



PAKISTAN SYNTHETICS LIMITED
QUARTERLY ACCOUNTS (UN-AUDITED)
30 SEPTEMBER 2018

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 ALI KAMAL NOMAN YAKOOB	CHAIRMAN-NON-EXECUTIVE CHIEF EXECUTIVE -EXECUTIVE EXECUTIVE NON- EXECUTIVE NON- EXECUTIVE NON- EXECUTIVE NON- EXECUTIVE NON- EXECUTIVE
AUDIT COMMITTEE	ALI KAMAL – 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 BANK ISLAMI PAKISTAN LIMITED	
AUDITORS	KPMG TASEER HADI & CO. CHARTERED ACCOUNTANTS	
HEAD OF INTERNAL AUDIT	NABIL YAQOOB	
REGISTRAR	F.D REGISTRAR SERVICES (SCM-PVT.) LTD. OFF: # 1705 17TH 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

The Board of Directors is pleased to present unaudited financial information for the quarter ended 30 September 2018 to the shareholders of the Company.

OPERATING PERFORMANCE

During the period under review, the Company produced 5,046 MT as against 6,386 MT of Resin during the corresponding period last year and sold 6,235 MT as against 6,580 MT of Resin during the corresponding period last year. Further, the Company has successfully commissioned PET preform manufacturing plant on 16 May 2018. During the period under review, the Company produced 726 octabins of preform.

During the period under review, the Company produced 144,254 cartons of plastic and crown caps as against 127,334 cartons during the corresponding period last year and sold 128,047 cartons as against 114,575 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. 1,711.16 million from Rs. 1,349.43 million during the corresponding period last year.

The Company earned profit before tax from continuing operations of Rs. 61.25 million as against profit before tax of Rs. 16.70 million in the corresponding period last year. The net profit after tax stood from continuing operations at Rs. 44.80 million as against net profit after tax of Rs. 11.64 million in the corresponding period last year.

Discontinued operations

During the period under review, the company's gross turnover of discontinued operations was Rs. 6.68 million as against Rs. Nil million in the corresponding period last year.

The Company posted profit before tax from discontinued operations of Rs. 0.22 million as against profit before tax of Rs. Nil in the corresponding period last year. The net profit after tax stood from discontinued operations at Rs. 0.22 million as against net profit after tax of Rs. Nil 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. 0.80 as compared to net earning per share of Re. 0.21 in the corresponding period last year.

FUTURE OUTLOOK

During the last year, the Company has successfully commissioned PET Preform manufacturing plant. Your Company has now achieved 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. We expect healthy growth in Company's sale in the years to come.

It may be pointed out that widening trade deficit already resulting in devaluation of Pak Rupee by 28% since December 2017 has badly affected our profitability. As almost all of the raw materials used by the Company are imported, cost of raw material has shoot up with depreciation in value of rupee. However, passing on the impact to customer in existing competitive market was the biggest challenge to address. We foresee further devaluation of Pak Rupee in near future that might impact profitability of the Company in future. Besides risk of devaluation in Pak Rupee, volatility in raw material prices in international markets, increase in gas prices, hike in inflation rate and policy rate of State Bank of Pakistan will also have adverse impact on 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

ANWAR HAJI KARIM
CHIEF EXECUTIVE

YAKOOB HAJI KARIM
DIRECTOR

Date: 25 October 2018
Karachi

Pakistan Synthetics Limited

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

	30 September 2018 (Unaudited) (Rupees in '000)	30 June 2018 (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	527,843	482,823
	1,380,693	1,335,673
Non-current liabilities		
Long term finance - secured	415,494	377,853
Staff retirement benefits	25,549	23,834
Long term payable - secured	-	572,423
	441,043	974,110
Current liabilities		
Trade and other payables	2,765,485	2,787,303
Accrued markup	30,895	21,779
Short-term borrowings - secured	822,581	729,709
Unclaimed dividend	4,239	16,847
Current portion of long term finance	239,639	194,280
Current portion of long term payable	461,974	-
	4,324,813	3,749,918
Total equity and liabilities	6,146,549	6,059,701
ASSETS		
Non-current assets		
Property, plant and equipment	5 2,143,391	2,195,300
Intangible assets	737	842
Long term loans to employees	4,553	4,526
Long-term deposits	1,252	4,362
Deferred taxation	91,988	108,439
Total non current assets	2,241,921	2,313,469
Current assets		
Stores and spares	6 217,274	201,674
Stock in trade	7 2,362,575	2,250,892
Trade debts	8 621,992	644,967
Loans and advances	12,905	17,039
Short term deposits and prepayments	25,199	22,344
Other receivables	99,789	107,183
Taxation - net	463,487	437,875
Cash and bank balances	101,407	64,258
	3,904,628	3,746,232
Total assets	6,146,549	6,059,701
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 2018

	Note	30 September 2018	30 September 2017
		----- (Rupees in '000) -----	
Gross sales		1,711,160	1,349,426
Sales tax		(224,186)	(177,243)
Net sales		<u>1,486,974</u>	<u>1,172,183</u>
Cost of sales		(1,290,275)	(1,072,080)
Gross profit		<u>196,699</u>	<u>100,103</u>
Distribution and selling costs		(21,567)	(16,800)
Administration and general expenses		(13,085)	(11,972)
Other operating expenses		(34,590)	(13,833)
		<u>(69,242)</u>	<u>(42,605)</u>
Other income		<u>1,801</u>	<u>1,440</u>
Operating profit before finance costs		<u>129,258</u>	<u>58,938</u>
Finance costs		(68,009)	(42,235)
Profit before taxation		<u>61,249</u>	<u>16,703</u>
Taxation		(16,451)	(5,059)
Profit after taxation from continuing operation		<u>44,798</u>	<u>11,644</u>
Profit after taxation from discontinued operation	10	222	-
Profit for the period		<u>45,020</u>	<u>11,644</u>
		----- (Rupee) -----	
Earnings per share - basic and diluted		<u>0.80</u>	<u>0.21</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 2018

	30 September 2018	30 September 2017
	----- (Rupees in '000) -----	
Profit after taxation for the period	45,020	11,644
Other comprehensive income	-	-
Total comprehensive income for the period	<u>45,020</u>	<u>11,644</u>

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

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CHIEF EXECUTIVE

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YAKOUB HAJI KARIM
DIRECTOR

Pakistan Synthetics Limited

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2018

	30 September 2018	30 September 2017
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	61,471	16,703
Adjustments for:		
Adjustments for non cash charges and other items		
- Depreciation	57,012	60,614
- Amortization of intangibles	105	-
- Charge for staff retirement benefits	1,822	1,006
- Finance cost	68,009	42,235
	188,419	120,558
Movement in:		
Working capital		
- Stores and spares	(15,600)	4,503
- Stock-in-trade	(111,683)	14,225
- Trade debts	22,975	188,094
- Loans and advances	4,134	544
- Short term deposits and prepayments	(2,855)	(5,566)
- Other receivables	7,394	38,553
- Long term payables	(110,449)	-
- Trade and other payables	(21,818)	(112,386)
Net cash (used in) / generated from operations	(39,483)	248,525
Finance cost paid	(58,893)	(39,438)
Staff retirement benefits paid	(107)	-
Long-term loans to employees	(27)	263
Long-term deposits - net	3,110	-
Taxes paid	(25,612)	(27,389)
Net cash flows (used in) / from operating activities	(121,012)	181,961
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(5,103)	(13,888)
Net cash flows used in investing activities	(5,103)	(13,888)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term borrowings - net	-	(313,652)
Dividend paid	(12,608)	-
Long term loan obtained / (paid) - net	83,000	(38,288)
Net cash flows from / (used in) financing activities	70,392	(351,940)
Net decrease in cash and cash equivalents	(55,723)	(183,867)
Cash and cash equivalents at beginning of the period	(365,451)	(103,916)
Cash and cash equivalents at the end of the period	(421,174)	(287,783)
CASH AND CASH EQUIVALENTS COMPRISE		
Cash and bank balances	101,407	9,301
Running finance under mark-up arrangement	(522,581)	(297,084)
	(421,174)	(287,783)

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

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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 2018

	Issued, subscribed and paid-up capital	General reserve	Unappropriated profit	Total
	------(Rupees in '000)-----			
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
Balance as at 1 July 2018	560,400	292,450	482,823	1,335,673
Changes in equity for the quarter ended 30 September 2018				
Total comprehensive income for the period - profit for the period	-	-	45,020	45,020
Balance as at 30 September 2018	560,400	292,450	527,843	1,380,693

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 2018

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, PET Preform, 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 2018 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 Act, 2017. In case where requirements differ, the provisions of or directives issued under the Companies Act, 2017 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 2018.

The comparative statement of financial position 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 2018, 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 2017.

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 2018.

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 2018.

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 2018.

Pakistan Synthetics Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2018

5. PROPERTY, PLANT AND EQUIPMENT

	Additions		Disposal/Transfer	
	30 September 2018	2017	2018	2017
	(Unaudited) (Rupees in '000)			
- Operating assets				
Plant and machinery	14,212	-	-	-
Vehicles	52	48	-	-
Furniture and equipments	197	67	-	-
Computer accessories	102	-	-	-
Capital work in process	4,723	13,773	(14,183)	-
	<u>19,286</u>	<u>13,888</u>	<u>(14,183)</u>	<u>-</u>

6. STORES AND SPARES

	30 September 2018 (Unaudited)	30 June 2018 (Audited)
Stores and spares [including in transit stores and spares amounting to Rs. Nil million (30 June 2018: Rs. 11.287 million)]	265,754	250,154
Provision for slow moving and obsolete items	(48,480)	(48,480)
	<u>217,274</u>	<u>201,674</u>

7. STOCK-IN-TRADE

Raw and packing materials [including in transit of Rs. 380.692 million (30 June 2018: Rs. 387.319 million)]	884,612	844,174
Work-in-process	26,384	66,918
Finished goods - net of provision	1,451,579	1,339,800
	<u>2,362,575</u>	<u>2,250,892</u>

8. TRADE DEBTS

Considered good - unsecured	557,185	644,967
Considered good - secured	64,807	-
Considered doubtful	223,618	223,618
	<u>845,610</u>	<u>868,585</u>
Provision for doubtful debts	(223,618)	(223,618)
	<u>621,992</u>	<u>644,967</u>

9. CONTINGENCIES AND COMMITMENTS

- Contingencies

Bank guarantee in favour of Sui Sothern Gas Company Limited and collector of customs - from associated banking company	<u>119,242</u>	<u>119,242</u>
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The Company has not recorded a provision of Rs. 60.39 million (30 June 2018: 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 2018

- Commitments	30 September 2018 (Unaudited)	30 June 2018 (Audited)
	(Rupees in '000)	
Letters of credit for raw materials and stores and spares		
- from associated banking company	149,137	182,121
- other banking companies	<u>3,729</u>	<u>263,233</u>

10. PROFIT AFTER TAXATION FROM DISCONTINUED OPERATION

	1st quarter ended	
	30 September 2018 (Unaudited)	30 September 2017
	(Rupees in '000)	
Net sales	6,485	-
Cost of sales	<u>(6,263)</u>	-
Gross profit	222	-
Distribution and selling costs	-	-
Administration and general expenses	-	-
Profit from operations	<u>222</u>	-
Other income	-	-
Profit before taxation	<u>222</u>	-
Taxation	-	-
Profit after taxation from discontinued operation	<u><u>222</u></u>	<u><u>-</u></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	10,990	12,538
Others	1,018	1,967

Associated banking company

Interest income on bank deposits	1	-
Profit on short term murabaha	387	2,273
Profit on short term istisna	4,560	-
Markup on foreign currency loan	-	680
Markup on running finance	10,823	5,888
Markup on money market loan	5,730	5,085
Bank guarantee commission	37	189
Bank collection charges paid	458	1,252
Inland bill discounting charges	994	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 2018

11.1 Period end balances arising from transactions with related parties

	30 September 2018 (Unaudited)	30 June 2018 (Audited)
	(Rupees in '000)	
Current account balance (banking company)	25,203	7,129
Saving account balance (banking company)	239	-
Short term borrowings (banking company)	822,581	729,709
Short term murabaha (banking company)	-	36,203
Short term istisna (banking company)	254,571	248,072
Accrued markup (banking company)	12,385	10,120

12. OPERATING SEGMENTS

12.1 SEGMENT RESULTS

	Polyester Staple Fibre	Crown and plastic caps	Total
	----- (Rupees in '000) -----		
For the quarter ended 30 September 2018			
Net Revenue	6,485	1,486,974	1,493,459
Segment results	222	61,249	61,471
For the quarter ended 30 September 2017			
Net Revenue	-	1,172,183	1,172,183
Segment results	-	16,703	16,703

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

	1st quarter ended	
	30 September 2018	30 September 2017
	(Rupees in '000)	
Total results for reportable segments	61,471	16,703
Taxation	(16,451)	(5,059)
Profit after tax	45,020	11,644

12.2 100% (2017: 100%) sales of the Company relates to customers in Pakistan.

12.3 All non-current assets of the Company at 30 September 2018 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 2018 (2017: 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 2018

13. DATE OF AUTHORISATION

This condensed interim financial information were authorized for issue by the Board of Directors in their meeting held on 25 October 2018.

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.