



PAKISTAN SYNTHETICS LIMITED
REPORT & FINANCIAL INFORMATION FOR
THE NINE MONTHS ENDED
31 MARCH 2019

Pakistan Synthetics Limited

COMPANY INFORMATION

BOARD OF DIRECTORS	ANWAR HAJI KARIM YAKOOB HAJI KARIM NOMAN YAKOOB ABID UMER SAJID HAROON MUHAMMAD AHMED ASLAM ALI KAMAL MRS. SAEED FATIMA NAQVI	CHAIRMAN-NON-EXECUTIVE CHIEF EXECUTIVE -EXECUTIVE EXECUTIVE NON- EXECUTIVE NON- EXECUTIVE NON- EXECUTIVE NON- EXECUTIVE NON- EXECUTIVE
AUDIT COMMITTEE	ALI KAMAL – CHAIRMAN SAJID HAROON ABID UMER	
HUMAN RESOURCE AND REMUNERATION COMMITTEE	ALI KAMAL – CHAIRMAN SAJID HAROON NOMAN YAKOOB	
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-7400	
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 nine months period ended 31 March 2019 to the shareholders of the Company.

OPERATING PERFORMANCE

During the period under review the Company produced 18,497 Mt of Resin as against 19,582 MT of Resin during the corresponding period last year and sold 20,665 MT of Resin as against 18,919 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 2,541 octabins of preform.

Moreover, during the period under review the Company produced 315,764 cartons of plastic and crown caps as against 337,052 cartons during the corresponding period last year and sold 262,390 cartons as against 284,198 cartons during the corresponding period last year.

FINANCIAL RESULTS

The Company has presented fibre segment as discontinued operation. Summarize 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. 5,233.86 million from Rs. 3,962.69 million during the corresponding period last year.

The Company posted loss before tax from continuing operations of Rs. 27.66 million as against profit before tax of Rs. 14.69 million in the corresponding period last year. The net loss after tax stood from continuing operations at Rs. 17.53 million as against net profit after tax of Rs. 37.03 million in the corresponding period last year. Loss is mainly attributable to exchange loss of Rs. 194.74 million (2018: exchange loss of Rs. 103.55 million).

Discontinued operations

During the period under review, the company's gross turnover of discontinued operations increased to Rs. 14.10 million from Rs. 1.97 million during the corresponding period last year.

The Company posted profit before tax from discontinued operations of Rs. 0.44 million as against loss before tax of Rs. 30.67 million in the corresponding period last year. The net loss after tax stood from discontinued operations at Rs. 1.81 million as against net loss after tax of Rs. 21.60 million in the corresponding period last year.

EARNING PER SHARE

The net loss per share for the period under review was Rs. 0.35 as compared to net earnings per share of Rs. 0.28 in the corresponding period last year.

Pakistan Synthetics Limited

DIRECTORS' REPORT

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 35% 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.

COMPOSITION OF THE BOARD OF DIRECTORS

Composition of the Board of Directors as at 31 March 2019 is as under;

<i>Independent Directors:</i>	<i>1</i>
<i>Other Non-Executive Directors:</i>	<i>5</i>
<i>Executive Directors:</i>	<i>2</i>

All eight directors of the Company are Male Directors as at 31 March 2019.

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: 29 April 2019
Karachi*

YAKOOB HAJI KARIM
CHIEF EXECUTIVE

ANWAR HAJI KARIM
DIRECTOR

Pakistan Synthetics Limited

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Note	31 March 2019 (Unaudited) (Rupees in '000)	30 June 2018 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	2,073,374	2,195,300
Intangible assets		526	842
Long term loan to employees - secured		3,821	4,526
Long term deposits and prepayments	6	1,253	4,362
Deferred taxation - net		116,318	108,439
		<u>2,195,292</u>	<u>2,313,469</u>
Current assets			
Stores and spares		228,855	201,674
Stock-in-trade	7	2,491,966	2,250,892
Trade debts	8	713,565	644,967
Loans and advances		13,739	17,039
Short term deposits and prepayments		15,048	22,344
Other receivables		2,098	107,183
Taxation - net		476,798	437,875
Cash and bank balances		164,088	64,258
		<u>4,106,157</u>	<u>3,746,232</u>
Total assets		<u>6,301,449</u>	<u>6,059,701</u>
EQUITY AND LIABILITIES			
Shareholder's equity			
Authorised share capital of 70,000,000 ordinary shares of Rs. 10 each		<u>700,000</u>	<u>700,000</u>
Issued, subscribed and paid-up capital		560,400	560,400
General reserve		292,450	292,450
Unappropriated profit		<u>463,480</u>	<u>482,823</u>
		1,316,330	1,335,673
Non-current liabilities			
Long term finances - secured	9	267,292	377,853
Long term payable - secured		-	572,423
Staff retirement benefits		<u>28,644</u>	<u>23,834</u>
		295,936	974,110
Current liabilities			
Trade and other payables		3,053,500	2,787,303
Accrued markup		24,185	21,779
Short term borrowings - secured		817,513	729,709
Unclaimed dividend	10	4,238	16,847
Current portion of long term finance		258,772	194,280
Current portion of long term payable	11	530,975	-
		<u>4,689,183</u>	<u>3,749,918</u>
Total equity and liabilities		<u>6,301,449</u>	<u>6,059,701</u>

Contingencies and commitments

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The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

YAKOUB HAJI KARIM
CHIEF EXECUTIVE

SALEEM ADVANI
CHIEF FINANCIAL OFFICER

ANWAR HAJI KARIM
DIRECTOR

Pakistan Synthetics Limited

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2019

Note	Nine months period ended		Quarter ended	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
----- (Rupees in '000) -----				
Gross sales	5,233,863	3,962,691	1,983,285	1,678,892
Sales tax	(725,617)	(492,729)	(295,545)	(199,556)
Net sales	4,508,246	3,469,962	1,687,740	1,479,336
Cost of sales	(4,031,317)	(3,136,457)	(1,470,834)	(1,285,371)
Gross profit	476,929	333,505	216,906	193,965
Distribution and selling expenses	(42,853)	(45,844)	(14,475)	(20,522)
Administration expenses	(40,753)	(37,360)	(3,358)	(13,421)
Other operating expenses	(195,267)	(103,831)	(16,131)	(46,413)
	(278,873)	(187,035)	(33,964)	(80,356)
Other income	7,071	17,234	3,471	1,983
Profit from operations	205,127	163,704	186,413	115,592
Finance costs	(232,788)	(149,012)	(87,398)	(55,530)
(Loss) / profit before taxation	(27,661)	14,692	99,015	60,062
Taxation - net	10,127	22,342	(26,662)	1,915
(Loss) / profit after taxation from continuing operation	(17,534)	37,034	72,353	61,977
(Loss) / profit after taxation from discontinued operation	14 (1,809)	(21,602)	77	164
(Loss) / profit after taxation for the period	(19,343)	15,432	72,430	62,141
----- (Rupees) -----				
(Loss) / earnings per share - basic and diluted	(0.35)	0.28	1.29	1.11

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

YAKOOB HAJI KARIM
CHIEF EXECUTIVE

SALEEM ADVANI
CHIEF FINANCIAL OFFICER

ANWAR HAJI KARIM
DIRECTOR

Pakistan Synthetics Limited

CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME (UNAUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2019

	Nine months period ended		Quarter ended	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	----- (Rupees in '000) -----			
(Loss) / profit for the period	(19,343)	15,432	72,430	62,141
Other comprehensive income	-	-	-	-
Total comprehensive (loss) / income for the period	(19,343)	15,432	72,430	62,141

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

YAKOOB HAJI KARIM
CHIEF EXECUTIVE

SALEEM ADVANI
CHIEF FINANCIAL OFFICER

ANWAR HAJI KARIM
DIRECTOR

Pakistan Synthetics Limited

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2019

	31 March 2019	31 March 2018
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(27,222)	(15,976)
Adjustments for:		
Depreciation	172,906	190,139
Amortization	316	-
Provision for staff retirement benefits	5,467	3,016
Gain on disposal of property, plant and equipment	(1,495)	-
Profit on saving and deposit accounts	(8)	(3)
Finance costs	232,788	149,012
Provision for doubtful debts	-	30,221
	<u>382,752</u>	<u>356,409</u>
Movement in:		
Stores and spares	(27,181)	(11,009)
Stock in trade	(241,074)	(427,374)
Trade debts	(68,598)	173,977
Loans and advances	3,300	(15,206)
Short term deposits and prepayments	7,296	(19,929)
Other receivables	105,085	(52,487)
Trade and other payables	266,197	460,893
Net cash generated from operations	<u>427,777</u>	<u>465,274</u>
Staff gratuity paid	(658)	(1,679)
Finance costs paid	(230,382)	(138,508)
Long term loans to employees - net	705	(341)
Long term deposits and prepayments - net	3,109	(6,990)
Long term payable	(41,448)	422,259
Taxes paid - net	(38,923)	(55,694)
Net cash generated from operating activities	<u>120,180</u>	<u>684,321</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure including intangible assets	(51,235)	(779,885)
Proceeds from disposal of property, plant and equipment	1,750	43
Profit on saving and deposit accounts	8	3
Net cash used in investing activities	<u>(49,477)</u>	<u>(779,839)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(12,609)	-
Long term diminishing musharka - net	(46,069)	172,986
Short term foreign currency loan and money market loan - net	6,013	(403,435)
Net cash used in financing activities	<u>(52,665)</u>	<u>(230,449)</u>
Net increase / (decrease) in cash and cash equivalents	<u>18,038</u>	<u>(325,967)</u>
Cash and cash equivalents at beginning of the period	<u>(365,451)</u>	<u>(103,916)</u>
Cash and cash equivalents at end of the period	<u><u>(347,413)</u></u>	<u><u>(429,883)</u></u>
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash and bank balances	164,088	51,940
Short term borrowings	(511,501)	(481,823)
	<u><u>(347,413)</u></u>	<u><u>(429,883)</u></u>

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

YAKOOB HAJI KARIM
CHIEF EXECUTIVE

SALEEM ADVANI
CHIEF FINANCIAL OFFICER

ANWAR HAJI KARIM
DIRECTOR

Pakistan Synthetics Limited

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2019

	Issued, subscribed and paid-up capital	General reserve	Unappropriated profit	Total reserves	Total
------(Rupees in '000)-----					
Balances as at 30 June 2017	560,400	292,450	369,061	661,511	1,221,911
Total comprehensive income for the period ended 31 March 2018					
Profit for the period	-	-	15,432	15,432	15,432
Other comprehensive income	-	-	-	-	-
	-	-	15,432	15,432	15,432
Balance as at 31 March 2018	<u>560,400</u>	<u>292,450</u>	<u>384,493</u>	<u>676,943</u>	<u>1,237,343</u>
Balances as at 30 June 2018	560,400	292,450	482,823	775,273	1,335,673
Total comprehensive income for the period ended 31 March 2019					
Loss for the period	-	-	(19,343)	(19,343)	(19,343)
Other comprehensive income	-	-	-	-	-
	-	-	(19,343)	(19,343)	(19,343)
Balance as at 31 March 2019	<u>560,400</u>	<u>292,450</u>	<u>463,480</u>	<u>755,930</u>	<u>1,316,330</u>

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

YAKOOB HAJI KARIM
CHIEF EXECUTIVE

SALEEM ADVANI
CHIEF FINANCIAL OFFICER

ANWAR HAJI KARIM
DIRECTOR

Pakistan Synthetics Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2019

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.

Further, PET Preform manufacturing plant of the Company commenced commercial production on 16 May, 2018.

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

This condensed interim financial information of the Company for the nine months period ended 31 March 2019 has been prepared in accordance with the requirements of the International Accounting Standards 34 "Interim Financial Reporting" and Islamic Financial Accounting Standards (IFASs) issued by Institute of Chartered Accountant of Pakistan and provisions of and directives issued under the Companies Act, 2017. In case requirements differ, the provisions of and directives issued under the Companies Act, 2017, have been followed.

This condensed interim financial information 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 2018. 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.

This condensed interim financial information is being submitted to the shareholders as required by listing regulations of Pakistan Stock Exchange vide section 237 of the Companies Act, 2017.

2.2 Basis of measurement

These condensed interim financial information has been prepared under the historical cost convention, except for derivatives if any, which are stated at fair value and the Company's liability under its defined benefit plan (gratuity) which is stated at present value of defined benefit obligations.

2.3 Functional and presentation currency

This condensed interim financial information is presented in Pakistan Rupees which is also the Company's functional currency. All financial information presented in Pakistan Rupees has been rounded off to the nearest thousand Rupee except where stated otherwise.

Pakistan Synthetics Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2019

3. SIGNIFICANT 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 2018 except for the adoption of new standard effective as of 1 July 2018 as stated below:

3.2 Changes in significant accounting policy

The Company has adopted IFRS 15 'Revenue from Contracts with Customers' from 01 July 2018 which is effective from annual periods beginning on or after 01 July 2018. There are other new standards which are effective from 01 July 2018 but they do not have a material effect on the Company's condensed interim financial information.

During the period, the Company has adopted IFRS 15 'Revenue from Contracts with Customers'. The details of new significant accounting policy adopted and the nature and effect of the changes to previous accounting policy are set out below:

3.2.1 IFRS 15 'Revenue from Contracts with Customers'

The Company manufactures and contracts with customers for the sale of Plastic caps, Crown caps, PET Resin, BoPET Resin and Preform which generally include single performance obligation. Management has concluded that revenue from sale of goods be recognised at the point in time when control of the asset is transferred to the customer, which is when the goods are dispatched to the customer. Invoices are generated and revenue is recognised at that point in time, as the risks of loss have been transferred to the customers. The above is generally consistent with the timing and amounts of revenue the Company recognised in accordance with the previous standard, IAS 18. Therefore, the adoption of IFRS 15 which replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations, did not have an impact on the timing and amounts of revenue recognition of the Company. Therefore, adoption of IFRS 15 at 01 July 2018, did not have an effect on the condensed interim financial information.

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

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 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on the Company's condensed interim financial information.

Pakistan Synthetics Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2019

- IFRS 9 and amendment – Prepayment Features with Negative Compensation (effective for reporting period / year ending on or after 30 June 2019 and for annual periods beginning on or after 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39 Securities and Exchange Commission of Pakistan vide S.R.O 229 (I) / 2019 dated 14 February 2019 has modified the effective date for applicability of IFRS 9 'Financial Instruments' in place of IAS 39 'Financial Instruments: Recognition and Measurement' from annual periods beginning on or after 1 July 2018 to reporting period / year ending on or after 30 June 2019 (earlier application is permitted). The management has completed an initial assessment of changes required in classification and measurement of financial instruments on adoption of the standard and has also carried out an initial exercise to calculate impairment required under expected credit loss model. Based on initial assessment the management considered that there is no significant change in the recognition criteria or carrying value of the financial assets or liabilities except for classification of financial assets from loan and receivables as per IAS 39 to amortized cost as per IFRS 9 and no additional significant impairment is expected.
- IFRS 16 'Leases' (effective for annual period beginning on or after 01 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 01 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Company's condensed interim financial information.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 01 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Company's condensed interim financial information.

Pakistan Synthetics Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2019

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards.
- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
 - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
 - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
 - IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on the Company's condensed interim financial information.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

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.

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 2018.

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 2018.

Pakistan Synthetics Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2019

5. PROPERTY, PLANT AND EQUIPMENT	31 March 2019 (Unaudited)	30 June 2018 (Audited)
	(Rupees in '000)	
Operating fixed assets	2,060,910	2,180,308
Capital work in process	12,464	14,992
	<u>2,073,374</u>	<u>2,195,300</u>

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

	For the nine months period ended	
	31 March 2019	31 March 2018
	(Rupees in '000)	
Additions / Transfers from CWIP:		
Building on leasehold land	4,226	-
Plant and machinery	37,217	267,897
Vehicles	11,497	48
Furniture and equipment	251	98
Computer accessories	572	33
	<u>53,763</u>	<u>268,076</u>
Disposal - cost		
Vehicles [written down value Rs. 0.254 million (2018: Rs. 0.043 million)]	2,365	48

Additions to capital work in progress amounted to Rs. 21.287 million (31 March 2018: Rs.510.546 million) during the period.

6. LONG TERM DEPOSITS AND PREPAYMENTS	31 March 2019 (Unaudited)	30 June 2018 (Audited)
	(Rupees in '000)	
Deposits		
- Utility deposits	1,609	1,609
- Security deposits	738	738
Provision for doubtful deposits	(1,094)	(1,094)
	<u>1,253</u>	<u>1,253</u>
Long term prepayments	6,831	18,038
Less: current portion of long term prepayments	(6,831)	(14,929)
	-	3,109
	<u>1,253</u>	<u>4,362</u>

6.1 This represent payments made in advance in respect of LC confirmation charges at the rate of 3.6% per annum and is charged to profit and loss account over the period of two years.

Pakistan Synthetics Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2019

7. STOCK IN TRADE		31 March 2019 (Unaudited)	30 June 2018 (Audited)
		(Rupees in '000)	
Raw and packing material			
- in hand	7.1	551,944	456,855
- in transit		<u>353,627</u>	<u>387,319</u>
		<u>905,571</u>	<u>844,174</u>
Work-in-process		165,619	66,918
Finished goods		1,428,013	1,346,185
Provision for slow moving and obsolete stock		(7,237)	(6,385)
		<u>1,420,776</u>	<u>1,339,800</u>
		<u>2,491,966</u>	<u>2,250,892</u>

7.1 This includes raw and packing material pertaining to discontinued fibre operations amounting to Rs. 32.105 million (30 June 2018: 45.351 million).

8. TRADE DEBTS			
Considered good - unsecured		713,565	644,967
Considered doubtful		<u>223,619</u>	<u>223,618</u>
		937,184	868,585
Provision for doubtful debts		<u>(223,619)</u>	<u>(223,618)</u>
		<u>713,565</u>	<u>644,967</u>

9. LONG TERM FINANCES			
Long term finances utilised under diminishing musharka		526,064	572,133
Current portion of long term finances shown under current liabilities		<u>(258,772)</u>	<u>(194,280)</u>
		<u>267,292</u>	<u>377,853</u>

The Company has entered into Diminishing Musharka arrangement with four different banks as under:

Meezan Bank Limited	9.1	140,848	183,305
Askari Bank Limited - Islamic Banking Services	9.2	138,616	208,828
MCB Islamic Bank Limited	9.3	135,000	180,000
Bank Al-Falah Limited - Islamic Banking Division	9.4	111,600	-
		<u>526,064</u>	<u>572,133</u>

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2019

- 9.1** The Company entered into Diminishing Musharka arrangements with Meezan Bank Limited amounting to Rs. 140.77 million, Rs. 63.64 million and Rs. 42.02 million. These carry profit at the rate of 6 months average KIBOR + 0.6% per annum, 6 months KIBOR + 0.7% per annum and 6 months KIBOR + 0.7% 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 drawdown. The principal is payable in 8 equal semi-annual installments and last installment is payable on 25 January 2020, 15 November 2022 and 29 November 2022 respectively. These facilities are secured against 1st exclusive charge over specific fixed asset of the Company with 25% margin to be covered through 1st pari-passu charge over general plant and machinery.
- 9.2** This represents Diminishing Musharka arrangements entered with Askari Bank Limited - Islamic Banking Services amounting to Rs. 38.83 million, Rs. 54.25 million and Rs. 300 million. The first two tranches 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. Further, third tranche carry profit at the rate of 3 months average KIBOR + 0.8% per annum with a floor of 4% and cap of 25%. The tenor of the facilities are five years from the date of drawdown. The principal is payable in 20 and 16 equal quarterly installments and last installment is payable on 20 June 2019, 09 July 2019 and 27 November 2020 respectively. The facilities are secured against registered hypothecation charges over specific plant and machinery of plastic and crown along with general plant and machinery of the Company.
- 9.3** The Company has entered into Diminishing Musharka arrangements with MCB Islamic Bank Limited amounting to Rs. 180 million. This carry profit at the rate of 6 months KIBOR plus 0.5% per annum with a floor of 5% and cap of 20% per annum and is payable on quarterly basis in arrears. The tenor of facility is upto three years with grace period of 1 year from the date of drawdown. The principal is payable in 8 equal quarterly installments and last installment is payable on 27 November 2020. This facility is secured against 1st exclusive charge over general plant and machinery and Personal Guarantee of Sponsor Directors.
- 9.4** The Company has entered into Diminishing Musharka arrangements with Bank Al-Falah Limited - Islamic Banking Branch amounting to Rs. 124 million. This carry profit at the rate of 6 months KIBOR plus 0.85% per annum with a floor of 7% and cap of 20% per annum. The tenor of facility is five years. The principal amount is payable in 10 equal semi-annual installments and last installment is payable on 5 July 2023. This facility is secured against 1st exclusive hypothecation charge over imported plant and machinery financed through the facility alongwith pari passu hypothecation charge over general plant and machinery of the company.

10. SHORT TERM BORROWINGS - SECURED

	31 March 2019 (Unaudited)	30 June 2018 (Audited)
	(Rupees in '000)	
Conventional		
Short term import finance under mark-up arrangement	10.1	6,013
Running finance under mark-up arrangement	10.2	511,500
Money market loan under mark-up arrangement	10.3	300,000
	<u>817,513</u>	<u>729,709</u>

Pakistan Synthetics Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2019

- 10.1** The facility for short term import finance is available from an associated banking company for the purpose of retiring import documents coming under L/Cs Contracts. The rate of mark-up on this financing arrangement is agreed at 3.5%.The arrangement is secured against 1st pari passu hypothecation over Company's stock and trade debts.
- 10.2** The facility for running finance available from an associated banking company is for the purpose of meeting working capital requirements. The rate of mark-up is KIBOR plus 1.00% (30 June 2018: KIBOR plus 1.00%) per annum. This facility mature within twelve months and is renewable. The arrangement is secured against first pari-passu charge by way of registered hypothecation over Company's stock and trade debts.
- 10.3** The facility for money market loan is available from an associated banking company for the purpose of meeting working capital requirement. The rate of mark-up on this financing arrangement is agreed at KIBOR plus 0.50% (30 June 2018: KIBOR plus 0.50%) per annum. The arrangement is secured against registered hypothecation over Company's stock and trade debts.

11. LONG TERM PAYABLE - secured

This includes amount payable to a supplier amounting to USD 3.826 million equivalent to Rs. 530.975 million (30 June 2018: Rs. 448.423 million) under letter of credit (LC) to purchase Huksy molding machine. This carry markup at the rate of 3.05% per annum. The LC is maturing on 14 September 2019. During the period loan payable of Rs. 124 million to Sacmi Imola S.C. has been paid.

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

There are no changes in the status of contingencies as disclosed in the annual financial statements for the year ended 30 June 2018.

Pakistan Synthetics Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2019

12.2 Commitments

12.2.1 The Company has facilities of Rs. 2,275 million (30 June 2018: Rs. 2,233 million) for opening letters of credit including Rs. 874 million from an associated banking company (30 June 2018: Rs. 900 million). At 31 March 2019, the open letters of credits for stock in trade, stores and spares and capital commitment amounted to Rs. 292.803 million (30 June 2018: Rs. 445.354 million) including Rs. 289.83 million from an associated banking company (30 June 2018: Rs. 182.121 million).

13. 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.

	Nine months period ended		Quarter ended	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	----- (Rupees in '000) -----			
Gross sales	14,096	1,967	2,975	1,405
Sales tax	(411)	(39)	(87)	(28)
Net sales	<u>13,685</u>	<u>1,928</u>	<u>2,888</u>	<u>1,377</u>
Cost of sales	(13,246)	(2,375)	(2,811)	(1,213)
Gross profit / (loss)	439	(447)	77	164
Administration expenses	-	(30,221)	-	-
Profit / (loss) before taxation	<u>439</u>	<u>(30,668)</u>	<u>77</u>	<u>164</u>
Taxation - net	(2,248)	9,066	-	-
(Loss) / profit after taxation for the period	<u>(1,809)</u>	<u>(21,602)</u>	<u>77</u>	<u>164</u>
	----- (Rupees) -----			
(Loss) / earnings per share - basic and diluted	<u>(0.03)</u>	<u>(0.39)</u>	<u>0.00</u>	<u>0.00</u>

Pakistan Synthetics Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2019

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

		Nine months period ended	
		31 March 2019	31 March 2018
		(Rupees in '000)	
14.1 Related party transactions:			
<i>Key management personnel compensation</i>			
Managerial remuneration	14.3	<u>23,044</u>	<u>26,443</u>
Others		<u>15,744</u>	<u>21,019</u>
<i>Associated banking companies</i>			
Bank Al-Habib Limited (common directorship)			
Bank collection charges paid		<u>2,146</u>	<u>2,924</u>
Bank guarantee commission		<u>808</u>	<u>522</u>
Interest income on bank deposits		<u>8</u>	<u>3</u>
Mark up on short term import finance under markup arrangement		<u>246</u>	<u>1,158</u>
Mark up on short term murabaha		<u>387</u>	<u>4,919</u>
Mark up on short term borrowings		<u>55,199</u>	<u>37,186</u>
Discounting charges paid		<u>747</u>	<u>3,961</u>
Bank Islami Pakistan Limited (common directorship)			
Mark up on short term istisna		<u>15,673</u>	<u>4,159</u>
14.2 Related party balances:		31 March 2019	30 June 2018
		(Unaudited)	(Audited)
		(Rupees in '000)	
<i>Associated banking companies</i>			
Bank Al-Habib Limited (common directorship)			
Current account balance		<u>5</u>	<u>6,098</u>
Saving account balance		<u>699</u>	<u>-</u>
Short term borrowings		<u>817,513</u>	<u>729,709</u>
Short term murabaha		<u>-</u>	<u>36,203</u>
Accrued markup		<u>14,336</u>	<u>10,120</u>
Bank Islami Pakistan Limited (common directorship)			
Current account balance		<u>27,479</u>	<u>1,031</u>
Short term istisna		<u>319,236</u>	<u>248,072</u>
14.3	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 NINE MONTHS PERIOD ENDED 31 MARCH 2019

15. OPERATING SEGMENTS

15.1 Segment results

	Nine months period ended 31 March										
	2019		2018		2019		2018				
	Polyester Staple Fibre Discontinued operation		Crown / Plastic caps and PET resin Continued operations		Total		Total				
						(Rupees in '000)					
External revenues	13,685	1,928	4,508,246	3,469,962	4,521,931	3,471,890					
Reportable segment profit / (loss) before tax	439	(30,668)	(27,661)	118,523	(27,222)	87,855					
Quarter ended 31 March											
	2019		2018		2019		2018				
	Polyester Staple Fibre Discontinued operation		Crown / Plastic caps and PET resin Continued operations		Total		Total				
							(Rupees in '000)				
External revenues	2,888	1,377	1,687,740	1,479,336	1,690,628	1,480,713					
Reportable segment profit / (loss) before tax	77	164	99,015	107,213	99,092	107,377					

Reconciliation of reportable segment profit or loss is as follows:

	Nine months period ended				Quarter ended			
	31 March 2019		31 March 2018		31 March 2019		31 March 2018	
	(Rupees in '000)							
Total (loss) / profit for reportable segments before tax			(27,222)	87,855	99,092	107,377		
Unallocated other expenses			-	(103,831)	-	(47,151)		
Taxation			7,879	31,408	(26,662)	1,915		
(Loss) / profit after tax			(19,343)	15,432	72,430	62,141		

15.2 Segment assets

	*Polyester Staple Fibre		Crown / Plastic caps and PET resin		Total								
	As at 31 March 2019	As at 30 June 2018	As at 31 March 2019	As at 30 June 2018	As at 31 March 2019	As at 30 June 2018							
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)							
							(Rupees in '000)						
Segment assets	62,094	75,662	5,480,053	5,312,155	5,542,147	5,387,817							
Segment liabilities	-	-	4,781,959	4,672,733	4,781,959	4,672,733							

Reconciliation of segment assets with total assets in the statement of financial position is as follows:

	31 March 2019		30 June 2018	
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
(Rupees in '000)				
Total assets for reportable segments	5,542,147	5,387,817		
Unallocated assets	759,302	671,884		
Total assets as per balance sheet	6,301,449	6,059,701		

*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.

15.3 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 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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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2019

16. General

This condensed interim financial information has been authorized for issue on 29 April 2019 by the Board of Directors of the Company.

YAKOOB HAJI KARIM
CHIEF EXECUTIVE

SALEEM ADVANI
CHIEF FINANCIAL OFFICER

ANWAR HAJI KARIM
DIRECTOR

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