

# ANNUAL REPORT 2014

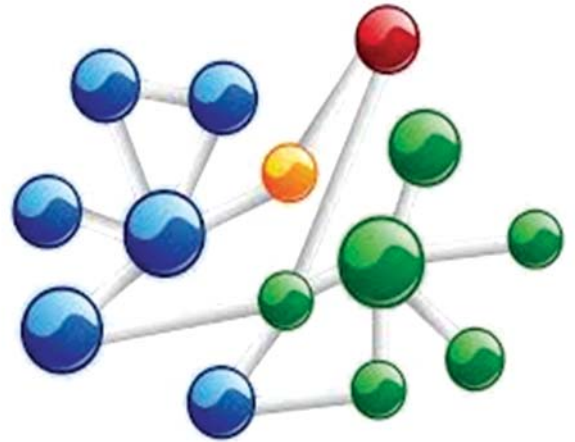


**BUILDING RELATIONSHIPS**

Manufacturers of Multi Layer Co-extruded BOPP Films

**MACPAC** FILMS LTD.





## "Building Relationships"

Money cannot buy the most important things you need to promote your business and that is "Relationships."

It's all about finding people who believe in your products/services.

The stronger the relationship with customers; the greater will be their trust and loyalty in your business.

Manufacturers of Multi Layer Co-extruded BOPP Films



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# 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

# VISION & MISSION

## VISION

To be the Market Leaders recognized locally and internationally as the Top Quality Manufacturers of Multi-layered Packaging Materials.

## MISSION

The company will:

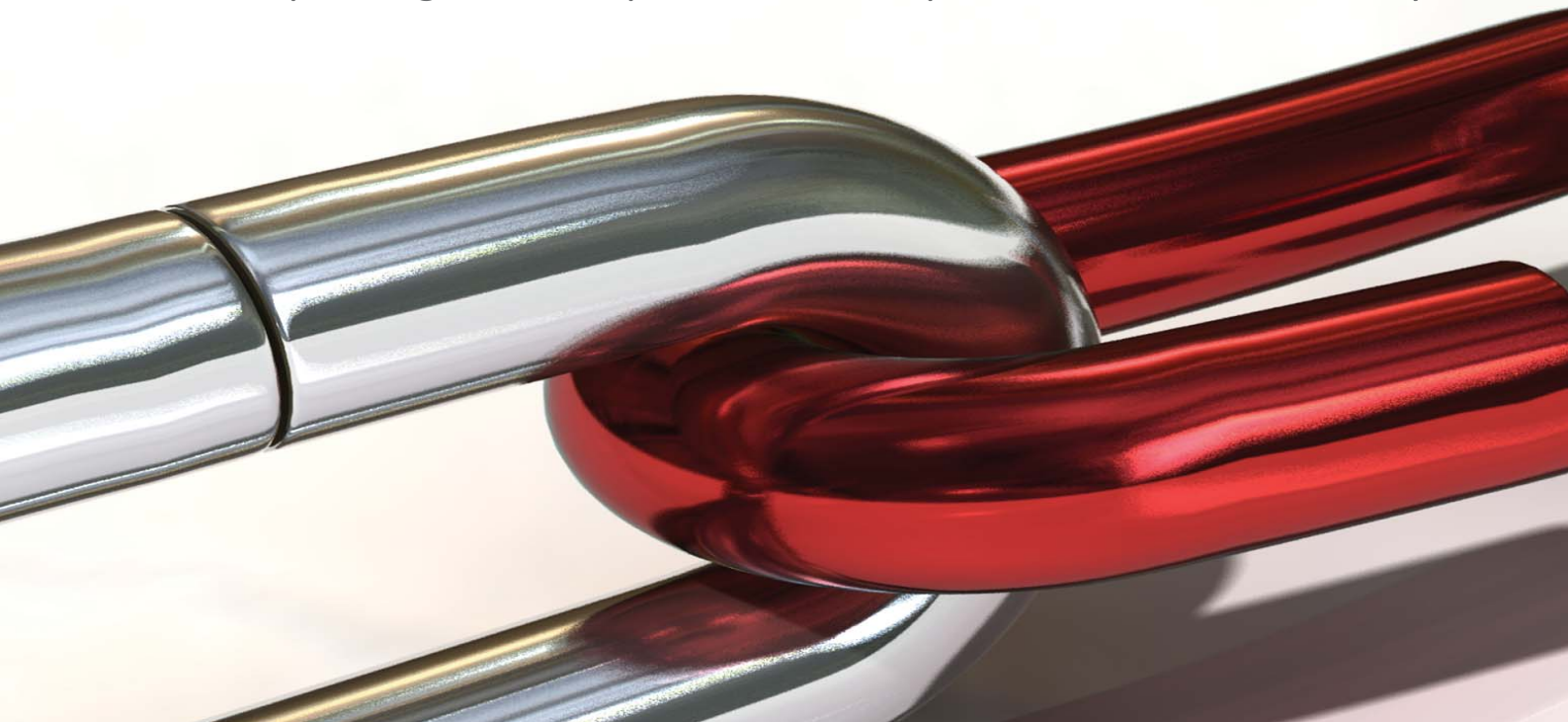
- Aim to gain the confidence of its stakeholders by earning a reputation of a responsible and progressive enterprise that is prepared to change for benefit of its stakeholders.
- Aim to keep the highest level of quality in the manufacture of its products thereby adding value for all stakeholders.
- Focus on the changing customer's needs and requirements and strive to improve and innovate the product line for the benefit of its customers.
- Be ethical in practice and fulfill its social responsibilities by contributing towards the environment as good corporate citizens.



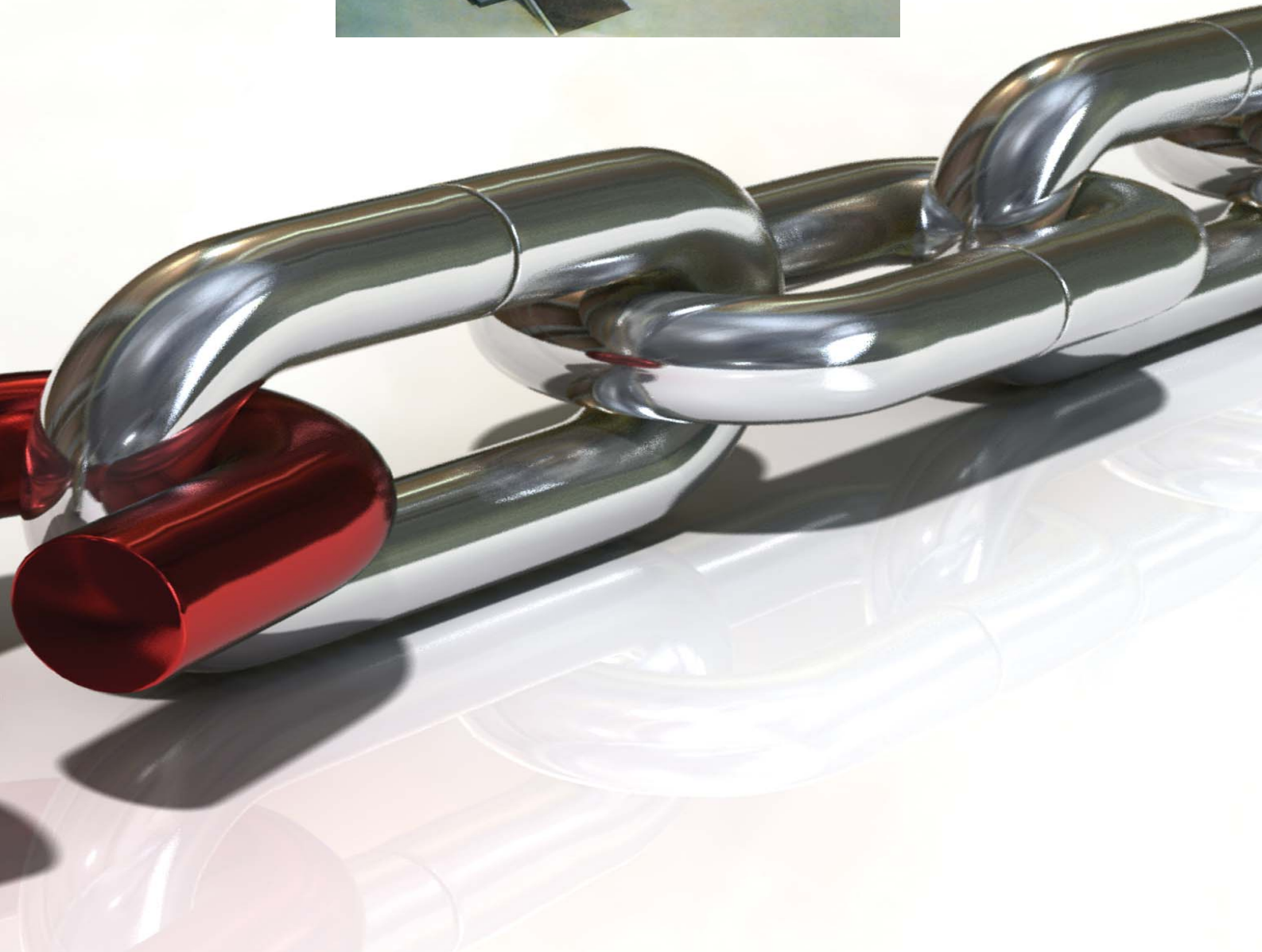


# BUSINESS STRENGTHS

- Pioneers of BOPP film manufacturing, having strong brand identity and reasonable customer equity.
- Completely automated Bruckners' plant which can produce superior quality films with less wastage and higher efficiency.
- Strong relationship with our stakeholders and our suppliers are committed to provide quality services with market compatible rates and credit terms.
- Top management is focused and believe in continuous improvement.
- Not only satisfying the real need of our customers but also providing quality services with on time delivery.
- Efficient Sales team.
- Own power generation plant which can produce 4MW of electricity.



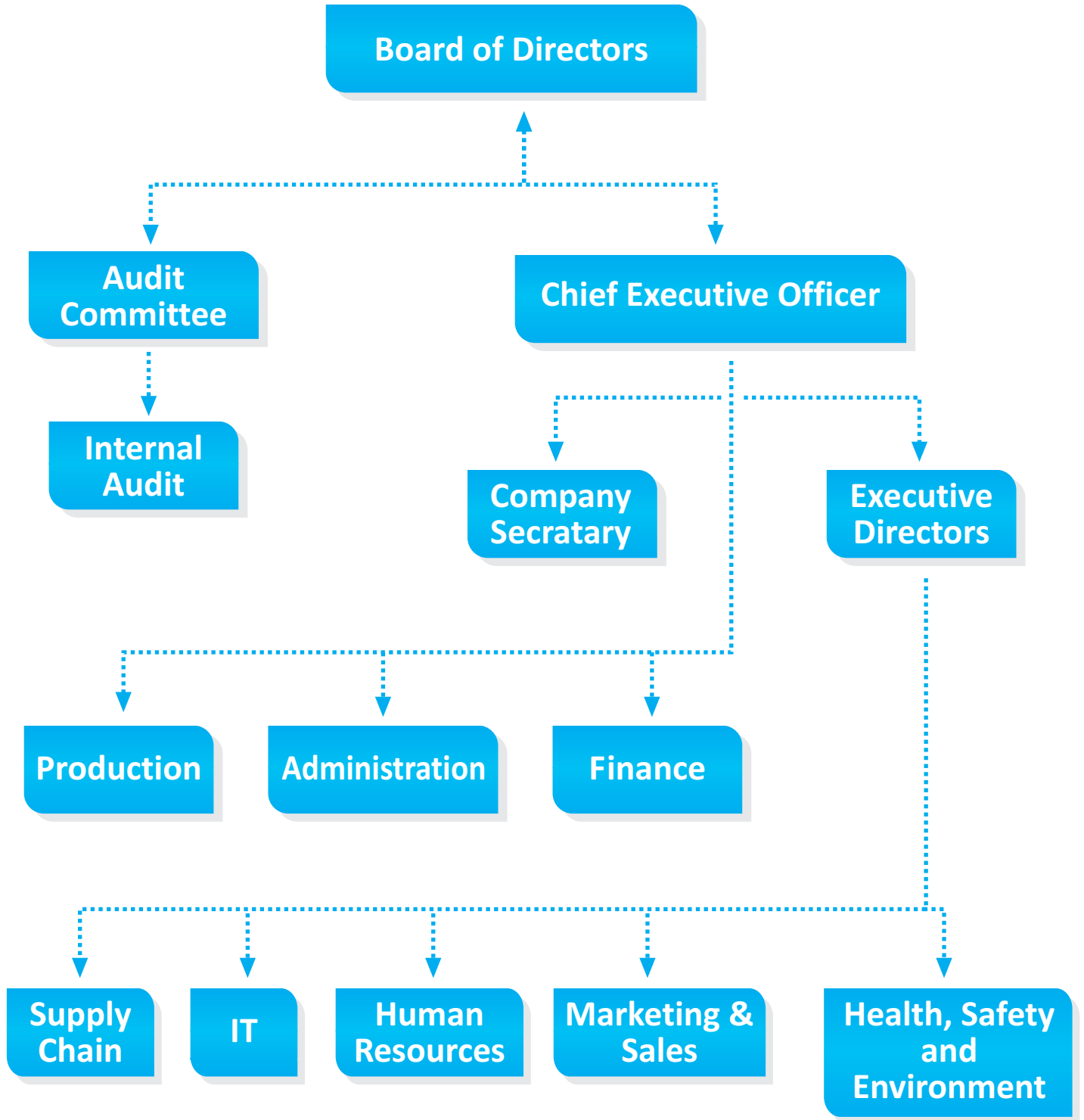








# ORGANISATION STRUCTURE



# STATEMENT OF ETHICS

## Ethical Standards

- ...▶ Macpac Films Limited will conduct its business honestly and ethically.
- ...▶ Personal interests must never be permitted to conflict, or appear to conflict, with the interests of the Company, its clients or affiliates.
- ...▶ All applicable laws and regulations including labor laws and equal opportunity must be complied with.
- ...▶ Directors, officers and employees must act with respect and responsibility towards others in all of their dealings.
- ...▶ All Company policies and procedures including Company's Code of Conduct must be followed.





For a business to take responsibility for its actions, it must be fully accountable. Here at Macpac Films Limited, we have gone beyond the legal requirements to enhance transparency, credibility and strengthened our management infrastructure. All this is done to ensure that we fulfill our social responsibility as it is the least we can do.

The Company's utmost priority has always been conducting ethical and sustainable business with an aim to build stronger relations with the stakeholders and to make contributions for the welfare of the society. The goal of our CSR is to embrace responsibility for the Company's actions and create a positive impact through its activities on the environment, employees, communities and stakeholders.

Being socially responsible is more than just a corporate requirement for us. The company continuously takes multifaceted initiatives to fulfill this moral obligation.

## Employee Welfare

Macpac Films Limited respects the dignity and rights of its human capital. The work environment is very friendly and steps are taken to ensure a family like environment. To uplift the living standards of our employees and improve their life is our motive. We provide interest free loans and medical facility to our employees and their families. Training and development is considered to be an integral part of our Human Resources policy. Apart from on job training, we encourage our employees to attend seminars, short courses and lectures. We are an equal opportunity employer and provide employment opportunities to young graduates with an aim to nurture high-talented lot of future executive for the country.

## Safety and Health

We are committed to the health and safety of our employees, subcontractors, customers and the general public. We are also dedicated to safeguard our natural environment. Our health, safety and environment objectives are equal in status to our other business activities. Line management and supervision is responsible for implementing these objectives. Regular workshops and trainings are conducted to educate our employees about the various safety and health issues.

## Social Services

While CSR is a corporate responsibility, in keeping with the values of the company and our traditions, MACPAC also makes philanthropic contributions to institutions that are making significant efforts to help the underprivileged for example, Shaukat Khanum Hospital, The Citizens Foundation, Heart Care Society, Civil Hospital, etc. We also contribute a considerable amount every year towards various educational efforts as part of our CSR initiatives.

# QUALITY POLICY

Manufacturers of Multi Layer Co-extruded BOPP Films



Macpac Films is committed to improve and provide best quality of products to its valuable customers at competitive rates, product reliability and fulfill the requirements related to product and services.

Macpac Films is also committed to achieve the CUSTOMER SATISFACATION through full commitment in implementing ISO 9001:2008 for continual improvement.

It is the policy of Macpac Films to provide training to its employees for improving efficiency, skills and professionalism.







## **Air Marshal Azim Daudpota - Chairman**

He has served on various boards and held many honorary positions in the Country such as Air Marshal of the Pakistan Air Force, Governor of Sindh, MD and Chairman - PIA and Chairman - PIDC. He carries with him years of leadership experience and the strength of enormous humbleness, insight, vision and true direction that is required to inspire and lead the Company's Board as Chairman. He is also a member of the Audit Committee of the Board.

## **Mr. Maqbool Elahi Shaikh - Chief Executive Officer**

He is the Pioneer of BOPP Films in Pakistan and his contributions to the Plastics Packaging Films Industry of Pakistan are recognized by all. Major contributions include introducing vast ranges of packaging films starting from cellophane, BOPP, metalized and CPP films in Pakistan. He introduced BOPP films in 1980 and bought the country's first line of BOPP films machinery in 1985, first packing Metalizer in 1985 and first CPP line in 2001. He is one of the major founders of Macpac Films Ltd. His in-depth industry knowledge combined with his four decades experience rightly fits him as the commander in chief of the Company. His strategic commitment is to steer the Company through modern management techniques under his strong leadership.

## **Mr. Mohammad Sadiq Khan - Director**

As an Executive Director, he commands all external and public affairs of the Company. His vast experience of more than 25 years in the Packaging Industry adds great value and expertise to the Board and he is an integral supporting pillar of the Company.

## **Mr. Naeem Munshi - Director**

He has been serving as a Non-Executive Director at Macpac Films Limited since inception and currently holds the office of CEO at Hilal Confectionary (Pvt.) Ltd. He graduated from Sindh University, Hyderabad. His experience of successfully managing one of the largest confectionary business gives Macpac an integral insight deep into the customer demands and trends of the end users. He is also the Chairman of the HR&R Committee and a member of the Audit Committee of the Board.

### **Mr. Ehtesham Maqbool Elahi - Director**

Having more than half a decade's experience with the Company as part of Senior Management, he joined the Board in 2012. He is a certified director from PICG and a Management graduate from American University in Dubai. His role as an Executive Director is to help the Company to achieve new boundaries. Sharing and taking forward the vision of the CEO and the Board, he is committed to take the Company to new heights via newly adapted management practices. He is also a member of the HR&R Committee of the Board.

### **Mr. Shariq Maqbool Elahi - Director**

He is the packaging technical mind of the Board. With years of experience of leading and turning around a downward integrated industry, he adds immense value to the Board by his understanding of the business from his first hand experience and serves as a Non-Executive Director on the Board and a member of the HR&R Committee of the Board.

### **Mr. Fahad Munshi - Director**

He is serving as a Non-Executive Director at Macpac Films Limited. After completing his graduation from Bentley University in Waltham Massachusetts, he joined Hilal Confectionery Pvt. Limited as a Director. With a dynamic personality and an achievement oriented approach he started off his career in Management Operations with focus towards process improvement and innovation. With his determination and inherent passion, he developed himself in Human Resources Management.

### **Mr. Mansoor Younus - Independent Director**

He has done his Masters of Business Administration from the Institute of Business Administration, Karachi in 1981. He has vast experience in International business, finance and marketing. Being the only Independent Director on the Board, he is also serving as the Chairman of the Audit Committee. Currently, he holds the position of Managing Partner at Oriental Sales Corporation.

### **Mr. Kamran Fazal - Director**

He is the nominee director of Employees Old Age Benefits Institution (EOBI), an institutional investor holding 12% shares of Macpac Films Limited.



# HEALTH, SAFETY & ENVIRONMENT

Health, Safety & Environment is the top most component of our business core values and commitment to subsist by this value brings our employees and contractors together to work as a family. The organization is certified with ISO 9001-2008, and is the pioneer of BOPP Films in Pakistan.

MACPAC remains committed towards providing a safe and healthy working environment for its employees and other stakeholders.

The HSE policy has been designed to ensure compliance with applicable laws. It aims to concurrently achieve continuous performance improvement, aligned with QMS 9001.



## HSE POLICY

It is our policy at MACPAC Films Limited that in the conduct of our production business we are committed to the health and safety of employees, subcontractors, hired persons, customers and general public. We are also committed to safeguard our natural environment. Our health, safety and environment objectives are equal in status to our other business activities. Line management and supervision is responsible for implementing these objectives.

## HSE OBJECTIVES

Remaining within the framework of the Health, Safety and Environment policy, Pakistan's legislative requirements and standards required from our customers, we will progressively strive to:

1. Prevent all production incidents.
2. Prevent other incidents/accidents at our business sites, machines and installations.
3. Prevent all occupational diseases and promote the health of our employees and the people who work with us.
4. Minimize the impact of our operation on the environment.
5. Adopt work practices that are safe and environment-friendly.
6. Develop systems and individual personal responsibilities for Health, Safety and Environment.
7. Encourage involvement of employees in Health, Safety and Environment affairs.

# PRODUCT PROFILE

Manufacturers of Multi Layer Co-extruded BOPP Films



BOPP Films are designed for flexible packaging and label applications.

We excel in producing the following grades, ranging from thickness of 10 microns up to 50 microns:

- Plain
- Sealable
- Pearlized
- Hologramable
- Overwrap
- Matt
- Metalizable
- Metalized

## ► Features:

- Improved Stiffness
- Dimensional Stability and Flatness
- Excellent Clarity
- High Tensile Strength
- Excellent Optic
- Low Electrostatic Charge
- High Gloss
- Recyclable and Reusable
- Excellent Performance on high speed machine.

\*For further details please visit [www.macpac.com.pk](http://www.macpac.com.pk)

CUSTOMER  
FEEDBACK  
SUPPORT  
INNOVATIVE  
QUALITY  
EXCELLENT  
FRIENDLY



## HR & REMUNERATION COMMITTEE

Mr. Naeem Munshi (Committee Chairman)  
Mr. Shariq Maqbool Elahi (Non-Executive Director)  
Mr. Ehtesham Maqbool Elahi (Executive Director)

### Terms of Reference

#### Purpose

The HR&R Committee is appointed by the Board to assist the Board in fulfilling its responsibilities relating to leadership development and compensation of the Company's directors, executive officers and other key management personnel.

#### Composition

The HR&R Committee shall have at least three members comprising a majority of non-executive directors.

#### Responsibilities

The HR&R Committee has the following responsibilities:-

- Recommend significant human resource management policies to the Board.
- Recommend to the Board, the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO.
- Recommend to the Board, the selection, evaluation, compensation (including retirement benefits) of COO, CFO, Company Secretary and Head of Internal Audit.
- Consider and approve on recommendation of the CEO on such matters for key management positions who report directly to CEO or COO.
- Consider and approve recommendations of the HR Executive Committee.
- Report regularly to the Board following meetings of the Committee.

#### Meetings

The Committee shall meet on as required basis or when directed by the Board.

The Company Secretary sets the agenda, time, date and venue of the meeting in consultation with the Chairman of the Committee.

The Secretary of the Committee shall submit the minutes of the meeting duly signed by its Chairman to the Company Secretary. These minutes are then circulated to the Board.



## AUDIT COMMITTEE

Mr. Mansoor Younus	(Committee Chairman & Independent Director)
Mr. Naeem Munshi	(Non-Executive Director)
Air Marshal Azim Daudpota	(Non-Executive Director)

## Terms of Reference

### Purpose

To assist the board of directors in fulfilling its oversight responsibilities for (1) the integrity of the Company's financial statements, (2) the Company's compliance with legal and regulatory requirements, (3) the independent auditor's qualifications and independence, and (4) the performance of the company's internal audit function and independent auditors.

### Authority

The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Recommend to the Board, the appointment of external auditors, their removal, audit fees, the provision by external auditors of any service to the Company in addition to audit of the financial statements,
- Resolve any disagreements between management and the external auditors regarding financial reporting,
- Meet with company officers, external auditors, or outside counsel, as necessary.
- Seek any information it requires from any employee (and all employees are directed to cooperate with any request made by the audit committee) and external parties.
- Obtain outside legal or other professional advice.

### Meetings

The Audit Committee shall meet at least once every quarter of the financial year. The provisions of the Code of Corporate Governance, 2014 shall be complied in this regard.

## Responsibilities

In the absence of strong grounds to proceed otherwise, the Board of Directors acts in accordance with the recommendations of the Audit Committee in the following matters:

- Determination of appropriate measures to safeguard the Company's assets.
- Review of preliminary announcements of results prior to publication.
- 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 change in accounting policies and practices,
  - Compliance with applicable accounting standards, and
  - Compliance with listing regulations and other statutory and regulatory requirements.
- 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).
- Review of Management Letter issued by external auditors and Management's response thereto.
- Ensuring coordination between the internal and external auditors of the Company.
- 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.
- Consideration of major findings of internal investigations and Management's response thereto.
- Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective.
- Review of the Company's statement on internal control systems prior to endorsement by the Board of Directors.
- 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.
- Determination of compliance with relevant statutory requirements.
- Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof.
- Consideration of any other issue or matter as may be assigned by the Board of Directors.

**October 01, 2013** - Audit Committee Meeting and Board Meeting to approve the audited accounts for the year ended June 30, 2013

**October 30, 2013** - 1st Quarter Audit Committee and Board Meeting.

**October 30, 2013** - 18th Annual General Meeting.

**February 28, 2014** - 2nd Quarter Audit Committee and Board Meeting

**April 30, 2014** - 3rd Quarter Audit Committee and Board Meeting.



The human capital of the Company is the driving force to integrate the Company's other vital resources like equipment, technology and systems to produce the desired performance. Our human assets and their ability to achieve and enhance our organization's success are our pride and joy. We hire staff with personal attitudes and professional skills enabling them to develop a long-term relationship with the Company. Our main focus is to nurture and further improve our teams by our exemplary HR policies, development programs and promotions / incentives.

## Recruitment & Selection

We are an equal opportunity employer and strictly prohibit discrimination on any ground whether on the basis of religion, cast, color, creed or gender. We hire individuals through a process that is professional and consistent; one that reflects the Company's commitment to the principles of hiring the best possible candidates and ensuring employment equity. Selection is made on the basis of merit in view of the job requirements and on a salary which is competitive and in line with the compensation structure of the Company.

## Training & Development

Learning is part of the Company culture and Training and development is an integral part of our HR policy. Each employee, at all levels, is conscious of the need to upgrade continuously her/his knowledge and skills. The willingness to learn is therefore a non-negotiable condition. The Company imparts focused training and development to enhance the competency of employees. Motivational drills and corporate retreats are also a regular feature of our HR policy.

## Performance Appraisals

Annual appraisals are aimed to align employee skills with the company's strategic objectives. A benchmark has been set to compare the performance of each employee and feedback is then provided to improve the overall efficiency. Employees are rewarded on the basis of their performance and attitude towards work.

## Succession Planning

Succession Planning is considered to be an HR priority for key positions to ensure employees development and sustainable leadership.



# SHAREHOLDERS' INFORMATION

## Registered Office

F/2, A-F, S.I.T.E., Karachi  
 Tel: 021-32576341-2  
 Fax: 021-32579060

## City Office

Plot # 21 Maqboolabad, Jinnah Cooperative Housing Society (J.C.H.S), Tipu Sultan Road Karachi.  
 Tel: 021-34305811-13  
 Fax: 021-34305810  
 Email: info@macpacfilms.com

## Shares Registrar

Central Depository Company Pakistan Limited  
 CDC House, 99 - B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi-74400  
 Tel: Customer Support Services (Toll Free) 0800-CDCPL (23275)  
 Fax: (92-21) 34326053

**Email:** info@cdcpak.com

**Website:** www.cdcpakistan.com

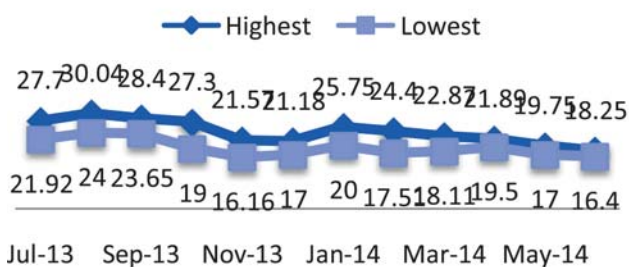
## Listing on Stock Exchanges

Shares of Macpac Films Limited are listed on Karachi and Lahore Stock Exchanges. Stock Code The stock code for dealing in equity shares of Macpac Films Limited at KSE and LSE is **MACFL**.

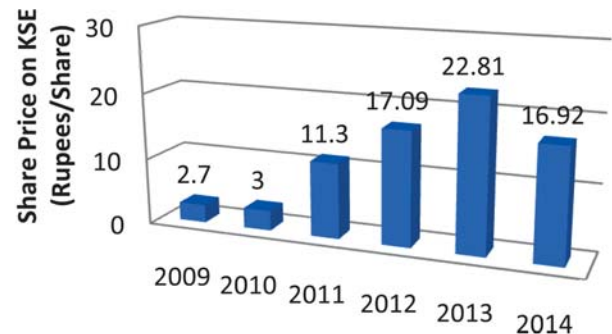
## Contact Person

Mr. M. Javid Ansari  
 Company Secretary  
 Email: javid.ansari@macpacfilms.com  
 Tel: +92-21-34305811-13

## Share Price Movement



## Market value per ordinary share



## Trading Volumes



# PATTERN OF SHAREHOLDING

No. of Shareholders	From	Shareholdings to	Total Shares Held
103	1	100	1,177
536	101	500	264,169
197	501	1000	196,101
233	1001	5000	652,863
86	5001	10000	708,897
20	10001	15000	261,600
20	15001	20000	373,928
10	20001	25000	231,499
4	25001	30000	112,502
3	30001	35000	102,000
2	35001	40000	72,500
6	40001	45000	255,650
3	45001	50000	150,000
2	50001	55000	105,001
1	55001	60000	57,000
1	65001	70000	70,000
1	70001	75000	75,000
1	85001	90000	90,000
2	95001	100000	200,000
2	105001	110000	211,000
1	110001	115000	111,412
1	125001	130000	126,214
1	145001	150000	150,000
1	180001	185000	182,143
1	240001	245000	242,000
1	305001	310000	309,500
1	365001	370000	369,750
1	490001	495000	495,000
1	725001	730000	727,129
1	1450001	1455000	1,451,193
1	2730001	2735000	2,732,143
1	4665001	4670000	4,666,000
1	5825001	5830000	5,827,235
1	17305001	17310000	17,305,394
<b>1,247</b>			<b>38,886,000</b>

# CATEGORIES OF SHAREHOLDERS

Categories of Shareholders	Share Holders	Shares Held	Percentage	
<b>Government of Pakistan</b>				
EMPLOYEES OLD AGE BENEFITS INSTITUTION	1	4,666,000	12.00	
<b>Directors and their spouse(s) and minor children</b>				
MR. MAQBOOL ELAHI SHAIKH	1	17,305,394	44.50	
MR. MOHAMMAD SADIQ KHAN	2	1,453,693	3.74	
AIR MARSHAL AZIM DAUDPOTA	1	45,000	0.12	
MR. SHARIQ MAQBOOL ELAHI	1	182,143	0.47	
MR. NAEEM MUNSHI	1	5,827,235	14.99	
MR. MANSOOR YOUNUS	1	7,000	0.02	
MR. EHTESHAM MAQBOOL ELAHI	1	40,650	0.10	
MR. FAHAD MUNSHI	1	500	0.001	
<b>Associated Companies, undertakings and related parties</b>				
	-	-	-	
<b>Executives</b>				
	-	-	-	
<b>Public Sector Companies and Corporations</b>				
	-	-	-	
<b>Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds</b>				
	1	6,500	0.02	
<b>Mutual Funds</b>				
GOLDEN ARROW SELECTED STOCKS FUND LIMITED	1	727,129	1.87	
CDC - TRUSTEE AKD OPPORTUNITY FUND	1	309,500	0.80	
CDC - TRUSTEE NAFA STOCK FUND	1	5,500	0.01	
<b>General Public</b>				
a. Local	1221	8,273,255	21.28	
b. Foreign	-	-	-	
<b>OTHERS</b>				
	12	36,501	0.09	
<b>Totals</b>		<b>1247</b>	<b>38,886,000</b>	<b>100.00</b>
<b>Share holders holding 5% or more</b>				
		<b>Shares Held</b>	<b>Percentage</b>	
MR. MAQBOOL ELAHI SHAIKH		17,305,394	44.50	
MR. NAEEM MUNSHI		5,827,235	14.99	
EMPLOYEES OLD AGE BENEFITS INSTITUTION		4,666,000	12.00	
MISS. SANA NAUMAN		2,732,143	7.03	



		2014	2013	2012	2011	2010	2009
<b>Profitability Ratios</b>							
Gross Profit ratio	%	10%	18%	24%	22%	-19%	-43%
Net Profit to Sales	%	-2%	15%	22%	19%	-12%	-82%
EBITDA Margin to Sales	%	10%	18%	26%	25%	4%	0%
Operating leverage ratio	times	3.71	-0.89	1.72	1.19	0.25	0.64
Return on Equity	%	-5%	45%	82%	167%	-40%	-265%
Return on Capital employed	%	-4%	36%	59%	51%	-7%	-19%

### Liquidity Ratios

Current ratio	times	0.85	0.96	1.01	0.53	0.19	0.19
Quick ratio	times	0.39	0.50	0.50	0.20	0.12	0.16
Cash to Current Liabilities	%	2.1%	0.9%	0.4%	1.3%	0.04%	0.8%
Cash flow from Operations to Sales	%	5%	26%	17%	22%	79%	45%

### Turnover/Management Efficiency Ratios

Inventory turnover ratio	times	4.42	5.32	4.90	7.49	12.15	7.56
No. of Days in Inventory	days	81	68	73	48	30	48
Debtor turnover ratio	times	6.34	7.91	10.25	18.93	5.70	2.96
No. of Days in Receivables	days	57	46	35	19	63	122
Creditor turnover ratio	times	2.29	3.20	4.11	6.57	5.23	0.80
No. of Days in Creditors	days	157	113	88	55	69	448
Operating Cycle	days	138	113	109	67	93	169
Cash conversion Cycle	days	-19	1	21	12	24	-278
Total Assets turnover ratio	times	0.93	1.19	1.12	0.91	0.24	0.13
Fixed Assets turnover ratio	times	1.57	2.17	2.21	1.54	0.32	0.17

### Market Ratios

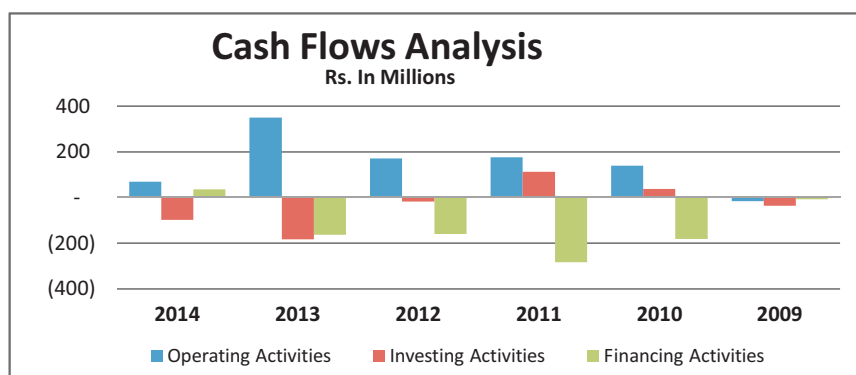
Earnings per share (EPS)	Rs.	-0.63	5.48	6.64	4.43	-0.71	-2.82
Price Earnings ratio	times	-27.02	4.16	2.57	2.55	-4.21	-0.96
Price to Book ratio	times	0.51	0.72	0.62	0.45	0.12	0.10
Break-up value per share	Rs.	11.48	12.11	8.14	2.65	-1.78	-1.06

### Capital Structure Ratios

Net Assets per share	Rs.	11.48	12.11	8.14	2.65	-1.78	-1.06
Financial leverage ratio	times	0.38	0.43	0.97	3.72	-9.24	-19.87
Debt to Equity ratio	times	0.33	0.42	0.62	2.47	-5.50	-12.20

## SUMMARY OF CASH FLOWS

	2014	2013	2012	2011	2010	2009
	Rupees					
Cash & cash equivalents - Opening	4,869,753	1,624,860	6,273,718	176,613	3,918,027	62,804,002
Net cash flows from Operating activities	68,701,417	349,187,704	171,330,777	176,888,481	139,126,796	(15,624,359)
Net cash flows from Investing activities	(98,064,341)	(183,536,696)	(17,186,532)	112,463,635	37,717,940	(36,131,616)
Net cash flows from Financing activities	35,829,483	(162,406,115)	(158,793,103)	(283,255,011)	(180,586,150)	(7,130,000)
Changes in cash & cash equivalents	6,466,559	3,244,893	(4,648,858)	6,097,105	(3,741,414)	(58,885,975)
Cash & cash equivalents - Closing	11,336,312	4,869,753	1,624,860	6,273,718	176,613	3,918,027

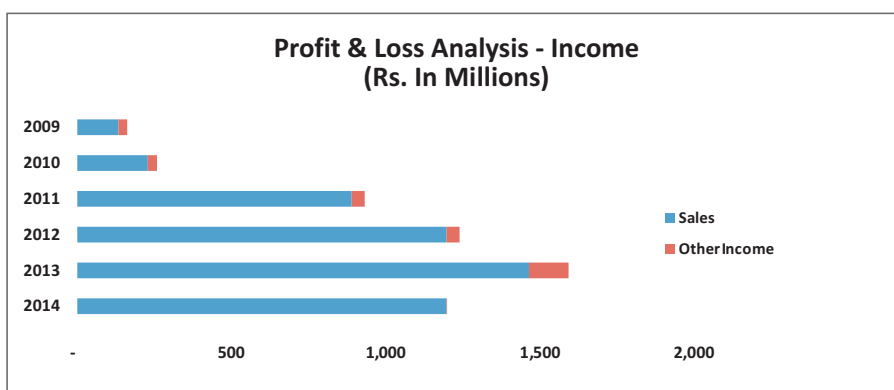
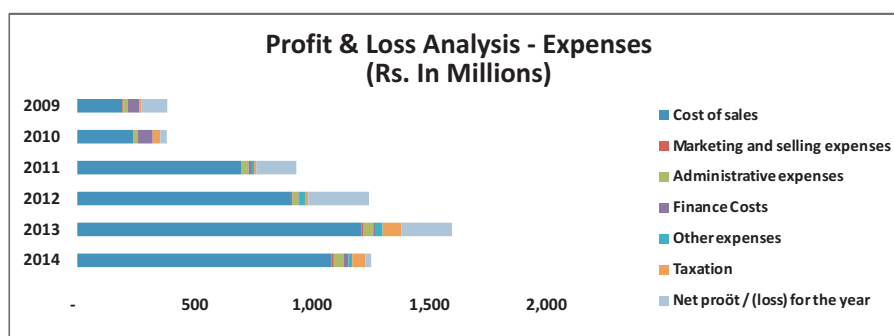


# HORIZONTAL ANALYSIS

	2014		2013		2012		2011		2010		2009	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
<b>Balance Sheet</b>												
Property, Plant and Equipment	760,901,866	13.0	673,500,047	24.5	540,839,060	(6.3)	577,507,431	(18.7)	710,061,643	(10.9)	796,740,542	(5.2)
Intangible assets	386,660	126.3	170,824	(20.0)	213,528	(20.0)	266,912	(20.0)	333,640	(20.0)	417,048	100.0
Other non-current assets	61,551,921	7.2	57,398,421	(44.1)	102,751,636	(27.6)	141,840,500	(0.2)	142,168,550	30.2	109,234,347	63.8
Current assets	459,610,413	(8)	497,657,526	17.7	422,961,530	67.7	252,170,060	179.9	90,091,441	(5.2)	95,001,538	(58.0)
<b>Total assets</b>	<b>1,282,450,860</b>	<b>4.4</b>	<b>1,228,726,818</b>	<b>15.2</b>	<b>1,066,765,754</b>	<b>9.8</b>	<b>971,784,903</b>	<b>3.1</b>	<b>942,655,274</b>	<b>(5.9)</b>	<b>1,001,393,475</b>	<b>(11.7)</b>
Share capital	388,860,000	-	388,860,000	-	388,860,000	-	388,860,000	-	388,860,000	-	388,860,000	-
Reserves	79,930,000	-	79,930,000	-	79,930,000	-	79,930,000	-	79,930,000	-	79,930,000	-
Unappropriated profits / (losses)	(22,201,851)	(1,101.7)	2,216,318	(101.5)	(152,185,409)	(58.4)	(365,669,365)	(32.0)	(537,860,243)	5.4	(510,175,153)	27.4
Non-current liabilities	295,455,623	24.7	236,902,983	(28.8)	332,676,070	(15.9)	395,545,948	(26.6)	538,670,758	0.2	537,430,126	(15.8)
Current liabilities	540,407,088	3.8	520,817,517	24.8	417,485,093	(11.8)	473,118,320	0.0	473,054,759	(6.4)	505,348,502	18.3
<b>Total equity and liabilities</b>	<b>1,282,450,860</b>	<b>4.4</b>	<b>1,228,726,818</b>	<b>15.2</b>	<b>1,066,765,754</b>	<b>9.8</b>	<b>971,784,903</b>	<b>3.1</b>	<b>942,655,274</b>	<b>(5.9)</b>	<b>1,001,393,475</b>	<b>(11.7)</b>

## Operating Results

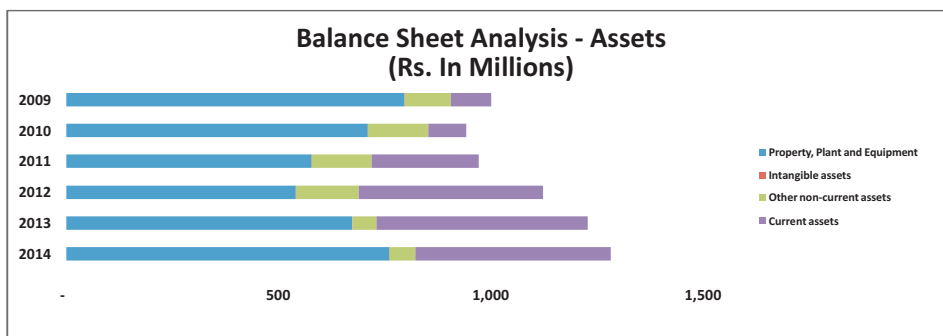
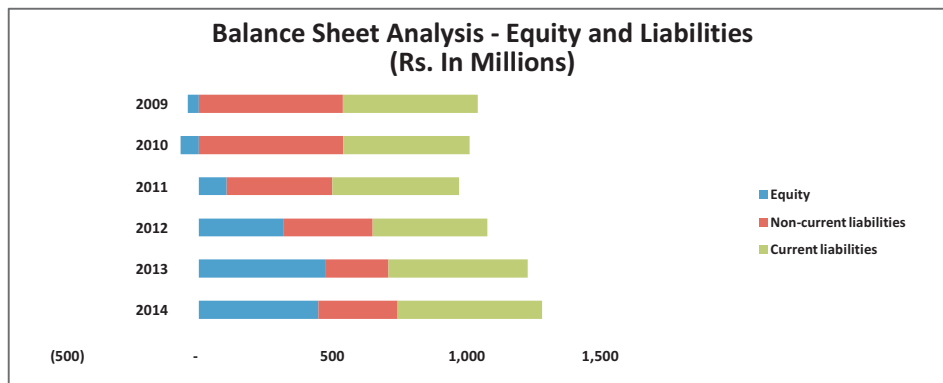
Net sales	1,195,122,436	(18.2)	1,461,754,914	22.3	1,195,444,744	34.6	887,948,494	289.5	227,956,390	71.3	133,066,218	(60.3)
Cost of sales	(1,077,139,093)	(10.5)	(1,203,582,681)	32.8	(906,076,912)	30.7	(693,316,040)	193.6	(236,171,084)	24.0	(190,446,416)	(47.7)
Gross profit / (loss)	117,983,343	(54.3)	258,172,233	(10.8)	289,367,832	48.7	194,632,454	(2,469.3)	(8,214,694)	(85.7)	(57,380,198)	99.1
Marketing and selling expenses	(9,669,009)	(4.1)	(10,081,774)	70.2	(5,922,481)	71.4	(3,455,232)	(11.5)	(3,903,653)	(19.6)	(4,856,156)	(38.6)
Administrative expenses	(41,449,140)	0.7	(41,179,723)	61.9	(25,442,364)	(14.1)	(29,616,667)	64.6	(17,995,743)	0.8	(17,855,322)	(15.3)
Operating profit / (loss)	66,865,194	(67.7)	206,910,736	(19.8)	258,002,987	59.7	161,560,555	(636.5)	(30,114,090)	(62.4)	(80,091,676)	38.5
Finance Costs	(20,667,414)	183.1	(7,301,190)	209.7	(2,357,184)	(82.3)	(13,280,591)	(78.1)	(60,530,566)	24.3	(48,703,774)	(49.7)
Other income	1,772,529	(98.6)	127,261,284	209.8	41,084,859	(1.8)	41,843,918	38.8	30,136,500	5.8	28,475,505	1,074.1
Other expenses	(16,607,661)	(48.2)	(32,038,157)	20.7	(26,540,224)	193.1	(9,053,518)	100.0	-	-	-	(100.0)
Profit / (loss) before taxation	31,362,648	(89.4)	294,832,673	9.1	270,190,438	49.2	181,070,364	(399.2)	(60,508,156)	(39.7)	(100,319,945)	(56.5)
Taxation	(55,714,220)	(31.7)	(81,631,810)	582.9	(11,954,447)	34.6	(8,879,485)	(127.1)	32,823,066	(452.2)	(9,318,889)	(114.6)
<b>Net profit / (loss) for the year</b>	<b>(24,351,572)</b>	<b>(111.4)</b>	<b>213,200,863</b>	<b>(17.4)</b>	<b>258,235,991</b>	<b>50.0</b>	<b>172,190,879</b>	<b>(722.0)</b>	<b>(27,685,090)</b>	<b>(74.7)</b>	<b>(109,638,834)</b>	<b>(34.3)</b>



	2014		2013		2012		2011		2010		2009	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
<b>Balance Sheet</b>												
Property, Plant and Equipment	760,901,866	59.3	673,500,047	54.8	540,839,060	50.7	577,507,431	59.4	710,061,643	75.3	796,740,542	79.6
Intangible assets	386,660	0.0	170,824	0.0	213,528	0.0	266,912	0.0	333,640	0.0	417,048	0.0
Other non-current assets	61,551,921	4.8	57,398,421	4.7	102,751,636	9.6	141,840,500	14.6	142,168,550	15.1	109,234,347	10.9
Current assets	459,610,413	35.8	497,657,526	40.5	422,961,530	39.6	252,170,060	25.9	90,091,441	9.6	95,001,538	9.5
<b>Total assets</b>	<b>1,282,450,860</b>	<b>100.0</b>	<b>1,228,726,818</b>	<b>100.0</b>	<b>1,066,765,754</b>	<b>100.0</b>	<b>971,784,903</b>	<b>100.0</b>	<b>942,655,274</b>	<b>100.0</b>	<b>1,001,393,475</b>	<b>100.0</b>
Share capital	388,860,000	30.3	388,860,000	31.6	388,860,000	36.5	388,860,000	40.0	388,860,000	41.3	388,860,000	38.8
Reserves	79,930,000	6.2	79,930,000	6.5	79,930,000	7.5	79,930,000	8.2	79,930,000	8.5	79,930,000	8.0
Unappropriated profits / (losses)	(22,201,851)	(1.7)	2,216,318	0.2	(152,185,409)	(14.3)	(365,669,365)	(37.6)	(537,860,243)	(57.1)	(510,175,153)	(50.9)
Non-current liabilities	295,455,623	23.0	236,902,983	19.3	332,676,070	31.2	395,545,948	40.7	538,670,758	57.1	537,430,126	53.7
Current liabilities	540,407,088	42.1	520,817,517	42.4	417,485,093	39.1	473,118,320	48.7	473,054,759	50.2	505,348,502	50.5
<b>Total equity and liabilities</b>	<b>1,282,450,860</b>	<b>100.0</b>	<b>1,228,726,818</b>	<b>100.0</b>	<b>1,066,765,754</b>	<b>100.0</b>	<b>971,784,903</b>	<b>100.0</b>	<b>942,655,274</b>	<b>100.0</b>	<b>1,001,393,475</b>	<b>100.0</b>

**Operating Results**

Net sales	1,195,122,436	100.0	1,461,754,914	100.0	1,195,444,744	100.0	887,948,494	100.0	227,956,390	100.0	133,066,218	100.0
Cost of sales	(1,077,139,093)	(90.1)	(1,203,582,681)	(82.3)	(906,076,912)	(75.8)	(693,316,040)	(78.1)	(236,171,084)	(103.6)	(190,446,416)	(143.1)
Gross profit / (loss)	117,983,343	9.9	258,172,233	17.7	289,367,832	24.2	194,632,454	21.9	(8,214,694)	(3.6)	(57,380,198)	(43.1)
Marketing and selling expenses	(9,669,009)	(0.8)	(10,081,774)	(0.7)	(5,922,481)	(0.5)	(3,455,232)	(0.4)	(3,903,653)	(1.7)	(4,856,156)	(3.6)
Administrative expenses	(41,449,140)	(3.5)	(41,179,723)	(2.8)	(25,442,364)	(2.1)	(29,616,667)	(3.3)	(17,995,743)	(7.9)	(17,855,322)	(13.4)
Operating profit / (loss)	66,865,194	5.6	206,910,736	14.2	258,002,987	21.6	161,560,555	18.2	(30,114,090)	(13.2)	(80,091,676)	(60.2)
Finance Costs	(20,667,414)	(1.7)	(7,301,190)	(0.5)	(2,357,184)	(0.2)	(13,280,591)	(1.5)	(60,530,566)	(26.6)	(48,703,774)	(36.6)
Other income	1,772,529	0.1	127,261,284	8.7	41,084,859	3.4	41,843,918	4.7	30,136,500	13.2	28,475,505	21.4
Other expenses	(16,607,661)	(1.4)	(32,038,157)	(2.2)	(26,540,224)	(2.2)	(9,053,518)	(1.0)	-	-	-	-
Profit / (loss) before taxation	31,362,648	2.6	294,832,673	20.2	270,190,438	22.6	181,070,364	20.4	(60,508,156)	(26.5)	(100,319,945)	(75.4)
Taxation	(55,714,220)	(4.7)	(81,631,810)	(5.6)	(11,954,447)	(1.0)	(8,879,485)	(1.0)	32,823,066	14.4	(9,318,889)	(7.0)
<b>Net profit / (loss) for the year</b>	<b>(24,351,572)</b>	<b>(2.0)</b>	<b>213,200,863</b>	<b>14.6</b>	<b>258,235,991</b>	<b>21.6</b>	<b>172,190,879</b>	<b>19.4</b>	<b>(27,685,090)</b>	<b>(12.1)</b>	<b>(109,638,834)</b>	<b>(82.4)</b>



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 is pleased to present the Annual Report 2014 and Audited Financial Statements for the year ended June 30, 2014 together with Auditor's Report thereon.

## General

The principal activity of the Company is to manufacture, produce, buy and sell plastic packaging films. The operational capacity of Biaxially Oriented Polypropylene (BOPP) films is 15,000 metric tons (MT). The plant is located at Eastern Industrial Zone, Port Qasim Area.

## Operating and Financial Performance

### Production

The Company's production during the year was 5,538 metric tons which is 37% of total capacity of the plant.

The management of the Company is continuously devoting efforts to enhance the capacity utilization. Therefore, the main focus in the coming quarters would be enhancing capacity utilization further to yield better results. The recent addition of the Metalizer is aimed to utilize this gap.

### Sales & Profitability

The Company has recorded net sales of Rs.1,195 million during the year as compared to Rs.1,462 million during the previous year thereby, registering an decrease of 18%. The gross profit of the Company was Rs.118 million for the current year as compared to Rs.258 million last year. The company reported net loss of Rs. 24 million for the current year as compared to net profit of Rs.213 million in the previous 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

The Loss per share for the current year was Rs. (0.63) as compared to Rs.5.48 in the past year.

### Comparative financial results

Broad comparative financial results of previous three years are given hereunder.

	2014		2013		2012	
	Rs. 'millions	% of Sales	Rs. 'millions	% of Sales	Rs. 'millions	% of Sales
Sales (net)	1,195		1,462		1,195	
Gross Profit	118	10%	258	18%	289	24%
Profit before tax	31	3%	295	20%	270	23%
(Loss)/Profit after tax	(24)	2%	213	15%	258	22%
(Loss)/EPS (Rupees)	(0.63)		5.48		6.64	

## Dividend

The Board has not announced any dividend during the year as the Company has recently invested in Metalizer plant to increase the overall value of the company.

## 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 revenues via mainly due to the Metalizer Project production commencement.

## Metalizer Project

The new General K-5000 Metalizer with a capacity of 6,000 tons per annum is under Installation and Commissioning phase. InShaAllah, commercial production will commence in the coming quarters starting from first quarter of financial year 2014-15. The Company aims to increase its 50% sales via this expansion.

## Auditors

The present auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants are retiring and have offered themselves for reappointment for the year ending June 30, 2015 at remuneration to be mutually agreed

## Compliance with the Code of Corporate Governance

The requirements of the Code of Corporate Governance contained in the Listing Regulations, relevant for the year ended June 30, 2014 have been adopted by the Company and have been duly complied with. A separate statement of compliance with the Code of Corporate Governance, duly signed by the Chief Executive Officer is also included in the Annual Report 2014.

## Statement of ethics and business practices

The Board has prepared and adopted 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.



## Corporate and financial reporting frame work

- The financial statements together with the notes thereon have been drawn up by the management in conformity with the Companies Ordinance, 1984. These Statements present fairly Company's state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The International Accounting Standards / International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no doubts upon the Company's ability to continue as a going concern.
- There has been no departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- There is no other significant and material change from last year's operating and financial results except as explained in the Directors' Report.
- The key performance indicators for the last six years are summarized on page 24 of the Annual Report 2014.

## Appointment of Chief Executive

The Board of Directors also approved terms and conditions of Chief Executive in accordance with the Companies Ordinance, 1984 and the Articles of Association of the Company. The Board of Directors approved monthly remuneration of Rs.450,000/- per month alongwith Company's maintained car and other benefits as per Company' policy to Chief Executive w.e.f. January 01, 2014.

## Board of Directors' meetings

The number of board and audit committee meetings held during the year and meetings attended by each director is shown hereunder:

Name of Director	Board of Directors	Audit Committee
1. Air Marshal Azim Daudpota	4	4
2. Mr. Maqbool Elahi Shaikh	4	-
3. Mr. Muhammad Sadiq Khan	4	-
4. Mr. Naeem Munshi	3	3
5. Mr. Ehtesham Maqbool Elahi	4	-
6. Mr. Shariq Maqbool Elahi	4	-
7. Mr. Mansoor Younus	4	4
8. Mr. Fahad Munshi	4	-
9. Mr. Kamran Fazal/Mr. Atif (Nominee of EOBI)	3	-

## Audit Committee and internal control system

The management of your Company believes in good corporate governance, implemented through a well defined and efficiently applied system of check and balance, and the provision of transparent, accurate and timely financial information. The board of directors has established a system of sound internal control, which is effectively implemented at all level within the Company.

The Board has formed an Audit Committee. It comprises three (3) members, all are non-executive directors including the chairman of the committee who is an independent director. 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.

## HR and Remuneration Committee

The Board has formed an HR and Remuneration Committee. It comprises three (3) members, including two non-executive directors and one executive director. The Chairman of the committee is a non-executive director.

## Corporate Social Responsibility (CSR)

For a business to take responsibility for its actions, it must be fully accountable. Here at Macpac Films Limited, we have gone beyond the legal requirements to enhance transparency and credibility and strengthened have our management infrastructure. All this is done to ensure that we fulfill our social responsibility, as it is the least we can do.

Being socially responsible is more than just a corporate requirement for us. The company continuously takes multifaceted initiatives to fulfill this moral obligation by investing in education and other social activities.

## Human Capital and Employee Relations

The human capital of the company is the driving force to integrate the other resources like equipment and technology systems to produce the performance desired by the company. The directors of the company wish to record their appreciation for the dedicated hard and focused work put in by the company employees in achieving the performance during the year.

The need of the company changes all the time and it is changing at faster pace now because of the increasingly demanding business environment. Effective human resource management requires constant analysis of the pool of the human assets in the company for any skill gaps and training requirements, so the human capital can be better utilized and rewarded for their efforts one way of development human skills is getting exposure to the latest technology in our business.

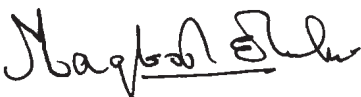
## Pattern of shareholding

The total number of Company's shareholders as at June 30, 2014 were 1,247. The pattern of shareholding as at June 30, 2014 along-with necessary disclosures as required under the Code of Corporate Governance is disclosed in the Annual Report 2014.

## 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.



**MAQBOOL ELAHI SHAIKH**  
Chief Executive Officer

Karachi  
October 09, 2014

# REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Macpac Films Limited (the Company) for the year ended 30 June 2014 to comply with the requirements of Listing Regulation No. 35 (Chapter XI) of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the 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 are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. 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 Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2014.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph references where it is stated in Statement of Compliance.

<b>Paragraph reference</b>	<b>Description</b>
6	No mechanism has been put in place for annual evaluation of the Board of Directors own performance.

**ERNST & YOUNG FORD RHODES SIDAT HYDER**

Chartered Accountants

Audit Engagement Partner: Shariq Ali Zaidi

Date: 09 October 2014

Karachi

# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (Code) contained in Regulation No.35 (Chapter XI) of listing regulations of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited 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. Mansoor Younus
Executive Directors	1. Mr. Maqbool Elahi Shaikh 2. Mr. Mohammad Sadiq Khan 3. Mr. Ehtesham Maqbool Elahi
Non-Executive Directors	1. Mr. Naeem Munshi 2. Air Marshal Azim Daudpota 3. Mr. Shariq Maqbool Elahi 4. Mr. Fahad Munshi 5. Mr. Kamran Fazal (Nominee of EOBI)

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

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-banking Financial Institution. None of them are members of any Stock Exchange.
4. Casual vacancy occurred in the Board of Directors during the year, the same was filled by the Board of Directors within 90 days.
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

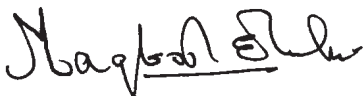


the dates on which they were approved or amended has been maintained. However, during the year no mechanism has been put in place for annual evaluation of the Board's own performance.

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 Chief Executive Officer (CEO) 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 also circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Directors of the Company are adequately trained and experienced to perform their duties. The board has arranged training programs for its director Mr. Ehtesham Maqbool Elahi and Mr. Shariq Maqbool Elahi during the year and the rest of the directors will be trained within the prescribed time period during 30 June 2012 to 30 June 2016.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The directors' report has been prepared in compliance with the requirements of the 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 three(3) members, all 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 determined and approved by the Board of Directors and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises three (3) members, among them two are non-executive directors and the chairman of the committee is also a non-executive director.

18. The Board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is 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, 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 Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services 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 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 contained in the Code have been complied with.

On behalf of the Board of Directors



**MAQBOOL ELAHI SHAIKH**  
Chief Executive Officer

Karachi  
October 09, 2014

We have audited the annexed balance sheet of Macpac Films Limited (the Company) as at 30 June 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity 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. The financial statements of the Company for the year ended 30 June 2013 were audited by another firm of chartered accountants who expressed an unmodified opinion on those financial statements in their audit report dated 01 October 2013.

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, except for the changes as stated in notes 4.1 and 4.10 to the accompanying financial statements, with which we concur;
  - 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 comprehensive income, cash flow statement and statement of changes in equity 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 30 June 2014 and of the loss, its comprehensive loss, cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

**ERNST & YOUNG FORD RHODES SIDAT HYDER**

Chartered Accountants

Audit Engagement Partner: Shariq Ali Zaidi

Date: 09 October 2014

Karachi

# NOTICE OF ANNUAL GENERAL MEETING



NOTICE is hereby given that the 19th Annual General Meeting of MACPAC Films Limited will be held on Friday, October 31, 2014 at 4:30 p.m. at Registered Office of the Company, F/2, A-F, S.I.T.E., Karachi, to transact the following ordinary business:

1. To confirm the Minutes of the 18th Annual General Meeting held on October 30, 2013.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2014, together with the Auditors' and Directors' Report thereon.
3. To appoint Auditors of the Company for the year ending June 30, 2015 and fix their remuneration.
4. To transact any other business with the permission of the Chair.

By order of the Board

Karachi  
October 10, 2014

M. Javid Ansari  
Company Secretary

## NOTES

1. The share transfer books of the Company will remain closed from October 24, 2014 to October 31, 2014 (both days inclusive). Transfers received at the Company's Share Registrar, M/s. Central Depository Company of Pakistan Limited, Share Registrar Department, CDC House, 99 - B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400, at the close of business on October 23, 2014 will be treated in time.
2. Members are requested to notify any change in their addresses immediately to our Share Registrar.
3. A member entitled to attend and vote at the meeting shall be entitled to appoint another person, as his/her proxy to attend, demand, join in demanding a poll, speak and vote instead of him/her, and a proxy so appointed shall have such rights, as respects attending, speaking and voting at the meeting as are available to a member. Proxies, in order to be valid, must be deposited at Company' Share Registrar office not less than 48 hours before the meeting. A proxy must be a member of the Company.
4. CDC shareholders or their proxies must bring their Computerized National Identity Card (CNIC)/passport along with CDC Participant ID and Account number at the meeting venue for identification purpose. In case of representative of corporate member, the Board of Directors' Resolution/Power of Attorney with specimen signature of the nominee shall be produced at the time of the meeting (unless it has been provided earlier).



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# FINANCIAL STATEMENTS 2014



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	Note	2014 Rupees	2013 Rupees (Restated)	2012 Rupees (Restated)
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	5	760,901,866	673,500,047	540,839,060
Intangible assets	6	386,660	170,824	213,528
		<u>761,288,526</u>	673,670,871	541,052,588
Long-term deposits	7	61,551,921	57,398,421	57,398,421
Deferred taxation		-	-	45,353,215
		<u>822,840,447</u>	731,069,292	643,804,224
<b>CURRENT ASSETS</b>				
Stock-in-trade	8	248,667,073	238,624,594	213,889,611
Trade debts	9	159,775,636	178,535,689	155,584,374
Loans and advances	10	3,175,189	3,422,351	1,734,415
Trade deposits, prepayments and other receivables	11	8,193,613	16,378,805	8,852,147
Tax refund due from Government - net	12	28,462,590	55,826,334	41,276,123
Cash and bank balances	13	11,336,312	4,869,753	1,624,860
		<u>459,610,413</u>	497,657,526	422,961,530
<b>TOTAL ASSETS</b>		<u><b>1,282,450,860</b></u>	<u>1,228,726,818</u>	<u>1,066,765,754</u>
<b>EQUITY AND LIABILITIES</b>				
<b>SHARE CAPITAL AND RESERVES</b>				
Authorised capital 50,000,000(2013: 50,000,000) ordinary shares of Rs.10/- each		<u>500,000,000</u>	500,000,000	500,000,000
Issued, subscribed and paid-up capital	14	388,860,000	388,860,000	388,860,000
Reserves	15	57,728,149	82,146,318	(72,255,409)
		<u>446,588,149</u>	471,006,318	316,604,591
<b>NON-CURRENT LIABILITIES</b>				
Long term loan from a director and an associated company	16	148,260,457	196,760,457	196,760,457
Diminishing Musharaka arrangement	17	31,065,903	-	-
Liabilities against asset subject to finance lease	18	29,413,590	-	-
Deferred mark-up		-	-	125,774,153
Deferred taxation	19	73,181,296	28,715,377	-
Staff retirement benefits – gratuity	20	13,534,377	11,427,149	10,141,460
		<u>295,455,623</u>	236,902,983	332,676,070
<b>CURRENT LIABILITIES</b>				
Trade and other payables	21	467,642,307	517,262,517	306,143,229
Accrued mark-up	22	1,130,198	-	-
Short-term borrowing	23	50,000,000	-	734,696
Current portion of non-current liabilities	24	21,634,583	3,555,000	110,607,168
		<u>540,407,088</u>	520,817,517	417,485,093
<b>CONTINGENCIES AND COMMITMENTS</b>	25			
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>1,282,450,860</b></u>	<u>1,228,726,818</u>	<u>1,066,765,754</u>

The annexed notes from 1 to 45 form an integral part of these financial statements.



**MAQBOOL ELAHI SHAIKH**  
 CHIEF EXECUTIVE



**MOHAMMAD SADIQ KHAN**  
 DIRECTOR

# PROFIT AND LOSS ACCOUNT

## FOR THE YEAR ENDED JUNE 30, 2014

Manufacturers of Multi Layer Co-extruded BOPP Films



	Note	2014 Rupees	2013 Rupees (Restated)
Turnover – net	26	1,195,122,436	1,461,754,914
Cost of sales	27	(1,077,139,093)	(1,203,582,681)
<b>Gross profit</b>		<b>117,983,343</b>	258,172,233
Administrative expenses	28	(41,449,140)	(41,179,723)
Marketing and selling expenses	29	(9,669,009)	(10,081,774)
		(51,118,149)	(51,261,497)
<b>Operating profit</b>		<b>66,865,194</b>	206,910,736
Finance costs	30	(20,667,414)	(7,301,190)
Other income	31	1,772,529	127,261,284
Other expenses	32	(16,607,661)	(32,038,157)
		(35,502,546)	87,921,937
<b>Profit before taxation</b>		<b>31,362,648</b>	294,832,673
Taxation	33	(55,714,220)	(81,631,810)
<b>(Loss) / Profit after taxation</b>		<b>(24,351,572)</b>	213,200,863
<b>(Loss) / Earnings per share - basic and diluted</b>	34	<b>(0.63)</b>	5.48

The annexed notes from 1 to 45 form an integral part of these financial statements.

MAQBOOL ELAHI SHAIKH  
CHIEF EXECUTIVE

MOHAMMAD SADIQ KHAN  
DIRECTOR



# STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED JUNE 30, 2014

	2014 Rupees	2013 Rupees (Restated)
<b>(Loss) / Profit after taxation</b>	<b>(24,351,572)</b>	213,200,863
<b>Other comprehensive (loss) / income</b>		
<b>Other comprehensive (loss) / income not to be reclassified to profit and loss account in subsequent periods</b>		
Re-measurement loss on defined benefit plan	(99,398)	(723,286)
Income tax effect	32,801	253,150
Net comprehensive loss not to be reclassified to profit and loss account in subsequent periods	(66,597)	(470,136)
<b>Total comprehensive (loss) / income for the year</b>	<b>(24,418,169)</b>	<b>212,730,727</b>

The annexed notes from 1 to 45 form an integral part of these financial statements.

MAQBOOL ELAHI SHAIKH  
CHIEF EXECUTIVE

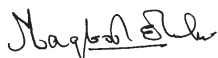
MOHAMMAD SADIQ KHAN  
DIRECTOR

# CASH FLOW STATEMENT

## FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	37	65,325,143	373,909,352
Finance costs paid		(11,426,309)	(306,898)
Income tax refund received / (paid)	12.1	20,472,383	(21,860,280)
Gratuity paid	20.2	(1,516,300)	(2,554,470)
Long-term deposits paid		(4,153,500)	-
<b>Net cash generated from operating activities</b>		<b>68,701,417</b>	<b>349,187,704</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(99,019,341)	(183,862,732)
Proceeds from disposal of fixed assets		955,000	326,036
<b>Net cash used in investing activities</b>		<b>(98,064,341)</b>	<b>(183,536,696)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long-term loan		-	(90,070,368)
Proceeds from musharaka arrangement		38,832,379	-
Obligations under finance lease repaid		(1,248,215)	-
Proceeds from term loan		50,000,000	-
Repayment of loan to a director		(49,060,088)	(16,981,800)
Dividend paid		(2,694,593)	(55,353,947)
<b>Net cash generated from / (used in) financing activities</b>		<b>35,829,483</b>	<b>(162,406,115)</b>
<b>Net increase in cash and cash equivalents</b>		<b>6,466,559</b>	<b>3,244,893</b>
<b>Cash and cash equivalents at the beginning of year</b>		<b>4,869,753</b>	<b>1,624,860</b>
<b>Cash and cash equivalents at the end of year</b>	13	<b>11,336,312</b>	<b>4,869,753</b>

The annexed notes from 1 to 45 form an integral part of these financial statements.



**MAQBOOL ELAHI SHAIKH**  
CHIEF EXECUTIVE



**MOHAMMAD SADIQ KHAN**  
DIRECTOR



# STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED JUNE 30, 2014

	Issued, subscribed and paid-up capital	Reserves			Total
		Capital reserve – share premium	(Accumulated losses) / Unappropriated profit	Total	
-----Rupees-----					
Balance as at June 30, 2012	388,860,000	79,930,000	(107,433,374)	(27,503,374)	361,356,626
Effect of restatement (notes 19.1 and 40)	-	-	(44,752,035)	(44,752,035)	(44,752,035)
Balance as at June 30, 2012 - restated	388,860,000	79,930,000	(152,185,409)	(72,255,409)	316,604,591
Final dividend for the year ended June 30, 2012 @ Re.1 per share	-	-	(38,886,000)	(38,886,000)	(38,886,000)
Interim dividend for the year ended June 30, 2013 @ Re.0.5 per share	-	-	(19,443,000)	(19,443,000)	(19,443,000)
Profit after taxation – restated (notes 4.10 and 40)	-	-	213,200,863	213,200,863	213,200,863
Other comprehensive loss – restated (note 4.10)	-	-	(470,136)	(470,136)	(470,136)
Total comprehensive income for the year	-	-	212,730,727	212,730,727	212,730,727
<b>Balance as at June 30, 2013 - restated</b>	<b>388,860,000</b>	<b>79,930,000</b>	<b>2,216,318</b>	<b>82,146,318</b>	<b>471,006,318</b>
Loss after taxation	-	-	(24,351,572)	(24,351,572)	(24,351,572)
Other comprehensive loss	-	-	(66,597)	(66,597)	(66,597)
Total comprehensive loss for the year	-	-	(24,418,169)	(24,418,169)	(24,418,169)
<b>Balance as at June 30, 2014</b>	<b>388,860,000</b>	<b>79,930,000</b>	<b>(22,201,851)</b>	<b>57,728,149</b>	<b>446,588,149</b>

The annexed notes from 1 to 45 form an integral part of these financial statements.



**MAQBOOL ELAHI SHAIKH**  
CHIEF EXECUTIVE



**MOHAMMAD SADIQ KHAN**  
DIRECTOR

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2014



### 1. THE COMPANY AND ITS OPERATIONS

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 43-H, II-A, P.E.C.H.S, Block-6, Karachi.

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

### 2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the 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 (IASB) and Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan (ICAP) 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.

### 3. BASIS OF PREPARATION

**3.1** These financial statements have been prepared under the historical cost convention, except for defined benefit obligations which are stated at present value in accordance with the requirements of IAS-19 "Employee Benefits", as referred to in note 20.

**3.2** These financial statements are presented in Pakistani Rupees which is the Company's functional and presentation currency.

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 4.1 Standards, amendments and interpretations adopted during the year

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as describe below:

New / Revised Standards, Interpretations and Amendments

The Company has adopted the following revised standard, amendments and interpretation of IFRSs which became effective for the current year.

IAS 19 - Employee Benefits (Revised)

IFRS 7 - Financial Instruments : Disclosures - (Amendments) - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine

IFAS 3 - Profit and Loss Sharing on Deposits

#### *Improvements to Accounting Standards Issued by the IASB*

IAS 1 - Presentation of Financial Statements - Clarification of the requirements for comparative information

IAS 16 - Property, Plant and Equipment - Clarification of Servicing Equipment

IAS 32 - Financial Instruments: Presentation - Tax Effects of Distribution to Holders of Equity Instruments

IAS 34 - Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations did not have any material effect on these financial statements, except for the adoption of IAS-19 - Employee Benefits (Revised) which is effective from annual periods beginning on or after January 01, 2013. The change in accounting policy and its related impacts are disclosed in note 4.10 to these financial statements.

## 4.2 Significant accounting judgments and estimates

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 judgments in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to these financial statements:

- (a) determining the impairment, residual values, useful lives, method of depreciation of property, plant and equipment and intangible assets (notes 4.3, 4.4, 5 & 6);
- (b) provision for doubtful debts (notes 4.16 and 9);
- (c) accounting for staff retirement benefits (notes 4.10 and 20);
- (d) recognition of taxation and deferred tax (note 4.9, 12 and 19);
- (e) estimation of net realisable value of stock in trade (note 4.8 and 8);
- (f) provision and contingencies (note 4.6 and 25);

## 4.3 Property, plant and equipment

### 4.3.1 Owned

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for freehold land, which is stated at cost.

Depreciation is charged using the reducing balance method at the rates specified in note 5 except those assets which are not available for their intended use or commercial productions has not commenced.

Depreciation on additions are charged from the month the assets are available for use while no depreciation is charged for the month in which is disposed off.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

Gains and losses on disposal of fixed assets are taken to profit and loss account.

### Leased

Assets subject to finance lease are stated at lower of the present value of minimum lease payments under the lease agreement and fair value of the asset. The related obligations of the lease are accounted for as liabilities. Assets acquired under finance lease are depreciated over the useful life of the assets on the same basis as of owned assets.

### 4.3.2 Capital work-in-progress

Capital work-in progress is stated at cost less impairment in value, if any. It consists of expenditure incurred and advances made in respect of fixed assets in the course of their erection, acquisition and installation.

## 4.4 Intangible assets

Intangible assets are measured on initial recognition at cost. Costs that are directly associated with identifiable software products controlled by the Company and have probable economic benefit beyond one year are recognised as intangible assets. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

Amortisation on additions is charged from the month in which the assets are put to use while no amortisation is charged in the month in which the assets are disposed.

#### 4.5 Impairment

The Company assesses at each balance sheet date whether there is any indication that assets 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 recoverable amount, assets are written down to the recoverable amount and the difference is charged to profit and loss account for the year.

#### 4.6 Provisions

Provisions are recognized when the Company has present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

#### 4.7 Cash and cash equivalents

Cash and cash equivalents comprise of cash-in-hand and at banks which are carried at cost. For the purpose of cash flow statement, cash equivalents are short term highly liquid instruments which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in values.

#### 4.8 Stock-in-trade

These are stated at the lower of net realizable value (NRV) and cost of the inventory which is determined using weighted average cost method.

Weighted average cost in relation to work in process and finished goods signify average manufacturing cost including direct material, labour and proportionate share of related direct overheads.

NRV signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### 4.9 Taxation

##### Current

Provision for current taxation is based on taxability of certain income streams of the Company under Normal Tax Regime after taking into account tax credits and tax rebates available, if any and the remaining income streams under Final Tax Regime at the applicable tax rates. The charge for current tax includes adjustments to charge for prior years, if any. The tax charge as calculated above is compared with turnover tax under Section 113 of the Income Tax Ordinance, 2001 and whichever is higher is provided in the financial statements.

##### Deferred

Deferred tax is provided using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences and deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forwards of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income 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 tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax relating to items recognised directly in the other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit and loss account.

#### 4.10 Staff retirement benefits

The Company operates an unfunded gratuity scheme for all employees. Actuarial valuation, as required under IAS-19 is carried out to make an estimate of the amount of benefit. The provision is made to meet the obligation under the scheme for all employees who have completed one year service with the Company.

##### Change in accounting policy

As disclosed in note 4.1 to these financial statements, during the year, the Company has changed its accounting policy in respect of recognition of remeasurement gains and losses, past service costs and expected return on plan assets, whereby with effect from current year, the Company has recognised:

- remeasurement gains and losses immediately in other comprehensive income, instead of past policy, recognising the same under profit and loss account; and
- interest on net defined benefit obligation (net of plan assets) in profit and loss account, which is calculated using the discount rate used to measure the defined benefit obligation or asset, and expected returns on plan assets will no longer be recognised in profit and loss account.

The above change has been accounted for in accordance with the requirements of IAS-19 "Employee Benefits (Revised)", as required under IAS-8 "Accounting Policies, Changes in Accounting Estimates and Errors", such a change to be applied retrospectively.

Had there been no change in accounting policy due to recognition of actuarial gains or losses on defined benefit plans in accordance with IAS-19 (Revised), the following would have been the impacts for the years ended June 30, 2014 and June 30, 2013:

	2014	2013
	----- Rupees -----	
<b>Impact of adoption of IAS-19 (Revised)</b>		
<b>Impact on profit and loss account</b>		
Increase in cost of sales	65,603	477,369
Increase in administrative expenses	26,837	195,287
Increase in marketing and selling expenses	6,958	50,630
	<b>99,398</b>	723,286
Deferred taxation	<b>(32,801)</b>	(253,150)
Net decrease in profit after tax	<b>66,597</b>	470,136
<b>Impact on earnings per share</b>		
	<b>(0.002)</b>	(0.01)
<b>Impact on statement of comprehensive income</b>		
Deferred taxation	<b>(32,801)</b>	(253,150)
Decrease in actuarial loss for the year	<b>99,398</b>	723,286
Net decrease in other comprehensive income	<b>66,597</b>	470,136

The only impact of the above change is reclassification from the profit and loss account to other comprehensive income.

#### **4.11 Ijarah rentals**

Ijarah payments for assets under Ijarah agreements are recognised as an expense in the profit and loss account on a straight line basis over the Ijarah term.

#### **4.12 Foreign currency transactions**

Transactions in foreign currencies are accounted for in Pakistani Rupees at the rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are reported using the rates of exchange approximating those prevailing on the balance sheet date, except where forward exchange purchases have been made for payment of liabilities, in that case the contracted rates are applied. Exchange gains and losses are included in profit and loss account currently except exchange gains and losses on foreign currency loans for acquiring plant and machinery are capitalized.

#### **4.13 Financial instruments**

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. All financial assets are derecognised at the time when the Company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognised at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gains or losses on derecognition of financial assets and financial liabilities are taken to profit and loss account.

#### **4.14 Offsetting of financial assets and financial liabilities**

A financial asset and financial liability is off-set and the net amount is reported in the balance sheet when there is a legal enforceable right to set-off the transactions is available and also there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### **4.15 Revenue recognition**

Sales are recorded on dispatch of goods to customers and in case of exports when the goods are shipped.

Processing income and other income is recognized on accrual basis.

#### **4.16 Trade debts and other receivables**

Trade debts originated by the Company are recognised and carried at original invoice amount less provision for impairment. Other receivables are carried at cost less provision for impairment. Provision for impairment is based on management's assessment of customers outstanding, and credit worthiness. Bad debts are written off as and when identified.

#### **4.17 Trade and other payables**

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

#### **4.18 Dividends**

Dividends are recognised in the financial statements in the period in which these are approved. However, if these are approved after the reporting period but before the financial statements are authorised for issue, they are disclosed in the notes to these financial statements.



#### 4.19 Standards, interpretations and amendments to approved accounting standards that are not yet effective

Standard or Interpretation		Effective date (annual periods beginning on or after)
IFRS 10	Consolidated Financial Statements	January 01, 2015
IFRS 11	Joint Arrangements	January 01, 2015
IFRS 12	Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13	Fair Value Measurement	January 01, 2015
IAS 16 & 38	Clarification of Acceptable Method of Depreciation and Amortisation	January 01, 2016
IAS 16 & 41	Agriculture: Bearer Plants	January 01, 2016
IAS 19	Employee Benefits (Amendment)	July 01, 2014
IAS 27	Separate Financial Statements (Revised)	January 01, 2015
IAS 28	Investments in Associates and Joint Ventures (Revised)	January 01, 2015
IAS 32	Offsetting Financial Assets and Financial liabilities (Amendment)	January 01, 2014
IAS 36	Recoverable Amount for Non-Financial Assets (Amendment)	January 01, 2014
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting (Amendment)	January 01, 2014
IFRIC 21	Levies	January 01, 2014

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not have any material impact on the Company's financial statements in the period of initial application.

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after July 01, 2014. The Company expects such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

Standard		IASB Effective date (annual periods beginning on or after)
IFRS 9	Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14	Regulatory Deferral Accounts	January 01, 2016
IFRS 15	Revenue from Contracts with Customers	January 01, 2017

The Company expects that above new standards will not have any material impact on the Company's financial statements in the period of initial application.

	Note	2014 Rupees	2013 Rupees
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	5.1	460,757,435	494,567,991
Capital work-in-progress	5.4	300,144,431	178,932,056
		<u>760,901,866</u>	<u>673,500,047</u>

## 5.1 Operating fixed assets

	Owned										- Leased -		
	Lease-hold land	Building on leasehold land	Plant and machinery	Furniture and fixtures	Electrical installations	Refrigeration and air-conditioning	Generators	Office equipment	Computers	Motor Vehicles	Subtotal	Generators and fittings*	Total
Net carrying value basis													
Net book value (NBV) as at July 01, 2013	21,200,000	43,079,445	373,829,601	2,402,935	10,682	1,321,649	1,892,971	853,802	843,373	8,210,600	453,645,058	40,922,933	494,567,991
Additions (at cost)	-	-	7,389,500	306,900	-	-	124,000	60,282	258,050	4,438,940	12,577,672	479,294	13,056,966
Disposals (at NBV)	-	-	-	-	-	-	-	-	-	(154,656)	(154,656)	-	(154,656)
Depreciation charge	-	(2,153,972)	(37,587,178)	(255,779)	(1,068)	(132,156)	(201,696)	(88,848)	(244,711)	(1,909,379)	(42,574,787)	(4,138,079)	(46,712,866)
<b>Net book value (NBV) as at June 30, 2014</b>	<b>21,200,000</b>	<b>40,925,473</b>	<b>343,631,923</b>	<b>2,454,056</b>	<b>9,614</b>	<b>1,189,493</b>	<b>1,815,275</b>	<b>825,236</b>	<b>856,712</b>	<b>10,585,505</b>	<b>423,493,287</b>	<b>37,264,148</b>	<b>460,757,435</b>
Gross carrying value basis													
Cost	21,200,000	59,211,503	834,353,984	4,555,521	23,695	2,188,613	5,423,642	1,651,857	2,715,170	26,537,994	957,861,979	80,696,958	1,038,558,937
Accumulated depreciation	-	(18,286,030)	(490,722,061)	(2,101,465)	(14,081)	(999,120)	(3,608,367)	(826,621)	(1,858,458)	(15,952,489)	(534,368,692)	(43,432,810)	(577,801,502)
<b>Net book value (NBV) as at June 30, 2014</b>	<b>21,200,000</b>	<b>40,925,473</b>	<b>343,631,923</b>	<b>2,454,056</b>	<b>9,614</b>	<b>1,189,493</b>	<b>1,815,275</b>	<b>825,236</b>	<b>856,712</b>	<b>10,585,505</b>	<b>423,493,287</b>	<b>37,264,148</b>	<b>460,757,435</b>
Rate of depreciation	5%	10%	10%	10%	10%	10%	10%	10%	25%	20%	10%	10%	10%

\* Represents assets against which the lease liability has been fully paid. However, the leasing companies have not yet transferred the same in the name of the Company due to their late payment penalties. The Company has shown these late payment charges as contingencies (note 25.1.3). The management is of the view that a substantial portion of these charges will be waived off by the leasing companies.

	Owned										- Leased -		
	Lease-hold land	Building on leasehold land	Plant and machinery	Furniture and fixtures	Electrical installations	Refrigeration and air-conditioning	Generators	Office equipment	Computers	Motor Vehicles	Plant and machinery	Generators and fittings**	Total
Net carrying value basis													
Net book value (NBV) as at July 01, 2012	21,200,000	45,346,742	399,084,797	2,606,945	11,870	901,748	1,092,937	948,666	611,543	7,965,123	15,598,763	45,469,926	540,839,060
Additions (at cost)	-	-	655,854	61,250	-	545,630	932,642	-	415,300	2,320,000	-	-	4,930,676
Transfers (at cost)	-	-	*15,598,763	-	-	-	-	-	-	-	*15,598,763	-	-
Disposals (at NBV)	-	-	-	-	-	-	-	-	-	(326,036)	-	-	(326,036)
Depreciation charge	-	(2,267,297)	(41,509,813)	(265,260)	(1,188)	(125,729)	(132,608)	(94,864)	(183,470)	(1,748,487)	-	(4,546,993)	(50,875,709)
<b>Net book value (NBV) as at June 30, 2013</b>	<b>21,200,000</b>	<b>43,079,445</b>	<b>373,829,601</b>	<b>2,402,935</b>	<b>10,682</b>	<b>1,321,649</b>	<b>1,892,971</b>	<b>853,802</b>	<b>843,373</b>	<b>8,210,600</b>	<b>40,922,933</b>	<b>40,922,933</b>	<b>494,567,991</b>
Gross carrying value basis													
Cost	21,200,000	59,211,503	826,964,484	4,248,621	23,695	2,188,613	5,299,642	1,591,575	2,457,120	22,253,710	-	80,217,664	1,025,656,627
Accumulated depreciation	-	(16,132,058)	(453,134,883)	(1,845,686)	(13,013)	(866,964)	(3,406,671)	(737,773)	(1,613,747)	(14,043,110)	-	(39,294,731)	(531,088,636)
<b>Net book value (NBV) as at June 30, 2013</b>	<b>21,200,000</b>	<b>43,079,445</b>	<b>373,829,601</b>	<b>2,402,935</b>	<b>10,682</b>	<b>1,321,649</b>	<b>1,892,971</b>	<b>853,802</b>	<b>843,373</b>	<b>8,210,600</b>	<b>-</b>	<b>40,922,933</b>	<b>494,567,991</b>
Rate of depreciation	5%	10%	10%	10%	10%	10%	10%	10%	25%	20%	10%	10%	10%

\* Represents transfers from leased assets to owned assets

\*\* Represents assets against which the lease liability has been fully paid. However, the leasing companies have not yet transferred the same in the name of the Company due to their late payment penalties. The Company has shown these late payment charges as contingencies (note 25.1.3). The management is of the view that a substantial portion of these charges will be waived off by the leasing companies.

	Note	2014 Rupees	2013 Rupees
<b>5.2</b> The depreciation charge for the year has been allocated as follows:			
Cost of sales	27	44,675,456	48,916,770
Administrative expenses	28	1,584,051	1,847,527
Marketing and selling expenses	29	453,359	111,412
		<u>46,712,866</u>	<u>50,875,709</u>

**5.3** The following operating fixed assets were disposed off during the year:

	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Mode of Disposal	Particulars of buyers
	-----Rupees-----						
<b>Vehicles</b>							
Honda ADT-478	1,155,000	1,083,568	71,432	555,000	483,568	Negotiation	Mr.Waqas Hassan Usmani , Karachi
Honda AFK-499	795,000	711,776	83,224	400,000	316,776	Negotiation	Mr. Syed Mohammad Jaffar Rizvi, Karachi
<b>2014</b>	<u>1,950,000</u>	<u>1,795,344</u>	<u>154,656</u>	<u>955,000</u>	<u>800,344</u>		
2013	<u>980,500</u>	<u>654,464</u>	<u>326,036</u>	<u>326,036</u>	-		

	2014 Rupees	Additions / (transfers) Rupees	2013 Rupees
<b>5.4 Capital work-in-progress</b>			
Building and civil works	10,444,691	2,181,119	8,263,572
Plant and machinery	289,699,740	119,031,256	170,668,484
	<u>300,144,431</u>	<u>121,212,375</u>	<u>178,932,056</u>

	Note	2014 Rupees	2013 Rupees
<b>6. INTANGIBLE ASSETS</b>			
Computer software	6.1	136,660	170,824
Capital work-in-progress	6.2	250,000	-
		<u>386,660</u>	<u>170,824</u>
<b>6.1 Computer software</b>			
<b>Net carrying value basis</b>			
NBV as on July 01		170,824	213,528
Amortization charge [20%(2013:20%)]	6.3	(34,164)	(42,704)
<b>NBV as at June 30</b>		<u>136,660</u>	<u>170,824</u>
<b>Gross carrying value basis</b>			
Cost		568,700	568,700
Accumulated amortization		(432,040)	(397,876)
<b>NBV as at June 30</b>		<u>136,660</u>	<u>170,824</u>

**6.2** Represents advance payment made in respect of acquisition of computer software.

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

<b>7. LONG-TERM DEPOSITS</b>	<b>Note</b>	<b>2014 Rupees</b>	<b>2013 Rupees</b>
Security deposits			
- leased assets		4,153,500	-
- ijarah assets	7.1	55,123,421	55,123,421
		<u>59,276,921</u>	55,123,421
Margin against bank guarantee	7.2	2,175,000	2,175,000
Other deposits		100,000	100,000
	7.3	<u>61,551,921</u>	<u>57,398,421</u>

**7.1** 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.

**7.2** This represents 30% cash margin against guarantee issued by Faysal Bank Limited in favour of Sui Sothern Gas Company Limited.

**7.3** These are non-interest bearing and generally on a term of more than a year.

<b>8. STOCK-IN-TRADE</b>	<b>Note</b>	<b>2014 Rupees</b>	<b>2013 Rupees</b>
Raw material:			
In hand		47,997,100	62,112,649
In transit		86,820,854	73,017,393
		<u>134,817,954</u>	135,130,042
Work in process		69,410,299	73,520,490
Finished goods		44,438,820	29,974,062
		<u>248,667,073</u>	<u>238,624,594</u>

#### **9. TRADE DEBTS – unsecured**

Considered good			
- Related parties		15,728,238	32,001,399
- Others		144,047,398	146,534,290
		<u>159,775,636</u>	178,535,689
Considered doubtful		19,371,987	19,371,987
		<u>179,147,623</u>	197,907,676
Less: Provision for doubtful debts	38.1.1	<u>(19,371,987)</u>	(19,371,987)
		<u>159,775,636</u>	<u>178,535,689</u>

#### **10. LOANS AND ADVANCES**

##### **Loans -unsecured, considered good**

- Staff	10.1	969,486	912,391
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##### **Advances - unsecured, considered good**

- Suppliers and contractors		1,701,315	2,487,303
- Employees	10.2	504,388	22,657
		<u>2,205,703</u>	2,509,960
	10.3	<u>3,175,189</u>	<u>3,422,351</u>

**10.1** This represents interest free loans given to the employees in accordance with the Company's policy.

**10.2** This includes advances given to meet business expenses and are settled as and when the expenses are incurred.

**10.3** These are non-interest bearing and generally on an average term of 1 to 6 months.

**11. TRADE DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

	Note	2014 Rupees	2013 Rupees
Deposits			
- Containers		1,899,584	1,143,573
- Leasing	11.1	3,500,000	3,500,000
- Utilities		2,054,912	2,054,912
- Others		459,367	459,367
		<u>7,913,863</u>	7,157,852
Prepayments		279,750	279,750
Other receivables		-	8,941,203
	11.2	<u>8,193,613</u>	<u>16,378,805</u>

**11.1** This represents security deposit paid to NIB Bank Limited (the leasing Company). The lease liability against which has been fully paid by the Company. However, the leasing company has not transferred the same in the name of the Company due to their claims of late payment penalties (note 25.1.3).

**11.2** These are non-interest bearing and generally on an average term of 1 to 6 months.

**12. TAX REFUND DUE FROM GOVERNMENT – net**

	Note	2014 Rupees	2013 Rupees
Income tax refundable	12.1	24,138,451	55,826,334
Sales tax refundable	12.2	4,324,139	-
		<u>28,462,590</u>	<u>55,826,334</u>

**12.1 Income tax refundable**

Opening refundable		55,826,334	41,276,123
Provision for current year tax	33	(11,215,500)	(7,310,068)
Income tax refund received during the year		(30,530,199)	-
Advance tax paid during the year		10,057,816	21,860,279
Closing refundable		<u>24,138,451</u>	<u>55,826,334</u>

**12.2** Included herein a provision of Rs.0.741 million (2013: Rs.0.741 million) in respect of sales tax demand relating to the tax period starting from July 01, 2010 to June 30, 2011 arose due to the desk audit of the Company u/s 25(2) of Sales Tax Act, 1990.

**13. CASH AND BANK BALANCES**

		2014 Rupees	2013 Rupees
Cash in hand		75,576	82,349
Cash at banks – current accounts		11,260,736	4,787,404
		<u>11,336,312</u>	<u>4,869,753</u>

		2014 Rupees	2013 Rupees
<b>14. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>			
25,986,000 (2013: 25,986,000) ordinary shares of Rs. 10/- each fully paid in cash		259,860,000	259,860,000
12,900,000 (2013: 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><b>388,860,000</b></u>	<u><b>388,860,000</b></u>
<b>14.1</b> Mr. Maqbool Elahi Shaikh, being the director of the Company, held 17,305,394 (2013: 17,305,394) ordinary shares of Rs.10/- each in the Company representing 44.50% (2013: 44.50%) of the share capital as of the balance sheet date.			
<b>15. RESERVES</b>			
	<b>Note</b>	<b>2014 Rupees</b>	<b>2013 Rupees</b>
<b>Capital reserve</b>			
Share premium on issue of ordinary shares		79,930,000	79,930,000
<b>Revenue reserve</b>			
(Accumulated losses) / unappropriated profit		<u>(22,201,851)</u>	<u>2,216,318</u>
		<u><b>57,728,149</b></u>	<u><b>82,146,318</b></u>
<b>16. LONG TERM LOAN FROM A DIRECTOR AND AN ASSOCIATED COMPANY - unsecured</b>			
Director	16.1	91,493,712	140,553,800
Associated company	16.2	<u>59,761,657</u>	<u>59,761,657</u>
		<u><b>151,255,369</b></u>	<u><b>200,315,457</b></u>
Less: Current portion			
- Director	24	<u>(2,994,912)</u>	<u>(3,555,000)</u>
		<u><b>148,260,457</b></u>	<u><b>196,760,457</b></u>
<b>16.1</b> Mr. Maqbool Elahi Shaikh, being a director of the Company, has provided interest free loan to mitigate the working capital requirement of the Company. The current portion represents amount repayable on demand.			
<b>16.2</b> This represents interest free loan from M/s. National Management Consultancy Services (Private) Limited, a related party, to mitigate the working capital requirement of the Company.			
<b>17. DIMINISHING MUSHARAKA ARRANGEMENT</b>			
	<b>Note</b>	<b>2014 Rupees</b>	<b>2013 Rupees</b>
Long-term portion		38,832,379	-
Less: Current portion	24	<u>(7,766,476)</u>	<u>-</u>
	17.1	<u><b>31,065,903</b></u>	<u><b>-</b></u>
<b>17.1</b> During the current year, the Company has obtained a diminishing musharaka facility of Rs.40 million from Soneri Bank Limited, Islamic Banking Division. The Musharaka units are to be re-purchased during a period of 3 years' time with a grace period of 6 months. All of the units comprising 80% of the Bank's Musharaka Share will be purchased during this period. These carry mark-up at the rate of 3 months KIBOR plus 2.00 percent per annum and are secured against first exclusive charge over plant and machinery to the extent of Rs.55 million.			
<b>18. LIABILITIES AGAINST ASSET SUBJECT TO FINANCE LEASE</b>			
The Company has entered into a finance lease agreement with Pak Gulf Leasing Company in respect of gas generator. The rate of returns used as the discounting factor is 6 months KIBOR plus 2.95 percent per annum. Overdue rental payments			



are subject to additional charge upto 3 percent per month. Purchase option can be exercised by the lessee by adjusting security deposit against residual value at the expiry of the lease period. The amount of future lease payments together with the present value of the minimum lease payments and the periods during which they fall due are as follows:

	2014		2013	
	Minimum Lease Payments (MLP)	Present Value of MLP	Minimum Lease Payments (MLP)	Present Value of MLP
	Note -----(Rupees)-----			
Within one year	14,978,580	10,873,195	-	-
After one year but not more than five years	32,862,439	29,413,590	-	-
<b>Total minimum lease payments</b>	<b>47,841,019</b>	<b>40,286,785</b>	-	-
Less: Finance charges	(7,554,234)	-	-	-
<b>Present value of minimum lease payments</b>	<b>40,286,785</b>	<b>40,286,785</b>	-	-
Less: Current portion	24 (10,873,195)	(10,873,195)	-	-
	<b>29,413,590</b>	<b>29,413,590</b>	-	-

## 19. DEFERRED TAXATION

	Note	2014 Rupees	2013 Rupees (Restated)
Taxable temporary differences arising due to:			
- accelerated tax depreciation		103,553,064	117,886,760
- accelerated tax amortisation		127,598	59,788
		<b>103,680,662</b>	117,946,548
Deductible temporary differences arising due to:			
- unused tax losses		(18,060,627)	(78,451,474)
- liabilities against assets subject to finance lease		(1,579,639)	-
- provision for staff retirement benefits – gratuity		(4,466,344)	(3,999,502)
- provision for doubtful debts		(6,392,756)	(6,780,195)
		<b>(30,499,366)</b>	(89,231,171)
	19.1	<b>73,181,296</b>	<b>28,715,377</b>

**19.1** During the current year, various differences were identified in accounting and tax records maintained with the Company which has resulted in errors identified in the carrying values of temporary differences available at the beginning of the year, particularly with regard to carrying amount of tax losses. Accordingly, the opening balance of deferred tax asset has been restated to rectify such errors, in these financial statements.

In order to correct the effect of above mentioned errors in previously issued financial statements presented, prior period adjustments have been made in these financial statements, in accordance with the requirements of International Accounting Standard - 8 "Accounting Policies, Changes in Accounting Estimates and Errors". As a result of these adjustments, amount of deferred tax asset at the beginning of the year has been converted into a deferred tax liability amounting to Rs. 28.715 million with appropriate adjustment in opening reserves so as to incorporate the retrospective effect on correction of error on the prior periods presented (refer note 40).

	Note	2014 Rupees	2013 Rupees (Restated)
<b>20. STAFF RETIREMENT BENEFITS - GRATUITY</b>			
<b>20.1 The amount recognised in the balance sheet is as follows:</b>			
Present value of defined benefit obligation	20.2	<u>13,534,377</u>	<u>11,427,149</u>
<b>20.2 Changes in the present value of defined benefit obligation are as follows:</b>			
Balance as at July 01		11,427,149	10,141,460
Charge for the year	20.3	3,524,130	3,116,873
Remeasurement loss recognised in other comprehensive income		99,398	723,286
Payments made during the year		<u>(1,516,300)</u>	<u>(2,554,470)</u>
Balance as at June 30		<u>13,534,377</u>	<u>11,427,149</u>
<b>20.3 Charge for the year recognised in the profit and loss account is as follows:</b>			
Current service cost		2,297,195	1,697,069
Interest cost		1,226,935	1,419,804
		<u>3,524,130</u>	<u>3,116,873</u>
<b>20.4 The charge for the year has been allocated as follows:</b>			
Cost of sales	27.1	2,325,926	2,057,136
Administrative expenses	28.1	951,515	841,556
Marketing and selling expenses	29.1	246,689	218,181
		<u>3,524,130</u>	<u>3,116,873</u>
<b>20.5 The principal assumptions used in the actuarial valuations carried out as of June 30, 2014 using the 'Projected Unit Credit' method are as follows:</b>			
Expected rate of increase in salary level		<u>13.5% p.a.</u>	<u>11.5% p.a.</u>
Discount rate		<u>13.5% p.a.</u>	<u>11.5% p.a.</u>
<b>20.6 Maturity profile of the defined benefit obligation:</b>			
Weighted average duration - in number of years		<u>5.63</u>	<u>3.88</u>
<b>20.7 Description of the risks to the Company</b>			
The defined benefit plan exposes the Company to the following risks:			
<b>Mortality risks</b> - The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service/age distribution and the benefit.			
<b>Final salary risks</b> - The risk that the final salary at the time of cessation of service is greater than what was assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.			

**Withdrawal risks** - The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.

## 20.8 Comparisons for five years:

As at June 30	2014	2013	2012	2011	2010
	----- (Rupees) -----				
Present value of defined benefit obligation	<u>13,534,377</u>	<u>11,427,149</u>	<u>10,141,460</u>	<u>9,690,177</u>	<u>9,083,140</u>
Deficit	<u>13,534,377</u>	<u>11,427,149</u>	<u>10,141,460</u>	<u>9,690,177</u>	<u>9,083,140</u>

	Note	2014 Rupees	2013 Rupees
<b>21. TRADE AND OTHER PAYABLES</b>			
Trade creditors	21.1	48,708,997	41,974,641
Import bills for goods and fixed asset		294,666,805	369,563,173
Accrued liabilities		15,418,012	10,922,304
Advances from customers		13,005,495	3,308,226
Workers' Profits Participation Fund	21.2	72,914,029	62,680,888
Workers' Welfare Fund		6,851,126	6,002,232
Tax deducted at source		11,635,273	8,330,193
Sales tax – net		-	7,443,834
Unclaimed dividend		280,460	2,975,053
Others		4,162,110	4,061,973
		<u>467,642,307</u>	<u>517,262,517</u>

**21.1** Included herein an amount of Rs.2.446 million (2013: Rs.0.099 million) payable to TOYO Packaging (Private) Limited, a related party.

	Note	2014 Rupees	2013 Rupees
<b>21.2 Workers' Profits Participation Fund</b>			
Balance at the beginning of the year		62,680,888	39,891,248
Interest on Workers' Profits Participation Fund	32	<u>8,110,907</u>	<u>6,994,292</u>
		70,791,795	46,885,540
Allocation during the year	30	<u>2,122,234</u>	<u>15,795,348</u>
Balance at the end of the year		<u>72,914,029</u>	<u>62,680,888</u>

## 22. ACCRUED MARK-UP

Musharaka arrangement		463,416	-
Short-term borrowing		<u>666,782</u>	-
		<u>1,130,198</u>	-

## 23. SHORT-TERM BORROWING – secured

Term finance under mark-up arrangement	23.1	<u>50,000,000</u>	-
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**23.1** During the current year, the Company has obtained and utilised a term finance facility under mark-up arrangement from a commercial bank and are secured against joint pari passu mortgage charge over fixed assets and trade debts of the Company. The rate of mark-up on this facility is one month KIBOR plus 2.5% per annum and payable quarterly.

<b>24. CURRENT PORTION OF NON-CURRENT LIABILITIES</b>	<b>Note</b>	<b>2014 Rupees</b>	<b>2013 Rupees</b>
Long-term loan from a director and an associated company	16	<b>2,994,912</b>	3,555,000
Musharaka arrangement	17	<b>7,766,476</b>	-
Liabilities against asset subject to finance lease	18	<b>10,873,195</b>	-
		<b><u>21,634,583</u></b>	<b><u>3,555,000</u></b>

## **25. CONTINGENCIES AND COMMITMENTS**

### **25.1 Contingencies**

**25.1.1** 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.

**25.1.2** 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.

**25.1.3** 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.

	2014 Rupees	2013 Rupees
25.1.4 Outstanding bank guarantees	<u>7,250,000</u>	<u>7,250,000</u>
<b>25.2 Commitments</b>		
25.2.1 Outstanding letters of credit	<u>45,989,279</u>	<u>30,000,000</u>
<b>26. TURNOVER – net</b>		
Gross Sales		
- Local	1,396,909,235	1,412,408,802
- Export	4,563,213	-
- Processing income	30,085,268	283,596,312
	1,431,557,716	1,696,005,114
Less: Sales tax	(207,963,200)	(234,250,200)
Sales returns	(28,472,080)	-
	<u>1,195,122,436</u>	<u>1,461,754,914</u>

	Note	2014 Rupees	2013 Rupees (Restated)
<b>27. COST OF SALES</b>			
Opening stock of raw material		62,112,649	34,838,793
Purchases during the year		862,851,980	1,019,841,301
		<u>924,964,629</u>	<u>1,054,680,094</u>
Closing stock of raw material		(47,997,100)	(62,112,649)
Raw material consumed		<u>876,967,529</u>	<u>992,567,445</u>
<b>Manufacturing expenses</b>			
Salaries, wages and other benefits	27.1	36,096,408	32,398,241
Oil and lubricants / diesel		5,687,144	7,312,215
Packing material consumed		14,848,622	16,328,789
Consumable stores		4,866,679	5,023,409
Water charges		279,044	1,069,141
Repairs and maintenance		6,625,926	9,214,637
Vehicle running and maintenance		1,967,879	1,669,816
Utilities		66,331,443	76,973,706
Insurance		6,936,453	5,951,961
Telephone		496,740	464,730
Cartage and octroi		7,956,854	9,179,498
Consultancy charges		3,736,000	3,318,600
Staff welfare		1,538,821	1,963,862
Security charges		1,358,310	1,526,935
Depreciation	5.2	44,675,456	48,916,770
Transportation		4,659,031	4,537,927
Rent, rates and taxes		308,561	1,325,872
Others		2,156,760	608,414
		<u>210,526,131</u>	<u>227,784,523</u>
		<u>1,087,493,660</u>	<u>1,220,351,968</u>
Opening work in process		73,520,490	54,174,895
		<u>1,161,014,150</u>	<u>1,274,526,863</u>
Closing work in process		(69,410,299)	(73,520,490)
<b>Cost of goods manufactured</b>		<u>1,091,603,851</u>	<u>1,201,006,373</u>
<b>Finished goods</b>			
Opening stock		29,974,062	32,550,370
Closing stock		(44,438,820)	(29,974,062)
		<u>(14,464,758)</u>	<u>2,576,308</u>
		<u>1,077,139,093</u>	<u>1,203,582,681</u>

**27.1** Salaries, wages and other benefits includes staff retirement benefits (gratuity) amounting to Rs.2.326 million (2013: Rs.2.057 million).



	Note	2014 Rupees	2013 Rupees (Restated)
<b>28. ADMINISTRATIVE EXPENSES</b>			
Salaries, wages and other benefits	28.1	10,079,924	9,081,529
Directors' remuneration		15,960,082	11,228,115
Vehicle maintenance		1,692,746	1,051,810
Legal and professional charges		2,467,200	860,000
Traveling and accommodation		836,338	1,192,814
Insurance		213,792	285,854
Fees and subscription		1,067,815	1,147,683
Rent, rates and taxes		2,496,869	2,674,187
Advertisement		153,820	407,562
Postage and stationery		735,984	777,443
Donation	28.2	210,000	1,510,000
Consultancy charges		100,000	1,020,000
Telephone		579,985	501,125
Newspaper and periodicals		10,504	15,641
Provision for doubtful debts		-	3,216,046
Amortisation	6.3	34,164	42,704
Fuel and power		474,206	413,897
Auditors' remuneration	28.3	755,000	635,000
Depreciation	5.2	1,584,051	1,847,527
Repair and maintenance		671,142	645,318
Staff welfare		158,621	136,144
Security charges		640,474	570,196
Water charges		18,177	11,483
Penalty and fine		22,323	689,069
Others		485,923	1,218,576
		<u>41,449,140</u>	<u>41,179,723</u>

**28.1** Salaries, wages and other benefits includes staff retirement benefits (gratuity) amounting to Rs.0.952 million (2013: Rs.0.842 million).

**28.2** None of the directors or their spouses have any interest in any of the donees to whom donations were made during the year.

	2014 Rupees	2013 Rupees (Restated)
<b>28.3 Auditors' remuneration</b>		
Audit fee	600,000	595,000
Fee for review of half yearly financial statements	70,000	30,000
Fee for review of Code of Corporate Governance	35,000	-
Out of pocket expenses	50,000	10,000
	<u>755,000</u>	<u>635,000</u>

	Note	2014 Rupees	2013 Rupees (Restated)
<b>29. MARKETING AND SELLING EXPENSES</b>			
Salaries, wages and other benefits	29.1	3,105,574	3,309,089
Vehicle running and maintenance		569,911	552,803
Traveling and accommodation		253,723	285,703
Rent, rates and taxes		398,600	362,363
Postage and stationery		50,769	27,622
Consultancy charges		3,522,000	3,004,000
Telephone		118,949	72,881
Power / electricity		34,476	19,151
Staff welfare		11,120	19,666
Sales promotion		971,649	2,222,252
Depreciation	5.2	453,359	111,412
Insurance expenses		124,767	76,592
Others		54,112	18,240
		<u>9,669,009</u>	<u>10,081,774</u>

**29.1** Salaries, wages and other benefits includes staff retirement benefits (gratuity) amounting to Rs.0.247 million (2013: Rs.0.218 million).

	Note	2014 Rupees	2013 Rupees
<b>30. FINANCE COSTS</b>			
Mark-up on:			
- overdue letters of credit		9,327,525	-
- short-term finance		-	28,480
- term finance		2,540,112	-
- diminishing musharaka		463,416	-
		12,331,053	28,480
Interest on Workers' Profits Participation Fund	21.2	8,110,907	6,994,292
Bank guarantees commission		92,900	-
Bank charges		132,554	278,418
		<u>20,667,414</u>	<u>7,301,190</u>

### 31. OTHER INCOME

#### Income from non-financial assets

Scrap sales		128,785	169,260
Gain on disposal of operating fixed assets		800,344	-
Liabilities no more payable		-	126,710,769
Others		843,400	381,255
		<u>1,772,529</u>	<u>127,261,284</u>

### 32. OTHER EXPENSES

Workers' Profits Participation Fund	21.2	2,122,234	15,795,348
Workers' Welfare Fund		848,894	6,002,232
Exchange loss – net		11,406,355	8,066,328
Surcharge on annual maintenance charges		2,230,178	2,174,249
		<u>16,607,661</u>	<u>32,038,157</u>

	2014 Rupees	2013 Rupees (Restated)
<b>33. TAXATION</b>		
Current	11,215,500	7,310,068
Deferred	44,498,720	74,321,742
	<u>55,714,220</u>	<u>81,631,810</u>

**33.1** The income tax assessment of the Company has been finalised upto tax year 2013. The provision for current income tax is based on minimum tax under Section 113 of the Income Tax Ordinance, 2001 and income chargeable under final tax regime on applicable tax rates under such regime. Accordingly, no tax expense reconciliation with accounting profit is reported.

	2014 Rupees	2013 Rupees (Restated)
<b>34. BASIC AND DILUTED (LOSS) / EARNINGS PER SHARE</b>		
There is no dilutive effect on the basic (loss) / earnings per share which is based on:		
(Loss) / Profit after taxation	(24,351,572)	213,200,863
Weighted average number of ordinary shares	38,886,000	38,886,000
(Loss) / Earnings per share	(0.63)	5.48

### 35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these financial statements for the year in respect of remuneration and benefits to the chief executive, directors and executives of the Company were as follows:

	Chief Executive		Directors		Executives	
	2014	2013	2014	2013	2014	2013
	----- Rupees -----					
Remuneration	4,500,000	3,600,000	10,714,998	9,999,996	7,006,267	5,176,387
Medical allowance	464,086	149,565	280,998	75,980	215,578	222,075
Other perquisites (Motor vehicle maintenance etc.)	902,925	1,022,754	797,353	685,733	1,438,023	1,028,385
	<u>5,867,011</u>	<u>4,772,319</u>	<u>11,793,349</u>	<u>10,761,709</u>	<u>8,659,868</u>	<u>6,426,847</u>
Number of person(s)	<u>1</u>	<u>1</u>	<u>6</u>	<u>6</u>	<u>8</u>	<u>6</u>

### 36. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of associate companies, directors and key management personnel and companies in which directors of the Company hold directorship. Transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	2014 Rupees	2013 Rupees
<b>Director (Key management personnel)</b>		
Loan to the Company		
Loan acquired during the year	4,959,912	-
Loan repaid during the year	54,020,000	16,981,800
Balance as at 30 June	<u>91,493,712</u>	<u>140,553,800</u>
<b>TOYO Packaging (Private) Limited</b>		
Trade debt		
Sale of goods / processing charges	177,189,321	125,456,726
Purchase of polypropylene resin	31,832,932	69,614,802
Balance as at 30 June	<u>12,868,130</u>	<u>29,380,350</u>
<b>Hilal Confectionery (Private) Limited</b>		
Trade debt		
Sale of goods / processing charges	4,775,805	85,055
Balance as at 30 June	<u>331,656</u>	<u>1,525,890</u>
<b>Shalimar Food Products (Private) Limited</b>		
Trade debt		
Sale of goods	7,734,821	15,617,781
Balance as at 30 June	<u>1,895,802</u>	<u>1,903,344</u>
<b>Kings Food (Private) Limited</b>		
Trade debt		
Sale of goods	-	4,877,252
Balance as at 30 June	<u>632,650</u>	<u>632,650</u>
	2014 Rupees	2013 Rupees (Restated)

**37. CASH FLOWS (USED IN) / FROM OPERATIONS**

Profit before taxation		31,362,648	294,832,673
Adjustments for non-cash and other items:			
Depreciation	5.2	46,712,866	50,875,709
Amortisation of software	6.1	34,164	42,704
Provision for doubtful debts	38.1.1	-	3,216,046
Workers' Welfare Fund	32	848,894	6,002,232
Workers' Profits Participation Fund	32	2,122,234	15,795,348
Provision for gratuity	20.3	3,524,130	3,116,873
Finance costs	30	20,667,414	7,301,190
Exchange loss - net	32	11,406,355	8,066,328
Gain on disposal of operating fixed assets	31	(800,344)	-
Other income		-	(125,774,153)
		<u>84,515,713</u>	<u>(31,357,723)</u>
		115,878,361	263,474,950
Working capital changes	37.1	<u>(50,553,218)</u>	<u>110,434,402</u>
		<u>65,325,143</u>	<u>373,909,352</u>

### 37.1 Working capital changes

#### *(Decrease) / increase in current assets*

	2014 Rupees	2013 Rupees (Restated)
Stock-in-trade	(10,042,479)	(24,734,983)
Trade debts	18,760,053	(26,167,361)
Loans and advances	247,162	(1,687,936)
Trade deposits, short-term prepayments and other receivables	8,185,192	(7,526,658)
	<b>17,149,928</b>	<b>(60,116,938)</b>

#### *(Decrease) / increase in current liabilities*

Short-term finance	-	(734,696)
Trade and other payables	(67,703,146)	171,286,036
	<b>(67,703,146)</b>	<b>170,551,340</b>
	<b>(50,553,218)</b>	<b>110,434,402</b>

## 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Company's financial instruments are market risks, credit risk and liquidity risk. The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments.

### 38.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss without taking into account the fair value of any collateral.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company believes that it is not exposed to major concentration of credit risk as the exposure is spread over a number of counter parties. To manage exposure to credit risk, Company applies credit limit to its customers. Out of the total financial assets of Rs.243.957 million (2013: Rs.260.523 million), financial assets which are subject to credit risk are as follows:

	Note	2014 Rupees	2013 Rupees
Long-term deposits	7	61,551,921	57,398,421
Trade debts	9	159,775,636	178,535,689
Loans and advances	10	3,175,189	3,422,351
Trade deposits and other receivables	11	7,913,863	16,099,055
Bank balances	13	11,260,736	4,787,404
		<b>243,677,345</b>	<b>260,242,920</b>

Due to the Company's long standing relations with the counterparties, the management does not expects non-performance by these counterparties on their obligations to the Company. The management continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful for recovery.

#### 38.1.1 Ageing of trade debts as at the balance sheet date is as under:

**38.1.1** Ageing of trade debts as at the balance sheet date is as under:

	Total	Neither past due nor impaired	Past due but not impaired			
			> 30 days upto 60 days	> 60 days upto 90 days	>90 days upto 180 Days	>180 days
----- (Rupees) -----						
Related parties	15,728,238	4,682,171	10,088,656	88,545	-	868,866
Other than related parties	144,047,398	69,782,684	46,446,076	17,014,836	4,671,861	6,131,941
<b>2014</b>	<b>159,775,636</b>	<b>74,464,855</b>	<b>56,534,732</b>	<b>17,103,381</b>	<b>4,671,861</b>	<b>7,000,807</b>
Related parties	32,001,399	7,124,114	2,779,713	21,123,196	974,376	-
Other than related parties	146,534,290	81,548,934	46,848,960	13,138,881	3,240,721	1,756,794
<b>2013</b>	<b>178,535,689</b>	<b>88,673,048</b>	<b>49,628,673</b>	<b>34,262,077</b>	<b>4,215,097</b>	<b>1,756,794</b>

The movement is the provision for doubtful debts in respect of trade receivables during the year was as follows:

	2014 Rupees	2013 Rupees
Balance at the beginning of the year	19,371,987	16,155,941
Charge for the year	-	3,216,046
Balance at the end of the year	<u>19,371,987</u>	<u>19,371,987</u>

**38.1.2** The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

Bank Balances by short-term rating category	Rating Agency	2014 Rupees	2013 Rupees
A1+	PACRA	10,017,044	4,360,055
A-1+	JCR-VIS	1,208,580	392,237
A1	PACRA	35,112	35,112
		<u>11,260,736</u>	<u>4,787,404</u>

**38.2 Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate and foreign exchange rates. The objective of market risk management is to manage and control market risk exposures with an acceptable range.

**(i) Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk in respect of Company's long-term and short-term financing arrangements at floating interest rates to meet its business operations and working capital requirements.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Company's (loss) / profit before tax (through impact on floating rate borrowings). This analysis excludes the impact of movement in market variables on non-financial assets and liabilities of the Company. Further, interest rate sensitivity does not have an asymmetric impact on the Company's result.

	Increase / decrease in basis points	Effect on (loss) / profit before tax (Rupees)
<b>2014</b>	<b>+100</b>	<b>1,291,192</b>
	<b>-100</b>	<b>(1,291,192)</b>
<b>2013</b>	<b>+100</b>	<b>(752,558)</b>
	<b>-100</b>	<b>752,558</b>



**(ii) Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign currency exchange rates primarily relates to the Company's operating activities. The Company manages its currency risk by effective fund management and timely repayment of its current liabilities. The Company, however, has not hedged its foreign currency liabilities as the management has assessed that it will not be cost beneficial.

The Company's exposure to foreign currency risk in major currencies at their gross values is as follows:

	<b>2014 (US Dollars)</b>	<b>2013 (US Dollars)</b>
Trade and other payables	<u>3,279,115</u>	<u>2,071,486</u>
	<b>2014 (Euros)</b>	<b>2013 (Euros)</b>
Trade and other payables	<u>79,960</u>	<u>1,349,430</u>

Following is the demonstration of the sensitivity to a reasonably possible change in exchange rate of all currencies applied to assets and liabilities as at June 30, 2014 represented in foreign currencies, with all other variables held constant, of the Company's profit before tax.

		<b>2014</b>	<b>2013</b>
Change in exchange rate	±	<b>5%</b>	5%
Effect on (loss) / profit before tax (Rupees)	±	<b>14,733,340</b>	18,478,159

**(iii) Other price risk**

Other price risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market prices such as equity price risk. Equity price risk is the risk arising from uncertainties about future values of investment securities. As at the balance sheet date, the Company is not exposed to other price risk as the Company does not have any investment in equity shares.

**38.3 Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company applies prudent liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

Table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments. Balances due within 12 months equals to their carrying balances as the impact of discounting is not significant.

	On demand	Less than 6 months	6 to 12 months	1 to 5 years	More than 5 years	Total
	Rupees					
<b>June 30, 2014</b>						
Long term loan from a director and an associated company	2,994,912	-	-	-	148,260,457	151,255,369
Musharaka arrangement	-	-	7,766,476	31,065,903	-	38,832,379
Liabilities against assets subject to finance lease	-	5,259,173	5,614,022	29,413,590	-	40,286,785
Trade and other payables	-	375,961,420	280,460	-	-	376,241,880
Accrued mark-up	1,130,198	-	-	-	-	1,130,198
Short-term borrowings	-	50,000,000	-	-	-	50,000,000
	<b>4,125,110</b>	<b>431,220,593</b>	<b>13,660,958</b>	<b>60,479,493</b>	<b>148,260,457</b>	<b>738,913,897</b>
<b>June 30, 2013</b>						
Long term loan from a director and an associated company	3,555,000	-	-	-	196,760,457	200,315,457
Trade and other payables	-	429,830,318	2,975,053	-	-	432,805,371
	<b>3,555,000</b>	<b>429,830,318</b>	<b>2,975,053</b>	<b>-</b>	<b>196,760,457</b>	<b>633,120,828</b>

Effective interest / yield rates for the financial liabilities are mentioned in the respective notes to the financial statements.

### 39. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

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

### 40. PRIOR PERIOD ERROR

In compliance with the requirements of International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (IAS 8), the Company has made the following adjustments in these financial statements, as a result of the matter discussed in detail in note 19.1.

These adjustments have been accounted for retrospectively in conformity with the requirement of IAS 8 as a result of which the corresponding figures for prior years have been restated. Further, in accordance with the requirements of the IAS 1 "Presentation of Financial Statements (Revised)", the Company has presented a third balance sheet as at the end of the earliest period presented, i.e., June 30, 2012.

The effects of restatement on the financial statements of the current year are as follows:

	(As originally reported) 2013	Effect of prior period errors (Rupees)	2013 (Restated)
<b>June 30, 2013</b>			
<b>Restatement in balance sheet</b>			
Deferred taxation - asset	12,020,938	(40,736,315)	(28,715,377)
Reserves	122,882,633	(40,736,315)	82,146,318
<b>Restatement in profit and loss account</b>			
Taxation	(85,394,380)	3,762,570 *	(81,631,810)
Earnings per share – basic and diluted	5.37	0.11	5.48
<b>June 30, 2012</b>			
<b>Restatement in balance sheet</b>			
Deferred taxation - asset	90,105,250	(44,752,035)	45,353,215
Reserves	(27,503,374)	44,752,035	(72,255,409)

\* Includes the effect of change in accounting policy as mentioned in note 4.10.

#### 41. CAPITAL RISK MANAGEMENT

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

The Company finances its operations through equity, borrowings and management of working capital with a view to maintain an appropriate mix between various sources of finance to minimize risk.

The Company monitors capital using a debt equity ratio, which is net debt divided by total capital plus net debt. Equity comprises of share capital and reserves. The gearing ratio as at June 30, 2014 and 2013 are as follows:

	2014 Rupees	2013 Rupees (Restated)
Loan from a director and an associated company	151,255,369	200,315,457
Musharaka arrangement	38,832,379	-
Liabilities against assets subject to finance lease	40,286,785	-
Staff retirement benefits - gratuity	13,534,377	11,427,149
Trade and other payables	467,642,307	517,262,517
Accrued mark-up	1,130,198	-
Short-term borrowing	50,000,000	-
<b>Total debts</b>	<b>762,681,415</b>	<b>729,005,123</b>
Less: Cash and bank balances	(11,336,312)	(4,869,753)
<b>Net debt</b>	<b>751,345,103</b>	<b>724,135,310</b>
Share capital	388,860,000	388,860,000
Reserves	57,728,149	82,146,318
<b>Total equity</b>	<b>446,588,149</b>	<b>471,006,318</b>
<b>Total Capital</b>	<b>1,197,933,252</b>	<b>1,195,141,688</b>
<b>Gearing ratio</b>	<b>62.72%</b>	<b>60.59%</b>

#### 42. CAPACITY AND PRODUCTION

	2014		2013	
	Rated capacity	Actual production	Rated Capacity	Actual Production
	-----Metric Tons-----			
BOPP – Port Qasim Authority	15,000	5,538	15,000	9,230

42.1 Plant capacity was utilized to the extent of orders received from customers.

#### 43. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 09, 2014 by the Board of Directors of the Company.

#### 44. CORRESPONDING FIGURES

Certain prior year's figures have been rearranged consequent upon certain changes in the current year's presentation for more appropriate comparison and for better presentation, where necessary. The details of major reclassifications are as follows:

Component	Reclassification				(Rupees)
	From	Note to financial statements 2013	To	Note to financial statements 2014	
Balance sheet	Loan from a director – Trade and other payables	21	Current maturity of long term liabilities	24	3,555,000
Balance sheet	National Management Consultancy Services (Private) Limited – Loan from director and associated company	17	Loan from director – Loan from director and associated company	16	14,140,000
Balance sheet	Trade creditors – Trade and other payables	21	Trade deposits – Trade deposits, prepayments and other receivables	11	2,000,000

#### 45. GENERAL

**45.1** The number of employees at the year-end was 79 (2013: 81) and average number of employees during the year was 77 (2013: 81).

**45.2** Figures have been rounded off to the nearest rupee, unless otherwise stated.



**MAQBOOL ELAHI SHAIKH**  
CHIEF EXECUTIVE



**MOHAMMAD SADIQ KHAN**  
DIRECTOR

Manufacturers of Multi Layer Co-extruded BOPP Films

**MACPAC FILMS LTD.**



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## Proxy Form

### 19<sup>th</sup> Annual General Meeting

I/We, \_\_\_\_\_ of \_\_\_\_\_ being member(s) of Macpac Films Ltd. holding \_\_\_\_\_ ordinary shares hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or failing him / her \_\_\_\_\_ of \_\_\_\_\_ who is / are also member(s) of Macpac Films Ltd. as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at the 19<sup>th</sup> Annual General Meeting of the Company to be held at 4:30 p.m. on 31<sup>st</sup> October, 2014 at Registered Office of the Company, F/2, A -F. S.I.T.E., Karachi and at any adjournment thereof.

As Witness my / our hand / seal this \_\_\_\_\_ day of \_\_\_\_\_ 2014.

Signed by the said \_\_\_\_\_

In the presence of

1. \_\_\_\_\_  
\_\_\_\_\_
2. \_\_\_\_\_  
\_\_\_\_\_

Folio / CDC Account No.

Signature on Revenue  
Stamp of Rs. 5/-

#### Note:

1. This Proxy Form, must be deposited at the Company's share registrar office as soon as possible but not later than 48 hours before the time of holding the meeting, failing which the Proxy Form will not be treated as valid.
2. No person shall act as proxy unless he / she is a member of the Company.



Manufacturers of Multi Layer Co-extruded BOPP Films

**MACPAC FILMS LTD.**



Manufacturers of Multi Layer Co-extruded BOPP Films

**MACPAC FILMS LTD.**



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.

Website: [www.macpac.com.pk](http://www.macpac.com.pk)

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