

**PAKISTAN
SYNTHETICS**

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**Report & Financial Information for
the six months period ended 31 December 2013**

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 FARAZ YOUNUS BANDUKDA	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	
AUDITORS	KPMG TASEER HADI & CO. CHARTERED ACCOUNTANTS	
HEAD OF INTERNAL AUDIT	KHURRAM YOUSUF	
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

The Board of Directors is pleased to present unaudited financial information for the half year ended 31 December 2013 to the shareholders of the Company.

OPERATING PERFORMANCE

During the period under review, the Company produced 11,937 tons of Polyester Staple Fibre as against 12,237 tons produced during the corresponding period last year. The Company sold 11,578 tons of fibre produced as against 12,423 tons during the corresponding period last year. Further, the Company produced 115,240 as against 99,403 cartons of plastic and crown caps in the corresponding period last year and sold 126,944 as against 96,874 cartons in the corresponding period last year.

FINANCIAL RESULTS

During the period under review, the Company's gross turnover increased to Rs. 2,700.88 million from Rs. 2,616.78 million during the corresponding period last year.

The Company earned gross profit of Rs. 131.05 million as compared to gross profit of Rs. 170.40 million in the corresponding period last year. The net loss was Rs. 9.76 million as against net profit of Rs. 14.69 million in the corresponding period last year.

EARNING PER SHARE

The net loss per share for the period under review was Rs. 0.17 as compared to net earning per share of Rs. 0.26 in the corresponding period last year.

FUTURE OUTLOOK

Dumping of fibre by Chinese fibre producers remains a big concern for local producers. Dumping of fibre has created a demand supply imbalance in the fibre market. This oversupply condition in the market has resulted in excessive stock and reduction in prices which in turn resulted in decrease in profitability margin. However, we are forecasting situation to improve a bit because of current economic reforms but exchange rate stability, law and order conditions and power and gas crisis remains the key issues which need to be sorted out at macro level. The management of your Company is making best efforts to maintain earning level of polyester staple fibre.

The Company is expecting that the sale of packaging segment will flourish in coming summer season and we are expecting good orders for next season. Moreover, negotiations are going on with customers for price increment and we are quite confident for the same. All in all, we expect bright future for packaging segment with healthy profit margins.

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: 24 February 2014

Karachi

ANWAR HAJI KARIM
CHIEF EXECUTIVE

Pakistan Synthetics Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

INTRODUCTION

We have reviewed the accompanying condensed interim balance sheet of **Pakistan Synthetics Limited** ("the Company") as at 31 December 2013 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six months period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

OTHER MATTER

The figures for the three months period ended 31 December 2013 in the condensed interim financial information have not been reviewed and we do not express a conclusion on them.

Date: 24 February 2014

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Mohammed Nadeem

Pakistan Synthetics Limited

CONDENSED INTERIM BALANCE SHEET AS AT 31 DECEMBER 2013

	31 December Note 2013	30 June 2013 Restated (Audited)
ASSETS		
(Rupees in '000)		
Non-current assets		
Property, plant and equipment	4 1,073,400	1,075,586
Long term loans to employees	444	375
Long-term deposits	924	924
	<u>1,074,768</u>	<u>1,076,885</u>
Current assets		
Stores and spares	5 176,778	164,516
Stock-in-trade	6 1,039,737	993,620
Trade debts	7 691,265	709,049
Loan and advances	6,167	3,686
Short term deposits and prepayments	689	1,470
Other receivables	8 19,909	14,700
Taxation - net	9 81,609	48,743
Cash and bank balances	10 11,694	87,397
	<u>2,027,848</u>	<u>2,023,181</u>
Total assets	<u>3,102,616</u>	<u>3,100,066</u>
EQUITY AND LIABILITIES		
Share capital and reserves		
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	255,104	264,855
	<u>1,107,954</u>	<u>1,117,705</u>
Non-current liabilities		
Staff retirement benefits	30,913	28,163
Deferred taxation-net	81,192	88,909
Long term finances	11 276,876	281,250
	<u>388,981</u>	<u>398,322</u>
Current liabilities		
Trade and other payables	12 812,016	876,376
Short-term borrowings	13 643,479	565,361
Accrued markup	16,621	17,302
Derivative financial liability	14 8,565	-
Current portion of long term finances	11 125,000	125,000
	<u>1,605,681</u>	<u>1,584,039</u>
Total equity and liabilities	<u>3,102,616</u>	<u>3,100,066</u>
Contingencies and Commitments	15	

The annexed notes 1 to 22 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 SIX MONTHS AND THREE MONTHS PERIOD ENDED 31 DECEMBER 2013

Note	Six months period ended		Three months period ended	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
----- (Rupees in '000) -----				
Gross sales	2,700,882	2,616,779	1,115,080	1,244,300
Brokerage, discounts and freight reimbursement	(7,750)	(30,754)	(3,640)	(14,877)
Sales tax	(134,799)	(66,943)	(49,841)	(27,750)
Net sales	2,558,333	2,519,082	1,061,599	1,201,673
Cost of sales	(2,427,280)	(2,348,684)	(1,013,045)	(1,121,963)
Gross profit	131,053	170,398	48,554	79,710
Selling and distribution expenses	16 (29,794)	(19,916)	(11,815)	(8,858)
Administration expenses	(22,147)	(20,612)	(12,012)	(13,349)
Other operating expenses	17 (29,798)	(64,753)	(11,043)	(47,692)
	(81,739)	(105,281)	(34,870)	(69,899)
Other operating income	18 1,449	6,549	661	3,950
Profit from operations	50,763	71,666	14,345	13,761
Finance costs	(65,727)	(43,004)	(34,779)	(21,780)
(Loss) / profit before tax	(14,964)	28,662	(20,434)	(8,019)
Taxation - current	(2,504)	-	2,755	-
- prior	-	(2,857)	-	-
- deferred	7,717	(11,117)	4,340	4,812
9	5,213	(13,974)	7,095	4,812
(Loss) / profit after tax for the period	(9,751)	14,688	(13,339)	(3,207)
----- (Rupee) -----				
(Loss) / earnings per share - basic and diluted	(0.17)	0.26	(0.24)	(0.06)

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE SIX MONTHS AND THREE MONTHS PERIOD ENDED 31 DECEMBER 2013

	Six months period ended		Three months period ended	
	31 December 2013	31 December 2012 Restated	31 December 2013	31 December 2012
----- (Rupees in '000) -----				
(Loss) / profit after tax for the period	(9,751)	14,688	(13,339)	(3,207)
<i>Items that will never be reclassified to profit or loss:</i>				
Remeasurements of defined benefit liability	-	1,774	-	-
Recognition of tax	-	(621)	-	-
Total other comprehensive income - net of tax	-	1,153	-	-
Total comprehensive income for the period	(9,751)	15,841	(13,339)	(3,207)

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.

ANWAR HAJI KARIM
Chief Executive

YAKOUB HAJI KARIM
Director

Pakistan Synthetics Limited

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2013

	31 December 2013	31 December 2012
	Note	
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before tax	(14,964)	28,662
Adjustments for:		
Depreciation	68,697	79,008
Provision for staff gratuity	3,889	4,215
Gain on disposal of property, plant and equipment	(300)	-
Profit on saving and deposit accounts	(93)	(2,203)
Loss on revaluation of derivative financial liability	8,565	-
Finance costs	65,727	43,004
Reversal of provision for doubtful debts	-	(700)
	<u>131,521</u>	<u>151,986</u>
Movement in:		
Stores and spares	(12,262)	(52,963)
Stock in trade	(46,117)	(346,649)
Trade debts	17,784	93,123
Loans and advances	(2,481)	437
Short term deposits and prepayments	781	202
Other receivables	(5,209)	(2,801)
Trade and other payables	(64,360)	(25,156)
	<u>19,657</u>	<u>(181,821)</u>
Net cash from / (used in) operations		
Staff gratuity paid	(1,139)	(2,851)
Finance costs paid	(66,408)	(42,749)
Long term loans to employees	(69)	576
Taxes paid	(35,370)	(32,070)
	<u>(83,329)</u>	<u>(258,915)</u>
Net cash (used in) operations activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures incurred	(66,511)	(4,765)
Proceeds from disposal of property, plant and equipment	300	-
Profit on saving and deposit accounts received	93	2,203
Net cash (used in) investing activities	<u>(66,118)</u>	<u>(2,562)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	(9)
Short term foreign currency loan and money market loan paid - net of loans obtained	(242,541)	(364,691)
Long term finances repaid - net	(4,374)	(31,250)
Net cash (used in) financing activities	<u>(246,915)</u>	<u>(395,950)</u>
Net (decrease) in cash and cash equivalents	<u>(396,362)</u>	<u>(657,427)</u>
Cash and cash equivalents at beginning of the period	(12,387)	161,455
Cash and cash equivalents at the end of the period	<u>(408,749)</u>	<u>(495,972)</u>
CASH AND CASH EQUIVALENTS COMPRISE		
Cash and bank balances	11,694	6,509
Short term borrowings	(420,443)	(502,481)
	<u>(408,749)</u>	<u>(495,972)</u>

The annexed notes 1 to 22 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 SIX MONTHS PERIOD ENDED 31 DECEMBER 2013

	Issued, subscribed and paid-up capital	Revenue reserve	Unappropriated profit	Total reserves	Total
	(Rupees in '000)				
Balance as at 1 July 2012 as previously reported	560,400	292,450	220,503	512,953	1,073,353
Impact of change in accounting policy - note 3.3	—	—	(1,183)	(1,183)	(1,183)
Balances as at 1 July 2012 - restated	560,400	292,450	219,320	511,770	1,072,170
Changes in equity for the six months period ended 31 December 2012					
Profit for the period	—	—	14,688	14,688	14,688
Other comprehensive income for the period	—	—	1,153	1,153	1,153
Total comprehensive income for the period - restated	—	—	15,841	15,841	15,841
Balance as at 31 December 2012	560,400	292,450	235,161	527,611	1,088,011
Balance as at 01 July 2013 as previously reported	560,400	292,450	264,399	556,849	1,117,249
Impact of change in accounting policy - note 3.3	—	—	456	456	456
Balances as at 1 July 2013 - restated	560,400	292,450	264,855	557,305	1,117,705
Changes in equity for the six months period ended 31 December 2013					
Loss for the period	—	—	(9,751)	(9,751)	(9,751)
Other comprehensive income for the period	—	—	—	—	—
Total comprehensive income for the period	—	—	(9,751)	(9,751)	(9,751)
Balance as at 31 December 2013	560,400	292,450	255,104	547,554	1,107,954

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.

ANWAR HAJI KARIM
Chief Executive

YAKOUB HAJI KARIM
Director

Pakistan Synthetics Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE SIX MONTHS AND THREE MONTHS PERIOD ENDED 31 DECEMBER 2013

1. STATUS AND NATURE OF BUSINESS

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 all the stock exchanges of Pakistan. The principal activity of the Company is manufacturing and sale of Polyester Staple Fiber and Crown and Plastic Caps. The registered office of the Company is situated at 3rd floor, K.D.L.B. Building, 58, West Wharf, Karachi.

2. BASIS OF PREPARATION

2.1 Statement of compliance

This Condensed interim financial information of the Company for the six months period ended 31 December 2013 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and the provisions of and directives issued under Companies Ordinance, 1984. In case where requirements differ, the provisions and directives issued under the Companies Ordinance, 1984 have been followed.

This condensed interim financial information is un-audited and is being submitted to the shareholders as required by listing regulations of Karachi, Lahore and Islamabad Stock Exchanges vide section 245 of the Companies Ordinance, 1984.

2.2 Functional and presentation currency

This condensed interim financial information is presented in Pakistani Rupees which is also the Company's functional currency.

2.3 Estimates, judgements and financial risk management

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by 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 2013 except for the estimation of fair value of forward exchange contracts entered in to during the six months period ended 31 December 2013 that are derived from inputs other than quoted prices (i.e., categorised under level 2 of fair value hierarchy).

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements as at and for the year ended 30 June 2013.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of annual financial statements of the Company as at and for the year ended 30 June 2013 except for the adoption and changes in accounting policies as described in note 3.1 and 3.2 below.

3.1 Adoption of accounting policy for derivative financial instruments

During the six months period ended 31 December 2013, the Company has entered into forward exchange contracts (derivative financial instruments) for which the following accounting policy has been adopted.

Derivative financial instruments

Derivatives are recognised initially at fair value; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, when a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting or when the derivative does not qualify for hedge accounting are measured at fair value and all changes in its fair value are recognised immediately in profit or loss.

The fair value of forward exchange contracts is estimated using appropriate valuation techniques. These are carried as assets when the fair value is positive and liabilities when the fair value is negative.

There is no effect on the prior period's financial information as a result of adoption of this accounting policy, as contracts have been made during six months period ended 31 December 2013.

3.2 Change in accounting policies

3.2.1 Employee benefits - defined benefit plan

IAS 19 (revised) 'Employee benefits' amends the accounting for employment benefits which became effective to the Company from 1 July 2013. The changes introduced by the IAS 19 (revised) are as follows:

- (a) The standards requires past service costs to be recognised immediately in profit or loss;
- (b) The standards replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit assets or liability and the discount rate, measured at beginning of the year;
- (c) There is a new term "remeasurement". This is made up of actuarial gains and losses, the differences between actual investment returns and return implied by the net interest cost; and
- (d) The amendment requires an entity to recognise remeasurements immediately in other comprehensive income. Actuarial gains or losses beyond corridor limits were previously amortised over the expected future services of the employees.

The management believes that the effects of these changes would not have significant effect on this condensed interim financial information except for the changes referred to in (d) above that has been accounted for retrospectively in accordance with International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors", resulting in restatement of financial statements of prior periods.

As a result of the above mentioned changes, the cumulative balance for un-recognised actuarial losses that existed as at 1 July 2012 have been presented and disclosed as part of the statement of changes in equity, while the corresponding period adjustment through other comprehensive income is re-stated and disclosed as part of the Statement of Comprehensive Income. The Balance Sheet also presents the prior year numbers as restated, due to the said change.

The effect of the change in accounting policy has been stated in note 3.3.

3.2.2 Capital spares

IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

As a result of above mentioned changes, the Company carried out an exercise to determine the items of stores and spares which comes under the definition of IAS 16 Property, Plant and Equipment as stated above. The items identified to be classified as property, plant and equipment from stores and spares were purchased on or after January 2013. Accordingly the effect of the above change has been accounted for retrospectively in accordance with International Accounting Standard-8 "Accounting Policies, Changes in Accounting Estimates and Errors", resulting in restatement of financial statements of prior periods.

The effect of the change in accounting policy has been stated in note 3.3.

3.3 Effect of changes:	30 June 2013	1 July 2012
	(Rupees in '000)	
Effect on balance sheet		
<i>Unappropriated profit</i>		
As previously reported	264,399	220,503
Effect of change in accounting policy of staff retirement benefits	1,123	(1,183)
Effect of change in accounting policy of capital spares	(667)	-
As restated	<u>264,855</u>	<u>219,320</u>
<i>Staff retirement benefit</i>		
As previously reported	29,891	28,746
Effect of change in accounting policy	(1,728)	1,820
As restated	<u>28,163</u>	<u>30,566</u>
<i>Property plant and equipment</i>		
As previously reported	1,035,139	1,186,323
Effect of change in accounting policy	40,448	-
As restated	<u>1,075,587</u>	<u>1,186,323</u>
<i>Stores and spares</i>		
As previously reported	205,989	151,628
Effect of change in accounting policy	(41,473)	-
As restated	<u>164,516</u>	<u>151,628</u>
<i>Deferred taxation</i>		
As previously reported	88,663	111,074
Effect of change in accounting policy of staff retirement benefits	605	(637)
Effect of change in accounting policy of capital spares	(359)	-
As restated	<u>88,909</u>	<u>110,437</u>

**Six months
period ended
31 December
2012** Prior to
01 July
2012
(Rupees in '000)

Effect on Other Comprehensive Income

Remeasurement of defined benefit liability recognised in other comprehensive income	1,774	(1,820)
Recognition of tax	<u>(621)</u>	637
	<u>1,153</u>	<u>(1,183)</u>

The management is in process of determining the effect of this change, if any, to the amount to be recognised through Comprehensive Income for the year ending 30 June 2014. In the absence of such full year valuation, the management has not considered any amount as an adjustment for the purposes of the condensed interim financial information for the current period. The amount is not expected to be materially significant for the current period.

4. PROPERTY, PLANT AND EQUIPMENT For the six months period ended
31 December 2013 31 December 2012
(Rupees in '000)

Following are the additions and disposals of fixed assets during the current period:

<i>Additions in:</i>		
Plant and machinery	61,272	328
Vehicles	2,185	3,457
Furniture and equipment	195	865
Computer accessories	39	115
Major spare parts and stand-by equipment	<u>2,820</u>	-
	<u>66,511</u>	<u>4,765</u>
Disposal		
Vehicles (written down value Rs. Nil)	<u>1,025</u>	-

5. STORES AND SPARES **31 December 2013** 30 June 2013
(Unaudited) Restated
(Audited)
(Rupees in '000)

Stores and spares [including in transit stores and spares amounting to Rs. 10.5 million (30 June 2013: Rs.0.67 million)]	213,281	201,019
Provision for slow moving and obsolete items	<u>(36,503)</u>	<u>(36,503)</u>
	<u>176,778</u>	<u>164,516</u>

6. STOCK IN TRADE **31 December 2013** 30 June 2013
(Unaudited) **(Audited)**
(Rupees in '000)

Raw and packing materials [including in transit of Rs. 104.60 million (30 June 2013: Rs.78.19 million)]	505,124	587,708
Work in process	72,737	77,393
Finished goods	467,286	329,701
Provision for slow moving and obsolete stock	<u>(5,410)</u>	<u>(1,182)</u>
	<u>1,039,737</u>	<u>993,620</u>

7. TRADE DEBTS		31 December 2013 (Unaudited) (Rupees in '000)	30 June 2013 (Audited)
Considered good - secured	7.1	57,348	85,689
- unsecured	7.2	<u>633,917</u>	<u>623,360</u>
		691,265	709,049
Considered doubtful		<u>101,146</u>	<u>101,146</u>
		792,411	810,195
Provision for doubtful debts		<u>(101,146)</u>	<u>(101,146)</u>
		691,265	709,049

7.1 These trade debts are secured through inland letter of credits.

7.2 The amount due from associated undertaking as at 31 December 2013 was Rs. 34.892 million (30 June 2013: Rs. 45.841 million) including mark-up of Rs. 2.715 million (30 June 2013 Rs. 1.998 million). The maximum aggregate amount due from associated undertaking at the end of any month during the period was Rs. 84.106 million (30 June 2013: Rs. 134.584 million).

8. OTHER RECEIVABLES

Sales tax recoverable		19,893	14,681
Others		<u>16</u>	<u>19</u>
		19,909	14,700

9. TAXATION

Income tax assessments of the Company have been finalised upto and including tax year 2013 (Income year ended 30 June 2013) which is deemed to be assessed and for which no further proceeding have been initiated for audit or otherwise by Income Tax department.

10. CASH AND BANK BALANCES

With banks:			
- On current accounts		11,349	87,173
- On saving accounts	10.1	211	182
- On deposit account		<u>257</u>	<u>257</u>
- Provision for doubtful deposit	10.2	<u>(257)</u>	<u>(257)</u>
		-	-
Cash in hand		<u>134</u>	<u>42</u>
		11,694	87,397

10.1 Rates of returns on saving accounts range from 7% to 8% (30 June 2013: 7% to 9%).

10.2 This represents provision made against Certificates of Investment of Bankers Equity Limited.

11. LONG TERM FINANCES

Long term finances utilised under diminishing musharka		401,876	406,250
Current portion of long term finances shown under current liabilities		<u>(125,000)</u>	<u>(125,000)</u>
		276,876	281,250

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

		31 December 2013 (Unaudited)	30 June 2013 (Audited)
(Rupees in '000)			
Bank Al-Habib Limited - Islamic Banking Division	11.1	343,750	406,250
Meezan Bank Limited	11.2	58,126	-
		<u>401,876</u>	<u>406,250</u>

11.1 The Company has 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 + 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 instalments. The sixth installment of principal amount to Rs. 31.250 million is due in March 2014. This facility is secured against registered hypothecation charges over specific plant and machinery of plastic and crown caps project.

11.2 The Company has entered into a Diminishing Musharka arrangement with Meezan Bank Limited It carries profit at the rate of 6 months average KIBOR + 0.5% per annum with a floor of 6% per annum and cap of 24% per annum and is payable on semi-annually 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 8 equal semi-annually installments with the first installment due in 2015. This facility is secured against registered hypothecation charges over specific and genral plant and machinery of plastic and crown caps project.

12. TRADE AND OTHER PAYABLES

Trade creditors including bills payable		401,950	339,397
Murabaha	12.1	385,349	508,409
Accrued expenses		440	1,271
Advances from customers		763	701
Workers' welfare fund		150	2,703
Workers' profit participation fund		3,902	3,671
Unclaimed dividend		3,220	3,220
Bonus payable		3,250	7,128
Insurance premium payable		2,663	2,068
Due to employees	12.2	2,178	2,584
Sales tax payable		2,372	2,282
Short term compensated absences		4,268	1,899
Provision for government levies		1,000	1,000
Others		511	43
		<u>812,016</u>	<u>876,376</u>

12.1 The Company has obtained facility of Rs. 500 million (30 June 2013: Rs. 500 million) from a Islamic Bank for short term finance under Murabaha financing arrangement and has availed Rs. 377.258 million as at 31 December 2013 (30 June 2013: Rs. 495.755 million). The rate of profit is approved by the bank at time of disbursement which ranges from 9.29% to 10.11% (30 June 2013: 9.55% to 9.82%). This facility can be availed in either Pakistani rupees or in USD and carries profit at the

preferential rate as approved by the bank from time to time and is based on KIBOR or LIBOR as the case may be. This facility matures within six months and is renewable. During the period, the Company has availed facility in Pak Rupees and purchased material valuing Rs. 377.258 million at sale amount of Rs. 395.004 million. The repayment is due after six months from the date of purchase. The arrangement is secured against pari passu hypothecation charge on moveables and receivables of the Company.

- 12.2** This represents salary and gratuity payable to employees amounting to Rs. 1.304 million (30 June 2013: Rs. 1.734 million) and Rs. 0.325 million (30 June 2013: Rs. 0.851 million) respectively.

13. SHORT TERM BORROWINGS - secured

Terms and conditions for all the financing facilities are the same as disclosed in note 9 to the annual financial statements for the year ended 30 June 2013. The aggregate unavailed financing facility amount to Rs. 456.52 million as at 31 December 2013 (30 June 2013: Rs. 534.64 million).

14. DERIVATIVE FINANCIAL INSTRUMENTS

The Company has entered into forward exchange contracts for USD 3.087 million. As at 31 December 2013 the fair values of these contracts are negative by Rs. 8.565 million resulting in recognition of liability.

15. CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

- 15.1.1** The facilities for opening letter of guarantees from an associated banking company amounted to Rs. 75 million. Bank guarantees amounting to Rs. 70.737 million (30 June 2013: Rs. 70.737 million) have been issued in favour of Sui Southern Gas Company Limited for payment of gas bills and others.

- 15.1.2** 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 a 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, Sui Southern Gas Company Limited invoices to the Company at Rs. 13 per MMBTU which has been recorded.

In view of above stated order of Honourable High Court of Sindh and opinion of legal advisor, the Company is confident of a favourable outcome and therefore has not recorded differential of GID Cess of Rs. 37 per MMBTU amounting to Rs. 33.81 million in these condensed interim financial information.

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.

15.2 Commitments

Letters of credits

The Company has facilities of Rs. 1,900 million (30 June 2013: Rs. 1,900 million) for opening letters of credit including Rs. 1,100 million from an associated banking company (30 June 2013: Rs. 1,100 million). At 31 December 2013, the open letters of credits amounted to Rs. 773.219 million (30 June 2013: Rs. 512.257 million) including Rs. 481.743 million from an associated banking company (30 June 2013: Rs. 149.438 million).

- 15.3** The facilities disclosed in notes 15.1.1 and 15.2 are secured by way of export bills sent to collection, documents of title to goods consigned to the Company, Banker's acceptance and Accepted Draft.

16. SELLING AND DISTRIBUTION EXPENSES

These include outward freight and handling charges amounting to Rs. 24.533 million (for the six months period ended 31 December 2012: Rs. 15.881 million) for six months period ended 31 December 2013.

17. OTHER OPERATING EXPENSES

These include net exchange loss on remeasurement of financial liabilities amounting to Rs. 20.86 million and loss on fair valuation of derivative financial instruments amounting to Rs. 8.56 million respectively (for the six months period ended 31 December 2012 Rs. 36.936 million and Rs. Nil respectively).

18. OTHER OPERATING INCOME

These include mark-up charged to an associated Company amounting to Rs. 1.056 million (31 December 2012: Rs. 2.92 million).

19. RELATED PARTY TRANSACTIONS AND BALANCES

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:

Transactions:	Six months period ended	
	31 December 2013	31 December 2012
	(Rupees in '000)	
Associated company		
Sales of goods	<u>71,881</u>	<u>26,480</u>
Markup charged	<u>1,056</u>	<u>2,916</u>
Key management personnel compensation		
Managerial remuneration 19.1	<u>13,156</u>	<u>14,902</u>
Others	<u>11,407</u>	<u>8,987</u>
Associated banking company		
Bank collection charges paid	<u>71</u>	<u>41</u>
Bank guarantee commission	<u>94</u>	<u>283</u>
Mark up on long term finance	<u>19,656</u>	<u>30,533</u>
Interest income on bank deposits	<u>93</u>	<u>2,203</u>
Mark up on short term import finance under markup arrangement	<u>839</u>	<u>8,912</u>
Mark up on short term borrowings	<u>20,628</u>	<u>2,905</u>
	31 December 2013 (Unaudited)	30 June 2013 (Audited)
	(Rupees in '000)	
Balances:		
Associated banking company		
Current account balance	<u>1,136</u>	<u>47,288</u>
Saving account balance	<u>196</u>	<u>168</u>
Long term finance	<u>343,750</u>	<u>406,250</u>
Short term borrowings	<u>494,579</u>	<u>465,577</u>
Accrued markup	<u>13,908</u>	<u>12,150</u>

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

20. OPERATING SEGMENTS

20.1 SEGMENT RESULTS

	Polyester Staple Fibre	Crown and Plastic caps	Total	
	(Rupees in '000)			
	(Unaudited)			
For the six months period ended 31 December 2013				
External revenues	<u>1,997,899</u>	<u>560,434</u>	<u>2,558,333</u>	
Reportable segment profit before tax	<u>17,410</u>	<u>10,503</u>	<u>27,913</u>	
For the six months period ended 31 December 2012				
External revenues	<u>2,096,718</u>	<u>422,364</u>	<u>2,519,082</u>	
Reportable segment profit / (loss) before tax	<u>89,709</u>	<u>(2,843)</u>	<u>86,866</u>	
For the three months period 31 December 2013				
External revenues	<u>869,587</u>	<u>192,012</u>	<u>1,061,599</u>	
Reportable segment profit / (loss) before tax	<u>20,909</u>	<u>(20,933)</u>	<u>(24)</u>	
For the three months period ended 31 December 2012				
External revenues	<u>1,026,691</u>	<u>174,982</u>	<u>1,201,673</u>	
Reportable segment profit / (loss) before tax	<u>38,074</u>	<u>(2,351)</u>	<u>35,723</u>	
Reconciliation of reportable segment profit or loss is as follows:				
	Six months period ended 31 December 2013	Six months period ended 31 December 2012	Three months period ended 31 December 2013	Three months period ended 31 December 2012
	(Rupees in '000)			
	(Unaudited)			
Total profit or loss for reportable segments before tax	27,913	86,866	(24)	35,723
Unallocated finance cost	(14,528)	-	(10,028)	-
Unallocated other operating expenses	(29,798)	(64,753)	(11,043)	(47,692)
Unallocated other operating income	1,449	6,549	661	3,950
Taxation	5,213	(13,974)	7,095	4,812
(Loss) / profit after tax	<u>(9,751)</u>	<u>14,688</u>	<u>(13,339)</u>	<u>(3,207)</u>

20.2 SEGMENT ASSETS	Polyester Staple Fibre	Crown and Plastic caps	Total
	----- (Rupees in '000) -----		
As at 31 December 2013 - Unaudited			
Segment assets	<u>1,620,449</u>	<u>1,368,971</u>	<u>2,989,420</u>
Segment liabilities	<u>716,282</u>	<u>736,140</u>	<u>1,452,422</u>
As at 30 June 2013 - Audited			
Segment assets - restated	<u>1,388,722</u>	<u>1,560,520</u>	<u>2,949,242</u>
Segment liabilities	<u>800,370</u>	<u>944,145</u>	<u>1,744,515</u>

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

	31 December 2013 (Unaudited)	30 June 2013 (Audited)
	(Rupees in '000)	
Total assets for reportable segments	2,989,420	2,949,242
Unallocated assets	113,196	150,824
Total assets as per balance sheet	<u>3,102,616</u>	<u>3,100,066</u>

20. DATE OF AUTHORISATION

This condensed interim financial information were authorized for issue by the Board of Directors in their meeting held on 24 February, 2014.

21. GENERAL

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

ANWAR HAJI KARIM
Chief Executive

YAKOOB HAJI KARIM
Director

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