

PAKISTAN SYNTHETICS LIMITED
ANNUAL REPORT
2018





**Quality is the best
BUSINESS PLAN.**

TABLE OF CONTENTS

<i>Company Information</i>	2
<i>Performance of the Company at a Glance</i>	6
<i>Chairman Review Report</i>	8
<i>Report of the Directors</i>	9
<i>Mission Statement & Vision</i>	18
<i>Statement of Ethics and Business Practices</i>	19
<i>Statement of Compliance with the Code of Corporate Governance</i>	20
<i>Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance</i>	23
<i>Auditors' Report to the Members</i>	24
<i>Balance Sheet</i>	32
<i>Profit and Loss Account</i>	34
<i>Statement of Comprehensive Income</i>	35
<i>Cash Flow Statement</i>	36
<i>Statement of Changes in Equity</i>	37
<i>Notes to the Financial Statements</i>	38
<i>Pattern of Shareholding</i>	81
<i>Jama Punji</i>	84
<i>Notice of Meeting</i>	85
<i>Form of Proxy</i>	

Pakistan Synthetics Limited

COMPANY INFORMATION



BOARD OF DIRECTORS	UMER HAJI KARIM ANWAR HAJI KARIM YAKOOB HAJI KARIM PIR MOHAMMAD A. KALIYA ABID UMER SAJID HAROON ALI KAMAL NOMAN YAKOOB	CHAIRMAN-NON-EXECUTIVE CHIEF EXECUTIVE -EXECUTIVE EXECUTIVE NON- EXECUTIVE NON- EXECUTIVE NON- EXECUTIVE NON- EXECUTIVE NON- EXECUTIVE
AUDIT COMMITTEE	ALI KAMAL – CHAIRMAN PIR MOHAMMAD A. KALIYA ABID UMER	
HUMAN RESOURCE AND REMUNERATION COMMITTEE	SAJID HAROON – CHAIRMAN YAKOOB HAJI KARIM ABID UMER	
CHIEF FINANCIAL OFFICER	SALEEM ADVANI	
COMPANY SECRETARY	MUBBASHIR AMIN	
BANKERS	HABIB BANK LIMITED HABIB METROPOLITAN BANK LIMITED BANK AL HABIB LIMITED 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	
REGISTER	F.D REGISTRAR SERVICES (SMC-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, & F.13, 14 & 15 HUB INDUSTRIAL TRADING ESTATE DISTRICT LASBELLA, BALOCHISTAN PLOT # A-5, N.W.I.Z, PORT QASIM AUTHORITY, KARACHI	

Pakistan Synthetics Limited

COMPANY PROFILE



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 (formerly they were listed on all Stock Exchanges of Pakistan with effect from 27 June 1995. The principal activity of the Company is manufacturing and sale of Plastic and Crown Caps, PET Resin, PET Preform and BOPET Resin. The registered office of the Company is situated in Karachi.

Due to continuing depressed polyester staple fibre market situation, the Board has decided to convert existing fibre manufacturing plant into PET resin manufacturing plant by making necessary modifications

and addition in existing plant. PET resin manufacturing facility has started its commercial production in October 2016

The commencement of PET Resin manufacturing would enable the Company to go further downstream in packaging industry and provide complete one window solution to beverage industry customers which has shown continuous growth in double figure over years. The Company is now poised to participate in growing needs of beverage consumption by playing an integral role by being a priority one-window supplier to multinational bottlers and local brand owners in Pakistan.

Pakistan Synthetics Limited

PRODUCT INFORMATION



Plastic and Crown Caps

The role of caps and closure is to seal and preserve the product inside each bottle. Pakistan Synthetics Limited (PSL) provides bottlers capping solutions that provide secure sealing, safe opening, consistent and consumer friendly removal torques, effective tamper evidence and application optimization. PSL understands how important excellent application performance and line efficiency are for bottlers. The caps by PSL reflect the bottler's individual brand identity; we have a wide range of colors and offer customized printing while fully maintaining product integrity and safety.

PET Resin and PET Preform

Polyethylene terephthalate (PET) is the most common thermoplastic polymer resin of the polyester family. Because PET is an excellent water and moisture barrier material, plastic bottles made from PET are used for soft drinks, still water, edible oil industry and pharmaceutical sector. The convenience attached with plastic packaging is paramount in increasing the consumption of PET in Pakistan.

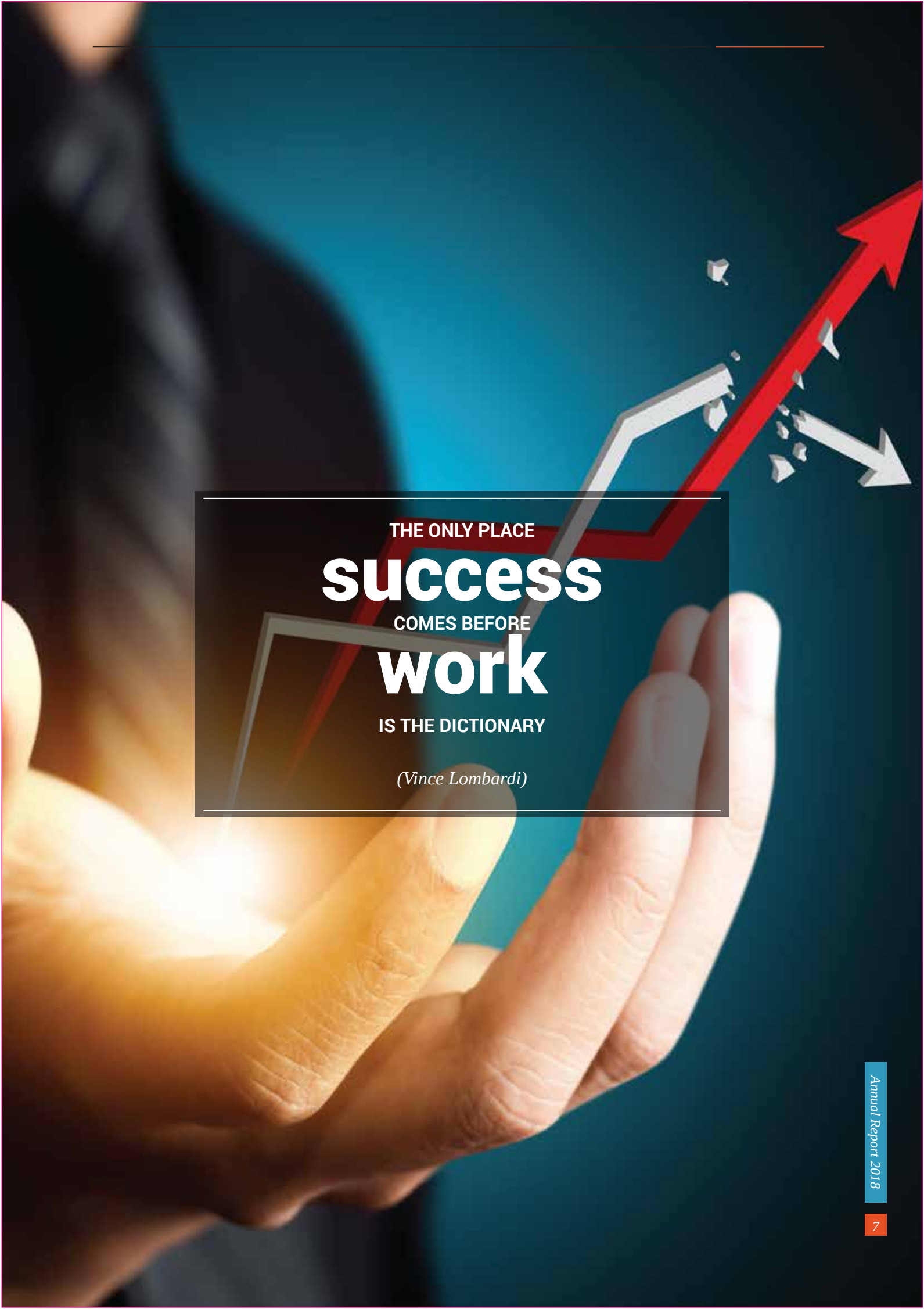
Pakistan Synthetics Limited

PERFORMANCE OF THE COMPANY AT A GLANCE

YEAR
ENDED
30 JUNE

2009 2010 2011 2012 2013 2014 2015 2016 2017 2018

STATISTICAL SUMMARY		Rupees in million									
Gross sales		2,503	3,349	4,234	4,491	5,359	5,107	2,419	2,006	3,404	6,001
Profit / (loss) before taxation		63	77	441	40	66	70	(36)	96	(30)	37
Taxation		(20)	(25)	(154)	(22)	(23)	(20)	26	(4)	69	80
Profit / (loss) after taxation		42	52	286	19	43	50	(10)	92	39	117
Gross assets employed (including capital work-in-progress)		1,302	1,324	2,644	3,010	3,101	3,348	2,896	3,874	4,896	6,060
Paid-up capital		560	560	560	560	560	560	560	560	560	560
Shareholders' equity		899	881	1,167	1,072	1,118	1,167	1,149	1,240	1,222	1,336
EARNINGS AND PAY OUT		Rs. per share of Rs. 10 each									
Earnings/(loss) per share after taxation		0.76	0.92	5.11	0.33	0.77	0.89	(0.18)	1.63	0.69	2.09
Break-up value		16.04	15.71	20.82	19.13	19.94	20.82	20.50	22.12	21.82	23.86
Cash dividend		1.25	—	2.00	—	—	1.00	—	1.00	—	—
FINANCIAL RATIOS		Ratios									
Current Assets : Current Liabilities		2.57:1	2.41:1	1.09:1	1.31:1	1.28:1	1.20:1	1.15:1	1.01:1	0.99:1	1:1
Long-term Debts : Equity		0:1	0:1	0:1	27:73	20:80	17:83	19:81	26:74	26:74	30:70
PRODUCTION		Quantity									
Polyester Staple Fibre - Tons		20,544	25,837	24,449	23,868	23,910	18,566	—	—	—	—
PET Resin / Polyester Chips - Tons		—	—	—	—	120	—	—	—	20,952	25,782
Plastic and Crown Caps - Cartons		—	—	3,785	129,492	201,986	301,971	354,283	404,813	409,253	495,057
PET Preform - Octabins		—	—	—	—	—	—	—	—	—	1,771



THE ONLY PLACE
success
COMES BEFORE
work
IS THE DICTIONARY

(Vince Lombardi)

Pakistan Synthetics Limited

Review Report by the Chairman

As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors of Pakistan Synthetics Limited is carried out. The purpose of this evaluation is to ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Company.

For the financial year ended June 30, 2018, the Board's overall performance and effectiveness has been assessed as Satisfactory. Improvement is an ongoing process leading to action plans. The overall assessment as satisfactory is based on an evaluation of integral components, including vision, mission and values; engagement in strategic planning; formulation of policies; monitoring the organization's business activities; monitor financial resource management; effective fiscal oversight; equitable treatment of all employees and efficiency in carrying out the Board's business.

The Board of Directors of the Company received agendas and supporting written material including follow up materials in sufficient time prior to the board and its committee meetings. The board meets frequently enough to adequately discharge its responsibilities. The non- executive and independent directors are equally involved in important decisions.

Karachi

Dated: 28 September 2018

UMER HAJI KARIM
Chairman

Pakistan Synthetics Limited

DIRECTORS' REPORT

We are pleased to present before you the 33rd Annual Report together with the Audited Financial Statements of the Company for the year ended 30 June 2018.

OPERATING PERFORMANCE

During the year under review the Company produced 25,782 MT of Resin as against 20,952 MT of Resin during the corresponding period last year and sold 26,528 MT of Resin as against 11,580 MT of Resin during the corresponding period last year. Further, during the year, the Company has successfully commissioned PET preform manufacturing plant on 16 May 2018. During the year, the Company produced 1,771 octabins of preform.

During the year under review, the Company produced 495,057 cartons of plastic and crown caps as against 409,253 cartons of last year and sold 489,358 cartons during the year as against 417,367 cartons of last year.

FINANCIAL RESULTS

As the Company has converted existing fibre manufacturing plant into PET resin manufacturing plant by making necessary modifications in existing plant, the Company has presented fibre segment as discontinued operation. Summarized financial results of continuing and discontinued operations are as below,

Continuing operations

During the year under review, the company's gross turnover of continuing operations increased to Rs. 5997.01 million from Rs. 3,396.31 million during the corresponding last year.

The Company earned profit before tax from continuing operations of Rs. 83.44 million as against profit before tax of Rs. 17 million in the last year. The net profit after tax stood from continuing operations at Rs. 150.50 million as against net profit after tax of Rs. 83.50 million in the last year.

Discontinued operations

During the year under review, the company's gross turnover of discontinued operations decreased to Rs. 3.73 million from Rs. 7.30 million during the corresponding last year.

The Company posted loss before tax from discontinued operations of Rs. 46.52 million as against loss before tax of Rs. 47.55 million in the last year. The net loss after tax from discontinued operations was Rs. 33.54 million as against net loss after tax of Rs. 44.84 million in the last year.

EARNING PER SHARE

The net earnings per share, after providing for taxation, for the year ended 30 June 2018 was Rs. 2.09 (30 June 2017: Rs. 0.69).

DIVIDEND

Based on the current liquidity position of the Company, the Directors did not recommend any dividend for the year ended 30 June 2018.

Pakistan Synthetics Limited

DIRECTORS' REPORT

PRINCIPAL RISKS AND UNCERTAINTIES

The Company is exposed to certain inherent risks and uncertainties. However, we consider the following as key risks:

- Adverse movement in foreign exchange rates and commodity prices
- Adverse movement in industrial utilities pricing
- Adverse movement in policy rate of State Bank of Pakistan

BUSINESS OVERVIEW AND FUTURE OUTLOOK

During the year the Company has successfully commissioned PET Preform manufacturing plant. Your Company has now achieved vertical integration by entering into Preform Manufacturing to consume its own product and sell directly to beverage manufacturing units. The Company already enjoys good reputation in industry and selling its plastic and crown caps to all beverage units. We expect healthy growth in Company's sale in years to come.

It may be pointed out that widening trade deficit already resulting in devaluation of Pak Rupee by 18% has badly impacted our profitability. As almost all of the raw materials used by the Company are imported, cost of raw material has shoot up with depreciation in value of rupee. However, passing on the impact to customer in existing competitive market was the biggest challenge to address. We foresee further devaluation of Pak Rupee in near future that might impact profitability of the Company in future. Besides risk of devaluation in Pak Rupee, volatility in raw material prices in international markets, expected increase in gas prices, hike up in inflation rate and policy rate of State Bank of Pakistan will also have adverse impact on the profitability of the Company.

WEBSITE

All our stakeholders and general public can visit the Company's website, www.pslpet.com, which has a designated section for investors containing relevant information.

SUBSEQUENT EVENT

The Directors report that no material change or commitment has taken place, other than those disclosed which has affected the financial position of the company from the end of the financial year up to the date of this report.

FINANCIAL REPORTING FRAME WORK

As required under the Code of Corporate Governance, the Directors confirm compliance with the Corporate and Financial Reporting Frame Work for the following:

- a) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- b) The Company has maintained proper books of accounts.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

Pakistan Synthetics Limited

DIRECTORS' REPORT

- d) *International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements*
- e) *The system of internal control and other such procedures, which are in place, are sound in design and have been effectively implemented and monitored on an on going basis by the management. The process of review will continue and any weakness in control will be removed. The Board of Directors oversees the system of internal control.*
- f) *There are no significant doubts upon the Company's ability to continue as a going concern.*
- g) *There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.*
- h) *There has been no default on payment on any debt.*
- i) *The Company has developed an efficient and effective Environment Management Plan to ensure that all necessary measures are identified and implemented in order to protect the environment and comply with the environmental legislation. The Plan has been approved from relevant authorities. Further, The Company has also provided appropriate training to employees of the Company to work on environment management plan whereby employees were trained to ensure safe handling, storage and transportation of hazardous chemicals and to follow other environmental requirements.*
- j) *Key operating and financial data for the last ten years in summarized form is annexed.*
- k) *Trade made by the Directors, executives and their spouses and minor children in the shares of the Company are disclosed in attached pattern of shareholding.*
- l) *Information about outstanding taxes and levies are given in the Notes to the Financial Statements.*

COMPOSITION OF THE BOARD OF DIRECTORS

Composition of the Board of Directors as at 30 June 2018 is as under;

Independent Directors:	1
Other Non-Executive Directors:	5
Executive Directors:	2

All eight directors of the Company are Male Directors.

MEETING OF THE BOARD OF DIRECTORS

During the year, four (04) meetings of the Board of Directors were held. Attendance by each Director was as follows:-

<u>NAME OF DIRECTOR</u>	<u>NO OF MEETING ATTENDANCE</u>
I. Mr. Umer Haji Karim – Non Executive	-
II. Mr. Anwar Haji Karim – Executive	4
III. Mr. Yakoob Haji Karim – Executive	4
IV. Mr. Abid Umer – Non Executive	4
V. Mr. Sajid Haroon – Non Executive	3
VI. Mr. Pir Mohammad A. Kaliya – Non Executive	4
VII. Mr. Noman Yakoob – Non Executive	4
VIII. Mr. Aamir Amin-NIT** - Independent	3
IX. Mr. Ali Kamal - NIT** - Independent	1

Pakistan Synthetics Limited

DIRECTORS' REPORT

*** Mr. Aamir Amin has resigned from the directorship of the Company on 28 March 2018. Mr. Ali Kamal was appointed by the Board on 28 March 2018 to fill in the casual vacancy.*

Leave of absence was granted to Directors who could not attend the Board meetings.

MEETING OF THE AUDIT COMMITTEE

During the year, four (04) meetings of the Audit Committee were held. Attendance by each Director was as follows:-

<u>NAME OF DIRECTOR</u>	<u>NO OF MEETING ATTENDANCE</u>
I. Mr. Aamir Amin-NIT**	3
II. Mr. Pir Mohammad A. Kaliya	4
III. Mr. Abid Umer	4
IV. Mr. Ali Kamal-NIT**	1

*** Mr. Ali Kamal replaces Mr. Aamir Amin – NIT as chairman of the audit committee after resignation of Mr. Aamir Amin from the board of directors of the Company.*

MEETING OF HR AND REMUNERATION COMMITTEE

During the year, one (01) meeting of the HR and Remuneration Committee was held. Attendance by each Director was as follows:-

<u>NAME OF DIRECTOR</u>	<u>NO OF MEETING ATTENDANCE</u>
I. Mr. Sajid Haroon	1
II. Mr. Yaqoob Haji Karim	1
III. Mr. Abid Umer	1

REMUNERATION POLICY OF NON-EXECUTIVE DIRECTORS

The fee of the Non-Executive and Independent Directors for attending the Board and Committee meetings of the Company is determined by the Board from time to time.

PATTERN OF SHARE HOLDING

The pattern of share holding as on 30 June 2018 is annexed.

AUDITORS

The present auditors of the Company, KPMG Taseer Hadi & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment. The Directors endorsed recommendation of the Audit Committee for their re-appointment for the year ending 30 June 2019.

ACKNOWLEDGEMENT

The Management would like to place on record its appreciation for dedication and hard work rendered by its employees and workers.

For and on behalf of the Board of Directors

YAKOOB HAJI KARIM
Director

PIR MOHAMMAD A.KALIYA
Director

Karachi
Dated: 28 September 2018

پاکستان سینٹیاکس لیٹڈ

ڈائریکٹرز رپورٹ

سال کے دوران منعقدہ انسانی وسائل اور ادائیگیوں کی کمیٹی کے اجلاس

اس سال انسانی وسائل اور ادائیگیوں کی کمیٹی کا ایک اجلاس منعقد کیا گیا، جس میں ڈائریکٹرز کی حاضری مندرجہ ذیل کے مطابق رہی:

ڈائریکٹرز کے نام	حاضری
جناب ساجد ہارون	1
جناب یعقوب حاجی کریم	1
جناب عابد عمر	1

غیر انتظامی ڈائریکٹرز کی مشاہرہ پالیسی

غیر انتظامیہ اور آزاد ڈائریکٹرز کی کمپنی کے بورڈ اور کمیٹی میٹنگوں میں شرکت کے لئے فیس بورڈ کی طرف سے وقتاً فوقتاً متعین کی جاتی ہے۔

حصہ داری کا نمونہ

30 جون 2018 پر حصہ داری کے نمونے کا بیان موجود ہے۔

آڈیٹرز

موجودہ آڈیٹر، KPMG ٹائیر ہادی & کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر اور اہل، نے دوبارہ اپنی تعیناتی کی پیشکش کی ہے۔ بورڈ آف ڈائریکٹرز، کمپنی کے لیے بطور آڈیٹر برائے سال مختتمہ 30 جون 2019 باہمی متفقہ فیس پر، ان کی دوبارہ تعیناتی کے لئے آڈٹ کمیٹی کی سفارش کو منظور کرتا ہے۔

اعتراف

یہ بورڈ عملے کے تمام اراکین اور ورکرز کو بہترین کارکردگی اور محنت پر شکریہ ادا کرتا ہے۔

بورڈ کی جانب سے

جناب پیر محمد کالیا
ڈائریکٹر

جناب یعقوب حاجی کریم
ڈائریکٹر

کراچی: 28 ستمبر 2018

پاکستان سینٹیٹاکس لمیٹڈ

ڈائریکٹرز رپورٹ

بورڈ آف ڈائریکٹرز کی ترتیب

بورڈ آف ڈائریکٹرز کی ترتیب 30 جون 2018 میں یہ ہے

1	آزاد ڈائریکٹر
5	غیر انتظامی ڈائریکٹر
2	انتظامی ڈائریکٹر

کمپنی کے تمام آٹھ ڈائریکٹرز مرد ڈائریکٹرز ہیں۔

سال کے دوران منعقدہ بورڈ کے اجلاس

زیر جائزہ سال کے دوران بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد کئے گئے ہیں جن میں ڈائریکٹرز کی حاضری مندرجہ ذیل کے مطابق رہی:

ڈائریکٹرز کے نام	حاضری	عہدہ
جناب عمر حاجی کریم	-	غیر انتظامی
جناب انور حاجی کریم	4	انتظامی
جناب یعقوب حاجی کریم	4	انتظامی
جناب عابد عمر	4	غیر انتظامی
جناب ساجد ہارون	3	غیر انتظامی
جناب پیر محمد کالیا	4	غیر انتظامی
جناب نعمان یعقوب	4	غیر انتظامی
جناب عامر امین	3	آزاد این آئی ٹی
جناب علی کمال	1	آزاد این آئی ٹی

جناب عامر امین نے 28 مارچ 2018 کو کمپنی کی ڈائریکٹرشپ سے استعفا دیا۔ ان کی جگہ جناب علی کمال کو بورڈ نے ڈائریکٹر مقرر کیا۔

ان ڈائریکٹرز کو جو بورڈ کے اجلاس میں حاضر نہیں ہو سکتے تھے غیر حاضری کی چھوٹ دی گئی تھی۔

سال کے دوران منعقدہ آڈٹ کمیٹی کے اجلاس

اس سال آڈٹ کمیٹی کے چار اجلاس منعقد کئے گئے ہیں، جس میں ڈائریکٹرز کی حاضری مندرجہ ذیل کے مطابق رہی:

ڈائریکٹرز کے نام	حاضری
جناب عامر امین این آئی ٹی	3
جناب پیر محمد کالیا	4
جناب عابد عمر	4
جناب علی کمال این آئی ٹی	1

جناب علی کمال نے جناب عامر امین این آئی ٹی کے کمپنی کی ڈائریکٹرشپ سے استعفا کے بعد انکی جگہ آڈٹ کمیٹی کے چیئرمین کا عہدہ سنبھال لیا ہے۔

پاکستان سینٹیٹاکس لمیٹڈ

ڈائریکٹرز رپورٹ

کارپوریٹ گورننس

لسٹنگ ریگولیشنز کے مطابق اس کمپنی نے کارپوریٹ گورننس کے ضابطہ کی شرائط کی تعمیل کی ہے۔ اس کے مطابق ڈائریکٹر مندرجہ ذیل کی توثیق کرتے ہیں:-

- کمپنی کی انتظامیہ کے تیار کردہ مالیاتی گوشواروں سے اس کے معاملات کے حالات، اس کے آپریشنز کے نتائج، نقدی کا بہاؤ اور ایکویٹی میں تبدیلیوں کو ظاہر کرتے ہیں۔
- کمپنی نے اکاؤنٹس کی مناسب کتابیں تیار کر لی ہیں
- کمپنی کے مالیاتی گوشواروں کی تیاری میں مستقل طور پر درست شماریاتی پالیسیوں کا اطلاق کیا جاتا ہے اور شماریاتی تخمینے قابل فہم اور محتاط اندازوں پر مبنی ہیں۔
- کمپنی کے مالیاتی گوشواروں کی تیاری میں پاکستان میں قابل اطلاق بین الاقوامی مالیاتی رپورٹنگ معیارات، کی پاسداری کی گئی ہے۔
- کمپنی کے اندرونی کنٹرول کا نظام ڈیزائن میں مستحکم ہے اور موثر طور پر اس کا اطلاق اور مانیٹر کیا گیا ہے بورڈ اس عمل کی نگرانی کرتا ہے۔
- ایک چلتے کاروبار کے طور پر کمپنی کے جاری رہنے کے صلاحیت پر کوئی قابل ذکر شکوک موجود نہیں ہیں۔
- کارپوریٹ گورننس کے بہترین طریقوں سے قطعی کوئی انحراف نہیں کیا گیا، جیسا کہ لسٹنگ ریگولیشنز میں تفصیل سے بتایا گیا ہے۔
- قرض کی ادائیگی پر کوئی نادہندگی نہیں ہوئی۔
- کمپنی نے ماحول کو تحفظ فراہم کرنے اور ماحولیاتی قانون سازی کے مطابق عمل کرنے کے لئے تمام ضروری اقدامات کی شناخت اور لاگو کرنے کے لئے ایک مؤثر ماحولیات مینجمنٹ پلان تیار کیا ہے۔ منصوبہ متعلقہ حکام سے منظور کیا گیا ہے۔ اس کے علاوہ، کمپنی نے کمپنی کے ملازمین کو ماحولیاتی انتظام کی منصوبہ بندی پر کام کرنے کے لئے مناسب تربیت فراہم کی ہے جس کے تحت ملازمین کو خطرناک کیمیکلوں کے محفوظ ہینڈلنگ، اسٹوریج اور نقل و حمل کو یقینی بنانے اور دوسری ماحولیاتی ضروریات کو پورا کرنے کے لئے تربیت دی گئی ہے
- آخری دس سالوں کے آپریٹنگ اور مالیاتی اعداد و شمار کا خلاصہ رپورٹ میں موجود ہے
- کمپنی کے حصص میں ڈائریکٹرز، ایگزیکٹوز اور ان کے بیویوں اور چھوٹے بچوں کی طرف سے تجارت کی تفصیلات شیئر ہولڈنگ کے منسلک نمونے میں موجود ہے۔
- بقایا ٹیکس اور لیویوں کے بارے میں معلومات مالیاتی حسابات کے ساتھ منسلک نوٹس میں دی گئی ہے

پاکستان سینٹیاکس لمیٹڈ

ڈائریکٹرز رپورٹ

بنیادی خطرات اور غیر یقینی صورتحال

کمپنی کچھ خطرات اور غیر یقینی صورتحال سے متعلق ہے۔ تاہم، ہم اہم خطرات کے طور پر مندرجہ ذیل پر غور کرتے ہیں:

- غیر ملکی کرنسی کی شرح اور سامان کی قیمتوں میں منفی تحریک
- صنعتی سہولیات کی قیمتوں کے تعین میں منفی تحریک
- اسٹیٹ بینک آف پاکستان پالیسی کی شرح میں منفی تحریک

کاروباری جائزہ اور مستقبل کی صورت حال

کمپنی کے ہیٹ ریزن مینوفیکچرنگ پلانٹ نے رواں سال تجارتی پیداوار شروع کر دی ہے۔ آپ کی کمپنی اب ورثیکل انٹیگریشن کرتے ہوئے پرفورم مینوفیکچرنگ پلانٹ کی منصوبہ بندی کر رہی ہے جس سے کمپنی کو اپنے ریزن کی پیداوار کو براہ راست مشروبات کی مینوفیکچررز یونٹس کو فروخت کر سکے گی۔ کمپنی پہلے سے ہی صنعت میں اچھی ساکھ رکھتی ہے اور اپنے پلاسٹک اور کراون کیپ تمام مشروبات کے مینوفیکچررز یونٹس کو فروخت کر رہی ہے۔

اس کے ساتھ پاکستان کے بڑھتا ہوا تجارتی خسارے کے باعث روپے کی قدر میں 18 فیصد کمی نے کمپنی کے منافع کو بری طرح متاثر کیا ہے۔ جیسا کہ کمپنی کی طرف سے استعمال ہونے والے تقریباً تمام خام مالوں کو درآمد کیا جاتا ہے، خام مال کی قیمت روپے کی قیمت میں قیمتوں میں کمی کے ساتھ بڑھ جائے گی۔ تاہم، موجودہ مسابقتی مارکیٹ میں کسٹمر کو اس کے اثرات منتقل کرنا ایک بڑا چیلنج ہے۔ ہم روپے کی قدر میں مزید کمی دیکھ رہے ہیں جو مستقبل میں کمپنی کے منافع میں کمی کا باعث ہوگا۔ روپے کی قدر میں کمی کے علاوہ خام مال کی قیمتوں میں عدم استحکام، گیس کی قیمتوں میں متوقع اضافہ، افراط زر، اسٹیٹ بینک آف پاکستان کی پالیسی کی شرح میں اضافہ کمپنی کے منافع کو بری طرح متاثر کریں گے۔

ویب سائٹ

ہمارے تمام اسٹیک ہولڈرز اور عام عوام کمپنی کی ویب سائٹ www.pslpet.com ملاحظہ کریں جس میں سرمایہ کاروں کے لئے نامزد کردہ سیکشن ہے جس میں متعلقہ معلومات شامل ہیں۔

مابعد واقعات

کمپنی کے مالیاتی سال کے اختتام اور اس رپورٹ کی تاریخ کے درمیان کمپنی کی مالیاتی پوزیشن کو متاثر کرنے والی ذمہ داریاں یا کوئی اہم تبدیلی نہیں ہوئی۔

پاکستان سینٹیاکس لیٹڈ

ڈائریکٹرز رپورٹ

30 جون 2018 کو ختم ہونے والے سال کے لئے ہم 33 ویں سالانہ رپورٹ کمپنی کے آڈٹ کردہ مالی حسابات کے ساتھ پیش کرتے ہیں۔

کارکردگی کا جائزہ

رواں مالی سال کے دوران کمپنی نے 25,872 میٹرک ٹن پیٹ ریزن کی پیداوار کی جو گزشتہ برس 20,952 میٹرک ٹن تھی رواں مالی سال کے دوران کمپنی نے 26,528 میٹرک ٹن پیٹ ریزن فروخت کیے جو گزشتہ برس 11,580 میٹرک ٹن تھے کمپنی کے ہیڈ پرفورم مینوفیکچرنگ پلانٹ نے 16 مئی 2018 کو تجارتی پیداوار شروع کر دی ہے۔ رواں مالی سال کے دوران کمپنی نے 1,771 اوکٹاناس پری فوم کی پیداوار کی ہے۔

رواں مالی سال کے دوران کمپنی نے 495,057 کارٹون پلاسٹک اور کراون کیپ کی پیداوار کی جو گزشتہ برس 409,253 کارٹون تھے۔ رواں مالی سال کے دوران کمپنی نے 489,358 کارٹون فروخت کیے جو گزشتہ برس 417,367 کارٹون تھے۔

مالیاتی نتائج

جیسا کہ کمپنی نے فایبر مینوفیکچرنگ پلانٹ کو تبدیل کر دیا ہے پیٹ ریزن مینوفیکچرنگ پلانٹ میں اس میں ضروری ترمیم کر کے۔ لہذا کمپنی نے فایبر مینوفیکچرنگ پلانٹ کو بند آپریشن کے طور پر پیش کیا ہے۔ مسلسل اور بند ہونے والے آپریشن کے خلاصہ مالیاتی نتائج ذیل میں ہیں۔

مسلسل آپریشن

رواں مالی سال کے دوران کمپنی کے مسلسل آپریشن کے مجموعی کاروبار میں اضافہ ہوا جو اس سال 5,997.01 ملین روپے رہا جو گزشتہ برس 3,396.31 ملین تھا۔

اس سال کمپنی نے 83.44 ملین روپے ٹیکس سے قبل منافع حاصل کیا جو گزشتہ سال 17 ملین تھا۔ ٹیکس کے بعد خالص منافع مسلسل آپریشن سے 150.50 ملین روپے حاصل کیا جو گزشتہ سال 83.50 ملین تھا۔

بند ہونے والے آپریشن

رواں مالی سال کے دوران کمپنی کے بند ہونے والے آپریشن کے مجموعی کاروبار میں کمی ہوئی جو اس سال 3.73 ملین روپے رہا جو گزشتہ برس 7.30 ملین تھا۔

اس سال کمپنی نے 46.52 ملین روپے ٹیکس سے قبل خسارہ کیا جو گزشتہ سال 47.55 ملین تھا۔ ٹیکس کے بعد خسارہ بند ہونے والے آپریشن سے 33.54 ملین روپے رہا جو گزشتہ سال 44.84 ملین تھا۔

فی حصص آمدنی

30 جون 2018 کو ختم ہونے والے سال کے لئے، ٹیکس فراہم کرنے کے بعد، فی حصہ خالص آمدنی 2.09 روپے تھی (30 جون 2017: 0.69 روپے)۔

ڈیوڈینڈ

کمپنی کی موجودہ لیکویڈیٹی پوزیشن کی بنیاد پر ڈائریکٹرز نے 30 جون 2018 کو ختم ہونے والے سال کے لئے ڈیوڈینڈ تجویز نہیں کیا۔

Pakistan Synthetics Limited

MISSION STATEMENT

Our Mission.

Our Mission is to be the most efficient manufacturer of high performance packaging requirements of Industry in Pakistan.



Our Vision.

To be an End to End solution provider for our partners, instead of working in a vendor-supplier model whereby all needs of our customers is catered by Pakistan Synthetics Limited.

Pakistan Synthetics Limited

STATEMENT OF ETHICS AND BUSINESS PRACTICES

- *PSL resolves to always place the company's interest first;*
- *PSL resolves to excel through resource management namely, human (professional & technical both), financial and other infrastructural facilities and to ensure reasonable return to all the stakeholders;*
- *PSL conducts business as a responsible and law abiding corporate member of society to achieve its legitimate commercial objectives and supports unconditionally the Compliance with the Best Practices of Corporate Governance for the betterment of the corporate culture;*
- *PSL expects from its employees full integrity, total honesty, fair and impartial practices in all aspects of its business;*
- *PSL resolves to adopt fair and ethical marketing practices and to prepare itself to face the challenges of open markets under WTO by supplying its customers quality product at competitive prices;*
- *PSL resolves not to compromise on principles.*

Pakistan Synthetics Limited

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017 FOR THE YEAR ENDED 30 JUNE 2018

The Company has complied with the requirements of the Regulations in the following manner:

- The total number of directors are eight as per the following:
 - Male: Eight
 - Female: Nil
- The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Name
Independent Directors	1) Ali Kamal
Executive Directors	1) Anwar Haji Karim
	2) Yakoob Haji Karim
Non-Executive Directors	1) Umer Haji Karim
	2) Sajid Haroon
	3) Abid Umer
	4) Pir Muhammad A. Kaliya
	5) Noman Yakoob

- The directors have confirmed that none of them is serving as a director on more than five listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
- The Company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
- The Board has developed vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/Shareholders as empowered by the relevant provisions of the Act and these regulations.
- The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
- The Board of directors have a formal and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

Pakistan Synthetics Limited

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017 FOR THE YEAR ENDED 30 JUNE 2018

9. *The Board has arranged directors' training program for its Director from time to time.*

The Board of Directors of the Company consist of 8 eminent directors, out of which two (2) directors are already certified under the Directors Training Program. Further, the Company has applied for the exemption of 4 directors. Therefore, the Company is compliant with Regulation 20 of the Code of Corporate Governance, 2017.

10. *The Board had approved appointment of CFO, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.*

11. *CFO and CEO duly endorsed the financial statements before approval of the Board*

12. *The Board has formed committees comprising of members given below:*

Audit Committee:

<i>Mr. Ali Kamal</i>	<i>Chairman</i>
<i>Mr. Abid Umer and</i>	<i>Member</i>
<i>Mr. Pir Muhammad A. Kaliya</i>	<i>Member</i>

HR and Remuneration Committee:

<i>Mr. Sajid Haroon</i>	<i>Chairman</i>
<i>Mr. Yakoob Haji Karim and</i>	<i>Member</i>
<i>Mr. Abid Umer.</i>	<i>Member</i>

13. *The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.*

14. *The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:*
a) *Audit Committee – Four (04)*
b) *HR and Remuneration Committee – One (1)*

15. *The Board has set up an effective internal audit function that is considered suitably qualified and experienced for the purpose and is conversant with policies and procedures of the Company.*

16. *The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (ICAP) and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.*

17. *The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.*

Pakistan Synthetics Limited

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017 FOR THE YEAR ENDED 30 JUNE 2018

18. *The Company has continued to present the details of all related party transactions before the Audit Committee and upon their recommendation to the Board for review and approval. The definition of related party used is in accordance with repealed Companies Ordinance, 1984 and applicable financial reporting frame work as the regulations under Section 208 of the Companies Act, 2017 have not yet been announced.*
19. *We confirm that all other material principles enshrined in the Code have been complied with.*

UMER HAJI KARIM
Chairman

YAKOOB HAJI KARIM
Director

Karachi

Dated: 28 September 2018

Pakistan Synthetics Limited

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (“the Regulations”) prepared by the Board of Directors of Pakistan Synthetics Limited (“the Company”) for the year ended 30 June 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company’s compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company’s personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors’ statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company’s corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company’s process for identification of related parties and that whether the related party transactions were undertaken at arm’s length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company’s compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2018.

*Dated: 28 September 2018
Karachi*

*KPMG TASEER HADI & CO.
Chartered Accountants
Moneeza Usman Butt*

Pakistan Synthetics Limited

INDEPENDENT AUDITOR'S REPORT

To the members of Pakistan Synthetics Limited

Report on the Audit of the Financial Statements

Opinion

*We have audited the annexed financial statements of **Pakistan Synthetics Limited** (the Company), which comprise the statement of financial position as at 30 June 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.*

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2018 and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Pakistan Synthetics Limited

INDEPENDENT AUDITOR'S REPORT

Following are the Key audit matters:

S No.	Key audit matters	How the matters were addressed in our audit
1.	<p>Revenue recognition</p> <p>Refer notes 4.8, 24, and 32.1 to the financial statements .</p> <p>The Company generates revenue from sale of goods to various customers . However, sales to two major customers represent 48.3% of total sales.</p> <p>We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not being recognized in the appropriate period.</p>	<p>Our audit procedures in relation to recognition of revenue, amongst others, included the following:</p> <ul style="list-style-type: none"> obtaining an understanding of and testing the design and operating effectiveness of controls designed to ensure that revenue is recognized in the appropriate accounting period; assessing the appropriateness of the Company's accounting policy for revenue recognition and compliance with applicable accounting standards; comparing, on a sample basis, specific sale transactions recorded before and after the reporting date with underlying documentation to assess whether revenue has been recognized in the appropriate accounting period; and inspecting credit notes issued to record sales returns subsequent to year end, if any.
2.	<p>Valuation of Trade Debts</p> <p>Refer notes 4.2.1.4 and 19 to the financial statements.</p>	<p>Our audit procedures in relation to valuation of trade debts, amongst others, included the following:</p> <ul style="list-style-type: none"> obtaining an understanding of and assessing the design and testing implementation of management's

Pakistan Synthetics Limited

INDEPENDENT AUDITOR'S REPORT

	<p><i>As at 30 June 2018, the Company's gross trade debtors were Rs. 868.58 million against which allowances for doubtful debts of Rs. 223.62 million were recorded.</i></p> <p><i>We identified the recoverability of trade debtors as a key audit matter because estimating the recoverable amount involves inherent uncertainty and significant management judgment.</i></p>	<p><i>key internal controls relating to credit control process (including credit account application approvals and credit limit review), debt collection process and making allowances for doubtful debts calculations;</i></p> <ul style="list-style-type: none"> <i>• testing the accuracy of trade receivable aging report, on a sample basis, by comparing individual balances in the report with underlying documentation to ensure the balances appearing in the aging report were classified within appropriate ageing bracket;</i> <i>• assessing the appropriateness of assumptions and estimates made by management for provision against doubtful debts by comparing, on a sample basis, historical cash collections, actual write offs and cash receipts from customers subsequent to the financial year end with the underlying documentation; and</i> <i>• assessing the historical accuracy of provisions for bad debt recorded by examining the utilization or release of previously recorded provisions.</i>
3.	<p>Valuation of stock in trade</p> <p><i>Refer note 4.7, 18, 25, and 32.2 to the financial statements .</i></p> <p><i>Inventory forms a significant part of the Company's total assets. Inventories comprise of raw material, work in process and finished good</i></p>	<p><i>Our audit procedures in relation to valuation of stock in trade, amongst others, included the following:</i></p> <ul style="list-style-type: none"> <i>• obtaining an understanding of and assessing the design and testing implementation of management's controls designed to identify slow</i>

Pakistan Synthetics Limited

INDEPENDENT AUDITOR'S REPORT

	<p><i>which are stated at lower of cost and estimated net realizable value.</i></p> <p><i>We identified the valuation of stock-in-trade as a key audit matter because determining an appropriate write-down as a result of net realizable value (NRV) being lower than their cost and provisions for slow moving and obsolete inventories involves significant management judgment and estimation .</i></p>	<p><i>moving and / or obsolete inventories;</i></p> <ul style="list-style-type: none"> <i>• obtaining an understanding of and testing, on a sample basis, management's determination of NRV and the key estimates adopted, including future selling prices, future costs to complete work-in-process and costs necessary to make the sales, their basis of calculation, justification for the amount of the write-downs and provisions; and</i> <i>• checking on a sample basis specific provision for slow-moving inventory with underlying documentation .</i>
--	---	--

Pakistan Synthetics Limited

INDEPENDENT AUDITOR'S REPORT

<p>4.</p>	<p>Capitalization of Property, Plant and Equipment</p> <p>Refer notes 2(b), 4.4 and 12 to the financial statements .</p> <p>The Company has made significant capital expenditure on expansion of manufacturing facilities as explained in aforementioned notes.</p> <p>We identified capitalization of property, plant and equipment as a key audit matter because there is a risk that amounts being capitalized may not meet the capitalization criteria with related implications on depreciation charge for the year.</p>	<p>Our audit procedures in relation to capitalization of property, plant and equipment, amongst others, included the following:</p> <ul style="list-style-type: none"> • understanding the design and implementation of management controls over capitalization and performing tests of control over authorization of capital expenditure and accuracy of its recording in the system; • testing, on sample basis, the costs incurred on projects with supporting documentation and contracts; • assessing the nature of costs incurred for the capital projects through testing, on sample basis, of amounts recorded and considering whether the expenditure meets the criteria for capitalization as per the accounting policy and applicable accounting standards; and • inspecting supporting documents for the date of capitalization when project was ready for its intended use to assess whether depreciation commenced and further capitalization of costs ceased from that date and assessing the useful life assigned by management including testing the calculation of related depreciation.
-----------	--	--

Pakistan Synthetics Limited

INDEPENDENT AUDITOR'S REPORT

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The Other Information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, then we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Pakistan Synthetics Limited

INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- *Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.*
- *Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.*
- *Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.*
- *Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.*
- *Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.*

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Pakistan Synthetics Limited

INDEPENDENT AUDITOR'S REPORT

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) *proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);*
- b) *the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;*
- c) *investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and*
- d) *no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).*

The engagement partner on the audit resulting in this independent auditor's report is
Moneeza Usman Butt.

Karachi
Dated: 28 September 2018

KPMG TASEER HADI & CO.
Chartered Accountants

Pakistan Synthetics Limited

Statement of Financial Position

AS AT 30 JUNE 2018

Note **2018** 2017
(RUPEES IN '000)

Equity and liabilities

Shareholders' equity

Authorised capital of 70,000,000
ordinary shares of Rs. 10 each

700,000 700,000

Issued, subscribed and
paid-up capital

5 **560,400** 560,400

General reserve

292,450 292,450

Unappropriated profit

482,823 369,061

Total shareholders' equity

1,335,673 1,221,911

Liabilities

Non-current liabilities

Long term finance - secured

6 **377,853** 286,478

Staff retirement benefits

7 **23,834** 16,888

Long term payable - secured

8 **572,423** -

Total non-current liabilities

974,110 303,366

Current liabilities

Trade and other payables

9 **2,787,303** 2,356,307

Accrued markup

21,779 12,491

Short term borrowings - secured

10 **729,709** 819,177

Unclaimed dividend

16,847 39,257

Current portion of long term
finance

6 **194,280** 143,339

Total current liabilities

3,749,918 3,370,571

Total equity and liabilities

6,059,701 4,895,848

Contingencies and Commitments

11

The annexed notes 1 to 42 form an integral part of these financial statements.

YAKOOB HAJI KARIM
Director

SALEEM ADVANI
Chief Financial Officer

PIR MOHAMMAD A.KALIYA
Director

Note: The Chief Executive of the Company is presently out of country, therefore, these financial statements have been signed by two directors of the Company duly authorised by the Board of Directors under Section 232 of the Companies Act, 2017.

Pakistan Synthetics Limited

Statement of Financial Position

AS AT 30 JUNE 2018

Note 2018 2017
(RUPEES IN '000)

Assets

Non-current assets

Property, plant and equipment	12	2,195,300	1,537,731
Intangible assets	13	842	-
Long term loan to employees - secured	14	4,526	3,971
Long term deposits and prepayments	15	4,362	765
Deferred taxation	16	108,439	24,263
Total non-current assets		2,313,469	1,566,730

Current assets

Stores and spares	17	201,674	182,763
Stock-in-trade	18	2,250,892	1,899,392
Trade debts	19	644,967	795,250
Loans and advances	20	17,039	12,246
Short term deposits and prepayments	21	22,344	4,273
Other receivables	22	107,183	63,917
Taxation - net		437,875	359,451
Cash and bank balances	23	64,258	11,826
Total current assets		3,746,232	3,329,118

Total assets

6,059,701 **4,895,848**

The annexed notes 1 to 42 form an integral part of these financial statements.

YAKOOB HAJI KARIM
Director

SALEEM ADVANI
Chief Financial Officer

PIR MOHAMMAD A.KALIYA
Director

Note: The Chief Executive of the Company is presently out of country, therefore, these financial statements have been signed by two directors of the Company duly authorised by the Board of Directors under Section 232 of the Companies Act, 2017.

Pakistan Synthetics Limited

Profit and Loss Account

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 (RUPEES IN '000)	2017
Net sales	24	5,252,627	2,911,967
Cost of sales	25	<u>(4,682,668)</u>	<u>(2,642,741)</u>
Gross profit		569,959	269,226
Distribution and selling costs	26	(75,884)	(63,004)
Administration and general expenses	27	(51,953)	(43,365)
Other operating expenses	28	(175,295)	(12,159)
		<u>(303,132)</u>	<u>(118,528)</u>
		266,827	150,698
Other income	29	<u>21,818</u>	<u>9,289</u>
Operating profit before finance costs		288,645	159,987
Finance costs	30	(205,203)	(142,986)
Profit before taxation		<u>83,442</u>	<u>17,001</u>
Taxation	31	67,054	66,502
Profit after taxation from continuing operation		<u>150,496</u>	<u>83,503</u>
Loss after taxation from discontinued operation	32	(33,539)	(44,845)
Profit for the year		<u>116,957</u>	<u>38,658</u>
		(RUPEES)	
Earnings per share - basic and diluted	33	<u>2.09</u>	<u>0.69</u>

The annexed notes 1 to 42 form an integral part of these financial statements.

YAKOOB HAJI KARIM
Director

SALEEM ADVANI
Chief Financial Officer

PIR MOHAMMAD A.KALIYA
Director

Note: The Chief Executive of the Company is presently out of country, therefore, these financial statements have been signed by two directors of the Company duly authorised by the Board of Directors under Section 232 of the Companies Act, 2017.

Pakistan Synthetics Limited

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	(RUPEES IN '000)	
Profit for the year	116,957	38,658
Items that will never be reclassified to profit and loss account		
Remeasurements of defined benefit liability	(4,565)	(520)
Tax thereon	1,370	156
	(3,195)	(364)
Total comprehensive income for the year	113,762	38,294

The annexed notes 1 to 42 form an integral part of these financial statements.

YAKOOB HAJI KARIM
Director

SALEEM ADVANI
Chief Financial Officer

PIR MOHAMMAD A.KALIYA
Director

Note: The Chief Executive of the Company is presently out of country, therefore, these financial statements have been signed by two directors of the Company duly authorised by the Board of Directors under Section 232 of the Companies Act, 2017.

Pakistan Synthetics Limited

Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 (RUPEES IN '000)	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		36,920	(30,549)
Adjustments for:			
Depreciation		189,816	226,881
Charge for staff gratuity		4,079	3,255
Amortization		421	-
Gain on revaluation of derivative financial assets		(42,557)	-
Profit on disposal of property, plant and equipment		-	(1,607)
Profit on saving and deposit accounts		(3)	(53)
Finance costs		200,757	140,493
Provision / (reversal) against slow moving and obsolete stock		5,252	(6,174)
Provision for doubtful advances - net		1,474	-
Provision for doubtful debts and deposits - net		50,766	30,231
		<u>446,925</u>	<u>362,477</u>
Movement in:			
Working capital changes	38	130,365	231,443
Long term deposit - net		(3,597)	699
Long term payables		572,423	-
Long term loan to employees - net		(555)	(3,664)
Net cash from operations		<u>1,145,561</u>	<u>590,955</u>
Staff gratuity paid		(1,698)	(1,441)
Financial charges paid		(191,469)	(148,459)
Taxes paid		(81,753)	(86,046)
Net cash generated from operating activities		<u>870,641</u>	<u>355,009</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure including intangible		(848,691)	(53,386)
Proceeds from disposal of property, plant and equipment		43	1,825
Profit on saving accounts received		3	53
Net cash used in investing activities		<u>(848,645)</u>	<u>(51,508)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term diminishing musharka - net		142,316	(137,089)
Short term foreign currency loan and money market loan - net		(403,435)	194,299
Dividend paid		(22,412)	(20,526)
Net cash (used in) / generated from financing activities		<u>(283,531)</u>	<u>36,684</u>
Net (decrease) / increase in cash and cash equivalents		<u>(261,535)</u>	<u>340,185</u>
Cash and cash equivalents at beginning of the year		<u>(103,916)</u>	<u>(444,101)</u>
Cash and cash equivalents at end of the year		<u><u>(365,451)</u></u>	<u><u>(103,916)</u></u>
CASH AND CASH EQUIVALENTS COMPRISE			
Cash and bank balances	23	64,258	11,826
Running finance under mark-up arrangement	10.2	(429,709)	(115,742)
		<u><u>(365,451)</u></u>	<u><u>(103,916)</u></u>

The annexed notes 1 to 42 form an integral part of these financial statements.

YAKOOB HAJI KARIM
Director

SALEEM ADVANI
Chief Financial Officer

PIR MOHAMMAD A.KALIYA
Director

Note: The Chief Executive of the Company is presently out of country, therefore, these financial statements have been signed by two directors of the Company duly authorised by the Board of Directors under Section 232 of the Companies Act, 2017.

Pakistan Synthetics Limited

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2018

	Issued, subscribed and paid-up capital	General reserve	Unappropriated profit	Total reserves	Total
	(RUPEES IN '000)				
Balance as at 1 July 2016	560,400	292,450	386,807	679,257	1,239,657
Total comprehensive income for the year ended 30 June 2017					
Profit for the year	-	-	38,658	38,658	38,658
Other comprehensive income	-	-	(364)	(364)	(364)
	-	-	38,294	38,294	38,294
Transactions with owners recorded directly in equity - distributions					
Final dividend for the year ended 30 June 2016 (Re. 1 per share)	-	-	(56,040)	(56,040)	(56,040)
Balance as at 30 June 2017	560,400	292,450	369,061	661,511	1,221,911
Total comprehensive income for the year ended 30 June 2018					
Profit for the year	-	-	116,957	116,957	116,957
Other comprehensive income	-	-	(3,195)	(3,195)	(3,195)
	-	-	113,762	113,762	113,762
Balance as at 30 June 2018	560,400	292,450	482,823	775,273	1,335,673

The annexed notes 1 to 42 form an integral part of these financial statements.

YAKOOB HAJI KARIM
Director

SALEEM ADVANI
Chief Financial Officer

PIR MOHAMMAD A.KALIYA
Director

Note: The Chief Executive of the Company is presently out of country, therefore, these financial statements have been signed by two directors of the Company duly authorised by the Board of Directors under Section 232 of the Companies Act, 2017.

Pakistan Synthetics Limited

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

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 and Crown Caps, PET resin and BOPET resin. The registered office of the Company is situated at 3rd floor, K.D.L.B, building, 58, West Wharf, Karachi.

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

The manufacturing facility of the Company is situated at F-1,2,3 and 13,14 & 15, Hub Industrial Trading Estate, District Lasbella Balochistan and Plot No. A-5, N.W.I.Z, Port Qasim Authority, Karachi having sales offices located at Karachi.

2. SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

- a) Due to the first time application of financial reporting requirements under the Companies Act, 2017 (the Act) including disclosure and presentation requirements of the fourth schedule of the Act, some of the amounts reported for the previous period have been reclassified as detailed in note 42.1 to these financial statements.
- b) During the year, the Company has entered into PET preform manufacturing business and has incurred capital expenditure of Rs. 567.60 million in this respect. Total capacity per annum of PET preform manufacturing facility is 25,000 octabins of various sizes of preforms. Further, the Company has also expanded its plastic closure production capacity by 33% by making capital expenditure of Rs. 271.50 million.
- c) For detailed discussion about the Company's performance please refer to the Directors' report accompanied in the annual report of the Company for the year ended 30 June 2018.

3. BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- 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 from IFRS Standards, the provisions of and directives issued under the Companies Act 2017 have been followed.

Pakistan Synthetics Limited

3.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for the Company's liability under defined benefit plan (gratuity) which is determined based on the present value of defined benefit obligation less fair value of plan assets.

3.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is Company's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand of rupees, unless otherwise stated.

3.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates underlying the assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with significant risk of material judgment in the next year are described in the following:

- i) Employee benefits (note 4.1)*
- ii) Income taxes (note 4.3)*
- iii) Property, plant and equipment (refer note 4.4)*
- iv) Intangible assets (refer note 4.5)*
- v) Stores and spares and Stock in trade (note 4.6 & 4.7)*
- vi) Impairment (note 4.12)*

Pakistan Synthetics Limited

3.5 Change in accounting standards, interpretations and amendments to published approved accounting standards

a) Standards, interpretations and amendments to published approved accounting standards that are effective and relevant:

- 'IAS 7, 'Statement of Cash Flows' amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. In the first year of adoption, comparative information need not be provided. The relevant disclosure have been made in these financial statements (Refer note 35.4 to these financial statements).
- The Companies Act, 2017 (the Act) has also brought certain changes with regard to preparation and presentation of annual financial statements of the Company. These changes include change in nomenclature of primary financial statements and disclosure requirements in the fourth schedule to the Act have been revised, resulting in the elimination of duplicative disclosures with the IFRSs and incorporation of significant additional disclosures which have been included in these financial statements.

b) Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant;

There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after 1 July 2017. However, these do not have any significant impact on the Company's financial reporting and therefore have not been detailed in these financial statements.

c) Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

The following are the new standards, amendments to existing approved accounting standards and new interpretations that will be effective for the periods beginning on or after 1 July 2018, that may have an impact on the financial statements of the Company:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.

Pakistan Synthetics Limited

- *Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Company's financial statements.*
- *Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.*
- *IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on Company's financial statements.*
- *IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have material impact on Company's financial statements.*
- *IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.*

Pakistan Synthetics Limited

- *IFRS 9 'Financial Instruments' and amendment - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.*
- *IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. Management is not expecting any impact of the standard on Company's financial reporting.*
- *Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.*
- *Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments are not likely to have an impact on Company's financial statements.*

Pakistan Synthetics Limited

- *Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:*
- *IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.*
- *IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.*
- *IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.*

The above improvements to standards are not likely to have material / significant impact on Company's financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies set out below have been consistently applied to all years presented.

4.1 Employee benefits

Defined benefit scheme

The Company operates an unfunded Gratuity Scheme (the Plan) for eligible employees of the Company. The Company's obligation under the scheme is determined through actuarial valuation carried out at each year end under the Projected Unit Credit Method. Remeasurements which comprise actuarial gains and losses are recognized immediately in other comprehensive income. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. Interest cost and current service cost are recognized in profit and loss account. The latest actuarial valuation was conducted at the balance sheet date by a qualified professional firm of actuaries.

Compensated absences

The Company accounts for its liability towards accumulated compensated absences for the permanent employees as per the service rules of the Company.

Pakistan Synthetics Limited

4.2 Financial instruments

4.2.1 Financial assets

4.2.1.1 Classification

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39) 'Financial Instruments: Recognition and Measurement' at the time of purchase of financial assets. The financial assets of the Company are categorized as follows:

a) Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified in 'financial assets at fair value through profit or loss' category.

b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise of trade debts, loans and advances, deposits, other receivables and cash and bank balances in the balance sheet.

c) Held-to-maturity

These are financial assets with fixed or determinable payments and fixed maturity which the Company has the positive intent and ability to hold to maturity.

d) Available-for-sale financial assets

Financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in equity prices, are classified as 'available for sale'. Available for sale financial instruments are those non-derivative financial assets that are designated as available for sale or are not classified either as (a) financial assets at fair value through profit or loss; (b) loans and receivables; (c) held to maturity.

4.2.1.2 Initial recognition and measurement

All financial assets are recognised at the time the Company becomes a party to the contractual provisions of the instrument. Financial assets are initially recognised at fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

4.2.1.3 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows:

Pakistan Synthetics Limited

a) 'Financial asset at fair value through profit or loss' and 'available-for-sale'

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified in 'financial assets at fair value through profit or loss' category.

Financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in equity prices, are classified as 'available for sale'. Available for sale financial instruments are those non-derivative financial assets that are designated as available for sale or are not classified either as (a) financial assets at fair value through profit or loss; (b) loans and receivables; (c) held to maturity.

b) 'Loans and receivables' and 'held-to-maturity'

Loans and receivables and held-to-maturity financial assets are carried at amortised cost.

4.2.1.4 Trade debts, loans and advances, deposits and other receivables

These are recognised initially at fair value and subsequently measured at amortised cost or cost, as the case may be, less provision for impairment, if any. A provision for impairment is established when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Items considered irrecoverable are written off.

4.2.1.5 Cash and cash equivalents

Cash and cash equivalents for cash flow purposes include cash in hand and balances held with banks and short term running finance availed by the Company, which are payable on demand and form an integral part of the Company's cash management.

4.2.2 Financial liabilities

Financial liabilities are initially recognised on trade date i.e. date on which the Company becomes party to the respective contractual provisions. Financial liabilities represent mark-up bearing borrowings and trade and other payables. Financial liabilities are initially recognised on trade date i.e. the date on which the Company becomes party to the respective contractual provisions of the instruments. The Company derecognizes the financial liabilities when it ceases to be a party to such contractual provisions of the instruments.

Pakistan Synthetics Limited

4.2.2.1 Markup bearing borrowings and borrowing costs

Mark-up bearing borrowings are recognized initially at fair value, less attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognised in profit and loss account over the period of borrowings on an effective interest basis.

Borrowing costs are recognised as an expense in the period in which these are incurred, except to the extent that they are directly attributable to the acquisition or construction of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) in which case these are capitalised as part of cost of that asset.

4.2.2.2 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.

4.2.2.3 Trade and other payables

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost.

4.2.3 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set-off the recognized amounts and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

4.3 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised in equity or in other comprehensive income respectively. In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year.

Pakistan Synthetics Limited

Deferred

Deferred tax is recognized using balance sheet method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

4.4 Property, plant and equipment

Operating assets

Initial recognition

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of such item can be measured reliably.

Recognition of the cost in the carrying amount of an item of property, plant and equipment ceases when the items is in the location and condition necessary for it to be capable of operating in the manner intended by the management.

Measurement

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of property, plant and equipment includes:

- (a) its purchase price including import duties, non refundable purchase taxes after deducting trade discounts and rebates;*
- (b) any other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management; and*
- (c) Borrowing costs, if any.*

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent expenditure (including normal repairs and maintenance)

Expenditures incurred to replace a significant component of an item of property, plant and equipment is capitalised and the asset so replaced is retired. Other subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the items can be measured reliably. All other expenditures (including normal repairs and maintenance) is recognised in the profit and loss account as an expense when it is incurred.

Pakistan Synthetics Limited

Depreciation

Depreciation on all items is charged on straight line method. The useful lives for depreciation are indicated in note 12.1.

Depreciation on additions to property, plant and equipment is charged from the quarter the asset is available for use upto the quarter prior to disposal.

Depreciation methods, useful lives and residual values of each part of property, plant and equipment that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposal

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognized in the profit and loss account.

Capital work in progress

Capital work in progress is stated at cost less impairment loss, if any and consists of expenditures incurred (including any borrowing cost, if applicable) and advances made in the course of their construction and installation. Transfers are made to relevant asset category as and when assets are available for intended use.

4.5 Intangible assets

Intangible assets acquired by the Company are stated at cost less accumulated amortisation and impairment losses, if any. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets. Amortisation on additions to intangible assets is charged from the month in which an item is acquired or capitalised while no amortisation is charged for the month in which the item is disposed of.

4.6 Stores and spares

Stores and spares are valued at weighted average cost except for items in transit which are stated at cost. Provision for obsolete and slow moving stores and spares is determined based on management's estimate regarding their future usability.

4.7 Stock-in-trade

These are valued at lower of cost and net realisable value less impairment loss, if any. Cost is determined under the weighted average basis. Cost comprises all costs of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition, except for cost of work in process which comprises of raw material cost only as conversion costs are not significant.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Pakistan Synthetics Limited

4.8 Revenue recognition

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods.

Interest income is accrued on a time apportion basis on the principal outstanding at the rates applicable.

Gains and losses on sale of investments are accounted for when the commitment (trade date) for sale of security is made.

Dividend income is recognized when the right to receive the same is established i.e. the book closure date of the investee company declaring the dividend.

Miscellaneous income is recognized on receipt basis.

4.9 Expenses

All expenses are recognised in the profit and loss account on an accrual basis.

4.10 Foreign currency translation

Transactions in foreign currencies are translated into Pakistani rupees at the rates of exchange approximating those prevailing on the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pakistani rupees at the rates of exchange ruling on the balance sheet date. Exchange differences are included in the profit and loss account currently.

4.11 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are measured at the present value of expected expenditure, discounted at a pre tax rate that reflects current market assessment of the time value of money and the risk specific to the obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

4.12 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit and loss account. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Pakistan Synthetics Limited

Non-Financial assets

The carrying amounts of the Company's non financial assets, other than deferred tax assets and inventories are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount, being higher of value of use and fair value less costs to sell, is estimated. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

4.13 Discontinued operation

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from rest of the Company's business and which:

- represents a separate major line of business or geographical area of operations,
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary acquired exclusively with a view to resale.

Classification as discontinued operation occurs on disposal, abandoning or when the operation meets the criteria to be classified as held for sale. When an operation is classified as discontinued operation, the comparative profit and loss account is represented as if the operation had been discontinued from the start of the comparative year.

4.14 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting structure. Management monitors the operating results of the business separately for the purpose of making decisions regarding resource allocation and performance assessment. All operating segments' operating results are reviewed regularly by the Company's Chief Executive Officer and Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. The business of the Company has two reportable operating segments i.e., Crown / Plastic Caps and PET resin segment and Polyester Staple Fibre segment (discontinued).

Segment results that are reported for review and performance evaluation include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and liabilities, certain other operating income and expenses, certain finance costs, tax assets and liabilities and income tax expense. Segment capital expenditure is the total cost incurred during the year to acquire tangible fixed assets and intangible assets other than goodwill.

4.15 Dividend and appropriation

Dividend distribution to the Company's shareholders and appropriation to / from reserves is recognized in the period in which these are approved.

Pakistan Synthetics Limited

5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2018 (Number Of Shares)	2017		2018 (RUPEES IN '000)	2017
37,360,000	37,360,000	Ordinary shares of Rs. 10 each fully paid in cash	373,600	373,600
18,680,000	18,680,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	186,800	186,800
<u>56,040,000</u>	<u>56,040,000</u>		<u>560,400</u>	<u>560,400</u>

6. LONG TERM FINANCE - secured

Islamic

Long term finances utilised under diminishing musharka	572,133	429,817
Less: current portion of long term finances	(194,280)	(143,339)
	<u>377,853</u>	<u>286,478</u>

The Company has entered into Diminishing Musharka arrangements with following banks as under:

Meezan Bank Limited	6.1	183,305	127,373
Askari Bank Limited - Islamic Banking Services	6.2	208,828	302,444
MCB Islamic Bank Limited	6.3	180,000	-
		<u>572,133</u>	<u>429,817</u>

6.1 The Company has entered into Diminishing Musharka arrangements with Meezan Bank Limited amounting to Rs. 58.13 million, Rs. 140.77 million, Rs. 63.64 million and Rs. 42.02 million. These carry profit at the rate of 6 months KIBOR plus 0.5% per annum, 6 months average KIBOR + 0.5% per annum and 6 months KIBOR + 0.7% per annum and 6 months KIBOR + 0.7% per annum respectively, with a floor of 6% per annum and cap of 24% per annum and is payable on semi-annual basis. The tenure of facilities is upto five years with grace period of 1 year from the date of drawdown. The principal is payable in 8 equal semi-annual installments and last installment is payable on 23 October 2018, 25 January 2020, 15 November 2022 and 29 November 2022 respectively. These facilities are secured against 1st exclusive charge over specific fixed asset of the Company with 25% margin to be covered through 1st pari-passu charge over general plant and machinery.

6.2 This represents Diminishing Musharka arrangements entered with Askari Bank Limited - Islamic Banking Services amounting to Rs. 38.83 million, Rs. 54.25 million and Rs. 300 million. The first two tranches carry profit at the rate of 3 months average KIBOR + 0.5% per annum with a floor of 7% and cap of 25% per annum and is payable on quarterly basis in arrears. Further, third tranche carry profit at the rate of 3 months average KIBOR + 0.8% per annum with a floor of 4% and cap of 25%. The tenure of the facilities are five years from the date of drawdown. The principal is payable in 20 and 16 equal quarterly installments and last installment is payable on 20 June 2019, 09 July 2019 and 27 November 2020 respectively. The facilities are secured against exclusive hypothecation charges over specific plant and machinery of plastic and crown along with general plant and machinery of the Company amounting Rs. 125 million and 1st pari passu hypothecation charge amounting Rs. 353 million with 15% margin over all present and future plant and machinery of the Company.

Pakistan Synthetics Limited

6.3 The Company has entered into Diminishing Musharka arrangements with MCB Islamic Bank Limited amounting to Rs. 180 million. This carry profit at the rate of 6 months KIBOR plus 0.5% per annum with a floor of 5% and cap of 20% per annum and is payable on quarterly basis in arrears. The tenure of facility is upto three years with grace period of 1 year from the date of drawdown. The principal is payable in 8 equal quarterly installments and last installment is payable on 27 November 2020. This facility is secured against 1st pari passu charge with 25% margin over plant and machinery and Personal Guarantee of Sponsor Directors.

7. STAFF RETIREMENT BENEFITS

7.1 Defined benefit gratuity scheme

Principal actuarial assumptions used in the actuarial valuation of the fund carried out under Projected Unit Credit Method as at 30 June 2018 are as follows:

	2018	2017
- Discount rate per annum - percentage	10.0%	9.0%
- Expected rate of increase in salary level per annum - percentage	10.0%	9.0%
- Normal retirement age - years	60	60
- Death rate - mortality table	SLIC 2001-2005	SLIC 2001-2005

The amounts recognised in balance sheet are as follows:

	2018	2017
	(RUPEES IN '000)	
Present value of defined benefit obligation	23,834	16,888
Fair value of plan assets	-	-
	<u>23,834</u>	<u>16,888</u>

Movement in net defined benefit liability

Opening balance	16,888	14,554
Charge for the year	4,079	3,255
Re-measurement: Actuarial loss recognised in other comprehensive income	4,565	520
Benefits paid	(1,698)	(1,441)
Closing balance	<u>23,834</u>	<u>16,888</u>

Pakistan Synthetics Limited

Amounts recognized in total comprehensive income

The following amounts have been charged in respect of these benefits to profit and loss account and other comprehensive income:

	2018	2017
	(RUPEES IN '000)	
<i>Component of defined benefit costs recognised in profit and loss account</i>		
Current service cost	2,635	2,010
Interest cost	1,444	1,245
	<u>4,079</u>	<u>3,255</u>
<i>Component of defined benefit costs (re-measurement) recognised in other comprehensive income</i>		
Re-measurements: Actuarial (gain) / loss on obligation		
- (Gain) / loss due to change in financial assumptions	-	-
- (Gain) / loss due to change in demographic assumptions	-	-
- (Gain) / loss due to change in experience adjustments	4,565	520
	<u>4,565</u>	<u>520</u>
Total defined benefit cost recognised in profit and loss account and other comprehensive income	<u>8,644</u>	<u>3,775</u>
Expected contribution in the following year	<u>7,289</u>	<u>4,021</u>
Expected benefit payments to retire in the following year	<u>289</u>	<u>4,314</u>
Re-measurements: Accumulated actuarial loss recognised in other comprehensive income	<u>4,565</u>	<u>520</u>
Weighted average duration of the defined benefit obligation (years)	<u>35.54</u>	<u>36.95</u>
<i>Analysis of present value of defined benefit obligation</i>		
Type of Members:		
- Management	17,926	13,029
- Non - management	5,908	3,859
	<u>23,834</u>	<u>16,888</u>
Vested / Non-Vested		
- Vested benefits	19,043	13,694
- Non - vested benefits	4,791	3,194
	<u>23,834</u>	<u>16,888</u>
Type of benefits		
- Accumulated benefit obligation	11,068	8,044
- Amount attributed to future salary increase	12,766	8,844
	<u>23,834</u>	<u>16,888</u>

Pakistan Synthetics Limited

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	2018	2017
	(RUPEES IN '000)	
Discount rate + 1%	<u>21,276</u>	<u>15,287</u>
Discount rate - 1%	<u>26,848</u>	<u>18,813</u>
Long term salary increase + 1%	<u>26,925</u>	<u>18,867</u>
Long term salary decrease - 1%	<u>21,175</u>	<u>15,216</u>

8. LONG TERM PAYABLE - secured

Islamic

Husky Injection Molding Systems	8.1	448,423	-
Sacmi Imola S.C.	8.2	124,000	-
		<u>572,423</u>	<u>-</u>

8.1 This represents amount payable to a supplier amounting to USD 3.826 million under letter of credit (LC) to purchase Huksy molding machine. This carry markup at the rate of 3.05% per annum. The LC is maturing on 14 September 2019.

8.2 This represents amount payable to Sacmi Imola S.C. ("supplier") against purchase of plastic closure machine. The Company has arranged long term finance facility under Diminishing Musharaka from Bank Al-Falah Limited - Islamic Banking Branch amounting to Rs. 124 million for direct remittance to supplier. This carry profit at the rate of 6 month KIBOR plus 0.85%. The tenure of the facility is five years. The principal amount is payable in 10 equal semi-annual installments and last installment is payable on 5 July 2023. The facility is secured against first exclusive hypothecation charge over imported plant and machinery financed through the facility.

9. TRADE AND OTHER PAYABLES

Trade creditors including bills payable		1,263,568	875,589
Murabaha	9.1	168,487	215,728
Istisna	9.1	1,114,391	1,057,480
Accrued expenses		1,035	1,518
Advances from customers		114,782	108,661
Workers' welfare fund		754	560
Workers' profit participation fund	9.2	8,099	5,585
Bonus payable		5,223	-
Insurance premium payable		3,421	11,757
Due to employees	9.3	13,939	13,518
Sales tax payable		759	759
Short term compensated absences		2,293	2,249
Provision for Government levies		1,000	1,000
Provision for gas infrastructure cess		88,944	48,839
Others		608	13,064
		<u>2,787,303</u>	<u>2,356,307</u>

Pakistan Synthetics Limited

9.1 The Company has obtained facility of Rs. 1,480.950 million (2017: Rs. 1,272.809 million) from Islamic banks for short term finance under Murabaha, Tijarah and Istisna financing arrangement and has availed Rs. 165.326 million under Murabaha financing and Rs. 1,095.545 million under Istisna financing as at 30 June 2018 (2017: Rs. 212.744 million under Murabaha financing and Rs. 1,046.797 million under Istisna financing). The rate of profit approved by the bank at time of disbursement ranges from 6.34% to 7.54% (2017: 6.17% to 6.67%). This facility can be availed either in 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. This facility matures within six months and is renewable. During the period, the Company has availed Murabaha facility in Pak Rupees and purchased material valuing Rs. 305.74 million at sale amount of Rs. 315.57 million in Pak Rupees. The repayment is due after six months from the date of purchase. Moreover, the Company has availed Rs. 1,934.76 million (2017: Rs. 1,993.92 million) under Istisna financing during the year. The arrangement is secured against pari passu hypothecation charge on moveable and receivables of the Company.

9.2 Workers' profit participation fund	2018	2017
	(RUPEES IN '000)	
Balance as at 1 July	5,585	5,236
Interest on funds utilised in the Company's business at 9.5% (2017: 9%) per annum	30 531	349
	6,116	5,585
Allocation for the year	28 1,983	-
Balance as at 30 June	8,099	5,585

9.3 This represents salary and gratuity payable to employees amounting to Rs. 13.869 million (2017: Rs. 11.124 million) and Rs. 0.070 million (2017: Rs. 2.394 million) respectively.

10. SHORT TERM BORROWINGS - secured

Conventional

Short term import finance under mark-up arrangement		-	403,435
Money market loan under mark-up arrangement	10.1	300,000	300,000
Running finance under mark-up arrangement	10.2	429,709	115,742
		729,709	819,177

10.1 The facility for money market loan is available from an associated banking company for the purpose of meeting working capital requirement. The rate of mark-up on this financing arrangement is agreed at KIBOR plus 0.50% (2017: KIBOR plus 0.50%) per annum. The arrangement is secured against registered hypothecation over Company's stock and trade debts.

10.2 The facilities for running finance available from an associated banking company are for the purpose of meeting working capital requirements. The rates of mark-up is KIBOR plus 1.00% (2017: KIBOR plus 1.00%) per annum. These facilities mature within twelve months and are renewable. The arrangement is secured against first pari-passu charge by way of registered hypothecation over Company's stock and trade debts.

10.3 During the year, in addition to the above, the Company obtained and repaid interest-free short term loan from its associated companies on as and when required basis. Maximum aggregate amount of short term loan outstanding at the end of any day during the year was Rs. 62 million. Cumulative short term loan availed and repaid during the year was Rs. 394.50 million.

10.4 The facilities for above borrowings is available aggregating to Rs. 845.37 million (2017: Rs. 900 million). Further, as at 30 June 2018, the unavailed facilities from the above borrowings amounted to Rs. 115.66 million (2017: Rs. 80.82 million).

Pakistan Synthetics Limited

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

- 11.1.1** The facility for opening letter of guarantees from an associated banking company amounted to Rs. 119.242 million (2017:100 million). Bank guarantees amounting to Rs. 119.242 million (2017: Rs. 77.839 million) have been issued in favour of Sui Southern Gas Company Limited and Collector of Customs for payment of gas bills and clearance of import consignment while submitting bank guarantee against advance income tax to be deposited with national exchequer at import stage.
- 11.1.2** In 2011, the Gas Infrastructure Development Cess was levied via GIDC Act, 2011 and further the rate of cess was amended via Finance Bill 2012 - 2013 which was challenged in the Supreme Court of Pakistan. The Supreme Court of Pakistan declared GIDC Act, 2011 to be unconstitutional and ultra vires on the grounds that GIDC is a 'Fee' and not a 'Tax' and in the alternative it is not covered by any entry relating to imposition or levy of tax under Part-I of the Federal Legislative list and on either counts the 'cess' could not have been introduced through a money bill under the Constitution.

During 2015, Government passed a new law "Gas Infrastructure Development Cess Act, 2015 by virtue of which all prior enactments have been declared infructuous. The said Act levies GID Cess at Rs. 200/MMBTU on captive power consumption and at Rs.100/MMBTU on industrial connection from the date of passing of that Act. The Company has obtained a stay order on the retrospective application of the Act from The Honourable High Court of Sindh. The Company is confident of favourable outcome and therefore has not recorded a provision of Rs. 60.39 million (2017: Rs. 60.39 million) in these financial statements. However, the Company has recognised charge against GID cess from the date (i.e. April 2015) of the passing of the Act. On 26 October 2016, the High Court of Sindh held that enactment of GIDC Act 2015 is ultra-vires to the Constitution of Pakistan. Sui Southern Gas Company Limited has filed an intra-court appeal before the Divisional Bench of High Court of Sindh and is pending for adjudication. On 31 May 2017, separate petition filed by another company in the Peshawar High Court challenging the vires of the GIDC Act 2015 was dismissed for the reason that the Act has been passed by the Parliament strictly in accordance with the legislative procedures contained in the Constitution of Pakistan and therefore no procedural defect in the Act which could be made as a ground for its annulment. In view of aforementioned developments, the Company on prudent basis, continue to recognise provision after the passage of the Act.

- 11.1.3** During the year, the Company has received tax assessment order for tax year 2016 whereby Commissioner Inland Revenue has disallowed various expenses without evidence. Further for tax year 2015, the Commissioner has not accepted management's assessment of claim of adjustment of brought forward minimum tax u/s 113 and thus not allowed the entire claim. The Company has filed appeal with Commissioner Inland Revenue Appeals-II, LTU-I, Karachi and hearing is expected in October 2018. The management is confident of favorable outcome and has not recorded any provision in this regard.

11.2 Commitments

11.2.1 Letters of credits

The Company has facilities of Rs. 2,233 million (2017: Rs. 1,725.38 million) for opening letters of credit including Rs. 900 million from an associated banking company (2017: Rs. 800 million). At 30 June 2018, the open letters of credits for stock in trade, stores and spares and for capital commitment amounted to Rs. 445.354 million (2017: Rs. 1,272.37 million) including Rs. 182.121 million from an associated banking company (2017: Rs. 490.771 million).

- 11.3** The facilities disclosed in notes 11.1.1 and 11.2.1 are secured against first pari passu charge by way of registered hypothecation over Company's stock and trade debts, export bills sent to collection, documents of title to goods consigned to the Company, Banker's acceptance and Accepted Draft.

Pakistan Synthetics Limited

12. PROPERTY, PLANT AND EQUIPMENT

		2018	2017
		(Rupees in '000)	
Operating fixed assets	12.1	2,180,308	1,530,035
Capital work-in-progress	12.2	14,992	7,696
		2,195,300	1,537,731

12.1 Operating fixed assets

The following is a summary of the Company's operating fixed assets:

	2018								Total
	Leasehold land	Building on leasehold land	Plant and machinery	Spare parts and stand-by equipment	Vehicles	Office Improvements	Furniture and equipment	Computer accessories	
	(Rupees in '000)								
As at 1 July 2017									
Cost	28,118	306,383	3,937,047	52,693	48,106	1,976	16,010	4,996	4,395,329
Accumulated depreciation	(5,804)	(112,445)	(2,648,924)	(41,781)	(36,346)	(1,976)	(13,794)	(4,224)	(2,865,294)
Net book value	22,314	193,938	1,288,123	10,912	11,760	-	2,216	772	1,530,035
Additions	-	145,452	693,645	-	48	-	955	32	840,132
Disposal									
Cost	-	-	-	-	(48)	-	-	-	(48)
Accumulated depreciation	-	-	-	-	5	-	-	-	5
Depreciation charge for the year	658	13,740	160,304	9,513	4,324	-	799	478	189,816
Closing net book value	21,656	325,650	1,821,464	1,399	7,441	-	2,372	326	2,180,308
As at 30 June 2018									
Cost	28,118	451,835	4,630,692	52,693	48,106	1,976	16,965	5,028	5,235,413
Accumulated depreciation	(6,462)	(126,185)	(2,809,228)	(51,294)	(40,665)	(1,976)	(14,593)	(4,702)	(3,055,105)
Net book value	21,656	325,650	1,821,464	1,399	7,441	-	2,372	326	2,180,308
Useful life (in years)	30 - 99	20	5 - 20	5	8	3	5 - 10	3	

	2017								Total
	Leasehold land	Building on leasehold land	Plant and machinery	Spare parts and stand-by equipment	Vehicles	Office Improvements	Furniture and equipment	Computer accessories	
	(Rupees in '000)								
As at 1 July 2016									
Cost	28,118	213,620	3,332,083	52,693	52,647	1,976	15,510	4,471	3,701,118
Accumulated depreciation	(5,146)	(101,650)	(2,450,501)	(31,242)	(36,153)	(1,976)	(12,282)	(3,834)	(2,642,784)
Net book value	22,972	111,970	881,582	21,451	16,494	-	3,228	637	1,058,334
Additions	-	92,763	604,964	-	48	-	500	525	698,800
Disposal									
Cost	-	-	-	-	(4,589)	-	-	-	(4,589)
Accumulated depreciation	-	-	-	-	4,371	-	-	-	4,371
Depreciation charge for the year	658	10,795	198,423	10,539	4,564	-	1,512	390	226,881
Closing net book value	22,314	193,938	1,288,123	10,912	11,760	-	2,216	772	1,530,035
As at 30 June 2017									
Cost	28,118	306,383	3,937,047	52,693	48,106	1,976	16,010	4,996	4,395,329
Accumulated depreciation	(5,804)	(112,445)	(2,648,924)	(41,781)	(36,346)	(1,976)	(13,794)	(4,224)	(2,865,294)
Net book value	22,314	193,938	1,288,123	10,912	11,760	-	2,216	772	1,530,035
Useful life (in years)	30 - 99	20	5 - 20	5	8	3	5 - 10	3	

Pakistan Synthetics Limited

12.1.1 The depreciation charge for the year has been allocated as follows:

2018
(Rupees in '000)

2017

Continuing operations

Cost of sales	25	182,224	211,813
Distribution and selling costs	26	1,898	2,206
Administration and general expenses	27	5,694	6,619
		189,816	220,638

Discontinued operations

Distribution and selling costs	32.3	-	62
Administration and general expenses	32.4	-	6,181
		-	6,243

12.1.2 Particulars of immovable property (i.e. land and building) in the name of the Company are as follows:

Particulars	Location	Total Area
Leasehold Land (Hub plant)	F-1,2,3 & 13, 14 & 15, Hub Industrial Trading Estate District Lasbella, Balochistan	65,500 Sq. Meters
Leasehold Land (Port qasim plant)	Plot No. A-5, N.W.I.Z., Port Qasim Authority, Karachi	20,234 Sq. Meters

12.1.3 No assets having book value in excess of Rs. 500,000 has been disposed off during the year.

During the year, the management has revised the estimated useful life of certain plant and machinery and extended useful life by 5 years. The change in useful lives has been applied prospectively in accordance with the requirements of IAS 8, "Accounting Policies, Change in Accounting Estimates and Errors". Had there been no such change in estimate of useful life, the depreciation charge for such plant and machinery for the year ended 30 June 2018 would have been higher and the profit for the year would have been lower by Rs. 73.93 million. The effect of change on the depreciation expense recognised in profit or loss, in future year is as follows:

	2019	2020	2021	2022	2023	Later
	----- (Rs. in million) -----					
Decrease / (increase) in depreciation expense	73.93	73.93	55.72	(22.44)	(26.44)	(228.63)

Pakistan Synthetics Limited

12.2 Capital work-in-progress

	Cost			As at 30 June 2018
	As at 1 July 2017	Additions	Transfers	
	----- (Rupees in '000) -----			
Building on leasehold land	2,696	138,483	(140,451)	728
Plant and machinery	-	436,412	(422,148)	14,264
Advance against capital expenditure	5,000	-	(5,000)	-
	<u>7,696</u>	<u>574,895</u>	<u>(567,599)</u>	<u>14,992</u>

	Cost			As at 30 June 2017
	As at 1 July 2016	Additions	Transfers	
	----- (Rupees in '000) -----			
Building on leasehold land	78,633	18,342	(94,279)	2,696
Plant and machinery	574,477	24,981	(599,458)	-
Advance against capital expenditure	-	7,500	(2,500)	5,000
	<u>653,110</u>	<u>50,823</u>	<u>(696,237)</u>	<u>7,696</u>

13. INTANGIBLE ASSETS

	2018	2017
	(Rupees in '000)	
Computer software		
Addition during the year	1,263	-
Amortization during the year	(421)	-
Closing balance	<u>842</u>	<u>-</u>

14. LONG TERM LOAN TO EMPLOYEES - secured

Due from employees - considered good	6,122	5,182
Less: Recoverable within one year	(1,596)	(1,211)
	<u>4,526</u>	<u>3,971</u>

14.1 These loans are interest free and granted to executives and employees of the Company in accordance with the Company's policy for purchase of cars, motor cycles and household appliances. The loans are recoverable in installments over a period of 24 to 86 months. These are secured against staff retirement benefits of such employees.

14.2 These also include loan to an employee Mr. Syed Mazhar Ali (Plant manager) amounting Rs. 3.33 million for a period of 78 months repayable in equal monthly installments. The loan is secured against staff retirement benefits of the employee.

15. LONG TERM DEPOSITS AND PREPAYMENTS

Deposits			
- Utility deposits	15.1	1,609	1,609
- Security deposits	15.1	738	250
		<u>2,347</u>	1,859
Provision for doubtful deposits		(1,094)	(1,094)
		<u>1,253</u>	765
Islamic			
Long term prepayments	15.2	18,038	-
Less: current portion of long term prepayments		(14,929)	-
		<u>3,109</u>	-
		<u>4,362</u>	<u>765</u>

15.1 These long term deposits are non-interest bearing.

Pakistan Synthetics Limited

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

16. DEFERRED TAXATION

Deferred tax liability comprises of (deductible) / taxable temporary differences in respect of the following:

	2018	2017
	(Rupees in '000)	
Taxable temporary difference		
Accelerated tax depreciation	155,923	106,704
Deductible temporary differences		
Provision for staff gratuity	(6,912)	(5,066)
Provision for doubtful debts, doubtful advances slow moving and obsolete stocks stores and spares and doubtful deposits	(81,505)	(67,068)
Minimum tax, un-used tax credits and tax losses	(175,945)	(58,833)
	<u>(264,362)</u>	<u>(130,967)</u>
	<u>(108,439)</u>	<u>(24,263)</u>

17. STORES AND SPARES

Stores and spares		
- in hand	238,867	231,243
- in transit	11,287	-
	<u>250,154</u>	<u>231,243</u>
Provision for slow moving and obsolete items	(48,480)	(48,480)
	<u>201,674</u>	<u>182,763</u>

18. STOCK-IN-TRADE

Raw and packing material		
- in hand	456,855	336,073
- in transit	387,319	383,672
	<u>844,174</u>	<u>719,745</u>
Work-in-process	18.1 66,918	18,828
Finished goods	18.1 1,346,185	1,161,952
Provision for slow moving and obsolete stock	(6,385)	(1,133)
	<u>1,339,800</u>	<u>1,160,819</u>
	<u>2,250,892</u>	<u>1,899,392</u>

18.1 Finished goods and work-in-process costing Rs. Nil (2017: Rs. 1.115 billion) has been carried at net realisable value of Rs. Nil (2017: Rs. 1.1 billion).

19. TRADE DEBTS

Considered good - unsecured	644,967	621,267
Considered good - secured	-	173,983
Considered doubtful	223,618	172,852
	<u>868,585</u>	<u>968,102</u>
Provision for doubtful debts	(223,618)	(172,852)
	<u>644,967</u>	<u>795,250</u>

Pakistan Synthetics Limited

20. LOANS AND ADVANCES

		2018 (Rupees in '000)	2017
Loans - considered good			
Current maturity of long term loan due from employees	14	1,596	1,211
Advances - considered good			
- employees against salary		164	64
- letters of credit fees and expenses		152	340
- suppliers	20.1	15,127	10,631
		15,443	11,035
Advances - considered doubtful			
Advances to supplier		1,474	-
Provision for doubtful advances		(1,474)	-
		-	-
		17,039	12,246

20.1 This includes advances to foreign companies in normal course of business which are as follows:

Hydero Motion		1,606	1,606
Ulong Hefei Xulong		930	930
Sacmi Imola		322	322
Lianyungang Yuanji		168	168
Piovan S.P.A		814	-
Sew Eurodrive		-	596
Shanghai Wanhong International		-	39
Shanghai Huhengxian		-	989
Well Start Enterprises		-	857
Takasago Electric, Inc.		-	237
Tampo Print		-	88
		3,840	5,832

21. SHORT TERM DEPOSITS AND PREPAYMENTS

Conventional			
Short term deposits		7,415	4,273
Islamic			
Current portion of long term prepayments	15.2	14,929	-
		22,344	4,273

22. OTHER RECEIVABLES

Islamic			
Derivative financial assets	22.1	42,557	-
Sales tax refundable		61,312	63,917
Others		3,314	-
		107,183	63,917

22.1 The Company has entered into forward exchange contracts for USD 3.826 million and a cross forward contract for Euro into USD. As at 30 June 2018, the fair values of these contracts are positive by Rs. 42.557 million resulting in recognition of asset.

23. CASH AND BANK BALANCES

With Islamic banks			
- current accounts		56,725	10,895
- saving accounts	23.1	-	45
		56,725	10,940
With conventional banks			
- current accounts		7,463	772
Cash in hand		70	114
		64,258	11,826

Pakistan Synthetics Limited

23.1 Rate of return on saving accounts range from 3.45% to 3.70% (2016: 3.75% to 4%) per annum.

24. NET SALES

	2018 (Rupees in '000)	2017
Local - Crowns and plastic caps	2,062,276	1,829,467
Local - PET resin	3,930,108	1,564,877
Export - PET resin	2,578	-
Others	2,045	1,967
	<u>5,997,007</u>	<u>3,396,311</u>
Sales tax	(744,380)	(484,344)
Net sales	<u>5,252,627</u>	<u>2,911,967</u>

25. COST OF SALES

Raw and packing material consumed			
- Opening stock		670,707	785,407
- Purchases		4,316,813	2,938,079
- Inter-segment transfer		-	8,711
		<u>4,987,520</u>	<u>3,732,197</u>
- Closing stock		(798,823)	(670,707)
		<u>4,188,697</u>	<u>3,061,490</u>
Salaries, wages and other benefits	25.1	191,580	142,084
Fuel and power		211,967	181,059
Depreciation	12.1.1	182,224	211,813
Repairs and maintenance		12,798	7,244
Rent, rates and taxes		11,878	10,753
Stores and spares consumed		70,132	78,983
(Reversal against) / provision for slow moving and obsolete stock		5,252	(6,174)
Printing and stationary		1,536	589
Travelling and conveyance		18,669	15,063
Communication		318	429
Insurance		15,365	15,582
General expenses		4,575	2,106
		<u>4,914,991</u>	<u>3,721,021</u>
Opening stock of work-in-process		18,828	14,107
Closing stock of work-in-process		(66,918)	(18,828)
Cost of goods manufactured		<u>4,866,901</u>	<u>3,716,300</u>
Opening stock of finished goods		1,161,952	88,393
Closing stock of finished goods		(1,346,185)	(1,161,952)
		<u>4,682,668</u>	<u>2,642,741</u>

25.1 Salaries, wages and other benefits include Rs. 3.26 million (2017: Rs. 2.6 million) in respect of staff gratuity expense.

26. DISTRIBUTION AND SELLING COSTS

Salaries and other benefits	26.1	8,945	7,703
Depreciation	12.1.1	1,898	2,206
Outward freight and handling charges		63,267	51,533
Marketing expense		360	
Travelling and conveyance		627	608
Fuel and power		305	521
Repair and maintenance		46	42
Communication		170	149
Other expenses		266	242
		<u>75,884</u>	<u>63,004</u>

26.1 Salaries and other benefits include Rs. 0.20 million (2017: Rs. 0.16 million) in respect of staff gratuity expense.

Pakistan Synthetics Limited

27. ADMINISTRATION AND GENERAL EXPENSES

		2018	2017
		(Rupees in '000)	
Salaries and other benefits	27.1	26,834	23,109
Rent, rates and taxes		5,876	5,277
Depreciation	12.1.1	5,694	6,619
Amortisation		421	
Fuel and power		914	1,070
Travelling and conveyance		1,881	1,824
Communication		509	448
Printing, stationary and subscription fees		2,499	1,770
Provision against doubtful debts		1,832	-
Provision against doubtful advances		1,474	
Repair and maintenance		138	126
Legal and professional charges		3,096	2,395
Other expenses		785	727
		<u>51,953</u>	<u>43,365</u>

27.1 Salaries and other benefits include Rs. 0.61 million (2017: Rs. 0.49 million) in respect of staff gratuity expense.

28. OTHER OPERATING EXPENSES

Auditors' remuneration	28.1	1,300	990
Workers' profit participation fund	9.2	1,983	-
Workers' welfare fund		754	560
Exchange loss - net	28.2	171,258	10,609
		<u>175,295</u>	<u>12,159</u>

28.1 Auditors' remuneration

Audit fee	650	600
Half yearly review	250	220
Special certifications	250	100
Out of pocket expenses	150	70
	<u>1,300</u>	<u>990</u>

28.2 These include exchange gain amounting to Rs. 44.41 million (2017: Rs. nil) on account of forward contracts entered during the year.

29. OTHER INCOME

		2018	2017
		(Rupees in '000)	
Income from financial assets - Islamic			
Profit on saving accounts		3	53
Income from non-financial assets			
Others		9,357	4,721
Reversal of provision		-	4,515
Liabilities written back		12,458	-
		<u>21,818</u>	<u>9,289</u>

Pakistan Synthetics Limited

30. FINANCE COSTS

	2018	2017
	(Rupees in '000)	
<i>Conventional</i>		
Mark-up on:		
- short term running finance	51,063	41,436
- short term import finances	1,158	5,698
	<u>52,221</u>	<u>47,134</u>
<i>Islamic</i>		
Mark-up on:		
- long term finance	36,549	33,838
- short term murabaha	11,306	13,901
- short term istisna	72,111	42,141
Amortization of:		
- long term payables	10,663	
- LC confirmation charges	11,412	
- short term tijarah	-	733
	<u>142,041</u>	<u>90,613</u>
<i>Conventional</i>		
Bank guarantee commission	634	705
Inland bill discounting and documentation charges	5,964	2,397
Interest on workers' profit participation fund	531	349
Bank charges	3,812	1,788
	<u>10,941</u>	<u>5,239</u>
	<u>205,203</u>	<u>142,986</u>

31. TAXATION

Current tax	2,769	-
Deferred	(69,823)	(66,502)
	<u>(67,054)</u>	<u>(66,502)</u>

- 31.1** The provision for current year tax represents tax on taxable income at the rate of 30% (2017: 31%). Finance Act 2018 enacted gradual reduction in the corporate tax rates for companies from 30% (current tax rate) to 25% over a period of five years. The Company computes current tax expense based on the generally accepted interpretation of the tax laws to ensure that the sufficient provision for the purpose of taxation is available. According to management, the tax provision made in the financial statements is sufficient. A comparison of last three years of income tax provision with tax assessed is presented below:

	2017	2016	2015
	(Rupees in '000)		
Income tax provision for the year (as per accounts)	-	12,138	3,110
Income tax as per tax assessment	-	49,486	-

- 31.2** Under section 5A of Income Tax Ordinance, 2001 (as amended by the Finance Act 2018), a tax shall be imposed at the rate specified therein on the accounting profit before tax on the every public company, other than schedule bank or modaraba, that drives profit for a tax year but does not distribute dividend upto a prescribed amount (requisite dividend) within six months of the end of the tax year. The Company has reported profit before tax and are not distributing any cash dividend therefore Company has charged additional tax under section 5A.

Pakistan Synthetics Limited

31.3 Relationship between income tax expense and accounting profit

	2018	2017
	(Rupees in '000)	
Accounting profit before taxation - continuing operation	83,442	17,001
Accounting loss before taxation - discontinued operation	(46,522)	(47,550)
	<u>36,920</u>	<u>(30,549)</u>
Tax at the applicable rate of 30% (2017: 31%)	11,076	(9,470)
Tax effect of permanent difference on land depreciation	197	197
Effect of minimum tax and tax credits	(69,365)	(60,496)
Effect of change in tax rate	(24,764)	-
Tax under section 5A of the ordinance	2,769	-
Others	50	562
	<u>(80,037)</u>	<u>(69,207)</u>
Taxation - continuing operation	(67,054)	(66,502)
Taxation - discontinued operation	(12,983)	(2,705)
	<u>(80,037)</u>	<u>(69,207)</u>

32. LOSS AFTER TAXATION FROM DISCONTINUED OPERATION

On 20 April 2015, the Board of Directors had decided to convert existing polyester staple fibre plant into PET resin manufacturing plant by making necessary modifications in existing plant.

Results of discontinued operation

Net sales	32.1	3,656	7,080
Cost of sales	32.2	(3,687)	(9,824)
Gross loss		(31)	(2,744)
Distribution and selling costs	32.3	-	(145)
Administration and general expenses	32.4	(48,934)	(46,268)
		<u>(48,934)</u>	<u>(46,413)</u>
Loss from operation		(48,965)	(49,157)
Other income	32.5	2,443	1,607
Loss before taxation		(46,522)	(47,550)
Taxation	32.6	12,983	2,705
Loss after taxation from discontinued operation		<u>(33,539)</u>	<u>(44,845)</u>

32.1 Net sales

Raw material	3,729	7,298
Sales tax	(73)	(218)
Net sales	<u>3,656</u>	<u>7,080</u>

Pakistan Synthetics Limited

32.2 Cost of sales

	2018	2017
	(Rupees in '000)	
Raw and packing materials consumed		
- Opening stock	49,038	67,573
- Inter-segment transfer	-	(8,711)
	<u>49,038</u>	<u>58,862</u>
- Closing stock	(45,351)	(49,038)
	<u>3,687</u>	<u>9,824</u>
Opening stock of finished goods	-	-
	<u><u>3,687</u></u>	<u><u>9,824</u></u>

32.3 Distribution and selling costs

Salaries and other benefits	32.3.1	-	64
Depreciation	12.1.1	-	62
Travelling and conveyance		-	9
Fuel and power		-	3
Communication		-	2
Other expenses		-	5
		<u>-</u>	<u>145</u>

32.3.1 Salaries and other benefits include Rs. Nil (2016: Rs. 0.05 million) in respect of staff gratuity expense.

32.4 Administration and general expenses

Salaries and other benefits	32.4.1	-	6,441
Rent, rates and taxes		-	183
Depreciation	12.1.1	-	6,181
Fuel and power		-	716
Travelling and conveyance		-	1,066
Communication		-	5
Printing, stationary and subscription fees		-	202
Provision for doubtful debts - net		48,934	30,231
Legal and professional charges		-	26
Insurance		-	1,200
Other expenses		-	17
		<u>48,934</u>	<u>46,268</u>

32.4.1 Salaries and other benefits include Rs. Nil (2016: Rs. 0.63 million) in respect of staff gratuity expense.

32.5 Other income

Income from non-financial assets

Liabilities written back	2,443	-
Profit on disposal of property, plant and equipment	-	1,607
	<u>2,443</u>	<u>1,607</u>

Pakistan Synthetics Limited

32.6 TAXATION

	2018	2017
	(Rupees in '000)	
Current year	-	-
Deferred	(12,983)	(2,705)
	<u>(12,983)</u>	<u>(2,705)</u>

32.7 Cash flow statement - discontinued operation

Net cash flow from operating activities	13,656	41,644
Net cash flow from investing activities	-	1,825
	<u>13,656</u>	<u>43,469</u>

32.8 Basis of preparation - discontinued operation

Net sales are on actual basis. Raw and packing material consumed are on actual basis in the cost of sales.

Distribution and selling costs and administrative and general expenses have been allocated on the basis of actual and internal usage basis which is consistent with prior years.

Other operating expenses and other income have been allocated on actual basis. Finance costs have been allocated on working capital basis.

The bifurcation of long term financing and short term borrowings in cash flows from financing activities has been made on working capital basis.

33. EARNINGS PER SHARE - BASIC AND DILUTED

Profit for the year after taxation - continuing operation	150,496	83,503
Loss for the year after taxation - discontinued operation	(33,539)	(44,845)
	<u>116,957</u>	<u>38,658</u>

(Number of shares)

Weighted average number of ordinary shares	<u>56,040,000</u>	<u>56,040,000</u>
--	-------------------	-------------------

(Rupees)

Earnings per share - basic and diluted - continuing operation	2.69	1.49
Loss per share - basic and diluted - discontinued operation	(0.60)	(0.80)
Net earnings per share - basic and diluted	<u>2.09</u>	<u>0.69</u>

34. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the financial statements for remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Company were as follows:

	Chief Executive		Executive Directors		Non Executive Directors		Executives		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	(Rupees in '000)									
Managerial remuneration	2,772	2,772	1,980	1,980	-	-	20,617	13,754	25,369	18,506
Housing and utilities	1,428	1,428	1,020	1,020	-	-	10,342	7,160	12,790	9,608
Gratuity	-	-	-	-	-	-	1,140	764	1,140	764
Medical expenses	-	-	-	-	-	-	1,431	975	1,431	975
Leave encashment	-	-	-	-	-	-	2,339	374	2,339	374
Other allowances	-	-	-	-	-	-	182	314	182	314
Meeting fees	100	125	100	125	775	900	-	-	975	1,150
	<u>4,300</u>	<u>4,325</u>	<u>3,100</u>	<u>3,125</u>	<u>775</u>	<u>900</u>	<u>36,051</u>	<u>23,341</u>	<u>44,226</u>	<u>31,691</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>7</u>	<u>7</u>	<u>16</u>	<u>11</u>	<u>25</u>	<u>20</u>

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

Pakistan Synthetics Limited

35. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial risk management

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

The Board of Directors are responsible for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

35.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. Customers of the Company's polyester staple fibre segment are textile mills whereas customers of crown / plastic caps and PET resin are mostly food and beverages companies.

Exposure to credit risk

Credit risk of the Company arises principally from the trade debts and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2018	2017
	(Rupees in '000)	
Loan to employees	6,122	5,182
Long term deposits	1,253	765
Trade debts	644,967	795,250
Short term deposits	7,415	4,273
Other receivables	45,871	-
Bank balances	64,188	11,712
	<u>769,816</u>	<u>817,182</u>

Bank balances are held with reputable banks with high quality credit ratings. At year end, the Company has bank balances with banks having credit ratings ranging from A1 to A1+.

The aging of trade receivables at the reporting date is:

Pakistan Synthetics Limited

	2018		
	Gross	Impairment	Total
	----- (Rupees in '000) -----		
Not past due	574,204	-	574,204
Past due 90-180 days	42,285	(1,832)	40,453
Past due 181-360 days	-	-	-
Past due over 360 days	252,096	(221,786)	30,310
	<u>868,585</u>	<u>(223,618)</u>	<u>644,967</u>
	2017		
	Gross	Impairment	Total
	----- (Rupees in '000) -----		
Not past due	646,322	-	646,322
Past due 90-180 days	37,767	-	37,767
Past due 181-360 days	21,314	-	21,314
Past due over 360 days	262,699	(172,852)	89,847
	<u>968,102</u>	<u>(172,852)</u>	<u>795,250</u>

The movement in the allowance for impairment in respect of trade receivables is as follows:

	2018	2017
	(Rupees in '000)	
Opening balance	172,852	142,621
Provision for doubtful debts	63,653	31,432
Reversal made during the year	(12,887)	(1,201)
	<u>50,766</u>	<u>30,231</u>
Closing balance	<u>223,618</u>	<u>172,852</u>

Based on the past experience, consideration of financial position, past track records and recoveries, the Company believes that appropriate impairment has been made and no impairment allowance is necessary in respect of unprovided amounts as there are reasonable grounds to believe that the amounts will be recovered in due course of time.

35.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's Company reputation, by having credit lines available as disclosed in note 8.1 and 9 to these financial statements. The ensures that it has sufficient cash on demand to meet expected working capital requirements. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	2018			
	Carrying amount	Contractual cash flows	Upto one year	Two to five years
	----- (Rupees in '000) -----			
Non-derivative financial liabilities				
Long term finances	572,133	(634,948)	(229,409)	(405,539)
Long term payable	572,423	(613,217)	(16,782)	(596,435)
Trade and other payables	2,687,747	(2,687,747)	(2,687,747)	-
Short term borrowings	729,709	(733,836)	(733,836)	-
Accrued mark-up	21,779	(21,779)	(21,779)	-
	<u>4,583,791</u>	<u>(4,691,527)</u>	<u>(3,689,553)</u>	<u>(1,001,974)</u>

Pakistan Synthetics Limited

	2017			
	Carrying amount	Contractual cash flows	Upto one year	Two to five years
	(Rupees in '000)			
Non-derivative financial liabilities				
Long term finances	429,817	(475,761)	(164,172)	(311,589)
Trade and other payables	2,276,750	(2,315,628)	(2,315,628)	-
Short term borrowings	819,177	(826,189)	(826,189)	-
Accrued mark-up	12,491	(12,491)	(12,491)	-
	3,538,235	(3,630,069)	(3,318,480)	(311,589)

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rate effective as at 30 June. The rate of mark-up have been disclosed in notes 6, 8.1 and 9 to these financial statements.

35.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

35.3.1 Currency risk

The Company is exposed to currency risk on foreign creditors and short term borrowings that are denominated in a currency other than the respective functional currency of the Company. The Company's exposure to foreign currency risk is as follows:

	2018		
	Rupees	US Dollars	Euro
	(Amount in '000)		
Other receivables	42,557	3,826	969
Long term payables	(572,423)	(3,826)	(969)
Foreign creditors	(1,151,373)	(9,046)	(269)
	(1,723,796)	(12,872)	(1,238)
Gross balance sheet exposure	(1,681,239)	(9,046)	(269)
	2017		
	Rupees	US Dollars	Euro
	(Amount in '000)		
Foreign creditors	(797,995)	(6,994)	(529)
Short term borrowings	(403,435)	(3,317)	(459)
Gross balance sheet exposure	(1,201,430)	(10,311)	(988)

The following significant exchange rate has been applied:

	Average rate		Reporting date rate	
	2018	2017	2018	2017
USD to PKR	110.29	105.71	121.60	105.00
Euro to PKR	132.34	115.21	141.57	120.14

Pakistan Synthetics Limited

Sensitivity analysis

A five percent depreciation of the rupee against the following currencies at 30 June would have decreased the equity and profit or loss by the after tax amounts shown below. This analysis assumes that all other variables, in particular interest rates remain constant.

	Equity and profit and loss	
	2018	2017
USD	(38,500)	(37,351)
EURO	(1,333)	(4,097)
	<u>(39,833)</u>	<u>(41,448)</u>

A five percent appreciation of the rupees against the above currencies at 30 June would have had the equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant. The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

35.3.2 Interest rate risk

Interest rate risk is the risk that the fair value on future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate exposure arises from long term finance and short term borrowings.

At the reporting date the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	Interest rate		Carrying amount	
	2018	2017	2018	2017
	(Percentage)		(Rupees in '000)	
Fixed rate instruments				
Bank balances	3.45% - 3.70%	3.75% - 4%	-	45
Variable rate instruments				
Long term finances	6.66% - 7.61%	6.5% - 10%	(572,133)	(429,817)
Long term payable	3.05% - 7.01%	-	(572,423)	-
Trade and other payables	6.34% - 9.5%	6.17% - 9%	(1,290,977)	(1,278,793)
Short term borrowings	1.8% - 8.05%	1.8% - 7.28%	(729,709)	(819,177)
			<u>(3,165,242)</u>	<u>(2,527,787)</u>

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in interest rates at the reporting date would not affect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit after tax for the year by Rs. 21.289 million (2017: Rs. 17.442 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2017.

Pakistan Synthetics Limited

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

35.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The company is not exposed to other price risk.

35.4 Reconciliation of movements of liabilities to cash flows arising from financing activities

	Short term borrowings	Long term borrowings	Accrued markup	Retained earnings	Total
----- (Rupees in '000) -----					
Balance as at 1 July 2017	819,177	429,817	12,491	369,061	1,630,546
Changes from financing cash flows					
Long term diminishing musharka - net	-	142,316	-	-	142,316
Payments / (repayments) - net	(403,435)	-	-	-	(403,435)
Dividend paid	-	-	-	(22,412)	(22,412)
Total changes from financing activities	415,742	572,133	12,491	346,649	1,347,015
Other changes - interest cost					
Interest expense	-	-	200,757	-	200,757
Interest paid	-	-	(191,469)	-	(191,469)
Changes in running finance	313,967	-	-	-	313,967
	313,967	-	9,288	-	323,255
Total equity related other changes	-	-	-	136,174	136,174
Balance as at 30 June 2018	729,709	572,133	21,779	482,823	1,806,444

Pakistan Synthetics Limited

35.5 Fair value of financial instruments

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in 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: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

	30 June 2018					
	Carrying amount			Fair Value		
	Loans and receivables	Fair value	Other financial liabilities	Level 1	Level 2	Level 3
	----- (Rupees in '000) -----					
Financial assets not measured at fair value						
Loan to employees	6,122	-	-	-	-	-
Long term deposits	1,253	-	-	-	-	-
Trade debts	644,967	-	-	-	-	-
Deposits	7,415	-	-	-	-	-
Other receivables	45,871	-	-	-	-	-
Bank balances	64,188	-	-	-	-	-
Financial liabilities not measured at fair value						
Long term financing	-	-	572,133	-	-	-
Long term payables	-	-	572,423	-	-	-
Trade and other payables	-	-	2,662,909	-	-	-
Short term borrowings	-	-	729,709	-	-	-

	30 June 2017					
	Carrying amount			Fair Value		
	Loans and receivables	Fair value	Other financial liabilities	Level 1	Level 2	Level 3
	----- (Rupees in '000) -----					
Financial assets not measured at fair value						
Loan to employees	5,182	-	-	-	-	-
Trade debts	795,250	-	-	-	-	-
Deposits	4,273	-	-	-	-	-
Cash and bank balances	11,712	-	-	-	-	-
Financial liabilities not measured at fair value						
Long term financing	-	-	429,817	-	-	-
Trade and other payables	-	-	2,395,913	-	-	-
Short term borrowings	-	-	819,177	-	-	-

Pakistan Synthetics Limited

The estimated fair value of all financial assets and liabilities is considered not significantly different from carrying values as the items are either short-term in nature or periodically repriced.

36. TRANSACTIONS 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 related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2018	2017
	(Rupees in '000)	
Key management personnel compensation		
Managerial remunerations	<u>25,369</u>	<u>18,506</u>
Others	<u>18,857</u>	<u>13,185</u>
Associated banking company		
Current bank account balance	<u>7,129</u>	<u>162</u>
Saving account balance	<u>-</u>	<u>45</u>
Short term murabaha	<u>36,203</u>	<u>88,840</u>
Short term istisna	<u>248,072</u>	<u>-</u>
Short term borrowings	<u>729,709</u>	<u>819,177</u>
Accrued mark-up	<u>10,120</u>	<u>7,023</u>
Bank collection charges paid	<u>3,312</u>	<u>1,788</u>
Bank guarantee commission	<u>634</u>	<u>705</u>
Mark up on long term finance	<u>-</u>	<u>608</u>
Interest income on bank deposits	<u>3</u>	<u>53</u>
Mark up on short term import finance under mark-up arrangement	<u>1,158</u>	<u>5,698</u>
Mark up on short term borrowings	<u>51,063</u>	<u>38,303</u>
Mark up on short term murabaha	<u>5,511</u>	<u>2,585</u>
Mark up on short term istisna	<u>8,100</u>	<u>-</u>
Mark up on inland bill discounting	<u>4,363</u>	<u>2,397</u>

Pakistan Synthetics Limited

- 36.1** The following are the related parties with whom the Company had entered into transaction or have arrangement / agreement in place:

Name of the Related Party	Relationship
Al-Karam Textile Mills (Private) Limited	Associated Company due to common directorship
Amna Industries (Private) Limited	Associated Company due to common directorship
Bank Al-Habib Limited	Associated Company due to common directorship
Bank Islami Pakistan Limited	Associated Company due to common directorship
Shield Corporation Limited	Associated Company due to common directorship
First Paramount Modaraba	Associated Company due to common directorship
Sattar (Private) Limited	Associated Company due to common directorship
Iqbal Textile (Private) Limited	Associated Company due to common directorship
Dhabeji Salts (Private) Limited	Associated Company due to common directorship
Akaz Brands (Private) Limited	Associated Company due to common directorship

- 36.2** No associated company owns any share of the Company except for First Paramount Modaraba which own 100 shares of the Company.

- 36.3** There has been no outstanding balances with related parties except for Bank Al-Habib Limited and Bank Islami Pakistan Limited which are disclosed above. These are settled in ordinary course of business.

37. PLANT CAPACITY AND PRODUCTION

		2018	2017
Capacity available - Plastic and crown caps	<i>Cartons</i>	<u>558,570</u>	<u>504,000</u>
Actual production - Plastic and crown caps	<i>Cartons</i>	<u>495,057</u>	<u>409,253</u>
Capacity available - PET resin	<i>Metric tons</i>	<u>28,000</u>	<u>28,000</u>
Actual production - PET resin	<i>Metric tons</i>	<u>25,782</u>	<u>20,952</u>
Capacity available - PET preform	<i>Octabins</i>	<u>3,265</u>	<u>-</u>
Actual production - PET preform	<i>Octabins</i>	<u>1,771</u>	<u>-</u>

- 37.1** Since the production of crown / plastic caps, PET resin and PET preform is purely demand driven therefore variance is mainly attributed to the reduced demand.

38. MOVEMENT IN WORKING CAPITAL

	2018	2017
	(Rupees in '000)	
(Increase) / decrease in current assets:		
Stores and spares	(18,911)	825
Stock in trade	(356,752)	(945,045)
Trade debts	99,517	(179,346)
Loans and advances	(6,267)	15,036
Short term deposits and prepayments	(18,071)	(2,897)
Other receivables	(709)	8,861
	<u>(301,193)</u>	<u>(1,102,566)</u>
Increase in current liabilities:		
Trade and other payables	<u>431,558</u>	<u>1,334,009</u>
	<u>130,365</u>	<u>231,443</u>

Pakistan Synthetics Limited

39. CAPITAL RISK MANAGEMENT

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to the shareholders or issue new shares. The Company is not subject to externally imposed capital requirements.

40. INFORMATION ABOUT BUSINESS SEGMENTS

40.1 The Company's reportable segments are as follows:

- Manufacturing of crown / plastic caps and PET Resin (crown / plastic caps and PET Resin segment).
- Manufacturing and sale of polyester staple fibre (polyester staple fibre segment).

Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of these segments. The Company has discontinued production of polyester staple fibre. Information regarding the Company's reportable segments is presented below:

40.2 Segment revenue and results

Following is an analysis of the Company's revenue and results by reportable segment:

	2018			Total
	Polyester staple fibre (Discontinued)	Crown / plastic caps and PET Resin	Unallocated	
	----- (Rupees in '000) -----			
Net sales	3,656	5,252,627	-	5,256,283
Cost of sales				
Opening balance of finished goods	-	1,161,952	-	1,161,952
Cost of goods manufactured	3,687	4,866,901	-	4,870,588
Available for sale	3,687	6,028,853	-	6,032,540
Closing balance of finished goods	-	(1,346,185)	-	(1,346,185)
	<u>3,687</u>	<u>4,682,668</u>	<u>-</u>	<u>4,686,355</u>
Gross (loss) / profit	(31)	569,959	-	569,928
Distribution and selling costs	-	(75,884)	-	(75,884)
Administration and general expenses	(48,934)	(51,953)	-	(100,887)
Other operating expenses	-	(171,258)	(4,037)	(175,295)
	<u>(48,934)</u>	<u>(299,095)</u>	<u>(4,037)</u>	<u>(352,066)</u>
(Loss) / profit from operations	<u>(48,965)</u>	<u>270,864</u>	<u>(4,037)</u>	<u>217,862</u>
Other income	2,443	21,815	3	24,261
Finance costs	-	(204,672)	(531)	(205,203)
(Loss) / profit before taxation	<u>(46,522)</u>	<u>88,007</u>	<u>(4,565)</u>	<u>36,920</u>
Taxation	-	-	80,037	80,037
(Loss) / profit after taxation	<u>(46,522)</u>	<u>88,007</u>	<u>75,472</u>	<u>116,957</u>

Pakistan Synthetics Limited

	2018			
	Polyester staple fibre (Discontinued)	Crown / plastic caps and PET Resin	Unallocated	Total
	----- (Rupees in '000) -----			
Cost of goods manufactured:				
Opening stock of work in process	-	18,828	-	18,828
Raw and packing material consumed	3,687	4,188,697	-	4,192,384
Salaries, wages and other benefits	-	191,580	-	191,580
Fuel and power	-	211,967	-	211,967
Depreciation	-	182,224	-	182,224
Repairs and maintenance	-	12,798	-	12,798
Rent, rates and taxes	-	11,878	-	11,878
Stores and spares consumed	-	70,132	-	70,132
Provision for slow moving and obsolete stock	-	5,252	-	5,252
Printing and stationary	-	1,536	-	1,536
Travelling and conveyance	-	18,669	-	18,669
Communication	-	318	-	318
Insurance	-	15,365	-	15,365
General expenses	-	4,575	-	4,575
	3,687	4,933,819	-	4,937,506
Closing stock of work in process	-	(66,918)	-	(66,918)
	3,687	4,866,901	-	4,870,588

	2017			
	Polyester staple fibre (Discontinued)	Crown and plastic caps and PET Resin	Unallocated	Total
	----- (Rupees in '000) -----			
Net sales	7,080	2,911,967	-	2,919,047
Cost of sales				
Opening balance of finished goods	-	88,393	-	88,393
Cost of goods manufactured	9,824	3,716,300	-	3,726,124
Available for sale	9,824	3,804,693	-	3,814,517
Closing balance of finished goods	-	(1,161,952)	-	(1,161,952)
	9,824	2,642,741	-	2,652,565
Gross (loss) / profit	(2,744)	269,226	-	266,482
Administration and general expenses	(46,268)	(43,365)	-	(89,633)
Distribution and selling costs	(145)	(63,004)	-	(63,149)
Other operating expenses	-	(10,609)	(1,550)	(12,159)
	(46,413)	(116,978)	(1,550)	(164,941)
(Loss) / Profit from operations	(49,157)	152,248	(1,550)	101,541
Other income	1,607	9,236	53	10,896
Finance costs	-	(142,637)	(349)	(142,986)
(Loss) / profit before taxation	(47,550)	18,847	(1,846)	(30,549)
Taxation	-	-	69,207	69,207
(Loss) / profit after taxation	(47,550)	18,847	67,361	38,658

Pakistan Synthetics Limited

	2017			Total
	Polyester staple fibre (Discontinued)	Crown and plastic caps	Unallocated	
	(Rupees in '000)			
Cost of goods manufactured:				
Opening stock of work in process	-	14,107	-	14,107
Raw and packing material consumed	9,824	3,061,490	-	3,071,314
Salaries, wages and other benefits	-	142,084	-	142,084
Fuel and power	-	181,059	-	181,059
Depreciation	-	211,813	-	211,813
Repairs and maintenance	-	7,244	-	7,244
Rent, rates and taxes	-	10,753	-	10,753
Stores and spares consumed	-	78,983	-	78,983
Provision for slow moving and obsolete stock	-	(6,174)	-	(6,174)
Printing and stationary	-	589	-	589
Travelling and conveyance	-	15,063	-	15,063
Communication	-	429	-	429
Insurance	-	15,582	-	15,582
General expenses	-	2,106	-	2,106
	9,824	3,735,128	-	3,744,952
Closing stock of work in process	-	(18,828)	-	(18,828)
	<u>9,824</u>	<u>3,716,300</u>	<u>-</u>	<u>3,726,124</u>

- 40.2.1 99.95% (2017: 100%) of the gross sales of the Company are made to customers located in Pakistan.
- 40.2.2 All non-current assets of the Company at 30 June 2018 are located in Pakistan.
- 40.2.3 Sales to two major customers (2017: two customers) of the Company is more than 10% of total sales of the Company during the year aggregating to 48.30% (2017: 50%).

Pakistan Synthetics Limited

40.3 Segment assets and liabilities

	*Polyester staple fibre (Discontinued) -----	Crown / plastic caps and PET resin (Rupees in '000) -----	Total -----
As at 30 June 2018			
Segment assets	<u>75,662</u>	<u>5,312,155</u>	<u>5,387,817</u>
Segment liabilities	<u>-</u>	<u>4,672,733</u>	<u>4,672,733</u>
As at 30 June 2017			
Segment assets	<u>137,960</u>	<u>4,298,431</u>	<u>4,436,391</u>
Segment liabilities	<u>2,925</u>	<u>3,657,661</u>	<u>3,660,586</u>

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

	2018 (Rupees in '000)	2017
Total assets for reportable segments	<u>5,387,817</u>	4,436,391
Unallocated assets	<u>671,884</u>	459,457
Total assets as per balance sheet	<u>6,059,701</u>	<u>4,895,848</u>
Total liabilities for reportable segments	<u>4,672,733</u>	3,660,586
Unallocated liabilities	<u>51,295</u>	13,351
Total liabilities as per balance sheet	<u>4,724,028</u>	<u>3,673,937</u>

* Property, plant and equipment and stores and spares related to discontinued operation are stated at not less than their recoverable amounts. Stock-in-trade is stated at their net realisable values. Appropriate impairment has been recorded against doubtful trade debts. All other assets are stated at their realisable values. All liabilities are stated at settlement values.

40.3.1 For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments except investment, sales tax refundable, taxation - net and cash and bank balances.
- all liabilities are allocated to reportable segments other than workers' welfare fund, workers' profit participation fund, unclaimed dividend, sales tax payable, provision for government levies, staff retirement benefits and deferred tax liabilities.

The above balances are not allocated to reportable segments as these are managed on total Company's basis.

Pakistan Synthetics Limited

40.3.2 Other segment information

	2018		
	Polyester staple fibre (Discontinued)	Crown / plastic caps and PET Resin	Total
	----- (Rupees in '000) -----		
Capital expenditure	-	848,691	848,691
Depreciation and amortization	-	190,237	190,237
Non-cash items (excluding depreciation and amortization)	46,491	8,558	55,049

	2017		
	Polyester staple fibre (Discontinued)	Crown and plastic caps	Total
	----- (Rupees in '000) -----		
Capital expenditure	-	53,386	53,386
Depreciation	6,243	220,638	226,881
Non-cash items (excluding depreciation and amortisation)	30,231	(6,174)	24,057

41. NUMBER OF EMPLOYEES

The detail of number of employees are as follows:

	2018	2017
	(Number of employees)	
Average employees of the Company during the year	298	173
Total employees of the Company at year end	306	289
Average employees working in the Company's factory during the year	270	144
Employees working in the Company's factory at the year end	279	260

42. GENERAL

42.1 The fourth schedule to the Companies Act, 2017 has introduced certain presentation and classification requirements for the elements of financial statements. Accordingly, the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of Companies Act, 2017. Following major reclassifications have been made during the year other than disclosed elsewhere in these financial statements.

Description	Reclassified from	Reclassified to	(Rupees in '000)
Unclaimed dividend	Trade and other payables	Unclaimed dividend (presented on face of statement of financial position)	39,257

42.2 These financial statements were authorised for issue in the meeting of Board of Directors held on 28 September 2018.

YAKOOB HAJI KARIM
Director

SALEEM ADVANI
Chief Financial Officer

PIR MOHAMMAD A.KALIYA
Director

Note: The Chief Executive of the Company is presently out of country, therefore, these financial statements have been signed by two directors of the Company duly authorised by the Board of Directors under Section 232 of the Companies Act, 2017.

Pakistan Synthetics Limited

PATTERN OF SHAREHOLDING

AS AT 30 JUNE 2018

NO. OF SHAREHOLDERS	SHAREHOLDING		TOTAL SHARES HELD
	From	To	
387	1	—	15,812
407	101	—	113,809
215	501	—	167,872
258	1001	—	625,769
31	5001	—	249,594
23	10001	—	301,363
5	15001	—	83,000
4	20001	—	91,900
4	25001	—	112,500
2	30001	—	65,400
2	35001	—	76,500
1	40001	—	43,900
1	50001	—	55,000
2	60001	—	129,300
1	65001	—	67,450
1	85001	—	90,000
1	95001	—	100,000
1	120001	—	121,082
2	125001	—	256,950
1	145001	—	145,611
1	155001	—	157,500
2	160001	—	323,550
2	220001	—	447,377
1	240001	—	242,848
1	335001	—	335,500
1	360001	—	363,500
1	395001	—	397,050
1	495001	—	500,000
1	505001	—	508,000
1	565001	—	567,500
1	600001	—	601,500

Pakistan Synthetics Limited

PATTERN OF SHAREHOLDING

AS AT 30 JUNE 2018

NO. OF SHAREHOLDERS	SHAREHOLDING		TOTAL SHARES HELD
	From	To	
1	740001	—	743,601
1	800001	—	801,400
3	930001	—	2,792,094
3	945001	—	2,843,528
1	1055001	—	1,056,191
1	1160001	—	1,165,000
2	1230001	—	2,464,446
1	1270001	—	1,273,845
1	1630001	—	1,633,556
1	1635001	—	1,638,000
1	1860001	—	1,861,245
1	1880001	—	1,880,591
1	2055001	—	2,057,783
1	2125001	—	2,129,816
1	2140001	—	2,140,640
1	2275001	—	2,277,790
1	2380001	—	2,383,704
1	2530001	—	2,531,469
1	2650001	—	2,654,058
1	3540001	—	3,542,855
1	3580001	—	3,583,902
1	5225001	—	5,227,349
1389			56,040,000

S. NO.	CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	TOTAL SHARES HELD	PERCENTAGE
1	INDIVIDUAL	1,345	49,569,571	88.45%
2	JOINT STOCK COMPANIES	17	252,381	0.45%
3	FINANCIAL INSTITUTIONS	1	1,001	0.01%
4	INVESTMENT COMPANIES	5	9,100	0.02%
5	INSURANCE COMPANIES	3	1,881,951	3.36%
6	FOREIGN INVESTORS	3	336,452	0.60%
7	BANK	2	1,592	0.01%
8	MODARABA	3	1,100	0.01%
9	MUTUAL FUND	7	3,733,483	6.66%
10	OTHERS	3	253,369	0.43%
		1,389	56,040,000	100.00%

NIT and ICP

1	National Investment (Unit) Trust	2,057,783
2	Investment Corporation of Pakistan	1,800
3	National Bank of Pakistan Trustee Dept.	300
4	National Bank of Pakistan Trustee Wing	100

4 2,059,983

Pakistan Synthetics Limited

PATTERN OF SHAREHOLDING

AS AT 30 JUNE 2018

Directors, CEO & their Spouses

1	Mr. Umer Haji Karim - Director		2,277,790
2	Mrs. Amina (W/o Mr. Umer Haji Karim)		930,694
3	Mr. Anwar Haji Karim - Chief Executive Officer		1,273,845
4	Mrs. Zeenat (W/o Mr. Anwar Haji Karim)		1,056,191
5	Mr. Yakoob Haji Karim - Director		2,140,640
6	Mrs. Shahida (W/o Mr. Yakoob Haji Karim)		947,848
7	Mr. Sajid Haroon - Director		2,531,469
8	Mrs. Akila (W/o Mr. Sajid Haroon)		930,700
9	Mr. Abid Umer - Director		1,861,245
10	Mr. Pir Mohammad A. Kaliya - Director		500
11	Mr. Noman Yakoob - Director		2,383,704
		11	<u>16,334,626</u>
	Executives	Nil	—
	Public Sector Companies and Corporation - State Life Insurance	1	1,880,591
	Banks, Development Finance Institutions, Banking Finance Institutions, Insurance Companies and Modarabas	36	856,355
	Mutual Funds		
	CDC-Trustee AKD Opportunity Fund		508,000
	Golden Arrow Selected Stocks Fund Limited		1,165,000
	Asian Stock Funds Limited		500
		3	<u>1,673,500</u>
	Individuals		33,234,945
		Total	<u><u>56,040,000</u></u>

Shareholders holding 5% or more

Shafi Sajid	6.32%	3,542,855
Noor Jehan Bano	6.39%	3,583,902
Fawad Anwar	9.33%	5,227,349

Associated Companies, Undertakings and Related Parties

First Paramount Modaraba	100
--------------------------	-----

Following transaction in shares by Directors, Executives and their spouses and minor children was made during the year;

Mr. Noman Yakoob - gift made (11 January 2018)	1,228,333
Mr. Abid Umer - gift made (6 February 2018)	1,181,296
Mrs. Shahida Yakoob - gift made (6 February 2018)	395,833
Mr. Sajid Haroon - gift made (6 February 2018)	628,572
Mr. Sajid Haroon - gift received (6 February 2018)	1,503,219
Mrs. Amina Umer - gift made (6 February 2018)	608,679
Mr. Abid Umer - gift received (9 February 2018)	1,181,145
Mr. Noman Yakoob - gift received (9 February 2018)	1,228,334
Mr. Anwar Haji Karim - gift made (5 April 2018)	1,128,945
Mr. Anwar Haji Karim - gift received (5 April 2018)	3,429,494
Mr. Yakoob Haji Karim - gift made (5 April 2018)	2,085,590
Mr. Anwar Haji Karim - gift received (6 April 2018)	1,591,814
Mr. Anwar Haji Karim - gift received (14 May 2018)	857,223
Mr. Anwar Haji Karim - gift made (27 June 2018)	4,749,586
Mr. Yakoob Haji Karim - gift received (27 June 2018)	2,085,590
Mrs. Shahida Yakoob - gift received (27 June 2018)	395,833
Mrs. Amina Umer - gift received (27 June 2018)	608,679
Mr. Noman Yakoob - gift received (28 June 2018)	474,090

www.jamapunji.pk








 **Jama
Punji**
سرمایہ کاری سمجھداری کے ساتھ










**Be aware, Be alert,
Be safe**

Learn about investing at
www.jamapunji.pk

Key features:

-  Licensed Entities Verification
-  Scam meter*
-  Jamapunji games*
-  Tax credit calculator*
-  Company Verification
-  Insurance & Investment Checklist
-  FAQs Answered

-  Stock trading simulator
(based on live feed from KSE)
-  Knowledge center
-  Risk profiler*
-  Financial calculator
-  Subscription to Alerts (event
notifications, corporate and
regulatory actions)
-  Jama Punji application for
mobile device
-  Online Quizzes



Jama Punji is an Investor
Education Initiative of
Securities and Exchange
Commission of Pakistan

 jamapunji.pk

 [@jamapunji_pk](https://twitter.com/jamapunji_pk)

*Mobile apps are also available for download for android and ios devices

Pakistan Synthetics Limited

NOTICE OF MEETING

Notice is hereby given that the Thirty Third Annual General Meeting of the shareholders of Pakistan Synthetics Limited will be held on Tuesday, 23 October 2018 at 2.30 p.m. at the registered office of the Company at 3rd Floor, Karachi Dock Labour Board Building, 58-West Wharf Road, Karachi , Pakistan to transact the following business:

1. To confirm the minutes of the Thirty second Annual General Meeting of the Company held on 26 October 2017.
2. To receive, consider and adopt the Audited Financial Statements of the Company together with Directors and Auditors' Reports thereon for the year ended 30 June 2018.
3. To appoint the Auditors of the Company and to fix their remuneration. The retiring auditors M/S KPMG Taseer Hadi & Co., Chartered Accountants being eligible have offered themselves for reappointment.
4. To transact any other business with permission of the Chair.

By the Order of the Board

Karachi
Dated: 28 September 2018

YAKOOB HAJI KARIM
Director

NOTES:-

- The Shares Transfer Books of the Company will remain closed from Tuesday 16 October 2018 to Tuesday, 23 October 2018 (both days inclusive). Transfer received at the Registered Office of the Company at the close of business on 15 October 2018 will be treated in time to attend the Thirty Third Annual General Meeting of the Company.
- CDC members are requested to bring with them their CNIC along with Participant's ID numbers and their account numbers at the time of attending the meeting in order to facilitate identification of the respective members.
- In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
- A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote. Votes may be given either personally or by proxy or by attorney, and in case of a corporation by a representative duly authorized.
- The instrument of proxy, as per form attached, duly executed should be deposited at the Registered Office of the Company at least 48 hours before the time of the Thirty Third Annual General Meeting.
- The Shareholders are requested to notify the Company if there is any change in their addresses immediately.

Pakistan Synthetics Limited

NOTICE OF MEETING

- *CNIC numbers of shareholders are mandatorily required for dividend distribution. Shareholders are therefore requested to submit a copy of their CNIC (if not already provided) to the Share Registrar, M/s F.D. Registrar Services (SMC-Pvt) Limited. In case of non-receipt of the copy of a valid CNIC, the Company would be unable to comply with SRO 831(1)/2012 dated 05 July 2012 of SECP and therefore would be constrained under SECP order dated 13 July 2015 to withhold the payment of dividend of such shareholders. The shareholders while sending CNIC must quote their respective folio number and name of the Company.*
- *In accordance with the provisions of Section 242 of the Companies Act, 2017, dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders. All shareholders are requested to provide the details of their bank mandate specifying ; (i) title of account (ii) account number (iii) IBAN number (iv) bank name (v) branch name, code and address to the Company's Share Registrar, M/s F.D. Registrar Services (SMC-Pvt) Limited. Shareholders who hold shares with Participants / Central Depository Company of Pakistan (CDC) are advised to provide the bank mandate details as mentioned above, to the concerned Participant / CDC.*
- *Pursuant to Notification vide SRO 787(1)/2014 of 08 September 2014; SECP has directed to facilitate the members of the company receiving Annual Financial Statements and Notices through electronic mail system (e-mail). We are pleased to offer this facility to our members who desire to receive Annual Financial Statements and Notices of the Company through e-mail in future. In this respect members are hereby requested to convey their consent via e-mail on a standard request form which is available at the Company website i.e. www.pslpet.com.pk. Further, it is the responsibility of the member to timely update the Share Registrar of any change in the registered e-mail address.*

Pakistan Synthetics Limited

FORM OF PROXY

THIRTY THIRD ANNUAL GENERAL MEETING

I/We _____

of _____

being a member(s) of Pakistan Synthetics Limited holding _____

Ordinary Shares hereby appoint _____

of _____ or failing him/her _____

of _____ who is / are also member(s) of Pakistan Synthetics Limited as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at Thirty Third Annual General Meeting of the Company to be held on 23 October 2018 and / or any adjournment thereof.

As witness my/our hand/seal this _____ day of _____ 2018

Signed by the said _____

in the presence of 1. _____

2. _____

Please Quote Folio # /
Participant ID# & A/c#

Signature on
Revenue Stamp
of Appropriate value

The signature should agree
with the specimen registered
with the Company.

IMPORTANT

1. This Proxy Form, duly completed and signed must be received at the Registered Office of the Company at 3rd Floor, Karachi Dock Labour Board Building, 58-West Wharf Road, Karachi. not less than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he himself is a member of the Company except that a corporation may appoint a person who is not a member.
3. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

FOR CDC ACCOUNT HOLDERS/CORPORATE ENTITIES:

In addition to the above the following requirements have to be met:

1. The Proxy Form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the Form.
2. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the Proxy Form.

پاکستان سینٹیاکس لمیٹڈ

مختار نامہ (پراکسی فارم)

میں/ہم

ساکن

بحیثیت رکن (ممبر) پاکستان سینٹیاکس لمیٹڈ مقرر کرتا / کرتی ہوں / کرتے ہیں مسلمی / مسماة

ساکن

کو یا ان کی غیر حاضری میں مسلمی / مسماة

ساکن

کو جو خود بھی پاکستان سینٹیاکس لمیٹڈ کا رکن ہے کہ وہ بطور میرا / ہمارا مختار نامہ (پراکسی) پاکستان سینٹیاکس لمیٹڈ کے سالانہ اجلاس عام میں جو ۲۳ اکتوبر ۲۰۱۸ کو منعقد ہو رہا ہے یا اس کے کسی ملتوی شدہ اجلاس میں شرکت کرے اور وہ میری / ہماری جگہ میری / ہماری طرف سے حق رائے دہی استعمال کرے۔

مورخہ _____ ۲۰۱۸ کو میرے / ہمارے دستخط سے جاری ہوا۔

فولیو نمبر	سی ڈی سی کھاتہ نمبر	حصص کی تعداد

دستخط

گواہ نمبر ۲

گواہ نمبر ۱

دستخط

دستخط

نام

نام

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر

پتہ

پتہ

ہدایات:

- ۱- مختار (پراکسی) کا کمپنی کا رکن (ممبر) ہونا ضروری ہے۔
- ۲- ممبر (رکن) کے دستخط، نمونہ شدہ دستخط / اندراج شدہ دستخط سے مماثلت ہونا ضروری ہے۔
- ۳- سی ڈی سی اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر کو مختار نامہ (پراکسی فارم) کے ہمراہ کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقل منسلک کرنا ضروری ہے۔ کارپوریٹ ادارے کے نمائندوں کو معمول کے مطابق دستاویزات ساتھ لانا ضروری ہے۔
- ۴- مختار نامہ (پراکسی فارم) مکمل پُر شدہ کمپنی کے رجسٹرڈ آفس میں اجلاس کے مقرر وقت سے کم از کم ۴۸ گھنٹے قبل جمع کرانا ضروری ہے۔

If undelivered please return to:

PAKISTAN SYNTHETICS LIMITED

Third Floor, Karachi Dock Labour Board Building,
58, West Wharf Road, Karachi-74000.