

Pakistan Synthetics Limited

NINE MONTHS REPORT

MARCH 2022



PAKISTAN SYNTHETICS LIMITED

| | | |
|--|--|--|
| BOARD OF DIRECTORS | MR. KHURSHID AKHTAR MR. YAKOOB HAJI KARIM MR. NOMAN YAKOOB MR. ABID UMER MR. MUBBASHIR AMIN MR. ALI KAMAL MR. FARAZ YOUNUS BANDUKDA MS. SADAF SHABBIR | CHAIRMAN -INDEPENDENT CHIEF EXECUTIVE EXECUTIVE NON- EXECUTIVE NON- EXECUTIVE INDEPENDENT INDEPENDENT INDEPENDENT |
| AUDIT COMMITTEE | MR. ALI KAMAL - CHAIRMAN MR. MUBBASHIR AMIN MR. FARAZ YOUNUS BANDUKDA | |
| HUMAN RESOURCE AND REMUNERATION COMMITTEE | MR. FARAZ YOUNUS BANDUKDA MR. MUBBASHIR AMIN MR. NOMAN YAKOOB | |
| CHIEF FINANCIAL OFFICER | MR. SHAHID YAQOOB | |
| COMPANY SECRETARY | MR. MUHAMMAD IMRAN | |
| BANKERS | DUBAI ISLAMIC BANK PAKISTAN LIMITED HABIB BANK LIMITED HABIB METROPOLITAN BANK LIMITED BANK AL HABIB LIMITED ASKARI BANK LIMITED MEEZAN BANK LIMITED BANK OF PUNJAB LIMITED BANK AL-FALAH LIMITED BANK ISLAMI PAKISTAN LIMITED | |
| AUDITORS | KPMG TASEER HADI & CO. CHARTERED ACCOUNTANTS | |
| REGISTRAR | F.D REGISTRAR SERVICES (PVT.) LTD. OFFICE # 1705, 17TH FLOOR, SAIMA TRADE TOWER-A, I.I. CHUNDRIGAR ROAD, KARACHI. | |
| LEGAL ADVISOR | TASAWUR ALI HASHMI ADVOCATE | |
| REGISTERED OFFICE | OFFICE # 1504, 15TH FLOOR, EMERALD TOWER, BLOCK 5, CLIFTON, KARACHI. | |
| 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 of Pakistan Synthetics Limited takes pleasure in presenting review of the performance of the Company together with the financial statements for the nine months period ended March 31, 2022:

OPERATING PERFORMANCE

During the period under review the Company produced 19,012 MT of Resin as against 18,320 MT of Resin during the corresponding period last year and sold 15,258 MT of Resin as against 11,965 MT of Resin during the corresponding period last year. During the period under review, the Company produced octabins of preform 17,060 octabins as against 13,104 octabins produced during the corresponding period last year and sold 18,733 octabins during the period as against 9,829 octabins in the same period last year.

During the period under review the Company produced 441,894 cartons of plastic and crown caps as against 374,810 cartons during the corresponding period last year and sold 405,129 cartons as against 346,292 cartons during the corresponding period last year.

FINANCIAL RESULTS

During the period under review, the Company recorded net sales revenue of Rs. 7,953.35 million as compared to Rs. 4,276.86 million during the same period last year. Gross profit has increased from Rs. 716.345 million (March 2021) to Rs. 1,615.93 million during the period under review. Increase is mainly due to growth in quantity sold and favorable upward movement in sales prices. Operating expenses of the Company increased from Rs. 186.323 million to Rs. 379.241 million mainly as a result of higher sales transportation cost, exchange loss and rising inflationary impact on each expense component. Financial charges increased from 144.267 million to Rs. 155.458 million due to higher utilization of short term borrowing facilities. Accordingly, the Company earned net profit after tax for the period amounting to Rs. 774.220 million (March 31, 2021: 323.750 million) reflecting an increase of profit by Rs. 450.47 million. The results translated into earning per share of Rs. 8.52/share (March 31, 2021: Rs. 3.50 per share).

FUTURE OUTLOOK

The macroeconomic indicators of the country pose challenges for the company, such as disruption in supply chain, higher global commodity and rising energy prices. Moreover, Pak Rupee has also depreciated further due to prevailing economic situation and domestic political uncertainty and resultantly putting pressure on cost of imported raw material. Increase in policy rates by State Bank of Pakistan will result in higher finance cost in the periods ahead. To meet all the challenges, the Company is endeavoring to improve sales

PAKISTAN SYNTHETICS LIMITED

and profitability by its recent investment to enhance the product range and at the same time, reduce costs. Further, the Management is confident to overcome the challenges through operational excellence by adopting best marketing and production strategies and remain focused on the needs of the partnering customers.

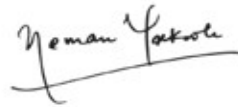
ACKNOWLEDGEMENT

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

For and on behalf of the Board of Directors



YAKOOB HAJI KARIM
CHIEF EXECUTIVE



NOMAN YAKOOB
DIRECTOR

Date: April 26, 2022

Karachi

PAKISTAN SYNTHETICS LIMITED

Condensed Interim Statement of Financial Position

As at 31 March, 2022

| | | 31 March 2022 Unaudited (Rupees in '000) | 30 June 2021 Audited |
|---|------|---|----------------------------|
| | Note | | |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 3,202,142 | 2,209,018 |
| Right-of-use asset | | 34,606 | 42,020 |
| Long term loan to employees | | 1,311 | 1,419 |
| Long term deposits and prepayments | | 8,801 | 9,519 |
| Deferred taxation - net | | 23,511 | 161,128 |
| | | <u>3,270,371</u> | <u>2,423,104</u> |
| Current assets | | | |
| Stores and spares | | 325,648 | 315,528 |
| Stock-in-trade | 6 | 2,933,168 | 1,670,712 |
| Trade debts | 7 | 1,936,381 | 1,028,366 |
| Loans and advances | | 49,653 | 75,033 |
| Short term deposits and prepayments | | 9,694 | 8,883 |
| Short term investment | | 43,520 | 548 |
| Other receivables | | 207,830 | 2,032 |
| Advance tax - net of provision | | 38,488 | 166,397 |
| Cash and bank balances | | 53,884 | 14,167 |
| | | <u>5,598,266</u> | <u>3,281,666</u> |
| TOTAL ASSETS | | <u>8,868,637</u> | <u>5,704,770</u> |
| EQUITY AND LIABILITIES | | | |
| Shareholders' equity | | | |
| Authorised share capital of 140,000,000 (30 June 2021: 140,000,000) ordinary shares of Rs. 10 each | | <u>1,400,000</u> | <u>1,400,000</u> |
| Issued, subscribed and paid-up capital | | 924,660 | 840,600 |
| Reserves | | <u>1,984,291</u> | <u>1,504,279</u> |
| | | <u>2,908,951</u> | <u>2,344,879</u> |
| Non-current liabilities | | | |
| Long term borrowings | | 903,598 | 335,542 |
| Lease liability | | 32,301 | 38,808 |
| Deferred Liabilities | | 166,490 | 153,127 |
| | | <u>1,102,389</u> | <u>527,477</u> |
| Current liabilities | | | |
| Trade and other payables | | 2,112,456 | 1,607,319 |
| Accrued markup | | 23,705 | 6,775 |
| Short term borrowings | 8 | 2,529,965 | 989,919 |
| Current portion of lease liability | | 8,558 | 7,685 |
| Unclaimed dividend | | 5,463 | 4,219 |
| Current portion of long term borrowings | | 177,150 | 216,497 |
| | | <u>4,857,297</u> | <u>2,832,414</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>8,868,637</u> | <u>5,704,770</u> |
| Contingencies and commitments | | | |
| | 9 | | |

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.



Chief Executive



Director



Chief Financial Officer

PAKISTAN SYNTHETICS LIMITED

Condensed Interim Statement of Profit or Loss Account (Un-audited)

For the nine months period and quarter ended 31 March 2022

| | Note | Nine months period ended | | Quarter ended | |
|--|------|--------------------------|------------------|------------------|------------------|
| | | 31 March 2022 | 31 March 2021 | 31 March 2022 | 31 March 2021 |
| ----- (Rupees in '000) ----- | | | | | |
| Net sales | 10 | 7,953,351 | 4,276,866 | 2,937,592 | 1,908,233 |
| Cost of sales | | (6,337,419) | (3,560,521) | (2,421,433) | (1,510,837) |
| Gross profit | | 1,615,932 | 716,345 | 516,159 | 397,396 |
| Distribution and selling expenses | | (119,870) | (91,197) | (44,920) | (38,594) |
| Administrative expenses | | (79,639) | (62,598) | (33,370) | (22,854) |
| Provision for impairment | | (13,580) | - | - | - |
| Other operating expenses | | (166,152) | (32,528) | (39,509) | (20,567) |
| | | (379,241) | (186,323) | (117,799) | (82,015) |
| Other income | | 19,548 | 74,272 | (11,516) | 42,003 |
| | | 1,256,239 | 604,294 | 386,844 | 357,384 |
| Finance costs | | (155,458) | (144,267) | (78,345) | (51,938) |
| Profit before tax | | 1,100,781 | 460,027 | 308,499 | 305,446 |
| Taxation | 11 | (326,559) | (136,277) | (98,296) | (89,529) |
| Profit after tax for the period | | 774,222 | 323,750 | 210,203 | 215,917 |
| ----- (Rupees) ----- | | | | | |
| Earning per share - basic and diluted | 12 | 8.52 | 3.50* | 2.27 | 2.34* |

* Earning per share for prior year is restated for effect of bonus shares.

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.


Chief Executive


Director


Chief Financial Officer

PAKISTAN SYNTHETICS LIMITED

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the nine months period and quarter ended 31 March 2022

| | Nine months period ended | | Quarter ended | |
|--|------------------------------|------------------|------------------|------------------|
| | 31 March 2022 | 31 March 2021 | 31 March 2022 | 31 March 2021 |
| | ----- (Rupees in '000) ----- | | | |
| Profit for the period | 774,222 | 323,750 | 210,203 | 215,917 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the period | 774,222 | 323,750 | 210,203 | 215,917 |

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.



Chief Executive



Director



Chief Financial Officer

PAKISTAN SYNTHETICS LIMITED

Condensed Interim Statement of Changes in Equity (Unaudited)


For the nine months period ended 31 March 2022

| | Issued, subscribed and paid-up capital | Reserves | | | Total reserves | Total |
|--|---|--------------------|------------------|--------------------|-------------------|------------------|
| | | Capital reserve | Revenue reserve | | | |
| | | | Share premium | General reserve | | |
| (Rupees in '000) | | | | | | |
| Balance as at 30 June 2020 | 840,600 | 224,160 | 292,450 | 245,043 | 761,653 | 1,602,253 |
| Total comprehensive income for the period ended 31 March 2021 | | | | | | |
| Profit for the period | - | - | - | 323,750 | 323,750 | 323,750 |
| Other comprehensive income | - | - | - | - | - | - |
| | - | - | - | 323,750 | 323,750 | 323,750 |
| Balance as at 31 March 2021 | 840,600 | 224,160 | 292,450 | 568,793 | 1,085,403 | 1,926,003 |
| Balance as at 30 June 2021 | 840,600 | 224,160 | 292,450 | 987,669 | 1,504,279 | 2,344,879 |
| Bonus shares issued | 84,060 | (84,060) | - | - | (84,060) | - |
| <i>Transactions with owners of the Company</i> | | | | | | |
| Dividend declared | - | - | - | (210,150) | (210,150) | (210,150) |
| Total comprehensive Income for the period ended 31 March 2022 | | | | | | |
| Profit for the period | - | - | - | 774,222 | 774,222 | 774,222 |
| Other comprehensive income | - | - | - | - | - | - |
| | - | - | - | 774,222 | 774,222 | 774,222 |
| Balance as at 31 March 2022 | 924,660 | 140,100 | 292,450 | 1,551,741 | 1,984,291 | 2,908,951 |

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.



Chief Executive



Director



Chief Financial Officer

PAKISTAN SYNTHETICS LIMITED

Condensed Interim Statement of Cash Flows (Unaudited)

For the nine months period ended 31 March 2022

| | Note | 31 March 2022 | 31 March 2021 |
|---|------|--------------------|------------------|
| (Rupees in '000) | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before taxation | | 1,100,781 | 460,027 |
| <i>Adjustments for:</i> | | | |
| Depreciation on property, plant & equipment | | 227,729 | 185,015 |
| Depreciation on right of use asset | | 7,414 | 8,675 |
| Charge for staff gratuity | | 27,973 | 7,085 |
| Profit on disposal of property, plant and equipment | | (4,191) | (3,469) |
| Gain on derecognition of right of use asset | | - | (6,937) |
| Finance costs | | 152,298 | 140,792 |
| Mark-up on lease liability | | 3,160 | 3,475 |
| Unrealised loss / (gain) on remeasurement of investment | | 2,600 | (23) |
| | | 1,517,764 | 794,640 |
| Working capital changes | 13 | (1,909,885) | (940,809) |
| Long term loan to employees - net | | 108 | (1,031) |
| Cash used in operations | | (392,013) | (147,200) |
| Staff gratuity paid | | (6,391) | (5,238) |
| Financial charges paid | | (135,368) | (155,408) |
| Taxes (paid) / refund received | | (61,033) | 50,139 |
| Net cash used in operating activities | | (594,805) | (257,707) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Capital expenditure | | (1,236,288) | (245,261) |
| Proceeds from disposal of property, plant and equipment | | 19,700 | 5,899 |
| Net cash used in investing activities | | (1,216,588) | (239,362) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Payment of lease liabilities | | (8,739) | (7,494) |
| Long term diminishing musharka - net | | 528,709 | 188,025 |
| Short term istisna and murabaha - net | | 1,391,421 | 320,413 |
| Dividend paid | | (208,906) | - |
| Net cash generated from financing activities | | 1,702,485 | 500,944 |
| Net (decrease) / increase in cash and cash equivalents | | (108,908) | 3,875 |
| Cash and cash equivalents at beginning of the period | | (99,559) | (326,746) |
| Cash and cash equivalents at end of the period | | (208,467) | (322,871) |
| CASH AND CASH EQUIVALENTS COMPRISE | | | |
| Cash and bank balances | | 53,884 | 16,997 |
| Running Finance and Running Musharaka | 8 | (262,351) | (339,868) |
| | | (208,467) | (322,871) |

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.



Chief Executive



Director



Chief Financial Officer

PAKISTAN SYNTHETICS LIMITED

Notes to the Condensed Interim Financial Statements (Un-audited)

For the nine months period ended 31 March 2022

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, Preform and BOPET resin. The registered office of the Company is situated at office no. 1504, 15th floor, Emerald Tower, Block 5, Clifton, 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.

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 2021. However, selected explanatory notes are included in these condensed interim financial statements.

These condensed interim financial statements are unaudited and are being submitted to the shareholders as required under section 237 of the Companies Act, 2017 and the listing regulations of the Pakistan Stock Exchange Limited. These condensed interim financial statements comprise of the statement of financial position as at 31 March 2022 and statement of profit or loss, statement of comprehensive income, statement of cash flows and statement of changes in equity for the nine months period ended 31 March 2022.

The comparative statement of financial position presented in these condensed interim financial statements as at 30 June 2021 has been extracted from the audited financial statements of the Company for the year ended 30 June 2021, whereas the comparative statement of profit or loss, statement of comprehensive income, statement of cash flows and statement of changes equity for the nine months period ended 31 March 2021 have been extracted from the unaudited condensed interim financial statements for the period then ended.

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2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of audited annual financial statements of the Company as at and for the year ended 30 June 2021.

3.1. New standards, interpretations and amendments adopted by the Company

A number of other pronouncements are effective from 1 July 2021 as detailed in Company's annual audited financial statements as at and for the year ended 30 June 2021, but they do not have a material effect on these condensed interim financial statements.

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

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 1 January 2022:

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

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

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

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

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after 1 January 2022 clarifies that sales proceeds and costs of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to

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the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.
 - Classification of liabilities as current or non-current (Amendments to IAS 1) amendments apply retrospectively for the annual periods beginning on or after 1 January 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
 - Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:
 - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
 - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
 - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.
- The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.
- Definition of Accounting Estimates (Amendments to IAS 8) — The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023 and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.
 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) — The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

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• Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) — The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

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 2021.

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 2021.

5. PROPERTY, PLANT AND EQUIPMENT

| | 31 March 2022 (Unaudited) (Rupees in '000) | 30 June 2021 (Audited) |
|--------------------------|---|------------------------------|
| Operating fixed assets | 2,781,647 | 2,123,102 |
| Capital work in progress | 420,495 | 85,916 |
| | <u>3,202,142</u> | <u>2,209,018</u> |

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

| | Nine months period ended | |
|---|---|------------------|
| | 31 March 2022 (Unaudited) (Rupees in '000) | 31 March 2021 |
| <i>Additions / transfers from CWIP:</i> | | |
| Building on leasehold land | 26,116 | 101,665 |
| Plant and machinery | 835,604 | 168,649 |
| Vehicles | 39,549 | 17,350 |
| Furniture and equipment | 53 | 235 |
| Computer accessories | 387 | 313 |
| Additions to CWIP | 334,579 | - |
| | <u>1,236,288</u> | <u>288,212</u> |

PAKISTAN SYNTHETICS LIMITED

| | 31 March 2022 (Unaudited) (Rupees in '000) | 30 June 2021 (Audited) |
|---|---|------------------------------|
| 6. STOCK IN TRADE | | |
| Raw and packing material | | |
| - in hand | 1,284,911 | 361,732 |
| - in transit | 250,102 | 294,522 |
| | <u>1,535,013</u> | <u>656,254</u> |
| Work-in-process | 532,069 | 455,329 |
| Finished goods | 869,867 | 559,129 |
| Provision for slow moving and obsolete stock | (3,781) | - |
| | <u>2,933,168</u> | <u>1,670,712</u> |
| 7. TRADE DEBTS | | |
| Trade debts | 2,189,207 | 1,267,612 |
| Less: Allowance for expected credit losses | (252,826) | (239,246) |
| | <u>1,936,381</u> | <u>1,028,366</u> |
| 7.1 Allowance for expected credit losses | | |
| Opening Balance | 239,246 | 251,180 |
| Provision / (Reversal) | 13,580 | (11,934) |
| | <u>252,826</u> | <u>239,246</u> |
| 8. SHORT TERM BORROWINGS - SECURED | | |
| Conventional | | |
| Running finance under mark-up arrangement | 222,391 | 65,373 |
| Islamic | | |
| Murabaha | 394,035 | 271,769 |
| Istisna | 1,873,579 | 604,424 |
| Running Musharaka | 39,960 | 48,353 |
| | <u>2,529,965</u> | <u>989,919</u> |

9. CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

There are no changes in the status of contingencies as disclosed in the annual financial statements for the year ended 30 June 2021 except for the matter mentioned in note no. 21.1.4. of the annual financial statements whose status is given below:

The levy of Infrastructure cess case has been decided against the Company, therefore the Company along with other industrial importers challenged the decision of the High Court of Sindh in the Supreme Court of Pakistan. The Supreme Court granted an interim relief whereby Company has been required to furnish a fresh Bank Guarantee against 100% of the amount of Infrastructure cess involved. The Company has furnished a Bank Guarantee of Rs. 55.357 million (June: 2021; 8.99 million) to the Directors Excise and taxation during the reporting period. However, as a matter of prudence full cost has been charged in the statement of profit or loss.

- 9.1.1** During the period, an order was passed by Deputy Commissioner Audit pertaining to sales tax audit for the year 2015 demanding an amount of Rs. 16,95 million in respect of sales tax charged at reduced rate on certain supplies. The Company has filed an appeal against the said order and is confident of favourable outcome.

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9.2 Commitments

9.2.1 The Company has facilities of Rs. 2,650 million (30 June 2021: Rs. 2,500 million) for opening letters of credit. At 31 March 2022, the open letters of credits for stock in trade, stores and spares and capital commitment amounted to Rs. 1,200.40 million (30 June 2021: Rs. 516.581 million).

| 10. NET SALES | 31 March 2022 | 31 March 2021 |
|-------------------------|---------------------------------|------------------|
| | (Unaudited) (Rupees in '000) | |
| Local sales | | |
| Crowns and plastic caps | 2,587,880 | 1,863,858 |
| PET resin | 4,256,950 | 2,210,680 |
| Pre-form | 2,483,157 | 854,676 |
| Raw material | 38,685 | 100,624 |
| Export sales | - | 7,271 |
| | <u>9,366,672</u> | <u>5,037,109</u> |
| Less Sales tax | <u>(1,413,321)</u> | <u>(760,243)</u> |
| | <u>7,953,351</u> | <u>4,276,866</u> |

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

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

Geographical markets

| | | |
|----------|------------------|------------------|
| Pakistan | 9,366,672 | 5,029,838 |
| China | - | 7,271 |
| | <u>9,366,672</u> | <u>5,037,109</u> |

11. TAXATION

| | | |
|--------------|----------------|----------------|
| Current tax | 188,942 | 127,937 |
| Deferred tax | 137,617 | 8,340 |
| | <u>326,559</u> | <u>136,277</u> |

12. EARNINGS PER SHARE

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

| | Nine months period ended | |
|---|------------------------------|--------------------|
| | 31 March 2022 | 31 March 2021 |
| | ----- (Rupees in '000) ----- | |
| Profit for the period | <u>787,802</u> | <u>323,750</u> |
| | ----- (Number) ----- | |
| Weighted average number of ordinary shares | <u>92,466,000</u> | <u>92,466,000*</u> |
| | ----- (Rupees) ----- | |
| Earnings per share - basic and diluted {2021: adjusted for Bonus issue} | <u>8.52</u> | <u>3.50*</u> |

* Earning per share and weighted average number of ordinary shares for prior year is restated for effect of bonus shares.

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13. WORKING CAPITAL CHANGES

| | Nine months period ended | |
|---|------------------------------|------------------|
| | 31 March 2022 | 31 March 2021 |
| | (Unaudited) | |
| | ----- (Rupees in '000) ----- | |
| <i>(Increase) / decrease in current assets:</i> | | |
| Stores and spares | (10,120) | (18,708) |
| Stock in trade | (1,262,456) | (1,001,038) |
| Trade debts | (908,015) | (253,621) |
| Loans and advances | 25,380 | (44,680) |
| Short term deposits and prepayments | (811) | (1,616) |
| Other receivables | (205,798) | (76,010) |
| Short term investment | (45,572) | - |
| Long-term deposits and prepayments - net | 718 | (431) |
| <i>Increase in current liabilities:</i> | | |
| Trade and other payables | 496,789 | 455,295 |
| | <u>(1,909,885)</u> | <u>(940,809)</u> |

14. 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:

| | Nine months period ended | |
|---|--------------------------|------------------|
| | 31 March 2022 | 31 March 2021 |
| | (Rupees in '000) | |
| 14.1. Related party transactions: | | |
| <i>Key management personnel compensation</i> | | |
| Managerial remuneration | <u>39,012</u> | <u>36,345</u> |
| Others | <u>5,926</u> | <u>5,275</u> |

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

15. 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 2021.

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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31 March 2022 (Unaudited)

| | Carrying amount | | | Fair value | | |
|--|-----------------|-----------------------------|--------------------------------------|------------|---------|---------|
| | Amortised cost | Other financial liabilities | At fair value through profit or loss | Level 1 | Level 2 | Level 3 |
| ----- (Rupees in '000') ----- | | | | | | |
| On-balance sheet financial instruments | | | | | | |
| Financial assets not measured at fair value | | | | | | |
| Loan to employees | 5,903 | - | - | - | - | - |
| Long and short term deposits | 53,862 | - | - | - | - | - |
| Trade debts | 1,936,381 | - | - | - | - | - |
| Other receivables | 207,830 | - | - | - | - | - |
| Bank balances | 53,884 | - | - | - | - | - |
| Financial assets measured at fair value | | | | | | |
| Investments classified as at Fair value through profit or loss (FVTPL) | - | - | 43,520 | 43,520 | - | - |
| Financial liabilities not measured at fair value | | | | | | |
| Long term borrowings and government grant | - | 1,080,748 | - | - | - | - |
| Trade and other payables | - | 1,874,978 | - | - | - | - |
| Accrued markup | - | 23,705 | - | - | - | - |
| Short term borrowings | - | 2,529,965 | - | - | - | - |
| Unclaimed dividend | - | 5,463 | - | - | - | - |
| Lease liabilities | - | 40,859 | - | - | - | - |

30 June 2021 (Audited)

| | Carrying amount | | | Fair value | | |
|--|-----------------|-----------------------------|--------------------------------------|------------|---------|---------|
| | Amortised cost | Other financial liabilities | At fair value through profit or loss | Level 1 | Level 2 | Level 3 |
| ----- (Rupees) ----- | | | | | | |
| On-balance sheet financial instruments | | | | | | |
| Financial assets not measured at fair value | | | | | | |
| Loan to employees | 4,838 | - | - | - | - | - |
| Long and short term deposits | 17,239 | - | - | - | - | - |
| Trade debts | 1,028,366 | - | - | - | - | - |
| Other receivables | 2,032 | - | - | - | - | - |
| Bank balances | 14,167 | - | - | - | - | - |
| Financial assets measured at fair value | | | | | | |
| Investments classified as at Fair value through profit or loss (FVTPL) | - | - | 548 | 548 | - | - |
| Financial liabilities not measured at fair value | | | | | | |
| Long term borrowings and government grant | - | 552,039 | - | - | - | - |
| Trade and other payables | - | 1,420,133 | - | - | - | - |
| Accrued markup | - | 6,775 | - | - | - | - |
| Short term borrowings | - | 989,919 | - | - | - | - |
| Unclaimed dividend | - | 4,219 | - | - | - | - |
| Lease liabilities | - | 46,493 | - | - | - | - |

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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16. INFORMATION ABOUT BUSINESS SEGMENTS

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

16.1. All non-current assets of the Company at 31 March 2022 are located in Pakistan.

16.2. The Companys customer base is diverse with no single customer accounting for more than 10% of net sales. Sales to domestic customers in Pakistan are 100% (2021: 99.83%) and to customer outside Pakistan are Nil (2021: 0.17%) of the revenue.

17. GENERAL

These condensed interim financial statements have been authorised for issue on April 26, 2022 by the Board of Directors of the Company.



Chief Executive



Director



Chief Financial Officer