

**PAKISTAN
SYNTHETICS**

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**Report & Financial Information for
the nine months ended 31 March 2016**

Pakistan Synthetics Limited

Pakistan Synthetics Limited

COMPANY INFORMATION

BOARD OF DIRECTORS	UMER HAJI KARIM ANWAR HAJI KARIM YAKOOB HAJI KARIM PIR MUHAMMAD A. KALIYA ABID UMER SAJID HAROON AAMIR AMIN MUHAMMAD ASLAM MOTIWALA	CHAIRMAN- NON-EXECUTIVE CHIEF EXECUTIVE- EXECUTIVE EXECUTIVE NON-EXECUTIVE NON-EXECUTIVE NON-EXECUTIVE NON-EXECUTIVE NON-EXECUTIVE
AUDIT COMMITTEE	AAMIR AMIN - CHAIRMAN PIR MUHAMMAD 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 NATIONAL BANK OF PAKISTAN MEEZAN BANK LIMITED BANK OF PUNJAB LIMITED ASKARI BANK LIMITED	
AUDITORS	KPMG TASEER HADI & CO. CHARTERED ACCOUNTANTS	
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 PACKAGING UNIT PLOT # A-5, N.W.I.Z. PORT QASIM AUTHORITY, KARACHI.	

Pakistan Synthetics Limited

DIRECTORS' REPORT

DIRECTORS' REPORT

The Board of Directors is pleased to present unaudited financial information for the nine months ended 31 March 2016 to the shareholders of the Company.

OPERATING PERFORMANCE

The Board in its meeting held on 20 April 2015 has decided to convert existing fibre manufacturing plant into PET resin manufacturing plant by making necessary modifications and addition in existing plant. For the purpose the Board has approved investment proposal of Rs. 650 million.

During the period under review the Company produced 295,421 cartons of plastic and crown caps as against 232,445 cartons during the corresponding period last year and sold 233,802 cartons as against 200,486 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, the Company has presented fibre segment as discontinued operation. Summarized 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. 1,183.13 million from Rs. 1,092.07 million during the corresponding last year.

The Company earned profit before tax from continuing operations of Rs. 119.01 million as against profit before tax of Rs. 26.16 million in the last year. The net profit after tax stood from continuing operations at Rs. 101.42 million as against net profit after tax of Rs.13.19 million in the last year.

Discontinued operations

During the year under review, the company's gross turnover of discontinued operations decreased to Rs. 51.46 million from Rs. 554.04 million during the corresponding last year.

The Company posted loss before tax from discontinued operations of Rs. 74.95 million as against loss before tax of Rs. 145.86 million in the last year. The net loss after tax stood from discontinued operations at Rs. 72.14 million as against net loss after tax of Rs. 108.93 million in the last year.

EARNING PER SHARE

The net earnings per share for the period under review was Rs. 0.52 as compared to net loss per share of Rs. 1.71 in the corresponding period last year.

FUTURE OUTLOOK

Shipments for PET Resin plant and machinery have started to arrive at our plant site and erection work has already initiated. We expect that our plant will be in commercial production by last quarter of the current financial year.

For packaging segment of the Company, we have now approached summer season and we expect that we will maintain our track record of growth. However volatility in prices of raw materials, oversupply of product in the market and exchange rates are the key challenges to be addressed. The Management of the Company is keen to cope with these challenges.

ACKNOWLEDGEMENT

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

For and on behalf of the Board of Directors

Date: 27 April 2016

Karachi.

ANWAR HAJI KARIM
CHIEF EXECUTIVE

Pakistan Synthetics Limited

CONDENSED INTERIM BALANCE SHEET AS AT 31 MARCH 2016

	31 March Note 2016 (Unaudited)	30 June 2015 (Audited)
ASSETS		
(Rupees in '000)		
Non-current assets		
Property, plant and equipment	5 1,647,684	1,260,198
Long term loans to employees	375	773
Long term deposits	1,465	744
	<u>1,649,524</u>	<u>1,261,715</u>
Current assets		
Stores and spares	204,141	188,768
Stock in trade	6 688,569	621,731
Trade debts	7 513,635	633,821
Loans and advances	40,325	9,574
Short term deposits and prepayments	3,533	36
Investment	5,038	5,138
Other receivables	82,207	505
Taxation - net	243,632	171,872
Cash and bank balances	6,470	3,073
	<u>1,787,550</u>	<u>1,634,518</u>
Total assets	<u>3,437,074</u>	<u>2,896,233</u>
EQUITY AND LIABILITIES		
Share capital and reserves		
Authorised share capital 70,000,000 ordinary shares of Rs 10 each	<u>700,000</u>	<u>700,000</u>
Issued, subscribed and paid-up capital	560,400	560,400
General reserve	292,450	292,450
Unappropriated profit	325,222	295,940
	<u>1,178,072</u>	<u>1,148,790</u>
Non-current liabilities		
Long term finances	8 460,486	266,906
Staff retirement benefits	15,272	13,484
Deferred taxation - net	56,623	48,962
	<u>532,381</u>	<u>329,352</u>
Current liabilities		
Trade and other payables	635,183	507,585
Accrued markup	20,214	19,996
Short term borrowings	921,635	732,363
Current portion of long term finances	149,589	158,147
	<u>1,726,621</u>	<u>1,418,091</u>
Total equity and liabilities	<u>3,437,074</u>	<u>2,896,233</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 (UN-AUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2016

Note	Nine months period ended		Quarter ended	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	----- (Rupees in '000) -----			
Gross sales	1,183,134	1,092,074	436,296	396,151
Sales tax	(173,297)	(158,886)	(63,402)	(57,869)
Net sales	<u>1,009,837</u>	<u>933,188</u>	<u>372,894</u>	<u>338,282</u>
Cost of sales	(726,249)	(725,589)	(267,226)	(268,834)
Gross profit	<u>283,588</u>	<u>207,599</u>	<u>105,668</u>	<u>69,448</u>
Selling and distribution expenses	(33,005)	(28,981)	(12,005)	(10,159)
Administration expenses	(24,212)	(21,247)	(7,089)	(9,021)
Other operating expenses	(26,189)	4,778	(7,431)	9,259
	(83,406)	(45,450)	(26,525)	(9,921)
Other income	-	15,172	-	6,988
Other (loss) / income	(98)	(58,540)	107	(19,883)
Profit from operations	<u>200,084</u>	<u>118,781</u>	<u>79,250</u>	<u>46,632</u>
Financial charges	(81,069)	(92,623)	(31,349)	(33,974)
Profit before taxation	<u>119,015</u>	<u>26,158</u>	<u>47,901</u>	<u>12,658</u>
Taxation - net	(17,595)	(12,966)	(8,383)	(13,734)
Profit / (loss) after taxation from continuing operation	<u>101,420</u>	<u>13,192</u>	<u>39,518</u>	<u>(1,076)</u>
Loss after taxation from discontinued operation (Note 10)	(72,138)	(108,928)	(23,373)	(22,308)
Profit / (loss) after taxation for the period	<u>29,282</u>	<u>(95,736)</u>	<u>16,145</u>	<u>(23,384)</u>
	----- (Rupees) -----			
Earnings / (loss) per share - basic and diluted	<u>0.52</u>	<u>(1.71)</u>	<u>0.29</u>	<u>(0.42)</u>

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

ANWAR HAJI KARIM
Chief Executive

YAKOUB HAJI KARIM
Director

Pakistan Synthetics Limited

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2016

	Nine months period ended		Quarter ended	
	March 2016	March 2015	March 2016	March 2015
	----- (Rupees in '000) -----			
Profit / (loss) for the period	29,282	(95,736)	16,145	(23,384)

Items that will never be reclassified to profit or loss

Remeasurements of defined benefit liability	-	-	-	-
Related tax thereon	-	-	-	-
Total other comprehensive income - net of tax	-	-	-	-
Total comprehensive income for the period	<u><u>29,282</u></u>	<u><u>(95,736)</u></u>	<u><u>16,145</u></u>	<u><u>(23,384)</u></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

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2016

	Note	31 March 2016	31 March 2015
CASH FLOWS FROM OPERATING ACTIVITIES			
		(Rupees in '000)	
Profit / (loss) before tax		44,064	(119,697)
Adjustments for:			
Depreciation		129,983	120,103
Provision for staff retirement benefits		2,257	3,728
Gain on disposal of property, plant and equipment		(267)	(1,375)
Profit on saving and deposit accounts		(2)	(8)
Unrealised loss on short term investment		100	58,540
Finance costs		81,205	105,995
Reversal against provision for doubtful debts		(1,200)	(6,244)
		256,140	161,042
Movement in:			
Stores and spares		(15,373)	(15,441)
Stock in trade		(66,838)	267,501
Trade debts		121,386	110,861
Loans and advances		(30,751)	(7,731)
Short term deposits and prepayments		(3,497)	(1,479)
Other receivables		(81,702)	(1,636)
Trade and other payables		127,609	(251,334)
Net cash generated from operations		306,974	261,783
Staff gratuity paid		(469)	(14,209)
Finance costs paid		(80,987)	(102,608)
Long term loans to employees - net		398	562
Long term deposit		(721)	-
Taxes paid		(78,880)	(56,427)
Net cash generated from operating activities		146,315	89,101
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(521,782)	(194,717)
Proceeds from disposal of property, plant and equipment		4,580	3,994
Profit on saving and deposit accounts		2	8
Net cash used in investing activities		(517,200)	(190,715)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(11)	(15,407)
Long term diminishing musharka - net		185,022	90,013
Short term foreign currency loan and money market loan - net		(141,367)	(75,315)
Net cash generated from / (used in) financing activities		43,644	(709)
Net decrease in cash and cash equivalents		(327,241)	(102,323)
Cash and cash equivalents at beginning of the period		(210,671)	(415,555)
Cash and cash equivalents at end of the period		(537,912)	(517,878)
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash and bank balances		6,470	11,280
Short term borrowings		(544,382)	(529,158)
		(537,912)	(517,878)

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 (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2016

	Issued, subscribed and paid-up capital	General reserve	Unappropriated profit	Total reserves	Total
			(Rupees in '000)		
Balances as at 1 July 2014	560,400	292,450	313,702	606,152	1,166,552
Total comprehensive income for the period ended 31 March 2015					
Loss for the year	-	-	(95,736)	(95,736)	(95,736)
Other comprehensive income for the period	-	-	-	-	-
	-	-	(95,736)	(95,736)	(95,736)
Transactions with owners recorded directly in equity - distributions					
Final dividend for the year ended 30 June 2014 (Re.1 per share)	-	-	(15,955)	(15,955)	(15,955)
Balance as at 31 March 2015	560,400	292,450	202,011	494,461	1,054,861
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	560,400	292,450	325,222	617,672	1,178,072

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 (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 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 (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 Polyester Staple Fibre. The registered office of the Company is situated at 3rd floor, K.D.L.B, building, 58, West Wharf, Karachi.

Last year, the Board of Directors in their meeting held on 20 April 2015 decided to convert existing polyester staple fibre plant into PET resin manufacturing plant by making necessary modifications in existing plant.

2. BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information for the nine months period ended 31 March 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 2015.

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 2015, 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 2015.

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.

3. ACCOUNTING POLICIES

3.1 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 2015 except for adoption of below mentioned policies :

Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. As a result, the Company has included additional disclosures in this regard (see Note 13).

In accordance with the transitional provisions of IFRS 13, the Company has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Company's assets and liabilities.

3.2 Amendments and interpretation to approved accounting standards effective during the period

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 2015.

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 2015.

5. PROPERTY, PLANT AND EQUIPMENT	31 March 2016 (Unaudited)	30 June 2015 (Audited)
	(Rupees in '000)	
Operating fixed assets	1,044,962	1,171,736
Capital work in process	<u>602,722</u>	88,462
	<u>1,647,684</u>	<u>1,260,198</u>

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

	<u>For the nine months period ended</u>	
	31 March 2016	31 March 2015
	(Rupees in '000)	
Additions / Transfers:		
Building on leasehold land	166	-
Plant and machinery	-	194,485
Vehicles	6,029	-
Furniture and equipment	839	232
Computer accessories	488	-
Capital work in process	<u>514,260</u>	-
	<u>521,782</u>	<u>194,717</u>
<i>Disposal - cost</i>		
Vehicles [written down value Rs. 4.313 million (2015: Rs. 2.619 million)]	<u>9,558</u>	<u>9,716</u>

6. STOCK IN TRADE	31 March 2016 (Unaudited)	30 June 2015 (Audited)
	(Rupees in '000)	
Raw and packing materials [including in transit of Rs. 41.257 million (30 June 2015: Rs. 105.67 million)]	<u>454,052</u>	485,982
Write down of inventory to net realisable value	<u>(17,736)</u>	(20,494)
	<u>436,316</u>	465,488
Work in process	20,175	50,378
Finished goods	<u>239,610</u>	112,878
Provision for slow moving and obsolete stock	<u>(7,532)</u>	(7,013)
	<u>232,078</u>	105,865
	<u>688,569</u>	<u>621,731</u>

7. TRADE DEBTS

Considered good - unsecured	7.1	513,635	633,821
Considered doubtful		<u>113,262</u>	114,462
		626,897	748,283
Provision for doubtful debts		<u>(113,262)</u>	(114,462)
		<u>513,635</u>	<u>633,821</u>

7.1 The amount due from associated undertaking as at 31 March 2016 was Rs. Nil (30 June 2015: Rs. 9.818 million). The maximum aggregate amount due from associated undertaking at the end of any month during the period was Rs. 21.056 million (31 March 2015: Rs. 56.725 million).

8. LONG TERM FINANCES	31 March 2016 (Unaudited)	30 June 2015 (Audited)
	(Rupees in '000)	
Long term finances utilised under diminishing musharka	610,075	425,053
Current portion of long term finances shown under current liabilities	(149,589)	(158,147)
	<u>460,486</u>	<u>266,906</u>

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

Bank Al-Habib Limited - Islamic Banking Division	8.1	62,500	156,250
Meezan Bank Limited	8.2	184,362	191,628
Askari Bank Limited - Islamic Banking Services	8.3	363,213	77,175
		<u>610,075</u>	<u>425,053</u>

- 8.1** The Company has entered into a Diminishing Musharka arrangement with Bank Al-Habib Limited - Islamic Banking Division (an associated banking company). It carries profit at the rate of 6 months average KIBOR plus 1% (2014: 6 months average KIBOR plus 1%) per annum with a floor of 10% per annum and cap of 20% per annum and is payable on quarterly basis. The tenor of facility is five years with grace period of 12 months from the date of draw down. The principal is payable in 16 equal quarterly installments with the fifteenth installment of principal amounting to Rs. 31.250 million due in June 2016. This facility is secured against registered hypothecation charge over specific plant and machinery of plastic and crown caps project.
- 8.2** 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-pasu charge of 63 million over general plant and machinery.
- 8.3** 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 drawdown. The principal is payable in 20 equal quarterly installments and last installment is payable on 20 June 2019 and 09 July 2019 respectively. The facilities are secured against registered hypothecation charges over specific plant and machinery of plastic and crown. During the period, the Company has made arrangement for third Diminishing Musharka amounting to Rs. 300 million with the Bank which carry profit at 3 month average KIBOR + 0.8%. The tenor of the facility is five years from the date of drawdown with one year grace period. The facility is secured against registered hypothecation charges over general plant and machinery.

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 2015: Rs. 76.891 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. The management is of the view that the Supreme Court of Pakistan suspended the order of the Peshawar High Court and leave is granted to consider various other aspects stated in the order. Therefore, a final decision is pending for adjudication.

During last year, 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. However, The Company has recognised charge against GID cess from the date (i.e. April 2015) of the passing of the Act.

9.2 Commitment

9.2.1 Letters of credits

The Company has facilities of Rs. 1,949 million (30 June 2015: Rs. 2,021 million) for opening letters. of credit including Rs. 1,100 million from an associated banking company (30 June 2015: Rs. 1,180 million). At 31 March 2016, the open letters of credits amounted to Rs. 194.78 million (30 June 2015: Rs. 561.29 million) including Rs. 150.89 million from an associated banking company (30 June 2015: Rs. 468.37 million).

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 2016 is Rs. 106.574 million (30 June 2015 : Rs. 295.847 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.

The polyester staple fibre segment was not previously classified as a discontinued operation. The comparative profit and loss account has been restated to show the discontinued operation separately from the continuing operations.

	Nine months period ended		Quarter ended	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
----- (Rupees in '000) -----				
Gross sales	51,459	554,043	11,168	120,584
Brokerage, discounts and freight reimbursement	-	(2,000)	-	(176)
Sales tax	(2,209)	(11,091)	(498)	(2,591)
Net sales	49,250	540,952	10,670	117,817
Cost of sales	(112,966)	(662,801)	(32,112)	(152,709)
Gross loss	(63,716)	(121,849)	(21,442)	(34,892)
Selling and distribution expenses	(1,939)	(3,793)	(542)	(390)
Administration expenses	(10,428)	(8,398)	(2,182)	(1,137)
Other operating expenses	(199)	(2,489)	(2)	(969)
	(12,566)	(14,680)	(2,726)	(2,496)
Other income	1,467	4,046	550	700
Loss from operations	(74,815)	(132,483)	(23,618)	(36,688)
Financial charges	(136)	(13,372)	-	(2,723)
Loss before taxation	(74,951)	(145,855)	(23,618)	(39,411)
Taxation - net	2,813	36,927	245	17,103
Loss after taxation for the period	(72,138)	(108,928)	(23,373)	(22,308)
----- (Rupees in '000) -----				
Loss per share - basic and diluted	(1.29)	(1.94)	(0.42)	(0.40)

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:

Related party transactions:	Nine months period ended	
	31 March 2016	31 March 2015
	(Rupees in '000)	
Associated company		
Sales of goods	<u>11,252</u>	<u>72,637</u>
Markup charged	<u>-</u>	<u>671</u>
Key management personnel compensation		
Managerial remuneration	<u>18,723</u>	<u>14,112</u>
Others	<u>14,665</u>	<u>12,628</u>
Associated banking company		
Bank collection charges paid	<u>287</u>	<u>249</u>
Bank guarantee commission	<u>99</u>	<u>392</u>
Mark up on long term finance	<u>8,878</u>	<u>20,240</u>
Interest income on bank deposits	<u>-</u>	<u>8</u>
Mark up on short term import finance under markup arrangement	<u>1,614</u>	<u>5,575</u>
Mark up on short term borrowings	<u>30,632</u>	<u>37,775</u>
Balances:		
	31 March 2016	30 June 2015
	(Unaudited)	(Audited)
	(Rupees in '000)	
Associated banking company		
Current account balance	<u>4</u>	<u>353</u>
Saving account balance	<u>163</u>	<u>46</u>
Long term finance	<u>62,500</u>	<u>156,250</u>
Short term borrowings	<u>793,426</u>	<u>604,152</u>
Accrued markup	<u>9,640</u>	<u>9,565</u>

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

12. OPERATING SEGMENTS

12.1 Segment results	Nine months period ended 31 March					
	2016		2015		2015	
	Polyester Staple Fibre		Crown and Plastic caps		Total	
	Discontinued operations		Continued operations			
----- (Rupees in '000) -----						
External revenues	49,250	540,952	1,009,837	933,188	1,059,087	1,474,140
Reportable segment profit / (loss) before tax	(74,951)	(145,855)	139,298	101,077	64,347	(44,778)

	Quarter ended 31 March					
	2016		2015		2015	
	Polyester Staple Fibre		Crown and Plastic caps		Total	
	Discontinued operations		Continued operations			
----- (Rupees in '000) -----						
External revenues	10,670	117,817	372,894	338,282	383,564	456,099
Reportable segment profit / (loss) before tax	(23,618)	(39,411)	54,792	39,813	31,174	402

Reconciliation of reportable segment profit or loss is as follows:

	Nine months period ended		Quarter ended	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	----- (Rupees in '000) -----			
Total profit or (loss) for reportable segments before tax	64,347	(44,778)	31,174	402
Unallocated finance cost	(5,326)	(27,084)	(4,556)	(11,367)
Unallocated other expenses	(14,859)	(223)	(2,442)	-
Unallocated other income	-	10,928	-	4,095
Unallocated other (loss) / income	(98)	(58,540)	107	(19,883)
Taxation	(14,782)	23,961	(8,138)	3,369
Profit / (loss) after tax	29,282	(95,736)	16,145	(23,384)

12.2 Segment assets

	*Polyester Staple Fibre		Crown and Plastic caps		Total	
	As at 31 March 2016	As at 30 June 2015	As at 31 March 2016	As at 30 June 2015	As at 31 March 2016	As at 30 June 2015
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	Discontinued operation		Continued operation			
----- (Rupees in '000) -----						
Segment assets	489,710	707,892	2,030,999	1,915,563	2,520,709	2,623,455
Segment liabilities	5,666	48,777	1,845,507	1,640,219	1,851,173	1,688,986

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

	31 March 2016	30 June 2015
	(Unaudited)	(Audited)
	(Rupees in '000)	
Total assets for reportable segments	2,520,709	2,623,455
Unallocated assets	916,366	272,778
Total assets as per balance sheet	3,437,074	2,896,233

* Property, plant and equipment and stores and spares related to discontinued operation are stated at not less than their recoverable amounts. 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, 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.

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