

CONDENSED INTERIM FINANCIAL STATEMENTS

**FOR THE 3RD QUARTER & NINE MONTH ENDED
MARCH 31, 2020 (UN- AUDITED)**

MACPAC FILMS LIMITED

DIRECTORS' REPORT

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

Assalam-o-Alaikum

Dear Members,

The Board of Directors of your Company is pleased to present the un-audited financial statement of the Company for the nine months ended March 31, 2020.

Financial Reporting

"Your Company has recorded net sales of Rs. 1,693 million during the period as compared to Rs. 1,784 million for the same period last year. The company has suffered loss during the period amounting to Rs. 57.9 million, as compared to net loss of Rs. 96.5 million for the same period last year. Mainly due to devaluation of Pak Rupee against US Dollar and also slowing in demand due to macro-economic conditions.

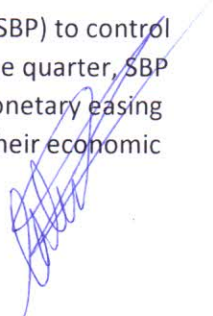
Loss per share for the period is Rs. 0.98 as compared to Rs. 1.63 during the same period last year.

Future Outlook

During the quarter, the whole world economy affected due to Covid-19 virus. Pandemic Covid-19 changed the scenario completely on macro and micro levels. In Pakistan, after first case in February 2020, provincial authorities decided for lockdown till the end of the quarter. This resulted in significant decline in economic activities in the country. Significant number of export orders cancelled which also added-in severe liquidity issues in the system. However, authorities in Pakistan took a lot of measures to address these issues and Alhamdulillah, in Pakistan, effects of this Covid-19 remained under control.

Furthermore, during the quarter, industry also faced Gas shortages during January 2020 and had to opt other source of energy which also resulted in increased cost of production. This along with Rupee devaluation further affected the overall numbers of the industry.

On the positive side, various steps taken by the government and State Bank of Pakistan (SBP) to control the situation and Alhamdulillah, things are now moving towards normalization. During the quarter, SBP cut the interest rates by 2.25% which will further be reduced by 2% post quarter. This monetary easing couple of other monetary steps taken by SBP, gave the industry some space to manage their economic activities in better way.



Alhamdulillah, despite all challenges, your company managed to increase its market share and now with continuously increasing demand of the products, reducing raw material prices, reduction in finance cost, easing in banks' lending, we are expecting good impact on the bottom line of Company's income statement. In Sha Allah.

Acknowledgement

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

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

On behalf of the Board

CHIEF EXECUTIVE

April 29, 2020



DIRECTOR

MACPAC FILMS LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2020

	Note	March 31, 2020 (Un-audited)	June 30, 2019 (Audited)
-----Rupees-----			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	1,337,138,964	1,415,678,086
Intangible assets		678,285	797,985
Long-term deposits		9,962,530	6,401,418
		<u>1,347,779,779</u>	<u>1,422,877,489</u>
CURRENT ASSETS			
Stock-in-trade		318,528,247	375,659,628
Trade debts	6	373,149,041	437,176,473
Loans and advances		12,061,699	13,113,411
Trade deposits and short-term prepayments		28,653,753	25,648,365
Taxes refundable - net		208,550,563	168,701,574
Cash and bank balances		1,610,001	52,982,605
		<u>942,553,304</u>	<u>1,073,282,056</u>
TOTAL ASSETS		<u>2,290,333,083</u>	<u>2,496,159,545</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 70,000,000 (June 30, 2019: 70,000,000) ordinary shares of Rs.10/- each		<u>700,000,000</u>	<u>700,000,000</u>
Issued, subscribed and paid-up capital		593,011,500	593,011,500
Reserves		1,647,374	59,627,344
		<u>594,658,874</u>	<u>652,638,844</u>
NON-CURRENT LIABILITIES			
Diminishing musharika		214,220,286	251,197,120
Lease liabilities		27,220,578	39,928,324
Deferred income		7,587,200	10,839,956
Deferred taxation		62,071,019	119,565,120
Staff retirement benefits - staff gratuity		32,510,930	25,411,876
		<u>343,610,013</u>	<u>446,942,396</u>
CURRENT LIABILITIES			
Trade and other payables		743,465,453	848,601,291
Short-term borrowings		513,102,726	438,729,003
Accrued mark-up		17,145,545	7,712,228
Unclaimed dividend		735,551	1,192,953
Current portion of non-current liabilities		77,614,921	100,342,830
		<u>1,352,064,196</u>	<u>1,396,578,305</u>
TOTAL EQUITY AND LIABILITIES		<u>2,290,333,083</u>	<u>2,496,159,545</u>
CONTINGENCIES AND COMMITMENTS			
	7		

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

**FOR AND ON BEHALF OF
 CHIEF FINANCIAL OFFICER**

DIRECTOR

MACPAC FILMS LIMITED
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2020

	Nine Months Ended		For the quarter ended	
	March, 31 2020	March, 31 2019	March, 31 2020	March, 31 2019
	-----Rupees-----			
Turnover - net	1,693,165,954	1,783,908,080	540,361,823	687,856,121
Cost of sales	(1,612,777,820)	(1,717,322,531)	(499,730,498)	(649,408,067)
Gross profit	80,388,134	66,585,549	40,631,325	38,448,054
Administrative expenses	(61,679,566)	(69,941,720)	(20,647,842)	(26,511,320)
Marketing and selling expenses	(19,822,485)	(21,849,570)	(6,562,653)	(7,708,028)
Finance costs	(114,423,080)	(56,527,582)	(38,269,720)	(22,382,516)
Other operating expenses	(5,113,852)	(53,014,480)	(21,312,664)	(7,191,839)
Other income	12,376,421	9,285,407	2,783,382	7,846,278
Loss before taxation	(108,274,428)	(125,462,396)	(43,378,172)	(17,499,371)
Taxation	50,294,458	28,866,436	(4,974,699)	2,674,195
Loss for the period	(57,979,970)	(96,595,960)	(48,352,871)	(14,825,176)
Loss per share - basic and diluted	(0.98)	(1.63)	(0.82)	(0.25)

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.



 CHIEF EXECUTIVE



 FOR AND ON BEHALF OF
 CHIEF FINANCIAL OFFICER

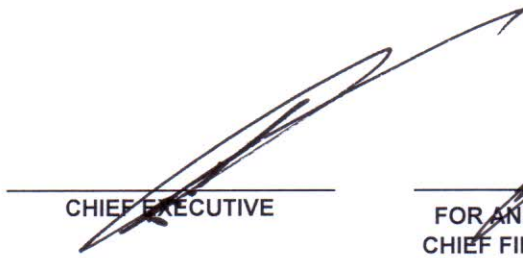




 DIRECTOR

MACPAC FILMS LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2020

	For nine months ended		For the quarter ended	
	March, 31 2020	March, 31 2019	March, 31 2020	March, 31 2019
Rupees.....			
Loss for the period	(57,979,970)	(96,595,960)	(48,352,871)	(14,825,176)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive loss for the period	<u>(57,979,970)</u>	<u>(96,595,960)</u>	<u>(48,352,871)</u>	<u>(14,825,176)</u>

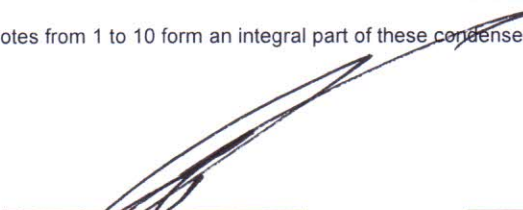
The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.

 _____ CHIEF EXECUTIVE	 _____ FOR AND ON BEHALF OF CHIEF FINANCIAL OFFICER	 _____ DIRECTOR
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MACPAC FILMS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2020

	Reserves				Total
	Issued, subscribed and paid-up capital	Capital reserve - share premium	Revenue reserve - unappropriated profits / (losses)	Total reserves	
	Rupees				
Balance as at June 30, 2018 - (Audited)	593,011,500	173,566,620	138,524,948	312,091,568	905,103,068
Impact of initial application of IFRS 9, net of tax	-	-	(7,961,331)	(7,961,331)	(7,961,331)
Balance as at July 01, 2018 (Audited) - Restated	593,011,500	173,566,620	130,563,617	304,130,237	897,141,737
Final dividend @ Rs. 1/ ordinary share for the year ended June 30, 2018	-	-	(11,860,230)	(11,860,230)	(11,860,230)
Loss for the period	-	-	(96,595,960)	(96,595,960)	(96,595,960)
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive loss	-	-	(96,595,960)	(96,595,960)	(96,595,960)
Balance as at March 31, 2019 (Un-audited)	<u>593,011,500</u>	<u>173,566,620</u>	<u>22,107,427</u>	<u>195,674,047</u>	<u>788,685,547</u>
Balance as at July 01, 2019 - (Audited)	593,011,500	173,566,620	(113,939,276)	59,627,344	652,638,844
Loss for the period	-	-	(57,979,970)	(57,979,970)	(57,979,970)
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive loss	-	-	(57,979,970)	(57,979,970)	(57,979,970)
Balance as at March 31, 2020 (Un-audited)	<u>593,011,500</u>	<u>173,566,620</u>	<u>(171,919,246)</u>	<u>1,647,374</u>	<u>594,658,874</u>

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.


 CHIEF EXECUTIVE


 FOR AND ON BEHALF OF
 CHIEF FINANCIAL OFFICER


 DIRECTOR

MACPAC FILMS LIMITED
CONDENSED INTERIM STATEMENT OF CASHFLOWS (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2020

	March, 31 2020	March, 31 2019
	-----Rupees-----	
CASH FLOWS GENERATED FROM OPERATIONS		
Loss before taxation	(108,274,428)	(125,462,396)
Adjustments for non-cash and other items:		
Depreciation	91,494,001	59,366,131
Amortisation	119,700	136,116
Amortisation of deferred income	(3,252,756)	-
Exchange loss - unrealised	16,931,423	6,118,697
Loss / (gain) on sale of fixed asset	728,907	(4,866,528)
Provision for gratuity	10,739,923	7,418,181
Finance costs	114,423,080	56,527,582
	<u>231,184,278</u>	<u>124,700,179</u>
	122,909,850	(762,217)
Changes in working capital		
Decrease / (increase) in current assets:		
Stock-in-trade	57,131,381	194,003,803
Trade debts	64,027,432	(91,003,178)
Loans and advances	1,051,712	(4,137,082)
Trade deposits and short-term prepayments	(3,005,388)	(10,348,497)
	<u>119,205,137</u>	<u>88,515,046</u>
(Decrease) / increase in current liability:		
Trade and other payables	(122,067,261)	(137,577,621)
	<u>(2,862,124)</u>	<u>(49,062,575)</u>
Cashflows generated from / (used in) operations	<u>120,047,726</u>	<u>(49,824,792)</u>
Income tax paid - net	(53,866,106)	(84,263,201)
Gratuity paid	(3,640,869)	(8,688,287)
Finance costs paid	(104,989,763)	(53,648,631)
	<u>(162,496,738)</u>	<u>(146,600,119)</u>
Net cashflows used in operating activities	<u>(42,449,012)</u>	<u>(196,424,911)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditures	(17,708,300)	(148,039,266)
Proceeds from disposal of operating fixed assets	1,200,000	5,365,000
Proceeds from sales & lease back	-	84,473,059
Long-term deposits paid	(3,561,112)	(11,342,945)
Net cashflows used in investing activities	<u>(20,069,412)</u>	<u>(69,544,152)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	(457,402)	(11,541,125)
(Repayment) / proceeds of diminishing musharika - net	(59,704,743)	208,215,239
Repayment of lease liabilities - net	(12,707,746)	(16,468,478)
Proceeds of short term borrowings - net	74,073,960	59,933,445
Net cashflows generated from financing activities	<u>1,204,069</u>	<u>240,139,081</u>
Net decrease in cash and cash equivalents	<u>(61,314,355)</u>	<u>(25,829,982)</u>
Cash and cash equivalents at the beginning of the period	52,982,605	24,284,004
Cash and cash equivalents at the end of the period	<u>(8,331,750)</u>	<u>(1,545,978)</u>
Cash and cash equivalents		
Cash and bank balances	1,610,001	8,096,011
Running finance under mark-up arrangements	(9,941,751)	(9,641,988)
	<u>(8,331,750)</u>	<u>(1,545,978)</u>

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.

 CHIEF EXECUTIVE

 FOR AND ON BEHALF OF
 CHIEF FINANCIAL OFFICER

 DIRECTOR

MACPAC FILMS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2020

1. STATUS AND NATURE OF THE COMPANY

Macpac Films Limited (the Company) was incorporated on August 19, 1993, in Pakistan as a limited liability company under the repealed Companies Ordinance, 1984 [now Companies Act, 2017 (the Act)] and is listed on the Pakistan Stock Exchange Limited. The registered office of the Company is situated 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 condensed interim financial statements of the Company for the nine months ended March 31, 2020 have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, 'Interim Financial Reporting', issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3. BASIS OF PREPARATION

- 3.1** These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the financial statements of the Company for the year ended June 30, 2019.

4. SIGNIFICANT ACCOUNTING POLICIES

- 4.1** The accounting policies and methods of computation adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements for the year ended June 30, 2019, except for the adoption of the following new and amended standards, interpretations and improvements to IFRSs by the Company, which became effective for the current period:

Standards, amendments, interpretations and improvements

IFRS 9	Prepayment features with negative compensation (Amendments)
IFRS 16	Leases
IAS 19	Plan amendment, curtailment or settlement (Amendments)
IAS 28	Long term interests in associates and joint ventures (Amendments)
IFRIC 23	Uncertainty over income tax treatments

Improvements to accounting standards issued by IASB in December 2017

IFRS 3	Business combinations – Previously held interests in a joint operation
IFRS 11	Joint arrangements – Previously held interests in a joint operation
IAS 12	Income taxes – Income tax consequences of payments on financial instruments classified as equity
IAS 23	Borrowing costs – Borrowing costs eligible for capitalization

The adoption of the above standards, amendments, interpretations and improvements to standards did not have any material effect on these condensed interim financial statements except for changes related adoption of IFRS 16 'Leases' as explained below in note 4.2 to these condensed interim financial statements.

4.2 IFRS 16 - 'Leases'

IFRS 16 supersedes IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Whereas, for lessees all leases will be classified as finance leases only. However, as per relevant guidelines issued by Institute of Chartered Accountants of Pakistan, contracts under Ijarah leases continue to be accounted for as operating leases under Islamic Financial Accounting Standards (IFAS) 2, 'Ijarah'.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of July 01, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying standard recognised at the date of initial application. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 as of July 01, 2019. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

4.3 New accounting policies for right-of-use assets and lease liabilities

The Company assess at contract inception whether a contract is, or contain a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company acts as a lessee and applies a single recognition and measurement approach for all the leases except for short-term leases and leases of low value assets (if any). The Company recognises lease liability to make lease payments and right-of-use assets (ROU assets) representing the right to use the underlying assets.

i) Right-of-use assets

The Company recognises ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognised, initial direct costs incurred (if any), and lease payments made at or before the commencement date less lease incentives received (if any). Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. ROU assets are subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option (if any) reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under its lease arrangements to lease the assets for additional terms. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). Any change is accounted for change in estimate and applied prospectively with corresponding change in ROU assets and lease liabilities.

iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of assets (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

	Note	(Un-audited) March 31, 2020 Rupees	(Audited) June 30, 2019 Rupees
5			
PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	1,325,585,502	1,303,968,285
Capital work-in-progress	5.2	11,553,462	111,709,801
		<u>1,337,138,964</u>	<u>1,415,678,086</u>
5.1			
Operating fixed assets			
Opening book value		1,303,968,285	749,944,909
Additions / transfers during period / year	5.1.1	115,023,915	884,951,326
Disposals / transfers during the period / year at book value		(1,912,698)	(235,478,738)
Depreciation during the period / year		(91,494,001)	(95,449,212)
		<u>1,325,585,502</u>	<u>1,303,968,285</u>
5.1.1			
Additions / transfers to property, plant and equipment			
Building		-	104,516,808
Plant and machinery		100,338,668	575,868,755
Generators		13,363,049	180,353,692
Furniture and fixtures		26,400	337,914
Electrical installations		55,890	4,192,299
Refrigeration and air conditioning		407,508	393,642
Office equipment		532,300	1,492,792
Computers		195,400	320,000
Motor vehicles		104,700	17,475,424
		<u>115,023,915</u>	<u>884,951,326</u>

	Note	(Un-audited) March 31, 2020 Rupees	(Audited) June 30, 2019 Rupees
5.2 Capital work-in-progress			
Opening balance		111,709,801	427,316,357
Additions during period / year		13,343,461	206,005,795
Transfers to operating fixed assets during the period / year		(113,499,800)	(521,612,351)
Closing balance		<u>11,553,462</u>	<u>111,709,801</u>

6 TRADE DEBTS

6.1 Included herein Rs. 115.051 million (June 30, 2019: Rs. 112.385 million) due from related parties.

7 CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

There has been no major change in the status of contingencies and commitments as disclosed in the annual financial statements of the Company for the year ended June 30, 2019.

	Note	(Un-audited) March 31, 2020 Rupees	(Audited) June 30, 2019 Rupees
7.2 Commitments			
Outstanding bank guarantees		<u>11,873,412</u>	<u>7,250,000</u>
Outstanding letters of credit	7.2.1	<u>66,805,893</u>	<u>48,896,397</u>

7.2.1 The aforesaid letter of credit is secured against personal guarantee of directors.

8 TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of associated companies, directors, key management personnel and staff retirement benefit fund. All the transactions with related parties are entered into at agreed terms as approved by the Board of Directors of the Company. The related parties' status of outstanding receivables and payables, if any, as at March 31, 2020 and 30 June 2019 are disclosed in respective notes to these condensed interim financial statements. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these condensed interim financial statements are as follows:

	(Un-audited) March 31, 2020 Rupees	(Un-audited) March 31, 2019 Rupees
Director - Salary and other benefits	<u>4,649,875</u>	15,256,958
Chief Executive Officer - Salary and other benefits	<u>7,458,229</u>	6,781,488
Executive - Salary and other benefits	<u>39,153,290</u>	47,105,815

Associated companies**TOYO Packaging (Private) Limited**

Gross sale of goods / processing charges

<u>120,504,208</u>	<u>193,489,649</u>
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Hilal Foods (Pvt) Ltd

Gross sale of goods

<u>9,780,096</u>	<u>24,441,942</u>
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Shalimar Food Products (Private) Limited

Gross sale of goods

<u>1,270,358</u>	<u>3,986,531</u>
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9 DATE OF AUTHORISATION

These condensed interim financial statements were authorized for issue on April, 29, 2020 by the Board of Directors of the Company.

10 GENERAL

10.1 All figures have been rounded off to the nearest rupee, unless otherwise stated.



 CHIEF EXECUTIVE



 FOR AND ON BEHALF OF
 CHIEF FINANCIAL OFFICER



 DIRECTOR