

Annual Report 2016

SUCCESS THROUGH EXPENERGY



MACPAC FILMS LTD.


Expenergy

“Learn all you can from the mistakes of others. You won't have time to make them all yourself.” - Alfred Sheinwold

They say the secret to successful, sustainable organizations is the right mix of experience leveraged by the energy of youth. In today's ever-changing, cut-throat business landscape, organizations cannot afford to commit strategic mistakes. Strategic guidance and vision, when in line with the contemporary business practices and innovations, become the formula for success. This is the philosophy which Macpac believes in – utilizing our experience worth of more than two decades to channel our energy towards fulfilling company objectives. The result of this amalgamation of experience and energy is something beautiful; something we call as 'expenergy'.

“Expenergy is a word coined in-house at Macpac during brainstorming sessions by a young graduate. We credit this contribution and the level of creativity to him.”



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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. Fāhad Munshi (Non-Executive Director)
Mr. Mansoor Younus (Independent Director)
Mr. Syed Wasi Hyder (Nominee Director of 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

EY Ford Rhodes
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 Shakra-e-Faisal, Karachi-74400
Customer Support Service 0800-CDCPL
(23275)

Fax: (92-21) 34326053

Email: info@cdcpak.com

Website: www.cdcpakistan.com



Banking Partners (in alphabetical order)

Bank Alfalah Limited
Bank AL Habib Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metro Bank Limited
JS Bank Limited
MCB Bank Limited
Meezan Bank Limited
Soneri Bank Limited
United Bank Limited

Email

info@macpacfilms.com

Website

www.macpacfilms.com

Factory

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

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





SUCCESS THROUGH EXPENERGY

Unity is strength. When there is teamwork and collaboration of experience and young energy being utilized on the right track, wonderful things can be achieved.

MACPAC FILMS LTD.


Vision

To be the market leader, recognized locally and internationally as a premium quality manufacturer of multilayer packaging materials.

Mission

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

Core Values

Accountability

We believe accountability in operations, is fundamental to our business. Our actions are conducted in a responsible, timely and professional manner.

Passion

Underlying our diligence and hard work is the core reason that we develop a passion in what we do.

Honesty

All our business dealings are conducted in a transparent manner in line with our moral principles.

Quality

Our product quality is a symbol of our excellence. Constant monitoring and stringent checks ensure; we satisfy our customers in the best possible manner.

Innovation

We believe in the ideology of innovating our offering not just for the betterment of our customers, but for the overarching aim of benefitting the industry as a whole.

Caring

Our aim is to do business in a sustainable manner while contributing positively to the society as well.



Statement of Ethics

Ethical Standards

- ◀ Macpac Films Ltd 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 its affiliates.
- ◀ All applicable laws and regulations including labor laws and equal opportunity must be complied with.
- ◀ Directors, officers and employees must respect and act responsibly with others in all of their dealings.
- ◀ All Company policies and procedures including Company's Code of Conduct must be followed.
- ◀ The Company's core values must be upheld at all times.



SUCCESS THROUGH EXPENERGY

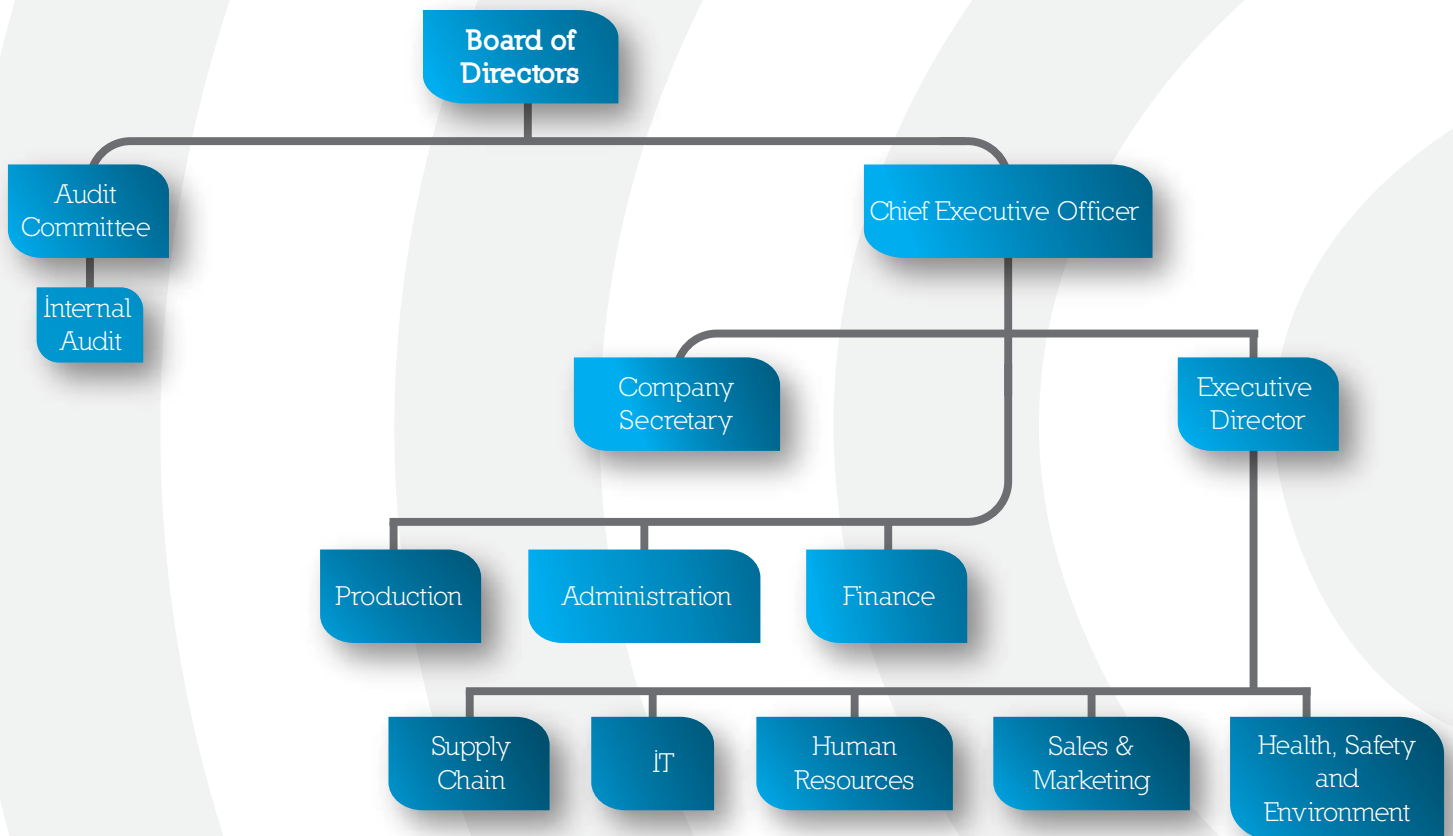
The price of success is hardwork, dedication to the job at hand,
and the determination that whether we win or lose we have
applied the best of ourselves to the task at hand.

MACPAC FILMS LTD.


Business Strengths

- ◀ Pioneers of BOPP films in Pakistan, possessing rich expertise and a strong brand identity
- ◀ Completely automated Brückner plant which produces superior quality films with minimum wastage and higher efficiency.
- ◀ Strong emphasis on research and development – focused on expanding an already diverse portfolio of offerings
- ◀ Strong relationship with our stakeholders. Our suppliers are committed to provide quality services with minimum lead time.
- ◀ Dedicated and focused staff who believes in continuous improvement
- ◀ Build and maintain customer satisfaction by providing timely deliveries and quality after-sales services.
- ◀ Efficient and experienced sales team
- ◀ Self power generation plant with a capacity of 4 MW

Organogram



Corporate Social Responsibility

For a business to take responsibility for its actions, it must be fully accountable. Here at Macpac Films Ltd, we have gone beyond the legal requirements to enhance transparency and 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 its 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 Ltd respects the dignity and rights of its human capital. The work environment is friendly and steps are taken to ensure a family-like environment. To uplift the living standards of our employees and improve their lives 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 Resource Policy. Apart from on-the-job training, we encourage our employees to attend seminars, workshops, short courses and lectures. We are an equal opportunity employer and provide employment opportunities to young graduates with an aim to nurture a highly talented lot of future leaders 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, keeping in line with the values of the Company and our traditions, we also make philanthropic contributions to institutions that are making significant efforts to help the underprivileged, e.g., Shaukat Khanum Hospital, The Citizens Foundation, Heart Care Society, Civil Hospital etc. Apart from such institutions, a significant contribution is made every year towards various educational organizations as part of our CSR initiatives.



Quality Policy

Macpac Films Ltd is committed to improve and provide the best quality products to its valuable customers consistently and at competitive rates while ensuring that the requirements of our customers are fulfilled through a resolute after-sales service.

We are determined to achieve good customer satisfaction through the implementation of ISO 9001:2008 quality assurance certification whereby we will target superior quality through a process of continuous improvement.

Our policy is to empower and train our human resource periodically in order to improve efficiency and ensure quality of our products and services.



SUCCESS THROUGH EXPENERGY

Youth is not a time of life, it is a state of mind, it is a matter of will, quality of imagination.

MACPAC FILMS LTD.



Profile of the Board

Air Marshal Azim Daud Pota

– Chairman

He has served on various Boards and held many honorary positions in the country, such as Air Marshal of Pakistan Air Force, Governor of Sindh, MD and Chairman of PIA and Chairman of 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 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 metalizer in 1985 and the first CPP machine in 2001. He is one of the major founders of Macpac Films Ltd. His in-depth industry knowledge combined with four decades of 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

– Executive 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

– Non-Executive Director

He has been serving as a Non-Executive Director at Macpac Films Ltd ever since its inception and currently holds the office of CEO at Hilal Confectionery (Pvt) Ltd. A graduate of Sindh University, Hyderabad, his experience of successfully managing one of the largest confectionery businesses gives Macpac an integral insight deep into the customer demands and trends of the end users. He is also the Chairman of the HR & Remuneration Committee and a member of the Audit Committee of the Board.

Mr. Ehtesham Maqbool Elahi

– Executive Director

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

Mr. Shariq Maqbool Elahi

– Non-Executive Director

He is the technical mind of the Board pertaining to the packaging industry. Serving as a Non-Executive Director and a member of the HR & Remuneration Committee, he adds immense value to the Board by his understanding of the business from his first-hand experience.

Mr. Fahad Munshi

– Non-Executive 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) Ltd as a Director. Having a dynamic personality and an achievement-oriented approach, he started off his career in management operations with a focus towards process improvement and innovation. With his determination and inherent passion, he developed himself in human resource management.

Mr. Mansoor Younus

– Independent Director

He has done his MBA from Institute of Business Administration, Karachi in 1981 and possesses 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. Syed Wasi Haider

– Director

He is a nominee director of Employees' Old Age Benefits Institution (EOBI). An institutional investor, his stake in the Company amounts to 12%.

Profile of the Management



Jawed Ahmed Siddiqui

General Manager – Production

A qualified mechanical engineer from NED University of Engineering & Technology, Mr. Jawed carries with him experience of more than three decades in production engineering. He has been overseeing production at the Company's plant since the last 16 years.



Muhammad Saleem Sheikh

Chief Operating Officer

Possessing rich expertise in the packaging industry through an experience of more than three decades, Mr. Saleem's vast technical knowledge makes him one of the most valued assets of the organization. He has been a crucial part of the Company since 2012.



Muhammad Javid Ansari

Chief Financial Officer/Company Secretary

Mr. Javid Ansari has been associated with Macpac Films Ltd since 2012, as Chief Financial Officer and Company Secretary. He has more than 16 years of experience and by qualification he is an associated member of ICMAP & PIPFA and fellow member of ICSP.



Ashiq Ali Khan

Sales Manager

Having done his MBA from Institute of Business Administration, Karachi in 1968 and BSc in zoology and microbiology, Mr. Ashiq possesses a wealth of experience from pharmaceutical, industrial chemical and packaging industries. He has been an integral part of the Company since the past 18 years.



Mehreen Shah Khalid

Assistant Manager - Human Resources

An MBA in human resource management and MA in economics, Ms. Mehreen spearheads all HR duties: conducting performance appraisal and other surveys, while ensuring a tight-knit organization. She has been with the Company since 2011.

Directors' Report to the Shareholders

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 2016 and audited financial statements for the year ended June 30, 2016 together with the Auditor's Report thereon.

General

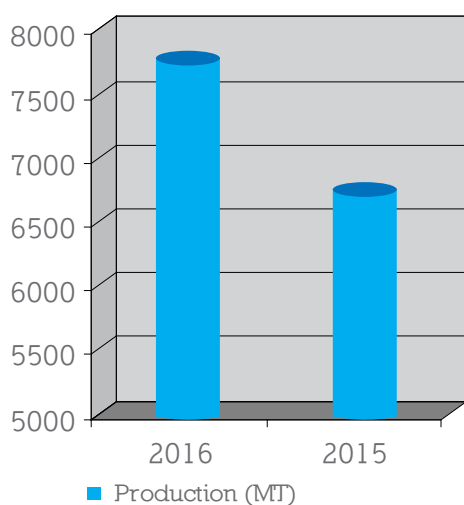
The principal activity of the Company is to manufacture, produce, buy and sell plastic packaging films. The operational capacity of biaxially-oriented polypropylene (BOPP) films is 15,000 metric tons. The plant is located at Eastern Industrial Zone, Port Qasim Area.

Metalizer

The operational capacity of General K-5000 Metalizer plant is 6,000 metric tons per annum which is being used for metallization to produce value added films as per customer's demand.

Operating and Financial Performance

Production

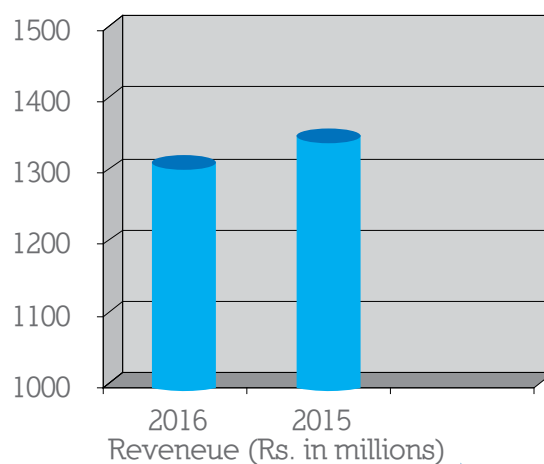


The Company's production during the year was 7,719 metric tons which has increased by 16% as compared to the previous year. Utilization for the year was 51% of total capacity of the plant

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

Sales Performance

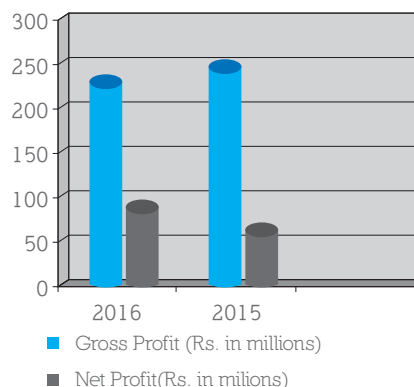
The Company has recorded net sales of Rs 1,310 million during the year as compared to Rs 1,343 million during the previous year, thereby registering a decrease of 2%. Although company has increased sales in terms of quantity but the decrease is mainly due to petrochemicals prices dipped by recent global crash of oil prices creating decrease in overall market price of product globally.



Profitability

The gross profit of the Company is Rs 229.2 million for the current year as compared to Rs 246.8 million last year, a decrease of 7% due to lower selling prices in subsequent period.

The net profit for the current year is Rs 86.3 million as compared to Rs 61.8 million in the previous year, increasing by 40%.



Earnings per Share

The earnings per share for the current year is Rs.2.22 as compared to Rs. 1.59 in the past year yielding 40% improved earnings for the shareholders.

Comparative Financial Results

Broad comparative financial results of three years are given hereunder. Key performance indicators for the last six years are also summarized separately in this Annual Report 2016 on page # 40.

	2016		2015		2014	
	Rs (millions)	% of sales	Rs (millions)	% of sales	Rs (millions)	% of sales
Sales (net)	1,310		1,343		1,195	
Gross profit	229.2	18%	246.8	18%	117.9	10%
Profit before tax	116.2	9%	128.7	10%	31.3	3%
Profit / (loss) after tax	86.3	7%	61.8	5%	(24.3)	-2%
Earning/(loss) per share (rupees)	2.22		1.59		(0.63)	

Dividend

Allhamdulillah, with the grace of Almighty Allah, the Board of directors of your Company is pleased to announce a final cash dividend for the year ended June 30, 2016 on ordinary shares at 10% i.e Re. 1.00 per share

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, and with the recent global crash of oil prices, the petrochemical prices had dipped correspondingly, resulting in inventory losses of hedged material; as customers seek prices corrections immediately. However, the management of your Company has been putting in its best foot forward to combat the challenges for better 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.

The above mentioned forecasted improvements has also attracted future upcoming expansions in the industry. Furthermore, the market has become ever more competitive with new supplementary products posing a threat, but your company is geared up to continue and further provide a vast variety of products for its customers to be on top of the curve.

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 of efficiency and organic growth.

Auditor

The present auditors M/s. EY Ford Rhodes, Chartered Accountants are retiring and being eligible, have offered themselves for re-appointment. The Board of directors on the recommendation of the Audit Committee proposes the re-appointment of M/s. EY Ford Rhodes, Chartered Accountants as the auditors for the year ended June 30, 2017 at a fee to be mutually agreed.

Compliance with the Code of Corporate Governance

The requirements of the Code of Corporate Governance contained in the Rule Book of Pakistan Stock Exchange 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 this Annual Report 2016 on page # 28.

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 Framework

- 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 the 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 separately in this Annual Report 2016.

Election of Directors

Election of directors were held on October 31, 2015 in accordance with the provisions of the Companies Ordinance, 1984. Following persons have been elected as directors of the Company for the next term of three years commenced from November 01, 2015.

1. Air Marshal Azim Daudpota
2. Mr. Maqbool Elahi Shaikh
3. Mr. Muhammad Sadiq Khan
4. Mr. Naeem Munshi
5. Mr. Ehtesham Maqbool Elahi
6. Mr. Shariq Maqbool Elahi
7. Mr. Mansoor Younus
8. Mr. Fahad Munshi
9. Mr. S. Wasi Haider (Nominee of EOB)

Appointment of Chief Executive

The Board of Directors has appointed Mr. Magbool Elahi Shaikh as Chief Executive of the Company for the next three years commenced from November 14, 2015. The Board has also approved remuneration and other terms and conditions of Chief Executive in accordance with the Companies Ordinance, 1984 and the Articles of Association of the Company.

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. Mr. Magbool Elahi Shaikh	4	-
2. Mr. Muhammad Sadiq Khan	4	-
3. Mr. Naeem Munshi	4	3
4. Mr. Ehtesham Magbool Elahi	4	-
5. Mr. Shariq Magbool Elahi	3	-
6. Air Marshal Azim Daudpota	4	3
7. Mr. Mansoor Younus	4	4
8. Mr. Fahad Munshi	2	-
9. Mr. S. Wasi Haider (Nominee of EOB)	2	-

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 checks and balances 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 levels within the Company.

The Board has formed an Audit Committee which comprises of 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 of 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 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.

Human Capital and Employee Relations

The human capital of the Company is the driving force to integrate 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's employees in achieving the performance during the year.

The need of the Company changes all the time and it is changing at a faster pace now because of the increasingly demanding business environment. Effective human resource management requires constant analysis of the pool of human assets in the Company to track any shortcoming in skills which would require training and development efforts so that the human capital can be better utilized and rewarded for their efforts.

Pattern of Shareholding

The total number of Company's shareholders as on June 30, 2016 was 1,102. The pattern of shareholding as on June 30, 2016, along with necessary disclosures as required under the Code of Corporate Governance, is disclosed in the Annual Report 2016.

Acknowledgement

The Directors of the Company would like to take the opportunity to thank the Securities and Exchange Commission of Pakistan, the shareholders, partners, customers, government authorities, autonomous bodies, financial institutions and bankers for their co-operation and continued support.

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

For and on behalf of the Board

MAQBOOL ELAHI SHAIKH

Chief Executive Officer

Karachi

September 30, 2016

Health, Safety and Environment

As a company and as individuals, we take great pride in contributing to the communities where we live and work.

We also care about the environment and are proud of the many ways in which our employees work to safeguard it.

As a part of our core values and business ethics, Macpac Films Ltd provides a safe and healthy working environment which ensures an atmosphere of minimal accidents and work-related illnesses. The organization is certified with ISO 9001:2008 certification.

We believe that a safe and healthy workplace is a fundamental right of every person and also a business imperative. All of our workplaces are fully equipped with modern safety gear, fire safety equipment and safety attire, as per international safety requirements.

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

We remain committed to providing a safe and healthy working environment to our employees and other stakeholders.



HSE Policy

It is our policy that we are committed to the health and safety of employees, subcontractors, hired personnel, 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 progressively strive to:

- ▶ Prevent all production incidents
- ▶ Prevent other incidents/accidents at our business sites, machines and installations
- ▶ Prevent all occupational diseases and promote the health of our employees and the people who work with us
- ▶ Minimize the impact of our operation on the environment
- ▶ Adopt work practices that are safe and environment-friendly
- ▶ Develop systems and individual personal responsibilities for health, safety and environment
- ▶ Encourage involvement of employees in health, safety and environmental affairs

Product Profile

Macpac produces co-extruded multiple grades of BOPP Films which conform to International Standards of quality process involving biaxial orientation of the films at high speed. We focus on various applications:

- ◀ Food (confectionery, biscuits, cookies, snacks, tea, baked products)
- ◀ Labels (opaque and transparent)
- ◀ Other Applications (overwrapping, textile bags, tobacco, decorative purpose, pharmaceutical items, adhesive tapes, etc.)

Macpac is committed to product quality leadership. To meet that commitment, the mission of its experts is to create value-added products for valuable customers and provide them with innovative and effective solutions that allow them to succeed in their businesses.

Keeping in view the needs of our customers, Transparent, Matte, Pearlized & Metallized films are produced in different varieties and thickness ranging from 10 to 60 microns. We also make specialized films having unique characteristics to suit well in specialized applications while creating a niche market. We excel in producing the following grades:

- ◀ Plain
- ◀ Sealable
- ◀ Pearlized
- ◀ Pearl white opaque
- ◀ Pearl white for labels
- ◀ Hologramable
- ◀ Overwrap
- ◀ Matte
- ◀ Metalized
- ◀ Metallizable
- ◀ Biodegradable BOPP
- ◀ Sheet Lamination

The most valuable property of our film is its versatility as a packaging carrier. We carefully craft our films to ensure good barrier properties against moisture, gas and odors. Excellent optical properties distinguish our films from the rest. Trouble free printing and sealability makes our products, the first choice of converters.

Packaging is the first introduction of a product to its consumer; we produce and deliver high quality films in the market having following key features:

- ◀ Excellent Optic (High Gloss & Clarity)
- ◀ Improved Stiffness
- ◀ Good Dimension Stability and Flatness
- ◀ Excellent resistance to UV light
- ◀ High Tensile Strength
- ◀ Low Electrostatic Charge
- ◀ Excellent Chemical and Abrasion Resistance
- ◀ Good Barrier to Water Vapor
- ◀ Excellent Performance on High Speed Machines
- ◀ Good Scuff Resistance and Great Acid Resistance
- ◀ Not affected by moisture and does not wrinkle or shrink with environmental changes
- ◀ Good puncture and flex-crack resistance over a wide range of temperatures
- ◀ Biodegradable
- ◀ Recyclable and Reusable



Tea



Beverages



Textiles



Confectionery Items



Chips & Snacks



Ice Cream



Overwrapping



Sheet Lamination



Product Categories

Metalized
Films

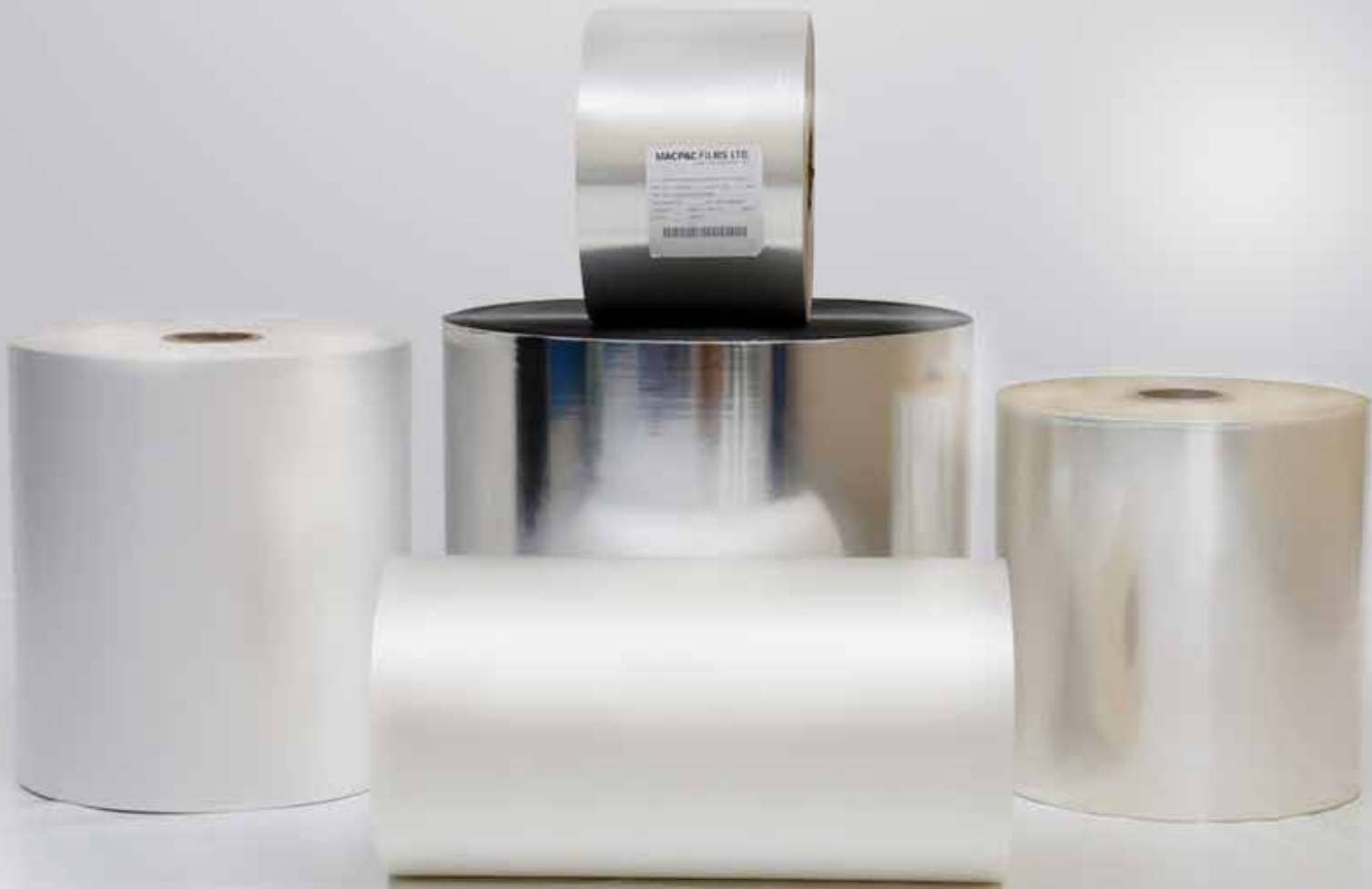
Sealable
Films

Plain Films

White
Film

Matte
Film

Pearlized
Films



Board Committees

HR & REMUNERATION COMMITTEE

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

Purpose

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

Responsibilities

The HR & Remuneration 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, matters regarding key management positions which report directly to the 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 a needs 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 within the Board

AUDIT COMMITTEE

Mr. Mansoor Younus (Committee Chairman & Independent Director)
Mr. Naeem Ali Munshi (Non-Executive Director)
Air Marshal (R) Azim Daud Pota (Non-Executive Director)

Purpose

To assist the Board of Directors in fulfilling its oversight responsibilities for the:

- ◀ Integrity of the Company's financial statements
- ◀ Company's compliance with legal and regulatory requirements
- ◀ Independent auditor's qualifications and independence
- ◀ Performance of the Company's internal audit function and independent auditors.

Authority

The Audit Committee has the authority to conduct or authorize investigations into any matter 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 2013 shall be complied with 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
- Compliance with listing regulations and other statutory and regulatory requirements.

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
 - 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.

Human Resource Development

The human capital of the company is the driving force to integrate the company's other vital resources, e.g., 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. We hire staff with the right personal attitude 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 Compensation Packages.

Recruitment & Selection

We are an equal opportunity employer and strictly prohibit discrimination on any ground - 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 his/her 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 its 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 a sustainable leadership model.



Statement of Compliance with the Code of Corporate Governance

For the year ended June 30, 2016

This statement is being presented to comply with the CCG of Corporate Governance (CCG) contained in listing regulations of Pakistan 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 CCG 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:

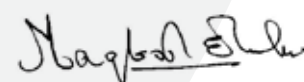
Category	Names
Independent directors	1. Mr. Mansoor Younus
Executive Directors	1. Mr. Maqbool Elahi Shaikh 2. Mr. Mohammad Sadiq Khan 3. Mr. Ehtesham Maqbool Elahi
Non-Executive Directors	1. Mr. Naeem Munshi 2. Air Marshal Azim Daudpota 3. Mr. Sharif Maqbool Elahi 4. Mr. Fahad Munshi 5. Mr. Wasi Haider (Nominee of EOB)

The independent director meets the criteria of independence under clause 5.19.1 (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF1 or, being a Broker of a stock exchange, has been declared as defaulter by that stock exchange.
4. No casual vacancy occurred on the Board of Directors during the year.
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.
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 other executive and non-executive directors, have been taken by the Board.
8. The meetings of the board of directors 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. In accordance with the criteria specified in clause 5.19.7 of the CCG, one director of the company is duly certified, whereas four are exempt from the requirement of Director's Training Program. All the Directors are fully conversant with their duties and responsibilities as Directors of Corporate bodies. Two directors Mr. Shariq Maqbool Elahi and Mr. Fahad Munshi have already been registered to obtain certification under directors training program.
10. The board had approved the appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment. No new appointment of CFO, Company Secretary and Head of Internal Audit was made during the year.
11. The directors' report has been prepared in compliance with the requirements of the CCG 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 CCG.
15. The Board has formed an Audit Committee. It comprises of three (3) members, of whom two (2) 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 CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises of three (3) members, of whom two (2) are non-executive directors and the chairman of the committee is 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 Accountant 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 CCG of ethics as adopted by the Institute of Chartered Accountant 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 exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other material principles enriched in the CCG have been complied

On behalf of the Board of Directors



MAQBOOL ELAHI SHAIKH
Chief Executive Officer
Karachi
September 30, 2016

Review Report to the Members on the Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance (the Statement) 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 2016 to comply with the requirements of Rule Book of Pakistan Stock Exchange Limited Chapter 5, clause 5.19.23(b) of the Code of Corporate Governance, 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 2016.

Chartered Accountants
Date: 30th September 2016
Place: Karachi

Auditor's Report to the Members

We have audited the annexed balance sheet of Macpac Films Limited (the Company) as at 30 June 2016 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.

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 note 4.1 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, 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 2016 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Chartered Accountants
Audit Engagement Partner: Sharif Ali Zaidi
Date: 30th September 2016
Karachi

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 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

Listing on Stock Exchanges

Shares of Macpac Films Limited are listed on the Pakistan Stock Exchange.

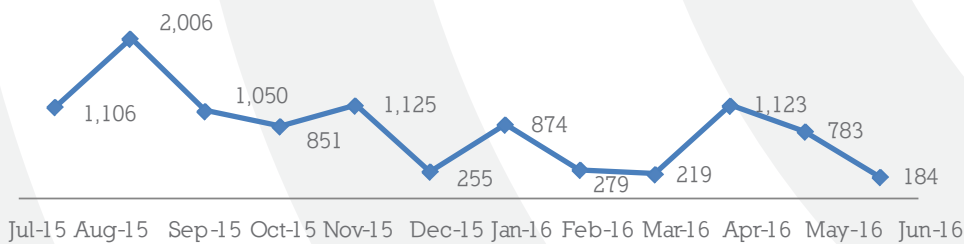
Stock Code

The stock code for dealing in equity shares of Macpac Films Limited at PSX is 'MACFL'.

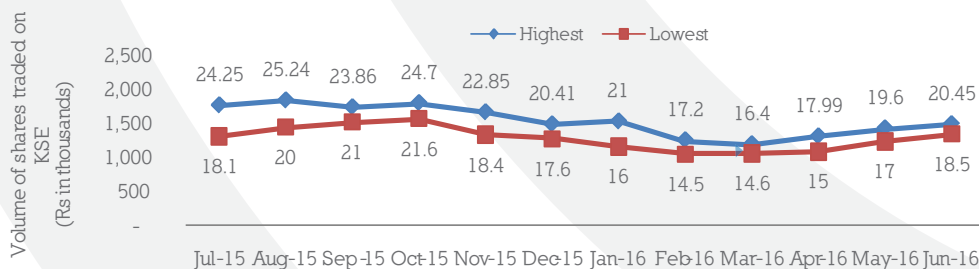
Contact Person

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

Trading Volumes



Share Price Movement



Pattern of Shareholding

No. Of Shareholders	Shareholdings' Slab		Total Shares Held
125	1	to 100	1,696
459	101	to 500	226,505
69	501	to 1000	167,062
201	1001	to 5000	598,973
50	5001	to 10000	407,000
27	10001	to 15000	359,000
22	15001	to 20000	422,912
8	20001	to 25000	196,500
2	25001	to 30000	55,500
3	30001	to 35000	103,500
1	35001	to 40000	40,000
7	40001	to 45000	297,650
4	45001	to 50000	195,500
1	50001	to 55000	55,000
2	55001	to 60000	114,500
2	70001	to 75000	146,000
1	80001	to 85000	82,001
3	95001	to 100000	294,214
1	100001	to 105000	100,500
1	105001	to 110000	105,500
1	180001	to 185000	182,143
1	195001	to 200000	195,500
1	230001	to 235000	230,500
1	315001	to 320000	316,000
1	365001	to 370000	369,750
1	435001	to 440000	436,500
1	490001	to 495000	495,000
1	805001	to 810000	809,129
1	1450001	to 1455000	1,451,193
1	2730001	to 2735000	2,732,143
1	4665001	to 4670000	4,666,000
1	5725001	to 5730000	5,727,235
1	17305001	to 17310000	17,305,394
TOTALS	1102		38,886,000

Categories of Shareholders

Categories of Shareholders	Shareholders	Shares Held	Percentage
Government of Pakistan			
Employees Old Age Benefits Institution	1	4,666,000	12.00
Directors and their spouse(s) and minor children			
Mr. Maqbool Elahi	1	17,305,394	44.50
Mr. Mohammad Sadiq Khan	2	1,453,693	3.74
Mr. Muammad Azim Daudputa.	1	45,000	0.12
Mr. Shariq Maqbool	1	182,143	0.47
Mr. Naeem Munshi	1	5,727,235	14.73
Mr. Mansoor Younus	1	7,000	0.02
Mr. Ehtesham Maqbool Elahi	1	40,650	0.10
Mr. Naeem Munshi	1	30,000	0.08
Mr. Fahad Munshi	1	500	0.00
Associated Companies, undertakings and related parties	-	-	-
Executives	-	-	-
Public Sector Companies and Corporations	-	-	-
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	1	6,500	0.02
Mutual Funds			
GOLDEN ARROW SELECTED STOCKS FUND LIMITED	1	809,12	92.08
CDC - TRUSTEE AKD OPPORTUNITY FUND	1	436,500	1.12
General Public			
a. Local	1078	8,139,495	20.93
b. Foreign Investors	-	-	-
Others			
	10	36,761	0.09
Totals	1102	38,886,000	100.00

Share holders holding 5% or more

	Shares Held	Percentage
Mr. Maqbool Elahi	17,305,394	44.50
Mr. Naeem Munshi	5,727,235	14.73
Employees Old Age Benefits Institution	4,666,000	12.00
Miss. Sana Nauman	2,732,143	7.03

Notice of 21st Annual General Meeting

Notice is hereby given that the 21st Annual General Meeting of Macpac Films Limited will be held on Saturday, October 29, 2016 at 2:30 p.m. at 21-Maqboolabad, J.C.H.S., Tipu Sultan Road, Karachi, to transact the following business:

Ordinary Business

1. To confirm the Minutes of the 20th Annual General Meeting held on October 31, 2015.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2016, together with the Auditors' Directors' Report thereon.
3. To approve final cash dividend for the year ended June 30, 2016 at Rs. 1/- per ordinary share i.e. 10%, as recommended by the Board of Directors of the Company.
4. To appoint Auditors of the Company for the year ending June 30, 2017 and fix their remuneration. The retiring auditors M/s EY Ford Rhodes, Chartered Accountants, being eligible offered themselves for reappointment. The Audit Committee and Board of Directors have also recommended their name for reappointment.

Special Business

5. To consider, and if deemed fit, to pass the following resolution as special Resolution:

"Resolved that the Company may circulate the Annual Balance Sheet and Profit and Loss Account, Auditors' Report and Directors' Report etc. (Annual Audited Accounts/Annual Report) to its members through CD/DVD/USB at their registered addresses."

6. To transact any other business with the permission of the Chair.

Karachi
October 07, 2016

By order of the Board
M. Javid Ansari
Company Secretary

Notes:

1. The share transfer books of the Company will remain closed from October 23, 2016 to October 29, 2016 (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 Shahra-e-Faisal, Karachi-74400, at the close of business on October 22, 2016 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).

Notice to the Members who have not provided CNIC copies

5. As directed by the SECP vide its circulation No. EMD/D-II/Misc./2009-1342 dated April 04, 2013, dividend warrants cannot be issued without valid CNICs. In the absence of a member's valid CNIC, the Company will be constrained to withhold dispatch of dividend warrants. All such members are hereby advised to submit attested copies of their CNIC along with their folio numbers to the Company's Share Registrar, M/s. M/s. Central Depository Company of Pakistan Limited, Share Registrar Department, CDC House, 99 – B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi-74400.

Statement Under Section 160 of the Companies Ordinance, 1984

This statement is annexed to the notice of 21st Annual General Meeting (Notice of AGM) of Macpac Films Limited to be held on Saturday, October 29, 2016 at which certain Special Business to be transacted. The purpose of this statement is to set forth the material facts concerning such Special Business.

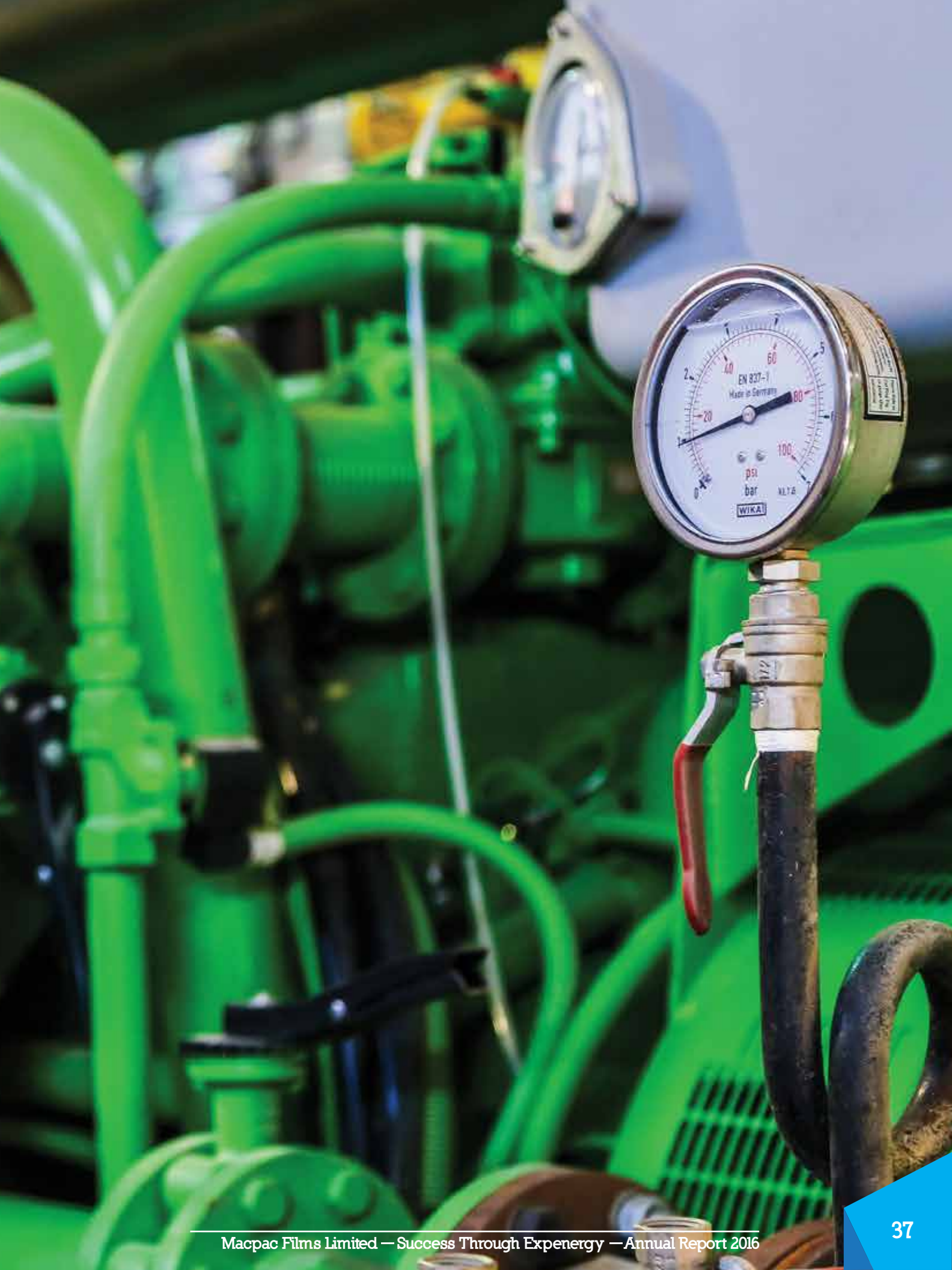
AGENDA ITEM NO.5 OF THE NOTICE OF AGM

Pursuant to SRO No. 470(I)/2016 dated May 31, 2016, in continuation with the SRO 787(I)/2014 dated September 08, 2014, of Securities and Exchange Commission of Pakistan (SECP) members' approval is being sought to allow the Company to circulate Annual Audited Accounts/Annual Report through CD/DVD/USB to all members. The Company, however, shall place on its website a standard request form to enable those members requiring a hard copy of the Report instead of through CD/DVD/USB, to intimate the Company of their requirement.

Karachi
October 07, 2016

By order of the Board

M. Javid Ansari
Company Secretary

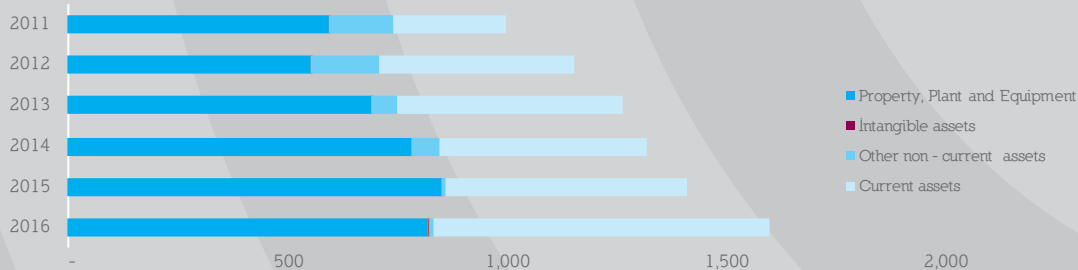


Horizontal Analysis

Rs. in '000	2016		2015		2014		2013		2012		2011	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
Balance Sheet												
Property, Plant and Equipment	799,407	(3.53)	828,644	8.90	760,902	12.98	673,500	24.53	540,839	(6.35)	577,507	(18.7)
Intangible assets	1,310	38.16	948	145.13	387	126.35	171	(20.00)	214	(20.00)	267	(20.00)
Other non-current assets	10,429	62.22	6,429	(89.56)	61,552	7.24	57,398	(44.14)	102,752	(27.56)	141,841	(0.23)
Current assets	745,620	38.76	537,326	16.91	459,610	(7.65)	497,658	17.66	422,962	62.02	261,050	189.76
Total assets	1,556,765	13.36	1,373,346	7.09	1,282,451	4.37	1,228,727	15.18	1,066,766	8.78	980,664	4.03
Share capital	388,860	-	388,860	-	388,860	-	388,860	-	388,860	-	388,860	-
Reserves	79,930	-	79,930	-	79,930	-	79,930	-	79,930	-	79,930	-
Unappropriated profits / (losses)	85,095	119.88	38,700	274.31	(22,202)	(1,101.74)	2,216	(101.46)	(152,185)	(58.38)	(365,669)	(32.01)
Non-current liabilities	335,000	(12.00)	380,661	28.84	295,456	24.72	236,903	(28.79)	332,676	(15.89)	395,546	(26.57)
Current liabilities	667,880	37.65	485,195	(10.22)	540,407	3.76	520,818	24.75	417,485	(13.38)	481,998	1.89
Total equity and liabilities	1,556,765	13.36	1,373,346	7.09	1,282,451	4.37	1,228,727	15.18	1,066,766	8.78	980,664	4.03
Operating Results												
Net sales Rs.	1,309,860	(2.45)	1,342,753	12.35	1,195,122	(18.24)	1,461,755	22.28	1,195,445	34.63	887,948	289.53
Cost of sales	1,080,580	(1.40)	1,095,951	1.75	1,077,139	(10.51)	1,203,583	32.83	906,077	30.69	693,316	193.57
Gross profit / (loss)	229,281	(7.10)	246,802	109.18	117,983	(54.30)	258,172	(10.78)	289,368	48.67	194,632	2,469.32
Marketing and selling expenses	22,615	70.32	13,278	37.32	9,669	(4.09)	10,082	70.23	5,922	71.41	3,455	(11.49)
Administrative expenses	56,734	16.13	48,855	17.87	41,449	0.65	41,180	61.85	25,442	(14.09)	29,617	64.58
Operating profit / (loss)	149,931	(18.81)	184,669	176.18	66,865	(67.68)	206,911	(19.80)	258,003	59.69	161,561	636.49
Finance Costs	23,227	(37.27)	37,028	79.16	20,667	183.07	7,301	209.74	2,357	(82.25)	13,281	(78.06)
Other income	6,519	280.32	1,714	(3.30)	1,773	(98.61)	127,261	209.75	41,085	(1.81)	41,844	38.85
Other expenses	17,067	(17.36)	20,651	24.34	16,608	(48.16)	32,038	20.72	26,540	193.15	9,054	100.00
Profit / (loss) before taxation	116,156	(9.75)	128,705	310.38	31,363	(89.36)	294,833	9.12	270,190	49.22	181,070	399.25
Taxation	29,784	(55.47)	66,882	20.04	55,714	(31.75)	81,632	582.86	11,954	34.63	8,879	(127.05)
Net profit / (loss) for the year	86,372	39.71	61,823	353.88	(24,352)	(111.42)	213,201	(17.44)	258,236	49.97	172,191	721.96

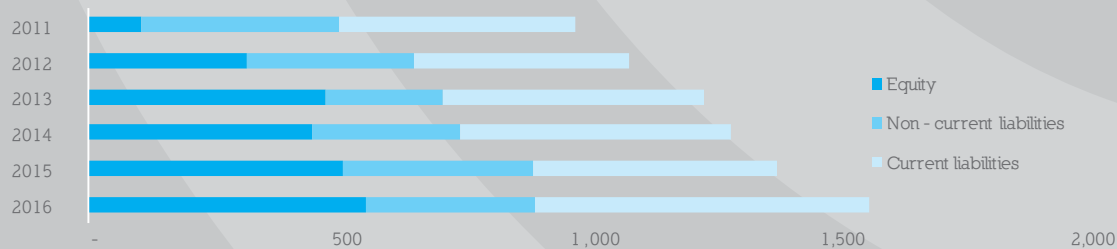
Balance Sheet Analysis - Assets

Rs. in Million



Balance Sheet Analysis - Equity and Liabilities

Rs. in Million

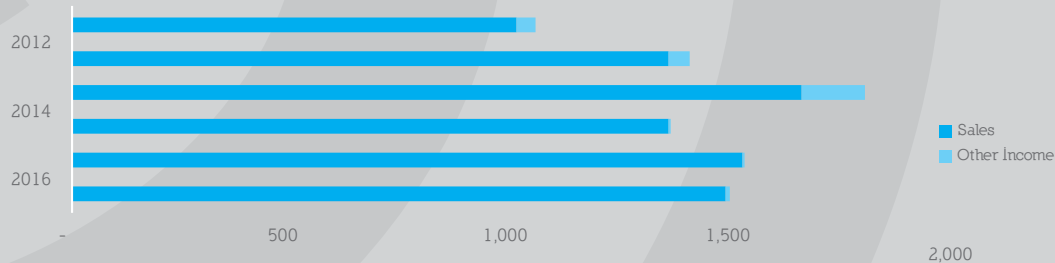


Vertical Analysis

Rs. In '000	2016		2015		2014		2013		2012		2011	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
Balance Sheet												
Property, Plant and Equipmen	799,407	51.35	828,644	60.34	760,902	59.33	673,500	54.81	540,839	50.70	577,507	58.89
Intangible assets	1,310	0.08	948	0.07	387	0.03	171	0.01	214	0.02	267	0.03
Other non-current assets	10,429	0.67	6,429	0.47	61,552	4.80	57,398	4.67	102,752	9.63	141,841	14.46
Current assets	745,620	47.90	537,326	39.13	459,610	35.84	497,658	40.50	422,962	39.65	261,050	26.62
Total assets	1,556,765	100.00	1,373,346	100.00	1,282,451	100.00	1,228,727	100.00	1,066,766	100.00	980,664	100.00
Share capital	388,860	24.98	388,860	28.31	388,860	30.32	388,860	31.65	388,860	36.45	388,860	39.65
Reserves	79,930	5.13	79,930	5.82	79,930	6.23	79,930	6.51	79,930	7.49	79,930	8.15
Unappropriated profits / (losses)	85,095	5.47	38,700	2.82	(22,202)	(1.73)	2,216	0.18	(152,185)	(14.27)	(365,669)	(37.29)
Non-current liabilities	335,000	21.52	380,661	27.72	295,456	23.04	236,903	19.28	332,676	31.19	395,546	40.33
Current liabilities	667,880	42.90	485,195	35.33	540,407	42.14	520,818	42.39	417,485	39.14	481,998	49.15
Total equity and liabilities	1,556,765	100.00	1,373,346	100.00	1,282,451	100.00	1,228,727	100.00	1,066,766	100.00	980,664	100.00
Operating Results												
Net sales	1,309,860	100.00	1,342,753	100.00	1,195,122	100.00	1,461,755	100.00	1,195,445	100.00	887,948	100.00
Cost of sales	1,080,580	82.50	1,095,951	81.62	1,077,139	90.13	1,203,583	82.34	906,077	75.79	693,316	78.08
Gross profit / (loss)	229,281	17.50	246,802	18.38	117,983	9.87	258,172	17.66	289,368	24.21	194,632	21.92
Marketing and selling expenses	22,615	1.73	13,278	0.99	9,669	0.81	10,082	0.69	5,922	0.50	3,455	0.39
Administrative expenses	56,734	4.33	48,855	3.64	41,449	3.47	41,180	2.82	25,442	2.13	29,617	3.34
Operating profit / (loss)	149,931	11.45	184,669	13.75	66,865	5.59	206,911	14.15	258,003	21.58	161,561	18.19
Finance Costs	23,227	1.77	37,028	2.76	20,667	1.73	7,301	0.50	2,357	0.20	13,281	1.50
Other income	6,519	0.50	1,714	0.13	1,773	0.15	127,261	8.71	41,085	3.44	41,844	4.71
Other expenses	17,067	1.30	20,651	1.54	16,608	1.39	32,038	2.19	26,540	2.22	9,054	1.02
Profit / (loss) before taxation	116,156	8.87	128,705	9.59	31,363	2.62	294,833	20.17	270,190	22.60	181,070	20.39
Taxation	29,784	2.27	66,882	4.98	55,714	4.66	81,632	5.58	11,954	1.00	8,879	1.00
Net profit / (loss) for the year	86,372	6.59	61,823	4.60	(24,352)	(2.04)	213,201	14.59	258,236	21.60	172,191	19.39

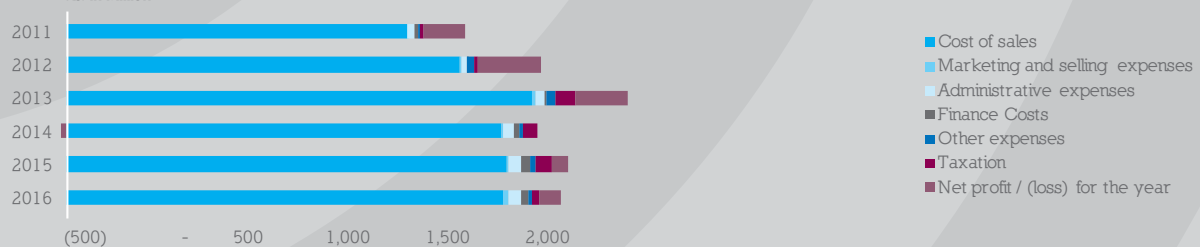
Profit & Loss Analysis - Income

Rs. in Million



Profit & Loss Analysis - Expenses

Rs. in Million



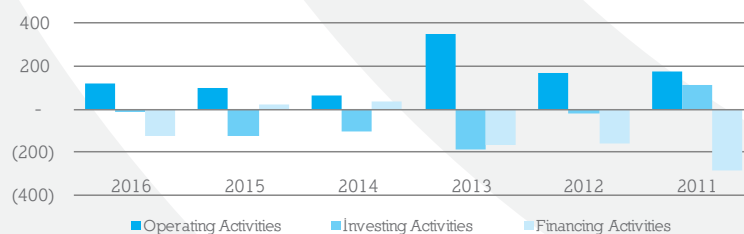
Key Performance Indicators

Six Years at A Glance

		2016	2015	2014	2013	2012	2011
Profitability Ratios							
Gross Profit to Sales	%	18%	18%	10%	18%	24%	22%
Operating Profit to Sales	%	11%	14%	6%	14%	22%	18%
Net Profit to Sales	%	7%	5%	-2%	15%	22%	19%
EBITDA Margin to Sales	%	17%	18%	10%	18%	26%	25%
Operating leverage ratio	times	7.68	14.26	3.71	-0.89	1.72	1.19
Return on Equity	%	16%	12%	-5%	45%	82%	167%
Return on Capital employed	%	12%	9%	-4%	36%	59%	51%
Return on Fixed Assets	%	11%	7%	-3%	32%	48%	30%
Liquidity Ratios							
Current ratio	times	1.12	1.11	0.85	0.96	1.01	0.54
Quick ratio	times	0.42	0.60	0.39	0.50	0.50	0.22
Cash to Current Liabilities	times	0.02	0.03	0.02	0.01	0.00	0.01
Cash to Current Assets	%	1.78%	2.72%	2.47%	0.98%	0.38%	2.40%
Cash flow from Operations to Sales	%	14%	6%	5%	26%	17%	22%
Turnover/Management Efficiency Ratios							
Inventory turnover ratio	times	3.05	4.45	4.42	5.32	4.90	7.49
No. of Days in Inventory	days	118	81	81	68	73	48
Debtor turnover ratio	times	4.83	5.77	6.34	7.91	10.25	18.93
No. of Days in Receivables	days	74	62	57	46	35	19
Creditor turnover ratio	times	2.43	2.75	2.29	3.20	4.01	6.36
No. of Days in Creditors	days	148	131	157	113	90	57
Operating Cycle	days	193	143	138	113	109	67
Cash conversion Cycle	days	45	13	-19	1	19	10
Total Assets turnover ratio	times	0.84	0.98	0.93	1.19	1.12	0.91
Fixed Assets turnover ratio	times	1.64	1.62	1.57	2.17	2.21	1.54
Market Ratios							
Earnings per share (EPS)	Rs.	2.22	1.59	-0.63	5.48	6.64	4.43
Price Earnings ratio	times	8.55	11.51	-27.02	4.16	2.57	2.55
Price to Book ratio	times	0.47	0.52	0.51	0.72	0.62	0.45
Break-up value per share	Rs.	14.24	13.05	11.48	12.11	8.14	2.65
Debt to Equity ratio	times	0.34	0.47	0.47	0.42	0.62	
Capital Structure Ratios							
Net Assets per share	Rs.	14.24	13.05	11.48	12.11	8.14	2.65
Financial leverage ratio	times	0.47	0.58	0.52	0.43	0.97	3.72
Debt to Equity ratio	times	0.34	0.47	0.47	0.42	0.62	2.47

SUMMARY OF CASH FLOWS

	2016	2015	2014	2013	2012	2011
	Rupees					
Cash & cash equivalents - Opening	14,632,523	11,336,312	4,869,753	1,624,860	6,273,718	176,613
Net cash flows from Operating activities	121,048,030	102,017,520	68,701,417	349,187,704	171,330,777	176,888,481
Net cash flows used in Investing activities	(3,694,750)	(124,014,305)	(98,064,341)	(183,536,696)	(17,186,532)	112,463,635
Net cash flows (used in) generated from Financing activities	(118,742,295)	25,292,996	35,829,483	(162,406,115)	(158,793,103)	(283,255,011)
Changes in cash & cash equivalents	(1,389,015)	3,296,211	6,466,559	3,244,893	(4,648,858)	6,097,105
Cash & cash equivalents - Closing	13,243,508	14,632,523	11,336,312	4,869,753	1,624,860	6,273,718





Financial Statements

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Balance Sheet

As at June 30, 2016

	Note	2016	2015
		----- (Rupees) -----	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	799,407,426	828,644,006
Intangible assets	6	1,309,534	947,828
Long-term deposits	7	10,428,500	6,428,500
		811,145,460	836,020,334
CURRENT ASSETS			
Stock-in-trade	8	465,317,624	244,044,010
Trade debts	9	232,860,113	263,421,032
Loans and advances	10	5,371,687	2,714,493
Trade deposits, prepayments and other receivables	11	7,520,854	4,771,493
Tax refund due from Government - net	12	21,306,099	7,742,593
Cash and bank balances	13	13,243,508	14,632,523
		745,619,885	537,326,144
TOTAL ASSETS		1,556,765,345	1,373,346,478
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
50,000,000 (2015:50,000,000) ordinary shares of Rs.10/- each		500,000,000	500,000,000
Issued, subscribed and paid-up capital	14	388,860,000	388,860,000
Reserves	15	165,025,494	118,630,327
		553,885,494	507,490,327
NON-CURRENT LIABILITIES			
Long-term loan from related parties	16	143,260,457	148,260,457
Diminishing musharaka arrangement	17	-	15,532,951
Liabilities against assets subject to finance leases	18	46,275,908	73,579,670
Deferred taxation	19	125,684,898	125,982,678
Staff retirements benefits – staff gratuity	20	19,778,261	17,305,686
		334,999,524	380,661,442
CURRENT LIABILITIES			
Trade and other payables	21	595,705,014	416,059,707
Accrued mark-up	22	527,658	840,551
Short term borrowing	23	100,000	9,000,000
Current portion of non-current liabilities	24	71,547,655	59,294,451
		667,880,327	485,194,709
CONTINGENCIES AND COMMITMENTS			
	25		
TOTAL EQUITY AND LIABILITIES		1,556,765,345	1,373,346,478

The annexed notes 1 to 44 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, 2016

		2016	2015
	Note	----- (Rupees) -----	
Turnover - net	26	1,309,860,044	1,342,753,084
Cost of sales	27	(1,080,579,539)	(1,095,950,647)
Gross profit		229,280,505	246,802,437
Administrative expenses	28	(56,734,135)	(48,855,135)
Marketing and selling expenses	29	(22,615,359)	(13,277,803)
		(79,349,494)	(62,132,938)
Operating Profit		149,931,011	184,669,499
Finance costs	30	(23,226,828)	(37,027,629)
Other expenses	31	(17,066,515)	(20,650,523)
Other Income	32	6,518,626	1,714,007
		(33,774,717)	(55,964,145)
Profit before taxation		116,156,294	128,705,354
Taxation	33	(29,784,267)	(66,882,013)
Profit after taxation		86,372,027	61,823,341
Earnings per share - basic and diluted	34	2.22	1.59

The annexed notes 1 to 44 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, 2016

	2016	2015
	----- (Rupees) -----	
Profit after taxation	86,372,027	61,823,341
Other comprehensive loss		
Other comprehensive loss not to be reclassified to profit and loss account in subsequent periods		
Re-measurement loss on defined benefit plan	(1,580,956)	(1,354,651)
Income tax effect	490,096	433,488
Net comprehensive loss not to be reclassified to profit and loss accounts in subsequent periods	(1,090,860)	(921,163)
Total comprehensive income for the year	85,281,167	60,902,178

The annexed notes 1 to 44 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, 2016

		2016	2015
	Note	----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	37	189,549,902	80,200,428
Finance costs paid		(16,196,373)	(37,317,275)
Income tax paid	12.1	(33,317,118)	(13,570,035)
Zakat Paid on dividends		(130,436)	-
Gratuity paid	20.2	(5,019,606)	(3,061,909)
Long-term deposit (paid) / received		(4,000,000)	55,123,421
Sales tax-net		(9,838,339)	20,642,890
		(68,501,872)	21,817,092
Net cash generated from operating activities		121,048,030	102,017,520
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(45,192,250)	(123,771,805)
Proceeds from disposal of fixed assets		1,900,000	350,000
Proceeds from Sale & lease back		40,000,000	-
Additions in intangibles		(402,500)	(592,500)
Net cash used in investing activities		(3,694,750)	(124,014,305)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of musharaka arrangement		(15,532,952)	(7,766,476)
(Repayment) of / proceeds from finance lease-net		(55,050,558)	77,054,384
(Repayment) / proceeds from term loan		(8,900,000)	(41,000,000)
Repayment of loan to a director		(5,000,000)	(2,994,912)
Dividends paid		(34,258,785)	-
Net cash generated from / (used in) financing activities		(118,742,295)	25,292,996
Net (decrease) / increase in cash and cash equivalents		(1,389,015)	3,296,211
Cash and cash equivalents at the beginning of the year		14,632,523	11,336,312
Cash and cash equivalents at the end of the year	13	13,243,508	14,632,523

The annexed notes 1 to 44 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, 2016

	Issued, Subscribed and paid - up capital	Reserves		Total	Total
		capital reserve - share premium	Unappropriated profit		
----- (Rupees) -----					
Balance as at July 01, 2014	388,860,000	79,930,000	(22,201,851)	57,728,149	446,588,149
Profit after taxation	-	-	61,823,341	61,823,341	61,823,341
Other comprehensive loss	-	-	(921,163)	(921,163)	(921,163)
Total comprehensive profit for the year	-	-	60,902,178	60,902,178	60,902,178
Balance as at June 30, 2015	<u>388,860,000</u>	<u>79,930,000</u>	<u>38,700,327</u>	<u>118,630,327</u>	<u>507,490,327</u>
Balance as at July 01, 2015	388,860,000	79,930,000	38,700,327	118,630,327	507,490,327
Final dividend @ Re. 1 / ordinary share for the year ended June 30, 2015	-	-	(38,886,000)	(38,886,000)	(38,886,000)
Profit for the period	-	-	86,372,027	86,372,027	86,372,027
Other comprehensive loss	-	-	(1,090,860)	(1,090,860)	(1,090,860)
Total comprehensive profit for the year	-	-	85,281,167	85,281,167	85,281,167
Balance as at June 30, 2016	<u>388,860,000</u>	<u>79,930,000</u>	<u>85,095,494</u>	<u>165,025,494</u>	<u>553,885,494</u>

The annexed notes 1 to 44 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, 2016

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 Pakistan stock exchange Limited. The registered office of the Company is situated at F/2, A – F, S.I.T.E, Karachi, Pakistan and city office is at Plot # 21, Maqboolabad, Jinnah Cooperative Housing Society, (J.C.H.S), Tipu Sultan Road, Karachi.

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

2. 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 to these financial statements.
- 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 described below:

New Revised Standards, Interpretations and Amendments

The Company has adopted the following new and revised standards to IFRSs which became effective for the current year:

New and amended standards, interpretations and amendments

IFRS 10 – Consolidated Financial Statements
IFRS 11 – Joint Arrangements
IFRS 12 – Disclosure of Interests in Other Entities
IFRS 13 – Fair Value Measurement
IAS 27 (Revised 2011) – Separate Financial Statements
IAS 28 (Revised Investment in associates and joint venture

The adoption of the above standards did not have any material effect on 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 less accumulated impairment losses, if any.

Depreciation is charged using the reducing balance method at the rates specified in note 5 to these financial statements 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 are carried in the balance sheet at cost and are defined as cash in hand and cash at bank. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and cash at bank.

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 and Alternate Corporate Tax under Section 113C 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 tax liabilities are recognised for all taxable temporary differences and deferred 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 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 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 contributions to the unfunded gratuity scheme are made in accordance with the independent actuarial valuation. The latest actuarial valuation was carried out as of 30 June 2016 using Projected Unit Credit method. Remeasurement losses and gains are recognised directly to other comprehensive income and are not reclassified to profit or loss in subsequent periods.

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 capitalised.

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. Corresponding income and expenditure, if any, are also netted of and reported on a net basis in the profit and loss account.

4.15 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, rebates, and sales tax or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent. The Company has concluded that it is acting as a principal in all its revenue arrangements. The following are the specific recognition criteria that must be met before revenue is recognised:

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.

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

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards or interpretations:

Standard or Interpretation

Effective date
(annual periods
on or after)

IFRS 2- Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	January 1, 2018
IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates – Investment Entities: Applying the Consolidation Exception (Amendment)	January 1, 2016
IFRS 10- Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalised
IFRS 11- Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	January 1, 2016
IAS 1- Presentation of financial statements: Disclosure initiative – clarification on materiality, disaggregation and subtotals, Note, Other Comprehensive Income (OCI) (Amendments)	January 1, 2016
IAS 7- Financial Instruments: Disclosures - Disclosure Initiative - (Amendment)	January 1, 2017
IAS 12- Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	January 1, 2017
IAS 16- Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	January 1, 2016
IAS 16- Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	January 1, 2016
IAS 27- Separate Financial Statements: Equity Method in Separate Financial Statements (Amendment)	January 1, 2016

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

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in September 2014. Such improvements are generally effective for accounting periods beginning on or after January 01, 2016. The Company expects that 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 or Interpretation

Effective date
(annual periods
beginning
on or after)

IFRS 9	Financial Instruments: Classification and Measurement	January 1, 2018
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRS 16	Leases	January 1, 2019

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

	Note	2016	2015
		----- (Rupees) -----	
5 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	750,254,139	776,183,053
Capital work in progress	5.4	49,153,287	52,460,953
		<u>799,407,426</u>	<u>828,644,006</u>

Operation fixed assets

	Owned										Leased		Total	
	Leasehold land	Buildings on leasehold land	Plant and machinery	Furniture and fixtures	Electric installations	Refrigeration and air conditioning	Generators	Office equipments	Computers	Motor vehicles	Sub Total	Plant and machinery - leased		Generators and fittings - leased
Net carrying value basis														
Opening net book value (NBV) as at July 01, 2015	21,200,000	57,355,548	426,573,194	3,797,511	64,996	1,452,552	1,633,747	1,382,645	1,203,285	11,960,103*	526,623,581	173,141,735	76,417,737**	776,183,053
Additions (at cost)	-	-	599,100	198,800	82,500	1,778,897	-	411,399	593,150	4,772,870	8,436,516	-	40,000,000	48,436,516
Disposals (at NBV)	-	-	-	-	-	-	-	-	-	(1,048,354)	(1,048,354)	-	-	(1,048,354)
Depreciation charge	-	(2,805,834)	(40,879,043)	(378,813)	(8,660)	(175,950)	(156,405)	(159,698)	(354,583)	(2,228,921)	(47,147,907)	(16,577,558)	(9,591,611)	(73,317,076)
Net book value (NBV) as at June 30, 2016	21,200,000	54,549,714	386,293,251	3,617,498	138,836	3,055,299	1,477,342	1,634,346	1,441,852	13,455,698	486,863,836	156,564,177	106,826,126	750,254,139
Gross carrying value basis														
Cost	21,200,000	77,767,029	954,576,792	6,407,517	165,645	4,369,784	5,423,642	2,743,256	3,950,070	32,083,406	1,108,687,141	182,686,625	163,951,562	1,455,325,328
Accumulated depreciation	-	(23,217,315)	(588,283,541)	(2,790,019)	(26,809)	(1,314,485)	(3,946,300)	(1,108,910)	(2,508,218)	(18,627,708)	(621,823,305)	(26,122,448)	(57,125,436)	(705,071,189)
Net book value (NBV) as at June 30, 2016	21,200,000	54,549,714	386,293,251	3,617,498	138,836	3,055,299	1,477,342	1,634,346	1,441,852	13,455,698	486,863,836	156,564,177	106,826,126	750,254,139
Rate of depreciation		5%	10%	10%	10%	10%	10%	10%	25%	20%	10%	10%	10%	10%

Net carrying value basis

Leased													
* This includes a vehicle held in the name of a director of the company amounting to Rs.2,302 million. The legal formalities regarding the transfer of ownership in the name of the company are in process.													
** 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 25.1.4).													
The management is of the view that a substantial portion of these charges will be waived off by the leasing companies.													

* This includes a vehicle held in the name of a director of the company amounting to Rs.2,302 million. The legal formalities regarding the transfer of ownership in the name of the company are in process.

** 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 25.1.4).

The management is of the view that a substantial portion of these charges will be waived off by the leasing companies.

	Owned										Leased		Total	
	Leasehold land	Buildings on leasehold land	Plant and machinery	Furniture and fixtures	Electric installations	Refrigeration and air conditioning	Generators	Office equipments	Computers	Motor vehicles*	Sub Total	Plant and machinery - leased**		Generators and fittings - leased***
Net carrying value basis														
Opening net book value (NBV) as at July 01, 2014*	21,200,000	40,925,473	343,631,923	2,454,056	9,614	1,189,493	1,815,275	856,712	856,712	10,585,505	423,493,287	-	37,264,148	460,757,435
Additions (at cost)	-	18,555,526	119,623,708	1,653,196	59,450	402,474	-	660,000	641,750	3,897,950	1,45,514,054	182,686,625	43,254,604	371,455,283
Disposals (at NBV)	-	-	-	-	-	-	-	-	-	(75,408)	(75,408)	-	-	(75,408)
Depreciation charge	-	(2,125,451)	(36,682,437)	(309,741)	(4,068)	(139,415)	(181,528)	(122,591)	(295,177)	(2,447,944)	(42,308,352)	(9,544,890)	(4,101,015)	(55,954,257)
Net book value (NBV) as at June 30, 2015	21,200,000	57,355,548	426,573,194	3,797,511	64,996	1,452,552	1,633,747	1,382,645	1,203,285	11,960,103	526,623,581	173,141,735	76,417,737	776,183,053
Gross carrying value basis														
Cost	21,200,000	77,767,029	953,977,692	6,208,717	83,145	2,591,087	5,423,642	2,331,857	3,356,920	30,360,536	1,103,300,625	182,686,625	123,951,562	1,409,938,812
Accumulated depreciation	-	(20,411,481)	(527,404,498)	(2,411,206)	(18,149)	(1,138,535)	(3,789,895)	(949,212)	(2,153,635)	(18,400,433)	(576,677,044)	(9,544,890)	(47,533,825)	(633,755,759)
Net book value (NBV) as at June 30, 2015	21,200,000	57,355,548	426,573,194	3,797,511	64,996	1,452,552	1,633,747	1,382,645	1,203,285	11,960,103	526,623,581	173,141,735	76,417,737	776,183,053
Rate of depreciation		5%	10%	10%	10%	10%	10%	10%	25%	20%	10%	10%	10%	10%

* This includes a vehicle held in the name of a director of the company amounting to Rs.2,302 million. The legal formalities regarding the transfer of ownership in the name of the Company are in process.

** During the year, the Company entered into a sale and lease back transaction with a commercial bank for the portion of Metalizer Plant at cost of Rs. 100 million. This financing arrangement resulting in no profit or loss effect.

*** 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 25.1.4). The management is of the view that a substantial portion of these charges will be waived off by the leasing companies.

	Note	2016	2015
		----- (Rupees) -----	
5.2	The depreciation charge for the year has been allocated as follows:		
Cost of sales	27	71,391,213	53,971,835
Administrative expenses	28	1,414,175	1,257,014
Marketing and selling expenses	29	511,686	725,408
		<u>73,317,074</u>	<u>55,954,257</u>

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

	Cost	Accumulated Depreciation	Net book value	Sale Proceeds	Gain	Mode of disposal	Particulars of buyer
----- (Rupees) -----							
Vehicle							
Vehicle Toyota Aul-399	3,050,000	2,001,646	1,048,354	1,900,000	851,646	Negotiation	Farhat Abbas Jafri
2016	<u>3,050,000</u>	<u>2,001,646</u>	<u>1,048,354</u>	<u>1,900,000</u>	<u>851,646</u>		
2015	<u>792,000</u>	<u>716,592</u>	<u>75,408</u>	<u>350,000</u>	<u>274,592</u>		

5.4 Capital Work- in- progress

	Opening Balance	Addition	Transfers	Closing Balance
----- (Rupees) -----				
Building and civil works	9,784,799	9,499,990	-	19,284,789
Plant and machinery	41,261,154	28,524,000	(39,916,656)	29,868,498
Advance for purchase of vehicles	1,415,000	-	(1,415,000)	-
	<u>52,460,953</u>	<u>38,023,990</u>	<u>(41,331,656)</u>	<u>49,153,287</u>

	Note	2016	2015
		----- (Rupees) -----	
6. INTANGIBLE ASSETS			
Computer software	6.1	189,534	185,328
Capital work-in-progress	6.2	1,120,000	762,500
		<u>1,309,534</u>	<u>947,828</u>
6.1 COMPUTER SOFTWARE			
Net carrying value basis			
NBV as on July 01		185,328	136,660
Additions		45,000	80,000
Amortization charge [20% (2015:20%)]	6.3	(40,794)	(31,332)
NBV as at June 30		<u>189,534</u>	<u>185,328</u>
Gross carrying value basis			
Cost		693,700	648,700
Accumulated amortization		(504,166)	(463,372)
NBV as at June 30		<u>189,534</u>	<u>185,328</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.

	Note	2016	2015
		----- (Rupees) -----	
7. LONG-TERM DEPOSITS			
Security deposits			
- leased assets		8,153,500	4,153,500
Margin against bank guarantee	7.1	2,175,000	2,175,000
Other deposits		100,000	100,000
		2,275,000	2,275,000
	7.2	10,428,500	6,428,500

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

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

	Note	2016	2015
		----- (Rupees) -----	
8. STOCK-IN-TRADE			
Raw material:			
In hand		72,426,832	39,545,679
In transit		93,091,062	57,763,885
In Bond warehouse		97,435,790	-
		262,953,684	97,309,564
Work in process		91,853,720	88,457,808
Finished goods		110,510,220	58,276,638
		202,363,940	146,734,446
		465,317,624	244,044,010

9. TRADE DEBTS – unsecured

Considered good			
- Related parties		46,660,973	37,137,640
- Others		186,199,140	226,283,392
		232,860,113	263,421,032
Considered doubtful		22,908,950	22,908,950
		255,769,063	286,329,982
Less: Provision for doubtful debts	38.1.1	(22,908,950)	(22,908,950)
		232,860,113	263,421,032

10. LOANS AND ADVANCES

Loans -unsecured, considered good			
- Staff	10.1	328,396	238,445
Advances - unsecured, considered good			
- Suppliers and contractors	10.2	4,216,869	2,304,195
- Employees	10.2	826,422	171,853
		5,043,291	2,476,048
	10.3	5,371,687	2,714,493

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.

	Note	2016	2015
		----- (Rupees) -----	
11. TRADE DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Deposits - unsecured, considered good			
- Containers		4,518,398	2,382,211
- Utilities		2,000,000	2,000,000
- Others		247,706	109,532
		6,766,104	4,491,743
Prepayments	11.1	754,750	279,750
		<u>7,520,854</u>	<u>4,771,493</u>

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

12. TAX REFUND DUE FROM GOVERNMENT– net

Income tax refundable	12.1	27,786,510	24,061,343
Sales tax payable	12.2	(6,480,411)	(16,318,750)
		<u>21,306,099</u>	<u>7,742,593</u>

12.1 Income tax refundable

Opening refundable		24,061,343	24,138,451
Provision for current year tax	33	(33,393,229)	(13,647,143)
Provision for prior year		3,801,278	-
Advance tax paid during the year		33,317,118	13,570,035
Closing refundable		<u>27,786,510</u>	<u>24,061,343</u>

12.2 Included herein a provision of Rs.0.753 million (2015: 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 sales tax audit of the Company u/s 25 (2) of Sales Tax Act, 1990.

	Note	2016	2015
		----- (Rupees) -----	
13. CASH AND BANK BALANCES			
Cash in hand		119,685	71,121
Cash at banks – current accounts		13,123,823	14,561,402
		<u>13,243,508</u>	<u>14,632,523</u>
14. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
25,986,000 (2015: 25,986,000) ordinary shares of Rs. 10/- each fully paid in cash		259,860,000	259,860,000
12,900,000 (2015: 12,900,000) ordinary shares of Rs. 10/- each issued as fully paid bonus shares		129,000,000	129,000,000
		<u>388,860,000</u>	<u>388,860,000</u>

14.1 Mr. Maqbool Elahi Shaikh, being a director of the Company, held 17,305,394 (2015: 17,305,394) ordinary shares of Rs. 10/- each in the Company representing 44.50% (2015: 44.50%) of the share capital as of the balance sheet date.

	Note	2016	2015
		----- (Rupees) -----	
15. RESERVES			
Capital Reserve			
Share premium on issue of ordinary shares		79,930,000	79,930,000
Revenue Reserve			
Unappropriated profit		85,095,494	38,700,327
		<u>165,025,494</u>	<u>118,630,327</u>

	Note	2016 ----- (Rupees) -----	2015
16. LONG-TERM LOAN FROM RELATED PARTIES			
Director	16.1	83,498,800	88,498,800
Associated company	16.2	59,761,657	59,761,657
		143,260,457	148,260,457

16.1 Mr. Maqbool Elahi Shaikh, being a director of the Company, has provided interest free loan to mitigate the working, capital requirement of the Company.

16.2 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.

	Note	2016 ----- (Rupees) -----	2015
17. DIMINISHING MUSHARAKA ARRANGEMENT			
Long-term portion		15,532,951	31,065,903
Less: Current portion	24	(15,532,951)	(15,532,952)
		-	15,532,951

17.1 During the year 2014, the Company had 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 percent per annum and are secured against first exclusive charge over plant and machinery to the extent of Rs.55 million.

18 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

The Company has entered into a finance lease agreement with financial institutions in respect of gas generator and metalizer. The rate of returns used as the discounting factor ranges from is 6 months KIBOR plus 2.95 percent to 3 months KIBOR plus 2 percent. 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:

	Note	2016		2015	
		Minimum Lease Payments (MLP)	Present Value of MLP	Minimum Lease Payments (MLP)	Present Value of MLP
Within one year		62,039,150	56,014,709	53,753,740	43,761,499
After one year but not more than five years		48,080,665	38,122,294	79,277,868	69,426,170
Total minimum lease payments		110,119,815	94,137,003	133,031,608	113,187,669
Less: Finance charges		(7,829,203)	-	(15,690,438)	-
Present value of minimum lease payments		102,290,612	94,137,003	117,341,170	113,187,669
Less: Current portion	24	(56,014,704)	(56,014,704)	(43,761,500)	(43,761,500)
		46,275,908	38,122,299	73,579,670	69,426,169

	Note	2016	2015
		----- (Rupees) -----	
19. DEFERRED TAXATION			
Taxable temporary differences arising due to:			
- accelerated tax depreciation		88,583,627	96,506,520
- accelerated tax amortisation		393,401	34,985
- assets subject to finance leases		81,650,994	79,859,031
		<u>170,628,022</u>	<u>176,400,536</u>
Deductible temporary differences arising due to:			
- liabilities against assets subject to finance leases		(31,710,089)	(37,549,174)
- provision for staff retirement benefits – gratuity		(6,131,261)	(5,537,820)
- provision for doubtful debts		(7,101,774)	(7,330,864)
		<u>(44,943,124)</u>	<u>(50,417,858)</u>
		<u>125,684,898</u>	<u>125,982,678</u>
20. STAFF RETIREMENT BENEFITS - GRATUITY			
20.1 The amount recognised in the balance sheet is as follows:			
Present value of defined benefit obligation	20.2	<u>19,778,261</u>	<u>17,305,686</u>
20.2 Changes in the present value of defined benefit obligation are as follows:			
Balance as at July 01		17,305,686	13,534,377
Charge for the period	20.3	5,911,225	5,478,567
Re-measurement loss recognised in other comprehensive income		1,580,956	1,354,651
Payments made during the period		(5,019,606)	(3,061,909)
Balance as at June 30		<u>19,778,261</u>	<u>17,305,686</u>
20.3 Charge for the year recognised in the profit and loss account is as follows:			
Current Service Cost		4,468,626	3,858,105
Interest Cost		1,442,599	1,620,462
		<u>5,911,225</u>	<u>5,478,567</u>
20.4 The Charge for the year has been allocated as follows:			
Cost of sales	27.1	4,315,194	3,999,355
Administrative expenses	28.1	945,796	876,571
Marketing and selling expenses	29.1	650,235	602,641
		<u>5,911,225</u>	<u>5,478,567</u>
20.5 The principal assumptions used in the actuarial valuations carried out as of June 30, 2016 using the Projected Unit Credit method are as follows:			
		2016	2015
Expected rate of increase in salary level		9.00% p.a	9.75% p.a
Discount rate		9.00% p.a	9.75% p.a
20.6 Maturity profile of the defined benefit obligation:			
		2016	2015
Weighted average duration - in number of years		3.94	5.85

20.7 Description of the risks to the company

The defined benefit plan exposes the Company to the following risks:

Mortality risks – The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service/age distribution and the benefit.

Final salary risks – 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 Comparison of five years:

	2016	2015	2014	2013	2012
	----- (Rupees) -----				
As at June 30					
Present value of defined benefit obligation	19,778,261	17,305,686	13,534,377	11,427,149	10,141,460
Defecit	19,778,261	17,305,686	13,534,377	11,427,149	10,141,460

Note	2016	2015
	----- (Rupees) -----	

21. TRADE AND OTHER PAYABLES

Trade creditors		63,079,985	67,135,210
Import bills for goods and fixed asset		365,173,154	219,021,312
Accrued liabilities		15,112,148	13,170,892
Advances from customers		14,705,285	4,846,697
Workers' Profits Participation Fund	21.1	101,433,177	87,424,885
Workers' Welfare Fund		12,271,891	9,773,906
Withholding tax payable		23,144,843	11,753,211
Unclaimed dividend		382,307	280,460
Others		402,224	2,653,134
		595,705,014	416,059,707

21.1 Workers' Profits Participation Fund

Balance at the beginning of the period		87,424,885	72,914,029
Interest on Workers' Profits Participation Fund	30	7,763,330	7,203,906
		95,188,215	80,117,935
Allocation during the year	31	6,244,962	7,306,950
Balance at the end of the year		101,433,177	87,424,885

22. ACCRUED MARK-UP

Musharaka arrangement		213,206	491,667
Liabilities against assets subject to finance leases		314,452	-
Short-term borrowing		-	348,884
		527,658	840,551

23. SHORT-TERM BORROWING

Loan from director	23.1	100,000	9,000,000
		100,000	9,000,000

23.1 Mr. Maqbool Elahi, being a director of the Company, has provided interest free loan to mitigate the working capital requirement of the Company.

Note	2016	2015
	----- (Rupees) -----	

24. CURRENT PORTION OF NON-CURRENT LIABILITIES

Musharaka arrangement	17	15,532,951	15,532,952
Liabilities against assets subject to finance leases	18	56,014,704	43,761,499
		<u>71,547,655</u>	<u>59,294,451</u>

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 Honourable Supreme Court of Pakistan, the Honourable Supreme Court of Pakistan has also suspended the judgment of the Honourable 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 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.

25.1.3 An order was issued by the taxation officer for the tax year 2013 were in 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.

25.1.4 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.

25.1.5 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 constitutional and ultravires on the grounds that GIDC was a fee and not a tax.

The Company has filed a suit against the above Ordinance in Sindh High Court on the plea that the Honourable Supreme Court of Pakistan has already given its judgment on the subject. Accordingly, the Company has not accounted for GIDC amounting to Rs. 46.988 million in these financial statements as the Company is confident that the decision of the case will be in its favor.

25.1.6 In December 2015, High Court of Sindh impugned the insertion of Tariff Heading 9830.0000 in the second schedule to the Sindh Sales Tax on Services Act 2011, through the Finance Act 2013. and subsequent show cause notice issued by the Sindh Revenue Board as "Services provided in the matter of manufacturing or processing for others on toll basis.

The Company filed a suit before the Honourable High Court of Sindh and court granted an ad interim order in favour of Company, which is still in Operation, The suit is still pending before the High Court of Sindh and Company has reasonable probability of success in this suit."

25.1.7 The tax audit for tax year 2014 of the Company has been finalised and an order u/s. 122(4)(5) of the Income Tax Ordinance, 2011 was passed by the taxation officer. The taxation officer has disallowed some expenses and has treated processing income under Final Tax Regime. As a result, the income tax refund for the year amounting to Rs. 3,833,022/- has been reduced to Rs. 2,202,503/-. An appeal against the above order has been filed before the Commissioner Inland Revenue- Appeals II.

Note	2016 ----- (Rupees) -----	2015
25.1.5 Outstanding bank guarantees	7,250,000	7,250,000
25.2 Commitments		
25.2.1 Outstanding letters of credit	66,109,887	52,649,701
26. TURNOVER- net		
Gross Sales -		
Local	1,588,708,919	1,592,799,362
- Export	-	4,993,907
	1,588,708,919	1,597,793,269
Less: Sales Tax	(232,298,442)	(232,490,358)
Less: Sales returns	(46,550,433)	(22,549,827)
	1,309,860,044	1,342,753,084

	Note	2016	2015
		----- (Rupees) -----	
27. COST OF SALES			
Opening stock of raw material		39,545,679	47,997,100
Purchases during the year		868,014,671	866,869,179
		907,560,350	914,866,279
Closing stock of raw material		(72,426,832)	(39,545,679)
Raw material consumed		835,133,518	875,320,600
Manufacturing expenses			
Salaries, wages and other benefits	27.1	57,043,276	44,632,330
Oil and lubricants / diesel		3,870,499	6,815,624
Packing material consumed		26,763,782	20,794,379
Consumable stores		2,652,857	9,113,471
Water charges		697,000	122,057
Repairs and maintenance		14,332,082	5,440,062
Vehicle running and maintenance		1,768,435	1,607,594
Utilities		81,351,803	77,716,300
Insurance		7,147,766	6,810,862
Telephone		787,876	771,320
Cartage and octroi		14,993,726	9,301,618
Consultancy charges		4,866,750	4,033,806
Staff welfare		1,573,267	2,052,534
Security charges		1,827,150	1,538,526
Depreciation	5.2	71,391,213	53,971,835
Transportation		5,696,037	5,414,393
Rent, rates and taxes		1,426,970	1,300,448
Others		2,885,025	2,078,215
		301,075,514	253,515,374
		1,136,209,032	1,128,835,974
Opening work in process		88,457,808	69,410,299
		1,224,666,840	1,198,246,273
Closing work in process		(91,853,720)	(88,457,808)
Cost of goods manufactured		1,132,813,120	1,109,788,465
Finished goods			
Opening stock		58,276,639	44,438,820
Closing stock		(110,510,220)	(58,276,639)
		(52,233,581)	(13,837,819)
		1,080,579,539	1,095,950,646

27.1 Salaries, wages and other benefits includes staff retirement benefits (gratuity) amounting to Rs.4.315 million (2015: Rs.3.999 million).

	Note	2016	2015
		----- (Rupees) -----	
28. ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits	28.1	16,691,405	12,350,227
Directors' remuneration		16,627,234	15,026,679
Vehicle maintenance		1,496,321	1,501,202
Legal and professional		2,845,722	2,111,750
Traveling and accommodation		2,107,283	710,382
Insurance		661,545	940,401
Fees and subscription		1,414,340	1,268,353
Rent, rates and taxes		3,915,700	3,230,123
Advertisement		197,761	231,930
Postage and stationery		1,211,942	599,378
Donation		300,000	-
Consultancy		885,000	-
Telephone		529,669	500,248
News paper and periodicals		11,544	10,368
Provision for doubtful debts		-	3,536,963
Amortisation	6.3	40,794	31,332
Fuel and power		1,113,516	817,041
Auditors' remuneration	28.2	865,000	755,000
Depreciation	5.2	1,414,175	1,257,014
Repair and maintenance		980,467	943,296
Staff welfare		414,586	567,205
Security		919,017	713,183
Water		23,271	44,983
Penalty and fine		30,000	190,467
Others		2,037,843	1,517,610
		56,734,135	48,855,135

28.1 Salaries, wages and other benefits includes staff retirement benefits (gratuity) amounting to Rs.0.945 million (2015: Rs.0.877 million).

	Note	2016	2015
		----- (Rupees) -----	
28.2 Auditors' remuneration			
Audit fee		700,000	600,000
Fee for review of half yearly		80,000	70,000
Fee for review of Code of Corporate Governance		35,000	35,000
Out of pocket expenses		50,000	50,000
		865,000	755,000

29. MARKETING AND SELLING EXPENSES

Salaries, wages and other benefits	29.1	12,259,409	4,716,115
Vehicle running and maintenance		1,508,091	672,703
Travelling and accommodation		452,978	253,121
Rent, rates and taxes		482,313	438,462
Postage and stationery		188,258	113,230
Consultancy		4,534,200	4,409,400
Telephone		217,567	146,893
Power / electricity		50,997	37,099
Staff welfare		54,118	39,029
Sales promotion		2,071,861	1,422,990
Depreciation	5.2	511,686	725,408
Insurance		107,406	192,513
Others		176,475	110,840
		22,615,359	13,277,803

29.1 Salaries, wages and other benefits includes staff retirement benefits (gratuity) amounting to Rs.0.650 million (2015: Rs.0.603 million).

	Note	2016	2015
		----- (Rupees) -----	
30. FINANCE COSTS			
Mark-up on:			
- diminishing musharaka		1,970,925	4,175,004
- leasing		10,159,366	8,709,997
- overdue letters of credit		2,607,654	13,127,266
- term finance		-	2,887,836
- short-term finance		334,118	-
		15,072,063	28,900,103
Interest on Workers' Profits Participation Fund	21.1	7,763,330	7,203,906
Bank guarantee commission		49,790	15,625
Bank charges		341,645	907,995
		8,154,765	8,127,526
		23,226,828	37,027,629
31. OTHER EXPENSES			
Workers' Profit Participation Fund	21.1	6,244,962	7,306,950
Workers' Welfare Fund		2,497,985	2,922,780
Exchange loss - net		5,526,122	8,060,920
Surcharge on annual maintenance charges		2,797,446	2,359,873
		17,066,515	20,650,524
32. OTHER INCOME			
Scrap sales		5,583,636	1,090,815
Gain on sale of operating fixed assets		851,646	274,592
Other		83,344	348,600
		6,518,626	1,714,007
33. Taxation			
Current		33,393,229	13,647,143
Prior		(3,801,278)	-
Deferred		192,316	53,234,870
		29,784,267	66,882,013
33.1 The income tax assessment of the Company has been finalised upto tax year 2015.			
33.2 Relationship between accounting profit and tax expense			
Profit before taxation		116,156,294	128,705,354
Applicable tax rate		32%	33%
Tax at the above rate		37,170,014	42,472,767
Tax effect of income / expenses that are not allowable for tax purposes		1,923,183	40,187,282
Prior year adjustments		(3,801,278)	-
Tax effect of rebates under Section 65B		(155,910)	(11,962,371)
Tax effect of income subject to lower tax rate		-	(1,598,050)
Tax effect of change in tax rate		(1,297,392)	(2,217,615)
Tax expense for the year		33,838,617	66,882,013
Effective tax rate		29.13%	51.97%

33.3 The Finance Act, 2015 has introduced certain amendments relating to taxation of companies. As per these amendments, one-time super tax at the rate of 3 percent of the taxable income (where such taxable income is equal to or more than Rs.500 million) has been levied and applies retrospectively for the tax year 2015. In addition, a tax on every public company at the rate of 10 percent of such undistributed reserves which exceed the amount of its paid up capital has also been levied. However, this tax shall not apply in case of a public company which distributes cash dividend equal to at least either 40 percent of its after tax profits or 50 percent of its paid up capital, within the prescribed time after the end of the relevant tax year.

The Company believes that it would not be liable to pay any tax in respect of aforesaid taxes, as the required criteria for taxability is not applicable, in case of the Company.

2016	2015
----- (Rupees) -----	

34. BASIC AND DILUTED EARNING PER SHARE

There is no dilutive effect on the basic earnings per share which is based on:

Profit after taxation	86,372,027	61,823,341
Weighted average number of ordinary shares	38,886,000	38,886,000
Earnings per share	2.22	1.59

35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive		Directors		Executives	
	2016	2015	2016	2015	2016	2015
Remuneration	6,600,000	6,000,000	9,480,000	8,691,560	14,615,511	9,198,795
Medical allowance	388,885	202,256	158,349	132,863	1,131,371	407,430
Other perquisites (Motor vehicle maintenance etc.)	220,541	190,900	536,726	305,159	2,138,563	1,247,327
	7,209,426	6,393,156	10,175,075	9,129,582	17,885,445	10,853,552
Number of person(s)	1	1	3	6	11	10

In addition, the Chief Executive, directors and certain executives are also provided with free use of the Company's maintained cars and other benefits in accordance with their terms of employment.

Aggregate amount charged in the financial statements for remuneration (salary/fee, other benefits) to one non-executive director is Rs. 1,146,500 (2015: Nil).

36. TRANSACTIONS WITH RELATED PARTIES

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

	Note	2016	2015
		----- (Rupees) -----	
Director (Key management personnel)			
Loan to the Company			
Loan acquired during the year		10,000,000	24,200,000
Loan repaid during the year		23,900,000	18,194,912
Balance as at 30 June		83,598,800	97,498,800
Associated Companies:			
TOYO Packaging (Private) Limited			
Trade debt			
Sale of goods / processing charges		122,178,398	94,875,550
Balance as at 30 June		43,237,927	30,427,741
Hilal Confectionery (Private) Limited			
Trade debt			
Sale of goods		10,367,396	3,748,777
Balance as at 30 June		106,409	(527,792)
Shalimar Food Products (Private) Limited			
Trade debt			
Sale of goods		15,432,771	17,099,023
Balance as at 30 June		2,683,987	6,037,799
Kings Food (Private) Limited			
Trade debt			
Balance as at 30 June		632,650	632,650
37. CASH FLOWS (USED IN) / FROM OPERATIONS			
Profit before taxation		116,156,294	128,705,354
Adjustments for non-cash and other items:			
Depreciation	5.2	73,317,074	55,954,257
Other Income	32	(83,344)	-
Amortisation of software	6.1	40,794	31,332
Provision for doubtful debts		-	3,536,963
Workers' Welfare Fund	31	2,497,985	2,922,780
Workers' Profit Participation Fund	31	6,244,962	7,306,950
Provision for gratuity	20.3	5,911,225	5,478,567
Finance costs	30	23,226,828	37,027,629
Exchange Loss - net	31	5,526,122	8,060,920
Gain on disposal of operating fixed assets	32	(851,646)	(274,592)
		115,830,000	120,044,806
Working capital changes	37.1	231,986,294	248,750,160
		(42,436,392)	(168,549,732)
		189,549,902	80,200,428

	2016	2015
	----- (Rupees) -----	
Decrease / (increase) in current assets		
Stock-in-trade	(221,273,614)	4,623,063
Trade debts	30,560,919	(107,182,359)
Loans and advances	(2,657,194)	460,696
Trade deposits, short-term prepayments and other receivables	(2,749,361)	3,422,120
	<u>(196,119,250)</u>	<u>(98,676,480)</u>
(Decrease) / increase in current liabilities		
Trade and other payables	153,682,858	(69,873,252)
	<u>(42,436,392)</u>	<u>(168,549,732)</u>

37.1 Working capital changes

Decrease / (increase) in current assets

Stock-in-trade	(221,273,614)	4,623,063
Trade debts	30,560,919	(107,182,359)
Loans and advances	(2,657,194)	460,696
Trade deposits, short-term prepayments and other receivables	(2,749,361)	3,422,120
	<u>(196,119,250)</u>	<u>(98,676,480)</u>

(Decrease) / increase in current liabilities

Trade and other payables	153,682,858	(69,873,252)
	<u>(42,436,392)</u>	<u>(168,549,732)</u>

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.269.304 million (2015: Rs.291.896 million), financial assets which are subject to credit risk are as follows:

	Note	2016	2015
		----- (Rupees) -----	
Long-term deposits	7	10,428,500	6,428,500
Trade debts	9	232,860,113	263,421,032
Loans and advances	10	5,371,687	2,714,493
Trade deposits and other receivable	11	7,520,854	4,771,493
Bank balances	13	13,123,823	14,561,402
		<u>269,304,977</u>	<u>291,896,920</u>

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:

	Past due but not impaired					
	Total	Neither past due nor impaired	>30 days upto 60 Days	>60 days upto 90 Days	>90 days upto 180 Days	>180 days
	----- (Rupees) -----					
Related parties	46,660,973	7,259,776	15,801,498	9,001,024	13,966,025	632,650
Other than related parties	186,199,140	108,074,238	52,822,703	4,700,096	5,747,833	14,854,270
2016	<u>232,860,113</u>	<u>115,334,014</u>	<u>68,624,201</u>	<u>13,701,120</u>	<u>19,713,858</u>	<u>15,486,920</u>
Related parties	37,137,641	-	1,223,115	14,015,529	21,266,347	632,650
Other than related parties	229,320,354	-	15,836,883	141,793,260	63,830,246	7,859,965
2015	<u>266,457,995</u>	<u>-</u>	<u>17,059,998</u>	<u>155,808,789</u>	<u>85,096,593</u>	<u>8,492,615</u>

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

	2016	2015
	----- (Rupees) -----	
Balance at the beginning of the year	22,908,950	19,371,987
Charge for the year	-	3,536,963
Balance at the end of the year	22,908,950	22,908,950

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

	Rating agency		
A1+	PACRA	10,003,010	12,864,800
A-1+	JCR-VIS	3,085,201	1,660,989
A1	PACRA	35,612	35,613
		13,123,823	14,561,402

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 profit / (loss) before tax (Rupees)
2016	+ 100	1,178,236
	- 100	(1,178,236)
2015	+ 100	1,484,071
	- 100	(1,484,071)

(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:

	2016 (US Dollars)	2015 (US Dollars)
Trade and other payables	3,317,125	1,978,065

	(EUR Euros)	(EUR Euros)
Trade and other payables	149,125	136,425

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, 2016 represented in foreign currencies, with all other variables held constant, of the Company's profit before tax.

	2016	2015
Change in exchange rate	5%	5%
Effect on profit / (loss) before tax (Rupees)	18,258,673	10,951,066

(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)						
June 30, 2016						
Long term loan from related parties	-	-	-	-	143,260,457	143,260,457
Musharaka arrangement	-	7,766,476	7,766,476	-	-	15,532,952
Liabilities against assets subject to finance lease	-	28,007,354	28,007,355	38,122,294	-	94,137,003
Trade and other payables	-	595,322,707	382,307	-	-	595,705,014
Accrued mark-up	527,658	-	-	-	-	527,658
Short-term borrowings	100,000	-	-	-	-	100,000
	627,658	631,096,537	36,156,138	38,122,294	143,260,457	849,263,084
June 30, 2015						
Long term loan from related parties	-	-	-	-	148,260,457	148,260,457
Musharaka arrangement	-	7,766,476	7,766,476	15,532,952	-	31,065,904
Liabilities against assets subject to finance lease	-	21,880,750	21,880,749	69,426,170	-	113,187,669
Trade and other payables	-	415,832,768	280,460	-	-	416,113,228
Accrued mark-up	840,552	-	-	-	-	840,552
Short-term borrowings	9,000,000	-	-	-	-	9,000,000
	9,840,552	445,479,994	29,927,685	84,959,122	148,260,457	718,467,810

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. 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 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, 2016 and 2015 are as follows:

	2016	2015
	----- (Rupees) -----	
Long term loan from related parties	143,260,457	148,260,457
Musharaka arrangement	15,532,951	31,065,903
Liabilities against assets subject to finance lease	102,290,612	117,341,169
Staff retirement benefits - gratuity	19,778,261	15,321,316
Trade and other payables	595,705,014	416,103,786
Accrued mark-up	527,658	840,552
Short-term borrowing	100,000	9,000,000
Total debts	877,194,953	737,933,183
Less: Cash and bank balances	(13,243,508)	(14,632,523)
Net debt	863,951,445	723,300,660
Share capital	388,860,000	388,860,000
Reserves	165,025,494	118,630,327
Total equity	553,885,494	507,490,327
Total Capital	1,417,836,939	1,230,790,987
Gearing ratio	60.93%	58.77%

41. CAPACITY AND PRODUCTION

Operational capacity	2016		2015	
	Rated Capacity	Actual production	Rated Capacity	Actual production
	----- Metric Tons -----			
BOPP – Port Qasim Authority	15,000	7,719	15,000	6,780

41.1 Plant capacity was utilised to the extent of orders received from customers.

42. SUBSEQUENT EVENTS

The Board of Directors of the Company in their meeting held on September 30, 2016 have recommended cash dividend @ 10% amounting to Rs. 38,886,000 (2015: 10%, amounting to Rs. 38,886,000) for approval of the shareholders in the annual general meeting to be held on October 29, 2016.

43. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 30, 2016 by the Board of Directors of the Company.

44. GENERAL

44.1 The number of employees at the year-end was 101 (2015: 87) and average number of employees during the year was 96 (2015: 87).

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

Maqbool Elahi Shaikh
Chief Executive

Mohammad Sadiq Khan
Director

PROXY FORM

Macpac Films Ltd

21st 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 21st Annual General Meeting of the company to be held at 02:30pm on 29th October 2016 at the registered office of the company: F/2, A-F. S.I.T.E., Karachi, and at any adjournment thereof.

Witness my/our hand(s) this _____ day of _____, 2016
Signed by the said _____

Witnesses:

1. Signature _____
Name _____
Address _____

2. Signature _____
Name _____
Address _____

CNIC or Passport No. _____

CNIC or Passport No. _____

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 of meeting. Failing to do so would render the Proxy Form invalid.
2. No person shall act as a proxy unless he/she is a member of the Company.





Registered Office F/2, A-F, S.I.T.E., Karachi
City Office: Plot No. 21 Maqboolabad,
Jinnah Cooperative Housing Society (J.C.H.S.), Karachi
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Factory Plot No. EZ/1/P-10 Eastern Industrial Zone
Port Qasim Area