

**PAKISTAN  
SYNTHETICS**

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**Report & Financial Information for  
the nine months ended 31 March 2014**

**Pakistan Synthetics Limited**

# Pakistan Synthetics Limited

## COMPANY INFORMATION

<b>BOARD OF DIRECTORS</b>	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
<b>AUDIT COMMITTEE</b>	AAMIR AMIN - CHAIRMAN PIR MUHAMMAD A. KALIYA ABID UMER	
<b>HUMAN RESOURCE AND REMUNERATION COMMITTEE</b>	SAJID HAROON - CHAIRMAN YAKOOB HAJI KARIM ABID UMER	
<b>CHIEF FINANCIAL OFFICER</b>	SALEEM ADVANI	
<b>COMPANY SECRETARY</b>	MUBBASHIR AMIN	
<b>BANKERS</b>	HABIB BANK LIMITED HABIB METROPOLITAN BANK LIMITED BANK AL HABIB LIMITED NATIONAL BANK OF PAKISTAN MEEZAN BANK LIMITED BANK OF PUNJAB LIMITED	
<b>AUDITORS</b>	KPMG TASEER HADI & CO. CHARTERED ACCOUNTANTS	
<b>HEAD OF INTERNAL AUDIT</b>	KHURRAM YOUSUF	
<b>REGISTER</b>	TECHNOLOGY TRADE (PVT.) LTD. DAGIA HOUSE, 24-C, BLOCK-2, PECHS, OFF: SHAHRAH-E-QUAIDEEN, KARACHI.	
<b>LEGAL ADVISOR</b>	TASAWUR ALI HASHMI ADVOCATE	
<b>REGISTERED OFFICE</b>	3RD FLOOR, KARACHI DOCK LABOUR BOARD BUILDING, 58- WEST WHARF ROAD, KARACHI-74000	
<b>FACTORY</b>	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

## D I R E C T O R S ' R E P O R T

The Board of Directors of Pakistan Synthetics Limited is pleased to present unaudited financial information for the nine months ended 31 March 2014 to the shareholders of the Company.

### **OPERATING PERFORMANCE**

During the period under review the Company produced 17,433 M.tons of Polyester Staple Fibre as against 17,853 M.tons produced during the corresponding period last year. The Company sold 16,795 M. tons of PSF as against 18,472 M.tons during the corresponding period last year. Further the Company produced 197,262 cartons as against 137,599 cartons of plastic and crown caps during the corresponding period last year and the Company sold 209,758 cartons as against 136,487 cartons during the corresponding period last year.

### **FINANCIAL RESULTS**

During the period under review, the Company's gross turnover increased to Rs. 4,093.92 million from Rs. 3,889.14 million during the corresponding period last year.

The Company earned gross profit of Rs. 242.10 million as compared to gross profit of Rs. 228.27 million in the corresponding period last year. The net profit was Rs. 29.83 million as against net profit of Rs. 9.61 million in the corresponding period last year.

### **EARNING PER SHARE**

The net earning per share for the period under review was Rs. 0.53 as compared to net earning per share of Rs. 0.17 in the corresponding period last year.

## **FUTURE OUTLOOK**

The overall fibre industry of Pakistan is under huge pressure mainly because of dumping of Chinese fibre at cheaper rate. The impact has become more severe with slackness in demand and instability of raw material prices. These circumstances have adversely affected the profitability of fibre segment. However, the management is taking their best efforts to maintain the profitability level of this segment.

For packaging segment, your Company is now well settled in the market with good market share. We expect that our market share will grow with the passage of time. All in all, we expect good performance of that segment in the last quarter of financial year and it will have positive impact on the profitability of the Company.

## **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: 30 April 2014  
Karachi.

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**ANWAR HAJI KARIM**  
CHIEF EXECUTIVE

# Pakistan Synthetics Limited

CONDENSED INTERIM BALANCE SHEET AS AT 31 MARCH 2014

	Note	31 March 2014 (Unaudited)	30 June 2013 Restated (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	1,057,641	1,075,586
Long term loans to employees		402	375
Long-term deposits		924	924
		<u>1,058,967</u>	<u>1,076,885</u>
<b>Current assets</b>			
Stores and spares	5	187,689	164,516
Stock-in-trade	6	1,103,088	993,620
Trade debts	7	870,265	709,049
Loans and advances		8,330	3,686
Trade deposits and short term prepayments		1,639	1,470
Other receivables	8	18,551	14,700
Taxation - net	9	84,315	48,743
Cash and bank balances	10	5,479	87,397
		<u>2,279,356</u>	<u>2,023,181</u>
<b>Total assets</b>		<u><b>3,338,323</b></u>	<u><b>3,100,066</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised share capital 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		294,683	264,855
		<u>1,147,533</u>	<u>1,117,705</u>
<b>Non-current liabilities</b>			
Staff retirement benefits		31,892	28,163
Deferred taxation		80,647	88,909
Long term finances	11	245,626	281,250
		<u>358,165</u>	<u>398,322</u>
<b>Current liabilities</b>			
Trade and other payables	12	776,163	876,376
Accrued markup		21,605	17,302
Short-term borrowings-secured	13	896,389	565,361
Derivative financial liability	14	13,468	-
Current portion of long term finance	11	125,000	125,000
		<u>1,832,625</u>	<u>1,584,039</u>
<b>Total equity and liabilities</b>		<u><b>3,338,323</b></u>	<u><b>3,100,066</b></u>
<b>Contingencies and Commitments</b>			
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The annexed notes 1 to 20 form an integral part of this condensed interim financial information.

**ANWAR HAJI KARIM**  
Chief Executive

**SAJID HAROON**  
Director

# Pakistan Synthetics Limited

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2014

	Nine months period ended		Quarter ended	
	31 March 2014	31 March 2013 Restated	31 March 2014	31 March 2013 Restated
----- (Rupees in '000) -----				
Gross sales	4,093,924	3,889,136	1,393,042	1,272,357
Brokerage, discounts and freight reimbursement	(11,395)	(44,063)	(3,645)	(13,309)
Sales tax	(221,756)	(101,505)	(86,957)	(34,562)
<b>Net sales</b>	<b>3,860,773</b>	<b>3,743,568</b>	<b>1,302,440</b>	<b>1,224,486</b>
Cost of sales	(3,618,676)	(3,515,297)	(1,191,396)	(1,166,613)
<b>Gross profit</b>	<b>242,097</b>	<b>228,271</b>	<b>111,044</b>	<b>57,873</b>
Selling and distribution expenses	16 (45,582)	(28,984)	(15,788)	(9,068)
Administration expenses	(31,827)	(29,074)	(9,680)	(8,462)
Other operating expenses	(16,984)	(77,906)	12,814	(13,153)
	(94,393)	(135,964)	(12,654)	(30,683)
Other operating income / (loss)	2,170	5,845	721	(704)
Operating profit before finance costs	149,874	98,152	99,111	26,486
Finance costs	(104,810)	(78,651)	(39,083)	(35,647)
<b>Profit / (loss) before tax</b>	<b>45,064</b>	<b>19,501</b>	<b>60,028</b>	<b>(9,161)</b>
Income tax - current	(23,498)	-	(20,994)	-
- prior	-	-	-	2,857
- deferred	8,262	(9,891)	545	1,226
	(15,236)	(9,891)	(20,449)	4,083
<b>Profit / (loss) after tax for the period</b>	<b>29,828</b>	<b>9,610</b>	<b>39,579</b>	<b>(5,078)</b>
----- (Rupees) -----				
Earnings per share - basic and diluted	0.53	0.17	0.71	(0.09)

### CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2014

	----- (Rupees in '000) -----			
<b>Profit / (loss) after tax for the period</b>	<b>29,828</b>	<b>9,610</b>	<b>39,579</b>	<b>(5,078)</b>
<i>Items that will never be reclassified to profit or loss</i>				
Remeasurements of defined benefit liability	-	2,661	-	887
Recognition of tax	-	(931)	-	(310)
Total other comprehensive income - net of tax	-	1,730	-	577
<b>Total comprehensive income for the period</b>	<b>29,828</b>	<b>11,340</b>	<b>39,579</b>	<b>(4,501)</b>

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.

**ANWAR HAJI KARIM**  
Chief Executive

**SAJID HAROON**  
Director

# Pakistan Synthetics Limited

## CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2014

	Note	31 March 2014	31 March 2013
(Rupees in '000)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		45,064	19,501
<b>Adjustments for:</b>			
Depreciation		103,071	119,011
Provision for staff retirement benefits		5,833	6,323
Profit on saving accounts		(94)	(2,203)
Profit on disposal of property, plant and equipment		(300)	-
Loss on revaluation of derivative financial liability		13,468	-
Finance costs		104,810	78,651
(Reversal of provision) / provision for doubtful debts - net		(720)	2,597
		271,132	223,880
<b>Movement in:</b>			
Working capital			
Stores and spares		(23,173)	(48,464)
Stock in trade		(109,468)	(370,694)
Trade debts		(160,496)	(80,259)
Loans and advances		(4,644)	(5,350)
Trade deposits and short term prepayments		(169)	762
Other receivables		(3,851)	(3,174)
Trade and other payables		(100,206)	220,515
		(130,875)	(62,784)
Net cash used in operations		(130,875)	(62,784)
Staff retirement benefits paid		(2,104)	(4,576)
Finance costs paid		(100,507)	(64,921)
Long term loans to employees		(27)	582
Taxes paid		(59,070)	(48,503)
		(292,583)	(180,202)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditures incurred		(85,127)	(6,862)
Proceeds from disposal of property, plant and equipment		300	-
Profit on saving accounts		94	2,203
Net cash used in investing activities		(84,733)	(4,659)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long term finances repaid - net		(35,624)	(62,500)
Short term foreign currency loan and money market loan paid - net of loans obtained		(131,871)	(275,543)
Dividend paid		(7)	(9)
Net cash used in financing activities		(167,502)	(338,052)
Net decrease in cash and cash equivalents		(544,818)	(522,913)
Cash and cash equivalents at beginning of the period		(12,387)	161,455
Cash and cash equivalents at end of the period		(557,205)	(361,458)
<b>CASH AND CASH EQUIVALENTS COMPRISE</b>			
Cash and bank balances		5,479	5,350
Short term running finances		(562,684)	(366,808)
		(557,205)	(361,458)

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.

**ANWAR HAJI KARIM**  
Chief Executive

**SAJID HAROON**  
Director

# Pakistan Synthetics Limited

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2014

	Issued, subscribed and paid-up capital	Revenue reserve	Unappropriated profit Restated	Total reserves	Total
	(Rupees in '000)				
<b>Balance as at 01 July 2012 as previously reported</b>	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)
<b>Balances as at 1 July 2012 - restated</b>	560,400	292,450	219,320	511,770	1,072,170
<b>Changes in equity for the nine months period ended 31 March 2013</b>					
Profit for the period - restated	-	-	9,610	9,610	9,610
Other comprehensive income for the period	-	-	1,730	1,730	1,730
Total comprehensive income for the period - restated	-	-	11,340	11,340	11,340
<b>Balance as at 31 March 2013</b>	<b>560,400</b>	<b>292,450</b>	<b>230,660</b>	<b>523,110</b>	<b>1,083,510</b>
<b>Balance as at 01 July 2013 as previously reported</b>	560,400	292,450	264,399	556,849	1,117,249
Impact of change in accounting policy - note 3.3	-	-	456	456	456
<b>Balances as at 1 July 2013 - restated</b>	560,400	292,450	264,855	557,305	1,117,705
<b>Changes in equity for the nine months period ended 31 March 2014</b>					
Profit for the period	-	-	29,828	29,828	29,828
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	29,828	29,828	29,828
<b>Balance as at 31 March 2014</b>	<b>560,400</b>	<b>292,450</b>	<b>294,683</b>	<b>587,133</b>	<b>1,147,533</b>

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.

**ANWAR HAJI KARIM**  
Chief Executive

**SAJID HAROON**  
Director



# Pakistan Synthetics Limited

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2014

### 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 nine months period ended 31 March 2014 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 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 nine months period ended 31 March 2014 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 nine months period ended 31 March 2014, 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 nine months period ended 31 March 2014.

### **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.

<b>3.3 Effect of changes:</b>	<b>30 June 2013</b>	<b>1 July 2012</b>
	<b>(Rupees in '000)</b>	
<b>Effect on balance sheet</b>		
<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	40,447	-
As restated	<u>1,075,586</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>

	Nine months period ended 31 March 2013	Three months period ended 31 March 2013
<b>Effect on profit and loss account</b> (Rupees in '000)		
<i>Cost of sales</i>		
As previously reported	3,514,790	1,166,106
Effect of change in accounting policy of capital spares	<u>507</u>	<u>507</u>
As restated	<u><u>3,515,297</u></u>	<u><u>1,166,613</u></u>
 <i>Income tax - deferred</i>		
As previously reported	10,068	(1,049)
Effect of change in accounting policy of capital spares	<u>(177)</u>	<u>(177)</u>
As restated	<u><u>9,891</u></u>	<u><u>(1,226)</u></u>
	<b>Nine months period ended 31 March 2013</b>	Prior to 01 July 2012
<b>Effect on Other Comprehensive Income</b> (Rupees in '000)		
Remeasurement of defined benefit liability recognised in other comprehensive income	2,661	(1,820)
Recognition of tax	<u>(931)</u>	<u>637</u>
	<u><u>1,730</u></u>	<u><u>(1,183)</u></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

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

	<u>For the nine months period ended</u>	
	31 March 2014	31 March 2013
	<b>(Rupees in '000)</b>	
<i>Additions in:</i>		
Building on leasehold land	-	2,105
Plant and machinery	64,092	328
Vehicles	2,185	3,457
Furniture and equipment	340	816
Computer accessories	39	156
Capital work in progress	<u>18,471</u>	<u>-</u>
	<u><u>85,127</u></u>	<u><u>6,862</u></u>
 <i>Disposal</i>		
Vehicles (written down value Rs. Nil)	<u><u>1,025</u></u>	<u><u>-</u></u>

<b>5. STORES AND SPARES</b>	<b>31 March 2014 (Unaudited)</b>	<b>30 June 2013 (Audited)</b>
	<b>(Rupees in '000)</b>	
Stores and spares [including in transit stores and spares amounting to Rs. 2.04 million (30 June 2013: Rs.0.67 million)]	<b>224,192</b>	201,019
	<u><b>(36,503)</b></u>	<u>(36,503)</u>
Provision for slow moving and obsolete items	<u><b>187,689</b></u>	<u>164,516</u>

#### **6. STOCK IN TRADE**

Raw and packing materials [including in transit of Rs. 144.87 million (30 June 2013: Rs.78.19 million)]	<b>491,922</b>	587,708
Work-in-process	<b>90,180</b>	77,393
Finished goods	<b>522,194</b>	329,701
Provision for slow moving and obsolete stock	<u><b>(1,208)</b></u>	<u>(1,182)</u>
	<u><b>1,103,088</b></u>	<u>993,620</u>

**6.1** Finished goods costing Rs. 498.50 million (30 June 2013: Rs. Nil) has been carried at net realisable value of Rs. 480.48 million (30 June 2013: Rs. Nil).

#### **7. TRADE DEBTS**

Considered good - secured	7.1 <b>60,087</b>	85,689
- unsecured	7.2 <b>810,178</b>	623,360
	<u><b>870,265</b></u>	<u>709,049</u>
Considered doubtful	<u><b>100,426</b></u>	<u>101,146</u>
	<b>970,691</b>	810,195
Provision for doubtful debts	<u><b>(100,426)</b></u>	<u>(101,146)</u>
	<u><b>870,265</b></u>	<u>709,049</u>

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

**7.2** The amount due from associated undertaking as at 31 March 2014 was Rs. 44.502 million (30 June 2013: Rs. 45.841 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	<b>18,513</b>	14,681
Others	<b>38</b>	19
	<u><b>18,551</b></u>	<u>14,700</u>

#### **9. TAXATION - net**

**9.1** 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 has been initiated for audit or otherwise by Income Tax department.

<b>10. CASH AND BANK BALANCES</b>	<b>31 March 2014 (Unaudited)</b>	<b>30 June 2013 (Audited)</b>
	<b>(Rupees in '000)</b>	
With banks		
- On current accounts	<b>5,186</b>	87,173
- On saving accounts	10.1 <b>185</b>	182
- On deposit account	<b>257</b>	257
- Provision for doubtful deposit	10.2 <b>(257)</b>	(257)
	-	-
Cash in hand	<b>108</b>	42
	<u><b>5,479</b></u>	<u>87,397</u>

**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 FINANCE**

Long term finances utilised under diminishing musharka	<b>370,626</b>	406,250
Current portion of long term finances shown under current liabilities	<b>(125,000)</b>	(125,000)
	<u><b>245,626</b></u>	<u>281,250</u>

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

Bank Al-Habib Limited - Islamic Banking Division	11.1 <b>312,500</b>	406,250
Meezan Bank Limited	11.2 <b>58,126</b>	-
	<u><b>370,626</b></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 seventh installment of principal amount to Rs. 31.250 million is due in June 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 April 2015. This facility is secured against registered hypothecation charges over specific and general plant and machinery of plastic and crown caps project.

<b>12. TRADE AND OTHER PAYABLES</b>	<b>31 March 2014 (Unaudited)</b>	<b>30 June 2013 (Audited)</b>
	<b>(Rupees in '000)</b>	
Trade creditors including bills payable	<b>347,318</b>	339,397
Murabaha payable	12.1 <b>404,735</b>	508,409
Accrued expenses	<b>440</b>	1,271
Advances from customers	<b>263</b>	701
Workers' welfare fund	<b>1,410</b>	2,703
Workers' profit participation fund	<b>2,463</b>	3,671
Unclaimed dividend	<b>3,213</b>	3,220
Bonus payable	<b>5,200</b>	7,128
Insurance premium payable	<b>3,157</b>	2,068
Due to employees	12.2 <b>2,178</b>	2,584
Sales tax payable	<b>3,145</b>	2,282
Short term compensated absences	<b>1,579</b>	1,899
Provision for government levies	<b>1,000</b>	1,000
Others	<b>62</b>	43
	<u><b>776,163</b></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. 359.559 million and USD 370,000 as at 31 March 2014 (30 June 2013: Rs. 495.755 million). The rate of profit is approved by the bank at time of disbursement which ranges from 9.27% to 10.36% for PKR and 2.5% for USD (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 year, the Company has purchased material valuing Rs. 567.707 million at sales amount of Rs. 595.123 million in PKR and purchased material of USD 370,000 at sales value of USD 374,574. 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. 203.61 million as at 31 March 2014 (30 June 2013: Rs. 534.64 million).

### **14. DERIVATIVE FINANCIAL INSTRUMENTS**

The Company has entered into forward exchange contracts for USD 1.599 million. As at 31 March 2014 the fair values of these contracts are negative by Rs. 13.468 million resulting in recognition of liability.

## **15. CONTINGENCIES AND COMMITMENTS**

### **15.1 Contingency**

**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 amounting to Rs. 45.64 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. 2,275 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 March 2014, the open letters of credits amounted to Rs. 628.256 million (30 June 2013: Rs.512.257 million) including Rs. 417.845 million from an associated banking company (30 June 2013: Rs. 149.438 million).



## 16. SELLING AND DISTRIBUTION EXPENSES

These include outward freight and handling charges amounting to Rs. 37.632 million (for the nine months period ended 31 March 2013: Rs. 21.974 million) for the nine months period ended 31 March 2014.

## 17. RELATED PARTY TRANSACTIONS

The related parties comprise of entities over which the Company is able to exercise significant influence, entities with common directors, major shareholders, staff retirement benefits, directors and key management personnel. Transactions with related parties are entered into at commercial terms, as per the terms of employment and actuarial advice, as the case may be. 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:

<i>Transactions</i>	<b>Nine months ended</b>	
	<b>31 March 2014</b>	<b>31 March 2013</b>
	<b>(Rupees in '000)</b>	
<b>Associated company</b>		
Sale of goods	<b>114,981</b>	70,852
Markup charged	<b>1,056</b>	2,916
<b>Key management personnel compensation</b>		
Managerial remuneration	<b>21,883</b>	25,140
Others	<b>18,937</b>	9,066
<b>Associated banking company</b>		
Interest income on bank deposits	<b>93</b>	2,203
Markup on long term finance	<b>28,157</b>	42,895
Markup on short term import finance	<b>1,159</b>	10,171
Markup on short term borrowings	<b>35,000</b>	17,216
Bill discounting charges	<b>–</b>	949
Bank collection charges paid	<b>230</b>	362
Bank guarantee commission	<b>94</b>	452

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

<b>17.1 Period end balances arising from transactions with related parties</b>	<b>31 March 2014 (Unaudited)</b>	<b>30 June 2013 (Audited)</b>
	<b>(Rupees in '000)</b>	
<b>Associated banking company</b>		
Current account balance	<b>823</b>	47,288
Saving account balance	<b>170</b>	168
Long term finance	<b>312,500</b>	406,250
Short term borrowings	<b>747,489</b>	465,577
Accrued markup	<b>15,164</b>	12,150

## **18. OPERATING SEGMENTS**

### **18.1 SEGMENT RESULTS**

	<b>Polyester Staple Fibre</b>	<b>Crown and Plastic Caps</b>	<b>Total</b>
<i>For the nine months period ended 31 March 2014</i>			
External revenues	<u><b>2,893,003</b></u>	<u><b>967,770</b></u>	<u><b>3,860,773</b></u>
Reportable segment profit before tax	<u><b>9,381</b></u>	<u><b>77,858</b></u>	<u><b>87,239</b></u>
<i>For the nine months period ended 31 March 2013</i>			
External revenues	<u><b>3,150,450</b></u>	<u><b>593,118</b></u>	<u><b>3,743,568</b></u>
Reportable segment profit / (loss) before tax	<u><b>108,864</b></u>	<u><b>(17,302)</b></u>	<u><b>91,562</b></u>
<i>For the quarter ended 31 March 2014</i>			
External revenues	<u><b>895,104</b></u>	<u><b>407,336</b></u>	<u><b>1,302,440</b></u>
Reportable segment (loss) / profit before tax	<u><b>(8,031)</b></u>	<u><b>67,351</b></u>	<u><b>59,320</b></u>
<i>For the quarter ended 31 March 2013</i>			
External revenues	<u><b>1,053,732</b></u>	<u><b>170,754</b></u>	<u><b>1,224,486</b></u>
Reportable segment profit / (loss) before tax	<u><b>19,155</b></u>	<u><b>(14,459)</b></u>	<u><b>4,696</b></u>

Reconciliation of reportable segment profit or loss is as follows:

	Nine months period ended 31 March 2014	Nine months period ended 31 March 2013	Three months period ended 31 March 2014	Three months period ended 31 March 2013
	----- (Rupees in '000) -----			
Total profit for reportable segments before tax	87,239	91,562	59,320	4,696
Unallocated finance cost	(27,361)	-	(12,827)	-
Unallocated other operating expenses	(16,984)	(77,906)	12,814	(13,153)
Unallocated other operating income	2,170	5,845	721	(704)
Taxation	(15,236)	(9,891)	(20,449)	4,083
Profit / (loss) after tax	<u>29,828</u>	<u>9,610</u>	<u>39,579</u>	<u>(5,078)</u>

**18.2** 100% (2013: 100%) sales of the Company relates to customers in Pakistan.

**18.3** All non-current assets of the Company at 31 March 2014 are located in Pakistan.

**18.4** Sales to four customers of the Company is more than 10% of total sales of the Company during the nine months period ended 31 March 2014 (2013: sales to two customers was more than 10% of sales of the Company individually).

#### **19. DATE OF AUTHORISATION**

This condensed interim financial information were authorized for issue by the Board of Directors in their meeting held on 30 April 2014.

#### **20. GENERAL**

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

**ANWAR HAJI KARIM**  
Chief Executive

**SAJID HAROON**  
Director

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