



PAKISTAN SYNTHETICS LIMITED
QUARTERLY ACCOUNTS (UN-AUDITED)
30 SEPTEMBER 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	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, 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

The Board of Directors is pleased to present unaudited financial information for the quarter ended 30 September 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 6,386 MT of Resin and sold 6,580 MT of Resin

During the period under review the Company produced 127,334 cartons of plastic and crown caps as against 105,278 cartons during the corresponding period last year and sold 114,575 cartons as against 102,070 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 in existing plant, 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. 1,349.43 million from Rs. 486.02 million during the corresponding period last year.

The Company earned profit before tax from continuing operations of Rs. 16.70 million as against profit before tax of Rs. 22.12 million in the corresponding period last year. The net profit after tax stood from continuing operations at Rs. 11.64 million as against net profit after tax of Rs. 17.38 million in the corresponding period last year.

Discontinued operations

During the period under review, the company's gross turnover of discontinued operations was Rs. Nil as against Rs. 2.69 million in the corresponding period last year.

The Company posted loss before tax from discontinued operations of Rs. Nil as against loss before tax of Rs. 15.12 million in the corresponding period last year. The net loss after tax stood from discontinued operations at Rs. Nil as against net loss after tax of Rs. 12.58 million in the corresponding period last year.

Pakistan Synthetics Limited

DIRECTORS' REPORT

EARNING PER SHARE

The net earning per share for the period under review was Re. 0.21 as compared to net earning per share of Re. 0.09 in the corresponding period last year.

FUTURE OUTLOOK

During the last financial year the Company has successfully commissioned PET Resin Plant. Initially the Company has faced difficulties because of stiff competition and volatility in raw material prices owing to volatility in crude oil prices. The things have now settled down with Company gaining adequate market share to sell its entire produce. 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. The Company already enjoys good reputation in industry and selling its plastic and crown caps to all beverage units.

It may be pointed out that widening trade deficit has created significant risk of devaluation of Pak Rupee. As almost all of the raw materials used by the Company are imported, cost of raw material will shoot up with depreciation in value of rupee. However, passing on the impact to customer in existing competitive market remains the biggest challenge to address. In addition to the risk of devaluation of Rupee, volatility in raw material prices owing to global political crisis is also a factor which management of your Company is closely monitoring.

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

ANWAR HAJI KARIM
CHIEF EXECUTIVE

YAKOOB HAJI KARIM
DIRECTOR

Date: 27 October 2017
Karachi

Pakistan Synthetics Limited

CONDENSED INTERIM BALANCE SHEET AS AT 30 SEPTEMBER 2017

	30 September 2017 (Unaudited) (Rupees in '000)	30 June 2017 (Audited)
EQUITY AND LIABILITIES		
Share capital and reserves		
Authorised share capital 70,000,000 ordinary shares of Rs 10 each	700,000	700,000
Issued, subscribed and paid-up capital	560,400	560,400
General reserve	292,450	292,450
Unappropriated profit	380,705	369,061
	<u>1,233,555</u>	<u>1,221,911</u>
Non-current liabilities		
Staff retirement benefits	17,894	16,888
Long term finance - secured	245,478	286,478
	263,372	303,366
Current liabilities		
Trade and other payables	2,283,178	2,395,564
Accrued markup	15,288	12,491
Short-term borrowings - secured	686,867	819,177
Current portion of long term finance	146,051	143,339
	<u>3,131,384</u>	<u>3,370,571</u>
Total equity and liabilities	<u><u>4,628,311</u></u>	<u><u>4,895,848</u></u>
ASSETS		
Non-current assets		
Property, plant and equipment	1,491,005	1,537,731
Long term loan to employees	3,708	3,971
Long-term deposits	765	765
Deferred taxation	19,204	24,263
Total non current assets	<u>1,514,682</u>	<u>1,566,730</u>
Current assets		
Stores and spares	178,260	182,763
Stock in trade	1,885,167	1,899,392
Trade debts	607,156	795,250
Loans and advances	11,702	12,246
Short term deposits and prepayments	9,839	4,273
Other receivables	25,364	63,917
Taxation - net	386,840	359,451
Cash and bank balances	9,301	11,826
	<u>3,113,629</u>	<u>3,329,118</u>
Total assets	<u><u>4,628,311</u></u>	<u><u>4,895,848</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

SALEEM ADVANI
CHIEF FINANCIAL OFFICER

YAKOOB HAJI KARIM
DIRECTOR

Pakistan Synthetics Limited

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2017

	Note	30 September 2017	30 September 2016
----- (Rupees in '000) -----			
Gross sales		1,349,426	486,018
Sales tax		(177,243)	(69,792)
Net sales		<u>1,172,183</u>	<u>416,226</u>
Cost of sales		(1,072,080)	(339,237)
Gross profit		<u>100,103</u>	<u>76,989</u>
Distribution and selling costs		(16,800)	(13,501)
Administration and general expenses		(11,972)	(8,364)
Other operating expenses		(13,833)	(2,086)
		(42,605)	(23,951)
Other income		1,440	31
Operating profit before finance costs		<u>58,938</u>	<u>53,069</u>
Finance costs		(42,235)	(30,951)
Profit before taxation		<u>16,703</u>	<u>22,118</u>
Taxation		(5,059)	(4,738)
Profit after taxation from continuing operation		<u>11,644</u>	<u>17,380</u>
Loss after taxation from discontinued operation	10	-	(12,576)
Profit for the period		<u>11,644</u>	<u>4,804</u>
----- (Rupee) -----			
Earnings per share - basic and diluted		<u>0.21</u>	<u>0.09</u>

The annexed notes 1 to 14 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 COMPREHENSIVE INCOME (UNAUDITED) FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2017

	30 September 2017	30 September 2016
	----- (Rupees in '000) -----	
Profit after taxation for the period	11,644	4,804
Other comprehensive income	-	-
Total comprehensive income for the period	<u>11,644</u>	<u>4,804</u>

The annexed notes 1 to 14 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 1ST QUARTER ENDED 30 SEPTEMBER 2017

	30 September 2017	30 September 2016
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	16,703	7,001
Adjustments for:		
Adjustments for non cash charges and other items		
- Depreciation	60,614	44,683
- Charge for staff retirement benefits	1,006	743
- Profit on disposal of property, plant and equipment	-	(400)
- Profit on savings account	-	(31)
- Finance cost	42,235	30,951
	120,558	82,947
Movement in:		
Working capital		
- Stores and spares	4,503	(15,242)
- Stock-in-trade	14,225	(54,993)
- Trade debts	188,094	157,860
- Loans and advances	544	12,567
- Short term deposits and prepayments	(5,566)	(14,315)
- Other receivables	38,553	(13,271)
- Trade and other payables	(112,386)	(81,143)
Net cash generated from operations	248,525	74,410
Finance cost paid	(39,438)	(35,686)
Long-term loans to employees	263	60
Taxes (paid) / refund - net	(27,389)	7,901
Net cash flows from operating activities	181,961	46,685
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(13,888)	(29,950)
Proceeds from disposal of property plant and equipment	-	400
Profit on saving and deposit accounts received	-	31
Net cash flows used in investing activities	(13,888)	(29,519)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term borrowings - net	(313,652)	326,722
Long term loan paid	(38,288)	(53,500)
Net cash flows (used in) / from financing activities	(351,940)	273,222
Net (decrease) / increase in cash and cash equivalents	(183,867)	290,388
Cash and cash equivalents at beginning of the period	(103,916)	(444,101)
Cash and cash equivalents at the end of the period	(287,783)	(153,713)
CASH AND CASH EQUIVALENTS COMPRISE		
Cash and bank balances	9,301	4,431
Running finance under mark-up arrangement	(297,084)	(158,144)
	(287,783)	(153,713)

The annexed notes 1 to 14 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 1ST QUARTER ENDED 30 SEPTEMBER 2017

	Issued, subscribed and paid-up capital	General reserve	Unappropriated profit	Total
	------(Rupees in '000)-----			
Balance as at 1 July 2016	560,400	292,450	386,807	1,239,657
Transactions with owners recorded directly in equity - distributions				
Final dividend for the year ended 30 June 2016 (Rs. 1 per share)	-	-	(56,040)	(56,040)
Changes in equity for the quarter ended 30 September 2016				
Total comprehensive income for the period - profit for the period	-	-	4,804	4,804
Balance as at 30 September 2016	560,400	292,450	335,571	1,188,421
Balance as at 1 July 2017	560,400	292,450	369,061	1,221,911
Changes in equity for the quarter ended 30 September 2017				
Total comprehensive income for the period - profit for the period	-	-	11,644	11,644
Balance as at 30 September 2017	560,400	292,450	380,705	1,233,555

The annexed notes 1 to 14 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 1ST QUARTER ENDED 30 SEPTEMBER 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 (Karachi, Lahore and Islamabad of Pakistan) with effect from 27 June 1995. The principal activity of the Company is manufacturing and sale of Plastic Caps and Crown Caps and 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

This condensed interim financial information for the quarter ended 30 September 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 repealed Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the repealed 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 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 30 September 2016.

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, therefore polyester staple fibre segment has been classified as a discontinued operation.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation which have been used in the preparation of this condensed interim financial information are the same as those applied in preparation of the financial statements for the preceding year ended 30 June 2017.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

4.1 The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision. Judgments and estimates made by the management in the preparation of this condensed interim financial information are the same as those that were applied to the financial statements as at and for the year ended 30 June 2017.

4.2 The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 30 June 2017.

Pakistan Synthetics Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2017

5. PROPERTY, PLANT AND EQUIPMENT

	Additions		Disposal/Transfer	
	30 September 2017	2016	2017	2016
	(Unaudited) (Rupees in '000)			
- Operating assets				
Vehicles	48	-	-	(2,128)
Furniture and equipments	67	130	-	-
Computer accessories	-	112	-	-
Capital work in process	13,773	29,708	-	-
	<u>13,888</u>	<u>29,950</u>	<u>-</u>	<u>(2,128)</u>

6. STORES AND SPARES

	30 September 2017 (Unaudited) (Rupees in '000)	30 June 2017 (Audited) (Rupees in '000)
Stores and spares [including in transit stores and spares amounting to Rs. 1.592 million (30 June 2017: Rs.Nil)]	226,740	231,243
Provision for slow moving and obsolete items	<u>(48,480)</u>	<u>(48,480)</u>
	<u>178,260</u>	<u>182,763</u>

7. STOCK-IN-TRADE

Raw and packing materials [including in transit of Rs. 253.304 million (30 June 2017: Rs. 383.672 million)]	642,052	719,745
Work-in-process	18,518	18,828
Finished goods - net of provision	<u>1,224,597</u>	<u>1,160,819</u>
	<u>1,885,167</u>	<u>1,899,392</u>

8. TRADE DEBTS

Considered good - unsecured	450,878	621,267
Considered good - secured	156,278	173,983
Considered doubtful	<u>172,852</u>	<u>172,852</u>
	780,008	968,102
Provision for doubtful debts	<u>(172,852)</u>	<u>(172,852)</u>
	<u>607,156</u>	<u>795,250</u>

9. CONTINGENCIES AND COMMITMENTS

- Contingencies

Bank guarantee in favour of Sui Sothern Gas Company Limited - from associated banking company	<u>77,839</u>	<u>77,839</u>
--------------------------------------------------------------------------------------------------	---------------	---------------

The Company has not recorded a provision of Rs. 60.39 million (30 June 2017: Rs. 60.39 million) of gas infrastructure development cess pertaining to April 2015 and before. However, the company has recognised charge against GID cess from the date of the passing of Gas Infrastructure Development Cess Act 2015 (i.e. April 2015).

Pakistan Synthetics Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2017

- Commitments	30 September 2017 (Unaudited)	30 June 2017 (Audited)
	(Rupees in '000)	
Letters of credit for raw materials and stores and spares		
- from associated banking company	539,485	490,771
- other banking companies	<u>843,280</u>	<u>781,599</u>

10. LOSS AFTER TAXATION FROM DISCONTINUED OPERATION

	1st quarter ended	
	30 September 2017 (Unaudited)	30 September 2016
	(Rupees in '000)	
Net sales	-	2,559
Cost of sales	-	(2,608)
Gross loss	-	(49)
Distribution and selling costs	-	(146)
Administration and general expenses	-	(15,322)
	-	(15,468)
Loss from operations	-	(15,517)
Other income	-	400
Loss before taxation	-	(15,117)
Taxation	-	2,541
Loss after taxation from discontinued operation	-	<u>(12,576)</u>

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

Key management personnel compensation

Managerial remuneration	12,538	9,110
Others	1,967	2,080

Associated banking company

Interest income on bank deposits	-	31
Profit on long term finance	-	608
Profit on short term murabaha	2,273	793
Markup on foreign currency loan	680	2,070
Markup on running finance	5,888	2,251
Markup on money market loan	5,085	5,074
Bank guarantee commission	189	-
Bank collection charges paid	1,252	181
Inland bill discounting charges	1,450	-

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 1ST QUARTER ENDED 30 SEPTEMBER 2017

11.1 Period end balances arising from transactions with related parties

	30 September 2017 (Unaudited)	30 June 2017 (Audited)
	(Rupees in '000)	
Current account balance (banking company)	2,071	162
Saving account balance (banking company)	251	45
Short term borrowings (banking company)	686,867	819,177
Short term murabaha (banking company)	153,149	88,840
Accrued markup	11,133	7,023

12. OPERATING SEGMENTS

12.1 SEGMENT RESULTS

	Polyester Staple Fibre	Crown and plastic caps	Total
	(Rupees in '000)		
For the quarter ended 30 September 2017			
Net Revenue	-	1,172,183	1,172,183
Segment results	-	16,703	16,703
For the quarter ended 30 September 2016			
Net Revenue	2,559	416,226	418,785
Segment results	(15,117)	24,173	9,056

Reconciliation of segment results with profit after tax is as follows:

	1st quarter ended	
	30 September 2017	30 September 2016
	(Rupees in '000)	
Total results for reportable segments	16,703	9,056
Other operating expenses	-	(2,086)
Other operating income	-	31
Taxation	(5,059)	(2,197)
Profit after tax	11,644	4,804

12.2 100% (2016: 100%) sales of the Company relates to customers in Pakistan.

12.3 All non-current assets of the Company at 30 September 2017 are located in Pakistan.

12.4 Sales to two customers of the Company is more than 10% of total sales of the Company during the quarter ended 30 September 2017 (2016: sales to two of the customers was more than 10% of sales of the Company individually).

Pakistan Synthetics Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2017

13. DATE OF AUTHORISATION

This condensed interim financial information were authorized for issue by the Board of Directors in their meeting held on 27 October 2017.

14. GENERAL

Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

ANWAR HAJI KARIM
CHIEF EXECUTIVE

SALEEM ADVANI
CHIEF FINANCIAL OFFICER

YAKOOB HAJI KARIM
DIRECTOR

If undelivered please return to:

PAKISTAN SYNTHETICS LIMITED

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