

## Directors' Report to The Shareholders

### Directors' Report

The Directors of Tri-Pack Films Limited have pleasure in presenting their report and audited financial statements of the Company for the year ended December 31, 2006.

### Operating and Financial Results

The year 2006 was a successful year for your Company despite the fact that multiple challenges were faced during this period. As you are aware, cost of most of our important ingredients are linked with oil prices e.g. raw material and fuel and energy cost. On the other hand, selling prices of finished BOPP films are to a greater extent, determined on the basis of prices prevailing in the international market. In this situation, sharp escalation in oil prices coupled with widened gap between demand and supply of raw material and persistent pressure on selling price of film in the international market could have adversely affected our margins. However, with the support of all the stakeholders we were able to take appropriate measures which enabled us to achieve the targets set for year 2006.

All the three film manufacturing lines were run to their full production capacity level. This enabled us to attain 101% utilization of rated capacity and helped us in further strengthening our market share.

The sales net of sales tax increased by 27% to Rs 3.8 billion from Rs 2.9 billion of last year. There was also improvement in net profit for the year. The profit after tax was Rs 167.88 million as compared to Rs 83.94 million of last year.

The supply of BOPP film from regional countries at under-invoiced prices is still continuing and we are taking up this issue at all the available forums to curtail this malpractice and to ensure level playing field for the Company.

### Metallizing Unit and Plasma Treater

Smooth production continued throughout the year from the metallizing unit which commenced production early in year 2006. Production from this unit has contributed addition in volume of value added products. The quality of metallized film from this unit has further improved with the installation of plasma treater which provides enhanced barrier against oxygen and moisture.

### Human Resources

Your Company fully recognizes the importance of maintaining focus on diversity of workforce and providing everyone the opportunity to develop and grow. To equip the employees with required skills both in-house and outsourced resources were utilized.

### Dividend

The directors have recommended a cash dividend of 50% i.e. Rs 5 per share (2005: 25%).

### Future Outlook

In an environment of consistent growth in the local market and well maintained production facilities enabling us to provide smooth supplies we look forward to a better future.

We will strive to improve operational efficiencies, attain economically efficient resources, increase in value added products and further improvement in quality of products.

### Corporate and Financial Reporting

The Board of Directors have taken all the necessary steps to comply with the requirements of

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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 except for the changes as stated in note 3 to the financial statements. The accounting policies are based on reasonable and prudent judgment.
- iv) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- v) The system of internal control is sound in design and has been effectively implemented and monitored.
- vi) There are no significant doubts upon the Company's ability to continue as a going concern.
- vii) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- viii) Key operating and financial data of last nine years is annexed.
- ix) The value of investments of provident and gratuity funds, as at June 30, 2005 based on their audited accounts is as follows:

	Rupees in thousand
Provident	19,426
Gratuity	7,038

The value of investment includes accrued interest.

- x) Election of Directors  
The election of the directors was held during the year and all the existing directors were reappointed in an extraordinary general meeting of the Company for a term of three years. The directors wish to place on record their appreciation for the confidence bestowed by the shareholders.
- xi) Board Meetings  
During the year 2006, five meetings of the Board of Directors were held. The attendance of each director for these meetings is as follows:

Name of Directors	No of meetings attended
Syed Babar Ali - <i>Chairman</i>	4
Mr. Shahid Hussain- <i>Managing Director</i>	5
Mr. Hiroshi Kojima	-
Mr. Khalid Yacob	4
Mr. Mujeeb Rashid	3
Syed Hyder Ali	4
Mr. Masaharu Domichi	2
Mr. Hiroaki Yokoi (alternate to Mr Hiroshi Kojima)	1

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

### xii) Purchase and Sales of Shares

Purchase of shares:	No. of shares
Chief Executive Officer	Nil
Directors	500
Chief Financial Officer	Nil
Company Secretary	Nil
Spouses	Nil
Sales of shares:	Nil

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 as noted above.

### Auditors

The present auditors M/s A. F. Ferguson & Co., Chartered Accountants retire and offer themselves for reappointment. As suggested by the Audit Committee, the Board of Directors has recommended their reappointment as auditors of the Company for the year ending December 31, 2007, 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, which comprises of four non-executive directors (including its Chairman). During the year four meetings of the Committee were held. The Committee has its terms of reference which were determined by the Board of Directors in accordance with the guidelines provided in the Listing Regulations.

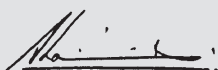
### Material Changes

There have been no material changes since December 31, 2006 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, 2006, whose disclosure is required under the reporting framework, is included in the annexed shareholders' information.

For and on behalf of the Board



Shahid Hussain  
Chief Executive

Karachi, February 03