

CONDENSED INTERIM FINANCIAL STATEMENTS



BUILDING RELATIONSHIPS

FOR THE 1st
QUARTER ENDED,
SEPTEMBER 30, 2014
(UN-AUDITED)

Manufacturers of Multi Layer Co-extruded BOPP Films

MACPAC FILMS LTD.



COMPANY INFORMATION

Board of Directors

Air Marshal Azim Daudpota (Chairman)
Mr. Maqbool Elahi Shaikh (Chief Executive)
Mr. Mohammad Sadiq Khan (Executive Director)
Mr. Naeem Munshi (Non-Executive Director)
Mr. Ehtesham Maqbool Elahi (Executive Director)
Mr. Shariq Maqbool Elahi (Non-Executive Director)
Mr. Fahad Munshi (Non-Executive Director)
Mr. Mansoor Younus (Independent Director)
Mr. Kamran Fazal (Nominee Director EOBI)

Audit Committee of the Board

Mr. Mansoor Younus (Committee Chairman)
Mr. Naeem Munshi
Air Marshal Azim Daudpota

HR & Remuneration Committee

Mr. Naeem Munshi (Committee Chairman)
Mr. Ehtesham Maqbool Elahi
Mr. Shariq Maqbool Elahi

Chief Financial Officer & Company Secretary

Mr. M. Javid Ansari

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Legal Advisor

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

Share Registrar

Central Depository Company
Pakistan Ltd
CDC House, 99 - B, Block 'B', S.M.C.H.S.,
Main Shahrah-e-Faisal, Karachi-74400
Customer Support Service 0800-CDCPL (23275)
Fax: (92-21) 34326053
Email: info@cdcpak.com
www.cdcpakistan.com

Bankers

(in alphabetical order)
Bank Alfalah Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metro Bank Limited
MCB Bank Limited
Meezan Bank Limited
Soneri Bank Limited

Registered Office

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

City Office

Plot # 21 Maqboolabad,
Jinnah Cooperative Housing Society,
(J.C.H.S), Tipu Sultan Road, Karachi.
Email : info@macpacfilms.com

Website:

www.macpac.com.pk

Factory

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

Macpac Films Limited

DIRECTOR'S REVIEW

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

Assalam-o-Alaikum

Dear Shareholders,

The Board of Directors of your Company are pleased to present the un-audited financial statements of the Company for the 1st quarter ended September 30, 2014.

Financial Reporting

Your Company has recorded net sales of Rs. 267.4 million as compared to Rs. 241.4 million for the same period last year. The company has shown net profits of Rs. 5.4 million during the period as compared to Rs. 9.2 million for the period last year. This decline is mainly due to shrinking margins per unit owing to higher input costs and increasing competition, making it difficult to pass on the gained costs to the customers.

Earnings per share of the Company is Rs. 0.14 per share which was Rs. 0.24 per share during the same period last year.

Future outlook

The business environment remains competitive and challenging mainly due to over expansion in the industry. Raw material prices show continuous fluctuations. The regional shortages and shut downs of raw material plants have caused supply and pricing pressure as previous year and don't seem to show consistency in near future. But the management of your Company is endeavoring to devote their efforts for best results by hedging secure raw material quantities against advance orders.

We are confident that your Company has the potential to sustain all challenges by maintaining its position in the market and keeping the current focus and strengthening its business relationships.

The market has become ever more competitive with new supplementary products competition and expansion of competition plant capacities, but your company aims to further provide vast variety of products for its customers to be on top of the curve.

Your company has added more products to its portfolio and they add value to future sales revenue via mainly due to the Metalizer Project production commencement.

Acknowledgement

The Directors of the Company would like to take the opportunity to thank the Securities and Exchange Commission of Pakistan, Shareholders, Partners, Customers, Government Authorities, Autonomous bodies, Financial Institutions and Bankers for their co-operation & continued support.

The Directors are also pleased to record their appreciation of the valuable and untiring efforts and services rendered by the staff of the Company.

For and on behalf of the Board

On behalf of the Board

October 31, 2014

MAQBOOL ELAHI SHAIKH
Chief Executive Officer

Macpac Films Limited

Condensed Interim Balance Sheet (Un-Audited)

As At September 30, 2014

	NOTE	Sep 30 2014 Rupees	Jun 30 2014 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	747,736,873	760,901,866
Intangible assets		379,827	386,660
		748,116,700	761,288,526
Long-term deposits	5	61,551,921	61,551,921
		809,668,621	822,840,447
CURRENT ASSETS			
Stock-in-trade		320,143,457	248,667,073
Trade debts		160,106,404	159,775,636
Loans and advances		4,761,137	3,175,189
Trade deposits, prepayments and other receivables		5,931,451	8,193,613
Tax refund due from Government - net		32,626,320	28,462,590
Cash and bank balances		10,625,626	11,336,312
		534,194,395	459,610,413
TOTAL ASSETS		1,343,863,015	1,282,450,860
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Issues, subscribed and paid-up capital	6	388,860,000	388,860,000
Reserves		79,930,000	79,930,000
Unappropriated losses		(16,804,824)	(22,201,851)
		451,985,176	446,588,149
NON-CURRENT LIABILITIES			
Staff retirement benefits - gratuity		14,387,159	13,534,377
Long term loan from a director and an associated company		148,260,457	148,260,457
Diminishing musharaka arrangement		19,655,729	31,065,903
Liabilities against asset subject to finance lease		22,845,375	29,413,590
Deferred taxation	7	73,181,296	73,181,296
		278,330,016	295,455,623
CURRENT LIABILITIES			
Trade and other payables		523,900,786	467,642,307
Accrued mark-up		2,730,494	1,130,198
Short-term borrowing		50,000,000	50,000,000
Current portion of non-current liabilities		36,916,542	21,634,583
		613,547,823	540,407,088
CONTINGENCIES AND COMMITMENTS	8		
TOTAL EQUITY AND LIABILITIES		1,343,863,015	1,282,450,860

The annexed notes from 1 to 11 form an integral part of these financial statements.

Maqbool Elahi Shaikh
Chief Executive

Mohammad Sadiq Khan
Director

MACPAC FILMS LIMITED

Macpac Films Limited

Condensed Interim Profit and Loss Account (Un-Audited)
For The 1st Quarter Ended September 30, 2014

	Note	Quarter Ended	
		Sept 30 2014 Rupees	Sept 30 2013 Rupees
SALES			
Gross sales			
- Local		298,757,847	269,913,928
- Processing income		15,475,794	13,425,570
		<u>314,233,641</u>	<u>283,339,498</u>
Sales tax		(46,873,854)	(41,981,698)
NET SALES		<u>267,359,787</u>	<u>241,357,800</u>
Cost of sales	9	(236,207,439)	(217,239,287)
GROSS PROFIT		<u>31,152,348</u>	<u>24,118,513</u>
Marketing and selling expenses		(2,669,079)	(1,973,961)
Administrative expenses		(11,234,690)	(8,786,907)
		<u>(13,903,770)</u>	<u>(10,760,868)</u>
OPERATING PROFIT		<u>17,248,578</u>	<u>13,357,645</u>
Finance costs		(9,177,953)	(1,701,130)
PROFIT BEFORE TAXATION		<u>8,070,625</u>	<u>11,656,515</u>
Taxation		(2,673,598)	(2,413,578)
PROFIT AFTER TAXATION		<u>5,397,027</u>	<u>9,242,937</u>
EARNINGS PER SHARE		<u>0.14</u>	<u>0.24</u>

The annexed notes from 1 to 11 form an integral part of these financial statements.

Maqbool Elahi Shaikh
Chief Executive

Mohammad Sadiq Khan
Director

Macpac Films Limited

Condensed Interim Statement of Comprehensive Income (Un-Audited)
For The 1st Quarter Ended September 30, 2014

	Sept 30 2014 Rupees	Sept 30 2013 Rupees
Net Income after taxation	5,397,027	9,242,937
Other comprehensive Income	-	-
Total Comprehensive income for the period	5,397,027	9,242,937

The annexed notes from 1 to 11 form an integral part of these financial statements.

Macpac Films Limited

Condensed Interim Statement of Changes in Equity (Un-Audited)
For The 1st Quarter Ended September 30, 2014

Particulars	Issued, subscribed and paid-up capital	Reserves share premium	Unappropriated profit / (losses)	Total
Balance as at July 1, 2013	388,860,000	79,930,000	42,952,633	511,742,633
Profit for the period	-	-	9,242,937	9,242,937
Balance as at Sept 30, 2013	388,860,000	79,930,000	52,195,570	520,985,570
Balance as at July 1, 2014	388,860,000	79,930,000	(22,201,851)	446,588,149
Profit for the period	-	-	5,397,027	5,397,027
Balance as at Sept 30, 2014	388,860,000	79,930,000	(16,804,824)	451,985,176

The annexed notes from 1 to 11 form an integral part of these financial statements.

Maqbool Elahi Shaikh
Chief Executive

Mohammad Sadiq Khan
Director

MACPAC FILMS LIMITED

Macpac Films Limited

Condensed Interim Cash Flow Statement (Un-Audited)
For The 1st Quarter Ended September 30, 2014

	Sept 30 2014 Rupees	Sept 30 2013 Rupees
CASH GENERATED FROM OPERATIONS		
Profit before taxation	8,070,625	11,656,515
Adjustments for non-cash and other items:		
Depreciation	15,800,278	11,549,767
Amortization of software	6,833	8,541
Provision for gratuity	1,212,212	-
Finance costs	9,177,953	1,701,130
	<u>26,197,277</u>	<u>13,259,438</u>
	34,267,902	24,915,953
Changes in working capital		
<i>(Increase) / decrease in current assets:</i>		
Stock-in-trade	(71,476,384)	(3,011,906)
Trade debts	(330,769)	15,459,861
Loans and advances	(1,585,948)	(5,329,592)
Trade deposits, short - term prepayments and other receivables	2,262,162	(862,142)
	<u>(71,130,939)</u>	<u>6,256,221</u>
<i>Increase / (decrease) in current liabilities:</i>		
Trade and other payables	56,484,020	(59,904,253)
Income tax deducted at source	(225,541)	956,489
	<u>56,258,479</u>	<u>(58,947,764)</u>
Cash generated from / (used in) operations	<u>19,395,443</u>	<u>(27,775,590)</u>
Income tax paid	(6,837,328)	(9,484,248)
Gratuity paid	(359,430)	(144,000)
Finance costs paid	(7,577,657)	(1,701,130)
	<u>(14,774,415)</u>	<u>(11,329,378)</u>
Net cash generated from / (used in) operating activities	4,621,028	(39,104,968)
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditures	(2,635,285)	(13,650,272)
CASH FLOW FROM FINANCING ACTIVITIES		
Short term running finance	-	49,178,571
Repayment of financing	(2,696,430)	-
Net cash generated (used in) / from financing activities	<u>(2,696,430)</u>	<u>49,178,571</u>
Net decrease in cash and cash equivalents	(710,686)	(3,576,669)
Cash and cash equivalents at the beginning of the period	11,336,312	4,869,753
Cash and cash equivalents at the end of the period	<u>10,625,626</u>	<u>1,293,084</u>

The annexed notes from 1 to 11 form an integral part of these financial statements.

Maqbool Elahi Shaikh
Chief Executive

Mohammad Sadiq Khan
Director

Macpac Films Limited

Notes To The Condensed Interim Financial Statements For The 1st Quarter Ended September 30, 2014

1. STATUS AND NATURE OF THE COMPANY

Macpac Films Limited (the Company) was incorporated on August 19, 1993, in Pakistan as a limited liability company under the Companies Ordinance, 1984 and is listed on the Karachi and Lahore stock exchanges. The registered office of the Company is situated at F/2, A – F, S.I.T.E, Karachi, Pakistan and city office is at Plot # 21 Maqbolabad, Jinnah Cooperative Housing Society, (J.C.H.S), Tipu Sultan Road, Karachi.

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

2. COMPLIANCE WITH STATUTORY REQUIREMENTS

These condensed interim financial statements is unaudited and has been prepared and is being submitted to the members in accordance with section 245 of the Companies Ordinance, 1984 and International Accounting Standard (IAS) 34 - "Interim Financial Reporting". These figures for the three month ended September 30, 2014, are subject to limited scope review as required by the Code of Corporate Governance. This condensed interim financial statements does not include all the information required for annual financial statements and therefore should be read in conjunction with the annual financial statements for the year ended June 30, 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of this condensed interim financial statements are the same as those applied in the preparation of preceding annual published financial statements of the company for the year ended June 30, 2014.

	NOTE	Sept 30 2014 Rupees	June 30 2014 Rupees
4. PROPERTY, PLANT AND EQUIPMENT			
Opening book value		760,901,866	673,500,047
Add:		<u>2,635,285</u>	<u>134,269,341</u>
Additions during the period		763,537,151	807,769,388
Less:			
Disposals during the period (book value)		-	(154,656)
Depreciation charged during the period		<u>(15,800,278)</u>	<u>(46,712,866)</u>
		<u>(15,800,278)</u>	<u>(46,867,522)</u>
		<u><u>747,736,873</u></u>	<u><u>760,901,866</u></u>

5. LONG TERM DEPOSITS

Leased asset deposits		4,153,500	4,153,500
Others	5.1	<u>57,398,421</u>	<u>57,398,421</u>
		<u><u>61,551,921</u></u>	<u><u>61,551,921</u></u>

5.1 This represents an amount of Rs.55.123 million (2013: Rs.55.123 million) which has been given to Toyo Packaging (Private) Limited, a related party, for onward submission to Albaraka Bank (Pakistan) Limited for security deposit against lease (Ijarah) of Primary Slitter.

6. AUTHORIZED CAPITAL

50,000,000 Ordinary shares of Rs.10/- each		<u>500,000,000</u>	<u>500,000,000</u>
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 issued as fully paid bonus shares		<u>129,000,000</u>	<u>129,000,000</u>
		<u><u>388,860,000</u></u>	<u><u>388,860,000</u></u>

7. DEFERRED TAXATION

The Company has not recognized further deferred tax asset arising during the period on prudent basis.

8. CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

8.1.1 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 Honorable 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. While finalizing the orders the assessing officers have made various mistakes, for which rectification applications have been made. 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 by the Company in these financial statements. As at year end, these civil appeals were at the stage of final arguments and were still pending before the Supreme Court of Pakistan. As per the opinion of the legal advisor of the Company, the Company has a reasonable probability of success in these petitions.

8.1.2 An Income Tax Appeal is pending before the High Court of Sindh for the assessment of 1996-1997 filed by the Commissioner of Income Tax Appeal on the question whether the sale of goods to the leasing company is not a supply and the provision of Section 80C of the Income Tax Ordinance, 1979 are not attracted in the case. Further, an order has been passed by the taxation officer for the tax year 2013 with the demand of Rs.14,028,361/- including WWF. In both cases the appeal is pending before the relevant court of law and based of the favourable outcome on both cases, no provision against the possible liability has been made in these financial statements.

8.1.3 NIB Bank Limited, formally PICIC Commercial Bank Limited has claimed Rs.1.3 million against termination of Lease Finance Facility on account of all delayed rentals/late payment charges. The Company's management is confident that the dues will be settled amicably and accordingly, no provision has been made in these financial statements.

8.1.4 Guarantees issued by a Banking Company on behalf of the Company to Sui Southern Gas Company Limited amounting to Rs. 7.25 million (2013: 7.25 million).

8.2 Commitments

8.2.1 Letter of credit

Letter of credit for purchase of raw material amounting to Rs. 9.29 million (30 June 2014: 45.99 million).

9. COST OF GOODS SOLD	Quarter ended	
	Sept 30 2014	Sept 30 2013
Opening work-in-process	69,410,299	73,520,490
Material consumed	210,894,337	176,196,564
Salaries, wages and other benefits	9,325,641	7,725,339
Oil and lubricants/diesel	1,537,356	1,158,130
Packing material consumed	2,550,530	2,697,021
Consumable stores	275,920	404,958
Water charges	10,000	38,401
Repair and maintenance	1,332,763	504,301
Vehicle running and maintenance	457,467	440,961
Power/electricity/gas	17,175,782	14,057,233
Insurance	1,671,522	1,476,632
Telephone	134,170	115,950
Cartage and octori	864,400	1,590,948
Consultancy charges	954,000	904,000
Staff welfare	236,356	323,175
Security charges	400,004	332,190
Depreciation	15,376,544	11,088,308
Other expense	332,103	1,062,000
Transportation	1,389,000	80,433
	334,328,193	293,717,035
Less: Closing work-in-process	(96,454,459)	(68,386,010)
Cost of goods manufactured	237,873,734	225,331,025
Add: Opening stock of finished goods	44,438,820	29,974,062
Less: Closing stock of finished goods	(46,105,115)	(38,065,800)
	236,207,439	217,239,287

10. DATE OF ISSUE

These condensed interim financial statements was authorized for issue on October 31, 2014 by the Board of Directors.

11. GENERAL

11.1 Figures have been rounded off to the nearest rupee.

Maqbool Elahi Shaikh
Chief Executive

Mohammad Sadiq Khan
Director

MACPAC FILMS LIMITED