

PAKISTAN SYNTHETICS LIMITED

**REPORT & FINANCIAL INFORMATION FOR
THE NINE MONTHS ENDED**

31 MARCH 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 MUHAMMAD ASLAM	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	
AUDITORS	KPMG TASEER HADI & CO. CHARTERED ACCOUNTANTS	
HEAD OF INTERNAL AUDIT	TABISH SHARIF	
REGISTER	TECHNOLOGY TRADE (PVT.) LTD. DAGIA HOUSE, 24 –C, BLOCK-2, PECHS, OFF: SHAHRAH-E-QUAIDEEN, KARACHI.	
LEGAL ADVISOR	TASAWUR ALI HASHMI ADVOCATE	
REGISTERED OFFICE	3RD FLOOR, KARACH 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

The Board of Directors is pleased to present unaudited financial information for the nine months ended 31 March 2017 to the shareholders of the Company.

OPERATING PERFORMANCE

PET resin manufacturing plant of the Company has commenced commercial production on 1 October 2016. During the period under review the Company produced 15,863 MT of Resin and sold 4,914 MT of Resin.

Moreover, during the period under review the Company produced 273,667 cartons of plastic and crown caps as against 295,421 cartons during the corresponding period last year and sold 264,254 cartons as against 233,802 cartons during the corresponding period last year.

FINANCIAL RESULTS

As the Board has decided to convert existing fibre manufacturing plant into PET resin manufacturing plant by making necessary modifications and addition in existing plant amounting to Rs. 695.70 million, the Company has presented fibre segment as discontinued operation. Summarized 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. 1,888.06 million from Rs. 1,183.13 million during the corresponding period last year.

The Company earned profit before tax from continuing operations of Rs. 31.66 million as against profit before tax of Rs. 119.01 million in the corresponding period last year. The net profit after tax stood from continuing operations at Rs. 78.13 million as against net profit after tax of Rs. 101.42 million in the corresponding period last year.

Pakistan Synthetics Limited

DIRECTORS' REPORT

Discontinued operations

During the period under review, the company's gross turnover of discontinued operations decreased to Rs. 5.56 million from Rs. 51.46 million during the corresponding period last year.

The Company posted loss before tax from discontinued operations of Rs. 13.21 million as against loss before tax of Rs. 74.95 million in the corresponding period last year. The net loss after tax stood from discontinued operations at Rs. 5.09 million as against net loss after tax of Rs. 72.14 million in the corresponding period last year.

EARNING PER SHARE

The net earnings per share for the period under review was Rs. 1.30 as compared to net earnings per share of Rs. 0.52 in the corresponding period last year.

FUTURE OUTLOOK

We have now approached summer season and witnessing increase in demand for our products. Increase in sales enables the Company to cope with existing liquidity crunch. However, volatility in raw material prices owing to volatility in crude oil prices remains the key challenge to be addressed which might adversely affect the profitability of the Company.

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: 28 April 2017
Karachi*

ANWAR HAJI KARIM
CHIEF EXECUTIVE

Pakistan Synthetics Limited

CONDENSED INTERIM BALANCE SHEET

AS AT 31 MARCH 2017

	Note	31 March 2017 (Unaudited) (Rupees in '000)	30 June 2016 (Audited)
ASSETS			
Non - current assets			
Property, plant and equipment	5	1,591,118	1,711,444
Long term loans to employees		3,757	307
Long term deposits		765	1,464
Deferred taxation - net		9,491	-
		<u>1,605,131</u>	<u>1,713,215</u>
Current assets			
Stores and spares		187,004	183,588
Stock in trade	6	2,045,123	948,173
Trade debts	7	616,301	646,135
Loans and advances		19,445	27,282
Short term deposits and prepayments		7,345	1,376
Other receivables		111,088	72,778
Taxation - net		328,589	273,404
Cash and bank balances		1,894	7,636
		<u>3,316,789</u>	<u>2,160,372</u>
Total assets		<u><u>4,921,920</u></u>	<u><u>3,873,587</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>403,807</u>	<u>386,807</u>
		<u>1,256,657</u>	<u>1,239,657</u>
Non-current liabilities			
Long term finances - secured	8	317,147	429,817
Staff retirement benefits		16,331	14,554
Deferred taxation - net		-	45,099
		<u>333,478</u>	<u>489,470</u>
Current liabilities			
Trade and other payables		2,316,582	1,026,041
Accrued markup		16,217	20,457
Short term borrowings - secured		855,647	960,873
Current portion of long term finances		143,339	137,089
		<u>3,331,785</u>	<u>2,144,460</u>
Total equity and liabilities		<u><u>4,921,920</u></u>	<u><u>3,873,587</u></u>
Contingencies and commitments			
	9		

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

ANWAR HAJI KARIM
CHIEF EXECUTIVE

YAKOOB HAJI KARIM
DIRECTOR

Pakistan Synthetics Limited

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

Note	Nine months period ended		Quarter ended	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
(Rupees in '000)				
Gross sales	1,888,060	1,183,134	1,019,643	436,296
Sales tax	(268,487)	(173,297)	(143,908)	(63,402)
Net sales	1,619,573	1,009,837	875,735	372,894
Cost of sales	(1,408,226)	(726,249)	(767,529)	(267,226)
Gross profit	211,347	283,588	108,206	105,668
Selling and distribution expenses	(39,865)	(33,005)	(17,511)	(12,005)
Administration expenses	(33,019)	(24,212)	(10,268)	(7,089)
Other operating expenses	(2,950)	(26,189)	(2,730)	(7,431)
	(75,834)	(83,406)	(30,509)	(26,525)
Other income / (loss)	741	(98)	(1,376)	107
Profit from operations	136,254	200,084	76,321	79,250
Financial charges	(104,591)	(81,069)	(39,311)	(31,349)
Profit before taxation	31,663	119,015	37,010	47,901
Taxation - net	46,471	(17,595)	(11,421)	(8,383)
Profit after taxation from continuing operation	78,134	101,420	25,589	39,518
(Loss) / profit after taxation from discontinued operation	(5,094)	(72,138)	771	(23,373)
Profit after taxation for the period	73,040	29,282	26,360	16,145
(Rupees)				
Earnings per share - basic and diluted	1.30	0.52	0.47	0.29

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

ANWAR HAJI KARIM
CHIEF EXECUTIVE

YAKOOB HAJI KARIM
DIRECTOR

Pakistan Synthetics Limited

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

	Nine months period ended		Quarter ended	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	----- (Rupees in '000) -----			
Profit for the period	73,040	29,282	26,360	16,145
<i>Items that will never be reclassified to profit or loss</i>				
Remeasurements of defined benefit liability	-	-	-	-
Related tax thereon	-	-	-	-
Total other comprehensive income - net of tax	-	-	-	-
Total comprehensive income for the period	73,040	29,282	26,360	16,145

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

ANWAR HAJI KARIM
CHIEF EXECUTIVE

YAKOOB HAJI KARIM
DIRECTOR

Pakistan Synthetics Limited

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2017

	31 March 2017	31 March 2016
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	18,450	44,064
Adjustments for:		
Depreciation	166,277	129,983
Provision for staff retirement benefits	2,228	2,257
Gain on disposal of property, plant and equipment	(1,607)	(267)
Profit on saving and deposit accounts	(47)	(2)
Unrealised loss on short term investment	-	100
Finance costs	104,591	81,205
Reversal against provision for doubtful debts	(200)	(1,200)
	<u>289,692</u>	<u>256,140</u>
Movement in:		
Stores and spares	(3,416)	(15,373)
Stock in trade	(1,096,950)	(66,838)
Trade debts	30,035	121,386
Loans and advances	7,837	(30,751)
Short term deposits and prepayments	(5,969)	(3,497)
Other receivables	(38,310)	(81,702)
Trade and other payables	1,255,044	127,609
	<u>437,963</u>	<u>306,974</u>
Net cash generated from operations	437,963	306,974
Staff gratuity paid	(451)	(469)
Finance costs paid	(108,831)	(80,987)
Long term loans to employees - net	(3,450)	398
Long term deposit	699	(721)
Taxes paid - net	(55,185)	(78,880)
	<u>270,745</u>	<u>146,315</u>
Net cash generated from operating activities	270,745	146,315
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(46,170)	(521,782)
Proceeds from disposal of property, plant and equipment	1,825	4,580
Profit on saving and deposit accounts	47	2
Net cash used in investing activities	(44,298)	(517,200)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(20,543)	(11)
Long term diminishing musharka - net	(106,420)	185,022
Short term foreign currency loan and money market loan - net	(107,237)	(141,367)
Net cash (used in) / generated from financing activities	(234,200)	43,644
Net decrease in cash and cash equivalents	(7,753)	(327,241)
Cash and cash equivalents at beginning of the period	(444,101)	(210,671)
Cash and cash equivalents at end of the period	<u>(451,854)</u>	<u>(537,912)</u>
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash and bank balances	1,894	6,470
Short term borrowings	(453,748)	(544,382)
	<u>(451,854)</u>	<u>(537,912)</u>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

ANWAR HAJI KARIM
CHIEF EXECUTIVE

YAKOOB HAJI KARIM
DIRECTOR

Pakistan Synthetics Limited

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

	Issued, subscribed and paid-up capital	General reserve	Unappropriated profit	Total reserves	Total
------(Rupees in '000)-----					
Balances as at 1 July 2015	560,400	292,450	295,940	588,390	1,148,790
Total comprehensive income for the period ended 31 March 2016					
Profit for the year	-	-	29,282	29,282	29,282
Other comprehensive income	-	-	-	-	-
	-	-	29,282	29,282	29,282
Balance as at 31 March 2016	<u>560,400</u>	<u>292,450</u>	<u>325,222</u>	<u>617,672</u>	<u>1,178,072</u>
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 March 2017					
Profit for the year	-	-	73,040	73,040	73,040
Other comprehensive income	-	-	-	-	-
	-	-	73,040	73,040	73,040
Transactions with owners recorded directly in equity - distributions					
Final dividend for the year ended 30 June 2016 (Re.1 per share)	-	-	(56,040)	(56,040)	(56,040)
Balance as at 31 March 2017	<u>560,400</u>	<u>292,450</u>	<u>403,807</u>	<u>696,257</u>	<u>1,256,657</u>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

ANWAR HAJI KARIM
CHIEF EXECUTIVE

YAKOOB HAJI KARIM
DIRECTOR

Pakistan Synthetics Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 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 (formerly they were listed on all stock exchanges of Pakistan (Karachi, Lahore and Islamabad) 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.

Further, PET resin manufacturing plant of the Company has commenced commercial production on 01 October, 2016.

2. BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information for the nine months period ended 31 March 2017 has been prepared in accordance with the requirements of International Accounting Standards 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984, have been followed.

This 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 2016.

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 2016, 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 March 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 Companies Ordinance, 1984.

2.2 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention, except for derivatives, investments classified as 'held for trading' 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 NINE MONTHS PERIOD ENDED 31 MARCH 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 2016. 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.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

- 4.1 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.
- 4.2 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 2016.
- 4.3 The Company's financial risk management objectives and policies are consistent with those disclosed in the audited annual financial statements as at and for the year ended 30 June 2016.

5. PROPERTY, PLANT AND EQUIPMENT

	31 March 2017 (Unaudited)	30 June 2016 (Audited)
Operating fixed assets	1,590,456	1,058,334
Capital work in process	662	653,110
	<u>1,591,118</u>	<u>1,711,444</u>

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

	For the nine months period ended	
	31 March 2017	31 March 2016
	(Rupees in '000)	
Additions / Transfers from CWIP:		
Building on leasehold land	92,762	166
Plant and machinery	604,964	-
Vehicles	-	6,029
Furniture and equipment	500	839
Computer accessories	392	488
Capital work in process	(652,448)	514,260
	<u>46,170</u>	<u>521,782</u>
Disposal - cost		
Vehicles [written down value Rs. 0.218 million (2016: Rs. 4.313 million)]	<u>4,589</u>	<u>9,558</u>

Pakistan Synthetics Limited

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

6. STOCK IN TRADE

- 6.1 Raw material costing Rs. Nil (30 June 2016: Rs. 81.201 million) has been carried at net realisable value of Rs. Nil (30 June 2016: Rs. 67.581 million).
- 6.2 Finished goods costing Rs. 1,260.01 million (30 June 2016: Rs. Nil) has been carried at net realisable value of Rs. 1,252,24 million (30 June 2016: Rs. Nil).

7. TRADE DEBTS

	31 March 2017 (Unaudited)	30 June 2016 (Audited)
	(Rupees in '000)	
Considered good - unsecured	616,301	646,135
Considered doubtful	142,420	142,621
	758,721	788,756
Provision for doubtful debts	(142,420)	(142,621)
	<u>616,301</u>	<u>646,135</u>

8. LONG TERM FINANCES

Long term finances utilised under diminishing musharka	460,486	566,906
Current portion of long term finances shown under current liabilities	(143,339)	(137,089)
	<u>317,147</u>	<u>429,817</u>

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

Bank Al-Habib Limited - Islamic Banking Division		-	31,250
Meezan Bank Limited	8.1	134,638	177,096
Askari Bank Limited - Islamic Banking Services	8.2	325,848	358,560
		<u>460,486</u>	<u>566,906</u>

- 8.1 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-passu charge over general plant and machinery.
- 8.2 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 draw down. The principal is payable in 20 equal quarterly installments and last installment is payable on 20 June 2019 and 09 July 2019 respectively. These facilities are secured against registered hypothecation charges over specific plant and machinery of plastic and crown. The Company also availed a third Diminishing Musharka amounting to Rs. 300 million with the bank which carries profit at 3 months 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 draw down with one year grace period with the second installment payable on 27 May 2017. The facility is secured against registered hypothecation charges over general plant and machinery.

Pakistan Synthetics Limited

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

9. CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

9.1.1 The facilities for opening letter of guarantees from an associated banking company amounted to Rs. 100 million. Bank guarantees amounting to Rs. 77.839 million (30 June 2016: Rs. 77.839 million) have been issued in favour of Sui Southern Gas Company Limited for payment of gas bills and others.

9.1.2 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 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. On 22 August 2014, Supreme Court of Pakistan upheld the decision of the Peshawar High Court stating the GIDC Act 2011 to be unconstitutional and ultra vires on the grounds that GIDC is a 'Fee' and not a 'Tax' and in the alternative it is not covered by any entry relating to imposition or levy of tax under Part-I of the Federal Legislative list and on either counts the 'cess' could not have been introduced through a money bill under the Constitution.

During the year 2014-2015, 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 (30 June 2016: Rs. 60.39 million) in these condensed interim financial information. However, on 26 October 2016, Sindh High Court vide its judgment held GIDC Act, 2015 ultra vires the Constitution. Management on prudent basis maintained the provision recognised under GIDC Act, 2015.

9.2 Commitments

9.2.1 Letters of credits

The Company has facilities of Rs. 1,638.30 million (30 June 2016: Rs. 1,781.23 million) for opening letters of credit including Rs. 800 million from an associated banking company (30 June 2016: Rs. 810.21 million). At 31 March 2017, the open letters of credits for stock in trade, stores and spares and capital commitment amounted to Rs. 1,445.28 million (30 June 2016: Rs. 643.49 million) including Rs. 693.48 million from an associated banking company (30 June 2016: Rs. 605.54 million).

Pakistan Synthetics Limited

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

9.3 The facilities disclosed in notes 9.1.1 and 9.2.1 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.

9.4 The aggregate unavailed facility against short term borrowings as at 31 March 2017 is Rs. 19.01 million (30 June 2016: Rs. 40.354 million)

10. 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.

	Nine months period ended		Quarter ended	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	(Rupees in '000)			
Gross sales	5,564	51,459	361	11,168
Sales tax	(184)	(2,209)	(7)	(498)
Net sales	5,380	49,250	354	10,670
Cost of sales	(4,932)	(112,966)	(290)	(32,112)
Gross profit / (loss)	448	(63,716)	64	(21,442)
Selling and distribution expenses	(146)	(1,939)	-	(542)
Administration expenses	(15,322)	(10,428)	-	(2,182)
Other operating expenses	-	(199)	-	(2)
	(15,468)	(12,566)	-	(2,726)
Other income	1,807	1,467	707	550
(Loss) / profit from operations	(13,213)	(74,815)	771	(23,618)
Financial charges	-	(136)	-	-
(Loss) / profit before taxation	(13,213)	(74,951)	771	(23,618)
Taxation - net	8,119	2,813	-	245
(Loss) / profit after taxation for the period	(5,094)	(72,138)	771	(23,373)
	(Rupees)			
(Loss) / earnings per share - basic and diluted	(0.09)	(1.29)	0.01	(0.42)

Pakistan Synthetics Limited

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

11. 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. However, where balances with an associated company on account of sale of goods exceeds credit period markup thereon is charged. 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:

	Nine months period ended	
	31 March 2017	31 March 2016
	(Rupees in '000)	
Related party transactions:		
Associated company		
Sales of goods	-	11,252
Key management personnel compensation		
Managerial remuneration	21,248	18,723
Others	15,147	14,665
Associated banking company		
Bank collection charges paid	814	287
Bank guarantee commission	393	99
Mark up on long term finance	608	8,878
Interest income on bank deposits	47	-
Mark up on short term murabaha	1,806	-
Mark up on short term import finance under markup arrangement	3,920	1,614
LC discounting charges	1,247	-
Mark up on short term borrowings	30,410	30,632
Balances:		
	31 March 2017 (Unaudited)	30 June 2016 (Audited)
	(Rupees in '000)	
Associated banking company		
Current account balance	12	143
Saving account balance	116	9
Long term finance	-	31,250
Short term borrowings	855,647	832,664
Short term Murabaha	25,494	28,159
Accrued markup	11,959	10,970

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

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12. OPERATING SEGMENTS

12.1 Segment results

	Nine months period ended 31 March					
	2017	2016	2017	2016	2017	2016
	Polyester Staple Fibre		Crown and Plastic caps		Total	
	Discontinued operations		Continued operations			
	----- (Rupees in '000) -----					
External revenues	<u>5,380</u>	<u>49,250</u>	<u>1,619,573</u>	<u>1,009,837</u>	<u>1,624,953</u>	<u>1,059,087</u>
Reportable segment profit / (loss) before tax	<u>(13,213)</u>	<u>(74,951)</u>	<u>33,261</u>	<u>139,298</u>	<u>20,048</u>	<u>64,347</u>
	Quarter ended 31 March					
	2017	2016	2017	2016	2017	2016
	Polyester Staple Fibre		Crown and Plastic caps		Total	
	Discontinued operations		Continued operations			
	----- (Rupees in '000) -----					
External revenues	<u>354</u>	<u>10,670</u>	<u>875,735</u>	<u>372,894</u>	<u>876,089</u>	<u>383,564</u>
Reportable segment profit / (loss) before tax	<u>771</u>	<u>(23,618)</u>	<u>38,388</u>	<u>54,792</u>	<u>39,159</u>	<u>31,174</u>

Reconciliation of reportable segment profit or loss is as follows:

	Nine months period ended		Quarter ended	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	----- (Rupees in '000) -----			
Total profit for reportable segments before tax	20,048	64,347	39,159	31,174
Unallocated finance cost	-	(5,326)	-	(4,556)
Unallocated other expenses	(1,598)	(14,859)	(1,378)	(2,442)
Unallocated other income / (loss)	-	(98)	-	107
Taxation	<u>54,590</u>	<u>(14,782)</u>	<u>(11,421)</u>	<u>(8,138)</u>
Profit after tax	<u>73,040</u>	<u>29,282</u>	<u>26,360</u>	<u>16,145</u>

12.2 Segment assets

	*Polyester Staple Fibre		Crown and Plastic caps		Total	
	As at 31 March 2017	As at 30 June 2016	As at 31 March 2017	As at 30 June 2016	As at 31 March 2017	As at 30 June 2016
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	Discontinued operation		Continued operation			
	----- (Rupees in '000) -----					
Segment assets	<u>171,099</u>	<u>420,936</u>	<u>4,299,759</u>	<u>3,097,817</u>	<u>4,470,858</u>	<u>3,518,753</u>
Segment liabilities	<u>3,381</u>	<u>5,774</u>	<u>3,157,848</u>	<u>2,562,450</u>	<u>3,161,229</u>	<u>2,568,224</u>

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

	31 March 2017 (Unaudited) (Rupees in '000)	30 June 2016 (Audited)
Total assets for reportable segments	4,470,858	3,518,753
Unallocated assets	451,062	354,834
Total assets as per balance sheet	<u>4,921,920</u>	<u>3,873,587</u>

*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.

12.3 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 and deferred tax liabilities.

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

13. DATE OF AUTHORISATION

This condensed interim financial information were authorized for issue by the Board of Directors in their meeting held on 28 April 2017.

ANWAR HAJI KARIM
CHIEF EXECUTIVE

YAKOOB HAJI KARIM
DIRECTOR

If undelivered please return to:

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