

PAKISTAN SYNTHETICS LIMITED

HALF YEARLY ACCOUNTS (UN-AUDITED)

31 DECEMBER 2016



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 half year ended 31 December 2016 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 6,988 MT of Resin and sold 1,510 MT of Resin.

Moreover, during the period under review the Company produced 164,804 cartons of plastic and crown caps as against 200,521 cartons during the corresponding period last year and sold 144,203 cartons as against 144,373 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. 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. 868.42 million from Rs. 746.84 million during the corresponding last year.

The Company posted loss before tax from continuing operations of Rs. 5.35 million as against profit before tax of Rs. 71.11 million in the last year. The net profit after tax stood from continuing operations at Rs. 52.55 million as against net profit after tax of Rs. 61.90 million in the last year.

Pakistan Synthetics Limited

DIRECTORS' REPORT

Discontinued operations

During the year under review, the company's gross turnover of discontinued operations decreased to Rs. 5.2 million from Rs. 40.29 million during the corresponding last year

The Company posted loss before tax from discontinued operations of Rs. 13.98 million as against loss before tax of Rs. 51.33 million in the last year. The net loss after tax stood from discontinued operations at Rs. 5.86 million as against net loss after tax of Rs. 48.76 million in the last year.

EARNING PER SHARE

The net earnings per share for the period under review was Rs. 0.83 as compared to net earnings per share of Rs. 0.23 in the corresponding period last year

FUTURE OUTLOOK

We are approaching summer season and we expect that demand for our PET resin as well as plastic and crown caps will boost up. Increase in sales enables the Company to cope with existing liquidity crunch.

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: 24 February 2017
Karachi*

ANWAR HAJI KARIM
CHIEF EXECUTIVE

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 2016 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 2016 and 31 December 2015 in the condensed interim profit and loss account have not been reviewed by us and we do not express a conclusion on them.

*Date: 24 February 2017
Karachi*

*KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt*

Pakistan Synthetics Limited

CONDENSED INTERIM BALANCE SHEET

AS AT 31 DECEMBER 2016

	Note	31 December 2016 (Unaudited) (Rupees in '000)	30 June 2016 (Audited)
ASSETS			
Non - current assets			
Property, plant and equipment	5	1,650,446	1,711,444
Long term loans to employees		215	307
Long term deposits		1,464	1,464
Deferred taxation - net		20,912	-
		<u>1,673,037</u>	<u>1,713,215</u>
Current assets			
Stores and spares		194,744	183,588
Stock in trade	6	1,698,659	948,173
Trade debts	7	442,601	646,135
Loans and advances		11,111	27,282
Short term deposits and prepayments		3,653	1,376
Other receivables		117,912	72,778
Taxation - net		286,305	273,404
Cash and bank balances		15,535	7,636
		<u>2,770,520</u>	<u>2,160,372</u>
Total assets		<u><u>4,443,557</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		292,450	292,450
Unappropriated profit		377,447	386,807
		<u>1,230,297</u>	<u>1,239,657</u>
Non-current liabilities			
Long term finances - secured	8	358,147	429,817
Staff retirement benefits		15,589	14,554
Deferred taxation - net		-	45,099
		<u>373,736</u>	<u>489,470</u>
Current liabilities			
Trade and other payables		1,877,526	1,026,041
Accrued markup		15,981	20,457
Short term borrowings - secured		802,678	960,873
Current portion of long term finances		143,339	137,089
		<u>2,839,524</u>	<u>2,144,460</u>
Total equity and liabilities		<u><u>4,443,557</u></u>	<u><u>3,873,587</u></u>
Contingencies and commitments			
	9		

The annexed notes 1 to 14 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 SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2016

	Six months period ended		Quarter ended	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	(Rupees in '000)			
Gross sales	868,417	746,838	382,399	224,955
Sales tax	(124,579)	(109,895)	(54,787)	(32,889)
Net sales	743,838	636,943	327,612	192,066
Cost of sales	(640,697)	(459,023)	(301,460)	(127,289)
Gross profit	103,141	177,920	26,152	64,777
Distribution and selling expenses	(22,354)	(21,000)	(8,853)	(7,877)
Administration expenses	(22,751)	(17,123)	(14,387)	(8,873)
Other operating expenses	(220)	(18,758)	1,866	(6,059)
	(45,325)	(56,881)	(21,374)	(22,809)
Other income / (loss)	2,117	(205)	2,086	35
Profit from operations	59,933	120,834	6,864	42,003
Finance costs	(65,280)	(49,720)	(34,329)	(24,117)
(Loss) / profit before taxation	(5,347)	71,114	(27,465)	17,886
Taxation - net	57,892	(9,212)	62,630	1,591
Profit after taxation from continuing operation	52,545	61,902	35,165	19,477
(Loss) / profit after taxation from discontinued operation	(5,865)	(48,765)	6,711	(27,761)
Profit / (loss) after taxation for the period	46,680	13,137	41,876	(8,284)
	(Rupees)			
Earnings / (loss) per share - basic and diluted	0.83	0.23	0.75	(0.15)

The annexed notes 1 to 14 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 SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2016

	Six months period ended		Quarter ended	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	----- (Rupees in '000) -----			
Profit / (loss) for the period	46,680	13,137	41,876	(8,284)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	46,680	13,137	41,876	(8,284)

The annexed notes 1 to 14 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 SIX MONTHS PERIOD ENDED 31 DECEMBER 2016

	31 December 2016	31 December 2015
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before tax	(19,331)	19,781
Adjustments for:		
Depreciation	105,567	86,639
Provision for staff gratuity	1,486	1,505
(Gain) / loss on disposal of property, plant and equipment	(900)	83
Unrealised loss on short term investment	-	205
Finance costs	65,280	49,856
Provision for slow moving and obsolete stock	-	370
Reversal against provision for doubtful debts	(200)	(1,000)
	151,902	157,439
Movement in:		
Stores and spares	(11,156)	(6,500)
Stock in trade	(750,486)	5,699
Trade debts	203,735	186,809
Loans and advances	16,171	(12,554)
Short term deposits and prepayments	(2,277)	(1,540)
Other receivables	(45,134)	(48,530)
Trade and other payables	815,934	98,893
	378,689	379,716
Net cash generated from operations		
Staff gratuity paid	(451)	(352)
Finance costs paid	(69,756)	(52,774)
Long term loans to employees - net	92	461
Long term deposit	-	(20)
Taxes paid	(12,901)	(44,398)
	295,673	282,633
Net cash generated from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(44,572)	(318,881)
Proceeds from disposal of property, plant and equipment	900	4,230
Net cash used in investing activities	(43,672)	(314,651)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(20,486)	(4)
Long term diminishing musharka - net	(65,420)	31,944
Short term foreign currency loan and money market loan - net	(130,218)	(134,421)
Net cash used in financing activities	(216,124)	(102,481)
Net increase / (decrease) in cash and cash equivalents	35,877	(134,499)
Cash and cash equivalents at beginning of the period	(444,101)	(210,671)
Cash and cash equivalents at end of the period	(408,224)	(345,170)
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash and bank balances	15,535	8,735
Running finance under mark-up arrangement	(423,759)	(353,905)
	(408,224)	(345,170)

The annexed notes 1 to 14 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 SIX MONTHS PERIOD ENDED 31 DECEMBER 2016

	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 December 2015					
Profit for the period	-	-	13,137	13,137	13,137
Other comprehensive income	-	-	-	-	-
	-	-	13,137	13,137	13,137
Balance as at 31 December 2015	<u>560,400</u>	<u>292,450</u>	<u>309,077</u>	<u>601,527</u>	<u>1,161,927</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 December 2016					
Profit for the period	-	-	46,680	46,680	46,680
Other comprehensive income	-	-	-	-	-
	-	-	46,680	46,680	46,680
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 December 2016	<u>560,400</u>	<u>292,450</u>	<u>377,447</u>	<u>669,897</u>	<u>1,230,297</u>

The annexed notes 1 to 14 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 SIX MONTHS PERIOD ENDED 31 DECEMBER 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 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 six months period ended 31 December 2016 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 December 2015.

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. The figures for the six months period ended 31 December 2016 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, 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 SIX MONTHS PERIOD ENDED 31 DECEMBER 2016

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 December 2016 (Unaudited) (Rupees in '000)	30 June 2016 (Audited) (Rupees in '000)
Operating fixed assets	1,650,125	1,058,334
Capital work in process	321	653,110
	<u>1,650,446</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 six months period ended	
	31 December 2016	31 December 2015
	(Rupees in '000)	
Additions / Transfers from CWIP:		
Building on leasehold land	92,762	166
Plant and machinery	603,774	-
Vehicles	-	6,029
Furniture and equipment	500	458
Computer accessories	326	460
Capital work in process	(652,790)	311,768
	<u>44,572</u>	<u>318,881</u>
Disposal - cost		
Vehicles [written down value Rs. Nil (2015: Rs. 4.313 million)]	3,194	7,093

Pakistan Synthetics Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2016

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. 709.99 million (30 June 2016: Rs. Nil) has been carried at net realisable value of Rs. 696.079 million (30 June 2016: Rs. Nil).

7. TRADE DEBTS

	31 December 2016 (Unaudited)	30 June 2016 (Audited)
	(Rupees in '000)	
Considered good - unsecured	442,601	646,135
Considered doubtful	142,420	142,621
	585,021	788,756
Provision for doubtful debts	(142,420)	(142,621)
	<u>442,601</u>	<u>646,135</u>

8. LONG TERM FINANCES - secured

Long term finances utilised under Diminishing Musharka	501,486	566,906
Current portion of long term finances shown under current liabilities	(143,339)	(137,099)
	<u>358,147</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	152,235	177,096
Askari Bank Limited - Islamic Banking Services	8.2	349,251	358,560
		<u>501,486</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 first installment payable on 27 February 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 SIX MONTHS PERIOD ENDED 31 DECEMBER 2016

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 2015: Rs. 60.39 million) in these condensed interim financial information. On 26 October 2016, Sindh High Court vide its judgment held GIDC Act, 2015 ultra virus the Constitution. However, management on prudent basis has recognised the charge against GID cess from April 2015 to December 2016.

9.2 Commitments

9.2.1 The Company has facilities of Rs. 1,695.32 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 December 2016, the open letters of credits for stock in trade, stores and spares and capital commitment amounted to Rs. 1,235.292 million (30 June 2016: Rs. 643.49 million) including Rs. 593.77 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 SIX MONTHS PERIOD ENDED 31 DECEMBER 2016

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 December 2016 is Rs. 71.52 million (30 June 2016: Rs. 40.354 million)

10. TAXATION - net

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 modarba, 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 an 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 percent of its paid up capital, whichever is less, with in six months of the end of the tax year.

The Company intends to distribute sufficient cash dividend for the year ending 30 June 2017 to comply with the above stated requirement. Accordingly, no provision for tax on undistributed reserve has been recognized in these condensed interim financial information.

11. 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.

	Six months period ended		Quarter ended	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	----- (Rupees in '000) -----			
Gross sales	5,203	40,291	2,567	2,263
Sales tax	(177)	(1,711)	(100)	(108)
Net sales	5,026	38,580	2,467	2,155
Cost of sales	(4,642)	(80,854)	(2,034)	(24,584)
Gross profit / (loss)	384	(42,274)	433	(22,429)
Distribution and selling expenses	(146)	(1,397)	-	(762)
Administration expenses	(15,322)	(8,246)	-	(4,463)
Other operating expenses	-	(197)	-	(2,238)
	(15,468)	(9,840)	-	(7,463)
Other income	1,100	917	700	400
(Loss) / profit from operations	(13,984)	(51,197)	1,133	(29,492)
Financial (charges) / income	-	(136)	-	2
(Loss) / profit before taxation	(13,984)	(51,333)	1,133	(29,490)
Taxation - net	8,119	2,568	5,578	1,729
(Loss) / profit after taxation for the period	(5,865)	(48,765)	6,711	(27,761)
	----- (Rupees) -----			
(Loss) / earnings per share - basic and diluted	(0.10)	(0.87)	0.12	(0.50)

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2016

12. 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:

Related party transactions:	Six months period ended	
	31 December 2016	31 December 2015
	(Rupees in '000)	
Associated company		
Sales of goods	-	11,252
Key management personnel compensati		
Managerial remuneration	13,310	12,360
Others	9,944	9,444
Associated banking company		
Bank collection charges paid	356	193
Bank guarantee commission	-	99
Mark up on long term finance	608	6,729
Interest income on bank deposits	47	-
Mark up on short term import finance under markup arrangement	2,974	1,439
Mark up on short term Murabaha	1,621	-
Mark up on short term borrowings	18,701	17,778
	31 December 2016 (Unaudited)	30 June 2016 (Audited)
	(Rupees in '000)	
Balances:		
Associated banking company		
Current account balance	3,034	143
Saving account balance	155	9
Long term finance	-	31,250
Short term borrowings	802,678	832,664
Short term Murabaha	25,802	28,159
Accrued markup	9,575	10,970

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2016

13. OPERATING SEGMENTS

13.1 Segment results

	Six months period ended 31 December					
	2016		2015		2015	
	Polyester Staple Fibre (Discontinued operations)		Crown and Plastic Caps (Continued operations)		Total	
	(Rupees in '000)					
External revenues	5,026	38,580	743,838	636,943	748,864	675,523
Reportable segment profit / (loss) before tax	(13,984)	(51,333)	(5,127)	84,506	(19,111)	33,173
	2016		2015		2015	
	Polyester Staple Fibre (Discontinued operations)		Crown and Plastic Caps (Continued operations)		Total	
	(Rupees in '000)					
External revenues	2,467	2,155	327,612	192,066	330,079	194,221
Reportable segment profit / (loss) before tax	1,133	(29,490)	(27,245)	31,278	(26,112)	1,788

Reconciliation of reportable segment profit or loss is as follows:

	Six months period ended		Quarter ended	
	31 December	31 December	31 December	31 December
	2016	2015	2016	2015
	(Rupees in '000)			
Total profit or (loss) for reportable segments before tax	(19,111)	33,173	(26,112)	1,788
Unallocated finance cost	-	(770)	-	(770)
Unallocated other expenses	(220)	(12,417)	(220)	(12,417)
Unallocated other income	-	(205)	-	(205)
Unallocated other loss	-	-	-	-
Taxation	66,011	(6,644)	68,208	3,320
Profit / (loss) after tax	46,680	13,137	41,876	(8,284)

13.1.1 Revenue from sale of crown and plastic caps represents 76% (2015: 95%) of the gross sales of the Company.

13.1.2 100% (2015: 100%) of the gross sales of the Company are made to customers located in Pakistan.

13.1.3 All non-current assets of the Company at 31 December 2016 are located in Pakistan.

13.1.4 Sales to one major customer (2015: two customers) of the Company is more than 10% of total sales of the Company during the period aggregating to 46.82% (2015: 50.87%).

13.2 Segment assets

	*Polyester Staple Fibre		Crown and Plastic caps		Total	
	As at 31	As at 30	As at 31	As at 30	As at 31	As at 30
	December	June	December	June	December	June
	2016	2016	2016	2016	2016	2016
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	(Discontinued operation)		(Continued operation)			
	(Rupees in '000)					
Segment assets	171,389	420,936	3,831,504	3,097,817	4,002,893	3,518,753
Segment liabilities	3,381	5,774	2,730,607	2,562,450	2,733,988	2,568,224

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2016

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

	31 December 2016 (Unaudited) (Rupees in '000)	30 June 2016 (Audited)
Total assets for reportable segments	4,002,893	3,518,753
Unallocated assets	440,664	354,834
Total assets as per balance sheet	<u>4,443,557</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.

13.3 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, 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.

14. DATE OF AUTHORISATION

This condensed interim financial information were authorized for issue by the Board of Directors in their meeting held on 24 February 2017.

ANWAR HAJI KARIM
CHIEF EXECUTIVE

YAKOUB HAJI KARIM
DIRECTOR

If undelivered please return to:

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