



PAKISTAN SYNTHETICS LIMITED
NINE MONTHS REPORT
MARCH 2021

Pakistan Synthetics Limited

COMPANY INFORMATION

BOARD OF DIRECTORS	MR. KHURSHID AKHTAR MR. YAKOOB HAJI KARIM MR. NOMAN YAKOOB MR. ABID UMER MR. MUBBASHIR AMIN MR. ALI KAMAL MR. FARAZ YOUNUS BANDUKDA MRS. SAEED FATIMA NAQVI	CHAIRMAN-NON-EXECUTIVE CHIEF EXECUTIVE EXECUTIVE NON- EXECUTIVE NON- EXECUTIVE INDEPENDENT INDEPENDENT INDEPENDENT
AUDIT COMMITTEE	MR. ALI KAMAL – CHAIRMAN MR. MUBBASHIR AMIN MR. ABID UMER	
HUMAN RESOURCE AND REMUNERATION COMMITTEE	MR. ALI KAMAL – CHAIRMAN MR. MUBBASHIR AMIN MR. NOMAN YAKOOB	
CHIEF FINANCIAL OFFICER	MR. SHAHID YAQOOB	
COMPANY SECRETARY	MR. MUHAMMAD IMRAN	
BANKERS	DUBAI ISLAMIC BANK PAKISTAN LIMITED 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 ISLAMIC PAKISTAN LIMITED	
AUDITORS	KPMG TASEER HADI & CO. CHARTERED ACCOUNTANTS	
HEAD OF INTERNAL AUDIT	MR. NABIL YAQOOB	
REGISTRAR	F.D REGISTRAR SERVICES (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, KARACH DOCK LABOUR BOARD BUILDING, 58-WEST WHARF ROAD, KARACHI-74000	
FACTORY	F-1, 2, 3, & 13, 14 & 15 HUB INDUSTRIAL TRADING ESTATE DISTRICT LASBELLA, BALOCHISTAN PLOT # A-5, N.W.I.Z, PORT QASIM AUTHORITY, KARACHI	
COMMUNICATION ADDRESS	OFFICE # 1504, 15TH FLOOR, EMERALD TOWER, CLIFTON BLOCK 5, KARACHI.	

Pakistan Synthetics Limited

DIRECTORS' REVIEW

The Board of Directors of Pakistan Synthetics Limited takes pleasure in presenting review of the performance of the Company together with the financial statements for the nine months period ended 31 March 2021:

OPERATING PERFORMANCE

During the period under review the Company produced 18,320 Mt of Resin as against 17,620 MT of Resin during the corresponding period last year and sold 11,965 MT of Resin as against 15,269 MT of Resin during the corresponding period last year. During the period under review, the Company produced 13,104 octabins of preform as against 7,557 octabins produced during the corresponding period last year and sold 9,829 octabins during the period as against 5,958 octabins in the same period last year.

During the period under review, the Company produced 374,810 cartons of plastic and crown caps as against 313,904 cartons during the corresponding period last year and sold 346,292 cartons as against 290,000 cartons during the corresponding period last year.

FINANCIAL RESULTS

During the period under review, the Company recorded net sales revenue of Rs. 4,276.86 million as compared to Rs. 4,252.51 million during the same period last year. Gross margin has increased as compared to the corresponding period mainly due to favorable movement in imported raw material prices. Finance cost of the Company decreased from Rs. 314.823 million to Rs. 144.267 million as a result of decrease in discount rates. Accordingly, the Company earned net profit after tax for the period amounting to Rs. 323.750 million (March 31, 2020: 58.284 million) reflecting an increase of profit by Rs. 265.466 million. The results translated into earning per share of Rs. 3.85 /share (March 31, 2020: Rs. 0.87 per share).

FUTURE OUTLOOK

The COVID pandemic affected the global economy at various levels. During the rapidly evolving situation in wake of COVID pandemic outbreak, our top priority continues to be health of our employees and other stakeholder. Business environment is likely to remain challenging owing to potential adverse implications of COVID pandemic on the economy which are quite diverse in nature. COVID Vaccines have been started to be distributed throughout the country which will gradually improve the COVID related uncertainty and its related health issues. The third wave of COVID has started to pose challenges. The Government is countering the third wave through smart lockdowns and other measures instead of overall shutdowns in order to continue the economic activities and growth momentum.

Pakistan Synthetics Limited

DIRECTORS' REVIEW

The Pak Rupee has emerged as the best performing currency in the world as it appreciated most against the US\$ in the last quarter. The PET sector is also expected to improve as the import of luxury products continues to decrease and the population looks towards locally produced alternatives.

ACKNOWLEDGEMENT

The Directors are grateful to the Company's shareholders, financial institutions and customers for their continued cooperation, support and patronage. The management recognizes the relentless, dedicated services, loyalty and teamwork of all the employees and hopes their continued dedication shall further consolidate the Company and keep its growth abreast to face future challenges.

For and on behalf of the Board of Directors



YAKOOB HAJI KARIM
CHIEF EXECUTIVE



NOMAN YAKOOB
DIRECTOR

Date: April 27, 2021
Karachi

Pakistan Synthetics Limited

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

		31 March 2021	30 June 2020
	Note	(Rupees in '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	5	2,120,086	2,062,270
Right-of-use asset		44,492	14,925
Long term loan to employees		3,111	2,549
Long term deposits and prepayments		10,469	10,038
Deferred taxation - net		25,720	34,061
		2,203,878	2,123,843
Current assets			
Stores and spares		294,105	275,397
Stock-in-trade	6	2,149,912	1,148,874
Trade debts	7	1,130,233	876,612
Loans and advances		57,475	12,326
Short term deposits and prepayments		12,147	10,531
Short term investment		545	522
Other receivables		79,133	3,123
Advance tax - net of provision		452,518	630,594
Cash and bank balances		16,997	17,993
		4,193,065	2,975,972
TOTAL ASSETS		6,396,943	5,099,815
EQUITY AND LIABILITIES			
Shareholders' equity			
Authorised share capital of 140,000,000 (30 June 2020: 140,000,000) ordinary shares of Rs. 10 each		1,400,000	1,400,000
Issued, subscribed and paid-up capital		840,600	840,600
Reserves		1,085,403	761,653
		1,926,003	1,602,253
Non-current liabilities			
Long term borrowings	8	291,336	271,140
Lease liability		41,236	12,186
Staff retirement benefits		37,943	36,096
		370,515	319,422
Current liabilities			
Trade and other payables		1,723,102	1,267,808
Accrued markup		9,923	24,539
Unclaimed dividend		4,219	4,219
Short term borrowings	9	2,109,410	1,793,868
Current portion of lease liability		6,896	5,834
Current portion of long term borrowings		246,875	81,872
		4,100,425	3,178,140
TOTAL EQUITY AND LIABILITIES		6,396,943	5,099,815

Contingencies and commitments

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The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

YAKOOB HAJI KARIM
CHIEF EXECUTIVE

NOMAN YAKOOB
DIRECTOR


SHAHID YAQOOB
CHIEF FINANCIAL OFFICER

Pakistan Synthetics Limited


CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS ACCOUNT (UN-AUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2021

	Note	Nine months period ended		Quarter ended	
		31 March 2021	31 March 2020	31 March 2021	31 March 2020
----- (Rupees in '000) -----					
Net sales	11	4,276,866	4,252,506	1,908,233	1,577,529
Cost of sales		(3,560,521)	(3,769,415)	(1,510,837)	(1,358,553)
Gross profit		716,345	483,091	397,396	218,976
Distribution and selling expenses		(91,197)	(55,319)	(38,594)	(18,775)
Administrative expenses		(62,598)	(49,895)	(22,854)	(13,514)
Other operating expenses		(32,528)	(5,407)	(20,567)	(2,280)
		(186,323)	(110,621)	(82,015)	(34,569)
Unrealised gain on remeasurement of investment		23	17	7	15
Other income		74,249	39,130	41,996	(15,402)
		604,294	411,618	357,384	169,021
Finance costs		(144,267)	(314,823)	(51,938)	(104,578)
Profit before tax		460,027	96,795	305,446	64,443
Taxation	12	(136,277)	(38,511)	(89,529)	(25,335)
Profit after tax for the period		323,750	58,284	215,917	39,108
Profit after tax from discontinued operation		-	18	-	-
Profit for the period		323,750	58,302	215,917	39,108
----- (Rupees) -----					
Earning per share - basic and diluted	13	3.85	0.87	2.57	0.47

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.


YAKOOB HAJI KARIM
CHIEF EXECUTIVE


NOMAN YAKOOB
DIRECTOR

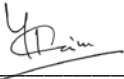

SHAHID YAQOOB
CHIEF FINANCIAL OFFICER

Pakistan Synthetics Limited

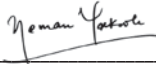
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2021

	Nine months period ended		Quarter ended	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
	----- (Rupees in '000) -----			
Profit for the period	323,750	58,302	215,917	39,108
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	323,750	58,302	215,917	39,108

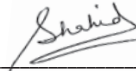
The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.



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CHIEF EXECUTIVE



NOMAN YAKOOB
DIRECTOR



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CHIEF FINANCIAL OFFICER

Pakistan Synthetics Limited

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2021

	Issued, subscribed and paid-up capital	Reserves			Total reserves	Total
		Capital reserve	Revenue reserve			
		Share premium	General reserve	Unappropriated profit		
(Rupees in '000)						
Balance as at 30 June 2019	560,400	-	292,450	343,164	635,614	1,196,014
Transactions with owners of the Company - Contribution						
Issue of right share	280,200	224,160	-	-	224,160	504,360
Total comprehensive income for the nine months period ended 31 March 2020						
Profit for the period	-	-	-	58,302	58,302	58,302
Other comprehensive income	-	-	-	-	-	-
	-	-	-	58,302	58,302	58,302
Balance as at 31 March 2020	840,600	224,160	292,450	401,466	918,076	1,758,676
Balance as at 30 June 2020	840,600	224,160	292,450	245,043	761,653	1,602,253
Total comprehensive income for the period ended 31 March 2021						
Profit for the period	-	-	-	323,750	323,750	323,750
Other comprehensive income	-	-	-	-	-	-
	-	-	-	323,750	323,750	323,750
Balance as at 31 March, 2021	840,600	224,160	292,450	568,793	1,085,403	1,926,003

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.



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CHIEF EXECUTIVE



NOMAN YAKOOB
DIRECTOR



SHAHID YAQOOB
CHIEF FINANCIAL OFFICER

Pakistan Synthetics Limited

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2021

	Note	31 March 2021	31 March 2020
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation - continued and discontinued operations		460,027	96,834
<i>Adjustments for:</i>			
Depreciation		185,015	172,882
Depreciation on right of use asset		8,675	
Provision for staff gratuity		7,085	4,142
Amortization of intangible assets		-	316
Amortization of government grant		(2,826)	-
Reversal of provision for slow moving and obsolete stock		-	(1,509)
Finance costs		140,792	314,823
Mark-up on lease liability		3,475	-
Unrealised gain on remeasurement of investment		(23)	-
Gain on derecognition of right of use asset		(4,111)	-
Gain on disposal of property, plant and equipment		(3,469)	(5,008)
		794,640	582,480
<i>Changes in:</i>			
Working capital	14	(940,809)	(595,701)
Long term loan to employees - net		(1,031)	554
Cash used in operations		(147,200)	(12,668)
Staff gratuity paid		(5,238)	(1,629)
Financial costs paid		(155,408)	(315,724)
Taxes refund received / (paid)		50,139	(38,350)
Net cash used in operating activities		(257,707)	(368,370)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital Expenditure		(245,261)	(89,042)
Proceeds from disposal of property, plant and equipment		5,899	5,008
Net cash used in investing activities		(239,362)	(84,034)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from right issue		-	504,360
Payment of lease liabilities		(7,494)	-
Dividend paid			(3)
Long term diminishing musharka - net		188,025	(199,662)
Short term foreign currency loan and money market loan - net		-	(200,000)
Short term istisna and murabaha - net		320,413	(245,850)
Net cash generated from / (used in) financing activities		500,944	(141,155)
Net increase / (decrease) in cash and cash equivalents		3,875	(593,559)
Cash and cash equivalents at beginning of the period		(326,746)	(149,411)
Cash and cash equivalents at end of the period		(322,871)	(742,970)
CASH AND CASH EQUIVALENTS COMPRISE			
Cash and bank balances		16,997	27,905
Running finance		(339,868)	(770,875)
		(322,871)	(742,970)

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.



YAKOOB HAJI KARIM
CHIEF EXECUTIVE



NOMAN YAKOOB
DIRECTOR



SHAHID YAQOOB
CHIEF FINANCIAL OFFICER

Pakistan Synthetics Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2021

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 with effect from 27 June 1995. The principal activity of the Company is manufacturing and sale of Plastic Caps, Crown Caps, PET resin, PET Preform and BOPET resin. The registered office of the Company is situated at 3rd floor, K.D.L.B, Building, 58, West Wharf, Karachi.

The manufacturing facility of the Company is situated at F-1,2,3 and 13,14 & 15, Hub Industrial Trading Estate, District Lasbella Balochistan and Plot No. A-5, N.W.I.Z, Port Qasim Authority, Karachi having sales offices located at Karachi.

2. BASIS OF PREPARATION

2.1. Statement of compliance

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of;

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34 or IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

These condensed interim financial statements of the Company does not include all of the information required for annual financial statements and should be read in conjunction with the annual financial statements of the Company as at and for the year ended 30 June 2020. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

These condensed interim financial statements are unaudited and are being submitted to the shareholders as required by listing regulations of Pakistan Stock Exchange vide section 237 of the Companies Act, 2017.

The comparative statement of financial position presented in these condensed interim financial statements as at 30 June 2020 has been extracted from the audited financial statements of the Company for the year ended 30 June 2020, whereas the comparative statement of profit or loss account, statement of comprehensive income, statement of cash flows and statement of changes in equity for the nine months period ended 31 March 2020 have been extracted from the unaudited condensed interim financial statements for the period then ended.

Pakistan Synthetics Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2021

2.2 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention, except as stated otherwise.

2.3 Functional and presentation currency

These condensed interim financial statements are 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 Rupees except where stated otherwise.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements 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 2020.

3.1 New standards, interpretations and amendments adopted by the company

A number of other pronouncements are effective from 1 July 2020 as detailed in Company's annual audited financial statements as at and for the year ended 30 June 2020, but they do not have a material effect on these condensed interim financial statements.

3.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

There are certain new standards, interpretations and amendments to the approved accounting standards that will be mandatory for the Company's annual accounting periods beginning on or after 1 January 2021. However, currently management considers that these pronouncements will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these condensed interim financial statements.

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2021:

- COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

Pakistan Synthetics Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2021

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to the other terms and conditions of the lease.

- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after 1 January 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarify what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after January 1, 2022.

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

Pakistan Synthetics Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2021

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.
- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.
- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) - In response to concerns regarding temporary accounting mismatches and volatility, and increased costs and complexity, the Board issued amendments to IFRS 4 Insurance Contracts in 2017. The two optional solutions raised some considerations which required detailed analysis and management judgement. On the issue of IFRS 17 (Revised) Insurance Contracts in June 2020, the end date for applying the two options under the IFRS 4 amendments was extended to 1 January 2023, aligned with the effective date of IFRS 17.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

Pakistan Synthetics Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2021

The above amendments and annual improvements are not likely to have an impact on these financial statements.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of condensed interim financial statements 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.

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 annual financial statements as at and for the year ended 30 June 2020.

The financial risk management objectives and policies adopted by the Company are consistent with those disclosed in the annual financial statements as at and for the year ended 30 June 2020.

5. PROPERTY, PLANT AND EQUIPMENT

	31 March 2021 (Unaudited)	30 June 2020 (Audited)
	(Rupees in '000)	
Operating fixed assets	2,075,746	1,974,957
Capital work in progress	44,340	87,313
	<u>2,120,086</u>	<u>2,062,270</u>

5.1 Following are the additions to property, plant and equipment during the period:

	For the nine months period ended	
	31 March 2021	31 March 2020
	(Rupees in '000)	
<i>Additions / transfers from CWIP:</i>		
Building on leasehold land	101,665	42,133
Plant and machinery	168,649	44,876
Vehicles	17,350	4,150
Furniture and equipment	235	-
Computer accessories	313	326
	<u>288,212</u>	<u>91,485</u>

5.2 Additions to operating fixed assets include transfers of Rs. 101.665 million (31 March 2020: Rs. 87.09 million) from capital work in progress.

5.3 Additions to capital work in progress amounted to Rs. 58.69 million (31 March 2020: Rs. 84.92 million).

Pakistan Synthetics Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2021

6. STOCK IN TRADE

	31 March 2021 (Unaudited) (Rupees in '000)	30 June 2020 (Audited)
Raw and packing material		
- in hand	591,811	421,857
- in transit	218,028	194,363
	<u>809,839</u>	<u>616,220</u>
Work-in-process	227,663	109,072
Finished goods	1,113,017	424,189
Provision for slow moving and obsolete stock	(607)	(607)
	<u>1,112,410</u>	<u>423,582</u>
	<u><u>2,149,912</u></u>	<u><u>1,148,874</u></u>

7. TRADE DEBTS

Trade debts	1,364,298	1,127,792
Less: Allowance for impairment loss against trade debts	(234,065)	(251,180)
	<u>1,130,233</u>	<u>876,612</u>

7.1 Allowance for impairment loss against trade debts

Opening balance	251,180	251,180
Reversal for impairment of trade debts	(17,115)	-
	<u>234,065</u>	<u>251,180</u>

8. LONG TERM FINANCE - SECURED

Islamic

Long term finances utilised under diminishing musharka	294,814	316,587
Loan obtained under refinance scheme for payment of wages and salaries	98,922	33,655
Loan obtained under ITERF	130,000	-
Less: current portion of long term finances	(240,625)	(80,252)
	283,111	269,990
Deferred income - government grant	14,475	2,770
Current portion of deferred income - government grant	(6,250)	(1,620)
	8,225	1,150
	<u>291,336</u>	<u>271,140</u>

Pakistan Synthetics Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2021

9. SHORT TERM BORROWINGS - SECURED

	31 March 2021 (Unaudited) (Rupees in '000)	30 June 2020 (Audited)
Conventional		
Running finance under mark-up arrangement	298,996	344,739
Islamic		
Murabaha	147,411	141,180
Istisna	1,622,131	1,307,949
Running Musharakah	40,872	-
	<u>2,109,410</u>	<u>1,793,868</u>

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

There are no changes in the status of contingencies as disclosed in the annual financial statements except for the matter mentioned in note no. 25.1.2 for the year ended June 30, 2020. The current status of the said matter is given below:

10.1.1 Contingencies

The Supreme Court of Pakistan has dismissed the review petition filed for seeking review of the judgement and clarified that the remedy to seek relief granted under Section 8(2) of the GIDC Act, 2015 lies elsewhere and not in review petition. Therefore, the Company has filed a petition along with other parties in the High Court of Sindh challenging the levy of GIDC Cess to the industrial gas connection in violation of section 8(2) of GIDC Cess Act, 2015 and the Honourable Court has issued a stay order dated 24 December 2020 restraining any coercive action against the Company. Provision against Gas Infrastructure Development Cess (GIDC) included in Trade and other payables amounted to Rs 169.623 million as at 31 March 2021 (30 June 2020: Rs. 166.892 million).

10.2 Commitments

10.2.1 The Company has facilities of Rs. 2,269 million (30 June 2020: Rs. 2,269 million) for opening letters of credit. At 31 March, 2021, the open letters of credits for stock in trade, stores and spares and capital commitment amounted to Rs. 1,128.26 million (30 June 2020: Rs. 340.232 million).

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2021

11. NET SALES	Nine months period ended	
	31 March 2021 (Unaudited) (Rupees in '000)	31 March 2020 (Unaudited)
Crowns and plastic caps	1,863,858	1,584,222
PET resin	2,210,680	2,819,008
Preform	854,676	561,725
Export	7,271	-
Others	100,624	7,956
	<u>5,037,109</u>	<u>4,972,910</u>
Sales tax	(760,243)	(720,404)
Net sales	<u>4,276,866</u>	<u>4,252,506</u>

- 11.1 Pakistan is the primary geographical market of the Company. Revenue is disaggregated by major product lines and timing of revenue recognition for each product line is at the point in time when control of the asset is transferred to the customer.

In the following table, revenue is disaggregated by geographical markets:

Geographical markets

Pakistan	4,269,595	4,252,506
China	7,271	-
	<u>4,276,866</u>	<u>4,252,506</u>

12. TAXATION

Current tax	127,937	63,767
Deferred tax	8,340	(25,256)
	<u>136,277</u>	<u>38,511</u>

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2021

13. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. There is no dilutive effect on the basic earnings per share of the company.

	Nine months period ended	
	31 March 2021	31 March 2020
	(Rupees in '000)	
Profit for the period	<u>323,750</u>	<u>58,302</u>
	(Number)	
Weighted average number of ordinary shares	<u>84,060,000</u>	<u>67,329,945</u>
	----- (Rupees) -----	
Earnings per share - basic and diluted	<u>3.85</u>	<u>0.87</u>

14. WORKING CAPITAL CHANGES

	Nine months period ended	
	31 March 2021	31 March 2020
	(Rupees in '000)	
<i>Movement in working capital</i>		
<i>(Increase) / decrease in current assets</i>		
Stores and spares	(18,708)	(77,201)
Stock in trade	(1,001,038)	(152,175)
Trade debts	(253,621)	63,297
Loans and advances	(44,680)	(2,852)
Short term deposits and prepayments	(1,616)	(2,775)
Long-term deposits and prepayments - net	(431)	(3,929)
Other receivables	(76,010)	(74,024)
Short term investment	-	(517)
<i>Increase / (decrease) in current liabilities</i>		
Trade and other payables	455,295	262,861
Long term payables	-	(608,386)
	<u>(940,809)</u>	<u>(595,701)</u>

Pakistan Synthetics Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2021

15. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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 and balances from / to related parties, other than those which have been specifically disclosed elsewhere in these condensed interim financial statements are as follows:

15.1. Related party transactions:	Nine months period ended	
	31 March 2021	31 March 2020
<i>Key management personnel compensation</i>		
Managerial remuneration	<u>45,810</u>	<u>41,730</u>
Gratuity	<u>3,863</u>	<u>3,477</u>
Other allowances	<u>3,628</u>	<u>2,204</u>

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

16. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in annual financial statement of the Company as at and the year ended 30 June 2020.

Fair value is defined 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.

Level 1 : Fair value measurements using quoted (unadjusted) in active markets for identical asset or liability.

Level 2 : Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 : Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Pakistan Synthetics Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2021

31 March 2021 (Unaudited)

Amortised cost	Carrying amount			Fair value			
	At fair value through profit or loss	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total

(Rupees in '000')

On-balance sheet financial instruments

Financial assets measured at fair value

Short term investments	-	545	-	545	-	-	-
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Financial assets not measured at fair value

Loan to employees	5,945	-	-	5,945	-	-	-
Long / short term deposits	22,616	-	-	22,616	-	-	-
Trade receivables	1,130,233	-	-	1,130,233	-	-	-
Other receivables	79,133	-	-	79,133	-	-	-
Bank balances	16,620	-	-	16,620	-	-	-
	1,254,547	-	-	1,254,547	-	-	-

Financial liabilities not measured at fair value

Long term financing	-	-	538,211	538,211	-	-	-
Trade and other payables	-	-	1,435,958	1,435,958	-	-	-
Accrued markup	-	-	9,923	9,923	-	-	-
Short term borrowings	-	-	2,109,410	2,109,410	-	-	-
	-	-	4,093,502	4,093,502	-	-	-

30 June 2020 (Audited)

Amortised cost	Carrying amount			Fair value			
	At fair value through profit or loss	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total

On-balance sheet financial instruments

Financial assets measured at fair value

	-	-	522	522	-	-	-
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Financial assets not measured at fair value

Loan to employees	4,914	-	-	4,914	-	-	-
Long / short term deposits	20,569	-	-	20,569	-	-	-
Trade receivables	1,127,792	-	-	1,127,792	-	-	-
Other receivables	3,123	-	-	3,123	-	-	-
Bank balances	17,993	-	-	17,993	-	-	-
	1,174,391	-	-	1,174,391	-	-	-

Financial liabilities not measured at fair value

Long term financing	-	-	353,012	353,012	-	-	-
Trade and other payables	-	-	993,996	993,996	-	-	-
Accrued markup	-	-	24,539	24,539	-	-	-
Short term borrowings	-	-	1,793,868	1,793,868	-	-	-
	-	-	3,165,415	3,165,415	-	-	-

Pakistan Synthetics Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2021

The Company has not disclosed the fair values for all other financial assets and financial liabilities, as these are either short term in nature or reprice periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

17. INFORMATION ABOUT BUSINESS SEGMENTS

These condensed interim financial statements have been prepared on the basis of single reportable segment.

- 17.1 All non-current assets of the Company at 31 March, 2021 are located in Pakistan.
- 17.2 The Companys customer base is diverse with no single customer accounting for more than 10% of net sales. Sales to domestic customers in Pakistan are 99.85% (2019: 100%) and to customer outside Pakistan are 0.15% (2019: Nil) of the revenue.

18. GENERAL

These condensed interim financial statements have been authorised for issue on April 27, 2021 by the Board of Directors



YAKOOB HAJI KARIM
CHIEF EXECUTIVE



NOMAN YAKOOB
DIRECTOR



SHAHID YAQOOB
CHIEF FINANCIAL OFFICER

If undelivered please return to:

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