

MACPAC FILMS LIMITED

CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2019

COMPANY INFORMATION

Board of Directors

Mr. Naeem Munshi (Chairman)

Mr. Maqbool Elahi Shaikh (Chief Executive)

Mr. Ehtesham Maqbool Elahi (Executive Director)

Mr. Shariq Maqbool Elahi (Non-Executive Director)

Mr. Fahad Munshi (Non-Executive Director)

Mr. Mansoor Younus (Independent Director)

Mr. Muhammad Omer Sabir (Independent Director)

Audit Committee of the Board

Mr. Mansoor Younus (Committee Chairman)

Mr. Naeem Munshi

Mr. Shariq Maqbool Elahi

HR & Remuneration Committee

Mr. Shariq Maqbool Elahi (Committee Chairman)

Mr. Naeem Munshi

Mr. Ehtesham Maqbool Elahi

Chief Financial Officer & Company Secretary

Mr. Zohaib Yakoob Surmawala

Auditors

EY Ford Rhodes

Chartered Accountants

Legal Advisor

Abdul Ghaffar Khan

F-72/1, KDA Scheme 5,

Kehkashan, Clifton, Karachi

Shares Registrar

Central Depository Company Pakistan Limited

CDC House, 99 – B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal,

Karachi-74400

Tel: Customer Support Services (Toll Free) 0800-CDCPL (23275)

Fax: (92-21) 34326053

Email: info@cdcpak.com

Website: www.cdcpakistan.com

Bankers

(in alphabetical order)

Bank Alfalah Limited

Bank Al Habib Limited

Dubai Islamic Bank Pakistan 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

Registered Office

Plot # 21 Maqbolabad,
Jinnah Cooperative Housing Society,
(J.C.H.S), Tipu Sultan Road, Karachi
Email : info@macpacfilms.com
Tel: 111-MFL(635)-111

Website:

www.macpacfilms.com

Factory

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

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 Half year ended December 31, 2019.

Financial Reporting

"Your Company has recorded net sales of Rs. 1,153 million during the period under reviewed as compared to Rs. 1,096 million for the same period last year. The company has suffered loss during the period amounting to Rs. 9.63 million, as compared to loss of Rs. 81.76 million for the same period last year. Loss per share for the period under reviewed is Rs. 0.16 as compared to loss per share of Rs. 1.38 during the same period last year.

Future Outlook

Alhamdulillah, despite all challenges, your company managed to increase its revenue from the same period last year. During the period under review the economy faced a lot of challenges due to high inflation, high interest rates and low purchasing power of the markets. All these factors particularly increased cost of borrowing has significantly increased cost of production. On the other hand, stability in the economic conditions, rupee parity against dollar and increase in Company products' demand will have the positive impact on the bottom line profitability of the Company in the coming quarters.

Further, Company is working on different strategies to manage its working capital more efficiently to support the increased demand of the Company's products in the market. We also would like to assure our shareholders that your company implemented the strategies to increase efficiencies, target new market segments, increase investments in research and development and is confident that with all these measures we will be able to improve the profitability of the company.

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

DIRECTOR

February 28, 2020



EY
PESHAWAR
PUNJAB
RAJSTHAN
SINDH
TAMIL NADU
WEST BENGAL

Chartered Accountants

Registration No. 1000000000000000

Office No. 1000000000000000

Phone No. 1000000000000000

Fax No. 1000000000000000

UAN: 1800 103 0000

E-mail: 1000000000000000

Website: 1000000000000000

1000000000000000

1000000000000000

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of MACPAC Films Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of MACPAC Films Limited (the Company) as at 31 December 2019 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the three months period ended 31 December 2019 and 2018 have not been reviewed, as we are required to review only the cumulative figures of the six-months period ended 31 December 2019.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the audit resulting in this independent auditor's review report is Mr. Shariq Ali Zaidi.

EY Feroz Raza

Chartered Accountants

Place: Karachi

Date: 29 February 2020

MACPAC FILMS LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

		December 31, 2019 (Un-audited)	June 30, 2019 (Audited)
	Note	-----Rupees-----	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	1,363,294,520	1,415,678,086
Intangible assets		718,735	797,985
Long-term deposits		9,962,530	6,401,418
		<u>1,373,975,785</u>	<u>1,422,877,489</u>
CURRENT ASSETS			
Stock-in-trade		327,681,427	375,659,628
Trade debts	6	365,921,205	437,176,473
Loans and advances		24,420,937	13,113,411
Trade deposits and short-term prepayments		28,077,104	25,648,365
Taxes refundable - net		207,619,603	168,701,574
Cash and bank balances		15,734,717	52,982,605
		<u>969,454,993</u>	<u>1,073,282,056</u>
TOTAL ASSETS		<u><u>2,343,430,778</u></u>	<u><u>2,496,159,545</u></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		<u>50,000,245</u>	<u>59,627,344</u>
		<u>643,011,745</u>	<u>652,638,844</u>
NON-CURRENT LIABILITIES			
Diminishing musharika		214,220,286	251,197,120
Lease liabilities		26,603,261	39,928,324
Deferred income		8,671,580	10,839,956
Deferred taxation		62,071,020	119,565,120
Staff retirement benefits - staff gratuity		31,657,158	25,411,876
		<u>343,223,305</u>	<u>446,942,396</u>
CURRENT LIABILITIES			
Trade and other payables		752,326,939	848,601,291
Short-term borrowings		487,434,552	438,729,003
Accrued mark-up		13,399,312	7,712,228
Unclaimed dividend		735,552	1,192,953
Current portion of non-current liabilities		103,299,373	100,342,830
		<u>1,357,195,728</u>	<u>1,396,578,305</u>
TOTAL EQUITY AND LIABILITIES		<u><u>2,343,430,778</u></u>	<u><u>2,496,159,545</u></u>

CONTINGENCIES AND COMMITMENTS

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

MACPAC FILMS LIMITED

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2019

		For the half year ended		For the quarter ended	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	Note	-----Rupees-----			
Turnover - net		1,152,804,131	1,096,051,959	606,013,354	666,009,082
Cost of sales		(1,113,047,322)	(1,067,914,465)	(569,601,716)	(646,020,450)
Gross profit		39,756,809	28,137,494	36,411,638	19,988,632
Administrative expenses		(41,031,724)	(43,430,401)	(22,483,756)	(23,811,275)
Marketing and selling expenses		(13,259,832)	(14,141,542)	(6,813,703)	(7,416,697)
Finance costs	8	(76,153,360)	(34,145,065)	(40,945,402)	(21,525,141)
Other operating expenses	9	(3,983,105)	(45,822,641)	(2,852,358)	(36,213,494)
Other income	10	29,774,956	1,439,129	8,658,689	612,885
Loss before taxation		(64,896,256)	(107,963,026)	(28,024,892)	(68,365,090)
Taxation	11	55,269,157	26,198,059	62,104,042	30,809,652
(Loss) / profit for the period		(9,627,099)	(81,764,967)	34,079,150	(37,555,438)
(Loss) / earning per share					
- basic and diluted		(0.16)	(1.38)	0.57	(0.63)

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

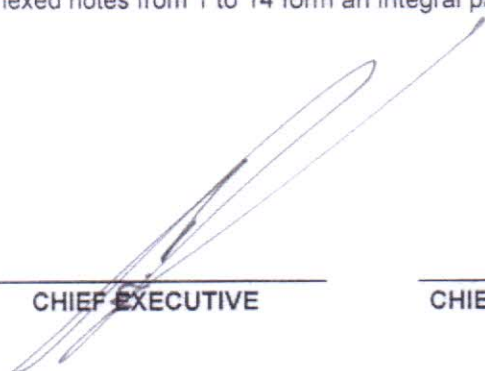
CHIEF FINANCIAL OFFICER

DIRECTOR

MACPAC FILMS LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2019

	For the half year ended		For the quarter ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Rupees.....			
Loss for the period	(9,627,099)	(81,764,967)	34,079,150	(37,555,438)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive loss for the period	<u>(9,627,099)</u>	<u>(81,764,967)</u>	<u>34,079,150</u>	<u>(37,555,438)</u>

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.


 CHIEF EXECUTIVE


 CHIEF FINANCIAL OFFICER


 DIRECTOR

MACPAC FILMS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2019

	Reserves				
	Issued, subscribed and paid-up capital	Capital reserve - share premium	Revenue reserve - unappropriated profits / (losses)	Total reserves	Total
	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 (note 11.1)	-	-	(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	-	-	(81,764,967)	(81,764,967)	(81,764,967)
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive loss	-	-	(81,764,967)	(81,764,967)	(81,764,967)
Balance as at December 31, 2018 (Un-audited)	593,011,500	173,566,620	36,938,420	210,505,040	803,516,540
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	-	-	(9,627,099)	(9,627,099)	(9,627,099)
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive loss	-	-	(9,627,099)	(9,627,099)	(9,627,099)
Balance as at December 31, 2019 (Un-audited)	593,011,500	173,566,620	(123,566,375)	50,000,245	643,011,745

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

MACPAC FILMS LIMITED
CONDENSED INTERIM STATEMENT OF CASHFLOWS (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2019

December 31, 2019 December 31, 2018
-----Rupees-----

CASH FLOWS GENERATED FROM OPERATIONS

Loss before taxation (64,896,256) (107,963,026)

Adjustments for non-cash and other items:

Depreciation	64,484,339	37,933,908
Amortisation	79,800	90,744
Amortisation of deferred income	(2,168,376)	-
Exchange (gain) / loss - unrealised	(2,900,059)	42,800,167
Loss on sale of fixed asset	728,907	876,190
Provision for gratuity	7,159,948	4,945,454
Finance costs	76,153,360	34,145,065
	<u>143,537,919</u>	<u>120,791,528</u>
	78,641,663	12,828,502

Changes in working capital

Decrease / (increase) in current assets:

Stock-in-trade	47,978,201	85,346,844
Trade debts	71,255,268	37,778,349
Loans and advances	(11,307,526)	(2,845,125)
Trade deposits and short-term prepayments	(2,428,739)	(42,864,533)
	<u>105,497,204</u>	<u>77,415,535</u>

(Decrease) / increase in current liability:

Trade and other payables	(96,274,352)	(133,717,045)
	<u>9,222,852</u>	<u>(56,301,510)</u>
	87,864,515	(43,473,008)

Cashflows generated from / (used in) operations

Income tax paid - net	(47,960,448)	(63,575,788)
Gratuity paid	(914,666)	(9,060,025)
Finance costs paid	(70,466,276)	(33,525,431)
	<u>(119,341,390)</u>	<u>(106,161,244)</u>
	(31,476,875)	(149,634,252)

Net cashflows used in operating activities

CASH FLOWS FROM INVESTING ACTIVITIES

Fixed capital expenditures	(12,993,153)	(176,186,825)
Proceeds from disposal of operating fixed assets	1,200,000	85,473,059
Long-term deposits paid	(3,561,112)	(10,129,900)
	<u>(15,354,265)</u>	<u>(100,843,666)</u>

Net cashflows used in investing activities

CASH FLOW FROM FINANCING ACTIVITIES

Dividends paid	(457,401)	(11,860,230)
Repayment of diminishing musharika - net	(36,976,834)	282,577,822
Repayment of lease liabilities - net	(11,646,724)	(7,171,035)
Repayment of short term borrowings - net	48,680,370	48,152,613
	<u>(400,589)</u>	<u>311,699,170</u>

Net cashflows generated from financing activities

Net (decrease) / increase in cash and cash equivalents	(47,231,729)	61,221,252
Cash and cash equivalents at the beginning of the period	52,982,605	33,835,307
	<u>5,750,876</u>	<u>95,056,559</u>

Cash and cash equivalents

Cash and bank balances	15,734,717	105,015,221
Running finance under mark-up arrangements	(9,983,841)	(9,958,662)
	<u>5,750,876</u>	<u>95,056,559</u>

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

MACPAC FILMS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2019

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 half year ended December 31, 2019 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 are un-audited but subject to limited scope review by the auditors and are being submitted to the shareholders as required under Section 237 of the Companies Act, 2017. 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.
- 3.2 The figures of the condensed interim statement of profit or loss and statement of comprehensive income for the quarter ended December 31, 2019 and December 31, 2018 and notes forming part thereof have not been reviewed by the auditors of the Company, as they have reviewed the cumulative figures for the half year ended December 31, 2019 and December 31, 2018.
- 3.3 The preparation of these condensed interim financial statements require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by the management in applying the Company's accounting policies and areas where assumptions and estimates are significant are same as those applied to the annual financial statements as at and for the year ended June 30, 2019. The Company's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Company as at and 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').

The Company has operating and finance lease contracts for various items of plant, machinery, generator and fittings, motor vehicles and office premises. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Company; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased item was not capitalised and the lease payments were recognised as rent expense in the statement of profit or loss on a straight-line basis over the lease term. Prepaid rent was recognised as prepayments under non current / current assets accordingly. Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Company.

a) Leases previously accounted for as operating leases

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets, if any. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

b) Leases previously classified as finance leases

The Company did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS

The Company also applied the available practical expedients wherein it has used hindsight in determining the lease term where the contract contains options to extend or terminate the lease and applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application. Based on the foregoing, as at July 01, 2019:

- Additional right-of-use assets and lease liabilities of Rs.1.020 million and Rs. 0.964 million, respectively, were recognised. Further, lease assets recognised previously under finance leases of Rs. 498.457 million were reclassified from operating fixed assets to right-of-use assets.
- Short-term prepayments of Rs.0.055 million related to previous operating leases were derecognised.

The effect of adoption of IFRS 16 and related adjustments did not have any impact on revenue reserves as of July 01, 2019 and accordingly, there is no effect on basic / diluted earning per share. The lease liabilities as at July 01, 2019 can be reconciled to the operating lease commitments as of 30 June 2019, as follows:

	Amount ---Rupees---
Operating lease commitments as at June 30, 2019	1,073,367
Weighted average incremental borrowing rate as at July 01, 2019	14.97%
Discounted operating lease commitments as at July 01, 2019	963,825
Add: Lease liability for finance leases as of June 30, 2019	66,317,486
Lease liabilities as at July 01, 2019	<u>67,281,311</u>

The accounting policy in respect of leases is stated in note 4.3 to these condensed interim financial statements.

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 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.

		(Un-audited) December 31, 2019 Rupees	(Audited) June 30, 2019 Rupees
5	PROPERTY, PLANT AND EQUIPMENT		
	Operating fixed assets	5.1 879,001,847	1,303,968,285
	Right-of-use assets	5.2 473,709,881	-
	Capital work-in-progress	5.3 10,582,792	111,709,801
		<u>1,363,294,520</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	5.1.1 114,120,162	884,951,326
	Disposals / transfers during the period / year at book value	(1,912,698)	(235,478,738)
	Reclassified to ROU assets on initial application of IFRS 16 (note 4.2)	(498,457,291)	-
	Depreciation during the period / year	(38,716,611)	(95,449,212)
		<u>879,001,847</u>	<u>1,303,968,285</u>
5.1.1	Additions / transfers to property, plant and equipment		
	Buildings on leasehold land	-	490,209,011
	Plant and machinery	5.3 99,118,950	190,236,552
	Furniture and fixtures	26,400	337,914
	Electrical installations	-	4,192,299
	Refrigeration and air conditioning	210,926	393,642
	Generators	5.3 13,363,049	180,293,692
	Office equipment	1,275,637	1,492,792
	Computers	71,500	320,000
	Motor vehicles	53,700	17,475,424
		<u>114,120,162</u>	<u>884,951,326</u>
5.2	Right-of-use assets		
	Reclassified from operating fixed assets on initial application of IFRS 16 (note 4.2)	498,457,291	-
	Impact of initial application of IFRS 16 (note 4.2)	1,020,318	-
	Depreciation during the period / year	(25,767,728)	-
		<u>473,709,881</u>	<u>-</u>

	Note	(Un-audited) December 31, 2019 Rupees	(Audited) June 30, 2019 Rupees
5.3 Capital work-in-progress			
Opening balance		111,709,801	427,316,357
Additions during period / year		10,956,579	206,005,795
Transfers to operating fixed assets during the period / year	5.1.1	(112,083,588)	(521,612,351)
Closing balance		<u>10,582,792</u>	<u>111,709,801</u>

6 TRADE DEBTS

6.1 Included herein Rs. 124.999 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) December 31, 2019 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>189,677,128</u>	<u>48,896,397</u>

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

8 FINANCE COSTS

Included herein are markup on financing arrangements of long-term diminishing musharika and short-term istisna arrangement of Rs. 23.043 million and Rs. 15.846 million (December 31, 2018: Rs. 5.999 million and Rs. 6.626 million) respectively.

9 OTHER OPERATING EXPENSES

Included herein exchange loss - net of Rs. Nil (December 31, 2018: Rs. 42.802 million).

10 OTHER INCOME

Included herein exchange gain - net of Rs. 23.024 million (December 31, 2018: Rs. Nil).

11 TAXATION

Included herein current tax charge and deferred tax reversal of Rs. 17.292 million and Rs. 57.494 million (December 31, 2018: Rs. 16.262 million and Rs. 40.598 million) respectively.

EMA

12 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 December 31, 2019 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) December 31, 2019 Rupees	(Un-audited) December 31, 2018 Rupees
<u>Key management personnel</u>		
Salary and other benefits	17,531,082	15,755,264
Retirement benefits	478,904	423,466
Office rent charged by the Chief Executive	3,000,000	2,400,000
<u>Associated companies</u>		
TOYO Packaging (Private) Limited		
Gross sale of goods / processing charges	77,978,090	98,948,608
Receipts during the period	63,361,765	85,979,167
Hilal Foods (Pvt) Ltd		
Gross sale of goods	6,364,894	16,913,735
Receipts during the period	7,982,215	3,339,388
Shalimar Food Products (Private) Limited		
Gross sale of goods	1,046,066	3,682,481
Receipts during the period	1,395,588	2,521,199

13 DATE OF AUTHORISATION

These condensed interim financial statements were authorized for issue on 28-Feb, 2020 by the Board of Directors of the Company.

14 GENERAL

- 14.1 The figures reported as of July 01, 2018 in the condensed interim statement of changes in equity has been restated in line with restatement of opening revenue reserves due to initial application of IFRS 9 as disclosed in note 4.1 to the annual financial statements of the Company for the year ended June 30, 2019.
- 14.2 Corresponding figures have been reclassified, wherever considered necessary, for the purpose of comparison and to reflect the substance of the transaction. However, there are no material reclassification to report.
- 14.3 All figures have been rounded off to the nearest rupee, unless otherwise stated.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR