

MACPAC Films Limited

***CONDENSED INTERIM FINANCIAL INFORMATION
FOR 1st Quarter Ended, September 30, 2010
(Un-Audited)***

DIRECTOR'S REVIEW

In the name of Allah, The Most Gracious, The Most Benevolent and the Most Merciful.

Assalam-o-Alaikum

The Directors of your company are pleased to present the un-audited financial information of the company for the 1st quarter ended September 30, 2010.

Business Overview

With the Blessings of Allah the ALL MUGHY, you will note that after a long time we have made a gross profit. Sales have shown an upward trend which has resulted in the Gross profit.

Financial Reporting

The net sales for this quarter being Rs. 121.018 million as compared to Rs. 39.95 million for the same period last year an increase of Rs. 82 million i.e. 69% over the same preceding period which is basically due to shift in the pattern of production from toll manufacturing to own manufacturing. Loss before tax for the quarter was Rs.4.6 million as compared to a Loss of Rs. 15.6 million for the same period last year.

Earning per share has improved to Rs. (0.15) per share from Rs. (0.41) per share.

Future Outlook

The business environment is becoming competitive and with the availability of LC limits own manufacturing has also improved, the management of the company is confident and positive that due to restructuring of debts better performance of your company will improve significantly the position of the business because the company is geared up for quality and quantity production with lower cost of production and economies of scale, the only constrain remains the shortage of working capital.

Acknowledgement

I take this opportunity to thank the financial institutions, customers and other stakeholders and shareholders for the confidence shown in the company and also wish to place on record my appreciation for the dedication and hard work of all members of our team.

On behalf of the Board

October 30, 2010

**Maqbool Elahi
Chief Executive**

MACPAC FILMS LIMITED
Condensed Interim Balance Sheet (Un-Audited)
as at September 30 , 2010

| | NOTE | Un-audited September 30, 2010 Rupees | Audited June 30, 2010 Rupees |
|--|------|---|---------------------------------------|
| Non current assets | | | |
| Property, Plant and Equipment | 4 | 695,073,719 | 710,061,643 |
| Intangible | | 316,958 | 333,640 |
| Long-term deposits | 5 | 52,063,300 | 52,063,300 |
| Deferred taxation | 6 | 90,105,250 | 90,105,250 |
| Current assets | | | |
| Stock-in-trade | | 31,913,428 | 29,497,179 |
| Trade debts | | 46,401,916 | 28,450,023 |
| Loans and advances | | 1,001,277 | 1,114,790 |
| Trade deposits and prepayments | | 9,689,289 | 7,638,991 |
| Tax refund from Government | | 24,587,641 | 23,213,845 |
| Cash and bank balances | | 2,916,313 | 176,613 |
| | | 116,509,864 | 90,091,441 |
| | | 954,069,091 | 942,655,274 |
| Equity and liabilities | | | |
| Share capital and reserves | | | |
| Share capital | 7 | 388,860,000 | 388,860,000 |
| Reserves | | 79,930,000 | 79,930,000 |
| Unappropriated losses | | (543,680,253) | (537,860,243) |
| | | (74,890,253) | (69,070,243) |
| Non current liabilities | | | |
| Staff retirement benefits - staff gratuity | | 9,686,150 | 9,083,140 |
| Long term loans | 8 | 144,301,075 | 183,092,657 |
| Due to directors and associated company | | 196,760,457 | 196,760,457 |
| Deferred Markup | | 135,234,504 | 149,734,504 |
| | | 485,982,186 | 538,670,758 |
| Current liabilities | | | |
| Current portion of long-term liabilities | | 245,784,240 | 258,660,658 |
| Trade and other payables | | 260,357,490 | 195,072,679 |
| Accrued mark-up | | 36,835,428 | 19,321,422 |
| | | 542,977,158 | 473,054,759 |
| Contingencies and commitments | 9 | - | - |
| Total equity and liabilities | | 954,069,091 | 942,655,274 |

The annexed notes 1 - 12 form an integral part of these condensed interim financial information.

Maqbool Elahi
Chief Executive

Mohammad Sadiq Khan
Director

MACPAC FILMS LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2010 (Un-audited)

| | NOTE | Three months ended | |
|----------------------------------|-----------|-----------------------------|-----------------------------|
| | | Sept. 30, 2010 Rupees | Sept. 30, 2009 Rupees |
| Sales | | | |
| Gross sales | | | |
| - Local | | 134,833,745 | 282,478 |
| - Processing income | | 14,019,045 | 47,232,609 |
| | | <u>148,852,790</u> | <u>47,515,087</u> |
| Sales tax | | (26,624,076) | (8,178,826) |
| Special excise duty | | (1,210,185) | (389,468) |
| Net sales | | <u>121,018,529</u> | <u>38,946,793</u> |
| Cost of goods sold | 10 | <u>(105,454,500)</u> | <u>(37,237,541)</u> |
| Gross profit/(loss) | | 15,564,029 | 1,709,252 |
| Selling and marketing expenses | | (984,193) | (1,083,217) |
| Administrative expenses | | (4,920,674) | (3,975,942) |
| | | <u>(5,904,867)</u> | <u>(5,059,159)</u> |
| Operating profit / (loss) | | 9,659,161 | (3,349,907) |
| Financial charges | | (14,409,105) | (12,664,340) |
| Other income | | 140,118 | 385,748 |
| | | <u>(14,268,987)</u> | <u>(12,278,592)</u> |
| (Loss) before taxation | | (4,609,825) | (15,628,499) |
| Taxation | | (1,210,185) | (194,734) |
| (Loss) after taxation | | <u>(5,820,010)</u> | <u>(15,823,233)</u> |
| Earning/(Loss) per share | | <u>(0.15)</u> | <u>(0.41)</u> |

The annexed notes 1 - 12 form an integral part of these condensed interim financial information.

Maqbool Elahi
Chief Executive

Mohammad Sadiq Khan
Director

MACPAC FILMS LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2010 (Un-audited)

| | Sept. 30, 2010 Rupees | Sept. 30, 2009 Rupees |
|---|--------------------------------------|--------------------------------------|
| A. CASH GENERATED FROM OPERATIONS | | |
| (Loss) before taxation | (4,609,825) | (15,628,499) |
| Adjustments: | | |
| Depreciation | 15,051,846 | 18,492,892 |
| Amortization of intangible asset | 16,682 | 20,852 |
| Provision for Bad debts | 500,000 | - |
| Provision for gratuity | 629,410 | 429,490 |
| | 1,146,092 | 450,342 |
| Gain on sale of fixed assets | - | (107,248) |
| Financial charges | 14,409,105 | 12,664,340 |
| | 30,607,043 | 31,500,326 |
| Operating cash flows before working capital changes | 25,997,218 | 16,073,673 |
| Changes in working capital | | |
| (Increase)/decrease in current assets: | | |
| Stock-in-trade | (2,416,249) | (7,466,132) |
| Trade debts | (18,451,893) | 27,625,152 |
| Loans and advances | 113,513 | (335,183) |
| Trade deposits and prepayments | (2,050,297) | (3,568,720) |
| Other receivables | - | 826,810 |
| | (22,804,926) | 17,081,928 |
| Increase/(decrease) in current liabilities: | | |
| Trade and other payables | 65,785,948 | 10,779,554 |
| Income tax deducted at source | (686,250) | (387,447) |
| | 65,099,698 | 10,392,107 |
| | 42,294,771 | 27,474,035 |
| | 68,291,989 | (43,345,862) |
| Cash generated from/(used in) operation | | |
| Income tax paid | (2,583,980) | (825,608) |
| Gratuity paid | (26,400) | (702,000) |
| Financial charges paid | (637,979) | (4,061,603) |
| | (3,248,358) | (5,589,211) |
| Net cash (used in) operating activities | 65,043,631 | 37,756,651 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Fixed capital expenditures | (63,900) | (1,098,000) |
| Proceeds from disposal of fixed assets | - | 500,000 |
| Cash flow (used in) / from investing activities | (63,900) | (598,000) |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Long term finance | (51,668,000) | (35,000,000) |
| Obligation paid for assets | (10,572,030) | - |
| Net cash outflow from financing activities | (62,240,030) | (35,000,000) |
| Net (decrease) / Increase in cash and cash equivalent (A + B + C) | 2,739,700 | 2,158,652 |
| Cash and cash equivalent at the beginning of the period | 176,613 | 3,918,027 |
| Cash and cash equivalent at the end of the period | (2,916,313) | 6,076,679 |

The annexed notes 1 - 12 form an integral part of these condensed interim financial information.

Maqbool Elahi
Chief Executive

Mohammad Sadiq Khan
Director

MACPAC FILMS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2010 (Un-audited)

| Particulars | Issued, subscribed and paid-up capital | Reserves share premium | Unappropriated (losses) | Total |
|----------------------------------|---|-------------------------------|--------------------------------|--------------|
| | | | | |
| | | | R U P E E S | |
| Balance as at July 1, 2009 | 388,860,000 | 79,930,000 | (510,175,153) | (41,385,153) |
| (Loss) for the period | - | - | (15,823,233) | (15,823,233) |
| Balance as at Sept. 30, 2009 | 388,860,000 | 79,930,000 | (525,998,386) | (57,208,386) |
| Balance as at July 1, 2010 | 38,886,000 | 79,930,000 | (537,860,243) | (69,070,243) |
| (Loss) for the period | - | - | (5,820,010) | (5,820,010) |
| Balance as at September 30, 2010 | 38,886,000 | 79,930,000 | (543,680,253) | (74,890,253) |

The annexed notes 1 - 12 form an integral part of these condensed interim financial information.

Maqbool Elahi
Chief Executive

Mohammad Sadiq Khan
Director

MACPAC FILMS LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-Audited)
FOR THE PERIOD ENDED September 30, 2010

| | Three months ended | |
|--|---------------------------|-----------------------|
| | Sept. 30, 2010 | Sept. 30, 2009 |
| | | |
| | | R U P E E S |
| Net (loss) after taxation | (5,820,010) | (15,823,233) |
| Other comprehensive Income | - | - |
| Total Comprehensive (loss) for the period | (5,820,010) | (15,823,233) |

The annexed notes 1 - 12 form an integral part of these condensed interim financial information.

MACPAC FILMS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2010 (UN-AUDITED)

1. STATUS AND NATURE OF THE COMPANY

The company is a limited liability company incorporated in Pakistan under the Companies Ordinance, 1984 and is listed on the Karachi and Lahore Stock Exchanges. The address of its registered office is F/2, A-F, S.I.T.E., Karachi.

The principle activity of the company is to manufacture, produce, buy and sell plastic packaging films.

2. COMPLIANCE WITH STATUTORY REQUIREMENTS

These condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standards (IAS) 34, "Interim Financial Reporting". This condensed interim financial information is un-audited and submitted as required by section 245 of the Companies Ordinance, 1984 and the listing regulation of the Karachi & Lahore Stock Exchanges.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the company for the year ended June 30, 2010

| | NOTE | Un-audited Sept. 30, 2010 Rupees | Audited June 30, 2010 Rupees |
|--|----------|---|---|
| 4. PROPERTY, PLANT AND EQUIPMENT | 0 | | |
| Opening book value | | 710,061,643 | 796,740,542 |
| Add: | | | |
| Additions during the period | | 63,900 | 3,132,049 |
| | | 710,125,543 | 799,872,591 |
| Less: | | | |
| Disposals during the period (book value) | | - | 15,803,731 |
| Depreciation charged during the period | | 15,051,833 | 74,007,216 |
| | | 15,051,833 | 89,810,948 |
| | | 695,073,719 | 710,061,643 |
| 5. LONG TERM DEPOSITS | | | |
| Leased asset deposits | 5.1 | 50,000,000 | 50,000,000 |
| Others | | 2,063,300 | 2,063,300 |
| | | 52,063,300 | 52,063,300 |

5.1 The deposit amount has been given to TOYO Packaging (Private) Limited for onward submission with Emirates Global Islamic Bank Limited for security deposit against lease of Primary Slitter.

6. DEFERRED TAXATION

Amount shown in deferred taxation represents balance as at June 30, 2010. No deferred tax has been recognized during the period and shall be recorded in annual financial statement.

7. AUTHORIZED CAPITAL

| | | |
|---|---|---|
| (40,000,000) Ordinary shares of Rs.10/- each) | 400,000,000 | 400,000,000 |
| Issued, subscribed and paid-up capital (25,986,000 Ordinary shares of Rs. 10/- each fully paid up in cash) | 259,860,000 | 259,860,000 |
| (12,900,000 Ordinary shares of Rs.10/- each) | 129,000,000 | 129,000,000 |
| | 388,860,000 | 388,860,000 |
| | Un-audited Sept. 30, 2010 Rupees | Audited June 30, 2010 Rupees |

8. LONG-TERM LOANS

| | | | |
|---|-------------|--------------------|--------------------|
| Secured | Note | | |
| Commercial bank | 8.1 | 161,108,000 | 177,776,000 |
| Commercial bank | 8.2 | 105,000,000 | 135,000,000 |
| Financial institution | 8.3 | 78,359,404 | 85,482,986 |
| | | <u>344,467,404</u> | <u>398,258,986</u> |
| Term installment due | | 45,617,911 | 43,494,329 |
| | | <u>390,085,315</u> | <u>441,753,315</u> |
| Less: Current portion shown under current liabilities | | 200,166,329 | 215,166,329 |
| Term installment due | | 45,617,911 | 43,494,329 |
| | | 144,301,075 | 183,092,657 |

- 8.1 Habib Bank Limited, had filed a suit for the recovery of Rs. 392.14 million against all facilities along with mark-up till December 2008 in the High Court of Sindh. On January 29, 2010, the Sindh High Court has issued a decree in terms of compromise, in which the case has been withdrawn from the court. In accordance with the order of the court, out of total principal amounting to Rs. 248.36 million initial payment of Rs. 48.36 million was paid till February 2010 and Rs. 38.9 million has been paid in seven equal installment till Sept. 30, 2010. The entire principal amount of Rs. 248.36 million is paid, the mark-up amount of Rs. 147.886 million shall stand waived. The facility is secured by the pari passu charges over existing and future assets of the Company to the tune of Rs. 485.131 million.
- 8.2 The Company and Faysal Bank Limited has signed a Memorandum of Understanding (MOU) in which all past, present and future mark-up has been frozen and total liabilities in terms of all facilities has been decided to the extent of Rs. 260 million which is payable in 25 installments on monthly basis except first and last installment of Rs. 15 million. Out of which 145 million has been paid till Sept. 30, 2010. The facility is secured by the pari passu charges over existing and future assets of the Company to the tune of Rs. 378.092 million.
- 8.3 Saudi Pak's term loan facility was restructured in 2007 for a period of four years. The initial rate of mark-up was 3 months KIBOR plus 4 % per annum and will be reduced to 3 months KIBOR plus 3% w.e.f the date restructuring i.e. July 1, 2008, thereafter 3 months KIBOR plus 2% from January 2010 onward. Repayment of principal is on quarterly basis starting from July 2009. The facility is secured by pari passu charge over existing and future assets of the Company to the tune of Rs. 189.962 million.

After making the down payment of Rs. 15 million it was not possible due to various reasons, non availability of letter of credit limits and other crisis etc., the Company was not able to make further payments and best efforts are being made to settle liability with them.

9. CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

9.1.1 The Company was allowed tax holiday under clause 118-C to the Second Schedule of the Income Tax Ordinance, 1979 for a period of eight years from the assessment year 1995-96 i.e. 1st July 1995. The company claimed tax holiday up to December 2003. The Deputy Commissioner of Income Tax reopened the assessment initially for the assessment year 1995-96 alleging that the company was not entitled to the Tax Holiday earlier allowed under the above clause. Being aggrieved by the notice under section 65 of the Income Tax Ordinance, 1979, the company filed a writ petition before the Honourable High Court of Sindh which was dismissed allegedly on account of non-maintainability. A petition for leave to appeal was filed against the dismissal of the writ petition which has been granted by the Honorable Supreme Court of Pakistan, the Honorable Supreme Court of Pakistan has also suspended the judgment of the Honorable High Court of Sindh and ordered maintenance of status quo.

The Deputy Commissioner of Income Tax then reopened the cases for the assessment years 1996-97 to 1998-99 and proceeded to finalize the assessment for the assessment year 1999-2000 under section 62 of the Income Tax Ordinance, 1979. The writ against these notices was dismissed by the Honorable High Court of Sindh whereas the civil petition for leave has been granted by the Honorable Supreme Court of Pakistan. The Honorable Supreme Court of Pakistan has also stayed the proceedings for these years.

Although the Honorable Supreme Court of Pakistan has accepted the petition for leave to appeal and the company's lawyers are very hopeful that the tax holiday will be restored. However in case of an adverse decision by the Honorable Supreme Court of Pakistan, it is certain that the Deputy Commissioner of Income Tax shall disallow the tax holiday. Subject to appeal and assuming that the Deputy Commissioner of Income Tax does not make any other addition for these years a liability of Rs. 67,938,844 will arise for which no provision has been made as the company is reasonably confident that such a contingency will not arise and the petitions shall be decided in its favor.

While finalizing the orders the assessing officers have made various mistakes, for which rectification applications have been made. No provision for these tax liabilities have been made in these financial statements because the management feels that after rectification of mistakes, there will not be any tax liability in respect of these years.

9.1.2 Bank Alfalah Limited is claiming Rs. 1.5 million against termination of lease finance facility on the account of additional lease rentals at the rate of 0.1% per day on all delayed payments of rentals. The management of the Company believes that they shall settle these dues amicably. Currently no provision has been made in these financial statements.

9.1.3 NIB Bank Limited, (formally PICIC Commercial Bank Limited) is claiming Rs. 1.3 million against termination of Lease Finance Facility on the account of all delayed rentals/late payment charges. The management of the Company believes that they shall settle these dues amicably. Currently no provision has been made in these financial statements.

9.1.4 Port Qasim Authority has claimed Rs. 984,083/- as mark-up on non-payment of annual dues. Currently no provision has been made in these financial statements. The management of the Company believes that they will settle these dues amicably and the mark up waived.

9.1.5 In continuation of Note. 8.1 the Court decided in the consent decree that in case of default in their obligations to repay the agreed liability, the Company is jointly and severally have to pay the mark-up amount of Rs. 147.89 million otherwise it will be write off. Currently, the Company has provided Rs. 125.77 million as a deferred mark-up and however no provision has been made for difference of Rs. 22.12 million in these financial statements. The management of the Company believes that it will be able to pay off the whole amount of principal within the time allowed and the mark up will be waived.

9.1.6 In continuation of Note. 8.2, the Company has agreed to repay the whole amount in 25 equal installments and that in case of default in their obligations to repay the agreed liability, the Company is jointly and severally have to pay the benefit amount of Rs. 20.360 million plus additional markup on principal outstanding balance till the time of default.

9.1.7 Guarantees issued by banks on behalf of the Company to Sui Southern Gas Company Limited amounting to Rs. 2.25 million (June 2010: 2.25 million).

9.2 Commitments:

Letter of credit for purchase of raw material amounting to Rs. 42.989 million (June 2010: 52.065 million)

Three months ended

| | Unaudited Sept. 30, 2010 Rupees | Unaudited Sept. 30, 2009 Rupees |
|---|--|--|
| 10. COST OF SALES | | |
| Opening work-in-process | 15,407,860 | 4,460,550 |
| Material consumed | 68,348,276 | 88,501 |
| Salaries, wages and other benefits | 4,865,497 | 4,545,671 |
| Oil and lubricants/diesel | 890,462 | 780,993 |
| Packing material consumed | 2,055,450 | 2,039,005 |
| Consumable stores | 121,333 | 209,673 |
| Water charges | 46,100 | 14,831 |
| Repair and maintenance | 866,498 | 464,762 |
| Vehicle running and maintenance | 246,117 | 289,138 |
| Power/electricity/gas | 9,036,914 | 6,842,354 |
| Insurance | 1,327,548 | |
| Telephone | 63,383 | 54,425 |
| Cartage and octori | 658,705 | 601,635 |
| Consultancy charges | 1,006,417 | 540,090 |
| Staff welfare | 118,006 | 101,897 |
| Security charges | 357,000 | 357,000 |
| Depreciation | 14,820,178 | 18,206,536 |
| Donation | 50,000 | - |
| Other expense | 708,206 | 623,208 |
| | 120,993,950 | 40,220,269 |
| Less: Closing work-in-process | (20,686,365) | (5,148,360) |
| Cost of goods manufactured | 100,307,585 | 36,898,211 |
| Opening stock of finished goods | 8,574,715 | 7,426,900 |
| | 108,882,300 | 44,325,111 |
| Less: Closing stock of finished goods | (3,427,800) | (7,087,570) |
| | <u>105,454,500</u> | <u>37,237,541</u> |
| 11. DATE OF ISSUE | | |
| These condensed interim financial information was authorized for issue on October 30, 2010 by the Board of Directors. | | |
| 12. GENERAL | | |
| Figures have been rounded off to the nearest rupee. | | |
| Maqbool Elahi | | Mohammad Sadiq Khan |
| Chief Executive | | Director |

Board of Directors

Mr. Maqbool Elahi
Mr. Mohammad Sadiq Khan
Mr. Naeem Ali Mohammad
Mrs. Rukhsana Maqbool
Mr. Shariq Maqbool Elahi
Mrs. Sana Nauman
Air Marshal Azim Daudpota

Chief Executive

Audit Committee of the Board

Mr. Mohammad Sadiq Khan
Mrs. Rukhsana Maqbool
Air Marshal Azim Daudpota

Chairman
Member
Member

Company Secretary

Zafar Ahsan

Chief Financial Officer

Israr Ullah Khan

Bankers

Faysal Bank Limited
Habib Bank Limited
Bank Alfalah Limited
Emirates Global Islamic Bank Limited
NIB Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited

Auditors

Avais Hyder Liaquat Nauman
Chartered Accountants

Registered Office

F/2, A-F, S.I.T.E. Karachi

Factories

Plot No. EZ/1/P-10
Eastern Industrial Zone
Port Qasim Area

Plot No. 1-6, Gadani Industrial Area
Lasbela Baluchistan

Shares Registrar

Noble Computer Services (Pvt) Ltd
Mezzanine Floor, House of Habib Building (Siddiqsons Tower),
3-Jinnah Cooperative Housing Society,
Main Shahrah-e-Faisal,
Karachi - 75350

Legal Advisor

Abdul Ghaffar Khan
F-72/1, KDA Scheme 5,
Kehkashan, Clifton, Karachi