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# PAKISTAN SYNTHETICS LIMITED

## ANNUAL REPORT 2016



The image features a person in a dark suit and a red and white striped tie, holding a white tablet. The background is a blurred city skyline at night, with numerous lights from buildings and streets. A network diagram consisting of white circles connected by thin white lines is overlaid on the entire scene. A black rectangular box with a white border is positioned in the upper left quadrant, containing the text. A vertical orange bar is located to the left of the text box.

**Quality is the best  
BUSINESS PLAN.**

# TABLE OF CONTENTS

<i>Company Information</i>	2
<i>Performance of the Company at a Glance</i>	6
<i>Report of the Directors</i>	8
<i>Mission Statement &amp; Vision</i>	12
<i>Statement of Ethics and Business Practices</i>	13
<i>Jama Punji</i>	14
<i>Statement of Compliance with the Code of Corporate Governance</i>	15
<i>Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance</i>	18
<i>Auditors' Report to the Members</i>	19
<i>Balance Sheet</i>	20
<i>Profit and Loss Account</i>	22
<i>Statement of Comprehensive Income</i>	23
<i>Cash Flow Statement</i>	24
<i>Statement of Changes in Equity</i>	25
<i>Notes to the Financial Statements</i>	26
<i>Pattern of Shareholding</i>	69
<i>Notice of Meeting</i>	72
<i>Form of Proxy</i>	

# Pakistan Synthetics Limited

## COMPANY INFORMATION





<b>BOARD OF DIRECTORS</b>	UMER HAJI KARIM ANWAR HAJI KARIM YAKOOB HAJI KARIM PIR MOHAMMAD A. KALIYA ABID UMER SAJID HAROON AAMIR AMIN MUHAMMAD ASLAM	CHAIRMAN-NON-EXECUTIVE CHIEF EXECUTIVE -EXECUTIVE EXECUTIVE NON- EXECUTIVE NON- EXECUTIVE NON- EXECUTIVE NON- EXECUTIVE NON- EXECUTIVE
<b>AUDIT COMMITTEE</b>	AAMIR AMIN – CHAIRMAN PIR MOHAMMAD A. KALIYA ABID UMER	
<b>HUMAN RESOURCE AND REMUNERATION COMMITTEE</b>	SAJID HAROON – CHAIRMAN YAKOOB HAJI KARIM ABID UMER	
<b>CHIEF FINANCIAL OFFICER</b>	SALEEM ADVANI	
<b>COMPANY SECRETARY</b>	MUBBASHIR AMIN	
<b>BANKERS</b>	HABIB BANK LIMITED HABIB METROPOLITAN BANK LIMITED BANK AL HABIB LIMITED ASKARI BANK LIMITED MEEZAN BANK LIMITED BANK OF PUNJAB LIMITED	
<b>AUDITORS</b>	KPMG TASEER HADI & CO. CHARTERED ACCOUNTANTS	
<b>HEAD OF INTERNAL AUDIT</b>	TABISH SHARIF	
<b>REGISTER</b>	TECHNOLOGY TRADE (PVT.) LTD. DAGIA HOUSE, 24 –C, BLOCK-2, PECHS, OFF: SHAHRAH-E-QUAIDEEN, KARACHI.	
<b>LEGAL ADVISOR</b>	TASAWUR ALI HASHMI ADVOCATE	
<b>REGISTERED OFFICE</b>	3RD FLOOR, KARACH DOCK LABOUR BOARD BUILDING, 58-WEST WHARF ROAD, KARACHI-74000	
<b>FACTORY</b>	F,1, 2, 3, & F.13, 14 & 15 HUB INDUSTRIAL TRADING ESTATE DISTRICT LASBELLA, BALOCHISTAN  PLOT # A-5, N.W.I.Z, PORT QASIM AUTHORITY, KARACHI	

# Pakistan Synthetics Limited

## COMPANY PROFILE



*The Company was incorporated on 18 November 1984 as a private limited company in Pakistan and subsequently converted into a public limited company on 30 December 1987. The shares of the Company are listed on Pakistan Stock Exchange (formerly they were listed on all Stock Exchanges of Pakistan with effect from 27 June 1995. The principal activity of the Company is manufacturing and sale of Plastic and Crown Caps and Polyester Staple Fibre. The registered office of the Company is situated in Karachi.*

*Due to continuing depressed polyester staple fibre market situation, the Board has decided to convert existing fibre manufacturing plant into PET resin manufacturing plant by making necessary modifications*

*and addition in existing plant. PET resin manufacturing facility is expected to be in commercial production by first quarter of Financial Year 2017.*

*The commencement of PET Resin manufacturing would enable the Company to go further downstream in packaging industry and provide complete one window solution to beverage industry customers which has shown continuous growth in double figure over years. The Company is now poised to participate in growing needs of beverage consumption by playing an integral role by being a priority one-window supplier to multinational bottlers and local brand owners in Pakistan.*

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# Pakistan Synthetics Limited

## PRODUCT INFORMATION



### *Plastic and Crown Caps*

*The role of caps and closure is to seal and preserve the product inside each bottle. Pakistan Synthetics Limited (PSL) provides bottlers capping solutions that provide secure sealing, safe opening, consistent and consumer friendly removal torques, effective tamper evidence and application optimization. PSL understands how important excellent application performance and line efficiency are for bottlers. The caps by PSL reflect the bottler's individual brand identity; we have a wide range of colors and offer customized printing while fully maintaining product integrity and safety.*

### *PET Resin*

*Polyethylene terephthalate (PET) is the most common thermoplastic polymer resin of the polyester family. Because PET is an excellent water and moisture barrier material, plastic bottles made from PET are used for soft drinks, still water, edible oil industry and pharmaceutical sector. The convenience attached with plastic packaging is paramount in increasing the consumption of PET in Pakistan.*

# Pakistan Synthetics Limited


## PERFORMANCE OF THE COMPANY AT A GLANCE

YEAR  
ENDED  
30 JUNE

2007 2008 2009 2010 2011 2012 2013 2014 2015 2016

STATISTICAL SUMMARY		Rupees in million									
Gross sales		1,560	2,284	2,503	3,349	4,234	4,491	5,359	5,107	2,419	2,006
Profit / (loss) before taxation		(103)	24	63	77	441	40	66	70	(36)	96
Taxation		27	(18)	(20)	(25)	(154)	(22)	(23)	(20)	26	(4)
Profit / (loss) after taxation		(76)	6	42	52	286	19	43	50	(10)	92
Gross assets employed (including capital work-in-progress)		1,275	1,696	1,302	1,324	2,644	3,010	3,101	3,348	2,896	3,874
Paid-up capital		560	560	560	560	560	560	560	560	560	560
Shareholders' equity		851	857	899	881	1,167	1,072	1,118	1,167	1,149	1,240
EARNINGS AND PAY OUT		Rs. per share of Rs. 10 each									
Earnings/(loss) per share after taxation		(1.36)	0.10	0.76	0.92	5.11	0.33	0.77	0.89	(0.18)	1.63
Break-up value		15.18	15.29	16.04	15.71	20.82	19.13	19.94	20.82	20.50	22.12
Cash dividend		—	—	1.25	—	2.00	—	—	1.00	—	1.00
FINANCIAL RATIOS		Ratios									
Current Assets : Current Liabilities		2.29:1	1.65:1	2.57:1	2.41:1	1.09:1	1.31:1	1.28:1	1.20:1	1.15:1	1.01:1
Long-term Debts : Equity		9:91	7:93	0:1	0:1	0:1	27:73	20:80	17:83	19:81	26:74
PRODUCTION		Quantity									
Polyester Staple Fibre - Tons		15,539	24,921	20,544	25,837	24,449	23,868	23,910	18,566	—	—
Polyester Chips - Tons		—	—	—	—	—	—	120	—	—	—
Plastic and Crown Caps - Cartons		—	—	—	—	3,785	129,492	201,986	301,971	354,283	404,813





THE ONLY PLACE  
**success**  
COMES BEFORE  
**work**  
IS THE DICTIONARY

*(Vince Lombardi)*

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# Pakistan Synthetics Limited

## DIRECTORS' REPORT

We are pleased to present before you the 31st Annual Report together with the Audited Financial Statements of the Company for the year ended 30 June 2016.

### OPERATING PERFORMANCE

The Board in its meeting held on 20 April 2015 has decided to convert existing fibre manufacturing plant into PET resin manufacturing plant by making necessary modifications in existing plant. For the purpose the Board has approved investment proposal of Rs. 650 million.

During the year under review, the Company produced 404,813 cartons of plastic and crown caps during the year as against 354,283 cartons of last year and sold 402,553 cartons during the year as against 337,185 cartons of last year. Capacity utilization of plant is around 80%.

### FINANCIAL RESULTS

As the Board has decided to convert existing fibre manufacturing plant into PET resin manufacturing plant by making necessary modifications in existing plant, the Company has presented fibre segment as discontinued operation. Summarize financial results of continuing and discontinued operations are as below,

#### Continuing operations

During the year under review, the company's gross turnover of continuing operations increased to Rs. 1,946.92 million from Rs. 1,807.06 million during the corresponding last year.

The Company earned profit before tax from continuing operations of Rs. 221.69 million as against profit before tax of Rs. 150.20 million in the last year. The net profit after tax stood from continuing operations at Rs. 201.62 million as against net profit after tax of Rs. 174.95 million in the last year.

#### Discontinued operations

During the year under review, the company's gross turnover of discontinued operations decreased to Rs. 58.72 million from Rs. 612.23 million during the corresponding last year.

The Company posted loss before tax from discontinued operations of Rs. 125.83 million as against loss before tax of Rs. 186.31 million in the last year. The net loss after tax stood from discontinued operations at Rs. 110.11 million as against net loss after tax of Rs. 184.95 million in the last year.

### EARNING PER SHARE

The net earnings per share, after providing for taxation, for the year ended 30 June 2016 was Rs. 1.63 (2015: net loss per share of Rs. 0.18)

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# Pakistan Synthetics Limited

## DIRECTORS' REPORT

### *DIVIDEND*

*The Directors of the Company recommended cash dividend @ Rs. 1 per share (i.e. 10 %) for the year ended 30 June 2016.*

### *FUTURE OUTLOOK*

*Shipments for majority of plant and machinery have arrived at our plant site while the erection work is in progress. We expect that our plant will be in commercial production by first quarter of financial year 2017.*

*Packaging segment of the Company has maintained track record of healthy growth over the period of time. However, volatility in prices of raw materials, oversupply of product in the market and exchange rates are key challenges to be addressed in future period. These factors might hamper the growth of packaging segment.*

### *SUBSEQUENT EVENT*

*The Directors report that no material change or commitment has taken place, other than those disclosed which has affected the financial position of the company from the end of the financial year up to the date of this report.*

### *FINANCIAL REPORTING FRAME WORK*

*As required under the Code of Corporate Governance, the Directors confirm compliance with the Corporate and Financial Reporting Frame Work for the following:*

- a) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.*
- b) The Company has maintained proper books of accounts.*
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.*
- d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.*
- e) The system of internal control and other such procedures, which are in place, are sound in design and have been effectively implemented and monitored on an on going basis by the management. The process of review will continue and any weakness in control will be removed.*

# Pakistan Synthetics Limited

## DIRECTORS' REPORT

- f) There are no significant doubts upon the Company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h) Key operating and financial data for the last ten years in summarized form is annexed.
- i) No trade has been made by the Directors, executives and their spouses and minor children in the shares of the Company during the year under review.
- j) Information about outstanding taxes and levies are given in the Notes to the Financial Statements.

### MEETING OF THE BOARD OF DIRECTORS

During the year, five (05) meetings of the Board of Directors were held. Attendance by each Director was as follows:-

<u>NAME OF DIRECTOR</u>	<u>NO OF MEETING ATTENDANCE</u>
I. Mr. Umer Haji Karim	5
II. Mr. Anwar Haji Karim	4
III. Mr. Yakoob Haji Karim	5
IV. Mr. Abid Umer	4
V. Mr. Sajid Haroon	4
VI. Mr. Pir Mohammad A. Kaliya	5
VII. Mr. Aamir Amin-NIT	5
VIII. Mr. Faraz Younus Bandukda**	3
IX. Mr. Muhammad Aslam Motiwala**	1

\*\* Mr. Muhammad Aslam Motiwala has been elected as director in place of Mr. Faraz Younus Bandukda with effect from 5 April 2016 in the Fifteenth Extra-ordinary General Meeting of the Company.

Leave of absence was granted to Directors who could not attend the Board meetings.

### MEETING OF THE AUDIT COMMITTEE

During the year, four (04) meetings of the Audit Committee were held. Attendance by each Director was as follows:-

<u>NAME OF DIRECTOR</u>	<u>NO OF MEETING ATTENDANCE</u>
I. Mr. Aamir Amin-NIT	4
II. Mr. Pir Mohammad A. Kaliya	4
III. Mr. Abid Umer	3



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# Pakistan Synthetics Limited

## DIRECTORS' REPORT

### *DIRECTORS TRAINING PROGRAM*

*During the year, one Director of the Company had obtained certification of Director Training Program.*

### *APPOINTMENT OF CHIEF EXECUTIVE*

*During the year, Mr. Anwar Haji Karim has been reappointed as Chief Executive of the Company for a term of 3 years with effect from 15 April 2016.*

### *PATTERN OF SHARE HOLDING*

*The pattern of share holding as on 30 June 2016 is annexed.*

### *AUDITORS*

*The present auditors of the Company, KPMG Taseer Hadi & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment. The Directors endorsed recommendation of the Audit Committee for their re-appointment for the year ending 30 June 2017.*

### *ACKNOWLEDGEMENT*

*The Management would like to place on record its appreciation for dedication and hard work rendered by its employees and workers for their dedication.*

*For and on behalf of the Board of Directors*

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**ANWAR HAJI KARIM**  
**CHIEF EXECUTIVE**

Karachi  
Dated: 28 September 2016

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# Pakistan Synthetics Limited

## MISSION STATEMENT

### *Our Mission.*

*Our Mission is to be the most efficient manufacturer of high performance packaging requirements of Industry in Pakistan.*



### *Our Vision.*

*To be an End to End solution provider for our partners, instead of working in a vendor-supplier model whereby all needs of our customers is catered by Pakistan Synthetics Limited.*

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# Pakistan Synthetics Limited

## STATEMENT OF ETHICS AND BUSINESS PRACTICES

- *PSL resolves to always place the company's interest first;*
- *PSL resolves to excel through resource management namely, human (professional & technical both), financial and other infrastructural facilities and to ensure reasonable return to all the stakeholders;*
- *PSL conducts business as a responsible and law abiding corporate member of society to achieve its legitimate commercial objectives and supports unconditionally the Compliance with the Best Practices of Corporate Governance for the betterment of the corporate culture;*
- *PSL expects from its employees full integrity, total honesty, fair and impartial practices in all aspects of its business;*
- *PSL resolves to adopt fair and ethical marketing practices and to prepare itself to face the challenges of open markets under WTO by supplying its customers quality Polyester Staple Fiber at competitive prices;*
- *PSL resolves not to compromise on principles.*

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- 📈 Stock trading simulator (based on live feed from KSE)
- 📖 Knowledge center
- 📊 Risk profiler\*
- 📄 Financial calculator
- 📧 Subscription to Alerts (event notifications, corporate and regulatory actions)
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- 🖥️ Online Quizzes



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\*Mobile apps are also available for download for android and ios devices



# Pakistan Synthetics Limited

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2016

*This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.5.19.23.(a) of listing regulations of Pakistan Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed entity is managed in compliance with the best practices of corporate governance.*

*The Company has applied principles contained in the Code in the following manner:*

- The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:*

<b>Category</b>	<b>Name</b>
<i>Independent Directors</i>	<i>1) Aamir Amin</i>
<i>Executive Directors</i>	<i>1) Anwar Haji Karim</i>
	<i>2) Yakoob Haji Karim</i>
<i>Non-Executive Directors</i>	<i>1) Umer Haji Karim</i>
	<i>2) Sajid Haroon</i>
	<i>3) Abid Umer</i>
	<i>4) Pir Mohammad A. Kaliya</i>
	<i>5) Muhammad Aslam Motiwala</i>

*The independent directors meet the criteria of independence under clause 5.19.1.(b) of the Code of Corporate Governance*

- 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).*
- 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 Development Financial Institution or a Non-Banking Financial Institution. None of the directors is a member of a stock exchange, has been declared as a defaulter by that stock exchange.*
- There was no casual vacancy in the Board during 2016.*
- 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.*
- The Board has developed 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.*
- All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board/Shareholders.*

# Pakistan Synthetics Limited

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2016

8. *The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.*
9. *During the year, one Director of the Company has attended Director Training Program (DTP) Program organized by Institute of Chartered Accountants of Pakistan (ICAP). The Directors, being in the corporate sector for long time, are fully conversant with their duties and responsibilities, listing regulations of Stock Exchange, legal requirements and operational imperatives of the Company.*
10. *The Board had approved appointment of CFO, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment.*
11. *The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.*
12. *The financial statements of the Company were duly endorsed and signed by the CEO and CFO before approval of the Board.*
13. *The CEO, directors and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.*
14. *The Company has complied with all the corporate and financial reporting requirements of the Code.*
15. *The Board has formed an Audit Committee. At present, it comprises three members, of whom all directors are non-executive and the chairman of the Committee is an independent director.*
16. *The meetings of the Audit Committee were held at least once every quarter. Further meetings were held prior to approval of interim and final results of the Company as required by the Code. 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 three members of whom two are non-executive directors and the chairman of the Committee is a non-executive director.*
18. *The Board has established an in-house internal audit function that is considered suitably qualified and experienced for the purpose and is conversant with 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 programme of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.*

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# Pakistan Synthetics Limited

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2016

20. *The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations 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. *The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management office in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.*
24. *We confirm that all other material principles enshrined in the Code have been complied with.*

Karachi  
Dated: 28 September 2016

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ANWAR HAJI KARIM  
Chief Executive

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# Pakistan Synthetics Limited

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

*We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (“the Code”) prepared by the Board of Directors of Pakistan Synthetics Limited (“the Company”) for the year ended 30 June 2016 to comply with the requirements of Listing Regulations of Pakistan Stock Exchange 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 the 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 under taken 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.*

Karachi  
Dated: 28 September 2016

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KPMG TASEER HADI & CO.  
Chartered Accountants  
Moneeza Usman Butt



# Pakistan Synthetics Limited

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Pakistan Synthetics 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 as applicable in Pakistan 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 2.5 with which we concur.
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2016 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Karachi  
Dated: 28 September 2016

KPMG TASEER HADI & CO.  
Chartered Accountants  
Moneeza Usman Butt

# Pakistan Synthetics Limited

## Balance Sheet

AS AT 30 JUNE 2016

Note **2016** 2015  
(RUPEES IN '000)

### Equity and liabilities

#### Shareholders' equity

Authorised capital of 70,000,000  
ordinary shares of Rs. 10 each

**700,000** 700,000

Issued, subscribed and  
paid-up capital

4 **560,400** 560,400

General reserve

**292,450** 292,450

Unappropriated profit

**386,807** 295,940

#### Total shareholders' equity

**1,239,657** 1,148,790

### Liabilities

#### Non-current liabilities

Long term finance - secured

5 **429,817** 266,906

Staff retirement benefits

6 **14,554** 13,484

Deferred taxation

7 **45,099** 48,962

#### Total non-current liabilities

**489,470** 329,352

#### Current liabilities

Trade and other payables

8 **1,026,041** 507,585

Accrued markup

**20,457** 19,996

Short term borrowings - secured

9 **960,873** 732,363

Current portion of long term  
finance

5 **137,089** 158,147

#### Total current liabilities

**2,144,460** 1,418,091

#### Total equity and liabilities

**3,873,587** 2,896,233

Contingencies and Commitments

10

The annexed notes 1 to 40 form an integral part of these financial statements.

ANWAR HAJI KARIM  
Chief Executive

YAKOUB HAJI KARIM  
Director

# Pakistan Synthetics Limited

## Balance Sheet

AS AT 30 JUNE 2016

	Note	2016 (RUPEES IN '000)	2015
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	1,711,444	1,260,198
Long term loan to employees	12	307	773
Long term deposits	13	1,464	744
<b>Total non-current assets</b>		<b>1,713,215</b>	<b>1,261,715</b>
<b>Current assets</b>			
Stores and spares	14	183,588	188,768
Stock-in-trade	15	948,173	621,731
Trade debts	16	646,135	633,821
Loans and advances	17	27,282	9,574
Short term deposits and prepayments	18	1,376	36
Investment	19	-	5,138
Other receivables	20	72,778	505
Taxation - net		273,404	171,872
Cash and bank balances	21	7,636	3,073
<b>Total current assets</b>		<b>2,160,372</b>	<b>1,634,518</b>
<b>Total assets</b>		<b>3,873,587</b>	<b>2,896,233</b>

The annexed notes 1 to 40 form an integral part of these financial statements.

ANWAR HAJI KARIM  
Chief Executive

YAKOOB HAJI KARIM  
Director

# Pakistan Synthetics Limited

## Profit and Loss Account

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 (RUPEES IN '000)	2015
Net sales	22	1,661,248	1,543,633
Cost of sales	23	<u>(1,206,571)</u>	<u>(1,175,018)</u>
Gross profit		454,677	368,615
Distribution and selling costs	24	(54,331)	(45,907)
Administration and general expenses	25	(33,597)	(25,805)
Other operating (expenses) / income	26	(30,868)	850
		<u>(118,796)</u>	<u>(70,862)</u>
		335,881	297,753
Other income / (loss)	27	<u>142</u>	<u>(22,859)</u>
Operating profit before finance costs		336,023	274,894
Finance costs	28	(114,335)	(124,694)
Profit before taxation		<u>221,688</u>	<u>150,200</u>
Taxation	29	(20,070)	24,755
<b>Profit after taxation from continuing operation</b>		<u>201,618</u>	<u>174,955</u>
<b>Loss after taxation from discontinued operation</b>	30	(110,112)	(184,949)
<b>Profit / (loss) for the year</b>		<u><u>91,506</u></u>	<u><u>(9,994)</u></u>
		(RUPEES)	
Earnings / (loss) per share - basic and diluted	31	<u><u>1.63</u></u>	<u><u>(0.18)</u></u>

The annexed notes 1 to 40 form an integral part of these financial statements.

ANWAR HAJI KARIM  
Chief Executive

YAKOOB HAJI KARIM  
Director

# Pakistan Synthetics Limited

## Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2016

Note

2016

2015

(RUPEES IN '000)

**Profit / (loss) for the year**

91,506

(9,994)

Items that will never be reclassified to profit and loss account

Remeasurements of defined benefit liability

(913)

11,696

Tax thereon

274

(3,509)

(639)

8,187

**Total comprehensive income for the year**

**90,867**

**(1,807)**

The annexed notes 1 to 40 form an integral part of these financial statements.

ANWAR HAJI KARIM  
Chief Executive

YAKOOB HAJI KARIM  
Director



# Pakistan Synthetics Limited

## Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 (RUPEES IN '000)	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit / (loss) before taxation		95,856	(36,112)
Adjustments for:			
Depreciation		174,617	163,720
Dividend income		-	(11,636)
Charge for staff gratuity		3,087	2,568
Profit on disposal of property, plant and equipment		(1,173)	(4,755)
Profit on saving and deposit accounts		(2)	(9)
Finance costs		113,607	137,545
Provision for slow moving and obsolete stock		-	11,977
Provision for doubtful debts and deposits - net		28,159	9,239
		<u>414,151</u>	<u>272,537</u>
<i>Movement in:</i>			
Working capital changes	36	65,411	238,078
Long term deposit - net		(720)	-
Long term loan to employees - net		466	75
Net cash from operations		<u>479,308</u>	<u>510,690</u>
Staff gratuity paid		(2,930)	(13,303)
Financial charges paid		(113,146)	(135,633)
Taxes paid		(109,471)	(74,499)
<b>Net cash generated from operating activities</b>		<u>253,761</u>	<u>287,255</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditures		(630,176)	(296,003)
Advance against investment		-	199,290
Investment - net		5,138	(5,138)
Proceeds from disposal of property, plant and equipment		5,486	7,374
Profit on saving accounts received		2	9
Net cash used in investing activities		<u>(619,550)</u>	<u>(94,468)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long term diminishing musharka - net		141,853	46,844
Short term foreign currency loan and money market loan - net		(9,483)	(30,970)
Dividend received		-	11,636
Dividend paid		(11)	(15,413)
Net cash generated from financing activities		<u>132,359</u>	<u>12,097</u>
Net (decrease) / increase in cash and cash equivalents		<u>(233,430)</u>	<u>204,884</u>
Cash and cash equivalents at beginning of the year		<u>(210,671)</u>	<u>(415,555)</u>
Cash and cash equivalents at end of the year		<u>(444,101)</u>	<u>(210,671)</u>
<b>CASH AND CASH EQUIVALENTS COMPRISE</b>			
Cash and bank balances	21	7,636	3,073
Running finance under mark-up arrangement	9.3	(451,737)	(213,744)
		<u>(444,101)</u>	<u>(210,671)</u>

The annexed notes 1 to 40 form an integral part of these financial statements.

ANWAR HAJI KARIM  
Chief Executive

YAKOOB HAJI KARIM  
Director

# Pakistan Synthetics Limited

## Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2016

	Issued, subscribed and paid-up capital	General reserve	Unappropriated profit	Total reserves	Total
	(RUPEES IN '000)				
<b>Balance as at 1 July 2014</b>	560,400	292,450	313,702	606,152	1,166,552
<b>Total comprehensive income for the year ended 30 June 2015</b>					
Loss for the year	-	-	(9,994)	(9,994)	(9,994)
Other comprehensive income	-	-	8,187	8,187	8,187
	-	-	(1,807)	(1,807)	(1,807)
<b>Transactions with owners recorded directly in equity - distributions</b>					
Final dividend for the year ended 30 June 2014 (Re.1 per share)	-	-	(15,955)	(15,955)	(15,955)
<b>Balance as at 30 June 2015</b>	560,400	292,450	295,940	588,390	1,148,790
<b>Total comprehensive income for the year ended 30 June 2016</b>					
Profit for the year	-	-	91,506	91,506	91,506
Other comprehensive income	-	-	(639)	(639)	(639)
	-	-	90,867	90,867	90,867
<b>Balance as at 30 June 2016</b>	560,400	292,450	386,807	679,257	1,239,657

The annexed notes 1 to 40 form an integral part of these financial statements.

*ANWAR HAJI KARIM*  
Chief Executive

*YAKOOB HAJI KARIM*  
Director

# Pakistan Synthetics Limited

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

### 1. STATUS AND NATURE OF BUSINESS

*Pakistan Synthetics Limited (the Company) was incorporated on 18 November 1984 as a private limited company in Pakistan and subsequently converted into a public limited company on 30 December 1987. The shares of the Company are listed on Pakistan Stock Exchange (formerly they were listed on all stock exchanges (Karachi, Lahore and Islamabad of Pakistan) with effect from 27 June 1995. The principal activity of the Company is manufacturing and sale of Plastic Caps and Crown Caps and Polyester Staple Fibre. The registered office of the Company is situated at 3rd floor, K.D.L.B, building, 58, West Wharf, Karachi.*

*Last year, the Board of Directors in their meeting held on 20 April 2015 decided to convert existing polyester staple fibre plant into PET resin manufacturing plant by making necessary modifications in existing plant.*

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

*These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the 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 of, or directives issued under the Companies Ordinance, 1984 shall prevail.*

#### 2.2 Basis of measurement

*These financial statements have been prepared under the historical cost convention except for the Company's liability under defined benefit plan (gratuity) which is determined based on the present value of defined benefit obligation less fair value of plan assets and investments classified as held for trading which are stated at fair value.*

#### 2.3 Functional and presentation currency

*These financial statements are presented in Pakistan Rupees which is Company's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand of rupees, unless otherwise stated.*

#### 2.4 Use of estimates and judgments

*The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses.*

# Pakistan Synthetics Limited

*The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates underlying the assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with significant risk of material judgment in the next year are described in the following:*

- i) *Employee benefits (note 3.1)*
- ii) *Income taxes (note 3.3)*
- iii) *Property, plant and equipment (refer note 3.4)*
- iv) *store and spares and Stock in trade (note 3.5 & 3.6)*
- v) *Impairment (note 3.11)*

## **2.5 Standards, amendments and interpretations which became effective during the year**

*During the year certain amendments to standards or new interpretations became effective; however, the amendments or interpretation did not have any material effect on the financial statements of the Company, except for the following:*

- *IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. As a result, the Company has included additional disclosures in this regard (see note 33.4).*

*In accordance with the transitional provisions of IFRS 13, the Company has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Company's assets and liabilities.*

- *Securities and Exchange Commission of Pakistan vide circular no. 14 of 2016 "Implementation of Mandatory Disclosure for Listed Companies for All Shares Islamic Index Screening" issued on 21 April 2016 directed all listed companies under section 506B of the Companies Ordinance, 1984 (XLVII of 1984) read with section 505 thereof and Section 40B of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997) to disclose all Islamic related transactions and balances in their annual and half yearly financial statements. The application of circular no. 14 did not have an impact on the financial statements of the Company, except certain additional disclosures.*

# Pakistan Synthetics Limited

## 2.6 Standards, Interpretations and Amendments not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 July 2016 and the Company does not expect to have any material / significant changes in its accounting policy except for disclosures, where applicable:

- *Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.*
- *Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures) [effective for annual periods beginning on or after 1 January 2016] clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity.*
- *Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business.*
- *Amendment to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.*
- *Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.*
- *Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.*



# Pakistan Synthetics Limited

- *Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.*
- *Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognised for new and outstanding awards.*

*Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:*

- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.*
- *IFRS 7 'Financial Instruments - Disclosures'.*
- *IAS 19 'Employee Benefits'.*
- *IAS 34 'Interim Financial Reporting'.*

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*The significant accounting policies set out below have been consistently applied to all the years presented except for changes stated in note 2.5.*

#### **3.1 Employee benefits**

##### *Defined benefit scheme*

*The Company operates an unfunded Gratuity Scheme (the Plan) for eligible employees of the Company. The Company's obligation under the scheme is determined through actuarial valuation carried out at each year end under the Projected Unit Credit Method. Remeasurements which comprise actuarial gains and losses are recognized immediately in other comprehensive income. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. Interest cost and current service cost are recognized in profit and loss account. The latest actuarial valuation was conducted at the balance sheet date by a qualified professional firm of actuaries.*

##### *Compensated absences*

*The Company accounts for its liability towards accumulated compensated absences for the permanent*

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# Pakistan Synthetics Limited

## 3.2 Financial instruments

### 3.2.1 Financial assets

#### 3.2.1.1 Classification

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39) 'Financial Instruments: Recognition and Measurement' at the time of purchase of financial assets. The financial assets of the Company are categorized as follows:

**a) Financial assets at fair value through profit or loss**

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified in 'financial assets at fair value through profit or loss' category.

**b) Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise of trade debts, loans and advances, deposits, other receivables and cash and bank balances in the balance sheet.

**c) Held-to-maturity**

These are financial assets with fixed or determinable payments and fixed maturity which the Company has the positive intent and ability to hold to maturity.

**d) Available-for-sale financial assets**

Financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in equity prices, are classified as 'available for sale'. Available for sale financial instruments are those non-derivative financial assets that are designated as available for sale or are not classified either as (a) financial assets at fair value through profit or loss; (b) loans and receivables; (c) held to maturity.

#### 3.2.1.2 Initial recognition and measurement

All financial assets are recognised at the time the Company becomes a party to the contractual provisions of the instrument. Financial assets are initially recognised at fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

#### 3.2.1.3 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows:

# Pakistan Synthetics Limited

## a) **'Financial asset at fair value through profit or loss' and 'available-for-sale'**

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified in 'financial assets at fair value through profit or loss' category.

Financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in equity prices, are classified as 'available for sale'. Available for sale financial instruments are those non-derivative financial assets that are designated as available for sale or are not classified either as (a) financial assets at fair value through profit or loss; (b) loans and receivables; (c) held to maturity.

### **Basis of valuation of quoted equity securities**

The fair value of a security listed on a stock exchange, local or foreign as the case may be, is valued at its last sale price on such exchange on the date on which it is valued or if such exchange is not open on such date, then at its last sale price on the next preceding date on which such exchange was open and if no sale is reported for such date the security is valued at an amount neither higher than the closing ask price nor lower than the closing bid price.

## b) **'Loans and receivables' and 'held-to-maturity'**

Loans and receivables and held-to-maturity financial assets are carried at amortised cost.

### **3.2.1.4 Trade debts, loans and advances, deposits and other receivables**

These are recognised initially at fair value and subsequently measured at amortised cost or cost, as the case may be, less provision for impairment, if any. A provision for impairment is established when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Items considered irrecoverable are written off.

### **3.2.1.5 Cash and cash equivalents**

Cash and cash equivalents for cash flow purposes include cash in hand and balances held with banks and short term running finance availed by the Company, which are payable on demand and form an integral part of the Company's cash management.

### **3.2.2 Financial liabilities**

Financial liabilities are initially recognised on trade date i.e. date on which the Company becomes party to the respective contractual provisions. Financial liabilities represent mark-up bearing borrowings and trade and other payables. Financial liabilities are initially recognised on trade date i.e. the date on which the Company becomes party to the respective contractual provisions of the instruments. The Company derecognizes the financial liabilities when it ceases to be a party to such contractual provisions of the instruments.

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# Pakistan Synthetics Limited

## **3.2.2.1 Markup bearing borrowings and borrowing costs**

Mark-up bearing borrowings are recognized initially at fair value, less attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognised in profit and loss account over the period of borrowings on an effective interest basis.

Borrowing costs are recognised as an expense in the period in which these are incurred, except to the extent that they are directly attributable to the acquisition or construction of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) in which case these are capitalised as part of cost of that asset.

## **3.2.2.2 Derivative financial instruments**

Derivatives are recognised initially at fair value; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, when a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting or when the derivative does not qualify for hedge accounting are measured at fair value and all changes in its fair value are recognised immediately in profit or loss.

The fair value of forward exchange contracts is estimated using appropriate valuation techniques. These are carried as assets when the fair value is positive and liabilities when the fair value is negative.

## **3.2.2.3 Trade and other payables**

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost.

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

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set-off the recognized amounts and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

## **3.3 Taxation**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised in equity or in other comprehensive income respectively. In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

### **Current**

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year.

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# Pakistan Synthetics Limited

## *Deferred*

*Deferred tax is recognized using balance sheet method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantively enacted at the balance sheet date.*

*Deferred tax liabilities are recognised for all taxable temporary differences. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realised.*

## **3.4 Property, plant and equipment**

### ***Operating assets and depreciation***

#### *Initial recognition*

*The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of such item can be measured reliably.*

*Recognition of the cost in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by the management.*

#### *Measurement*

*Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of property, plant and equipment includes:*

- (a) its purchase price including import duties, non refundable purchase taxes after deducting trade discounts and rebates;*
- (b) any other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management; and*
- (c) Borrowing costs, if any.*

*When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.*

#### ***Subsequent expenditure (including normal repairs and maintenance)***

*Expenditures incurred to replace a significant component of an item of property, plant and equipment is capitalised and the asset so replaced is retired. Other subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the items can be measured reliably. All other expenditures (including normal repairs and maintenance) is recognised in the profit and loss account as an expense when it is incurred.*



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# Pakistan Synthetics Limited

## *Depreciation*

*Depreciation on all items is charged on straight line method. The useful lives for depreciation are indicated in note 11.1.*

*Depreciation on additions to property, plant and equipment is charged from the quarter the asset is available for use upto the quarter prior to disposal.*

*Depreciation methods, useful lives and residual values of each part of property, plant and equipment that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each balance sheet date.*

## *Gains and losses on disposal*

*The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognized in the profit and loss account.*

## *Capital work in progress*

*Capital work in progress is stated at cost less impairment loss, if any and consists of expenditures incurred (including any borrowing cost, if applicable) and advances made in the course of their construction and installation. Transfers are made to relevant asset category as and when assets are available for intended use.*

### **3.5 Stores and spares**

*Stores and spares are valued at weighted average cost except for items in transit which are stated at cost. Provision for obsolete and slow moving stores and spares is determined based on management's estimate regarding their future usability.*

### **3.6 Stock-in-trade**

*These are valued at lower of cost and net realisable value less impairment loss, if any. Cost is determined under the weighted average basis. Cost comprises all costs of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition, except for cost of work in process which comprises of raw material cost only as conversion costs are not significant.*

*Net realisable value is 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.*

### **3.7 Revenue recognition**

*Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods.*

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# Pakistan Synthetics Limited

*Interest income is accrued on a time apportion basis on the principal outstanding at the rates applicable.*

*Gains and losses on sale of investments are accounted for when the commitment (trade date) for sale of security is made.*

*Unrealized gains and losses arising on revaluation of securities classified as 'held for trading' are recognized in the profit and loss account in the period in which they arise. Gains and losses arising on revaluation of derivatives to the fair value are also recognized in the profit and loss account.*

*Dividend income is recognized when the right to receive the same is established i.e. the book closure date of the investee company declaring the dividend.*

*Miscellaneous income is recognized on receipt basis.*

## **3.8 Expenses**

*All expenses are recognised in the profit and loss account on an accrual basis.*

## **3.9 Foreign currency translation**

*Transactions in foreign currencies are translated into Pakistani rupees at the rates of exchange approximating those prevailing on the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pakistani rupees at the rates of exchange ruling on the balance sheet date. Exchange differences are included in the profit and loss account currently.*

## **3.10 Provisions**

*A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are measured at the present value of expected expenditure, discounted at a pre tax rate that reflects current market assessment of the time value of money and the risk specific to the obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.*

## **3.11 Impairment**

### *Financial assets*

*A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.*

*Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit and loss account. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.*

# Pakistan Synthetics Limited

## *Non-Financial assets*

The carrying amounts of the Company's non financial assets, other than deferred tax assets and inventories are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount, being higher of value of use and fair value less costs to sell, is estimated. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

### **3.12 Discontinued operation**

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from rest of the Company's business and which:

- represents a separate major line of business or geographical area of operations,
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary acquired exclusively with a view to resale.

Classification as discontinued operation occurs on disposal, abandoning or when the operation meets the criteria to be classified as held for sale. When an operation is classified as discontinued operation, the comparative profit and loss account is represented as if the operation had been discontinued from the start of the comparative year.

### **3.13 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting structure. Management monitors the operating results of the business separately for the purpose of making decisions regarding resource allocation and performance assessment. All operating segments' operating results are reviewed regularly by the Company's Chief Executive Officer and Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. The business of the Company has two reportable operating segments i.e., Polyester Staple Fibre segment and Crown and Plastic Caps segment.

Segment results that are reported for review and performance evaluation include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and liabilities, certain other operating income and expenses, certain finance costs, tax assets and liabilities and income tax expense.

Segment capital expenditure is the total cost incurred during the year to acquire tangible fixed assets and intangible assets other than goodwill.

### **3.14 Dividend and appropriation to / from reserves**

Dividend distribution to the Company's shareholders and appropriation to / from reserves is recognized in the period in which these are approved.

# Pakistan Synthetics Limited

## 4. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2016 (Number Of Shares)			2016 (RUPEES IN '000)	
37,360,000	37,360,000	Ordinary shares of Rs. 10 each fully paid in cash	373,600	373,600
18,680,000	18,680,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	186,800	186,800
<b>56,040,000</b>	<b>56,040,000</b>		<b>560,400</b>	<b>560,400</b>

## 5. LONG TERM FINANCE - secured

### Islamic

Long term finances utilised under diminishing musharka	566,906	425,053
Current portion of long term finances shown under current liabilities	(137,089)	(158,147)
	<b>429,817</b>	<b>266,906</b>

The Company has entered into Diminishing Musharka arrangements with following banks as under:

Bank Al-Habib Limited - Islamic Banking Division	5.1	31,250	156,250
Meezan Bank Limited	5.2	177,096	191,628
Askari Bank Limited - Islamic Banking Services	5.3	358,560	77,175
		<b>566,906</b>	<b>425,053</b>

- 5.1** The Company has entered into a Diminishing Musharka arrangement with Bank Al-Habib Limited - Islamic Banking Division (an associated banking company). It carries profit at the rate of 6 months average KIBOR plus 1% (2015: 6 months average KIBOR plus 1%) per annum with a floor of 10% per annum and cap of 20% per annum and is payable on quarterly basis. The tenor of facility is five years with grace period of 12 months from the date of draw down. The principal is payable in 16 equal quarterly installments with the last installment of principal amounting to Rs. 31.250 million due in September 2016. This facility is secured against registered hypothecation charge over specific plant and machinery of plastic and crown caps project.
- 5.2** The Company has entered into Diminishing Musharka arrangements with Meezan Bank Limited amounting to Rs. 58.13 million and Rs. 140.77 million. These carry profit at the rate of 6 months KIBOR plus 0.5% per annum and 6 months average KIBOR + 0.6% per annum respectively, with a floor of 6% per annum and cap of 24% per annum and is payable on semi-annual basis. The tenor of facilities is upto five years with grace period of 1 year from the date of draw down. The principal is payable in 8 equal semi-annual installments and last installment is payable on 23 October 2018 and 25 January 2020 respectively. These facilities are secured against 1st exclusive charge over specific fixed asset of the Company with 25% margin to be covered through 1st pari-pasu charge over general plant and machinery.
- 5.3** This represents Diminishing Musharka arrangements entered with Askari Bank Limited - Islamic Banking Services amounting to Rs. 38.83 million and Rs. 54.25 million. These carry profit at the rate of 3 months average KIBOR + 0.5% per annum with a floor of 7% and cap of 25% per annum and is payable on quarterly basis in arrears. The tenor of the facilities are five years from the date of drawdown. The principal is payable in 20 equal quarterly installments and last installment is payable on 20 June 2019 and 09 July 2019 respectively. The facilities are secured against registered hypothecation charges over specific plant and machinery of plastic and crown. During the period, the Company has made arrangement for third Diminishing Musharka amounting to Rs. 300 million with the Bank which carry profit at 3 month average KIBOR + 0.8% per annum with a floor of 4% and cap of 25%. The tenor of the facility is five years from the date of drawdown with one year grace period with first installment is payable on 27 February 2017. The facility is secured against registered hypothecation charges over general plant and machinery.

# Pakistan Synthetics Limited

## 6. STAFF RETIREMENT BENEFITS

### 6.1 Defined benefit gratuity scheme

Principal actuarial assumptions used in the actuarial valuation of the fund carried out under Projected Unit Credit Method as at 30 June 2016 are as follows:

	2016	2015
- Discount rate per annum	9.0%	10.5%
- Expected rate of increase in salary level per annum	9.0%	10.5%
- Normal retirement age - years	60	60
- Death rate - mortality table	EFU 61-66	EFU 61-66

The amounts recognised in balance sheet are as follows:

	2016 (RUPEES IN ,000)	2015
Present value of defined benefit obligation	14,554	13,484
Fair value of plan assets	-	-
	<u>14,554</u>	<u>13,484</u>

### Movement in net defined benefit liability

Opening balance	13,484	35,915
Charge for the year	3,087	2,568
Re-measurement: Actuarial loss / (gain) recognised in other comprehensive income	913	(11,696)
Benefits paid	(2,930)	(13,303)
Closing balance	<u>14,554</u>	<u>13,484</u>



# Pakistan Synthetics Limited

## Amounts recognized in total comprehensive income

The following amounts have been charged in respect of these benefits to profit and loss account and other comprehensive income:

	2016	2015
	(RUPEES IN ,000)	
<i>Component of defined benefit costs recognised in profit and loss account</i>		
Current service cost	1,825	2,652
Past service cost	-	(3,157)
Interest cost	1,262	3,073
	<u>3,087</u>	<u>2,568</u>
<i>Component of defined benefit costs (re-measurement) recognised in other comprehensive income</i>		
Re-measurements: Actuarial (gain) / loss on obligation		
- (Gain) / loss due to change in financial assumptions	-	-
- (Gain) / loss due to change in demographic assumptions	-	-
- Loss / (gain) due to change in experience adjustments	913	(11,696)
	<u>913</u>	<u>(11,696)</u>
Total defined benefit cost / (income) recognised in profit and loss account and other comprehensive income	<u>4,000</u>	<u>(9,128)</u>
Expected contribution in the following year	<u>2,971</u>	<u>3,009</u>
Expected benefit payments to retire in the following year	<u>3,083</u>	<u>4,143</u>
Re-measurements: Accumulated actuarial loss / (gain) recognised in other comprehensive income	<u>913</u>	<u>(11,696)</u>
Weighted average duration of the defined benefit obligation (years)	<u>11.18</u>	<u>11.82</u>
<b>Analysis of present value of defined benefit obligation</b>		
Type of Members:		
- Management	11,899	11,893
- Non - management	2,655	1,591
	<u>14,554</u>	<u>13,484</u>
Vested / Non-Vested		
- Vested benefits	11,112	9,800
- Non - vested benefits	3,442	3,684
	<u>14,554</u>	<u>13,484</u>
Type of benefits		
- Accumulated benefit obligation	12,215	11,616
- Amount attributed to future salary increase	2,339	1,868
	<u>14,554</u>	<u>13,484</u>

# Pakistan Synthetics Limited

## Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	2016	2015
	(RUPEES IN '000)	
Discount rate + 1%	<u>13,213</u>	<u>12,205</u>
Discount rate - 1%	<u>16,161</u>	<u>15,046</u>
Long term salary increase + 1%	<u>16,206</u>	<u>15,030</u>
Long term salary decrease - 1%	<u>13,154</u>	<u>12,194</u>

## 7. DEFERRED TAXATION

Deferred tax liability comprises of taxable / (deductible) temporary differences in respect of the following:

### Taxable temporary difference

Accelerated tax depreciation	116,157	130,962
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### Deductible temporary differences

Provision for staff gratuity	(4,366)	(4,045)
Provision for doubtful debts, slow moving and obsolete stocks stores and spares and doubtful deposits	(59,851)	(51,370)
Minimum tax, un-used tax credits and tax losses	(6,841)	(26,585)
	<u>(71,058)</u>	<u>(82,000)</u>
	<u>45,099</u>	<u>48,962</u>

## 8. TRADE AND OTHER PAYABLES

Trade creditors including bills payable		515,638	142,422
Murabaha	8.1	284,976	311,442
Tijarah	8.1	49,889	18,084
Istisna	8.1	110,164	-
Derivative financial liability		-	11,288
Accrued expenses		752	984
Advances from customers		1,698	1,903
Workers' welfare fund		3,637	-
Workers' profit participation fund	8.2	5,236	-
Unclaimed dividend		3,743	3,754
Bonus payable		-	5,790
Insurance premium payable		2,361	4,450
Due to employees	8.3	11,195	552
Sales tax payable		735	1,510
Short term compensated absences		1,916	1,783
Provision for Government levies	8.4	1,000	1,000
Provision for gas infrastructure cess		20,022	2,598
Others		13,079	25
		<u>1,026,041</u>	<u>507,585</u>

# Pakistan Synthetics Limited

**8.1** The Company has obtained facility of Rs. 709.147 million (2015: Rs. 609.232 million) from Islamic banks for short term finance under Murabaha, Tijarah and Istisna financing arrangement and has availed Rs. 281.544 million under Murabaha financing, Rs. 48.864 million under Tijarah financing and Rs. 109.728 million under Istisna financing as at 30 June 2016 (2015: Rs. 233.532 million and USD 735,799 under Murabaha financing and Rs. 17.568 million under Tijarah financing). The rate of profit approved by the bank at time of disbursement ranges from 6.32% to 7.26% and 2.5% for USD (2015: 7.00% to 10.40% and 2.25% to 3% for USD). This facility can be availed in either in Pakistani rupees or in USD and carries profit at the preferential rate as approved by the bank from time to time and is based on KIBOR. This facility matures within six months and is renewable. During the period, the Company has availed Murabaha facility in Pak Rupees and purchased material valuing Rs. 404.711 million at sale amount of Rs.417.960 million in PKR and purchased material of USD 177,102 at sales value of USD 179,303. The repayment is due after six months from the date of purchase. Moreover, the Company has availed Rs. 120.116 million (2015: Rs. 128.287 million) under Tijarah financing and Rs. 208.953 million (2015: Rs. Nil) under Istisna financing during the year. The arrangement is secured against pari passu hypothecation charge on moveable and receivables of the Company.

<b>8.2 Workers' profit participation fund</b>		<b>2016</b>	<b>2015</b>
		<b>(RUPEES IN '000)</b>	
Balance as at 1 July		-	3,803
Interest on funds utilised in the Company's business at Nil (2015: 12%) per annum	28	-	339
		-	4,142
Allocation for the year	26	<b>5,236</b>	-
Payment made		-	(4,142)
Balance as at 30 June		<b>5,236</b>	-

**8.3** This represents salary and gratuity payable to employees amounting to Rs. 9.045 million (2015: Rs. 0.427 million) and Rs. 2.150 million (2015: Rs. 0.125 million) respectively.

**8.4 Movement in provision for Government levies is as follows:**

Opening balance		<b>1,000</b>	1,000
Provided during the year	26	-	3
		<b>1,000</b>	1,003
Payment / adjustment during the year		-	(3)
Closing balance		<b>1,000</b>	1,000

**9. SHORT TERM BORROWINGS - secured**

<b>Conventional</b>			
Short term import finance under mark-up arrangement	9.1	<b>209,136</b>	218,619
Money market loan under mark-up arrangement	9.2	<b>300,000</b>	300,000
Running finance under mark-up arrangement	9.3	<b>451,737</b>	213,744
		<b>960,873</b>	732,363

**9.1** The facilities for short term import finance under Foreign Exchange Circular No. 25 dated 20 June 1998 available from various commercial banks are for the purpose of meeting import requirements. This facility availed, is from an associated banking company for an amount of USD 1.341 million and EUR 0.590 million equivalent to Rs. 209.136 million (2015: USD 1.551 million and EUR 0.535 million equivalent to Rs. 218.619 million). The rates of mark-up on these finances range from 1.8% to 2.8% (2015: 1.8% to 2.8%) per annum. These facilities mature within six months and are renewable. The arrangement is secured against first pari passu charge by way of registered hypothecation over Company's stock and trade debts.

# Pakistan Synthetics Limited

- 9.2** The facility for money market is available from an associated banking company for the purpose of meeting working capital requirement. The rate of mark-up on this financing arrangement is agreed at KIBOR plus 0.50% (2015: KIBOR plus 0.50%) per annum. The arrangement is secured against registered hypothecation over Company's stock and trade debts.
- 9.3** The facilities for running finance available from various commercial banks are for the purpose of meeting working capital requirements. The rates of mark-up on these finances range from KIBOR plus 0.50% to KIBOR plus 1.00% (2015: KIBOR plus 0.50% to KIBOR plus 1.00%) per annum. These facilities mature within twelve months and are renewable. The arrangement is secured against first pari passu charge by way of registered hypothecation over Company's stock and trade debts.
- 9.4** As at 30 June 2016, the unavailed facilities from the above borrowings amounted to Rs. 40.354 million (2015: Rs. 295.847 million).

## **10. CONTINGENCIES AND COMMITMENTS**

### **10.1 Contingencies**

**10.1.1** The facility for opening letter of guarantees from an associated banking company amounted to Rs. 100 million (2015: 100 million). Bank guarantees amounting to Rs. 77.839 million (2015: Rs. 76.891 million) have been issued in favour of Sui Southern Gas Company Limited for payment of gas bills and others.

**10.1.2** As per the Gas infrastructure and Development Cess Act, 2011 (the Act), certain companies as specified in the Act (including Sui Southern Gas Company Limited) shall collect and pay Gas infrastructure and Development Cess (GID Cess) in such manner as the Federal Government may prescribe. As per the second schedule of the Act, GID Cess of Rs. 13 per MMBTU was applicable to the Company. Through Finance Bill 2012 – 2013, an amendment was made to the Act whereby the rate of GID Cess applicable on Pakistan Synthetics Limited was increased to Rs. 50 per MMBTU. On 3 August 2012, the Company filed a suit bearing number 865/2012 wherein it has impugned the Act on the ground that the rate of GID Cess has been enhanced without any lawful justification and authority. The Honourable High Court of Sindh at Karachi vide its ad-interim order dated 6 September 2012 has restrained Sui Southern Gas Company Limited (SSGC) from charging GID Cess above Rs. 13 per MMBTU. As a result, SSGC invoices the Company at Rs. 13 per MMBTU which has been recorded and paid through monthly bills.

Peshawar High Court vide order dated 13 June 2013 declared that the provisions of the Act, imposing, levying and recovering the impugned cess, are absolutely expropriator and exploitative and being constitutionally illegitimate, having no sanction there for under the constitution, hence, are declared as such and set at naught. However, Supreme Court of Pakistan vide its order dated 30 December 2013 has suspended the judgment of Peshawar High Court. The management is of the view that the Supreme Court of Pakistan suspended the order of the Peshawar High Court and leave is granted to consider various other aspects stated in the order. Therefore, a final decision is pending for adjudication.

Last year, Government passed a new law "Gas Infrastructure Development Cess Act 2015 by virtue of which all prior enactments have been declared infructuous. The said Act levies GID Cess at Rs 200/MMBTU on captive power consumption and at Rs.100/MMBTU on industrial connection from the date of passing of that Act. The Company has obtained a stay order on the retrospective application of the Act from The Honourable High Court of Sindh. The Company is confident of favourable outcome and therefore has not recorded a provision of Rs. 60.39 million (2015: Rs. 60.39 million) in these financial statements. However, The Company has recognised charge against GID cess from the date (i.e. April 2015) of the passing of the Act.

# Pakistan Synthetics Limited

## 10.2 Commitments

### 10.2.1 Letters of credit:

The Company has facilities of Rs. 1,781.23 million (2015: Rs. 2,021 million) for opening letters of credit including Rs. 810.21 million from an associated banking company (2015: Rs. 1,180 million). At 30 June 2016, the open letters of credits for stock in trade and stores and spares amounted to Rs. 633.28 million (2015: Rs. 275.53 million) and for capital commitment amounted to Rs. 10.21 million (2015: Rs. 285.76 million) including Rs. 605.54 million from an associated banking company (2015: Rs. 468.37 million).

10.3 The facilities disclosed in notes 10.1.1 and 10.2.1 are secured against first pari passu charge by way of registered hypothecation over Company's stock and trade debts, export bills sent to collection, documents of title to goods consigned to the Company, Banker's acceptance and Accepted Draft.

## 11. PROPERTY, PLANT AND EQUIPMENT

		2016	2015
		(Rupees in '000)	
Operating fixed assets	11.1	1,058,334	1,171,736
Capital work-in-progress	11.2	653,110	88,462
		<u>1,711,444</u>	<u>1,260,198</u>

### 11.1 Operating fixed assets

The following is a summary of the Company's operating fixed assets:

	2016								Total
	Leasehold land	Building on leasehold land	Plant and machinery	Spare parts and stand-by equipment	Vehicles	Office Improvements	Furniture and equipment	Computer accessories	
	(Rupees in '000)								
<b>As at 1 July 2015</b>									
Cost	28,118	213,454	3,274,441	52,693	58,243	1,976	14,539	3,751	3,647,215
Accumulated depreciation	(4,488)	(94,159)	(2,301,621)	(20,703)	(38,814)	(1,976)	(10,133)	(3,585)	(2,475,479)
<b>Net book value</b>	<b>23,630</b>	<b>119,295</b>	<b>972,820</b>	<b>31,990</b>	<b>19,429</b>	<b>-</b>	<b>4,406</b>	<b>166</b>	<b>1,171,736</b>
<b>Additions</b>	-	166	57,642	-	6,029	-	971	720	65,528
<b>Disposal</b>									
Cost	-	-	-	-	(11,625)	-	-	-	(11,625)
Accumulated depreciation	-	-	-	-	7,312	-	-	-	7,312
	-	-	-	-	(4,313)	-	-	-	(4,313)
Depreciation charge for the year	658	7,491	148,880	10,539	4,651	-	2,149	249	174,617
<b>Closing net book value</b>	<b>22,972</b>	<b>111,970</b>	<b>881,582</b>	<b>21,451</b>	<b>16,494</b>	<b>-</b>	<b>3,228</b>	<b>637</b>	<b>1,058,334</b>
<b>As at 30 June 2016</b>									
Cost	28,118	213,620	3,332,083	52,693	52,647	1,976	15,510	4,471	3,701,118
Accumulated depreciation	(5,146)	(101,650)	(2,450,501)	(31,242)	(36,153)	(1,976)	(12,282)	(3,834)	(2,642,784)
<b>Net book value</b>	<b>22,972</b>	<b>111,970</b>	<b>881,582</b>	<b>21,451</b>	<b>16,494</b>	<b>-</b>	<b>3,228</b>	<b>637</b>	<b>1,058,334</b>
Useful life (in years)	50 - 99	20	5 - 20	5	8	3	5-15	3	
	2015								Total
	Leasehold land	Building on leasehold land	Plant and machinery	Spare parts and stand-by equipment	Vehicles	Office Improvements	Furniture and equipment	Computer accessories	
	(Rupees in '000)								
<b>As at 1 July 2014</b>									
Cost	28,118	210,229	3,013,797	52,693	68,851	1,976	13,565	3,594	3,392,823
Accumulated depreciation	(3,830)	(86,624)	(2,163,518)	(10,164)	(41,950)	(1,976)	(8,243)	(3,443)	(2,319,748)
<b>Net book value</b>	<b>24,288</b>	<b>123,605</b>	<b>850,279</b>	<b>42,529</b>	<b>26,901</b>	<b>-</b>	<b>5,322</b>	<b>151</b>	<b>1,073,075</b>
<b>Additions</b>	-	3,225	260,644	-	-	-	974	157	265,000
<b>Disposal</b>									
Cost	-	-	-	-	(10,608)	-	-	-	(10,608)
Accumulated depreciation	-	-	-	-	7,989	-	-	-	7,989
	-	-	-	-	(2,619)	-	-	-	(2,619)
Depreciation charge for the year	658	7,535	138,103	10,539	4,853	-	1,890	142	163,720
<b>Closing net book value</b>	<b>23,630</b>	<b>119,295</b>	<b>972,820</b>	<b>31,990</b>	<b>19,429</b>	<b>-</b>	<b>4,406</b>	<b>166</b>	<b>1,171,736</b>
<b>As at 30 June 2015</b>									
Cost	28,118	213,454	3,274,441	52,693	58,243	1,976	14,539	3,751	3,647,215
Accumulated depreciation	(4,488)	(94,159)	(2,301,621)	(20,703)	(38,814)	(1,976)	(10,133)	(3,585)	(2,475,479)
<b>Net book value</b>	<b>23,630</b>	<b>119,295</b>	<b>972,820</b>	<b>31,990</b>	<b>19,429</b>	<b>-</b>	<b>4,406</b>	<b>166</b>	<b>1,171,736</b>
Useful life (in years)	50 - 99	20	5 - 20	5	8	3	5-15	3	

# Pakistan Synthetics Limited

11.1.1 The depreciation charge for the year has been allocated as follows:

		2016	2015
		(Rupees in '000)	
<i>Continuing operations</i>			
Cost of sales	23	143,633	132,130
Distribution and selling costs	24	1,496	1,376
Administration and general expenses	25	4,489	4,130
		<u>149,618</u>	<u>137,636</u>
<i>Discontinued operations</i>			
Cost of sales	30.2	-	25,041
Distribution and selling costs	30.3	250	261
Administration and general expenses	30.4	24,749	782
		<u>24,999</u>	<u>26,084</u>

11.1.2 The following fixed assets were disposed off / retired during the year:

Particulars	2016					Mode of disposal	Particulars of buyers
	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain on disposal		
----- (Rupees in '000) -----							
<b>Vehicles</b>							
Toyota Corolla	1,400	918	482	580	98	Negotiation	IrfanBawa
Toyota Corolla	1,067	1,067	-	500	500	Negotiation	Pakistan Dairy Products (Private) Limited
Toyota Vigo	3,508	1,316	2,192	1,850	(342)	Negotiation	Al-Shaheer Corporation Limited
Honda Civic	2,185	546	1,639	1,800	161	Insurance Claim	EFU Insurance
Honda Accord	2,465	2,465	-	350	350	Negotiation	Muhammad Anwar
Mitsubishi Lancer	1,000	1,000	-	406	406	Negotiation	Imran Crown Corks (Private) Limited
<b>2016</b>	<u>11,625</u>	<u>7,312</u>	<u>4,313</u>	<u>5,486</u>	<u>1,173</u>		
Particulars	2015					Mode of disposal	Particulars of buyers
	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain on disposal		
----- (Rupees in '000) -----							
<b>Vehicles</b>							
Toyota Corolla	1,400	744	656	800	144	As per policy	Asma Aslam
Toyota Corolla	1,397	742	655	669	14	As per policy	Swaleh Baig
Toyota Corolla	1,395	741	654	700	46	As per policy	Wajihuddin
Toyota Corolla	1,395	741	654	700	46	As per policy	Laiq Ahmed Khan
Others	5,021	5,021	-	4,505	4,505	As per policy	Various
<b>2015</b>	<u>10,608</u>	<u>7,989</u>	<u>2,619</u>	<u>7,374</u>	<u>4,755</u>		



# Pakistan Synthetics Limited

## 11.2 Capital work-in-progress

	Cost			As at 30 June 2016
	As at 1 July 2015	Additions	Transfers	
	----- (Rupees in '000) -----			
Building on leasehold land	473	78,160	-	78,633
Plant and machinery	18,578	555,899	-	574,477
Advance against capital expenditure	69,411	-	(69,411)	-
	<b>88,462</b>	<b>634,059</b>	<b>(69,411)</b>	<b>653,110</b>

	Cost			As at 30 June 2015
	As at 1 July 2014	Additions	Transfers	
	----- (Rupees in '000) -----			
Building on leasehold land	-	3,698	(3,225)	473
Plant and machinery	57,459	23,414	(62,295)	18,578
Advance against capital expenditure	-	69,411	-	69,411
	<b>57,459</b>	<b>96,523</b>	<b>(65,520)</b>	<b>88,462</b>

## 12. LONG TERM LOAN TO EMPLOYEES

	2016		2015
	(Rupees in '000)		
Due from employees - considered good		867	2,643
Less: Recoverable within one year	17	(560)	(1,870)
		<b>307</b>	<b>773</b>

12.1 These loans are interest free and granted to executives and employees of the Company in accordance with the Company's policy for purchase of cars, motor cycles and household appliances. The loans are recoverable in installments over a period of 24 to 36 months. These are secured against staff retirement benefits of such employees.

## 13. LONG TERM DEPOSITS

Utility deposits	1,608	1,588
Security deposits	950	250
	<b>2,558</b>	<b>1,838</b>
Provision for doubtful deposits	(1,094)	(1,094)
	<b>1,464</b>	<b>744</b>

13.1 These long term deposits are non interest bearing.

## 14. STORES AND SPARES

Stores and spares		
- in hand	227,596	229,546
- in transit	4,472	7,702
	<b>232,068</b>	<b>237,248</b>
Provision for slow moving and obsolete items	(48,480)	(48,480)
	<b>183,588</b>	<b>188,768</b>

# Pakistan Synthetics Limited

## 15. STOCK-IN-TRADE

		2016	2015
		(Rupees in '000)	
Raw and packing material			
- in hand	15.1	578,813	359,823
- in transit		<u>274,167</u>	<u>105,665</u>
		<b>852,980</b>	<b>465,488</b>
Work-in-process		14,107	50,378
Finished goods	15.2	88,393	112,878
Provision for slow moving and obsolete stock		<u>(7,307)</u>	<u>(7,013)</u>
		<b>81,086</b>	<b>105,865</b>
		<u><b>948,173</b></u>	<u><b>621,731</b></u>

15.1 Raw material costing Rs. 81.201 million (2015: 140.312 million) has been carried at net realisable value of Rs. 67.581 million (2015: 119.876 million).

15.2 Finished goods costing Rs. nil (2015: Rs. 13.05 million) has been carried at net realisable value of Rs. nil (2015: Rs. 11.03 million).

## 16. TRADE DEBTS

Considered good - unsecured		646,135	633,821
Considered doubtful		<u>142,621</u>	<u>114,462</u>
		<b>788,756</b>	<b>748,283</b>
Provision for doubtful debts		<u>(142,621)</u>	<u>(114,462)</u>
		<u><b>646,135</b></u>	<u><b>633,821</b></u>

16.1 The amount due from associated undertaking as at 30 June 2016 was Rs. Nil. (2015: Rs. 9.818 million). The maximum aggregate amount due from associated undertaking at the end of any month during the year was Rs. 21.056 million (2015: Rs. 56.725 million).

16.1.1 The aging of trade receivable from an associated company at the balance sheet date was:

Not past due		-	9,818
Past due 90-180 days		<u>-</u>	<u>-</u>
Total		<u><b>-</b></u>	<u><b>9,818</b></u>

## 17. LOANS AND ADVANCES - considered good

Loans:			
Current maturity of long term loans due from employees	12	560	1,870
Advances to:			
- employees against salary		148	-
- letters of credit fees and expenses		174	1,261
- suppliers		<u>26,400</u>	<u>6,443</u>
		<b>26,722</b>	<b>7,704</b>
		<u><b>27,282</b></u>	<u><b>9,574</b></u>

17.1 These loan and advances are non-interest bearing.

# Pakistan Synthetics Limited

## 18. SHORT TERM DEPOSITS AND PREPAYMENT

2016 2015  
(Rupees in '000)

### Conventional

Short term deposits  
Prepayments

827	-
549	36
<u>1,376</u>	<u>36</u>

## 19. INVESTMENT

At fair value through profit and loss - held for trading

2016 (Number of units)	2015	Name of investee company	2016 (Rupees in '000)	2015
-	500,257	NIT Islamic Equity Fund	-	5,138

## 20. OTHER RECEIVABLES

This represent sales tax recoverable amounting to Rs. 72.778 million (2015: Rs. 0.505 million).

## 21. CASH AND BANK BALANCES

### Conventional

With banks

- On current accounts

1,670 2,326

### Islamic

With banks

- On current accounts

- On saving accounts

5,758 583  
9 46

Cash in hand

199 118

7,636 3,073

21.1 Rates of returns on saving accounts range from 4.26% to 6% (2015: 5% to 7%) per annum.

## 22. NET SALES

Local - Crowns and plastic caps

1,937,623 1,803,389

Export - Crowns and plastic caps

5,638 -

Raw Material

1,525 -

Waste packing material

2,134 3,668

1,946,920 1,807,057

Sales tax

(285,672) (263,424)

Net sales

1,661,248 1,543,633

# Pakistan Synthetics Limited

## 23. COST OF SALES

		2016	2015
		(Rupees in '000)	
Raw and packing materials consumed			
- Opening stock		345,670	333,990
- Purchases		1,276,450	948,685
		<u>1,622,120</u>	<u>1,282,675</u>
- Closing stock		<u>(785,407)</u>	<u>(345,670)</u>
		836,713	937,005
Salaries, wages and other benefits	23.1	63,738	62,181
Fuel and power		55,935	40,560
Depreciation	11.1.1	143,633	132,130
Repairs and maintenance		354	2,218
Rent, rates and taxes		6,872	535
Stores and spares consumed		30,626	33,143
Provision for slow moving and obsolete stock		294	94
Printing and stationary		314	236
Travelling and conveyance		7,977	7,677
Security expenses		20	20
Communication		295	269
Insurance		9,303	7,375
General expenses		772	1,175
		<u>1,156,846</u>	<u>1,224,618</u>
Opening stock of work-in-process		50,378	49,607
Closing stock of work-in-process		<u>(14,107)</u>	<u>(50,378)</u>
Cost of goods manufactured		1,193,117	1,223,847
Opening stock of finished goods		101,847	53,018
Closing stock of finished goods		<u>(88,393)</u>	<u>(101,847)</u>
		<u>1,206,571</u>	<u>1,175,018</u>

23.1 Salaries, wages and other benefits include Rs. 1.54 million (2015: Rs. 1.28 million) in respect of staff gratuity expense.

## 24. DISTRIBUTION AND SELLING COSTS

Salaries and other benefits	24.1	5,582	5,081
Depreciation	11.1.1	1,496	1,376
Outward freight and handling charges		45,608	38,027
Travelling and conveyance		942	651
Fuel and power		414	440
Repair and maintenance		58	31
Communication		106	86
Other expenses		125	215
		<u>54,331</u>	<u>45,907</u>

24.1 Salaries and other benefits include Rs. 0.21 million (2015: Rs. 0.17 million) in respect of staff gratuity expense.

# Pakistan Synthetics Limited

## 25. ADMINISTRATION AND GENERAL EXPENSES

		2016 (Rupees in '000)	2015
Salaries and other benefits	25.1	16,746	15,242
Rent, rates and taxes		3,886	3,312
Depreciation	11.1.1	4,489	4,130
Fuel and power		1,242	1,318
Travelling and conveyance		2,826	1,952
Communication		320	259
Printing, stationary and subscription fees		1,398	1,248
Reversal against doubtful debts - net		-	(4,245)
Repair and maintenance		172	92
Legal and professional charges		2,143	1,851
Other expenses		375	646
		<u>33,597</u>	<u>25,805</u>

25.1 Salaries and other benefits include Rs. 0.65 million (2015: Rs. 0.51 million) in respect of staff gratuity expense.

## 26. OTHER OPERATING EXPENSES / (INCOME)

Auditors' remuneration	26.1	990	970
Workers' profit participation fund	8.2	5,236	-
Workers' welfare fund		3,637	-
Exchange loss / (gain) - net	26.2	21,005	(1,823)
Provision for government levies		-	3
		<u>30,868</u>	<u>(850)</u>

### 26.1 Auditors' remuneration

Audit fee	600	600
Half yearly review	220	220
Special certifications	100	100
Out of pocket expenses	70	50
	<u>990</u>	<u>970</u>

26.2 These include exchange loss amounting to Rs. 8.54 million (2015: exchange gain Rs. 13.071 million) on account of forward contracts entered during the year.

## 27. OTHER INCOME / (LOSS)

Income from financial assets - islamic			
Profit on saving accounts - islamic		2	9
Income from financial assets - conventional			
Dividend income	-	-	11,636
Profit on short term investment - net - conventional	140	-	(34,642)
Unrealised gain on remeasurement of investment classified as held for trading	-	-	138
	<u>142</u>	<u>(22,859)</u>	

# Pakistan Synthetics Limited

## 28. FINANCE COSTS

	2016	2015
	(Rupees in '000)	
<b>Conventional</b>		
Mark-up on:		
- short term running finance	51,692	64,939
- short term import finances	<u>3,019</u>	<u>6,294</u>
	<b>54,711</b>	<b>71,233</b>
<b>Islamic</b>		
Mark-up on:		
- long term finance	38,841	44,856
- short term murabaha	13,731	7,634
- short term istisna	3,729	-
- short term tijarah	<u>2,568</u>	<u>-</u>
	<b>58,869</b>	<b>52,490</b>
	<b>113,580</b>	<b>123,723</b>
<b>Conventional</b>		
Bank guarantee commission	123	109
Interest on workers' profit participation fund	8.2 -	339
Bank charges	<u>632</u>	<u>523</u>
	<b>114,335</b>	<b>124,694</b>

## 29. TAXATION

Current tax	12,138	3,110
Prior year	-	(11,950)
Deferred	<u>7,932</u>	<u>(15,915)</u>
	<b>20,070</b>	<b>(24,755)</b>

**29.1** Income tax assessment of the Company has been deemed to be finalised upto and including tax year 2015 on the basis of tax return filed under section 120 of Income Tax Ordinance 2001. However, the return may be selected for detailed audit within five years from the date of filing of return and the Income Tax Commissioner may amend the assessment if any objection is raised in audit.

The Finance Act, 2015 introduced a new tax under Section 5A of the Income Tax Ordinance, 2001 on every public company other than a scheduled bank or modaraba, that derives profits for tax year and does not distribute cash dividend within six months of the end of said tax year or distribute dividends to such an extent that its reserves, after such distribution, are in excess of 100% of its paid up capital. However, this tax on undistributed reserves is not applicable to a public company which distributes profit equal to either 40 percent of its after tax profits or 50% of its paid up capital, whichever is less, within six months of the end of the tax year. The Board of Directors in their meeting held on 28 September 2016 has proposed a cash dividend for the year ended 30 June 2016 (refer note 40.2) which complies with above stated requirements. Accordingly no provision for tax on undistributed reserves has been recognised in these financial statements.

### 29.2 Relationship between income tax expense and accounting profit

Accounting profit before taxation - continuing operation	221,688	150,200
Accounting loss before taxation - discontinued operation	<u>(125,832)</u>	<u>(186,312)</u>
	<b>95,856</b>	<b>(36,112)</b>
Tax at the applicable rate of 32% (2015: 33%)	30,674	(11,917)
Effect of prior year charge	-	(11,950)
Tax on un-distributed reserves	-	3,110
Effect of tax rate change	-	(11,026)
Effect of minimum tax and tax credits	<u>(27,194)</u>	<u>(3,471)</u>
Others	<u>870</u>	<u>9,136</u>
	<b>4,350</b>	<b>(26,118)</b>
Taxation - continuing operation	20,070	(24,755)
Taxation - discontinued operation	<u>(15,720)</u>	<u>(1,363)</u>
	<b>4,350</b>	<b>(26,118)</b>



# Pakistan Synthetics Limited

## 30. LOSS AFTER TAXATION FROM DISCONTINUED OPERATION

On 20 April 2015, the Board of Directors had decided to convert existing polyester staple fibre plant into PET resin manufacturing plant by making necessary modifications in existing plant.

<b>Results of discontinued operation</b>		<b>2016</b>	<b>2015</b>
		<b>(Rupees in '000)</b>	
Net sales	30.1	<b>56,169</b>	597,335
Cost of sales	30.2	<b>(63,276)</b>	(738,012)
Gross loss		<b>(7,107)</b>	(140,677)
Distribution and selling costs	30.3	<b>(2,057)</b>	(4,124)
Administration and general expenses	30.4	<b>(117,287)</b>	(34,883)
Other operating (expenses) / income	30.5	<b>(22)</b>	1,934
		<b>(119,366)</b>	(37,073)
Loss from operations		<b>(126,473)</b>	(177,750)
Other income	30.6	<b>1,173</b>	5,426
Finance costs	30.7	<b>(532)</b>	(13,988)
Loss before taxation		<b>(125,832)</b>	(186,312)
Taxation		<b>15,720</b>	1,363
Loss after taxation from discontinued operation		<b>(110,112)</b>	(184,949)

### 30.1 Net sales

Polyester staple fibre	<b>11,253</b>	521,446
Raw material	<b>47,471</b>	90,780
	<b>58,724</b>	612,226
Brokerage and discounts	-	(2,034)
Sales tax	<b>(2,555)</b>	(12,857)
	<b>(2,555)</b>	(14,891)
Net sales	<b>56,169</b>	597,335

# Pakistan Synthetics Limited

## 30.2 Cost of sales

		2016	2015
		(Rupees in '000)	
Raw and packing materials consumed			
- Opening stock		119,818	247,759
- Purchases		-	-
		<u>119,818</u>	<u>247,759</u>
- Closing stock		<u>(67,573)</u>	<u>(119,818)</u>
		52,245	127,941
Salaries, wages and other benefits	30.2.1	-	29,489
Fuel and power		-	3,944
Depreciation	11.1.1	-	25,041
Repairs and maintenance		-	3,315
Rent, rates and taxes		-	1,633
Stores and spares consumed		-	7,044
Printing and stationary		-	368
Travelling and conveyance		-	2,804
Communication		-	141
Insurance		-	7,373
General expenses		-	8,729
Cost of goods manufactured		<u>52,245</u>	<u>217,822</u>
Opening stock of finished goods		11,031	259,576
Purchase of finished goods		-	271,645
Closing stock of finished goods		-	(11,031)
		<u>63,276</u>	<u>738,012</u>

**30.2.1** Salaries, wages and other benefits include Rs. Nil (2015: Rs. 0.39 million) in respect of staff gratuity expense.

## 30.3 Distribution and selling costs

Salaries and other benefits	30.3.1	1,395	1,694
Depreciation	11.1.1	250	261
Outward freight and handling charges		-	1,695
Travelling and conveyance		236	217
Fuel and power		104	146
Repair and maintenance		14	10
Communication		27	29
Other expenses		31	72
		<u>2,057</u>	<u>4,124</u>

**30.3.1** Salaries and other benefits include Rs. 0.05 million (2015: Rs. 0.05 million) in respect of staff gratuity expense.

# Pakistan Synthetics Limited

## 30.4 Administration and general expenses

		2016	2015
		(Rupees in '000)	
Salaries and other benefits	30.4.1	39,187	5,081
Rent, rates and taxes		2,209	1,104
Depreciation	11.1.1	24,749	782
Fuel and power		1,192	439
Travelling and conveyance		3,558	651
Communication		200	86
Printing, stationary and subscription fees		696	416
Provision for doubtful debts - net		28,159	13,304
Provision for slow moving and obsolete stores and spares		-	11,977
Provision for doubtful deposits		-	180
Repair and maintenance		1,791	31
Legal and professional charges		536	617
Sales Tax written off		2,904	-
Insurance		5,305	-
Other expenses		6,801	215
		<u>117,287</u>	<u>34,883</u>

**30.4.1** Salaries and other benefits include Rs. 0.63 million (2015: Rs. 0.17 million) in respect of staff gratuity expense.

## 30.5 Other operating expenses / (income)

Exchange loss / (gain) - net	30.5.1	<u>22</u>	<u>(1,934)</u>
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**30.5.1** These represent exchange loss amounting to Rs. nil ( 2015: Rs. 4.423 million ) on account of forward contracts entered during the year.

## 30.6 Other income

### Income from financial assets - conventional

Mark-up charged to an associated company	30.6.1	-	671
--	--------	---	-----

### Income from non-financial assets - conventional

Profit on disposal of property, plant and equipment		<u>1,173</u>	<u>4,755</u>
		<u>1,173</u>	<u>5,426</u>

**30.6.1** This represents mark-up charged by the Company at the rate of KIBOR plus 2% per annum from an associated company on account of delayed payments of its balances over its credit period.

# Pakistan Synthetics Limited

## 30.7 Finance cost

		2016	2015
		(Rupees in '000)	
Islamic			
- Mark-up on short term murabaha		-	11,284
Conventional			
- Mark-up on short term import finances	30.7.1	<u>27</u>	<u>2,199</u>
		<u>27</u>	<u>13,483</u>
Bank guarantee commission		<u>505</u>	<u>505</u>
		<u><u>532</u></u>	<u><u>13,988</u></u>

30.7.1 This represent mark up under shahriah compliant arrangements.

## 30.8 TAXATION

Current year	(4,199)	-
Deferred	<u>(11,521)</u>	<u>(1,363)</u>
	<u><u>(15,720)</u></u>	<u><u>(1,363)</u></u>

## 30.9 Cash flow statement - discontinued operation

Net cash flow from operating activities	142,698	53,513
Net cash flow from investing activities	4,266	4,908
Net cash flow from financing activities	-	(50,349)
	<u>146,964</u>	<u>8,072</u>

## 30.10 Basis of preparation - discontinued operation

Net sales are on actual basis. Raw and packing material consumed and finished goods purchases are on actual basis in the cost of sales. Manufacturing expenses have been bifurcated on the basis of actual and internal usage basis which is consistent with prior years.

Distribution and selling costs and administrative and general expenses have been allocated on the basis of actual and internal usage basis which is consistent with prior years.

Other operating expenses and other income have been allocated on actual basis. Finance costs have been allocated on working capital basis.

The bifurcation of long term financing and short term borrowings in cash flows from financing activities has been made on working capital basis.

## 31. EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED

Profit for the year after taxation - continuing operation	201,618	174,955
Loss for the year after taxation - discontinued operation	<u>(110,112)</u>	<u>(184,949)</u>
	<u>91,506</u>	<u>(9,994)</u>

(Number of shares)

Weighted average number of ordinary shares	<u>56,040,000</u>	<u>56,040,000</u>
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(Rupees)

Earnings per share- basic and diluted - continuing operation	3.60	3.12
Loss per share - basic and diluted - discontinued operation	<u>(1.97)</u>	<u>(3.30)</u>
Net earnings / (loss) per share - basic and diluted	<u>1.63</u>	<u>(0.18)</u>

# Pakistan Synthetics Limited

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

The aggregate amounts charged in the financial statements for remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Company were as follows:

	Chief Executive		Executive Directors		Non-Executive Directors		Executives		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	(Rupees in '000)									
Managerial remuneration	2,772	2,388	1,980	1,596	-	-	20,056	16,251	24,808	20,235
Housing and utilities	1,428	1,212	1,020	804	-	-	10,375	7,557	12,823	9,573
Gratuity	-	-	-	-	-	-	944	809	944	809
Medical expenses	-	-	-	-	-	-	1,237	1,355	1,237	1,355
Leave encashment	-	-	-	-	-	-	1,104	1,340	1,104	1,340
Other allowances	-	-	-	-	-	-	559	164	559	164
Meeting fees	100	125	125	135	950	1,005	-	-	1,175	1,265
	<u>4,300</u>	<u>3,725</u>	<u>3,125</u>	<u>2,535</u>	<u>950</u>	<u>1,005</u>	<u>34,275</u>	<u>27,476</u>	<u>42,650</u>	<u>34,741</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>6</u>	<u>6</u>	<u>27</u>	<u>24</u>	<u>35</u>	<u>32</u>

32.1 Four directors and most of the executives of the Company are provided with free use of Company maintained cars.

## 33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### Financial risk management

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:

- Credit risk
- Liquidity risk
- Market risk

### Risk management framework

The Board of Directors meets frequently throughout the year for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

# Pakistan Synthetics Limited

## 33.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. 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 economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. Customers of the Company's polyester staple fibre segment are textile mills whereas customers of crown and plastic caps are food and beverages companies.

### Exposure to credit risk

Credit risk of the Company arises principally from the trade debts and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2016	2015
	(Rupees in '000)	
Loan to employees	867	2,643
Long term deposits	1,464	744
Trade debts	646,135	633,821
Short term deposits	1,376	36
Investment	-	5,138
Bank balances	<u>7,437</u>	<u>2,955</u>
	<u><b>657,279</b></u>	<u><b>645,337</b></u>

Bank balances are held with reputable banks with high quality credit ratings. At year end, the Company has bank balances with banks having credit ratings ranging from A1 to A1+.

The aging of trade receivables at the reporting date is:

	2016		
	Gross	Impairment	Total
	----- (Rupees in '000) -----		
Not past due	459,887	-	459,887
Past due 90-180 days	50,253	-	50,253
Past due 181-360 days	10,130	-	10,130
Past due over 360 days	<u>268,486</u>	<u>(142,621)</u>	<u>125,865</u>
	<u><b>788,756</b></u>	<u><b>(142,621)</b></u>	<u><b>646,135</b></u>
	2015		
	Gross	Impairment	Total
	----- (Rupees in '000) -----		
Not past due	316,047	-	316,047
Past due 90-180 days	51,360	(240)	51,120
Past due 181-360 days	145,818	(3,143)	142,675
Past due over 360 days	<u>235,058</u>	<u>(111,079)</u>	<u>123,979</u>
	<u><b>748,283</b></u>	<u><b>(114,462)</b></u>	<u><b>633,821</b></u>



# Pakistan Synthetics Limited

The movement in the allowance for impairment in respect of trade receivables is as follows:

	2016 (Rupees in '000)	2015
Opening balance	114,462	105,403
Provision for doubtful debts	29,759	16,924
Reversal made during the year	(1,600)	(7,865)
	28,159	9,059
Closing balance	<u>142,621</u>	<u>114,462</u>

Based on the past experience, consideration of financial position, past track records and recoveries, the Company believes that appropriate impairment has been made and no impairment allowance is necessary in respect of unprovided amounts as there are reasonable grounds to believe that the amounts will be recovered in due course of time.

## 33.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation, by having credit lines available as disclosed in note 8.1 and 9 to these financial statements. The Company ensures that it has sufficient cash on demand to meet expected working capital requirements. The following are the contractual maturities of financial liabilities including interest payments and excluding the impact of netting agreements:

	2016			
	Carrying amount	Contractual cash flows	Upto one year	Two to five years
	----- (Rupees in '000) -----			
<b>Non-derivative financial liabilities</b>				
Long term finances	566,906	(655,157)	(173,420)	(481,737)
Trade and other payables	1,011,819	(1,017,509)	(1,017,509)	-
Short term borrowings	960,873	(973,205)	(973,205)	-
Accrued mark-up	20,457	(20,457)	(20,457)	-
	<u>2,560,055</u>	<u>(2,666,328)</u>	<u>(2,184,591)</u>	<u>(481,737)</u>

# Pakistan Synthetics Limited

	2015			
	Carrying amount	Contractual cash flows	Upto one year	Two to five years
	(Rupees in '000)			
<b>Non-derivative financial liabilities</b>				
Long term finances	425,053	(494,770)	(183,896)	(310,874)
Trade and other payables	501,389	(507,417)	(507,417)	-
Short term borrowings	732,363	(741,356)	(741,356)	-
Accrued mark-up	19,996	(19,996)	(19,996)	-
	<u>1,678,801</u>	<u>(1,763,539)</u>	<u>(1,452,665)</u>	<u>(310,874)</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rate effective as at 30 June. The rate of mark-up have been disclosed in notes 5, 8.1 and 9 to these financial statements.

### 33.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### 33.3.1 Currency risk

The Company is exposed to currency risk on foreign creditors and short term borrowings that are denominated in a currency other than the respective functional currency of the Company. The Company's exposure to foreign currency risk is as follows:

	2016		
	Rupees	US Dollars	Euro
	(Amount in '000)		
Foreign creditors	(462,636)	(4,193)	(202)
Short term borrowings	<u>(209,135)</u>	<u>(1,342)</u>	<u>(591)</u>
Gross balance sheet exposure	<u>(671,771)</u>	<u>(5,535)</u>	<u>(793)</u>
	2015		
	Rupees	US Dollars	Euro
	(Amount in '000)		
Foreign creditors	(105,580)	(472)	(506)
Foreign currency Murabaha	(75,503)	(742)	-
Short term borrowings	<u>(219,448)</u>	<u>(1,556)</u>	<u>(537)</u>
Gross balance sheet exposure	<u>(400,531)</u>	<u>(2,770)</u>	<u>(1,043)</u>

# Pakistan Synthetics Limited

The following significant exchange rate has been applied:

	Average rate		Reporting date rate	
	2016	2015	2016	2015
USD to PKR	104.37	100.54	104.70	101.70
Euro to PKR	116.95	120.70	116.31	113.79

## Sensitivity analysis

A five percent depreciation of the rupee against the following currencies at 30 June would have decreased the equity and profit or loss by the after tax amounts shown below. This analysis assumes that all other variables, in particular interest rates remain constant.

	Equity and profit and loss	
	2016	2015
USD	(19,703)	(9,437)
EURO	(3,136)	(3,976)
	<u>(22,839)</u>	<u>(13,413)</u>

A five percent appreciation of the rupees against the above currencies at 30 June would have had the equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant. The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

## 33.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate exposure arises from long term finance and short term borrowings.

At the reporting date the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	Interest rate		Carrying amount	
	2016	2015	2016	2015
	(Percentage)		(Rupees in '000)	
<b>Fixed rate instruments</b>				
Trade debts	-	12.0%	-	9,818
Bank balances	4.26% - 6%	5% - 7%	9	46
			<u>9</u>	<u>9,864</u>
<b>Variable rate instruments</b>				
Long term finances	4% - 10%	7.38% - 11.18%	(566,906)	(425,053)
Trade and other payables	6.32% - 8.8%	7.03% - 10.38%	(445,029)	(329,526)
Short term borrowings	1.8% - 7.98%	1.8% - 11.37%	(960,873)	(732,363)
			<u>(1,972,808)</u>	<u>(1,486,942)</u>

# Pakistan Synthetics Limited

## Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in interest rates at the reporting date would not affect profit and loss account.

## Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit after tax for the year by Rs. 13.415 million (2015: Rs. 9.963 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2015.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets/ liabilities of the Company.

### 33.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Other price risk arises from the Company's investment in units of mutual funds and ordinary shares of listed companies. To manage its price risk arising from aforesaid investments, the Company diversifies its portfolio and continuously monitors developments in equity markets. In addition the Company actively monitors the key factors that affect stock price movement.

A 10% increase / decrease in redemption and share prices at year end would have increased / decreased the Company's profit / loss in case of held for trading investments as follows:

	2016	2015
	(Rupees in '000)	
<b>Effect on profit</b>	-	514
Effect on investments	-	514

The sensitivity analysis prepared is not necessarily indicative of the effects on profit / equity and assets of the Company.

### 33.4 Fair value of financial instruments

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# Pakistan Synthetics Limited

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

	30-Jun-16			Fair Value		
	Loan and receivables	Fair value-liabilities	Other financial liabilities	Level 1	Level 2	Level 3
	----- (Rupees in '000) -----					
<b>Financial assets not measured at fair value</b>						
Trade debts	646,135	-	-	-	-	-
Deposits	2,291	-	-	-	-	-
Cash and bank balances	7,636	-	-	-	-	-
Loan to employees	867	-	-	-	-	-
Other receivables	72,778	-	-	-	-	-
<b>Financial liabilities not measured at fair value</b>						
Long term financing	-	-	429,817	-	-	-
Current maturity of long term financing	-	-	137,089	-	-	-
Trade and other payables	-	-	1,026,041	-	-	-
Short term borrowings	-	-	960,873	-	-	-

The estimated fair value of all financial assets and liabilities is considered not significantly different from carrying values as the items are either short-term in nature or periodically repriced.

# Pakistan Synthetics Limited

## 34. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of entities over which the Company is able to exercise significant influence, entities with common directors, major shareholders, staff retirement benefits, directors and key management personnel. Transactions with related parties are entered into at commercial terms, as per the terms of employment and actuarial advice, as the case may be. However, where balances with an associated company on account of sale of goods exceeds credit period mark-up thereon is charged (refer note 30.6.1).

Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2016	2015
	(Rupees in '000)	
<b>Associated company</b>		
Sales of goods	<u>10,924</u>	<u>85,439</u>
Mark-up charged	<u>-</u>	<u>671</u>
<b>Key management personnel compensation</b>		
Managerial remuneration	<u>24,808</u>	<u>20,235</u>
Others	<u>17,842</u>	<u>14,506</u>
<b>Associated banking company</b>		
Current bank account balance	<u>143</u>	<u>353</u>
Saving account balance	<u>9</u>	<u>46</u>
Long term finance	<u>31,250</u>	<u>156,250</u>
Short term borrowings	<u>832,664</u>	<u>604,152</u>
Accrued mark-up	<u>10,970</u>	<u>9,565</u>
Bank collection charges paid	<u>632</u>	<u>523</u>
Bank guarantee commission	<u>628</u>	<u>614</u>
Mark up on long term finance	<u>10,257</u>	<u>24,718</u>
Interest income on bank deposits	<u>2</u>	<u>9</u>
Mark up on short term import finance under mark-up arrangement	<u>3,046</u>	<u>6,452</u>
Mark up on short term borrowings	<u>42,594</u>	<u>50,352</u>

## 35. PLANT CAPACITY AND PRODUCTION

Capacity available - Plastic and crown caps	Cartons	<u>504,000</u>	<u>435,000</u>
Actual production - Plastic and crown caps	Cartons	<u>404,813</u>	<u>354,283</u>
Capacity available - Polyester staple fibre / polyester chips	Metric tons	<u>28,000</u>	<u>28,000</u>
Actual production - Polyester staple fibre	Metric tons	<u>-</u>	<u>-</u>



# Pakistan Synthetics Limited

**35.1** Since the production of plastic and crown division is purely demand driven therefore variance is mainly attributed to the reduced demand. However, no production was made in polyester staple fibre segment as the plant had been shutdown.

<b>36. MOVEMENT IN WORKING CAPITAL</b>	<b>2016</b>	<b>2015</b>
	<b>(Rupees in '000)</b>	
(increase) / decrease in current assets:		
Stores and spares	<b>5,180</b>	(9,305)
Stock in trade	<b>(326,442)</b>	315,300
Trade debts	<b>(40,473)</b>	119,250
Loans and advances	<b>(17,708)</b>	2,219
Short term deposits and prepayments	<b>(1,340)</b>	1
Other receivables	<b>(72,273)</b>	14,089
	<b>(453,056)</b>	441,554
Increase / (decrease) in current liabilities:		
Trade and other payables	<b>518,467</b>	(203,476)
	<b>65,411</b>	238,078

## **37. CAPITAL RISK MANAGEMENT**

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to the shareholders or issue new shares. The Company is not subject to externally imposed capital requirements.

## **38. INFORMATION ABOUT BUSINESS SEGMENTS**

**38.1** The Company's reportable segments are as follows:

- Manufacturing and sale of polyester staple fibre (polyester staple fibre segment).
- Manufacturing of crown and plastic caps (crown and plastic caps segment).

Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of these segments. As mentioned in note 1 to the financial statements, the Company has discontinued production of polyester staple fibre. Information regarding the Company's reportable segments is presented below:

# Pakistan Synthetics Limited

## 38.2 Segment revenue and results

Following is an analysis of the Company's revenue and results by reportable segment:

	2016			Total
	Polyester staple fibre (Discontinued)	Crown and plastic caps	Unallocated	
----- (Rupees in '000) -----				
Net sales	56,169	1,661,248	-	1,717,417
Cost of sales				
Opening balance of finished goods	11,031	101,847	-	112,878
Cost of goods manufactured	52,245	1,193,117	-	1,245,362
Available for sale	63,276	1,294,964	-	1,358,240
Closing balance of finished goods	-	(88,393)	-	(88,393)
	<u>63,276</u>	<u>1,206,571</u>	<u>-</u>	<u>1,269,847</u>
Gross (loss) / profit	(7,107)	454,677	-	447,570
Administration and general expenses	(117,287)	(33,597)	-	(150,884)
Distribution and selling costs	(2,057)	(54,331)	-	(56,388)
Other operating expenses	(22)	(9,765)	(21,103)	(30,890)
	<u>(119,366)</u>	<u>(97,693)</u>	<u>(21,103)</u>	<u>(238,162)</u>
(Loss) / profit from operations	(126,473)	356,984	(21,103)	209,408
Other income	1,173	-	142	1,315
Finance costs	(532)	(102,446)	(11,889)	(114,867)
(Loss) / profit before taxation	(125,832)	254,538	(32,850)	95,856
Taxation	-	-	(4,350)	(4,350)
(Loss) / profit after taxation for the year	<u>(125,832)</u>	<u>254,538</u>	<u>(37,200)</u>	<u>91,506</u>
----- (Rupees in '000) -----				
	2016			Total
	Polyester staple fibre (Discontinued)	Crown and plastic caps	Unallocated	
----- (Rupees in '000) -----				
<b>Cost of goods manufactured:</b>				
Opening stock of work in process	-	50,378	-	50,378
Raw materials consumed	52,245	836,713	-	888,958
Salaries, wages and other benefits	-	63,738	-	63,738
Fuel and power	-	55,935	-	55,935
Depreciation	-	143,633	-	143,633
Repairs and maintenance	-	354	-	354
Rent, rates and taxes	-	6,872	-	6,872
Stores and spares consumed	-	30,626	-	30,626
Provision for slow moving and obsolete stock	-	294	-	294
Printing and stationary	-	314	-	314
Travelling and conveyance	-	7,977	-	7,977
Security expenses	-	20	-	20
Communication	-	295	-	295
Insurance	-	9,303	-	9,303
General expenses	-	772	-	772
	<u>52,245</u>	<u>1,207,224</u>	<u>-</u>	<u>1,259,469</u>
Closing stock of work in process	-	(14,107)	-	(14,107)
	<u>52,245</u>	<u>1,193,117</u>	<u>-</u>	<u>1,245,362</u>

# Pakistan Synthetics Limited

	2015			Total
	Polyester staple fibre (Discontinued)	Crown and plastic caps	Unallocated	
	(Rupees in '000)			
Net sales	597,335	1,543,633	-	2,140,968
Cost of sales				
Opening balance of finished goods	259,576	53,018	-	312,594
Cost of goods manufactured	217,822	1,223,847	-	1,441,669
Available for sale	477,398	1,276,865	-	1,754,263
Purchase of finished goods	271,645	-	-	271,645
Closing balance of finished goods	(11,031)	(101,847)	-	(112,878)
	<u>738,012</u>	<u>1,175,018</u>	<u>-</u>	<u>1,913,030</u>
Gross (loss) / profit	(140,677)	368,615	-	227,938
Administration and general expenses	(34,883)	(25,805)	-	(60,688)
Distribution and selling costs	(4,124)	(45,907)	-	(50,031)
Other operating expenses	1,934	1,823	(973)	2,784
	<u>(37,073)</u>	<u>(69,889)</u>	<u>(973)</u>	<u>(107,935)</u>
(Loss) / profit from operations	(177,750)	298,726	(973)	120,003
Other income	5,426	-	(22,859)	(17,433)
Finance costs	(13,988)	(123,832)	(862)	(138,682)
	<u>(186,312)</u>	<u>174,894</u>	<u>(24,694)</u>	<u>(36,112)</u>
Taxation	-	-	26,118	26,118
(Loss) / profit after taxation for the year	<u>(186,312)</u>	<u>174,894</u>	<u>1,424</u>	<u>(9,994)</u>

	2015			Total
	Polyester staple fibre (Discontinued)	Crown and plastic caps	Unallocated	
	(Rupees in '000)			
<b>Cost of goods manufactured:</b>				
Opening stock of work in process	-	49,607	-	49,607
Raw materials consumed	127,941	937,005	-	1,064,946
Salaries, wages and other benefits	29,489	62,181	-	91,670
Fuel and power	3,944	40,560	-	44,504
Depreciation	25,041	132,130	-	157,171
Repairs and maintenance	3,315	2,218	-	5,533
Rent, rates and taxes	1,633	535	-	2,168
Stores and spares consumed	7,044	33,143	-	40,187
Provision for slow moving and obsolete stock	-	94	-	94
Printing and stationary	368	236	-	604
Travelling and conveyance	2,804	7,677	-	10,481
Security expenses	-	20	-	20
Communication	141	269	-	410
Insurance	7,373	7,375	-	14,748
General expenses	8,729	1,175	-	9,904
	<u>217,822</u>	<u>1,274,225</u>	<u>-</u>	<u>1,492,047</u>
Closing stock of work in process	-	(50,378)	-	(50,378)
	<u>217,822</u>	<u>1,223,847</u>	<u>-</u>	<u>1,441,669</u>

# Pakistan Synthetics Limited

**38.2.1** Revenue from sale of crown and plastic caps represents 97% (2015: 75%) of the gross sales of the Company.

**38.2.2** 99.72% (2015: 100%) of the gross sales of the Company are made to customers located in Pakistan.

**38.2.3** All non-current assets of the Company at 30 June 2016 are located in Pakistan.

**38.2.4** Sales to two major customers (2015: two customers) of the Company is more than 10% of total sales of the Company during the year aggregating to 66% (2015: 49.93%).

**38.3** Segment assets and liabilities

	2016		
	*Polyester staple fibre (Discontinued)	Crown and plastic caps	Total
	----- (Rupees in '000) -----		
<b>Segment assets</b>			
Property, plant and equipment	82,473	1,628,971	1,711,444
Long term deposits	-	1,464	1,464
Stores and spares	145,510	38,078	183,588
Stock-in-trade	67,581	880,592	948,173
Trade debts	125,372	520,763	646,135
Loans and advances	-	26,573	26,573
Short term deposits and prepayments	-	1,376	1,376
			<u>3,518,753</u>
Unallocated assets			<u>354,834</u>
<b>Total asset as per balance sheet</b>			<u><u>3,873,587</u></u>
<b>Segment liabilities</b>			
Staff retirement benefit	2,183	10,188	12,371
Long term diminishing musharka	-	429,817	429,817
Trade and other payables	3,591	1,004,026	1,007,617
Short term borrowings	-	960,873	960,873
Accrued markup	-	20,457	20,457
Current portion of long term diminishing musharka	-	137,089	137,089
			<u>2,568,224</u>
Unallocated liabilities			<u>65,706</u>
<b>Total liabilities as per balance sheet</b>			<u><u>2,633,930</u></u>
	2015		
	Polyester Staple Fibre (Discontinued)	Crown and plastic caps	Total
	----- (Rupees in '000) -----		
<b>Segment assets</b>			
Property, plant and equipment	110,565	1,061,171	1,171,736
Long term deposits	82	662	744
Stores and spares	152,368	36,400	188,768
Stock-in-trade	130,848	490,883	621,731
Trade debts	309,777	324,044	633,821
Loans and advances	4,216	2,403	6,619
Short term deposits and prepayments	36	-	36
			<u>2,623,455</u>
Unallocated assets			<u>272,778</u>
<b>Total asset as per balance sheet</b>			<u><u>2,896,233</u></u>

# Pakistan Synthetics Limited

	2015		Total
	Polyester Staple Fibre (Discontinued)	Crown and plastic caps	
	----- (Rupees in '000) -----		
<i>Segment liabilities</i>			
Staff retirement benefits	2,023	9,439	11,462
Long term diminishing musharka	-	266,906	266,906
Trade and other payables	46,754	453,368	500,122
Short term borrowings	-	732,363	732,363
Accrued markup	-	19,996	19,996
Current portion of long term diminishing musharka	-	158,147	158,147
			1,688,996
Unallocated liabilities			58,447
<b>Total liabilities as per balance sheet</b>			<b>1,747,443</b>

\* Property, plant and equipment and stores and spares related to discontinued operation are stated at not less than their recoverable amounts. Stock-in-trade is stated at their net realisable values. Appropriate impairment has been recorded against doubtful trade debts. All other assets are stated at their realisable values. All liabilities are stated at settlement values.

### 38.3.1 For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments except investment, sales tax refundable, taxation - net and cash and bank balances.
- all liabilities are allocated to reportable segments other than workers' welfare fund, workers' profit participation fund, unclaimed dividend, sales tax payable, provision for government levies and deferred tax liabilities.

The above balances are not allocated to reportable segments as these are managed on total Company's basis.

### 38.3.2 Other segment information

	2016		Total
	Polyester staple fibre (Discontinued)	Crown and plastic caps	
	----- (Rupees in '000) -----		
Capital expenditure	1,227	628,949	630,176
Depreciation	24,999	149,618	174,617
Non-cash items (excluding depreciation and amortisation)	28,159	-	28,159

	2015		Total
	Polyester staple fibre (Discontinued)	Crown and plastic caps	
	----- (Rupees in '000) -----		
Capital expenditure	33,465	262,538	296,003
Depreciation	26,084	137,636	163,720
Non-cash items (excluding depreciation and amortisation)	21,216	-	21,216

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# Pakistan Synthetics Limited

## 39. NUMBER OF EMPLOYEES

The detail of number of employees are as follows:

	2016 (Number of employees)	2015
Average number of employees during the year	<u>187</u>	<u>204</u>
Number of employees as at 30 June	<u>197</u>	<u>181</u>

## 40. GENERAL

- 40.1** Corresponding figures have been rearranged and reclassified for better presentation, wherever considered necessary, the effect of which is not material.
- 40.2** The Board of Directors in its meeting held on 28 September 2016 has proposed a cash dividend in respect of the year ended 30 June 2016 of Re. 1 per share (2015: Rs. nil per share). The financial statements for the year ended 30 June 2016 do not include the effect of these appropriations which will be accounted for subsequent to the year end.
- 40.3** These financial statements were authorised for issue in the meeting of Board of Directors held on 28 September 2016.

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ANWAR HAJI KARIM  
Chief Executive

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YAKOOB HAJI KARIM  
Director

# Pakistan Synthetics Limited

## PATTERN OF SHAREHOLDING

AS AT 30 JUNE 2016

NO. OF SHAREHOLDERS	SHAREHOLDING			TOTAL SHARES HELD
	From		To	
380	1	—	100	16,006
404	101	—	500	111,666
220	501	—	1000	172,696
282	1001	—	5000	664,908
28	5001	—	10000	221,193
16	10001	—	15000	210,463
6	15001	—	20000	99,500
6	20001	—	25000	136,450
1	25001	—	30000	30,000
4	30001	—	35000	133,200
1	35001	—	40000	38,500
1	40001	—	45000	43,900
1	55001	—	60000	59,000
2	60001	—	65000	129,300
1	65001	—	70000	67,450
1	70001	—	75000	71,000
1	95001	—	100000	100,000
1	105001	—	110000	107,000
1	120001	—	125000	121,082
1	125001	—	130000	129,450
1	155001	—	160000	157,500
2	160001	—	165000	323,550
1	220001	—	225000	225,000
1	240001	—	245000	242,848
1	285001	—	290000	286,437
1	395001	—	400000	397,050
1	495001	—	500000	500,000
1	565001	—	570000	567,500
1	800001	—	805000	801,400
1	925001	—	930000	927,850
3	930001	—	935000	2,792,094



# Pakistan Synthetics Limited

## PATTERN OF SHAREHOLDING

AS AT 30 JUNE 2016

NO. OF SHAREHOLDERS	SHAREHOLDING			TOTAL SHARES HELD
	From		To	
4	945001	—	950000	3,791,368
1	1055001	—	1060000	1,056,191
1	1215001	—	1220000	1,217,060
2	1230001	—	1235000	2,464,446
1	1270001	—	1275000	1,273,845
1	1295001	—	1300000	1,297,000
1	1615001	—	1620000	1,615,500
1	1630001	—	1635000	1,633,405
1	1645001	—	1650000	1,648,830
1	1655001	—	1660000	1,656,822
1	1735001	—	1740000	1,735,351
1	1860001	—	1865000	1,861,396
1	1880001	—	1885000	1,880,591
1	1905001	—	1910000	1,909,613
1	2125001	—	2130000	2,129,816
1	2130001	—	2135000	2,131,783
1	2140001	—	2145000	2,140,640
1	2180001	—	2185000	2,180,309
1	2275001	—	2280000	2,277,790
1	5025001	—	5030000	5,026,902
1	5225001	—	5230000	5,227,349
1397				56,040,000

S. NO.	CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	TOTAL SHARES HELD	PERCENTAGE
1	INDIVIDUAL	1,355	50,067,438	89.31%
2	JOINT STOCK COMPANIES	2	2,900	0.01%
3	FINANCIAL INSTITUTIONS	25	2,774,121	4.95%
4	INVESTMENT COMPANIES	-	-	-
5	INSURANCE COMPANIES	4	1,884,797	3.36%
6	FOREIGN INVESTORS	4	1,305,452	2.33%
7	BANK	2	1,992	0.01%
8	MODARABA	3	1,100	0.01%
9	LEASING	1	1,700	0.01%
10	MUTUAL FUND	1	500	0.01%
		1,397	56,040,000	100.00%

No trading in shares by Directors, Executives and their spouses and minor children was made during the year.

# Pakistan Synthetics Limited

## PATTERN OF SHAREHOLDING

AS AT 30 JUNE 2016

### NIT and ICP

1	National Investment (Unit) Trust		2,131,783
2	Investment Corporation of Pakistan		1,800
		2	<u>2,133,583</u>

### Directors, CEO & their Spouses

1	Mr. Umer Haji Karim - Director		2,277,790
2	Mrs. Amina (W/o Mr. Umer Haji Karim)		930,694
3	Mr. Anwar Haji Karim - Chief Executive Officer		1,273,845
4	Mrs. Zeenat (W/o Mr. Anwar Haji Karim)		1,056,191
5	Mr. Yakoob Haji Karim - Director		2,140,640
6	Mrs. Shahida (W/o Mr. Yakoob Haji Karim)		947,848
7	Mr. Sajid Haroon - Director		1,656,822
8	Mrs. Akila (W/o Mr. Sajid Haroon)		930,700
9	Mr. Abid Umer - Director		1,861,396
10	Mr. Pir Mohammad A. Kaliya - Director		500
11	Mr. Muhammad Aslam Motiwala - Director		1,615,500
12	Mrs. Noor Jehan Bano (W/o Mr. Muhammad Aslam Motiwala)		5,026,902
		12	<u>19,718,828</u>

Executives

Nil

—

Public Sector Companies and Corporation

2

2,900

Banks, Development Finance Institutions, Banking  
Finance Institutions, Insurance Companies and Modarabas

33

2,530,127

### Mutual Funds

Asian Stock Funds Limited

1

500

1

500

Individuals

31,654,062

Total

56,040,000

### Shareholders holding 5% or more

Noor Jehan Bano  
Fawad Anwar

8.97%  
9.33%

5,026,902  
5,227,349

### Associated Companies, Undertakings and Related Parties

First Paramount Modaraba

100

# Pakistan Synthetics Limited

## NOTICE OF MEETING

Notice is hereby given that the Thirty First Annual General Meeting of the shareholders of Pakistan Synthetics Limited will be held on Wednesday, 26 October 2016 at 2.00 p.m. at the Institute of Chartered Accountants of Pakistan, G-13, Block-8, Chartered Accountant Avenue, Clifton, Karachi, Pakistan to transact the following business:

1. To confirm the minutes of the Fifteenth Extra Ordinary General Meeting of the Company held on 4 April 2016.
2. To receive, consider and adopt the Audited Financial Statements of the Company together with Directors' and Auditors' Reports thereon for the year ended 30 June 2016.
3. To appoint the Auditors of the Company and to fix their remuneration. The retiring auditors M/S KPMG Taseer Hadi & Co., Chartered Accountants being eligible have offered themselves for reappointment.
4. To approve the payment of cash dividend @ 10% (i.e. Rs. 1 per share) for the year ended 30 June 2016 as recommended by the Board of Directors.
5. To transact any other business with permission of the Chair.

By the Order of the Board

Karachi  
Dated: 28 September 2016

ANWAR HAJI KARIM  
Chief Executive

**NOTES:-**

- The Shares Transfer Books of the Company will remain closed from Wednesday 19 October 2016 to Wednesday, 26 October 2016 (both days inclusive). Transfer received at the Registered Office of the Company at the close of business on 18 October 2016 will be treated in time to attend the Thirty First Annual General Meeting of the Company.
- CDC members are requested to bring with them their CNIC along with Participant's ID numbers and their account numbers at the time of attending the meeting in order to facilitate identification of the respective members.
- In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
- A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote. Votes may be given either personally or by proxy or by attorney, and in case of a corporation by a representative duly authorized.
- The instrument of proxy, as per form attached, duly executed should be deposited at the Registered Office of the Company at least 48 hours before the time of the Thirty First Annual General Meeting.
- The Shareholders are requested to notify the Company if there is any change in their addresses immediately.
- The Individual Members who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) to the Company / Share Registrar, are once again reminded to send the same at the earliest directly to Company's Share Registrar, M/s Technology Trade (Private) Limited at Dagia House, 24-C, Block-2, PECHS, Off: Shahrah-e-Quaideen, Karachi. The Corporate Entities are requested to provide their National Tax Number (NTN). Please give Folio Number with the copy of CNIC / NTN details. Reference is also made to the Securities and Exchange Commission of Pakistan (SECP) Notifications SRO 831 (I) 2012 dated July 05, 2012, which mandates that the dividend warrants should bear CNIC number of the registered member or the authorized person, except in case of minor(s) and corporate members.
- Under the Law, Shareholders are entitled to receive their cash dividend directly in their bank accounts instead of receiving the dividend warrants physically. Shareholders having physical holding and desiring to avail this option may submit the prescribed Dividend Mandate Form, to the Company's Share Registrar. The Shareholders who hold shares in Central Depository Company may approach to submit the prescribed Dividend Mandate Form, to CDC for this option.

# Pakistan Synthetics Limited

## FORM OF PROXY

### THIRTY FIRST ANNUAL GENERAL MEETING

I/We \_\_\_\_\_

of \_\_\_\_\_

being a member(s) of Pakistan Synthetics Limited holding \_\_\_\_\_

Ordinary Shares hereby appoint \_\_\_\_\_

of \_\_\_\_\_ or failing him/her \_\_\_\_\_

of \_\_\_\_\_ who is / are also member(s) of Pakistan Synthetics Limited as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at Thirty First Annual General Meeting of the Company to be held on 26 October 2016 and / or any adjournment thereof.

As witness my/our hand/seal this \_\_\_\_\_ day of \_\_\_\_\_ 2016

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

in the presence of 1. \_\_\_\_\_

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

Please Quote Folio # /  
Participant ID# & A/c#

Signature on  
Revenue Stamp  
of Appropriate value

The signature should agree  
with the specimen registered  
with the Company.

#### IMPORTANT

1. This Proxy Form, duly completed and signed must be received at the Registered Office of the Company at 3rd Floor, Karachi Dock Labour Board Building, 58-West Wharf Road, Karachi. not less than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he himself is a member of the Company except that a corporation may appoint a person who is not a member.
3. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

#### FOR CDC ACCOUNT HOLDERS/CORPORATE ENTITIES:

In addition to the above the following requirements have to be met:

1. The Proxy Form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the Form.
2. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the Proxy Form.



If undelivered please return to:

**PAKISTAN SYNTHETICS LIMITED**

Third Floor, Karachi Dock Labour Board Building,  
58, West Wharf Road, Karachi-74000.