



PAKISTAN SYNTHETICS LIMITED
HALF YEARLY REPORT
DECEMBER 2019

Pakistan Synthetics Limited

COMPANY INFORMATION

BOARD OF DIRECTORS

ANWAR HAJI KARIM
YAKOOB HAJI KARIM
NOMAN YAKOOB
ABID UMER
SAJID HAROON
ALI KAMAL
SAEED FATIMA NAQVI
FARAZ YOUNUS BANDUKDA

CHAIRMAN-NON-EXECUTIVE
CHIEF EXECUTIVE -EXECUTIVE
EXECUTIVE
NON- EXECUTIVE
NON- EXECUTIVE
INDEPENDENT
INDEPENDENT
INDEPENDENT

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

SHAHID YAQOOB

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

SHARE 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

Pakistan Synthetics Limited

DIRECTORS' REVIEW

The Board of Directors is pleased to present their review on unaudited financial statements, duly reviewed by the external auditors, for the half year ended 31 December 2019.

OPERATING PERFORMANCE

During the period under review the Company produced 11,423 Mt of Resin as against 11,951 MT of Resin during the corresponding period last year and sold 9,772 MT of Resin as against 13,273 MT of Resin during the corresponding period last year. During the period under review, the Company produced 3,098 octabins of preform as against 726 octabins produced during the corresponding period last year and sold 3,484 octabins during the period.

During the period under review the Company produced 185,230 cartons of plastic and crown caps as against 187,334 cartons during the corresponding period last year and sold 165,227 cartons as against 158,109 cartons during the corresponding period last year.

FINANCIAL RESULTS

As the Company had converted existing fibre manufacturing plant into PET resin manufacturing plant in 2016 by making necessary modifications in existing plant, the Company has presented fibre segment as discontinued operation. Below is the brief about financial results of continuing and discontinued operations:

Continuing operations

During the period under review, the company's gross turnover of continuing operations decreased to Rs. 3,149.69 million from Rs. 3,250.58 million during the corresponding period last year.

The Company posted profit before tax from continuing operations of Rs. 32.352 million as against loss before tax of Rs. 126.676 million in the corresponding period last year. The net profit after tax stood from continuing operations at Rs. 19.176 million as against net loss after tax of Rs. 89.89 million in the corresponding period last year. During the period under review, Company earned exchange gain of Rs. 44.132 million whereas loss in the corresponding period last year was mainly attributable to exchange loss of Rs. 178.56 million.

Pakistan Synthetics Limited

DIRECTORS' REVIEW

Discontinued operations

During the period under review, the company's net turnover of discontinued operations decreased to Rs. 1.394 million from Rs. 10.797 million during the corresponding period last year.

The Company posted profit before tax from discontinued operations of Rs. 0.039 million as against profit before tax of Rs. 0.362 million in the corresponding period last year. The net profit after tax stood from discontinued operations at Rs. 0.018 million as against net loss after tax of Rs. 1.886 million in the corresponding period last year.

FUTURE OUTLOOK

The country has faced severe economic challenges in last one and half year which have affected all the businesses. Going forward, it seems that the economic turbulence our country witnessed is being addressed by the government. The uncertainty on the exchange rate front seems to much under control too. The latest inflation report reflects that the inflation numbers are not as high as was being predicted. Hence, we remain optimistic that going forward, interest rates will recede from the current levels.

Your company is poised in a good position of playing a pivotal role in the government's policy of import substitution. Our latest project of preforms has attained approval by all MNCs and running satisfactorily by the customers. The management is keen to increase its sales through a "total package deal" for its customers by providing both caps and preforms together and to achieve operational efficiencies.

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 hope 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

*Date: 25 February, 2020
Karachi*

YAKOOB HAJI KARIM
CHIEF EXECUTIVE

ANWAR HAJI KARIM
CHIARMAN



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Pakistan Synthetics Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Pakistan Synthetics Limited** as at 31 December 2019 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows, and notes to the condensed interim financial statements for the six-months period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements 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 statements 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 interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Other matter

The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the three months period ended



KPMG Taseer Hadi & Co.

31 December 2019, have not been reviewed and we do not express a conclusion on them.

The engagement partner on the review resulting in this independent auditor's review report is **Mohammad Mahmood Hussain**.

Date: 25 February 2020

Karachi

A handwritten signature in black ink, appearing to read 'KPMG f-u'.

KPMG Taseer Hadi & Co.
Chartered Accountants

Pakistan Synthetics Limited

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	31 December 2019 (Unaudited) (Rupees in '000)	30 June 2019 (Audited)
ASSETS			
Non - current assets			
Property, plant and equipment	5	2,118,473	2,166,193
Right-of-use asset		18,656	-
Intangible assets		210	421
Long term loan to employees - secured		3,357	3,575
Long term deposits and prepayments	6	9,092	5,163
Deferred taxation - net		214,905	187,935
		2,364,693	2,363,287
Current assets			
Stores and spares		280,512	248,454
Stock-in-trade	7	1,975,637	1,866,070
Trade receivables	8	500,245	951,465
Loans and advances		13,085	12,841
Short term deposits and prepayments		20,417	8,331
Short term investment	9	502	-
Other receivables		83,122	2,084
Taxation - net		426,267	440,016
Cash and bank balances		165,086	41,270
		3,464,873	3,570,531
Total assets		5,829,566	5,933,818
EQUITY AND LIABILITIES			
Shareholder's equity			
Authorised share capital of 140,000,000 (June 30, 2019: 70,000,000) ordinary shares of Rs. 10 each		1,400,000	700,000
Issued, subscribed and paid-up capital	10	840,600	560,400
Reserves		878,968	635,614
		1,719,568	1,196,014
Non-current liabilities			
Long term finances - secured		52,827	126,035
Lease liability		15,305	-
Staff retirement benefits		32,797	30,925
		100,929	156,960
Current liabilities			
Trade and other payables		1,002,429	1,110,554
Accrued markup		23,255	21,971
Short term borrowings - secured	11	2,625,884	2,432,290
Current portion of lease liability		5,066	-
Unclaimed dividend		4,223	4,223
Current portion of long term finance		348,212	403,420
Current portion of long term payable		-	608,386
		4,009,069	4,580,844
Total equity and liabilities		5,829,566	5,933,818
Contingencies and commitments			
	12		

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.

SALEEM ADVANI
CHIEF FINANCIAL OFFICER

YAKOOB HAJI KARIM
CHIEF EXECUTIVE

ANWAR HAJI KARIM
DIRECTOR

Pakistan Synthetics Limited

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

	Note	Six months period ended		Quarter ended	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
----- (Rupees in '000) -----					
Net sales	13	2,674,977	2,820,506	980,305	1,333,532
Cost of sales		(2,410,862)	(2,560,483)	(876,163)	(1,270,208)
Gross profit		264,115	260,023	104,142	63,324
Distribution and selling expenses		(36,544)	(28,378)	(12,978)	(6,811)
Administration expenses		(36,381)	(26,903)	(18,360)	(13,818)
Impairment loss on trade receivables		-	(10,492)	-	(10,492)
Other operating expenses		(3,127)	(179,136)	398	(144,546)
		(76,052)	(244,909)	(30,940)	(175,667)
Unrealised gain on remeasurement of investment		2	-	2	-
Other income		54,532	3,600	19,620	1,799
		242,597	18,714	92,824	(110,544)
Finance costs		(210,245)	(145,390)	(108,025)	(77,381)
Profit / (loss) before taxation		32,352	(126,676)	(15,201)	(187,925)
Taxation - net	14	(13,176)	36,789	657	53,240
Profit / (loss) after taxation for the period		19,176	(89,887)	(14,544)	(134,685)
Profit / (loss) after taxation from discontinued operation		18	(1,886)	13	(2,108)
Profit / (loss) after taxation for the period		19,194	(91,773)	(14,531)	(136,793)
----- (Rupees) -----					
Earnings / (loss) per share - basic and diluted	15	0.35	(1.61)*	(0.28)	(2.41)*

* EPS for prior period is restated for effect of right issue.

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.

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Pakistan Synthetics Limited

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

	Six months period ended		Quarter ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	----- (Rupees in '000) -----			
Profit / (Loss) for the period	19,194	(91,773)	(14,531)	(136,793)
Other comprehensive income	-	-	-	-
Total comprehensive income / (loss) for the period	19,194	(91,773)	(14,531)	(136,793)

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.

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Pakistan Synthetics Limited

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

	Issued, subscribed and paid-up capital	Reserves			Total reserves	Total
		Capital reserve	Revenue reserve			
		Share premium	General reserve	Unappropriated profit (Rupees in '000)		
Balances as at 1 July 2018	560,400	-	292,450	482,823	775,273	1,335,673
Adjustment on initial application of IFRS 9, net of tax	-	-	-	(13,548)	(13,548)	(13,548)
Adjusted balance as at 1 July 2018	560,400	-	292,450	469,275	761,725	1,322,125
Total comprehensive loss for the six months period ended 31 December 2018						
Loss for the period	-	-	-	(91,773)	(91,773)	(91,773)
Other comprehensive income	-	-	-	-	-	-
	-	-	-	(91,773)	(91,773)	(91,773)
Balance as at 31 December 2018	560,400	-	292,450	377,502	669,952	1,230,352
Balances as at 30 June 2019	560,400	-	292,450	343,164	635,614	1,196,014
<i>Transactions with owners of the Company</i>						
Issue of right share (note 10.1)	280,200	224,160	-	-	224,160	504,360
Total comprehensive income for the period ended 31 December 2019						
Profit for the period	-	-	-	19,194	19,194	19,194
Other comprehensive income	-	-	-	-	-	-
	-	-	-	19,194	19,194	19,194
Balance as at 31 December 2019	840,600	224,160	292,450	362,358	878,968	1,719,568

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.

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DIRECTOR

Pakistan Synthetics Limited

CONDENSED INTERIM STATEMENT OF CASH FLOW (UNAUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2019

	Note	31 December 2019	31 December 2018
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash generated from operations	19	465,732	236,928
Staff gratuity paid		(1,266)	(516)
Finance costs paid		(208,961)	(141,635)
Long term loans to employees - net		218	113
Long term deposit and prepayments		(3,929)	3,109
Long term payable		(608,386)	(51,421)
Taxes paid		(26,892)	(31,634)
Net cash (used in) / generated from operating activities		(383,484)	14,944
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(67,246)	(47,097)
Proceeds from disposal of fixed assets		5,008	-
		(62,238)	(47,097)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from right issue		504,360	(12,608)
Long term diminishing musharka - net		(128,416)	29,830
Short term istisna and murabaha - net		(69,961)	-
Short term foreign currency loan and money market loan - net		454,236	6,055
Net cash flow from financing activities		760,219	23,277
Net increase in cash and cash equivalents		314,497	(8,876)
Cash and cash equivalents at beginning of the period		(149,411)	(365,451)
Cash and cash equivalents at end of the period		165,086	(374,327)
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash and bank balances		165,086	92,433
Running finance under mark-up arrangement		-	(466,760)
		165,086	(374,327)

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.

SALEEM ADVANI
CHIEF FINANCIAL OFFICER

YAKOOB HAJI KARIM
CHIEF EXECUTIVE

ANWAR HAJI KARIM
DIRECTOR

Pakistan Synthetics Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 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.

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 2019. 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 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 statements have been prepared under the historical cost convention, except as stated otherwise.

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 SIX MONTHS PERIOD ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 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 2019 except for the adoption of IFRS 16 'Leases' as of 1 July 2019 as explained in note 3.4 to these condensed interim financial statements.

Further, pursuant to SECP press release dated February 15, 2019, adoption of IFRS 9 was deferred till the financial year ended 30 June 2019 with a retrospective impact on retained earnings as on 01 July 2018. Accordingly, the condensed interim financial statements for the period ended 31 December 2018 were not prepared on the basis of IFRS 9 and therefore the comparative figures for the half year ended 31 December 2018 have been rearranged. Summary of change is presented in note 21 to these condensed interim financial statements.

3.2 New standards, interpretations and amendments adopted by the Company

International Accounting Standards Board (IASB) introduced IFRS 16 'Leases' which had a mandatory effective date for annual reporting periods beginning on or after 1 January 2019. By virtue of SRO 434(I)/2018, SECP made mandatory for all classes of companies to adopt IFRS 16 'Leases' for annual reporting periods beginning on or after 1 January 2019.

The Company has adopted IFRS 16 'Leases' from 1 July 2019. The impact of adoption of IFRS 16 and related accounting policies are disclosed in note 3.4 below. A number of other new standards are effective from 1 July 2019 but they do not have a significant effect on the Company and are therefore not stated in these condensed interim financial statements

3.3 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 2020:

- 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 1 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 1 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 judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

Pakistan Synthetics Limited

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

- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020 unless the new guidance contains specific scope outs.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.
- IFRS 14 Regulatory Deferral Accounts - (effective for annual periods beginning on or after 1 July 2019) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated - i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and/or approved by an authorized body. The term 'regulatory deferral account balance' has been chosen as a neutral descriptor for expense (income) or variance account that is included or is expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers and would not otherwise be recognized as an asset or liability under other IFRSs. The standard is not likely to have any effect on Company's financial statements.

3.4 Change in accounting policy

The Company has adopted IFRS 16 'Leases' from 1 July 2019. The standard introduces a single, on-balance sheet accounting model for lessees. As a result, the Company as a lessee has recognised right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligations to make lease payments. The accounting policies relating to Company's right-of-use assets and lease liabilities are as follows:

Pakistan Synthetics Limited

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

Lease liabilities and right-of-use assets

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

From 1 July 2019, leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Company.

The lease liabilities are initially measured at the present value of the remaining lease payments at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments include fixed payments, variable lease payments that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

The lease liabilities are subsequently measured at amortised cost using the effective interest rate method. They are remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the respective right-of-use asset, or is recorded in profit or loss if the carrying amount of that right-of-use asset has been reduced to zero.

Right-of-use assets are initially measured based on the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use assets are depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The carrying amount of the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the corresponding lease liability.

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. On adoption of IFRS 16, the Company recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 14.57%.

The right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognised in the condensed interim statement of financial position immediately before the date of initial application, accordingly, there is no impact on the opening balances of unappropriated profit as on 1 July 2019. The recognised right-of-use assets relates to the office space acquired on rental basis.

Pakistan Synthetics Limited

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

The Company has applied judgement to determine the lease term for office space acquired on rental basis in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

The impact of adoption of IFRS 16 on the condensed interim statement of financial position as at 31 December 2019 and condensed interim unconsolidated statement of profit or loss and other comprehensive income for the six months period ended 31 December 2019 is as follows:

	Carrying Amount	
	31 December 2019	1 July 2019
	(Rupees in '000)	
Right-of-use asset presented in operating fixed assets	<u>18,656</u>	<u>22,388</u>
Lease liability	<u>20,371</u>	<u>18,948</u>

	Six months period ended
	31 December 2019
	(Rupees in '000)
Depreciation expense	<u>2,798</u>
Interest expense presented in finance costs	<u>1,423</u>

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 2019, except as stated in note 3.4 of these condensed interim financial statements.

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 2019.

5. PROPERTY, PLANT AND EQUIPMENT

	31 December 2019	30 June 2019
	(Unaudited)	(Audited)
	(Rupees in '000)	
Operating fixed assets	2,025,480	2,091,366
Capital work in progress	92,993	74,827
	<u>2,118,473</u>	<u>2,166,193</u>

Pakistan Synthetics Limited

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

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

	For the six months period ended	
	31 December 2019	31 December 2018
	(Rupees in '000)	
<i>Additions / transfers from CWIP:</i>		
Building on leasehold land	-	4,226
Plant and machinery	44,876	37,217
Vehicles	4,150	1,752
Furniture and equipment	-	251
Computer accessories	52	376
	<u>49,078</u>	<u>43,822</u>

5.2 Additions to operating fixed assets include transfers of Rs. 43.724 million (31 December 2018: Rs. 14.263 million) from capital work in progress.

5.3 Additions to capital work in progress amounted to Rs. 61.89 million (31 December 2018: Rs. 17.538 million) during the period.

6. LONG TERM DEPOSITS AND PREPAYMENTS

	31 December 2019 (Unaudited)	30 June 2019 (Audited)
	(Rupees in '000)	
Deposits		
- Utility deposits	1,718	1,718
- Security deposits	8,468	4,539
Provision for doubtful deposits	(1,094)	(1,094)
	<u>9,092</u>	<u>5,163</u>
<i>Islamic</i>		
Long term prepayments	-	3,109
Less: current portion of long term prepayments	-	(3,109)
	<u>9,092</u>	<u>5,163</u>

7. STOCK IN TRADE

Raw and packing material		
- in hand	431,306	585,776
- in transit	303,381	365,998
	<u>734,687</u>	<u>951,774</u>
Work-in-process	243,122	233,126
Finished goods	999,337	684,219
Provision for slow moving and obsolete stock	(1,509)	(3,049)
	<u>997,828</u>	<u>681,170</u>
	<u>1,975,637</u>	<u>1,866,070</u>

Pakistan Synthetics Limited

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

		31 December 2019 (Unaudited) (Rupees in '000)	30 June 2019 (Audited)
8. TRADE RECEIVABLES			
Trade receivables	8.1	751,425	1,202,645
Less: Allowance for impairment of trade receivables		<u>(251,180)</u>	<u>(251,180)</u>
		<u>500,245</u>	<u>951,465</u>
8.1	This include an amount of Rs. NIL (30 June 2019: Rs. 29.990 million) receivable from a customer which has been guaranteed by Al-Karam Textile (Private) Limited, an associated company.		
9. SHORT TERM INVESTMENT			
At fair value through profit or loss	9.1	<u>502</u>	<u>-</u>
9.1	The Company made investments in 46,287.7244 units of ABL Islamic Income Fund during the period at Rs. 10.8020 per unit.		
10. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
Ordinary shares of Rs. 10 each fully paid in cash 65,380,000 (June 2019: 37,360,000) shares	10.1	653,800	373,600
Ordinary shares of Rs. 10 each fully paid in cash 18,680,000 (June 2019: 18,680,000) shares		<u>186,800</u>	186,800
		<u>840,600</u>	<u>560,400</u>
10.1	During the period, Company issued 28,020,000 shares of Rs. 10 each at a premium of Rs. 8 each as right issue. The shares were allotted on December 17, 2019.		
11. SHORT TERM BORROWINGS - SECURED			
<i>Conventional</i>			
Money market loan under mark-up arrangement		-	200,000
Running finance under mark-up arrangement		-	190,681
Foreign currency loan	11.1	654,236	-
<i>Islamic</i>			
Murabaha	11.2	420,712	525,910
Istisna	11.2	1,550,936	1,515,699
		<u>2,625,884</u>	<u>2,432,290</u>
11.1	The facility for loan under foreign currency import finance is availed from Banking Company. Total limit of loan under this facility is Rs. 900 million, while Company has availed Rs. 654.236 million as at 31 December 2019. The rate of Markup approved by the Bank at the time of disbursement ranges from 3.5% to 4% per annum. Arrangement is secured against joint pari-passu charge over Company's stock and trade receivables for Rs. 1.2 billion and hypothecation charge over movable and receivables for Rs. 700 million.		

Pakistan Synthetics Limited

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

11.2 The Company has obtained facility of Rs. 2,200.95 million (30 June 2019: Rs. 2020.95 million) from Islamic banks for short term finance under Murabaha and Istisna financing arrangement and has availed Rs. 420.712 million under Murabaha financing and Rs. 1,555.936 million under Istisna financing as at 31 Decemebr 2019 (30 June 2019: Rs. 525.910 million under Murabaha financing and Rs. 1,515.699 million under Istisna financing). The rate of profit approved by the bank at time of disbursement ranges from 7.26% to 14.06% (2018: 6.34% to 7.54%) per annum. These facilities can be availed either in Pakistani Rupees or in USD and carries profit at the preferential rate as approved by the banks from time to time and is based on KIBOR.

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 2019.

12.2 Commitments

12.2.1 The Company has facilities of Rs. 2,362 million (30 June 2019: Rs. 2,362 million) for opening letters of credit including Rs. 800 million from a related party banking company (30 June 2019: Rs. 800 million). At 31 December 2019, the open letters of credits for stock in trade, stores and spares and capital commitment amounted to Rs. 279,289 million (30 June 2019: Rs. 228.84 million) including Rs. 36.142 million from a related party banking company (30 June 2019: Rs. 74.39).

13. NET SALES

	31 December 2019 (Unaudited) (Rupees in '000)	31 December 2018 (Unaudited)
Local - Crowns and plastic caps	937,556	760,233
Local - PET resin	1,876,228	2,486,475
Pre-form	332,180	3,870
Raw material	3,715	-
	<u>3,149,679</u>	<u>3,250,578</u>
Sales tax	(474,702)	(430,072)
Net sales	<u>2,674,977</u>	<u>2,820,506</u>

13.1 Pakistan is the primary geographical market of the Compay. 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.

14. TAXATION

The provisions for minimum tax as required under section 113 of the Income Tax Ordinance, 2001 has been recorded in these condensed interim financial statements.

Current tax	40,146	-
Deferred tax	(26,970)	(36,789)
	<u>13,176</u>	<u>(36,789)</u>

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

15. EARNINGS / (LOSS) PER SHARE

Basic (loss) / earnings per share is calculated by dividing the (loss) / 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:

	Six months period ended		Quarter ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	(Rupees)			
Profit / (loss) for the period	<u>19,194</u>	<u>(91,773)</u>	<u>(14,531)</u>	<u>(136,793)</u>
	(Number)			
Weighted average number of ordinary shares	<u>54,487,364</u>	<u>56,836,538</u>	<u>52,403,225</u>	<u>56,836,538</u>
	(Rupees)			
Earnings / (loss) per share - basic and diluted (restated)	<u>0.35</u>	<u>(1.61)</u>	<u>(0.28)</u>	<u>(2.41)</u>

16. 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:

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

		For the six months period ended	
		31 December	31 December
		2019	2018
		(Rupees in '000)	
16.1. Related party transactions:			
<i>Key management personnel compensation</i>			
Managerial remuneration	16.3	<u>19,308</u>	<u>17,052</u>
Others		<u>14,192</u>	<u>14,047</u>
<i>Banking companies</i>			
Bank AL Habib Limited (common directorship)			
Bank collection / discounting charges paid		<u>5,039</u>	<u>669</u>
Bank guarantee commission		<u>675</u>	<u>208</u>
Interest income on bank deposits		<u>315</u>	<u>1</u>
Mark up on short term import finance under markup arrangement		<u>3,480</u>	<u>194</u>
Mark up on short term Murabaha		<u>25,550</u>	<u>387</u>
Mark up on short term Istisna		<u>295</u>	<u>-</u>
Mark up on short term borrowings		<u>18,837</u>	<u>34,321</u>
Discounting charges paid		<u>3,126</u>	<u>747</u>
Bank Islami Pakistan Limited (common directorship)			
Mark up on short term Istisna		<u>21,534</u>	<u>8,208</u>
Discounting charges paid		<u>849</u>	<u>-</u>
16.2. Related party balances:			
		31 December	30 June
		2019	2019
		(Unaudited)	(Audited)
		(Rupees in '000)	
<i>Banking companies</i>			
Current account balance		<u>142,245</u>	<u>1,716</u>
Saving account balance		<u>25,085</u>	<u>90</u>
Short term borrowings		<u>654,236</u>	<u>390,681</u>
Short term Murabaha		<u>143,559</u>	<u>370,393</u>
Short term Istisna		<u>321,756</u>	<u>355,276</u>
Long term finance		<u>62,501</u>	<u>62,502</u>
Accrued markup		<u>11,716</u>	<u>10,585</u>

16.3. 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 SIX MONTHS PERIOD ENDED 31 DECEMBER 2019

17. PROFIT / (LOSS) AFTER TAXATION FROM DISCONTINUED OPERATION

	Six months period ended		Quarter ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	----- (Rupees in '000) -----			
Net sales	1,394	10,797	800	4,312
Cost of sales	(1,355)	(10,435)	(775)	(4,172)
Gross profit	39	362	25	140
Taxation - net	(21)	(2,248)	(12)	(2,248)
Profit / (loss) after taxation for the period	18	(1,886)	13	(2,108)

18. OPERATING SEGMENTS

Segment results

	Six months period ended 31 December					
	2019	2018	2019	2018	2019	2018
	Polyester Staple Fibre (Discontinued operations)		Crown / plastic caps and PET resin (Continued operations)		Total	
	----- (Rupees in '000) -----					
External revenues	1,394	10,797	2,674,977	2,820,506	2,676,371	2,831,303
Reportable segment profit/(loss) before tax	39	362	32,352	(126,676)	32,391	(126,314)
	----- (Rupees in '000) -----					
	Quarter ended 31 December					
	2019	2018	2019	2018	2019	2018
	Polyester Staple Fibre (Discontinued operations)		Crown / plastic caps and PET resin (Continued operations)		Total	
	----- (Rupees in '000) -----					
External revenues	800	4,312	980,305	1,333,532	981,105	1,337,844
Reportable segment profit/(loss) before tax	25	140	(15,201)	(187,925)	(15,176)	(187,785)

Reconciliation of reportable segment profit or loss is as follows:

	Six months period ended		Quarter ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	----- (Rupees in '000) -----			
Total profit / (loss) for reportable segments before tax	32,391	(126,314)	(15,176)	(187,785)
Unallocated other expenses	-	-	-	-
Taxation	(13,197)	34,541	645	50,992
Profit / (Loss) after tax	19,194	(91,773)	(14,531)	(136,793)

18.1 Revenue from sale of crown / plastic caps and PET resin represents 99.95 % (2018: 99.88%) of the gross sales of the Company.

18.2 100% (2019: 100%) of the gross sales of the Company are made to customers located in Pakistan.

18.3 All non-current assets of the Company at 31 December 2019 are located in Pakistan.

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

19. CASH GENERATED FROM OPERATIONS

	31 December 2019	'31 December 2018
	(Rupees in '000)	
Profit / (loss) before tax	32,391	(126,314)
Adjustments for:		
Depreciation	118,699	114,944
Amortization	211	211
Provision for staff gratuity	2,573	3,645
Finance costs	210,245	145,390
Gain on sale of fixed assets	(5,008)	-
Impairment loss on trade receivables	-	10,491
Reversal of provision for slow moving and obsolete stock	(1,540)	685
Stores and spares	(32,058)	(6,525)
Stock in trade	(109,567)	(205,602)
Trade debts	451,220	119,869
Loans and advances	(244)	(71)
Short term deposits and prepayments	(12,086)	4,719
Short term investment	(502)	-
Other receivables	(81,038)	84,862
Trade and other payables	(107,562)	90,624
Unrealised gain on remeasurement of investments	(2)	-
Net cash generated from operations	465,732	236,928

20. 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 2019.

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).

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

31 December 2019 (Unaudited)

	Carrying amount			Fair value				
	Amortised cost	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	-	502	-	-	502	-	-	-
Financial assets not measured at fair value								
Loan to employees	5,165	-	-	5,165	-	-	-	-
Long / short term deposits	29,509	-	-	29,509	-	-	-	-
Trade receivables	500,245	-	-	500,245	-	-	-	-
Deposits	7,374	-	-	7,374	-	-	-	-
Other receivables	83,122	-	-	83,122	-	-	-	-
Bank balances	165,086	-	-	165,086	-	-	-	-
	790,501	-	-	790,501	-	-	-	-
Financial liabilities not measured at fair value								
Long term financing	-	-	401,039	401,039	-	-	-	-
Long term payables	-	-	-	-	-	-	-	-
Trade and other payables	-	-	1,002,429	1,002,429	-	-	-	-
Accrued markup	-	-	23,255	23,255	-	-	-	-
Short term borrowings	-	-	2,625,884	2,625,884	-	-	-	-
	-	-	4,052,607	4,052,607	-	-	-	-

30 June 2019 (Audited)								
	Carrying amount			Fair value				
	Amortised cost		Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments								
Financial assets measured at fair value								
	-	-	-	-	-	-	-	-
Financial assets not measured at fair value								
Loan to employees	6,024	-	-	6,024	-	-	-	-
Long / short term deposits	10,385	-	-	10,385	-	-	-	-
Trade receivables	951,465	-	-	951,465	-	-	-	-
Deposits	-	-	-	-	-	-	-	-
Other receivables	2,084	-	-	2,084	-	-	-	-
Bank balances	41,270	-	-	41,270	-	-	-	-
	1,011,228	-	-	1,011,228	-	-	-	-
Financial liabilities not measured at fair value								
Long term financing	-	-	529,455	529,455	-	-	-	-
Long term payables	-	-	608,386	608,386	-	-	-	-
Trade and other payables	-	-	1,110,554	1,110,554	-	-	-	-
Accrued markup	-	-	21,971	21,971	-	-	-	-
Short term borrowings	-	-	2,432,290	2,432,290	-	-	-	-
	-	-	4,702,656	4,702,656	-	-	-	-

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 repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

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

21. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purpose of comparison and to reflect the substance of the transactions. Following major reclassifications have been made during the six month period ended 31 December 2018 and quarter ended 31 December 2018.

Description	Reclassified		Rupees in '000
	From	To	
Impairment loss on trade receivables	Administration expenses	Impairment loss on trade receivables	10,492

22. GENERAL

These condensed interim financial statements have been authorised for issue on 25 February, 2020 by the Board of Directors of the Company.

SALEEM ADVANI
CHIEF FINANCIAL OFFICER

YAKOOB HAJI KARIM
CHIEF EXECUTIVE

ANWAR HAJI KARIM
DIRECTOR

If undelivered please return to:

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