



PAKISTAN SYNTHETICS LIMITED
HALF YEARLY ACCOUNTS (UN-AUDITED)
31 DECEMBER 2017



Pakistan Synthetics Limited

COMPANY INFORMATION

BOARD OF DIRECTORS	UMER HAJI KARIM ANWAR HAJI KARIM YAKOOB HAJI KARIM PIR MOHAMMAD A. KALIYA ABID UMER SAJID HAROON AAMIR AMIN NOMAN YAKOOB	CHAIRMAN-NON-EXECUTIVE CHIEF EXECUTIVE -EXECUTIVE EXECUTIVE NON- EXECUTIVE NON- EXECUTIVE NON- EXECUTIVE NON- EXECUTIVE NON- EXECUTIVE
AUDIT COMMITTEE	AAMIR AMIN – CHAIRMAN PIR MOHAMMAD A. KALIYA ABID UMER	
HUMAN RESOURCE AND REMUNERATION COMMITTEE	SAJID HAROON – CHAIRMAN YAKOOB HAJI KARIM ABID UMER	
CHIEF FINANCIAL OFFICER	SALEEM ADVANI	
COMPANY SECRETARY	MUBBASHIR AMIN	
BANKERS	HABIB BANK LIMITED HABIB METROPOLITAN BANK LIMITED BANK AL HABIB LIMITED ASKARI BANK LIMITED MEEZAN BANK LIMITED BANK OF PUNJAB LIMITED BANK AL-FALAH LIMITED	
AUDITORS	KPMG TASEER HADI & CO. CHARTERED ACCOUNTANTS	
HEAD OF INTERNAL AUDIT	TABISH SHARIF	
REGISTER	F.D. REGISTRAR SERVICES (SMC-PVT.) LIMITED 17 TH FLOOR, SAIMA TRADE TOWER-A, I.I.CHUNDRIGAR ROAD, KARACHI.	
LEGAL ADVISOR	TASAWUR ALI HASHMI ADVOCATE	
REGISTERED OFFICE	3RD FLOOR, KARACHI DOCK LABOUR BOARD BUILDING, 58-WEST WHARF ROAD, KARACHI-74000	
FACTORY	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

DIRECTORS' REPORT

DIRECTORS' REPORT

The Board of Directors is pleased to present unaudited financial information for the half year ended 31 December 2017 to the shareholders of the Company.

OPERATING PERFORMANCE

During the period under review the Company produced 13,322 Mt of Resin as against 6,988 MT of Resin during the corresponding period last year and sold 11,649 MT of Resin as against 1,510 MT of Resin during the corresponding period last year.

Moreover, during the period under review the Company produced 217,534 cartons of plastic and crown caps as against 164,804 cartons during the corresponding period last year and sold 158,131 cartons as against 144,203 cartons during the corresponding period last year.

FINANCIAL RESULTS

The Company has presented fibre segment as discontinued operation. Summarize financial results of continuing and discontinued operations are as below,

Continuing operations

During the period under review, the company's gross turnover of continuing operations increased to Rs. 2,283.80 million from Rs. 868.42 million during the corresponding period last year.

The Company posted loss before tax from continuing operations of Rs. 45.37 million as against loss before tax of Rs. 5.35 million in the corresponding period last year. The net loss after tax stood from continuing operations at Rs. 24.94 million as against net profit after tax of Rs. 52.54 million in the corresponding period last year. Loss is mainly attributable to exchange loss of Rs. 57.14 million (2017: exchange gain of Rs. 1.37 million).

Discontinued operations

During the period under review, the company's gross turnover of discontinued operations decreased to Rs. 0.6 million from Rs. 5.2 million during the corresponding period last year.

The Company posted loss before tax from discontinued operations of Rs. 30.83 million as against loss before tax of Rs. 13.98 million in the corresponding period last year. The net loss after tax stood from discontinued operations at Rs. 21.77 million as against net loss after tax of Rs. 5.86 million in the corresponding period last year.

Pakistan Synthetics Limited

DIRECTORS' REPORT

EARNING PER SHARE

The net loss per share for the period under review was Rs. 0.83 as compared to net earnings per share of Rs. 0.83 in the corresponding period last year.

FUTURE OUTLOOK

Your Company is now planning for vertical integration by entering into Preform Manufacturing to consume its own product and sell directly to beverage manufacturing units. We expect that plant will commence commercial production in April 2018. The Country is facing severe pressure on foreign exchange reserves. Already a bout of devaluation in December 2017 has made our inputs more expensive. The Company envisages further challenges in the year ahead regarding PKR devaluation.

ACKNOWLEDGEMENT

The management recognizes sincere efforts of the employees and appreciates the pleasant relations that remained throughout the period between the management and the employees of the Company.

For and on behalf of the Board of Directors

*Date: 27 February 2018
Karachi*

ANWAR HAJI KARIM
CHIEF EXECUTIVE

YAKOOB HAJI KARIM
DIRECTOR

Pakistan Synthetics Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of Pakistan Synthetics Limited ("the Company") as at 31 December 2017 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial information for the six months period then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

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

Conclusion

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

Pakistan Synthetics Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Other matters

The figures for the quarters ended 31 December 2017 and 31 December 2016 in the condensed interim profit and loss account have not been reviewed by us and we do not express a conclusion on them.

*Date: 27 February 2018
Karachi*

KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt

Pakistan Synthetics Limited

CONDENSED INTERIM BALANCE SHEET

AS AT 31 DECEMBER 2017

	Note	31 December 2017 (Unaudited) (Rupees in '000)	30 June 2017 (Audited)
ASSETS			
Non - current assets			
Property, plant and equipment	5	1,970,749	1,537,731
Intangible assets	6	1,263	-
Long term loans to employees		3,495	3,971
Long term deposits and prepayments	7	11,277	765
Deferred taxation - net		53,757	24,263
		<u>2,040,541</u>	<u>1,566,730</u>
Current assets			
Stores and spares		188,355	182,763
Stock in trade	8	2,144,654	1,899,392
Trade debts	9	361,819	795,250
Loans and advances		21,483	12,246
Short term deposits and prepayments		20,899	4,273
Other receivables	10	95,832	63,917
Taxation - net		395,111	359,451
Cash and bank balances		38,519	11,826
		<u>3,266,672</u>	<u>3,329,118</u>
Total assets		<u><u>5,307,213</u></u>	<u><u>4,895,848</u></u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital of 70,000,000 ordinary shares of Rs. 10 each			
		<u>700,000</u>	<u>700,000</u>
Issued, subscribed and paid-up capital			
General reserve		560,400	560,400
Unappropriated profit		292,450	292,450
		<u>322,352</u>	<u>369,061</u>
		1,175,202	1,221,911
Non-current liabilities			
Long term finances - secured	11	500,464	286,478
Long term payable - secured	12	401,204	-
Staff retirement benefits		18,266	16,888
		919,934	303,366
Current liabilities			
Trade and other payables		2,233,376	2,395,564
Accrued markup		16,436	12,491
Short term borrowings - secured		818,926	819,177
Current portion of long term finance		143,339	143,339
		<u>3,212,077</u>	<u>3,370,571</u>
Total equity and liabilities		<u><u>5,307,213</u></u>	<u><u>4,895,848</u></u>
Contingencies and commitments			

13

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

ANWAR HAJI KARIM
CHIEF EXECUTIVE

SALEEM ADVANI
CHIEF FINANCIAL OFFICER

YAKOOB HAJI KARIM
DIRECTOR

Pakistan Synthetics Limited

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2017

Note	Six months period ended		Quarter ended	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	(Rupees in '000)			
Gross sales	2,283,799	868,417	934,373	382,399
Sales tax	(293,173)	(124,579)	(115,930)	(54,787)
Net sales	1,990,626	743,838	818,443	327,612
Cost of sales	(1,851,086)	(640,697)	(779,006)	(301,460)
Gross profit	139,540	103,141	39,437	26,152
Distribution and selling expenses	(25,322)	(22,354)	(8,522)	(8,853)
Administration expenses	(23,939)	(22,751)	(11,967)	(14,387)
Other operating expenses	(57,418)	(220)	(43,585)	1,866
	(106,679)	(45,325)	(64,074)	(21,374)
Other income	15,251	2,117	13,811	2,086
Profit / (loss) from operations	48,112	59,933	(10,826)	6,864
Finance costs	(93,482)	(65,280)	(51,247)	(34,329)
Loss before taxation	(45,370)	(5,347)	(62,073)	(27,465)
Taxation - net	14 20,427	57,892	25,486	62,630
(Loss) / profit after taxation for the period	(24,943)	52,545	(36,587)	35,165
(Loss) / profit after taxation from discontinued operation	16 (21,766)	(5,865)	(21,766)	6,711
(Loss) / profit after taxation for the period	(46,709)	46,680	(58,353)	41,876
	(Rupees)			
(Loss) / earnings per share - basic and diluted	(0.83)	0.83	(1.04)	0.75

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

ANWAR HAJI KARIM
CHIEF EXECUTIVE

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YAKOOB HAJI KARIM
DIRECTOR

Pakistan Synthetics Limited

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2017

	Six months period ended		Quarter ended	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	----- (Rupees in '000) -----			
(Loss) / profit for the period	(46,709)	46,680	(58,353)	41,876
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	(46,709)	46,680	(58,353)	41,876

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

ANWAR HAJI KARIM
CHIEF EXECUTIVE

SALEEM ADVANI
CHIEF FINANCIAL OFFICER

YAKOOB HAJI KARIM
DIRECTOR

Pakistan Synthetics Limited

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2017

	31 December 2017	31 December 2016
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(76,202)	(19,331)
Adjustments for:		
Depreciation	122,900	105,567
Provision for staff gratuity	2,012	1,486
Gain on disposal of property, plant and equipment	-	(900)
Finance costs	93,482	65,280
Provision for / (reversal against) doubtful debts	30,221	(200)
Provision for slow moving and obsolete stock	94	-
	<u>172,507</u>	<u>151,902</u>
Movement in:		
Stores and spares	(5,592)	(11,156)
Stock in trade	(245,356)	(750,486)
Trade debts	403,210	203,735
Loans and advances	(9,237)	16,171
Short term deposits and prepayments	(16,626)	(2,277)
Other receivables	(31,915)	(45,134)
Trade and other payables	(162,188)	815,934
	<u>104,803</u>	<u>378,689</u>
Net cash generated from operations	104,803	378,689
Staff gratuity paid	(634)	(451)
Finance costs paid	(89,537)	(69,756)
Long term loans to employees - net	476	92
Long term deposit and prepayments	(10,512)	-
Long term payable	401,204	-
Taxes paid	(35,660)	(12,901)
	<u>370,140</u>	<u>295,673</u>
Net cash generated from operating activities	370,140	295,673
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure including intangible assets	(557,182)	(44,572)
Proceeds from disposal of property, plant and equipment	-	900
Net cash used in investing activities	(557,182)	(43,672)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	(20,486)
Long term diminishing musharka - net	213,986	(65,420)
Short term foreign currency loan and money market loan - net	(403,435)	(130,218)
Net cash used in financing activities	(189,449)	(216,124)
Net (decrease) / increase in cash and cash equivalents	(376,491)	35,877
Cash and cash equivalents at beginning of the period	(103,916)	(444,101)
Cash and cash equivalents at end of the period	<u>(480,407)</u>	<u>(408,224)</u>
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash and bank balances	38,519	15,535
Running finance under mark-up arrangement	(518,926)	(423,759)
	<u>(480,407)</u>	<u>(408,224)</u>

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

ANWAR HAJI KARIM
CHIEF EXECUTIVE

SALEEM ADVANI
CHIEF FINANCIAL OFFICER

YAKOOB HAJI KARIM
DIRECTOR

Pakistan Synthetics Limited

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2017

	Issued, subscribed and paid-up capital	General reserve	Unappropriated profit	Total reserves	Total
------(Rupees in '000)-----					
Balances as at 1 July 2016	560,400	292,450	386,807	679,257	1,239,657
Total comprehensive income for the period ended 31 December 2016					
Profit for the period	-	-	46,680	46,680	46,680
Other comprehensive income	-	-	-	-	-
	-	-	46,680	46,680	46,680
Final dividend for the year ended 30 June 2016 (Re.1 per share)	-	-	(56,040)	(56,040)	(56,040)
Balance as at 31 December 2016	<u>560,400</u>	<u>292,450</u>	<u>377,447</u>	<u>669,897</u>	<u>1,230,297</u>
Balances as at 1 July 2017	560,400	292,450	369,061	661,511	1,221,911
Total comprehensive income for the period ended 31 December 2017					
Loss for the period	-	-	(46,709)	(46,709)	(46,709)
Other comprehensive income	-	-	-	-	-
	-	-	(46,709)	(46,709)	(46,709)
Balance as at 31 December 2017	<u>560,400</u>	<u>292,450</u>	<u>322,352</u>	<u>614,802</u>	<u>1,175,202</u>

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

ANWAR HAJI KARIM
CHIEF EXECUTIVE

SALEEM ADVANI
CHIEF FINANCIAL OFFICER

YAKOOB HAJI KARIM
DIRECTOR

Pakistan Synthetics Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2017

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 with effect from 27 June 1995. The principal activity of the Company is manufacturing and sale of Plastic Caps, Crown Caps, PET resin and BOPET resin. The registered office of the Company is situated at 3rd floor, K.D.L.B, building, 58, West Wharf, Karachi.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The condensed interim financial information of the Company for six months period ended 31 December 2017 has been prepared in accordance with the requirements of the International Accounting Standard 34 - "Interim Financial Reporting" and provisions of and directives issued under the repealed Companies Ordinance, 1984. In case where requirements differ, the provision of or directives issued under the repealed Companies Ordinance, 1984 have been followed.

The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as allowed by the Securities and Exchange Commission of Pakistan ("SECP") vide its circular no 23/2017 dated 04 October 2017, this condensed interim financial information has been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

The condensed interim financial information does not include all the information required for full annual financial statements and should be read in conjunction with the audited annual financial statements of the Company as at and for the year ended 30 June 2017.

The comparative balance sheet presented in this condensed interim financial information has been extracted from the audited annual financial statements of the Company for the year ended 30 June 2017, whereas the comparative condensed interim profit and loss account, condensed interim statement of comprehensive Income, condensed interim cash flow statement and condensed interim statement of changes in equity are extracted from the unaudited condensed interim financial information for the period ended 31 December 2016.

This condensed interim financial information is un-audited and is being submitted to the shareholders as required by listing regulations of Pakistan Stock Exchange vide section 245 of the repealed Companies Ordinance, 1984. The figures for the six months period ended 31 December 2017 have, however, been subjected to limited scope review by the auditors as required by the Code of Corporate Governance.

2.2 Basis of measurement

These condensed interim financial information has been prepared under the historical cost convention, except for derivatives which are stated at fair value and the Company's liability under its defined benefit plan (gratuity) which is reported on the basis of present value of defined benefit obligations as determined by an independent actuary.

2.3 Functional and presentation currency

This condensed interim financial information is presented in Pakistan Rupees which is also the Company's functional currency. All financial information presented in Pakistan Rupees has been rounded off to the nearest thousand Rupee except where stated otherwise.

Pakistan Synthetics Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of audited annual financial statements of the Company as at and for the year ended 30 June 2017.

Certain amendments and interpretation to approved accounting standards became effective during the period were not relevant to the Company's operation and do not have any impact on the accounting policies of the Company.

Further, Securities and Exchange Commission of Pakistan vide S.R.O. 1007 (I) / 2017 dated 4 October 2017 has notified IFRS 9 'Financial Instruments' replacing IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 15 'Revenue from Contracts with Customers' replacing IAS 18 'Revenue and IAS 11 'Construction Contracts' which are effective from annual reporting period beginning on or after 1 July 2018. Currently management is assessing the impact of these Standards.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reporting amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience. Actual results may differ from these estimates.

The significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual financial statements as at and for the year ended 30 June 2017.

The financial risk management objectives and policies adopted by the Company are consistent with those disclosed in the audited annual financial statements as at and for the year ended 30 June 2017.

5. PROPERTY, PLANT AND EQUIPMENT

	31 December 2017 (Unaudited)	30 June 2017 (Audited)
	(Rupees in '000)	
	1,474,943	1,530,035
	495,806	7,696
Operating fixed assets	<u>1,970,749</u>	<u>1,537,731</u>
Capital work in progress		

Pakistan Synthetics Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2017

5.1 Following are the additions and disposals of property, plant and equipment during the current period:

	<u>For the six months period ended</u>	
	<u>31 December 2017</u>	<u>31 December 2016</u>
	(Rupees in '000)	
<i>Additions / transfers from CWIP:</i>		
Building on leasehold land	-	92,762
Plant and machinery	67,663	603,774
Vehicles	48	-
Furniture and equipment	98	500
Computer accessories	-	326
	<u>67,809</u>	<u>697,362</u>

Additions to operating fixed assets include transfers of Rs. Nil (31 December 2016: Rs. 686.939 million) from capital work in progress.

Disposal - cost

Vehicles [written down value Rs. Nil (2016: Rs. Nil)]	<u>-</u>	<u>3,194</u>
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Additions to capital work in progress amounting to Rs. 488.110 million (31 December 2016: Rs.34.15 million) during the period.

6. INTANGIBLE ASSETS

This represents SAP ERP software under development.

7. LONG TERM DEPOSITS AND PREPAYMENTS

	<u>31 December 2017</u>	<u>30 June 2017</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
	(Rupees in '000)	
Security deposits	765	765
Long term prepayments	7.1 25,441	-
Less: current portion of long term prepayments	(14,929)	-
	<u>10,512</u>	<u>-</u>
	<u>11,277</u>	<u>765</u>

7.1 This represent payments made in advance in respect of LC confirmation charges at the rate of 3.6% per annum and is charged to profit and loss account over the period of two years.

8. STOCK IN TRADE

8.1 Raw material costing Rs. 55.803 million (30 June 2017: Rs. Nil) has been carried at net realisable value of Rs. 47.967 million (30 June 2017: Rs. Nil).

8.2 Finished goods costing Rs. Nil (30 June 2017: Rs. 1.115 billion) has been carried at net realisable value of Rs. Nil (30 June 2017: Rs. 1.1 billion).

Pakistan Synthetics Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2017

9. TRADE DEBTS

	31 December 2017 (Unaudited) (Rupees in '000)	30 June 2017 (Audited)
Considered good - unsecured	307,037	621,267
Considered good - secured	54,782	173,983
Considered doubtful	<u>203,073</u>	<u>172,852</u>
	564,892	968,102
Provision for doubtful debts	<u>(203,073)</u>	<u>(172,852)</u>
	<u><u>361,819</u></u>	<u><u>795,250</u></u>

10. OTHER RECEIVABLES

Sales tax refundable		79,953	63,917
Derivative financial asset	10.1	<u>15,879</u>	-
		<u><u>95,832</u></u>	<u><u>63,917</u></u>

10.1 The Company has entered into forward exchange contracts for USD 3.826 million. As at 31 December 2017 the fair values of these contracts are positive by Rs. 15.879 million resulting in recognition of asset.

11. LONG TERM FINANCES - secured

Long term finances utilised under Diminishing Musharka		643,803	429,817
Less: Current portion of long term finances shown under current liabilities		<u>(143,339)</u>	<u>(143,339)</u>
		<u><u>500,464</u></u>	<u><u>286,478</u></u>

The Company has entered into Diminishing Musharka arrangement with three different banks as under:

Meezan Bank Limited	11.1	208,167	127,373
Askari Bank Limited - Islamic Banking Services	11.2	255,636	302,444
MCB Islamic Bank Limited	11.3	<u>180,000</u>	-
		<u><u>643,803</u></u>	<u><u>429,817</u></u>

11.1 The Company entered into Diminishing Musharka arrangements with Meezan Bank Limited amounting to Rs. 58.13 million, Rs. 140.77 million, Rs. 63.64 million and Rs. 42.02 million. These carry profit at the rate of 6 months KIBOR plus 0.5% per annum, 6 months average KIBOR + 0.6% per annum and 6 months KIBOR + 0.7% per annum and 6 months KIBOR + 0.7% 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 drawdown. The principal is payable in 8 equal semi-annual installments and last installment is payable on 23 October 2018, 25 January 2020, 15 November 2022 and 29 November 2022 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-passu charge over general plant and machinery.

Pakistan Synthetics Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2017

11.2 This represents Diminishing Musharka arrangements entered with Askari Bank Limited - Islamic Banking Services amounting to Rs. 38.83 million, Rs. 54.25 million and Rs. 300 million. The first two tranches 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. Further, third tranche carry profit at the rate of 3 months average KIBOR + 0.8% per annum with a floor of 4% and cap of 25%. The tenor of the facilities are five years from the date of drawdown. The principal is payable in 20 and 16 equal quarterly installments and last installment is payable on 20 June 2019, 09 July 2019 and 27 November 2020 respectively. The facilities are secured against registered hypothecation charges over specific plant and machinery of plastic and crown along with general plant and machinery of the Company.

11.3 The Company has entered into Diminishing Musharka arrangements with MCB Islamic Bank Limited amounting to Rs. 180 million. This carry profit at the rate of 6 months KIBOR plus 0.5% per annum with a floor of 5% and cap of 20% per annum and is payable on quarterly basis in arrears. The tenor of facility is upto three years with grace period of 1 year from the date of drawdown. The principal is payable in 8 equal quarterly installments and last installment is payable on 27 November 2020. This facility is secured against 1st exclusive charge over general plant and machinery and Personal Guarantee of Sponsor Directors.

12. LONG TERM PAYABLE - secured

This represents amount payable to a supplier amounting to USD 3.826 million under letter of credit (LC) to purchase Huksy molding machine. This carry markup at the rate of 3.05% per annum. The LC is maturing on 14 September 2019.

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

13.1.1 The facilities for opening letter of guarantees from an associated banking company amounted to Rs. 100 million (30 June 2017: Rs. 100 million). Bank guarantees amounting to Rs. 99.243 million (30 June 2017: Rs. 77.839 million) have been issued in favour of Sui Southern Gas Company Limited and Collector of Customs for payment of gas bills and others.

13.1.2 There are no changes in the status of Gas Infrastructure Development Cess contingency from the preceding audited annual financial statements for the year ended 30 June 2017.

13.2 Commitments

13.2.1 The Company has facilities of Rs. 1,880.53 million (30 June 2017: Rs. 1,725.38 million) for opening letters of credit including Rs. 900 million from an associated banking company (30 June 2017: Rs. 800 million). At 31 December 2017, the open letters of credits for stock in trade, stores and spares and capital commitment amounted to Rs. 1,539.40 million (30 June 2017: Rs. 1,272.37 million) including Rs. 643.76 million from an associated banking company (30 June 2017: Rs. 490.771 million).

13.2.2 The facilities disclosed in notes 13.1.1 and 13.1.2 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.

13.2.3 The aggregate unavailed facility against short term borrowings as at 31 December 2017 is Rs. 81.075 million (30 June 2017: Rs. 80.82 million)

Pakistan Synthetics Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2017

14. TAXATION - net

Under section 5A of the Income Tax Ordinance, 2001 (as amended by the Finance Act, 2017), a tax shall be imposed at the rate of 7.5% of the accounting profit before tax on every public company, other than schedule bank or modaraba, that drives profit for a tax year but does not distribute at least 40% of its profits within six months of the end of the tax year through cash or bonus shares. The Board of Directors of the Company will consider this matter before the authorization of annual financial statements for the year ending 30 June 2018. Hence, no tax consequences applicable on undistributed profit are recognised in these condensed interim financial information.

15. RELATED PARTY TRANSACTIONS

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. Details of transactions with and balances from / to related parties, other than those which have been specifically disclosed elsewhere in this condensed interim financial information are as follows:

	Six months period ended	
	31 December 2017	31 December 2016
Related party transactions:		
	(Rupees in '000)	
Key management personnel compensation		
Managerial remuneration	15.1 17,116	13,310
Others	<u>13,687</u>	<u>9,944</u>
Associated banking company		
Bank collection charges paid	<u>2,290</u>	356
Bank guarantee commission	<u>362</u>	-
Mark up on long term finance	<u>-</u>	608
Interest income on bank deposits	<u>-</u>	47
Mark up on short term import finance under markup arrangement	<u>1,076</u>	2,974
Mark up on short term Murabaha	<u>4,295</u>	1,621
Mark up on short term borrowings	<u>23,157</u>	18,701
Mark up on short term Istisna	<u>177</u>	-
Discounting charges paid	<u>3,022</u>	-
Balances:		
	31 December 2017 (Unaudited)	30 June 2017 (Audited)
	(Rupees in '000)	
Associated banking company		
Current account balance	161	162
Saving account balance	<u>269</u>	45
Short term borrowings	<u>818,926</u>	819,177
Short term Murabaha	<u>90,629</u>	-
Short term Istisna	<u>250,177</u>	-
Accrued markup	<u>10,180</u>	7,023

15.1 The directors and most of the executives of the Company are provided with free use of Company maintained cars.

Pakistan Synthetics Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2017

16. (LOSS) / PROFIT 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.

	Six months period ended		Quarter ended	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	----- (Rupees in '000) -----			
Gross sales	562	5,203	562	2,567
Sales tax	(11)	(177)	(11)	(100)
Net sales	551	5,026	551	2,467
Cost of sales	(1,162)	(4,642)	(1,162)	(2,034)
Gross (loss) / profit	(611)	384	(611)	433
Distribution and selling expenses	-	(146)	-	-
Administration expenses	(30,221)	(15,322)	(30,221)	-
Other operating expenses	-	-	-	-
	(30,221)	(15,468)	(30,221)	-
Other income	-	1,100	-	700
(Loss) / profit from operations	(30,832)	(13,984)	(30,832)	1,133
Financial charges	-	-	-	-
(Loss) / profit before taxation	(30,832)	(13,984)	(30,832)	1,133
Taxation - net	9,066	8,119	9,066	5,578
(Loss) / profit after taxation for the period	(21,766)	(5,865)	(21,766)	6,711
	----- (Rupees) -----			
(Loss) / earnings per share - basic and diluted	(0.39)	(0.10)	(0.39)	0.12

17. OPERATING SEGMENTS

Segment results

	Six months period ended 31 December					
	2017 Polyester Staple Fibre (Discontinued operations)	2016	2017 Crown / plastic caps and PET resin (Continued operations)	2016	2017 Total	2016
	----- (Rupees in '000) -----					
External revenues	551	5,026	1,990,626	743,838	1,991,177	748,864
Reportable segment (loss) / profit before tax	(30,832)	(13,984)	11,310	(5,127)	(19,522)	(19,111)
	----- (Rupees in '000) -----					
	Quarter ended 31 December					
	2017 Polyester Staple Fibre (Discontinued operations)	2016	2017 Crown / plastic caps and PET resin (Continued operations)	2016	2017 Total	2016
	----- (Rupees in '000) -----					
External revenues	551	2,467	818,443	327,612	818,994	330,079
Reportable segment profit / (loss) before tax	(30,832)	1,133	(5,393)	(27,245)	(36,225)	(26,112)

Reconciliation of reportable segment profit or loss is as follows:

	Six months period ended		Quarter ended	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	----- (Rupees in '000) -----			
Total loss for reportable segments before tax	(19,522)	(19,111)	(36,225)	(26,112)
Unallocated other expenses	(56,680)	(220)	(56,680)	(220)
Taxation	29,493	66,011	34,552	68,208
(Loss) / profit after tax	(46,709)	46,680	(58,353)	41,876

Pakistan Synthetics Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2017

Revenue from sale of crown / plastic caps and PET resin represents 99.98% (2016: 76%) of the gross sales of the Company.

99.89% (2016: 100%) of the gross sales of the Company are made to customers located in Pakistan.

All non-current assets of the Company at 31 December 2017 are located in Pakistan.

Sales to two major customer (2016: one customer) of the Company is more than 10% of total sales of the Company during the period aggregating to 59.55% (2016: 46.82%).

Segment assets	*Polyester Staple Fibre		Crown / plastic caps and PET resin		Total	
	As at 31 December 2017 (Unaudited) (Discontinued operation)	As at 30 June 2017 (Audited)	As at 31 December 2017 (Unaudited) (Continued operation)	As at 30 June 2017 (Audited)	As at 31 December 2017 (Unaudited)	As at 30 June 2017 (Audited)
	102,846	137,960	4,621,148	4,298,431	4,723,994	4,436,391
Segment liabilities	3,127	2,925	4,121,980	3,657,661	4,125,107	3,660,586

----- (Rupees in '000) -----

Reconciliation of segment assets with total assets in the balance sheet is as follows:

	31 December 2017 (Unaudited)	30 June 2017 (Audited)
Total assets for reportable segments	4,723,994	4,436,391
Unallocated assets	583,219	459,457
Total assets as per balance sheet	5,307,213	4,895,848

*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.

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

- all assets are allocated to reportable segments except advance against investment, 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, staff retirement benefits and deferred tax liabilities.

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

18. GENERAL

This condensed interim financial information has been authorised for issue on 27 February 2018 by the Board of Directors of the Company.

ANWAR HAJI KARIM
CHIEF EXECUTIVE

SALEEM ADVANI
CHIEF FINANCIAL OFFICER

YAKOUB HAJI KARIM
DIRECTOR

If undelivered please return to:

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