

Macpac Films Limited

Notes To The Condensed Interim Financial Statements
For The 1st Quarter Ended September 30, 2015

1. STATUS AND NATURE OF THE COMPANY

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

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

2. COMPLIANCE WITH STATUTORY REQUIREMENTS

These condensed interim financial information is unaudited and has been prepared and is being submitted to the members in accordance with section 245 of the Companies Ordinance, 1984 and International Accounting Standard (IAS) 34- "Interim Financial Reporting". These figures for the three month ended September 30, 2015, and subject to limited scope review as required by the Code of Corporate Governance. This condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the annual financial statements for the year ended June 30, 2015.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the company for the year ended June 30, 2015.

Note	Sept 30 2015 Rupees	June 30, 2015 Rupees
4. PROPERTY, PLANT AND EQUIPMENT		
Opening book value	828,644,006	828,644,006
Add: Additions during the period	11,633,204	5,536,365
	840,277,210	834,180,371
Less:		
Disposals during the period (book value)	-	76,346,857
Depreciation charged during the period	18,525,155	61,743,720
	18,525,155	138,090,577
	821,752,056	696,089,794

5. LONG TERM DEPOSITS

Security deposits - leased assets	4,153,500	4,153,500
Margin against bank guarantee	2,175,000	2,175,000
Other deposits	100,000	100,000
	4,253,500	4,253,500

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

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

6. AUTHORIZED CAPITAL

50,000,000 Ordinary shares of Rs.10/- each	500,000,000	500,000,000
Issued, subscribed and paid-up capital		
25,986,000 Ordinary shares of Rs. 10/- each fully paid up in cash	259,860,000	259,860,000
12,900,000 Ordinary shares of Rs.10/- each issued as fully paid bonus shares	129,000,000	129,000,000
	388,860,000	388,860,000

7. DEFERRED TAXATION

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

8. CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

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

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

Although the Honorable Supreme Court of Pakistan has accepted the petition for leave to appeal and the Company's lawyers are very hopeful that the tax holiday will be restored. However, in case of an adverse decision by the Honorable Supreme Court of Pakistan, it is certain that the Deputy Commissioner of Income Tax shall disallow the tax holiday. While finalizing the orders the assessing officers have made various mistakes, for which rectification applications have been made. Subject to appeal and assuming that the Deputy Commissioner of Income Tax does not make any other addition for these years, a liability of Rs.67,938,844 will arise for which no provision has been made by the Company in these financial statements. As at year end, these civil appeals were at the stage of final arguments and were still pending before the Supreme Court of Pakistan. As per the opinion of the legal advisor of the Company, the Company has a reasonable probability of success in these petitions.

8.1.2 An Income Tax Appeal is pending before the High Court of Sindh for the assessment of tax year 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 2014 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 on the favourable outcome on both cases, no provision against the possible liability has been made in these financial statements.

8.1.3 An order has been passed by the taxation officer for the tax year 2013 with the demand of Rs. 14,028,361/-including WWF. The appeal is pending before the relevant court of law and based on the favourable outcome of the case, no provision against the possible liability has been made in these financial statements.

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

8.1.5 In September 2014, the Federal Government promulgated Gas Infrastructure Development Cess (GIDC) Ordinance No. VI of 2014 to circumvent earlier decision of the Honorable Supreme Court of Pakistan on the subject, where it upheld that earlier introduction of GIDC Act of 2011 was Unconstitutional and ultravires on the grounds that GIDC was a fee and not a tax.

The company filed a suit against the above Ordinance in Sindh High Court on the plea that the Honorable Supreme Court of Pakistan has already given its judgment on the subject. Accordingly, the company has not accounted for GIDC amounting to Rs. 18.905 million in these financial statements as the company is confident that the decision of the case will be in its favor.

	Sept 30 2015	Sept 30 2014
8.16 Outstanding bank guarantees	7,250,000	7,250,000
8.2 Commitments		
8.2.1 Outstanding letters of credit	52,159,765	52,649,701
	Quarter ended	
	Sept 30 2015	Sept 30 2014
9. COST OF GOODS SOLD		
Opening work-in-process	88,457,808	69,410,299
Material consumed	157,380,451	210,894,337
Salaries, wages and other benefits	10,514,436	9,325,641
Oil and lubricants/diesel	1,081,203	1,537,356
Packing material consumed	3,557,881	2,550,530
Consumable stores	562,970	275,920
Water charges	-	10,000
Repair and maintenance	3,104,966	1,332,763
Vehicle running and maintenance	431,961	457,467
Power/electricity/gas	15,220,616	17,175,782
Insurance	1,983,997	1,671,522
Telephone	241,819	134,170
Cartage and octori	1,643,730	864,400
Consultancy charges	954,000	954,000
Staff welfare	220,839	236,356
Security charges	408,669	400,004
Depreciation	17,982,406	15,376,544
Other expense	1,401,555	1,389,000
Transportation	605,148	332,103
	305,754,454	334,328,193
Less: Closing work-in-process	(108,874,468)	(96,454,459)
Cost of goods manufactured	196,879,987	237,873,734
Opening stock of finished goods	58,276,639	44,438,820
	255,156,625	282,312,554
Less: Closing stock of finished goods	(55,992,469)	(46,105,115)
	199,164,156	236,207,439

10. DATE OF ISSUE

These condensed interim financial information was authorized for issue on October 31, 2015 by the Board of Directors.

11. GENERAL

11.1 Figures have been rounded off to the nearest rupee.

Maqbool Elahi Shaikh
Chief Executive

Mohammad Sadiq Khan
Director

COMPANY INFORMATION

Board of Directors

Air Marshal (R) 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. Syed Wasi Haider (Nominee Director of EOBI)

Audit Committee of the Board

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

HR & Remuneration Committee

Mr. Naeem Munshi
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

Shares Registrar

Central Depository Company Pakistan Limited
CDC House, 99 – B, Block 'B', S.M.C.H.S., Main Shakra-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

Bankers

(in alphabetical order)

Bank Alfalah Limited
Faysal Bank Limited
Bank Al Habib Limited
Habib Bank Limited
Habib Metro Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Silk Bank Limited
Soneri Bank Limited

Registered Office

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

City Office

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

Website:

www.macpacfilms.com

Factory

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

Manufacturers of Multi Layer Co-extruded BOPP Films

MACPAC FILMS LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE 1st
QUARTER ENDED,
SEPTEMBER 30, 2015
(UN-AUDITED)



Macpac Films Limited

DIRECTOR'S REVIEW

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

Assalam-o-Alaikum

Dear Shareholders,

The Board of Directors of your Company is pleased to present the un-audited financial information of the Company for the first quarter ended September 30, 2015

Financial Reporting

Your Company has recorded net sales of Rs. 224 million as compared to Rs. 267 million for the same period last year. The company has incurred profits during the period amounting to Rs. 3.6 million, as compared to Rs. 5.3 million for the same period last year.

Earnings per share of the Company is Rs. 0.09 per share which was Rs. 0.14 per share during the same period last year.

Future Outlook

The business landscape is becoming competitive every second and the international market conditions are likely to cause industrial friction. The international prices of raw materials have a fluctuating trend which is likely to prevail in the future. This has made purchase decisions all the more challenging coupled with depreciating Pakistani Rupee (PKR) and inflationary trends in the economy. However, the management of your Company has been putting in its best foot forward to combat the challenges for positive results in the future. The economic environment of the country is likely to become encouraging, thus providing an atmosphere conducive to conduct business activities. There has been an improvement in law and order conditions of the country which will attract more investment in the economy. 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.

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.

On behalf of the Board

MAQBOOL ELAHI SHAIKH
Chief Executive Officer

October 31, 2015

Macpac Films Limited

Condensed Interim Balance Sheet (Un-Audited)
As At September 30, 2015

	Note	Sept 30 2015 Rupees	June 30 2015 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	821,752,056	828,644,006
Intangible assets		1,038,562	947,828
		822,790,618	829,591,834
Long-term deposits	5	6,428,500	6,428,500
		829,219,118	836,020,334
CURRENT ASSETS			
Stock-in-trade		306,993,874	244,044,010
Trade debts		172,764,161	263,421,032
Loans and advances		4,289,329	2,714,493
Trade deposits, prepayments and other receivables		6,961,855	4,771,493
Tax refund due from Government - net		20,703,911	7,742,593
Cash and bank balances		34,123,424	14,632,523
		545,836,554	537,326,144
TOTAL ASSETS		1,375,055,672	1,373,346,478
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Issues, subscribed and paid-up capital	6	388,860,000	388,860,000
Reserves		79,930,000	79,930,000
Unappropriated losses		42,347,590	38,700,327
		511,137,590	507,490,327
NON-CURRENT LIABILITIES			
Staff retirement benefits - gratuity		18,409,025	17,305,686
Long term loan from a director and an associated company		148,260,457	148,260,457
Diminishing musharaka arrangement		11,649,713	15,532,951
Liabilities against asset subject to finance lease		61,515,415	73,579,670
Deferred taxation	7	125,982,678	125,982,678
		365,817,288	380,661,442
CURRENT LIABILITIES			
Trade and other payables		427,108,795	416,059,707
Accrued mark-up		721,179	840,551
Short-term borrowing		9,500,000	9,000,000
Current portion of non-current liabilities		60,770,820	59,294,451
		498,100,794	485,194,709
CONTINGENCIES AND COMMITMENTS		8	
TOTAL EQUITY AND LIABILITIES		1,375,055,672	1,373,346,478

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

Maqbool Elahi Shaikh
Chief Executive

Mohammad Sadiq Khan
Director

Macpac Films Limited

Condensed Interim Profit and Loss Account (Un-Audited)
For The 1st Quarter Ended September 30, 2015

	Note	Quarter Ended	
		Sept 30 2015 Rupees	Sept 30 2014 Rupees
SALES			
Gross sales		235,316,010	298,757,847
- Local		29,649,836	15,475,794
- Processing income		264,965,846	314,233,641
		(40,724,736)	(46,873,854)
Sales tax		224,241,110	267,359,787
NET SALES			
Cost of sales	9	(199,164,156)	(236,207,439)
GROSS PROFIT		25,076,954	31,152,348
Marketing and selling expenses		(4,646,929)	(2,669,079)
Administrative expenses		(12,597,337)	(11,234,690)
		(17,244,266)	(13,903,770)
OPERATING PROFIT		7,832,688	17,248,578
Finance costs		(3,737,677)	(9,177,953)
Other income		1,794,663	-
PROFIT BEFORE TAXATION		5,889,675	8,070,625
Taxation		(2,242,411)	(2,673,598)
PROFIT AFTER TAXATION		3,647,263	5,397,027
EARNINGS PER SHARE		0.09	0.14

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

Maqbool Elahi Shaikh
Chief Executive

Mohammad Sadiq Khan
Director

Macpac Films Limited

Condensed Interim Statement of Comprehensive Income (Un-Audited)
For The 1st Quarter Ended September 30, 2015

	Sept 30 2015 Rupees	Sept 30 2014 Rupees
Net Income after taxation	3,647,263	5,397,027
Total comprehensive income for the period	3,647,263	5,397,027

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

Maqbool Elahi Shaikh
Chief Executive

Mohammad Sadiq Khan
Director

October 31, 2015

Macpac Films Limited

Condensed Interim Cash Flow Statement (Un-Audited)
For The 1st Quarter Ended September 30, 2015

	Sept 30 2015 Rupees	Sept 30 2014 Rupees
A. CASH GENERATED FROM OPERATIONS		
Profit before taxation	5,889,675	8,070,625
Adjustments for non-cash and other items:		
Depreciation	18,525,155	15,800,278
Amortization of software	9,266	6,833
Provision for gratuity	1,373,257	1,212,212
Finance costs	3,737,677	9,177,953
	23,645,355	26,197,276
	29,535,029	34,267,901
Changes in working capital		
<i>(Increase) / decrease in current assets:</i>		
Stock-in-trade	(62,949,864)	(71,476,384)
Trade debts	90,656,871	(330,769)
Loans and advances	(1,574,836)	(1,585,948)
Trade deposits, short-term prepayments and other receivables	(2,190,362)	2,262,162
	23,941,809	(71,130,939)
<i>Increase / (decrease) in current liabilities:</i>		
Trade and other payables	9,928,644	56,484,020
Income tax deducted at source	1,120,444	(225,541)
	11,049,088	56,258,479
Cash generated from operations	64,525,926	19,395,441
Income tax paid	(15,203,729)	(6,837,328)
Gratuity paid	(269,918)	(359,430)
Finance costs paid	(3,857,049)	(7,577,657)
	(19,330,696)	(14,774,415)
Net cash generated from operating activities	45,195,230	4,621,026
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditures	(11,733,205)	(2,635,285)
Net cash used in investing activities	(11,733,205)	(2,635,285)
CASH FLOW FROM FINANCING ACTIVITIES		
Short term loan from director	500,000	-
Repayment of finance lease/ Musharika arrangement	(14,471,124)	(2,696,430)
Net cash generated (used in) / from financing activities	(13,971,124)	(2,696,430)
Net increase in cash and cash equivalents	19,490,901	(710,689)
Cash and cash equivalents at the beginning of the period	14,632,523	11,336,312
Cash and cash equivalents at the end of the period	34,123,424	10,625,623

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

Maqbool Elahi Shaikh
Chief Executive

Mohammad Sadiq Khan
Director

October 31, 2015