	2011
	(Rupees in thousand)	
14.1.4 Depreciation charge for the year has been allocated as follows:		
Cost of goods manufactured – note 24.1	337,983	351,063
Distribution cost – note 25	2,786	1,257
Administrative expenses – note 26	11,439	4,348
Capital work-in-progress	2,624	-
	354,832	356,668

14.1.5 Operating fixed assets include assets having cost of Rs 1,295.548 million (2011: Rs 1,259.932 million) which were fully depreciated as at the year end.

	2012	2011
	(Rupees in thousand)	

14.2 Capital work-in-progress

	2012	2011
Plant and machinery	3,941,795	381,026
Building and civil works	881,401	77,066
Advances to suppliers and contractors	71,557	178,316
	4,894,753	636,408

14.2.1 Capital work-in-progress includes borrowing cost capitalised during the year aggregating Rs 278.949 million (2011: Rs 34.586 million). The effective rate for capitalisation of borrowing cost during the year was 10.20% (2011: 12.56%)

15. INTANGIBLES

Computer software

	2012	2011
	(Rupees in thousand)	
At January 1		
Cost	31,378	22,141
Accumulated amortisation	12,651	4,305
Net book value	18,727	17,836
Year ended December 31		
Additions / transfers	-	9,237
Amortisation for the year	10,457	8,346
Net book value as at December 31	8,270	18,727
At December 31		
Cost	31,378	31,378
Accumulated amortisation	23,108	12,651
Net book value	8,270	18,727

15.1 Amortisation charge for the year has been allocated to administrative expenses.

16. LONG-TERM DEPOSITS

These represent long-term security deposits.

17. STORES AND SPARES

	2012	2011
	(Rupees in thousand)	
Stores	60,176	67,396
Spares	322,119	236,365
Stores and spares-in-transit	14,287	17,672
	396,582	321,433

	2012	2011
	(Rupees in thousand)	

18. STOCK-IN-TRADE

	2012	2011
Raw materials		
- in hand	1,703,436	930,833
- in transit	499,596	471,925
	2,203,032	1,402,758
Work-in-process	102,040	94,788
Finished goods	21,918	31,693
Packing materials	17,950	12,886
	2,344,940	1,542,125

19. TRADE DEBTS

	2012	2011
Unsecured		
Considered good		
- from related parties – notes 19.1 and 19.2	142,288	62,932
- others	1,040,824	898,768
	1,183,112	961,700
Considered doubtful – others	5,026	332
Secured		
Considered good		
- from related parties	-	-
- others	21,504	30,222
	21,504	30,222
	1,209,642	992,254
Less: Provision for doubtful debts – note 19.3	5,026	332
	1,204,616	991,922

19.1 Trade debts include the following amounts due from related parties:

	2012	2011
Packages Limited	142,267	59,994
Nestle Pakistan	-	360
Tetra Pak Pakistan Limited	21	2,578
	142,288	62,932

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

19.3 Provision for doubtful debts

	2012	2011
Balance at beginning of the year	332	1,944
Provision / (reversal) for the year	4,694	(1,612)
Balance at end of the year	5,026	332

19.4 The maximum amount receivable from any related party during the year is Rs 187.774 million (2011: Rs 175.883 million) due from Packages Limited.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

20.1 Held for trading - units of mutual funds

Name of the investee company	As at January 1, 2012	Bonus issue	Redemption during the year	As at December 31, 2012	Carrying value as at December 31, 2012	Market value as at December 31, 2012
	Number of units				Rupees in '000'	
Mutual funds						
IGI Money Market Fund	2,102,644	50,161	2,152,805	-	-	-
NAFA Government Securities Liquid Fund	5,026,989	44,140	5,071,129	-	-	-
Grand total					-	-

20.2 Units of IGI Money Market Fund had a nominal value of Rs 100 each and units of NAFA Government Securities Fund had a nominal value of Rs 10 each.

21. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	2012	2011
	(Rupees in thousand)	
Advances, considered good – note 21.1		
- Executives	4,825	299
- Other employees	1,711	2,982
	6,536	3,281
Advances to suppliers – considered good	46,549	29,765
Prepayments	3,457	4,171
Receivable from pension fund – note 31	15,906	16,736
Sales tax recoverable	839	839
Rebate on exports recoverable	12,552	14,166
Workers' profit participation fund – note 9.3	-	6,571
Security deposit	86,722	-
Other receivables – note 21.2	41,258	16,295
	213,819	91,824

21.1 These advances are given to meet business expenses and are settled as and when the expenses are incurred. The maximum amounts due at the end of any month during the year from the chief executive and executives were Rs 0.848 million (2011: Rs 0.773 million) and Rs 4.635 million (2011: Rs 1.009 million) respectively.

21.2 Other receivables include an amount of Rs nil (2011: 2.934 million) receivable from IGI Insurance Limited (a related party) on account of an insurance claim.

Notes to and Forming Part of the Financial Statements
For the year ended December 31, 2012

	2012	2011
	(Rupees in thousand)	
22. CASH AND BANK BALANCES		
With banks		
On current accounts – note 22.1	203,417	174,533
Cheques in hand	413,440	296,948
Cash in hand – note 22.1	2,015	4,953
	618,872	476,434

22.1 These include an aggregate amount of Rs 4.412 million (2011: Rs 7.528 million) held in foreign currency.

	2012	2011
	(Rupees in thousand)	
23. NET SALES		
Local sales	11,945,742	11,990,794
Export sales	146,842	255,172
	12,092,584	12,245,966
Less:		
Sales tax	1,852,052	2,142,478
Special excise duty	-	93,613
	1,852,052	2,236,091
	10,240,532	10,009,875
24. COST OF SALES		
Opening stock of finished goods	31,693	11,994
Cost of goods manufactured – note 24.1	8,751,794	8,272,619
Less: Closing stock of finished goods	(21,918)	(31,693)
	8,761,569	8,252,920
24.1 Cost of goods manufactured		
Opening stock of work-in-process	94,788	75,308
Raw materials consumed – note 24.2	6,765,024	6,546,094
Toll manufacturing charges	260,633	201,766
Salaries, wages and other benefits	301,328	265,068
Fuel, power and water	650,888	513,086
Packing materials consumed – note 24.3	210,571	192,840
Repairs and maintenance (includes stores and spares consumed Rs 28.456 million (2011: Rs 35.521 million)	124,334	126,032
Insurance	33,118	33,643
Vehicle running and maintenance	26,437	22,487
Travelling	4,389	6,356
Staff retirement benefits	39,577	31,389
Depreciation – note 14.1.4	337,983	351,063
Others	4,764	2,275
	8,853,834	8,367,407
Less: Closing stock of work-in-process	(102,040)	(94,788)
	8,751,794	8,272,619

		2012	2011
		(Rupees in thousand)	

24.2 Raw materials consumed

	2012	2011
Opening stock	1,402,758	954,619
Purchases	7,565,298	6,994,233
Less: Closing stock	(2,203,032)	(1,402,758)
	6,765,024	6,546,094

24.3 Packing materials consumed

	2012	2011
Opening stock	12,886	10,417
Purchases	215,635	195,309
Less: Closing stock	(17,950)	(12,886)
	210,571	192,840

25. DISTRIBUTION COST

	2012	2011
Salaries, wages and other benefits	45,802	34,954
Outward freight	167,841	146,520
Travelling	6,645	9,949
Rent, rates and taxes	3,973	6,544
Repairs and maintenance	461	1,143
Vehicle running and maintenance	2,185	1,926
Insurance	2,492	1,046
Staff retirement benefits	9,138	6,647
Depreciation – note 14.1.4	2,786	1,257
Other expenses	2,267	1,774
	243,590	211,760

26. ADMINISTRATIVE EXPENSES

	2012	2011
Salaries, wages and other benefits	94,072	73,779
Rent, rates and taxes	9,302	7,663
Printing, stationery and periodicals	5,788	6,219
Postage and telephone	9,388	8,425
Repairs and maintenance	3,630	1,132
Vehicle running and maintenance	4,095	2,698
Travelling	7,192	9,612
Insurance	4,442	3,748
Staff training and development	3,543	7,849
Provision for doubtful debt – note 19.3	4,694	-
Staff retirement benefits	13,339	10,553
Auditors' remuneration – note 26.1	5,540	2,015
Legal and professional expenses	7,809	10,326
Depreciation – note 14.1.4	11,439	4,348
Amortisation expense – note 15.1	10,457	8,346
Electricity, gas and water	2,447	2,160
Advertisement	206	225
Donations – note 26.2	20,550	21,000
Other expenses	6,698	5,647
	224,631	185,745

26.1 Auditors' remuneration

	2012	2011
	(Rupees in thousand)	
Audit fee	950	800
Review of half yearly accounts, review of statement of compliance on best corporate practices, audit of employees' retirement funds and other special reviews	3,680	400
Tax services	600	500
Out of pocket expenses	310	315
	5,540	2,015

26.2 Donations include an amount of Rs 20 million (2011: Rs 20 million) paid to National Management Foundation (NMF). Syed Babar Ali Esq., and Syed Hyder Ali Esq., the directors of the Company, are trustees of NMF.

27. OTHER INCOME

	2012	2011
	(Rupees in thousand)	
Income from financial assets		
Profit on bank balances	222	407
Unrealised gain on remeasurement of investments at fair value through profit or loss (net) – note 20.1	-	8,794
Realised gain on sale of investment at fair value through profit or loss	5,899	4,090
	6,121	13,291
Income from assets other than financial assets		
Profit on disposal of fixed assets	1,270	1,977
Sale of waste material	21,177	23,997
	22,447	25,974
Others		
Commission earned on insurance premium from a related party	3,947	3,744
Insurance claim from a related party	301	2,601
Reversal of provision for doubtful debts – note 19.3	-	1,612
Exchange gain	-	5,076
	4,248	13,033
	32,816	52,298

28. FINANCE COST

	2012	2011
Mark-up on long-term finances	41,824	64,066
Mark-up on short-term finances	93,635	53,808
Bank and other charges	3,624	4,555
Exchange loss	32,291	-
	171,374	122,429

	2012	2011
	(Rupees in thousand)	

29. OTHER EXPENSES

	2012	2011
Workers' profit participation fund	43,609	64,466
Workers' welfare fund	13,732	25,823
	57,341	90,289

30. TAXATION

	2012	2011
Current - for the year	235,488	448,541
- for prior year	(8,750)	2,035
Deferred	54,050	(34,151)
	280,788	416,425

30.1 Numerical reconciliation between the average effective tax rate and the applicable tax rate is as follows:

	2012	2011
	%	%
Applicable tax rate	35.00	35.00
Tax effect of amounts that are:		
Under presumptive tax regime	(0.66)	(1.22)
Tax credit / rebates	(0.23)	(0.63)
Prior year charge	(1.07)	0.17
Permanent differences	1.42	(0.15)
Flood surcharge	-	1.56
	34.46	34.73

31. STAFF RETIREMENT BENEFITS

Details of post employment benefit plans are as follows:

	Pension fund		Gratuity fund	
	2012	2011	2012	2011
	(Rupees in thousand)			
31.1 Balance sheet reconciliation				
Fair value of plan assets	49,070	104,064	43,180	37,041
Present value of defined benefit obligations	(51,084)	(119,819)	(62,110)	(55,580)
Funded status	(2,014)	(15,755)	(18,930)	(18,539)
Unrecognised net actuarial loss	17,920	32,491	17,361	17,084
Recognised asset / (liability)	15,906	16,736	(1,569)	(1,455)
31.2 Movement in payable to defined benefit plan				
Opening asset / (liability)	16,736	18,156	(1,455)	(1,573)
Expense for the year	(18,405)	(15,299)	(13,752)	(9,932)
Contributions to the fund	17,575	13,879	13,638	10,050
Closing asset / (liability)	15,906	16,736	(1,569)	(1,455)

	Pension fund 2012	Pension fund 2011	Gratuity fund 2012	Gratuity fund 2011
	(Rupees in thousand)			
31.3 Movement in the fair value of plan assets				
Fair value as at January 1	104,064	87,589	37,041	24,181
Expected return on plan assets	14,080	13,376	4,630	3,144
Actuarial (loss) / gain	11,986	(9,454)	902	94
Company contributions	17,575	13,879	13,638	10,050
Employee contributions	5,272	4,114	-	-
Benefits paid	(5,697)	(5,440)	(13,031)	(428)
Active employees transferred to defined contribution scheme	(98,210)	-	-	-
Fair value as at December 31	49,070	104,064	43,180	37,041
31.4 Movement in the defined benefit obligation				
Obligation as at January 1	119,819	137,481	55,580	34,811
Current service cost	8,363	9,061	10,474	8,085
Interest cost	14,621	19,203	6,948	4,526
Actuarial (gain) / loss	45,132	(40,486)	2,139	8,586
Benefits paid	(5,697)	(5,440)	(13,031)	(428)
Active employees transferred to defined contribution scheme	(98,210)	-	-	-
Gain on curtailment	(32,944)	-	-	-
Obligation as at December 31	51,084	119,819	62,110	55,580
31.5 Expense				
Current service cost	8,363	9,061	10,474	8,085
Interest cost	14,621	19,203	6,948	4,526
Expected return on plan assets	(14,080)	(13,376)	(4,630)	(3,144)
Recognition of actuarial loss				
-for the year	1,709	4,525	960	465
-on curtailment	46,008	-	-	-
Gain on curtailment	(32,944)	-	-	-
Employee contributions	(5,272)	(4,114)	-	-
Expense	18,405	15,299	13,752	9,932
Actual return on plan assets	26,066	3,922	5,532	3,238

	Pension fund		Gratuity fund	
	2012	2011	2012	2011
	(Rupees in thousand)			

31.6 Actuarial loss to be recognised

Corridor limit				
The limits of corridor as at January 1				
10% of obligation	11,982	13,748	5,558	3,481
10% of plan assets	10,406	8,759	3,704	2,418
Which works out to	11,982	13,748	5,558	3,481
Unrecognised actuarial loss as at January 1	32,491	68,048	17,084	9,057
Excess	20,509	54,300	11,526	5,576
Recognition of actuarial loss as at December 31	1,709	4,525	960	465

31.7 Net unrecognised actuarial loss

Net unrecognised actuarial loss as at January 1	32,491	68,048	17,084	9,057
Actuarial (gain) / loss on obligation	45,132	(40,486)	2,139	8,586
Actuarial loss / (gain) on plan assets	(11,986)	9,454	(902)	(94)
Subtotal	65,637	37,016	18,321	17,549
Less: Actuarial loss recognised for the year	1,709	4,525	960	465
Less: Actuarial loss recognised on curtailment	46,008	-	-	-
Net unrecognised actuarial loss as at December 31	17,920	32,491	17,361	17,084

31.8 Principal actuarial assumptions used are disclosed in note 2.3 to the financial statements.

31.9 Amounts for the current period and previous four annual periods of the fair value of plan assets, present value of defined benefit obligation and surplus arising thereon is as follows:

	2012	2011	2010	2009	2008
	(Rupees in thousand)				
As at December 31					
Fair value of plan assets	92,250	141,105	111,770	84,591	66,553
Present value of defined benefit obligation	(113,194)	(175,399)	(172,292)	(110,914)	(85,486)
(Deficit) / surplus	(20,944)	(34,294)	(60,522)	(26,323)	(18,933)
Experience adjustment:					
Gain / (Loss) on plan assets (as a percentage of plan assets)	13.97	(6.63)	1.46	3.28	(37.00)
Loss / (Gain) on obligations (as a percentage of obligations)	41.76	(18.19)	22.22	9.42	29.00

31.10 Plan assets are comprised as follows:

	2012		2011	
	(Rs in thousand)	%	(Rs in thousand)	%
Debt	42,525	46	70,552	50
Equity	28,021	30	43,743	31
Others	21,704	24	26,810	19
	92,250	100	141,105	100

31.11 The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

31.12 Expected contribution to post-employment benefit plans for the year ended December 31, 2012 is Rs 12.253 million.

31.13 The actuary conducts separate valuations for calculating contribution rates and the Company contributes to the pension and gratuity funds according to the actuary's advice. Expense of the defined benefit plans is calculated by the actuary.

31.14 During the year the Company contributed Rs 10.595 million (2011: Rs 8.184 million) to the provident fund.

32. EARNINGS PER SHARE

	2012	2011
Profit after taxation (Rupees in thousand)	534,055	782,605
Number of ordinary shares (in thousand)	30,000	30,000
Earnings per share (Rupees) – basic and diluted	17.80	26.09

32.1 There were no convertible dilutive potential ordinary shares outstanding on December 31, 2012 and 2011.

33. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2012		2011	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees in thousand)			
Managerial remuneration	6,511	31,606	5,443	22,219
Bonus	1,811	8,290	1,016	3,686
Staff retirement benefits – note 33.1	8,495	11,238	1,973	8,001
Housing	3,792	20,888	3,205	14,746
Utilities	650	3,137	544	2,204
Leave passage	542	2,614	452	1,729
Medical expenses	72	1,772	199	996
Others	903	17,010	2,979	14,923
	22,776	96,555	15,811	68,504
Number of persons	1	30	1	22

33.1 Staff retirement benefits includes amount contributed towards various retirement benefit plans.

33.2 The Chief Executive and other executives are also provided with free use of Company's maintained cars, residential telephone reimbursement and other benefits.

33.3 Remuneration to non-executive directors

Aggregate amount charged in these financial statements for meeting fee to one non-executive director was Rs 50,000 (2011: Rs nil).

34. CASH GENERATED FROM OPERATIONS

	Note	2012	2011
		(Rupees in thousand)	
Profit before taxation		814,843	1,199,030
Adjustments for non-cash charges and other items:			
Depreciation		352,208	356,668
Amortisation		10,457	8,346
Finance cost		171,374	122,429
Profit on bank balances		(222)	(407)
Gain on investments at fair value through profit or loss		(5,899)	(12,884)
(Reversal) / provision for doubtful debts		4,694	(1,612)
Provision for accumulated compensated absences		19,591	15,174
Provision for staff retirement benefits		42,463	33,415
Profit on disposal of fixed assets		(1,270)	(1,977)
Working capital changes – note 34.1		(1,326,743)	(222,297)
		(733,347)	296,855
		81,496	1,495,885

34.1 Working capital changes

	Note	2012	2011
(Increase) / decrease in current assets:			
Stores and spares		(75,149)	(84,314)
Stock-in-trade		(802,815)	(489,787)
Trade debts		(217,388)	(223,058)
Advances, prepayments and other receivables		(122,825)	(53,931)
		(1,218,177)	(851,090)
(Increase) / decrease in current liabilities:			
Trade and other payables		(108,566)	628,793
		(1,326,743)	(222,297)

35. CASH AND CASH EQUIVALENTS

	Note	2012	2011
Short-term borrowings	12	(2,565,817)	(1,229,758)
Cash and bank balances	22	618,872	476,434
		(1,946,945)	(753,324)

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2012

	2012	2011
	(Rupees in thousand)	
36. FINANCIAL INSTRUMENTS BY CATEGORY		
Financial Assets		
a) Financial assets at fair value through profit or loss		
Held-for-trading investments	-	262,884
b) Loans and receivables		
Long-term deposits	2,303	2,195
Trade debts	1,204,616	991,922
Advances and other receivables	47,794	19,576
Cash and bank balances	618,872	476,434
	1,873,585	1,490,127
Financial Liabilities		
a) Derivatives used for hedging		
Derivative financial instruments	-	79,725
b) Financial liabilities at amortised cost		
Long-term finances	4,226,924	375,000
Trade and other payables	1,912,195	1,986,779
Accrued mark-up	163,149	36,740
Short-term borrowings	2,565,817	1,229,758
	8,868,085	3,628,277

37. FINANCIAL RISK MANAGEMENT

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

Risks managed and measured by the Company are explained below:

37.1 Market risk

37.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in market interest rates.

The Company's interest rate risk arises from borrowings which include long-term finances (note 6), short-term borrowings (note 12) and cash at bank in current accounts (note 22).

At December 31, 2012, if interest rates on borrowings had been 50 basis points higher/lower with all other variables held constant, profit after taxation for the year would have been as follows:

	2012		2011	
	At higher interest rate	At lower interest rate	At higher interest rate	At lower interest rate
	(Rupees in thousand)			
Finance Cost	21,135	(21,135)	2,885	(2,885)
Taxation	(7,397)	7,397	(1,010)	1,010
Net impact on profit after taxation	(13,738)	13,738	(1,875)	1,875

37.1.2 Currency risk

Interest rate risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Company primarily has foreign currency exposures in US Dollars and Euros, cash and cash equivalents, deposits with banks (note 22), trade debts (note 19) in respect of export sales and account payables (note 9) in respect of import of raw materials, stores and spares and plant and machinery. Since the Company's pricing mechanism is mainly linked to cost of raw materials, therefore, the affects, if any, of any adverse movement in exchange rates in USD can be passed on to the customers to some extent through increase in prices of its finished goods.

As per the Company's risk management policy, the Company hedges its exposure on firm commitment to purchase property, plant and equipments in currency other than USD.

At December 31, 2012, if the Company's functional currency (note 2.16) had weakened/strengthened by 5% against the US Dollar with all other variables held constant, profit after taxation for the year would have been higher/lower by Rs 75.051 million (2011: Rs 107.113 million), mainly as a result of foreign exchange losses/gains on translation of financial assets and liabilities denominated in US Dollars.

At December 31, 2012, if the Company's functional currency (note 2.16) had weakened/strengthened by 5% against the Euro with all other variables held constant, profit after taxation for the year would have been lower/higher by Rs 4.430 million (2011: Rs 6.747 million), mainly as a result of foreign exchange losses/gains on translation of financial assets and liabilities denominated in Euro.

37.1.3 Price risk

Price risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Details of the Company's investments exposed to price risk, at the reporting date are disclosed in note 20 to these financial statements. At December 31, the Company's overall exposure to price risk is limited to the fair value of those positions. The Company's policy is to concentrate the investments in sectors where management believe the Company can maximise the returns derived for the level of risk to which the Company is exposed.

37.2 Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted.

Credit risk arises from cash and cash equivalents, deposits with banks as well as credit exposures to customers and other counterparties which include long-term deposits, trade debts, advance to employees, rebate on export sales and other receivables. Out of the total financial assets, those that are subject to credit risk amounted to Rs 1,871.570 million (2011: Rs 1,748.058 million). The management of the Company believes that it is not exposed to major concentration of credit risk.

Total bank balance of Rs 203.346 million (2011: Rs 63.527 million) has been placed with banks which have a short-term credit rating of at least A-1.

A significant component of the receivable balances of the Company relates to amounts due from the local customers. Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non–performance by those counter parties on their obligations to the Company. The management continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery.

The maximum exposure to credit risk for trade debts as at the balance sheet date by type of counterparties was:

	2012	2011
	(Rupees in thousand)	
Local customers	1,188,148	962,032
Foreign customers	21,494	30,222
	1,209,642	992,254
Less: Provision for doubtful debts	5,026	332
	1,204,616	991,922

The ageing of trade debtors which were past due (i.e more than 30 days) and not impaired as at year end is as follows:

	2012	2011
	(Rupees in thousand)	
Dues 31 to 60 days	271,092	185,208
Dues 61 to 90 days	52,948	37,987
Dues 91 to 180 days	32,500	17,916
Dues 181 days or more	4,457	2,708
	360,997	243,819

Based on past experience, the Company believes that no further provision for doubtful debts (impairment allowance) is necessary as the existing customers have a good track record with the Company.

Other categories of financial assets do not contain any impaired or non-performing assets.

The Company does not hold any collateral against these assets other than receivable from foreign customers which are secured by way of letter of credits.

37.3 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The management believes that it will be able to fulfill its financial obligations.

Financial liabilities in accordance with their contractual maturities are presented below:

	Contractual cash flows	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	Between 5 to 10 years
			(Rupees in thousand)		
Long-term finances	6,586,281	618,659	603,096	3,496,236	1,868,290
Accrued mark-up	163,149	163,149	-	-	-
Short-term borrowings	2,565,817	2,565,817	-	-	-
Trade and other payables	1,912,195	1,912,195	-	-	-
	11,227,442	5,259,820	603,096	3,496,236	1,868,290

37.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or obtain / repay long-term financing from / to financial institutions.

Consistent with others in the industry, the Company monitors capital on the basis of the Debt Equity ratio. This ratio is calculated as under:

Debt Equity ratio = Long-term portion of debt divided by long-term portion of debt plus total equity.

During the year, the Company's strategy, which was unchanged from 2010, was to maintain the debt equity ratio below 70:30. The debt equity ratios as at December 31, 2012 and 2011 were as follows

	2012	2011
	(Rupees in thousand)	
Long-term portion of debt (note 6)	4,101,924	250,000
Total equity	2,207,785	2,221,197
Total	6,309,709	2,471,197
Debt equity ratio	65:35	10:90

The increase in the debt equity ratio is due to long-term financing aggregating Rs 3,976.924 million was obtained and repayments of loan aggregating Rs 125 million were made during the year.

37.5 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between the carrying value and fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is as follows:

a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2).

c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The estimated fair value of other financial assets and liabilities is considered not significantly different from carrying values as the items are either short-term in nature or periodically repriced.

38. TRANSACTIONS WITH RELATED PARTIES

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

Significant transactions with related parties are as follows:

Name and particulars	Nature of relationship	Nature of transaction	2012	2011
			(Rupees in thousand)	
Purchase of goods and services				
IGI Insurance Limited	Associated undertaking	Insurance services	92,472	84,176
Mitsubishi Corporation, Japan	Associated undertaking	Purchase of raw material	-	4,546
Packages Limited	Associated undertaking	Goods and services	28,283	37,168
Siemens Pakistan Engineering Company Limited	Associated undertaking	Goods and services	3,333	7,201
Siemens Pakistan Engineering Company Limited	Associated undertaking	Annual Maintenance Fee	2,567	9,237
			126,655	142,328
Sale of goods and services				
Packages Lanka (Private) Limited	Associated undertaking	Supplies	-	9,812
Packages Limited	Associated undertaking	Supplies	819,439	804,998
Tetra Pak Pakistan Limited	Associated undertaking	Supplies	29,762	16,756
Nestle Pakistan Limited	Associated undertaking	Raw water extraction bill	2,132	1,835
			851,333	833,401
Purchase of property, plant and equipment				
Mitsubishi Corporation, Japan	Associated undertaking	Supervisory fee and spare parts	-	49,479
Tetra Pak Pakistan Limited	Associated undertaking	Porta Cabin Office	-	2,640
			-	52,119

Name and particulars	Nature of relationship	Nature of transaction	2012	2011
			(Rupees in thousand)	
Capital work-in-progress				
Siemens Pakistan Engineering Company Limited	Associated undertaking	Advances to suppliers and contractors	48,358	3,450
Packages Limited	Associated undertaking	Advances to suppliers and contractors	29,385	24,298
			77,743	27,748
Purchase of an intangible asset				
Siemens Pakistan Engineering Company Limited	Associated undertaking	Purchase of intangible assets	-	9,237
Contributions to staff retirement				
Gratuity fund		Contribution	13,638	10,050
Pension fund		Contribution	17,575	13,879
Provident fund		Contribution	10,306	8,184
			41,519	32,113
Dividend				
IGI Insurance Limited	Associated undertaking		27,068	10,898
Mitsubishi Corporation, Japan	Associated undertaking		149,980	74,990
Packages Limited	Associated undertaking		200,000	100,000
			377,048	185,888
Commission				
IGI Insurance Limited	Associated undertaking	Commission earned on insurance premium	4,248	3,744
Other income				
IGI Money Market Fund	Associated undertaking	Realised gain	5,899	4,090
IGI Money Market Fund	Associated undertaking	Unrealised gain	-	8,794
IGI Insurance Limited	Associated undertaking	Insurance claim received in respect of damaged inventory	301	5,714
			6,200	18,598
Other expenses				
National Management Foundation	Associated undertaking	Donation	20,000	20,000
Key management personnel				
		- Salaries and other short-term employees' benefits	43,425	35,613
		- Post retirement benefits	12,335	4,969
			55,760	40,582
Financial assets at fair value through profit or loss				
IGI Money Market Fund	Associated undertaking	Bonus units received: 50,161 units (2011: 118,665 units)	5,056	11,927
		Units purchased: nil units (2011: 3,969,259 units)	-	400,000
		Redemptions: 2,152,805 units (2011: 1,985,279 units)	217,440	200,000

The amounts payable to and receivable from related parties have been disclosed in the relevant notes to these financial statements. The details of the assets disposed off to related parties have been disclosed in note 14.1.2 to these financial statements.

Notes to and Forming Part of the Financial Statements
For the year ended December 31, 2012

39. PLANT CAPACITY AND ACTUAL PRODUCTION

	2012	2011
	(Metric tons)	
Operational capacity at year end	35,800	35,800
Operational capacity available during the year	35,800	35,800
Production	35,770	34,925

40. DATE OF AUTHORISATION

40.1 These financial statements were authorised for issue on March 13, 2013 by the board of directors of the Company.

40.2 The board of directors have:

- proposed a dividend of Rs 10.00 (2011: Rs 20.00) per share, amounting to Rs 300 million (2011: Rs 600 million) for the year ended December 31, 2012 at their meeting held on March 13, 2013 subject to the approval of the members at the annual general meeting to be held on April 17, 2013; and
- approved transfer to general reserve amounting to Rs 234 million (2011: Rs 182 million) for the year ended December 31, 2012.

These financial statements do not recognise the appropriations to dividend as a liability and transfer to general reserves as they have been proposed and approved subsequent to the balance sheet date.

Shahid Hussain
Chief Executive

Kimihide Ando
Director

Proxy Form

21st Annual General Meeting

I/We ____
of ______________________________being a member of Tri-Pack Films Limited and holder of _________________ Ordinary Shares as per Share Register Folio No.__________________
(Number of Shares)
and/or CDC Participant I.D. No.__________ and Sub Account No.__________ hereby appoint ________________ of __________ or failing him/her ____________ of __________________ or failing him/her _______________ of _____________ as my proxy to vote for me and on my behalf at the Annual General Meeting of the Company to be held on Wednesday, April 17, 2013 at 10.30 a.m. at the Beach Luxury Hotel, Moulvi Tamizuddin Khan Road, Karachi and at any adjournment thereof.

Signed this _________________________ day of _________________________ 2013

WITNESSES:

Signature

1. Signature: ______________
   Name: ______________
   Address: ______________

   CNIC or ______________
   Passport No: ______________

2. Signature: ______________
   Name: ______________
   Address: ______________

   CNIC or ______________
   Passport No: ______________

Please affix Rupees five revenue stamp

(Signature should agree with the specimen signature registered with the Company)

Note: Proxies in order to be effective, must be received by the Company not less than 48 hours before the meeting. A proxy need not be a member of the Company.

CDC Shareholders and their Proxies are requested to attach an attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the Company.

AFFIX
CORRECT
POSTAGE

The Company Secretary:
Tri-Pack Films Limited
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G-20, Block No. 9, Clifton, Khayaban-e-Jami,
Karachi-75600, Pakistan.

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